

MINUTES OF THE  
FINANCE/INVESTMENT COMMITTEE  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, JUNE 25, 2008 @ 4:45 P.M.  
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,  
SAN MARCOS, CALIFORNIA

Director Hannan called the meeting to order at the hour of 5:10 p.m.

Present:     Director Hannan  
              Director Gentry  
              General Manager Rucker  
              Director of Finance Scaglione  
              Executive Secretary Lewis  
              Administrative Secretary Posvar

REVENUE AND EXPENSE REPORTS FOR THE ELEVEN MONTHS ENDED MAY 31, 2008

Director of Finance Scaglione reported on the Water and Sewer Revenue and Expense Reports for the eleven months ended May 31, 2008. Water sales exceeded the budget by \$1.6 million while the current to prior year actual was only a 2.4% variance. The Committee reviewed an analysis of year-to-date water sales compared to the same period last year. Sales in acre feet are down from last year by 3.6% and the average usage per meter declined in each category of customer. The largest declines were from construction, agricultural, and combined agriculture/domestic. During the period of mandatory cut-back for agricultural (February 2008 to date), agricultural has cut back 43%. Year-to-date rainfall is 10 inches compared to 5.6 inches for the same period last year. The favorable net operating income variance of \$679,000 is mainly from water sales net of water costs in excess of budget and a favorable G&A budget variance (mainly from group insurance over-estimates), with the remainder from favorable operating variances. The favorable sewer net operating income variance of \$852,000 is mainly from favorable variances in disposal costs paid to Encina Wastewater Authority (EWA), G&A, and chemicals at Meadowlark treatment plant. EWA's last quarter bill will likely narrow the favorable budget variance as it is typically the biggest bill of the year. Director of Finance Scaglione also reported on the Appropriated Fund Balance Activity for the eleven months ended May 31, 2008. Encina Phase V was the biggest expenditure this year. The replacement reserve balances exceed the adopted floors.

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

### PROPOSED RESERVE POLICY REVISIONS

Director of Finance Scaglione reported that pursuant to the 2007/08 Strategic Plan, staff reviewed current policies and proposed the following changes to the Statement of Reserve Policy:

- Adding a provision for an Other Post-Employment Benefits (GASB45) reserve,
- Allowing funding for drought management from the replacement reserve,
- Excluding cash from reserves (cash is maintained in the disbursement fund, and not reserved), and
- Clarifying the use of replacement reserves (for unusual draws, debt service, and asset acquisitions other than growth-related).

Director of Finance Scaglione stated that Legal Counsel has reviewed a draft copy for and had no additional comments.

**The Finance/Investment Committee recommended that the proposed revised Reserve Policy be submitted to the Board for consideration and approval.**

### FINANCIAL MASTER PLAN DOCUMENT

Director of Finance Scaglione reported that pursuant to the 2007/08 Strategic Plan, staff has compiled a Financial Master Plan and various financial related policies and reports. The Financial Master Plan was provided to the Committee for review and comment.

### OTHER BUSINESS

None.

### ORAL COMMUNICATIONS

None.

There being no further business to discuss, the meeting was adjourned at the hour of 5:42 p.m.