

MINUTES OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
TUESDAY, JANUARY 20, 2009 @ 12:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Gentry called the meeting to order at the hour of 12:00 p.m.

Present: Director Gentry
Director Shell
General Manager Rucker
Deputy General Manager Lamb
Director of Finance Scaglione
Engineering Manager Gerdes
Capital Facilities/Construction Supervisor Gumpel
Executive Secretary Lewis

QUARTERLY INVESTMENT REPORT FOR DECEMBER 31, 2008

Director of Finance Scaglione reviewed the investment report for December 2008. The weighted average yield for December was 2.620% compared to 2.876% for September. The weighted average days to maturity for December 31 was 90 days compared to 147 days a quarter ago. The District continues to diversify the portfolio by investing in different investment types. There is also a diversity of issuers within the investment types. Staff is closely watching liquidity levels as invested balances declined recognizing that not enough liquidity is a risk and too much liquidity is a risk. All investments are within policy limits.

Director of Finance Scaglione mentioned that the parameters and strategies of the District's 2008 Investment Policy worked well in both economically favorable times as well as during the slumping economy. Staff will recommend the 2009 investment Policy resolution to the full board with no changes from 2008.

This item was for information only. No action was necessary.

REVENUE AND EXPENSE REPORTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2008

Director of Finance Scaglione reported on the Water and Sewer Revenue and Expense reports for the six months ended December 31, 2008. He stated that the favorable \$648,000 budget variance in water net operating income is from the favorable water sales variance in excess of the unfavorable water costs variance. The unfavorable \$215,000 sewer net operating income budget variance resulted from an increase in chemicals at Meadowlark used for bigger odor scrubbers and more processing, increased labor efforts on the head works, blower room, electrical for dechlorination, prepping for wet well recoating and new pump installations, and unanticipated pump repairs, and capital recovery from reclaimed water sales at the lower pre-expansion

formula, rather than the post-expansion formula that was anticipated in the budget. Other significant variances are footed noted in the report. Director of Finance Scaglione reviewed the Appropriated Fund Balance report noting the change to the report this month that highlights the total ending balance of all restricted and replacement funds, and the minimum total reserve requirement (operating reserves plus replacement reserve floors plus the GASB 45 reserve). The total ending balance currently exceeds the minimum total reserve requirement by \$3.8m million.

This item was for information only. No action was necessary.

LONG-RANGE PROJECTION UPDATE

Director of Finance Scaglione reported on an updated long-range projection noting that the long-range projection has been updated to reflect changes since the last quarterly update. The projection for the remainder of 2008/09 assumes no more capital facility fees except from leased sewer capacity. Subsequent years assume the same additions each year (208 water EDUs and 212 sewer EDUs) based on a prior analysis. This long-range projection format was updated to include debt service coverage assuming no property tax revenue, which is less than the required minimum coverage of 1.15 net revenues times debt service. Total projected June 30, 2009, ending balance is less than the minimum total reserve requirement but may exceed it when 2008/09 operating income is transferred to the replacement funds after the financial statement audit is performed. During the budget process staff will plan to defer or cut capital or O&M expenditures to the extent necessary to meet minimum reserve requirements. It was emphasized that rates are set to meet revenues requirements and maintain replacement reserves between the floor and ceiling, not cover deficits in restricted capacity funds.

This item was for information only. No action was necessary.

AWARD OF CONSTRUCTION CONTRACT AND BUDGET INCREASE FOR MEADOWLARK RECLAMATION FACILITY (MRF) 24" RECLAIMED WATERLINE

Capital Facilities/Construction Supervisor Gumpel reported that this project is the last component of the Meadowlark Reclamation Facility (MRF) expansion project. It consists of approximately 700 feet of 24" CML&C pipe to replace the existing 12" AC pipe from the discharge of MRF recycled water pump station to the existing 24" main west of Rancho Santa Fe Road. The new pipe will alleviate a hydraulic constraint in the recycled water transmission created by the MRF expansion from 2.25 MGD to 5 MGD.

On January 7, 2009, at 2:00 p.m., District staff received and opened bids from three contractors for the above referenced project. The bid results were as follows:

<u>Bidder</u>	<u>Amount</u>
Cass Construction	\$435,072.25
Don Hubbard Contracting	\$443,996.00
TC Construction	\$407,160.15

Engineer's Estimate	\$516,000
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Staff and counsel completed the evaluation qualifications and determined that TC Construction was the lowest responsive, responsible bidder. The Engineering/Equipment Committee also reviewed the bid results at their meeting on January 14, 2009, and concur with the evaluation.

District staff will provide inspection and construction management services.

The 2007/2008 Capital budget included \$400,000 for the project and was a budget number only as the design had not been started.

The total estimated cost and budget summary are as follows:

Budget	\$400,000
Construction	\$407,000
10% Construction Contingency	\$ 40,700
Design	\$ 55,000
Staff and Outside Services	\$ 50,000
Overhead	<u>\$ 55,000</u>
Total	\$607,700
Budget Shortfall	\$207,700

Capital Facilities/Construction Supervisor Gumpel noted that the budget shortfall is tied to the MRF expansion which came in under budget. The 24" pipeline budget shortfall will be transferred out of the MRF surplus.

Capital Facilities/Construction Supervisor Gumpel reported that this item was reviewed and discussed at the Engineering/Equipment Committee on January 14, 2009, and was forwarded to the Finance/Investment Committee for review and recommendation to the Board.

Staff and the Engineering/Equipment and Finance/Investment Committees requested that this item be forwarded to the full Board for consideration and approval of a budget increase of \$207,000 and the contract award to TC Construction in the amount of \$407,160.15, subject to the provisions of the Contract, including bonding and insurance requirements.

AWARD OF CONTRACT TO TOTAL RESOURCE MANAGEMENT, INC. (TRM) FOR MAXIMO INTEGRATION, IMPROVEMENTS AND SUPPORT SERVICES - PART OF PHASE II IMPLEMENTATION OF THE COMPUTERIZED MANAGEMENT AND MAINTENANCE SYSTEM (CMMS)

Engineering Manager Gerdes reported that Phase II of the District's Enterprise Resource Plan (ERP) identified outside assistance and third-party software applications that are necessary to facilitate the realization of VWD's fully integrated ERP. A fully

integrated information system is Goal 3.2 in the fiscal year 2008/09 and 2007/08 budgets.

He noted that at the March 5, 2008 meeting, the Board reviewed the history of the development of the ERP and its components – Computerized Maintenance Management System (CMMS), Financial Information System (FIS), and Customer Information System (CIS). A new budget item, ERP Phase II, was approved for implementation and integration of the systems. Staff presented a total budget of \$608,000 over two fiscal years and the Board approved an appropriation of \$309,000 for FY 2007/08. The Board also authorized a contract with Total Resource Management, Inc. (TRM) for the initial Maximo upgrade and integration. The remaining implementation requirements were considered during the FY 2008/09 process, with a final approved amount of \$290,000 (\$599,000 for total implementation).

Engineering Manager Gerdes stated that the upgrade to Maximo 6.2 necessitates upgrades to its integrated systems such as CIS, FIS, Time Keeping, Purchasing, Inventory, GIS, Fuel Tracking (GasBoy), Valve Turning, and SCADA. Current efforts involve integration with CIS, FIS, Purchasing, Inventory, Fuel Tracking, and SCADA. The GIS integration contract was awarded to activeG, LLC at the December 10, 2008 Board meeting.

Staff requested a proposal from TRM for services required to complete the remaining Maximo integration tasks including the Time Keeping program development in Maximo, completion of the FIS/CIS interfaces, support for the activeG/GIS implementation, Preventive Maintenance (PM) program, Valve Turning, and SCADA interfaces, and ongoing support. Staff also re-evaluated the extent of interfaces for the Purchasing applications and intends to scale back processes to very simple transactions between systems, significantly reducing the cost which will be absorbed in the CIS and Time and Attendance Interfaces.

TRM submitted a proposal which was reviewed by staff. The remaining items are included in their proposal and the cost approximates the remaining budget.

Engineering Manager Gerdes reported that the figures below show the approved work items and costs which were approved and identified in the FY 2008/09 ERP Phase II implementation budget. The light print items represent items of work completed or currently under contract. The **bold** items represent the budget items and costs (total \$189,000) that will be appropriated to the work included in the TRM proposal. TRM's proposed costs total \$192,530, based on an hourly rate. Staff believes that hours and costs can be managed and optimized to remain within the approved \$189,000 budget, so no new appropriations will be required.

	Software	Labor	Annual	Total	
	Hardware		Maintenance		* = Complete ** = In Process
<i>FY 07/08 Budget</i>					
Upgrade to Maximo 6.0	\$	79,200		\$ 79,200	*
Interfaces & Rules Manager	34,900	178,100		213,000	*
Remittance Processing	13,900		2,700	16,600	*
				<u>308,800</u>	
<i>FY 08/09 Budget</i>					
CIS Interfaces		100,000		100,000	
Purchasing Interfaces		43,000		43,000	
Fuel Tracking	3,000	2,300		5,300	**
Time & Attendance	37,500	44,000	7,500	89,000	
GIS Map Engine	14,500	35,500	2,900	52,900	**
				<u>290,200</u>	
				<u>\$ 599,000</u>	

Staff and the Finance/Investment Committee requested that this item be forwarded to the full Board for consideration and authorization to enter into a Technical Consulting Services Contract with Total Resource Management, Inc., in the amount of \$192,530.17, for Maximo integration software and implementation services and support.

OTHER BUSINESS

Director of Finance Scaglione updated the Committee on the FIS/CIS Information System project. He noted that CIS representatives are currently at the District to assist with implementation of the billing system. Customers have been notified and shown what their new bill would like. Accounts Payable is already being run on the new system. Director of Finance Scaglione reported that the payroll portion of the project is not yet up and running, however, parallels are currently being run to ensure that all numbers match exactly. It is possible that by the next payroll cycle the new system will be up and running.

This item was for information only. No action was necessary.

Deputy General Manager Lamb reported that per correspondence directed to Legal Counsel Scott from Levitzacks, Certified Public Accountants, District staff is subject to taxation for use of a duty vehicle unless the vehicle meets very specific exemptions that are based upon the utility body and function. Due to the fact that District vehicles do not meet the specific exemptions, the truck's regular beds would need to be removed and a utility type bed installed in order to comply/meet the exemption requirements. The cost to modify the District trucks (4 total) would be approximately \$20,000. An alternative considered by staff would be to reimburse the duty employee for the additional tax burden. Staff completed an evaluation which indicated the additional average cost to the District would be \$1.72 per day per employee. There are currently four duty employees which would result in an annual cost of approximately \$2,967.

General Manager Rucker reported that this tactical administrative solution was shared with the Public Awareness/Personnel/Policy Committee prior to implementation/application which lies outside of any "Meet & Confer" requirements.

This item was for information only. No action was necessary.

There being no further business to discuss, the meeting was adjourned at the hour of 1:15 p.m.