

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JUNE 25, 2018 AT 4:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Martin called the meeting to order at the hour of 4:02 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

FY 2018/19 OVERHEAD REVIEW

Finance Manager Owen stated the overhead rate is calculated annually using the same methodology since 2013. He facilitated a presentation on the overhead rate which included the following:

- Purpose
- Background
- Methodology
- Current Year Calculation
 - Indirect Costs
 - Direct Costs
- Prior Year Comparisons
- Next Steps

Question and answer took place during the presentation.

Finance Manager Owen explained that the overhead rate allocates a portion of operating costs to the costs of a project or asset, is required by Generally Accepted Accounting Principles (GAAP), and eliminates an unfair burden on the rate payers.

The 2013 Cost of Service Report recommended using a single overhead rate to be applied to direct labor based on the approved budget each year effective July 1 of each year. The overhead rate applies to outside contractor costs, developer projects and miscellaneous billings. The overhead rate is calculated by using budgeted indirect costs and employee benefits divided by direct labor costs. The proposed overhead rate for FY 2018/19 is 219.43% which is a decrease from 221.65% the previous fiscal year.

The consensus of the Committee was to recommend the Board adopt the proposed overhead rate of 219.43% for FY 2019/18 at the July 18 Board meeting.

OPEB FUNDING STATUS

Financial Analyst Arthur provided an update on OPEB funding. The liability is determined based on actuarial data such as eligible employees' ages and their years of service. As of April 1, 2017, there were 76 active and 28 retired employees for a total of 104 eligible employees/retirees. That number will continue to decrease as the OPEB benefit is a closed system and new hires are not eligible.

Financial Analyst Arthur stated the District's unfunded accrued liability is the liability minus assets which on April 1, 2017 was almost \$2 million. As of June 30, 2018, it is expected that the unfunded accrued liability will be fully funded. The District had budgeted for and has been paying an extra \$200,000 per month for the past nine months to pay off the unfunded accrued liability. Going forward, the District will continue to pay normal costs of the OPEB benefit.

Financial Analyst Arthur further stated the rate of return on the OPEB Trust assets has been averaging between 5.3% and 6.00% per month.

This item was presented for information only.

Discussion took place regarding agenda items for future Committee meetings. Items identified were miscellaneous fees, Fitch and Standard and Poor's ratings, and the Diamond Environmental Services settlement.

The consensus of the Committee was to schedule a Committee meeting during the last week of July. The Committee will not meet in August.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:39 p.m.