

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, APRIL 17, 2017 AT 3:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Martin called the meeting to order at the hour of 3:00 p.m.

Present: Director Martin
Director Sannella
General Manager Pruim
Assistant General Manager Scaglione
District Engineer Gumpel
Finance Manager Fusco
Accounting Supervisor Owen
Administrative Secretary Johnson

Others Present: Director Evans
Capital Facilities Senior Engineer Hubbard

ITEM FOR DISCUSSION

CAPITAL BUDGET REVIEW

Staff presented the preliminary 2017/18 Capital Improvement Program (CIP) budget as well as the projected five-year CIP budget to the Committee. Projects being carried over from prior budget years were discussed as well as new projects, some of which are projects that were proposed previously but were deferred for various reasons. This information, incorporating the Committee's feedback, will be presented to the full Board at the Board Workshop scheduled for April 26.

Finance Manager Fusco explained that a project qualifies as a capital project if it is an acquired or built asset that will last over one year and costs greater than \$10,000. He provided an overview of the CIP, discussed water and wastewater projects separately, which projects are replacement, capacity or both, and why that's important.

Finance Manager Fusco distributed handouts of the presentation he provided to the Committee which included the following:

- Draft 2017/18 Overall Budget
- Capital Budget
 - Capital Outlay
 - Resources
- CIP Costs

- Water Replacement – CIP
- Water Capacity – CIP
- Sewer Replacement – CIP
- Sewer Replacement – CIP Less EWA
- Sewer Capacity – CIP

General question and answer took place during the presentation regarding the Encina Wastewater Authority's (EWA) Five-Year Plan and Meadowlark Tank No. 3 project.

Director Sannella stated that because water purchases are such a large portion of the budget, he would like information about the employees' MOU from the San Diego County Water Authority (SDCWA) and EWA to see if those agencies are doing all they can to cut costs and run as efficiently as possible.

Finance Manager Fusco reviewed the Draft Comprehensive Project List in detail which includes carryover, new and future projects, and how it correlates with the budget document.

District Engineer Gumpel discussed information used in determining the CIP budget such as the Master Plan budgeting process which utilizes actual costs of previous projects that are scaled up or down and estimated costs for environmental, planning, design, management and staff hours. He discussed the Encina Parallel Land Outfall project and several projects that have the most impact on the CIP budget, both replacement and capital, including:

- San Marcos Interceptor
- Rock Springs Sewer Replacement
- North Vista Pressure Reducing Station Upgrade
- South Vista Pressure Reducing Station Upgrade
- Schoolhouse Tank Refurbishment
- Stargaze Court Water Line Replacement

Director Martin inquired about the status of the expansion of the men's locker room in Building B. District Engineer Gumpel stated the project had been deferred due to the necessity of finishing other more critical projects; however, the project will go out to bid soon and construction is scheduled to begin at the start of the next fiscal year. He explained the lengthy process involved in preparing a written request for proposal and all that it entails.

Director Martin asked District Engineer Gumpel if any of the proposed projects could be deferred. District Engineer Gumpel stated the Meadowlark Tank No. 3 and Mountain Bell Pump Station projects could be deferred, if necessary. The Montiel Gravity Outfall project was described as dependent on an agreement with the City of Escondido, and the coordination for this agreement may cause the project to be delayed, but the project should not be deferred. If the agreement does not go through, the project would be eliminated, but would be replaced with three separate projects to upgrade the lift station

and associated pipelines. General Manager Pruim cautioned about deferring projects too often as this could lead to serious problems later.

Finance Manager Fusco briefly reviewed the 2017/18 Capital Budget – Easements, Vehicles & Equipment Schedule.

General discussion took place.

Finance Manager Fusco summarized how the Cost of Service Study, water costs, revenue, operating costs, reserves and capital all come together and how they may impact rates. Once proposed water rates from the SDCWA are known they can be put into the budget model. He anticipates the draft proposed budget should be ready to present to the Board in early May.

General discussion took place regarding the operating efficiencies of SDCWA. General Manager Pruim stated SDCWA's General Manager Maureen Stapleton will be providing a presentation to the Board in June.

The information presented at this meeting will be presented to the full Board at the Board Workshop scheduled for April 26.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:07 p.m.