



**VALLEY COUNTY WATER DISTRICT
MINUTES FOR THE MEETING OF THE CAPITAL IMPROVEMENTS & RATES COMMITTEE HELD
WEDNESDAY, SEPTEMBER 21, 2016**

Committee Members Present: Director Paul Hernandez, Chairperson
President Alfonso Contreras, Co-Chairperson

Staff Present: General Manager, Jose Martinez
Finance & Customer Service Manager, Jandy Macias

Others Present: Vice President Mariana Lake

A. CALL TO ORDER

The meeting of the Capital Improvements & Rates Committee held on Wednesday, September 21, 2016, was called to order at 9:00 am by Director Hernandez.

B. PUBLIC COMMENT

- Mr. Richard Ayala, resident of Baldwin Park
 - Requested to discuss the late fee policy that he believed to be unethical; reported that he made a payment online through his bank however the District did not receive payment until six days later; stated that the District should acknowledge customer payments at the time of the online transaction if proof is provided as the funds were no longer available to the customer; acknowledged that the Finance & Customer Service Manager reversed the fee as a one-time courtesy but felt this left him and other customers susceptible to incurring fees during future transactions
- General Manager introduced himself and the members of the committee as well as the board member present
- Director Hernandez explained that the committee may not be able to respond to his comment as it is not part of the agenda; however it could request District staff to place the issue on a future agenda as a discussion item
- Mr. Ayala thanked the committee for the opportunity to speak and stated that he intended to attend a future meeting

C. DISCUSSION/INFORMATION ITEMS

1. *Discuss the DRAFT of the 2016-2021 Capital Improvement Budget*
 - General Manager
 - Reported that the Finance Committee discussed the General Operating Budget during their meeting held on Monday, September 19, 2016; reported that the District's total revenue was \$7,519,375; reviewed that the District's operating expenses totaled \$7,346,780, leaving a surplus of \$172,595 remaining for capital improvement projects; reported that the District anticipates to collect \$1,140,761 in Capital Improvement Charges and Water System Access Fees totaling \$1,323,761 for the District's Capital Improvement Budget; announced that the projected 2016/2017 Capital Improvement Budget is forecasted at \$2,386,000, resulting in a \$1,062,239 capital improvement deficit if all projects are completed within this fiscal year; reported that any capital improvement project expenditures exceeding the available funding will be subsidized through the reserves currently held by the District, specifically the Capital Reserve Fund, in accordance with Resolution 08-07-647 Reserve Policy
 - Reviewed the status of the 2015/2016 capital improvement projects that are still in progress and have not been completed; reviewed the anticipated projects for 2016/2017; stated that there are 3 projects

included in the Phase 5 of the water main replacements as prescribed by the District Urban Water Management Plan

- President Contreras asked if the District would be reimbursed any portion of the \$126,000 listed for the Hidalgo Housing Project line item
- Finance & Customer Service Manager stated that this amount represents the portion of the total project cost that the District is responsible for
- Director Hernandez asked about the increase in amount for the 1-ton service truck purchase line item
- General Manager stated that the Operations & Maintenance Manager requested an upgraded vehicle but was not sure about what the upgrades included
- President Contreras asked about the amount that the General Manager could spend without Board of Directors authorization
- General Manager responded that he believed that it was \$10,000 but would report the confirmed amount as soon as possible; reported that the proposed amount for the Administrative Office Exterior Improvement had increased significantly; suggested scheduling a special meeting workshop with the Board of Directors to discuss the project
- Director Hernandez stated this committee has reviewed the plans and remains very open-minded to the project; reported that the committee and the members of the Board of Directors have discussed the option of investing in the exterior improvements for this building and the possibility of consolidating offices with the proposed Operations Headquarters; reported that based on this discussion, it seems that the District is content with the customer familiarity of the Administrative office location and investment in the current building has been recommended
- General Manager stated that he felt it was prudent for the District to evaluate the design plans and the revised proposed cost to ensure that all parties are content with the proposed improvements
- Director Hernandez suggested the projects included within the Phase 5 water main replacement could be evaluated to minimize use of the District's reserve funds but recommended that more progress be made to utilize the fund collected as part of the Capital Improvement Charges and Water System Access Fees
- President Contreras stated that he understood if the District needed to utilize reserve funds; announced that he would like to remain mindful of what the capital improvement budget and reserve fund balances are throughout the year
- General Manager asked if the committee preferred the Capital Improvement Budget be adjusted to stay within the forecasted capital improvement budget
- The committee preferred to leave the Capital Improvement Budget as presented and have each project brought to the Board of Directors for approval
- The committee agreed to present the 2016/2017 Capital Improvement Budget to the Board of Directors for approval

2. Discuss Proposed Rate Study

- General Manager reported the District is in the last year of a 5-year rate increase; stated that if the District intended to increase rates in the 2017/2018 fiscal year, it would be prudent to begin a rate study; recommended that the District begin soliciting bids to conduct a rate study
- Director Hernandez stated that although he was not in strong favor of raising rates, he felt that it was important that the District be well informed about its position in terms of ability to operating the business and completing necessary capital improvements
- General Manager stated that General Counsel has advised that the District needs a comprehensive understanding about the cost of service in order to re-evaluate the District's rates
- President Contreras stated that there has been increasing need to defend the District's rates due to the exorbitant amounts that the District's has had to pay for replenishment water
- General Manager announced that the District water replenishment costs are anticipated to increase with the expected decrease in the Operating Safe Yield; stated that the District needs to evaluate the cost of water service based on these costs and assessments; recommended that the District solicit bids to conduct a rate study

- The committee agreed with the General Manager's recommendation to solicit bids to conduct a rate study
3. *Discuss the Proposed Notification for the Approved Stage 1 Water Supply Emergency and Rate Increase*
- General Manager stated that the District has drafted a postcard to notify District customers of the declaration of the Stage 1 Water Supply Emergency and Rate Increase
 - Director Hernandez made suggestions to display more detailed information
 - President Contreras expressed his concern about the delay of notification considering that the rate increase was effective on September 1, 2016
 - Finance & Customer Service Manager clarified that the rate increase will not affect customer bills until the completion of the billing cycles
 - General Manager stated that he would provide a final draft to the Board of Directors for consideration
4. *Future Discussion Items*
- General Manager announced that he would like to discuss the following items at a future meeting: 1. The reserve fund policy and their balances, 2. Review and assessment of Administrative Office property, 3. Review of District's Late Fee Policy, 4. Review of Phase 5 of the Water Main Replacement Program, 5. Update on the Rate Study, and Review of the Emergency Generator Purchase

D. ADJOURNMENT

The meeting of the Capital Improvement & Rates Committee held Wednesday, September 21, 2016 was adjourned at 10:16 am by Director Hernandez.

SIGNED:



 President of the Board of Directors

ATTEST:



 Secretary of the Board of Directors

(OFFICIAL VCWD SEAL)



