

MINUTES OF A WORKSHOP MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, FEBRUARY 1, 2017, AT 2:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Elitharp called the Regular meeting to order at the hour of 2:06 p.m.

Director Hernandez led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Hernandez
Director Martin (arrived 2:49 pm)

Absent: Director Sannella

Staff Present: General Manager Prui
Assistant General Manager Scaglione
District Engineer Gumpel
Finance Manager Fusco
Operations & Maintenance Manager Pedrazzi
Accounting Supervisor Owen
Financial Analyst Arthur
Executive Secretary Posvar

ADOPT AGENDA FOR THE WORKSHOP MEETING OF FEBRUARY 1, 2017

17-02-01 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously with Director Sannella absent, to adopt the agenda for the Workshop Board Meeting of February 1, 2017.

PUBLIC COMMENT

Mr. Hunsaker requested his comments follow the Board discussion items.

DISCUSSION ITEMS

BUDGET PROCESS REVIEW

General Manager Prui provided an oversight of the items to be discussed and stated that the plan/goal is to develop a financial plan and long range forecast for the District.

Director Evans requested information related to the Finance Committee meeting held on January 24, to which General Manager Prui responded.

Finance Manager Fusco provided a presentation on the budget process detailing the following:

- Legal authority from the Board of Directors authorizing staff to acquire and utilize resources on behalf of the District.
- Communication Document – will provide rate payers with information on what and where resources will be raised/utilized and how the District plans to sustain itself.
- Immediate Goal – produce the fiscal year 2017/18 financial plan for water and sewer operations, capital spending plan, debt service compliance
- Produce the fiscal years 2018/19 – 2021/22 long range forecast for water and sewer replacement reserves, water and sewer capital facility reserves, and debt service compliance
- FY 17/18 operating budget components for expenses and revenue
- FY 17/18 – 21/22 capital budget outlay for existing and new projects as well as EWA projects, and resources
- Long-term Goal
- Budget calendar January through June
- Cost reduction efforts
- FY 2016/17 operating budget
- Expenditures recovered by user charges (in millions)
- Actual transfers to reserves for FY 07/08 - 16/17 and FY 16/17 budget

During the presentation, Director Evans inquired as to whether or not there are policies in place that guide the budget process, to which staff confirmed and explained. General Manager Pruim stated that staff can put together information for a subsequent workshop to assist the Board in understanding what factors staff considers when preparing the budget.

General discussion/question and answer took place during the presentation.

WATER RATE STRUCTURE CONSIDERATIONS

Assistant General Manager Scaglione provided a presentation on water rate structure considerations detailing the following:

- General considerations
- Pros and cons for a flat rate structure
- Pros and cons for a rate structure tiered by customer type
- Pros and cons for a rate structure tiered by meter size
- Pros and cons for a budget-based rate structure
- Objectives
- Hierarchy of authority
- Study of commodity rates
- When supply cost is big

- Defining customer class by meter size vs. by customer type
- Determining tier amounts
- Allocating tranches to customer classes
- Cost allocation to tiers
- Cost allocation to supply, base and peaking
- Studies to consider
- Staff recommendation on rate development
- Prop 218 calendar

Assistant General Manager Scaglione reviewed the draft cost of service study which is in the very early stages. He asked the Board if there was a consensus to proceed with the internal study. The consensus of the Board was for staff to proceed.

General discussion/question and answer took place during the presentation.

PROPOSITION 218 – PUBLIC RATE HEARING NOTICE TIMELINE

Assistant General Manager Scaglione reviewed the draft Public Hearing timeline. General discussion took place.

Mike Hunsaker, member of the public, addressed the Board questioning the deferment of \$3 million for maintenance; the reserve policy and how the reserves are computed; OPEB and survivor benefits; dependents covered up to age 26; and, deferred payment program for developers. He thanked the Board.

President Elitharp recommended Mr. Hunsaker meet with staff to answer his questions.

General Manager Pruim expressed concern with duplication of information and multiple meetings as well as lack of clarity on what should take place at the Finance Committee vs. Board Workshops.

President Elitharp stated that he felt the Finance Committee would have other items to address other than what would be discussed at a Board workshop meeting.

General discussion followed in which Director Martin stated that at the last Finance Committee meeting they discussed a lot of things that were not covered at this meeting, that the reason for the committee is to go through all the minutia and the budget line by line.

Director Evans stated that she did not believe the purpose of a Board is to go through the budget minutia, the purpose of the Board is to establish policies. She further expressed that the minutes have been extremely brief and suggested that the meetings

be audio recorded to make them available to the Board. If the committee is going to get into the minutia, then they all should be getting into the minutia.

Director Hernandez stated that there is a lot of detail with the budget review and would take them hours to read through it, that the committee would be delving into the finer details if they were interested.

President Elitharp stated that a good solution would be to have more detailed minutes.

Director Evans stated that if the Finance Committee meetings could be recorded on audio, then staff would not have to take the time to do detailed minutes verbatim.

General Manager Pruim stated that if the Board chooses, staff could start audio recording the Finance Committee meetings.

The consensus of the Board was that all committee meetings will be audio recorded.

ADJOURNMENT

There being no further business to discuss, President Elitharp adjourned the Workshop Meeting of the Board of Directors at the hour of 4:24 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, February 15, 2017, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Craig Elitharp, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruim, Secretary
Board of Directors
Vallecitos Water District