



**VALLEY COUNTY WATER DISTRICT
MINUTES FOR THE MEETING OF THE FINANCE COMMITTEE HELD
FRIDAY, JULY 24, 2015**

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

Staff Present: General Manager – Lynda Noriega
Operations & Maintenance Manager – Tom Mortenson
Finance & Customer Service Manager – Jandy Macias

Others Present: Director Mariana Lake

A. CALL TO ORDER

A meeting of the Finance Committee held Friday, July 24, 2015 was called to order at 9:16 am by Director Vargas.

B. DISCUSSION/INFORMATION ITEMS

1. Discuss 2015/2016 Draft Capital Improvement Budget

- General Manager stated that a majority of the capital improvement projects were completed and if not completed as of July 24, 2015, they were in progress with funding already allocated and approved by the Board of Directors; reported that the Administrative office copier, scanner, and fax machine was purchased in June 2015; explained that the project identified as “All pumping facilities SCADA system upgrade installation” had not yet been started; added that this item had been on the agenda for consideration by the Board of Directors, but was pulled from consideration since additional information was required from the vendor; reported that Tesco Controls, the vendor to be used for the SCADA system upgrade, had experienced some turnover and the representatives who originally prepared the proposal were no longer with the company; announced that the new representatives were working to ensure that all items required for the project were included in the proposal in order to avoid any potential change orders to the contract during the installation phase; estimated that the installation of the SCADA project upgrade would cost \$227,000; clarified that, however, this cost could increase based on the revised proposal
- Director Vargas asked if the capital improvements proposed budget projection would be adjusted to reflect the correct cost
- General Manager responded that the actual cost would be amended depending on the amount included within the revised proposal from Tesco Controls; explained that the District continued to work on the water pipeline replacements; recalled that the District awarded a contract to E&R Construction in June 2015 for the Clydeswood Street and Irwindale Avenue pipeline replacement projects; reported that the work would start in August 2015 prior to the end of the fiscal year; estimated that the project would span approximately six weeks; noted that the approved pipeline replacement projects were listed as “Needs Arose Pipeline Replacements” since the Operations & Maintenance Manager identified those areas requiring replacement based on leak history and age; reported that the District planned on completing the Puente Area – Phase 4 pipeline replacement project in the 2015/2016 fiscal year

- Operations & Maintenance Manager explained that the pipeline systems of the District were aged and undersized with low fire flow capabilities in many areas; stated that the pipelines did not have significant leak history although they were old; clarified that many of the leaks that the District experienced on a regular basis were service leaks rather than mainline leaks
- General Manager stated that the District had budgeted for two utility truck replacements and one service truck replacement within the 2014/2015 fiscal year; reported that the District would not be purchasing those trucks within the current fiscal year since the District experienced some issues in obtaining cost proposals from the local fleet dealers
- Operations & Maintenance Manager stated that the District has had issues in acquiring pricing for new vehicles from fleet dealers that typically offer government pricing; reported that the vehicles scheduled for replacement had relatively low mileage and were in sufficient working condition; added that these vehicles would be budgeted for replacement in the 2015/2016 fiscal year; stated that the District had also been looking to replace the small 1999 dump truck; explained that the model of the truck had been discontinued; highlighted the benefits of keeping the small dump truck as part of the District fleet; commented that the District would consider refurbishing the existing dump truck in the 2015/2016 fiscal year; stated that the cost was estimated at approximately \$10,000 to \$15,000; reported that the District was also looking into a traffic control message board to replace the arrow board currently used by the District; reported that the District could also use the new message board for water conservation messaging
- General Manager stated that the District had allocated funds for improvements and upgrades to the exterior of the Administrative Office building; stated that the design plans were still being finalized; stated that once the plans were finalized, they would be reviewed by the Capital Improvements & Rates Committee and the Board of Directors
- Director Vargas inquired about any planned interior improvements for the Administrative Office, including carpet replacement
- General Manager responded that she would begin planning efforts geared towards interior design and improvements to address space planning once the exterior improvements were complete; explained that the interior upgrade was not forecasted until the 2018/2019 fiscal year, taking into consideration the available funding for capital improvement projects, including the 6-million gallon reservoir project and the operations headquarters facility; reported that the District made progress in terms of the new operations facility at 15250 Arrow Highway and 5121 Lante Street; stated that the District spent approximately \$32,000 on the demolition and cleanup of the structures on the property; added that Civiltec Engineering prepared preliminary conceptual plans for the property; commented that, however, she and the Operations & Maintenance Manager requested additional changes to the layout in order to reflect potential future development needs of the District; announced that the District anticipated installing security fencing, utility connections, and preliminary paving within the 2015/2016 fiscal year; reported that the District would begin the design, bid, and contract process for the Clinton O. Nixon Booster Station in relation to the 6-million gallon reservoir project within the 2015/2016 fiscal year; explained that the District would be required to complete a 2015 Urban Water Management Plan during the 2015/2016 fiscal year; reported that the last Urban Water Management Plan was completed in 2011 at a cost of \$15,000; commented that she budgeted \$50,000 for the upcoming 2015 Urban Water Management Plan; reported that the projected capital improvement plan for the Baldwin Park Operable Unit Sub Area 1 (BPOU SA1) Treatment Facility was also included; explained that the District did not fund these projects since the costs were reimbursed by the Cooperating Respondent group; stated that the BPOU SA1 nitrate bypass pipeline project started in the current fiscal year and would be completed in the 2015/2016 fiscal year; reported that the Cooperating Respondents anticipated completing a monitoring well and a production well in the 2015/2016 fiscal year
- Director Vargas inquired when the current BPOU Project Agreement was set to expire
- General Manager responded that the current agreement would expire in May 2017; added that there was sufficient time to complete the current list of capital improvement projects for the BPOU SA1 Treatment Facility; explained that projects beyond 2017 were not identified or planned due to the uncertainty of the extension of the BPOU Project Agreement

- Finance Committee consented to recommend the 2015/2016 Capital Improvement Budget for review by the Capital Improvements & Rates Committee and consideration by the Board of Directors

2. Discuss 2015/2016 Draft General Operating Budget

- General Manager explained that the presented 2015/2016 General Operating Budget projections did not include a cost of living adjustment (COLA) for the employees; reviewed the budget summary page; reported that the District was projecting a surplus of \$1,309,030 due to the scheduled increase in rates to take effect on September 1, 2016; reviewed the projected revenue for the 2015/2016 fiscal year; stated that the District had realized a significant drop in Water Sales – Consumption Charge revenue as a result of the water conservation efforts throughout the service area; anticipated that the 2015/2016 fiscal year would result in even more water conservation that would yield even lower revenues; stated that the budget projections for non-operating revenue was anticipated to increase by 20% in comparison to the current fiscal year as a result of the increased property tax collections by the County of Los Angeles for regular parcel taxes and redevelopment incremental taxes; announced that the overall percentage of change to the current adopted budget for the 2015/2016 fiscal year was projected at -1%; explained that the revenue projections were very conservative; reviewed the projected salaries expense; restated that the budget projections reflected a 0% COLA; stated that the proposed budget projections were 1% lower than the current fiscal year as a result of the reorganization of the finance and administrative office job class specifications; highlighted that the projected budget for the Director stipend payments remained unchanged; reviewed the projected benefits expense; reported that the proposed budget projections were 1% higher than the current fiscal year as a result of increases in health insurance premiums and increases in the CalPERS pension contribution rates
- Director Vargas inquired about the Director Self-Insured Dental Reimbursements
- General Manager explained that the District offers this benefit to Directors, employees, and retirees; added that the District would reimburse out-of-pocket expenses for dental services that were not paid by Delta Dental insurance up to \$750.00 per calendar year; continued with her review of the projected energy expenses; explained that the proposed budget projections reflected a 4% increase in comparison to the current adopted budget; stated that Southern California Edison anticipated a 5% decrease in pumping rates; commented that although a decrease in rates was scheduled, the District would still realize an increase in expense due to the water levels within the basin; added that low water levels required more energy to produce water from the basin; reviewed the projected system maintenance expenses; explained that the proposed budget projections reflected a 30% decrease, which directly correlated to the decreased replacement water obligation anticipated for the 2015/2016 fiscal year; added that the District pre-purchased a total of 3,600 acre feet of replacement water for the 2014/2015 fiscal year; stated that due to conservation efforts and lower supply needs, the District maintained a water rights carry-over amount, which would be applied to the 2015/2016 replacement water obligation
- Director Pacheco requested additional information regarding the water rights carry-over reported by the General Manager
- General Manager responded that the water rights carry-over amount was approximately 1,000 acre feet; stated that the District pre-purchased 3,600 acre feet; added that, however, due to conservation efforts, the replacement water obligation of the District was only 2,600 acre feet; continued with her report and reviewed the projected service and supply expense; explained that the proposed budget projections for “Administration & General Expense” reflected a 44% increase; reported that the District fully expended the community relations budget as a result of the additional water conservation messaging; stated that the budget projection for community relations anticipated the same level of effort for the 2015/2016 fiscal year as was realized within the 2014/2015 fiscal year; added that these efforts would be aimed at reaching the water reduction standard imposed by the State Water Resources Control Board; reported that she created a customer notification allocation line item for any potential customer mailings that could be required; explained that she allocated funds for litigation related to the BPOU Project Agreement negotiations since the Cooperating Respondents had not agreed to pay the legal expenses of the District for the negotiations; stated that if and when the BPOU Project Agreement was finalized, the District would negotiate with the Cooperating Respondents to have the legal expenses reimbursed; announced that the District allocated

election expenses for the anticipated election in November 2015; reported that she contacted the Registrar/Recorder of Los Angeles County for the estimated election cost; explained that the proposed budget for "Operations Office & Equipment Expense" reflected a 9% increase; stated that the proposed budget for "Director Expense" reflected a 3% decrease

- Finance Committee consented to recommend the 2015/2016 General Operating Budget for review by the Capital Improvements & Rates Committee and consideration by the Board of Directors

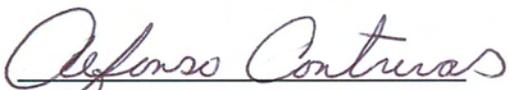
3. Discuss 2015/2016 Cost of Living Adjustment (COLA)

- General Manager reported that the District typically conducted a COLA survey amongst the local agencies who had already approved or who were considering a COLA; explained that the data was collected and analyzed with the Consumer Price Index (CPI) over the previous 12-month period; stated that based on the analysis, she recommended a 1.0% COLA for the District; announced that this would not have a significant impact on the presented budget projections
- Finance Committee consented to recommend a 1.0% COLA for consideration by the Board of Directors

C. ADJOURNMENT

The meeting of the Finance Committee held Friday, July 24, 2015 was adjourned at 10:03 am by Director Vargas.

SIGNED:



President of the Board of Directors

ATTEST:



Secretary of the Board of Directors

(OFFICIAL VCWD SEAL)