

MINUTES OF A MEETING OF THE  
FINANCE/INVESTMENT COMMITTEE  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, NOVEMBER 22, 2021 AT 4:00 P.M.,  
AT THE DISTRICT OFFICE IN THE BOARD ROOM  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

Director Sannella called the meeting to order at the hour of 4:00 p.m.

Present: Director Boyd-Hodgson  
Director Sannella  
General Manager Pruum  
Finance Manager Owen  
Accounting Supervisor Rathsam  
Principal Financial Analyst Arthur  
Information Technology Technician Todd  
Administrative Secretary Johnson

Others Present: Shannon Ayala, DavisFarr, LLP  
John Wright, Raftelis

ITEM(S) FOR DISCUSSION

FISCAL YEAR 2021 AUDIT RESULTS

Finance Manager Owen stated the audit for the fiscal year ending June 30, 2021, began in June and final field work was completed during the week of September 20. Staff has prepared the Comprehensive Annual Financial Report which will be presented to the Board on December 1, 2021, at their regular meeting.

Shannon Ayala of DavisFarr, LLP provided a presentation on the audit results during which she reviewed the audit reports, audit results, and areas of focus. The auditors issued an unmodified opinion dated November 12, 2021, the highest level of audit opinion that can be received, indicating that the financial statements and footnotes are presented fairly, in all material respects, in accordance with generally accepted accounting principles. No significant deficiencies or material weaknesses in internal controls were identified.

General discussion took place.

COST OF SERVICE STUDY UPDATE

General Manager Pruum stated the last time the District increased its water rates was in March 2020, and sewer rates have not increased in approximately four years. Since that time, the District has absorbed numerous cost increases associated with water

purchased from the San Diego County Water Authority, San Diego Gas & Electric charges, insurance, materials, and labor costs. The District can no longer continue to absorb these cost increases. In order to increase rates, the District must complete a Cost of Service Study (COSS) and adhere to the Proposition 218 process.

Principal Financial Analyst Arthur and John Wright of Raftelis facilitated a presentation on the COSS Update/Scenarios as follows:

- Cost of Service Study Process
- What is Cost of Service?
- California Proposition 218: A Cost of Service Mandate
- Cost of Service: Allocation to Cost Components
- Study Objectives
- Recent Water Cost of Service History
- Conclusions from Board Ranking of Pricing Objectives
- Current Commodity Rates
- Current Readiness to Serve Charges
- Current Pumping Surcharges
- Cost of Service Study Scenarios
- Rate Summary – Average Single Family Residence
  - Base Scenario
  - Desal as a Fixed Charge
  - Property Tax/RDA Offset (75/25) – Recommended Option
- Basis for Recommendation
- Incremental but Substantive Improvement
- Next Steps

Gayle Martin, member of the public, stated Tier 3 customers should see the most increase, not decrease, in rates as they use the most water.

A proposed schedule for the COSS was presented as follows:

- Board Workshop 1 – December 15, 2021
- Board Workshop 2 – January 11, 2022
- Notice of Public Hearing Mailed – January 14, 2022
- Public Hearing – March 2, 2022
- New Rates in Effect – March 3, 2022
- For Bills Mailed On or After April 3, 2022
- Bills Due No Earlier Than April 23, 2022

General discussion took place.

General Manager Pruim stated the three rate scenarios will be presented to the full Board at the first workshop which will likely be scheduled in mid-December and not at a regular Board meeting.

REFUND OF MWD/CWA LAWSUIT PROCEEDS

General Manager Pruim stated this item was discussed at the November 17, 2021, Board meeting. The Board directed the Finance/Investment Committee to further consider the second refund received as a result of the resolution of the lawsuits between the San Diego County Water Authority and Metropolitan Water District of Southern California. Four options were presented to the Board as follows:

- Refund proceeds evenly amongst all current customers regardless of meter size.
- Refund proceeds in proportion to meter size (this method was used for the first lawsuit proceeds previously received).
- Refund proceeds according to the amount of money customers contributed during the period of time referenced in the lawsuits (2015-2017).
- Use the refunds to defray the cost of imported water over a defined period of time such as a year.

General Manager Pruim further stated the Board focused on the second and fourth options. If the meter size method is used, each 5/8" and 3/4" meter would receive a one-time bill credit of \$43.28. If the proceeds were used to defray the cost of imported water over the next year, each unit of water sold would decrease by approximately 20 cents. A typical single-family customer would see a benefit of approximately \$31.20 over the course of a year depending on how much water they use.

General discussion took place regarding tenants of multi-family accounts, apartments, and mobile home parks that did not receive the previous credits directly. The District has no control over how HOAs and apartment complexes distribute refunds to their tenants.

The consensus of the Committee was to recommend refunding the lawsuit proceeds in the same manner as was done previously (by meter size).

Gayle Martin, member of the public, expressed her opinion that the lawsuit proceeds should be used to lower future rate increases.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:40 p.m.