

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, APRIL 2, 2018 AT 4:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

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

Present: Director Martin
 Director Sannella
 General Manager Pruim
 District Engineer Gumpel
 Finance Manager Owen
 Operations & Maintenance Manager Pedrazzi
 Capital Facilities Senior Engineer Hubbard
 Financial Analyst Arthur
 Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

2018/19 BUDGET REVIEW

Finance Manager Owen provided an update on the budget process to date and stated that no changes were made to the operating budget since the March 22 Committee meeting.

Finance Manager Owen facilitated a presentation to the Committee which included:

- Agenda
- Budget Calendar
- Water Sales Estimates
- Water Sales Estimates – 5% Reduction in Demand
- Draft Capital Budget
- Draft Capital Budget Page
- Vehicles and Equipment
- Next Steps – Budget Calendar

Financial Analyst Arthur discussed water sales estimates and water purchases. In regard to water purchases, more information on water costs from the San Diego County Water Authority should be available by April 17 or soon thereafter. For illustrative purposes, he used the current year's numbers plus 4.5%. The numbers are also based on a conservative water purchase estimate of \$32.7 million.

Financial Analyst Arthur noted if usage decreases 5%, that doesn't necessarily mean revenues will decrease 5% as well. The reason for this is that 17% of the District's customer water usage is in Tier 3. In the event of a drought, most of the decrease would be in Tier 3, and 17% in sales makes up 31% of revenue. He demonstrated a sensitivity analysis showing the effects of a 5% decrease in water sales.

General discussion took place regarding the District's reserve policy. The policy may be discussed at a future Committee meeting to consider what the reserve floor, ceiling and target levels should be.

Finance Manager Owen reviewed the Comprehensive Project List which includes all Capital Improvement Program (CIP) project requests that have been submitted. The two largest carryover CIP projects are the Encina Parallel Land Outfall (\$13.7 million) and City of San Marcos Joint Projects (\$3.2 million). There are 12 new project requests totaling \$2.4 million.

District Engineer Gumpel provided an overview of the process engineering staff uses to prioritize project requests, including operations, CIP, on-going and future projects, and how emergency projects can alter the CIP project schedule, which he reviewed in detail. The CIP project schedule for 2018/2019 includes data on planning, design, bid/legal review/Board approval/construction agreement, and construction.

District Engineer Gumpel stated there is \$22 million in Master Plan identified future projects which does not include funds for replacement projects. The majority of operations based projects are replacement projects. Staff is creating an asset management program to assist in determining when to replace infrastructure to avoid expensive emergency repairs.

Staff reviewed the Capital Projects List for FY 2017/18 and draft for FY 2018/19.

General discussion took place regarding the Encina Land Outfall project. District Engineer Gumpel provided background on the project, explaining that the \$44.7 million cost of the project actually covers five phases spread out in five-year periods, with estimated completion after 2035.

The Committee did not identify any specific projects for further discussion.

In reviewing the 2018/19 capital budget for vehicles and equipment, Operations & Maintenance Manager Pedrazzi stated the Peterbilt dump truck was ordered last summer but is backordered until September. The District does not currently have one and they are not available for rental. The larger dump truck would save on labor, return trips, and fuel.

General discussion took place regarding the audiovisual upgrade for the Board room.

Finance Manager Owen stated the next Committee meeting is scheduled for Wednesday, April 25 at which the Committee will review the finalized capital budget and the draft proposed budget, and any Board requested items. Staff will then revise and refine the first draft proposed budget. A Board workshop is scheduled for Monday, May 21 at which the proposed budget will be reviewed. The recommended budget will be presented to the Board for approval on May 30.

AUDIT PROPOSAL UPDATE

Finance Manager Owen stated staff received and evaluated seven proposals for auditing services for the years ending June 30, 2018, 2019, and 2020 with the option for two one-year extensions. Staff interviewed the top two firms and unanimously selected DavisFarr LLP Certified Public Accountants to be the top candidate.

Staff asked the Committee to recommend the Board approve a contract with DavisFarr LLP Certified Public Accountants at the April 18 Board meeting.

The consensus of the Committee was to support the selection of DavisFarr LLP Certified Public Accountants.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:28 p.m.