

MINUTES OF A WORKSHOP MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, MAY 21, 2018, AT 3:00 PM  
AT THE DISTRICT OFFICE  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Hernandez called the Workshop meeting to order at the hour of 3:00 p.m.

Director Elitharp led the pledge of allegiance.

Present: Director Elitharp  
Director Evans (3:11 p.m.)  
Director Martin  
Director Sannella  
Director Hernandez

Staff Present: General Manager Pruim  
Legal Counsel Gilpin  
Administrative Services Emmanuel  
District Engineer Gumpel  
Finance Manager Owen  
Operations & Maintenance Manager  
Financial Analyst Arthur  
Executive Secretary Posvar

ADOPT AGENDA FOR THE WORKSHOP MEETING OF MAY 21, 2018

18-05-07 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Board Workshop Meeting on May 21, 2018.

PUBLIC COMMENT

None.

ITEM(S) FOR DISCUSSION

FISCAL YEAR 2018/2019 BUDGET

General Manager Pruim stated the purpose of the workshop is to present the Board with a high-level overview in preparation for the presentation the Board will see on June 6. At that meeting, staff will be asking the Board to adopt the FY 2018/2019 budget. Finance Manager Owen will provide a summary of the budget process/preparations undergone. Staff has been working on the budget since last December. Staff at all levels have contributed to the budget document which has been vetted by the Finance Committee. Staff has controlled costs that can be controlled. He further stated that the

Board will see a budget that does several things: 1) it's within the revenue estimates that are based on the already approved rates; 2) will maintain the high levels of service as previously done; 3) pays all current pension obligations and all of the debt service; 4) puts the District in a position to retain its high credit rating; 5) it will accommodate some level of water sales reductions.

Finance Manager Owen will review the budget process and calendar, water and sewer operating expenses, salaries and benefits, capital budget, reserve balances and the next steps. Financial Analyst Arthur will review the water sales and purchases as well as sewer revenue.

Finance Manager Owen reviewed the budget process and calendar stating in February audited actuals and projections for 2018 were updated; individual departments submitted budget requests; Finance Committee met and reviewed the budget process and calendar; the operating budget was compiled in March; completed the FY 2018 projections; and prepared the payroll estimates.

The Finance Committee met on March 22<sup>nd</sup> to review the operating budget requests and to review the preliminary salaries and benefits. In April, staff incorporated the operating budget, prepared the draft capital budget, and reviewed the capital and operating draft in total. The Committee met again on April 2<sup>nd</sup> to review the operating budget and the preliminary capital budget. The Committee met again on April 25<sup>th</sup> to review the draft operating and capital budget and discuss any recommended items or if the Committee had any changes/suggestions. The draft budget was reviewed in May and has been revised and refined by management and staff. In June, staff will be incorporating any changes the Board has and will present the budget to the Board on June 6 for approval.

Finance Manager Owen reviewed the following elements of the budget:

- Water Operations budget
- Water Purchases
- Operations Increased by \$200,000
- G&A Increased by \$200,000
- Wastewater Operations
- Treatment decreased by \$200,000 resulting in a reduction in EWA's budget by \$107,000 as well as reduction in outside services to the plant and lift station around \$100,000
- Salaries and Benefits

Financial Analyst Arthur reviewed water purchases stating there is approximately \$32,250,000 in water purchases of which \$26,500,000 is in commodity (variable) and \$5,750,000 in fixed costs. Staff is expecting purchases of approximately 16,700 acre feet, which is approximately 3.5% above the current fiscal year projections. Projected to

sell approximately 15,350 acre feet of water. Total revenue is approximately \$31,800,000 in commodity revenue. Fixed charges/readiness to serve is approximately \$13.3 million. When the sales cut back 10%, it doesn't mean revenues have cut back 10%. Most of the cutbacks will be in tier 3. Sales would be a decrease in approximately \$2 million and purchases would be cut back approximately \$1 million. A net change to reserve balance would be approximately \$960,000. Have projected \$2.2 million to go into reserves in FY 18/19.

Financial Analyst Arthur stated rates have not changed for sewer. The sewer revenue increase is projected to be 1%. Overall sewer revenue for FY 18-19 is projected to be \$20,008,000. He further stated the District is purchasing 16,700 acre feet of water and selling approximately 15,500. There is approximately 7-8% estimated in non-revenue water. A water audit was performed and the water loss percentage is well below industry standards.

Finance Manager Owen resumed his presentation reviewing the following elements of the budget:

- Capital budget to budget comparison
- \$17.1 million projected to be expended in 2019 of the total capital budget
- \$144 million for the total five-year budget
- Summary of this year's five-year capital budget
- Capital budget includes easements, vehicles and equipment - \$778,000
- Change from last year to this year is \$22.3 million
- Reviewed projects by water and sewer
- Water in 18/19 is \$3.6 million – Sewer projects will be \$13.5 million
- Total Water Projects over the next five years is \$45.1 million
- Total Sewer Projects over the next five years is \$98.9 million
- EWA projects account for \$23.7 million of the \$98.9 million
- New Projects
- Reserve Balances
- Next Steps

Question and answer took place during and following the presentation.

#### OTHER BUSINESS

None.

#### ADJOURNMENT

There being no further business to discuss, President Hernandez adjourned the Workshop Meeting of the Board of Directors at the hour of 3:39 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, June 6, 2018, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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James Hernandez, President  
Board of Directors  
Vallecitos Water District

ATTEST:

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Glenn Pruum, Secretary  
Board of Directors  
Vallecitos Water District