

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, FEBRUARY 22, 2017 AT 5:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Martin called the meeting to order at the hour of 5:00 p.m.

Present: Director Martin
Director Sannella
General Manager Pruim
Assistant General Manager Scaglione
Finance Manager Fusco
Accounting Supervisor Owen
Financial Analyst Arthur
Administrative Secretary Johnson

Others Present: Director Elitharp
Director Evans

ITEM FOR DISCUSSION

BUDGET AND RATE STUDY UPDATE

General Manager Pruim stated topics for discussion at this meeting would include water and wastewater reserves to provide more clarity, updates on the budget and rate development processes, as well as unbilled water.

Finance Manager Fusco discussed in detail the water and wastewater reserves graph that was previously presented at the last Finance/Investment Committee meeting and Board workshop, demonstrating how the graph correlates to figures from the Reserve Report which is included monthly in the Board agenda packets. He presented graphs illustrating trends in capacity and replacement reserves. Data from FY 07/08 through FY 15/16 indicates the following:

- Water capacity reserves have been trending downward since FY09/10, primarily due to several large projects and debt funding.
- Water replacement reserves are close to what was budgeted.
- Wastewater capacity reserves have been trending downward.
- Wastewater replacement reserves have been trending downward; however, they are better than what was budgeted.

General discussion and question/answer took place.

Finance Manager Fusco provided information on salary and benefit data for FY11/12 through FY15/16, the current FY16/17 budget, and projections for the year end FY16/17. Currently, salaries are projected to be approximately \$771,000 below what was budgeted mainly due to having 3.75 fewer employees and employees out on medical leave and modified work schedules. Director Sannella requested further information on this.

General discussion took place.

Finance Manager Fusco distributed copies of a budget worksheet showing revenues and operating expenses by department, actual FY15/16 budget, estimated FY16/17 budget and projections for its year end, estimated FY17/18 budget, and budget-to-budget comparisons. He explained how the worksheet is utilized in the budget process. At the next Committee meeting, actual numbers will be populated in the worksheet for discussion.

Assistant General Manager Scaglione provided a presentation on unbilled water as follows:

- Recent Legislation on Water Loss Management
- Objectives of Water Loss Audit
- AWWA's Water Balance
- Water Audit Result Metrics/KPIs
- Rate Structure Change Impacts

General discussion took place during which General Manager Pruim stated the District's three-year average of unbilled water is 5.6%.

Director Martin requested a comparison of how Olivenhain Municipal Water District's tier structure compares to Vallecitos' tier structure. General Manager Pruim explained that each district will be different because sources of water, supplies, costs and debt loads vary for each district. Director Sannella requested information on how the District's debt compares to other districts. Finance Manager Fusco will provide this information at the next Committee meeting.

Assistant General Manager Scaglione provided a presentation on rate structure change impacts during which he presented monthly bill analysis for meters ranging in size from 5/8" to 3". Analysis of multi-family customers will be presented at the next Committee meeting as well as cost of service studies from other districts.

Director Martin requested information on the District's last ten rate increases, including date, amount of increase, percentage of increase, and the effect the purchase of desal water has had.

Letters will be mailed on February 24 to customers affected by the pump zone increase. Directors Martin and Sannella requested information on rate increase complaints by division.

OTHER BUSINESS

Director Martin requested a copy of the current MOU for discussion at the next Committee meeting.

Director Sannella requested a list of recurring contracts or agreements over \$100,000 annually that need to be bid out per the District's purchasing policy. He would like this topic placed on the next Board agenda, if possible, or the one after that.

Director Martin requested information on possible outsourcing of functions in an effort to save money wherever possible.

The Committee confirmed it will meet on March 22 and March 29 at 5:00 p.m.

PUBLIC COMMENT

Mike Hunsaker, member of the public, inquired about what he referred to as the "deferred capacity fee payment plan" (there is no such plan; the District changes the due date for the fee and charges the fee that is current on the due date), the water loss average, and tiers for commercial and agricultural (rate structure is by meter size, not customer class), to which staff responded.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 6:30 p.m.