AGENDA FOR A COMMITTEE MEETING OF THE WHOLE
SPECIAL BOARD MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
MONDAY, MAY 19, 2014, AT 4:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT MARTIN

ORAL COMMUNICATIONS

Persons wishing to address a matter not on the Agenda may be heard at this time; however, no action will be taken until the matter is placed on a future agenda in accordance with Board policy.

DISCUSSION/ACTION ITEMS

1. RESERVE POLICY REVIEW
2. 2014/15 DRAFT BUDGET REVIEW

*****END OF DISCUSSION/ACTION ITEMS*****

OTHER BUSINESS

3. DIRECTORS’ COMMENTS / FUTURE AGENDA ITEMS

*****END OF OTHER BUSINESS*****

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the Executive Secretary at 760.744.0460 ext. 264 at least 48 hours prior to the meeting.

AFFIDAVIT OF POSTING

I, Diane Posvar, Executive Secretary of the Vallecitos Water District, hereby certify that I caused the posting of this Agenda in the outside display case at the District office, 201 Vallecitos de Oro, San Marcos, California by 4:00 p.m., Wednesday, May 14, 2014.

Diane Posvar
President Martin called the Committee meeting to order at the hour of 4:00 p.m.

Present: Director Evans
Director Hernandez
Director Poltl
Director Sannella
Director Martin

Staff Present: General Manager Lamb
Assistant General Manager Scaglione
Legal Counsel Scott
Finance Manager Fusco
Director of Engineering & Operations Gerdes
Administrative Services Manager Emmanuel
District Engineer Gumpel
Operations & Maintenance Manager Pedrazzi
Public Information/Conservation Supervisor Urabe
Executive Secretary Posvar
Administrative Secretary Johnson

ORAL COMMUNICATIONS

None.

DISCUSSION/ACTION ITEMS

RESERVE POLICY REVIEW

Assistant General Manager Scaglione stated that each year staff revisits certain District policies and makes recommendations to the Board for changes when necessary. The current reserve policy sets floors (minimums) and ceilings (maximums) for replacement reserves. The floor is equal to three years of estimated system replacements. The ceiling is equal to ten years of estimated system replacements. Amounts over the ceiling become rate stabilization funds. He then reviewed the reserve activity report and discussed operating and replacement reserves.

Historically, staff has slightly underestimated water replacement costs and significantly underestimated sewer replacement costs. The draft budget reflects the change in estimated lives for sewer assets from 70 years to 50 years (replacement between the 35th and 50th years), but only an 8-year ceiling assuming a phase-in to the current 10-year ceiling. Staff also surveyed neighboring districts and reserve policy guidelines of ACWA and CSDA.
Changing the estimated life of the sewer system assets from 70 to 50 years will not have an impact on the total balance of funds. Funds that may have been in sewer rate stabilization would be shifted to sewer replacement reserves. The current budget does not project sewer rate stabilization funds until 2016. With the change in estimated useful life, the sewer replacement reserve floor is increased by $2.2 million. The sewer replacement reserve ceiling is increased by $6.6 million.

General discussion took place. Staff will present a reserve policy incorporating the revisions discussed at the next Board meeting for consideration.

2014/2015 DRAFT BUDGET REVIEW

Finance Manager Fusco presented and discussed the draft FY 2014/2015 budget as follows:

- Rate Objectives
- Budget Objectives
- Outstanding Principal Debt Balance
- Overall Process
- Budget-to-Budget Comparison
- Operating Budget – By Division
- Cost of One Acre Foot of Water
- Ready-to-Serve 5/8" Meter
- 2014/2015 Water Operating Budget
- Water Operating Budget-to-Budget Comparison
- Revenue Projections - Sewer
- 2014/2015 Wastewater Operating Budget
- Sewer Operating Budget-to-Budget Comparison
- Operating Budget – Sewer Treatment
- Operating Budget – Distribution of Expenses
- Holding the Line
- Salaries and Benefits Budget-to-Budget Comparison
- Operating Budget – Salaries
- Operating Budget – Employee Benefits
- Annual Other Post-Employment Benefits Cost
- Pre-Paying PERS Side Fund
- Capital Budget-to-Budget Comparison
- Capital Budget – Growth vs. Replacement
- Capital Budget – Growth vs. Replacement – New Requests
- Capital Budget – Timeline
- Reserve Budget and Projection
- Operating Transfers
General discussion took place. During general discussion, Finance Manager Fusco stated that following completion of the draft budget, staff identified several items that needed to be included in the draft budget. These consisted of the Recycled Business Plan, a software upgrade, SDCWA draft fixed rates which staff just received, and as discussed during this presentation, the addition of either a half or full-time employee to provide website management. These changes will be incorporated into the proposed budget, which will be provided to the Board by May 30. The revised proposed budget could be discussed at another Board Committee workshop should the Board choose, after which the recommended budget can be presented to the Board for consideration.

The consensus of the Board was to hold an additional Board Committee meeting on June 10 at 4:00 p.m. to discuss the revisions to the proposed budget.

DIRECTOR’S COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Board Committee meeting at the hour of 7:02 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, May 21, 2014, at 4:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Hal J. Martin, President
Board of Directors
Vallecitos Water District

ATTEST:

Dennis O. Lamb, Secretary
Board of Directors
Vallecitos Water District