

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, APRIL 13, 2020 AT 4:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Sannella called the meeting to order at the hour of 4:19 p.m. The meeting was held via teleconference.

Present: Director Sannella
Director Martin
General Manager Pruim
District Engineer Gumpel
Finance Manager Owen
Operations & Maintenance Manager Pedrazzi
Capital Facilities Senior Engineer Morgan
Asset Management Supervisor Bowman
Principal Financial Analyst Arthur
Administrative Secretary Johnson

General Manager Pruim stated he had received emailed comments prior to the start of the meeting from Mike Hunsaker, member of the public, and that the comments would be read aloud at the appropriate time during the meeting.

General Manager Pruim further stated the numbers presented today are very preliminary and will be reviewed and revised as needed.

ITEM(S) FOR DISCUSSION

REVIEW CAPITAL BUDGET REQUESTS

Finance Manager Owen reviewed the progress of the budget process to date.

Finance Manager Owen presented drafts of the Capital Improvement Program (CIP) master project list, carryover projects that were budgeted in previous years but have not been completed, the CIP, future projects summary and detailed budget pages, and vehicles and equipment budget requests.

District Engineer Gumpel discussed new requests for budget increases for carryover projects totaling \$5.6 million which included the Montiel Lift Station and Forcemain Replacement (\$2.8 million), Tres-Amigos Water Line Replacement Phase 1 (\$975,000), San Marcos Interceptor Phase 2 (\$960,000), and the City of San Marcos Creek District Phase1 (\$410,000).

General discussion took place.

Finance Manager Owen reviewed the spending plan for Fiscal Year (FY) 2020-21, projected to be \$17.1 million, with the major projects being the San Marcos Interceptor Phase 2 (\$6.8 million), Montiel Lift Station and Forcemain Replacement (\$1.5 million) and MRF Biological Selector Improvements (\$1.4 million).

Finance Manager Owen reviewed new projects that have been submitted for FY 2020-21 totaling \$93.1 million. New projects include the Encina Wastewater Authority Five Year Plan (\$29.9 million) and future projects (\$33 million) that will not be worked on in FY 2020-21 but are part of the District's 10-year plan. The District's 10-year plan totals \$145.4 million.

Finance Manager Owen reviewed an example of a capital budget page that is associated with each capital project. The capital budget page contains a brief description of the project, the name of the project manager, the project number assigned to the project, the department responsible for the project, funding source, comments relating to the project, the project's spending plan, and project timeline.

Finance Manager Owen discussed the requests for vehicle and equipment replacements, \$1.184 million and \$60,000 respectively, for a total of \$1.244 million. A large portion of that total is for a new vector combination truck (\$502,000).

General discussion took place regarding the request to replace two Ford F-150 4x4 Super Cab trucks and if the roles for the vehicles require them to be 4x4s. Operations & Maintenance Manager Pedrazzi provided details on the trucks such as the age, mileage, and condition. District Engineer Gumpel stated inspections staff often drive the trucks in unimproved areas and in muddy conditions.

Finance Manager Owen reviewed the next steps in the budget process. The Committee will meet again on April 27 to receive a tentative Cost of Service Study update and discuss any Board requested items. A Committee or Board meeting will be scheduled on May 4 to review the draft proposed budget. A Board workshop will be scheduled on May 20 to review the proposed budget. The recommended budget will be presented to the Board for adoption on June 3.

General Manager Pruim read aloud Mr. Hunsaker's comments in which he requested a soft copy of the capital improvement requests and asked why capital impact fees are not completely covering the needs. General Manager Pruim clarified that capacity funds only pay for capacity increasing projects due to new growth. Ratepayer funds are used for replacement projects.

COVID-19 UPDATE

Finance Manager Owen stated all costs related to COVID-19 are being tracked for possible reimbursement. During the past two pay periods, direct labor and materials costs attributed to COVID-19 have totaled approximately \$25,000. Staff is tracking late fees the District is waiving, lock fees incurred and not collected, and uncollectable accounts. Staff is also trying to determine how much the District is losing in water sales.

General Manager Pruim briefly discussed the difference between cities and the District in terms of COVID-19's impact on revenues. The District's revenue is fairly secure as it relies heavily on rates for its operations, approximately 95%, with the remaining 5% coming from property taxes, redevelopment funds, and investment returns. Cities are more vulnerable to COVID-19 downturn as they rely heavily on sales tax revenue, property tax, special assessments, transient occupancy tax, licensing, permits, and rental income, some of which can be highly volatile.

General Manager Pruim read aloud Mr. Hunsaker's comments regarding how and where the Committee meeting was being held and if it is in violation of the Brown Act. General Manager Pruim further responded that the link to this meeting was not working and that he sent Mr. Hunsaker a separate invitation to attend. He stated the District office is currently closed to the public and that the District's method of holding public meetings via teleconferencing during the COVID-19 situation is not a violation of the Brown Act.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:15 p.m.