

MINUTES OF A WORKSHOP OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JUNE 8, 2016 AT 5:00 PM AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Sannella called the Board Workshop to order at the hour of 5:00 p.m.

Director Martin led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Hernandez
Director Martin
Director Sannella

Staff Present: Interim General Manager Scaglione
Legal Counsel Scott
District Engineer Gumpel
Finance Manager Fusco
Accounting Supervisor Owen
Financial Analyst Arthur
Executive Secretary Posvar
Administrative Secretary Johnson

Others Present: Brian Jewett, Black & Veatch

ADOPT AGENDA FOR THE WORKSHOP OF JUNE 8, 2016

16-06-11 MOTION WAS MADE by Director Hernandez, seconded by Director Martin, and carried unanimously, to adopt the agenda for the Board Workshop of June 8, 2016.

PUBLIC COMMENT

None.

ITEM FOR DISCUSSION

REVIEW COST OF SERVICE STUDY AND PROPOSED RATES

Finance Manager Fusco provided a recap of Board workshops regarding rates that preceded this workshop. A workshop was held on January 6, 2016 at which it was suggested the District move away from billing by meter size, due in part to the San Juan Capistrano court ruling, and to move into a more defensible type of methodology by customer class. At the workshop held on February 8, 2016 five different scenarios were presented to the Board for consideration, and at the February 17, 2016 workshop the Board chose to move forward with Scenario No. 5. He stated that Scenario No. 5 consists

of a three-tiered structure for Single Family Residential and Irrigation; a two-tiered structure for Multi-Family Residential, Commercial/Industrial and Public; and a single-tier structure for Agricultural and Construction.

Finance Manager Fusco presented information on the projected Single Family Residential bill.

General discussion took place.

Brian Jewett of Black & Veatch provided a presentation on the following:

- Overview of Cost of Service Process to Comply with Proposition 218
- Why a Proposed Change in District Water Pricing?
- Proposed Tiered Structure for All Customer Types
- Proposed Water Rates: Ready-to-Serve
- Proposed Water Rates: Commodity
- Wastewater Rate Structure Remains the Same
- Proposed Wastewater Rates

General discussion took place during and after the presentation.

Financial Analyst Arthur presented the following information:

- Projected Ready-to-Serve
- Projected Commodity Rates
- Projected Single Family Residential Bill
- Pass Through
- Single Family Residential Bill – Various Usage
- Multi-Family Residential Bill – Various Usage
- Pump Zones
- Next Steps

Financial Analyst Arthur demonstrated projected rates based on different variables utilizing an interactive model.

General discussion took place regarding how cuts to the proposed FY 2016/17 budget would affect rates, such as cutting \$9 million out of the Capital Improvement Projects (CIP) portion of the budget over three years and 3% out of Water Operations for five years. There would be some improvement in this example; however, there would be a \$4 million reduction in reserves.

Director Evans stated it's important that ratepayers know that the District has used some of its reserves in order to keep rates steady with no increases in the past 18 months.

President Sannella stated that before raising rates, the Board needs to look at the District's costs in more detail as well as revenues.

Interim General Manager Scaglione recommended staff provide a budget update at the next Regular Board meeting on June 15 rather than waiting until the budget workshop scheduled for June 27, and discuss both the budget and rates at that workshop.

Director Elitharp suggested staff provide the Board with three to four alternative proposed rate increases in the 4.5% to 5% range to see what would have to be done to achieve those numbers. The Board could then determine if that range was unrealistic. President Sannella and Directors Martin and Hernandez concurred with Director Elitharp's suggestion.

The consensus of the Board was to discuss the proposed FY 2016/17 budget and rates at the Board workshop scheduled for June 27. Interim General Manager Scaglione will provide a brief budget update at the Regular Board meeting on June 15, including budget results for the past five years per Director Martin's request.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Workshop of the Board of Directors at the hour of 7:02 p.m.

Michael A. Sannella, President
Board of Directors
Vallecitos Water District

ATTEST:

Tom Scaglione, Secretary
Board of Directors
Vallecitos Water District