



**VALLEY COUNTY WATER DISTRICT
MINUTES FOR THE MEETING OF THE FINANCE COMMITTEE HELD
FRIDAY, AUGUST 8, 2014**

Committee Members Present: Vice President Margarita Vargas, Chairperson
President Lenet Pacheco, Co-Chairperson

Others Present: Director Mariana Lake

Staff Present: General Manager – Lynda Noriega
Operations & Maintenance Manager – Tom Mortenson
Executive Assistant/Board Liaison – Colleen Malaiba

The meeting of the Finance Committee held Friday, August 8, 2014 was called to order at 1:04 pm by Vice President Vargas.

1. Discuss 2014/2015 Draft Capital Improvement Budget

- General Manager reviewed the 2013/2014 Capital Improvement Budget and the projects that were completed, including the website development, the land acquisition related to the 6-million gallon reservoir project, the pipeline replacements, and the utility truck replacements; reported that the District invested \$3,269,716 in capital improvements throughout the 2013/2014 fiscal year; stated that based on the projections for the 2014/2015 fiscal year, funds available for capital improvement projects were projected to be significantly less than were available in 2013/2014
- Operations & Maintenance Manager reported that the Phase 3 pipeline replacement project was nearing completion; commented that with final paving would be completed within the next few weeks
- General Manager reported that the Capital Improvements & Rates Committee would have to review and discuss the 2014/2015 Capital Improvement Budget with respect to the adopted Capital Improvement Project Priority List and Strategic Planning Guide; commented that the capital improvement budget was an outline for planning purposes; explained that all projects would be presented to the appropriate standing committee for recommendation of consideration to the Board of Directors prior to being implemented; reviewed the capital improvement budget as related to the BPOU Sub-Area 1 Treatment Facility; noted that all costs associated with any of the BPOU capital improvement projects would be funded by the Cooperating Respondents
- President Pacheco asked if the Finance Committee needed to decide which projects to include as part of the budget for the 2014/2015 fiscal year
- General Manager responded that the Finance Committee would not need to decide what projects to include in the forecasted capital improvement budget; explained that the Capital Improvements & Rates Committee would be reviewing and discussing the capital improvement budget; compared the budgeted funding requirements for capital improvement projects slated throughout the 2014/2015 fiscal year, \$1,532,000, to the projected budget funding available for capital improvement projects, \$372,366; explained that the District would be operating in a deficit position if it proceeded with all of the proposed capital improvement projects throughout the 2014/2015 fiscal year
- Vice President Vargas verified that the District would not be purchasing the dump truck replacement in the 2013/2014 fiscal year
- General Manager anticipated scheduling the purchase of a large dump truck for fiscal year 2017/2018

2. Discuss 2014/2015 Draft General Operating Budget

- General Manager reviewed the Budget Summary for the 2014/2015 fiscal year; announced that the District anticipated having \$372,366 in funding available for capital improvement projects; noted that the net assets from operations was a deficit of \$566,743; explained that the deficit from operations would be offset with the assessment of Capital Improvement Charges and Water System Access Fees; reported that revenues from water sales were anticipated to be a little higher than last year due to the adopted water service rate structure and schedule adjustment, despite the anticipated revenue loss resulting from the adoption of Resolution 07-14-752 Declaring a Stage 1 Water Supply Emergency and imposing mandatory water conservation measures
- General Manager reported that the projected salary expenses were slightly increased in comparison to the 2013/2014 fiscal year; commented that the District had undertaken efforts to reorganize the employment structure of the Administrative Office and the Operations Yard Facility; added that the expenses related to the Administrative Office reorganization were included in the projected salary expense, which had minimal impact on the overall budget; added that the Administrative Office reorganization was anticipated to include filling the vacant Finance & Administrative Manager position and adding a Human Resources Coordinator position
- General Manager reported that the projected benefit expenses were slightly decreased in comparison to the 2013/2014 fiscal year; attributed the benefit expense reduction to the fulfillment of the California Public Employers' Retirement System (CalPERS) Side Fund Obligation, the reduction in projected retiree benefit contributions, and the authorization to prefund other post employment benefits; added that certain health insurance premiums would be increasing beginning January 1, 2015 while others would realize a minimal decrease; announced that disability insurance premiums increased by 35% based on the rates of the third party insurance provider contracted through Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA); explained that ACWA/JPIA was currently obtaining cost information for a new provider; stated that retiree benefits premiums decreased by 18% due to the adjustments in premium cost and the passing of some retirees; explained that the Director self-insured dental reimbursements increased 300% since more members of the Board of Directors utilized the coverage than was previously budgeted; stated that CalPERS retirement contributions were anticipated to decrease by 4% despite including the Finance & Administrative Manager position and the Human Resources Coordinator addition
- General Manager reported that the projected budget for energy expenses had increased due to the anticipated Southern California Edison rate increase projected at 5% beginning in November 2014
- General Manager reported that the system maintenance expenses were anticipated to increase by 44%; explained that this was primarily due to the decrease in the Operating Safe Yield, which ultimately provides less allocated water production rights and effectively increases the replacement water obligation of the District; added that this would increase the required Watermaster Replacement Water Assessments to \$1,633,980, representing a single year increase of \$1,031,719 in expense; commented that it would be prudent for the District and the other local water utilities to work with Watermaster to set the Operating Safe Yield based on long term averages rather than non-conforming significant annual adjustments; announced that Watermaster had also implemented a Resource Development Assessment where all water producers would be required to contribute \$20.00 per acre foot of water produced as part of the basin water storage plan
- General Manager reported that the District was able to find areas in which to reduce costs under the service and supply expenses, which resulted in a projected 16% decrease when compared to the 2013/2014 fiscal year; announced that the District anticipated a 22% decrease in Liability and Property Insurance due to a decrease in the ACWA/JPIA premiums; reported that expenses for community relations had gone over budget last year due to additional community education opportunities and communication efforts on behalf of the District; stated that the District has budgeted a 73% increase in expenses for next year in hopes of continuing the public outreach programs, preparing for further water supply emergency notifications, and marketing water conservation programs; reported that the election expense had been reduced to \$0 as there was no scheduled election for the District in November 2014

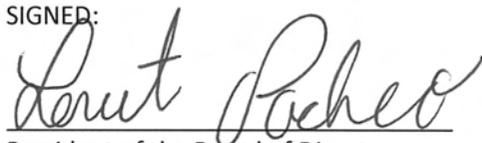
- Vice President Vargas inquired about the bank account fees and what was included in the budget projection
- General Manager responded that this account included general banking fees with Southern California Edison Federal Credit Union, such as monthly account maintenance fees and returned check fees; added that the daily bank deposit courier services was also included in the projection; General Manager continued and reported that operations communications had a significant decrease in expense due to the implementation of a more cost effective cell phone plan; asked the members of the Finance Committee if they had any questions regarding the General Operating Budget
- Vice President Vargas expressed concern regarding the revenue loss resulting from adoption of Resolution 07-14-752 requiring mandatory water conservation
- General Manager stated that she anticipated that the Capital Improvements & Rates Committee would discuss the loss of revenue in terms of how it would affect the forecasted capital improvement plan and the water service rate structure and schedule
- General Manager asked the members of the Finance Committee if they would like to proceed with a recommendation for the Board of Directors to consider the General Operating Budget as presented
- Finance Committee consented to recommend the General Operating Budget for consideration by the Board of Directors at the regular meeting of the Board of Directors on August 25, 2014

3. Discuss 2014/2015 Draft General Operating Budget Adjustments

- General Manager announced that a revised Water Industry Salary Survey and Comparison had been distributed to include the recently approved Cost of Living Adjustment (COLA) by Upper San Gabriel Valley Municipal Water District (USGVMWD); stated that she provided the consumer price index information; explained that based on the available information she would recommend a 1.25% COLA; explained that a 1.25% COLA would have a \$21,822 increased expense impact on the general operating budget; reported that she also provided the total projected change in expense for other various COLA options, including 1.00% and 1.50%
- Vice President Vargas asked whether or not the District would have the required funds to approve a COLA
- General Manager responded that the change in projected expense would have to be deducted from the anticipated funds available for capital improvement projects
- Finance Committee consented to recommend a 1.25% COLA at the regular meeting of the Board of Directors on August 25, 2014

The meeting of the Finance Committee held Friday, August 8, 2014 was adjourned at 1:59 pm by Vice President Vargas.

SIGNED:



President of the Board of Directors

ATTEST:



Secretary of the Board of Directors

(OFFICIAL VCWD SEAL)