

# VALLEY COUNTY WATER DISTRICT

## FINANCE STANDING COMMITTEE Special Meeting

August 2, 2012

### MINUTES

Committee Members Present: Director Jonathan Contreras, Chairperson  
Vice President Pacheco, Co-Chair

Staff Present: Lynda Noriega, General Manager  
Colleen Malaiba, Executive Assistant/Board Liaison

Public Present: Director Armando Macias  
Director Mariana Lake

Meeting called to order at 3:00 pm.

#### **1. 2012-2013 Capital Improvement Budget**

- General Manager:
  - Explained that the Capital Improvement Budget serves an outline of the District's anticipated projects for the next 5 years; added that each project must still be approved by Board of Directors after the required bid process is completed
  - Stated that the largest anticipated project for the upcoming fiscal year is the reservoir construction which requires a land purchase and an upgrade to the current Clinton O. Nixon Facility pumping configuration
  - Commented that she listed Website Design in hopes of having an updated website where staff would have access to upload specific information, such as posted agendas and other notices
  - Reported that the Operation office needs to replace their copier
- Director Contreras inquired about the status of the contract to lease the Administrative office's copier and whether the District would be able to terminate the contract
- General Manager stated that in a recent email received from Lemieux & O'Neill's office regarding the service contract analysis, the District would not be able to terminate the copier lease contract prior to its expiration date; commented that she would follow-up with General Counsel's office and have them report back to the Board of Directors about the status of the existing service contracts in question
- General Manager:
  - Reported that the Operations & Maintenance Manager identified the priority areas for water main replacements and listed three projects for completion within the next fiscal year
  - Stated that the Clinton O. Nixon Facility's main building and garages were in need of painting, which was budgeted for completion within the next fiscal year
  - Commented that the Administrative office's needed exterior work as well as interior upgrades; explained that she would like to eventually consolidate the Administrative and Operations offices by completely remodeling the Operations yard facility; reported that this concept is extremely premature and would not be considered until approximately the 2016-2017 fiscal year
  - Stated that there are three vehicles up for replacement
  - Commented that the District is continuing to work on securing funding for the nitrate by-pass pipeline from the California Department of Public Health under Proposition 84

## **2. 2012-2013 General Operating Budget**

- General Manager
  - Explained that the presented budget did not include a rate increase or a cost of living adjustment (COLA)
  - Commented that the increase in System Maintenance expense for the current year was due to the excess in water leases purchased throughout the current fiscal year
  - Stated that she did not anticipate much change with revenue, pending the outcome of the District's scheduled Public Hearing regarding a rate and fee adjustment
  - Reiterated that no COLA is reflected in the presented budget; explained that she did anticipate an increase in the upcoming year's Salary expense budget in anticipation of hiring a Finance & Administrative Manager
  - Explained that the Board of Directors stipend is conservatively budgeted
- Director Contreras asked why there was a decrease in Continuing Education & Training
- General Manager responded that in the current fiscal year, the District hosted a training exercise; reported that this type of training exercise will not take place in the upcoming fiscal year
- General Manager stated that the presented Benefits expense budget remains about the same as last year but would be affected if a COLA was approved by the Board of Directors
- Director Contreras express his concern regarding retiree benefit cost
- General Manager responded that an adjustment to the CalPERS Pension benefit would require an amendment to the contract; explained that she would review the options
- Director Contreras stated that the review could be postponed until a Finance & Administrative Manager is hired
- General Manager
  - Explained that the budgeted amount for Energy expenses have been increased since the District's Southern California Edison Representative indicated that there would potentially be an 8% increase in pumping electrical rates
  - Stated that the year-to-date Inventory Adjustment amount has not incorporated into the budget because of complications in working with the new system; commented that she is working with the Operations Assistant to have accurate totals incorporated prior to the next Committee meeting
  - Commented that the amount of leased rights purchased this year will equate to significant savings in Watermaster Replacement Water Assessments for the upcoming fiscal year; reiterated that these savings are only a one time deal, and that future years will reflect an increased cost if the District is not able to acquire additional leases
  - Stated that, as part of Director Macias' cost cutting exercise, the District identified Weck Laboratories and Univar as vendors that the could cut operations expenses by establishing a vendor commitment for services associated with the BPOU Project
  - Explained that the lack of an Election Expense for the upcoming fiscal year had a significant impact on the proposed Service & Supply Expense budget; reported that last year's election expense was more than \$85,000
  - Stated that the Auditing Fee needed to be adjusted to \$17,000, which consisted of the annual financial audit services and the triennial Other Post Employment Benefit (OPEB) actuarial requirements under GASB 45
- Director Contreras inquired about the significant drop in the Community Relations expense
- General Manager
  - Responded that with no anticipated need for another notice of public hearing, the listed amount would be sufficient to participate in the scheduled community events and purchase promotional material

- Stated that, as part of Director Macias' cost cutting exercise, she started researching alternate printing and postage options for the District's billing statements
- Stated that there is an overall 7% reduction in total Operations Office and Equipment Expense due to a decrease in the need for vehicle repairs and maintenance

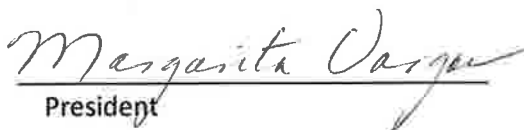
### **3. Adjustments to 2012-2013 Proposed General Operating Budget**

- **Proposed Rate Adjustment and Effect on Revenues**
- **Proposed Cost of Living Adjustment and Effect on Expenses**
- General Manager:
  - Reported that the proposed rate adjustment had not been reflected in the budget since it is scheduled to be considered by the Board of Directors at the next meeting on August 13, 2012
  - Stated that the projected revenue without the proposed rate adjustment is approximately \$5.9 million; highlighted that if the rate adjustment was approved, the total projected revenue would be adjusted approximately \$811,000 for the first year
  - Reviewed the Salary Survey and Consumer Price Index (CPI) statistics for the Board of Directors consideration of the Cost of Living Adjustment; recommended a 2.0% COLA increase based on the analysis
- Director Contreras stated that it was the duty of the Committee to make a recommendation for the Board of Directors and inquired about the COLA percentages for the past few years
- General Manager stated that a 1.0% was approved in 2011, but she could not recall adjustments prior to the one approved in September 2011
- Vice President Pacheco inquired about the detailed information to support the numbers provided for the rate adjustment and COLA, and their affects on the budget
- General Manager stated that all of the information has been prepared; explained that because of the numerous scenarios and to keep the budgeting review process simplified, she preferred to issue the calculations after the Board of Directors voted on the rate adjustment and the Committee made a recommendation on the COLA
- Director Contreras stated he believed that the economy has improved, but would prefer to recommend a 1% COLA to the Board of Directors for consideration
- Vice President Pacheco stated that the Board of Directors should consider an adjustment now as to mitigate a larger COLA in the future
- Vice President Pacheco stated that she requested last year that the District put aside some money for emergency preparedness and inquired if this had been incorporated into the budget
- General Manager stated that any funds for emergency preparedness is typically part of the reserve fund; added that she would have the incoming Finance & Administrative Manager provide monthly financial and investment reports
- The Committee recommended a 1% COLA and requested a meeting after the Board of Directors special meeting on August 13, 2012, but before the regular meeting on August 27, 2012 in order to review the adjusted budget projections

Meeting adjourned at 3:55 pm.



Secretary  
(SEAL)



President