

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, AUGUST 27, 2018 AT 3:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Martin called the meeting to order at the hour of 3:00 p.m.

Present: Director Martin
 Director Sannella
 General Manager Pruum
 Finance Manager Owen
 Accounting Supervisor Glenn
 Financial Analyst Arthur
 Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

RATING AGENCY CRITERIA

Accounting Supervisor Glenn facilitated a presentation on the criteria used during a credit rating evaluation. He stated the three main rating agencies (Standard & Poor's, Moody's and Fitch) have the same objective of creating a rating for debt; however, their methodologies vary slightly. He focused on criteria Fitch utilizes as they provided the District with their current credit AA+ rating. Information presented included:

- Background – Bonds
- Key Rating Drivers
 - Revenue Defensibility
 - Operating Risks
 - Financial Profile
 - Asymmetric Risk Factors
- Vallecitos Credit Rating

Question and answer took place during the presentation.

General discussion took place regarding the frequency of Fitch's surveillance of the District's finances. Finance Manager Owen stated Fitch performs surveillance when major changes take place that could affect the District's financial picture or when debt is taken on. Surveillance is performed every couple of years while debt is outstanding.

Accounting Supervisor Glenn stated the District received the AA+ Fitch rating in 2015 during the bond issuance. In 2017 a surveillance was performed by Fitch at which time they reaffirmed the District's AA+ rating and gave the District a rating outlook of "stable." The AA+ rating is the second highest credit rating possible.

This item was presented for information only.

EWA RESTITUTION FUNDS

General Manager Pruim stated Encina Wastewater Authority (EWA) was awarded approximately \$637,000 in restitution from the Diamond Environmental Services lawsuit. EWA's Board of Directors agreed that those funds belonged to the District. The District received the funds in July and they were placed into the reserves.

General Manager Pruim provided the following options for use of the funds:

- Address the PERS unfunded liability for the District's employees (approximately \$17.4 million)
- Address the PERS unfunded liability the District has as a member agency of EWA for their employees (approximately \$3 million)
- Keep the funds in the District's reserves
- Create a rate stabilization fund to decrease possible future rate increases
- Fund a study on a possible septage receiving facility in North County

General discussion of the various options took place. Director Martin inquired about installing smart sewer covers in key locations to prevent illegal dumping. General Manager Pruim stated the District has smart sewer covers positioned throughout the District's service area for use in high flow situations which might indicate a blockage. An intrusion alert also signals when a manhole is open. The Committee was not in favor of the study for a septage receiving facility.

The consensus of the Committee was to leave the funds in reserves for now and revisit it during the next budget process.

Mike Hunsaker, member of the public, inquired about the restitution and the District's ownership percentage of EWA, to which General Manager Pruim responded. Mr. Hunsaker also requested a copy of the draft Water Master Plan.

OTHER BUSINESS

Director Martin requested data on electric costs for all District facilities.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 3:53 p.m.