



**VALLEY COUNTY WATER DISTRICT
MINUTES FOR THE SPECIAL MEETING OF THE FINANCE COMMITTEE HELD
WEDNESDAY, AUGUST 7, 2013**

Committee Members Present: Director Margarita Vargas, Chairperson
Vice President Mariana Lake, Co-Chairperson

Others Present: President Lenet Pacheco
Director Ken Woods

Staff Present: Lynda Noriega, General Manager
Angela Skidmore, Finance & Administrative Manager
Tom Mortenson, Operations & Maintenance Manager
Victoria Pulido, Operations Assistant

Meeting called to order at 11:00 am.

1. 2013-2014 Capital Improvement Budget

- General Manager stated that at the previous Finance Committee meeting a concern was raised regarding the "TOTALS" listed on the Capital Improvement Budget; confirmed that she made the appropriate revisions to reflect the correct amounts for the five year projected Capital Improvement Budget; explained that the Operations & Maintenance Manager would be recommending the purchase of three utility work trucks to fulfill the 2012-2013 capital improvement purchase within the current fiscal year
- Vice President Lake asked if the District purchased utility work trucks in the previous fiscal year
- General Manager confirmed that utility work trucks were purchased in the 2011-2012 fiscal year
- Vice President Lake asked if it was necessary to purchase utility work trucks so often
- Operations & Maintenance Manager stated that the three utility work trucks being recommended for replacement were about ten years old, had about 100,000 miles each, and were starting to require extensive maintenance
- Vice President Lake asked how many vehicles the District had in total
- Operations & Maintenance Manager responded that the District had about 12 trucks in the fleet
- Director Vargas noted the \$7.5 million budgeted for the Live Oak Avenue Reservoir Project; asked if the project would cost more than the budgeted amount
- General Manager explained that this amount was specifically for the cost of construction of the storage tanks based on the analysis within the preliminary design report

2. 2013-2014 General Operating Budget

- General Manager stated that there were no changes made to the 2013-2014 General Operating Budget since the previous Finance Committee meeting; reported that total proposed revenues were estimated at \$6.9 million; reported that total proposed operating expenses were projected at \$6.4 million, added that this amount included contingencies for items that were pending approval from outside agencies, such as the Watermaster Resource Development Assessment; reported that budgeted net assets before debt service obligations was \$1,450,335; explained that if the District decided to pursue financing for the Live Oak Avenue Reservoir Project, the District would incur a principle and interest debt service of \$260,228 for the partial year; stated that the

total available for capital improvements was \$1.2 million; announced that the budget was balanced and that the budgeted debt service coverage ratio was 4.57; added that based on any financing acquisition, the District would be required to maintain a debt service coverage ratio of 1.25; reminded the Committee that although the budget currently meets the expected debt service coverage ratio, the calculation was based solely on partial debt service payment

- Vice President Lake asked if any cost of living adjustments (COLA) had been added to the General Operating Budget
- General Manager stated that the presented draft did not include any COLA recommendations; added that the COLA would be discussed by the Committee; stated that any COLA recommendation from the Committee would be reflected in the draft General Operating Budget when presented to the Board of Directors
- Director Vargas recalled that the General Manager previously mentioned that the cost of benefits would decrease in the 2013-2014 fiscal year; asked if this was reflected in the budget
- General Manager reported that a 12% decrease in the Blue Shield of California group health premium, a recent revision to the Board of Director group health insurance policy pertaining to required contributions, and a change in group health insurance selections contributed to the decrease in budgeted health insurance expense; confirmed that the decrease was reflected in the budget
- Vice President Lake requested that the General Manager review all of the expenses presented in the General Operating Budget
- General Manager reviewed that overall revenues were projected at \$6.9 million; stated that the presented salary expense and benefit expense did not include a COLA; explained that additional revised pages would be provided to the Board of Directors for their consideration based on the recommendation from the Committee; stated that energy expense was projected to increase about 12% due to the Southern California Edison rate increase scheduled to take effect in October 2013; reported that system maintenance expense included contingencies, such as the Watermaster Resource Development Assessment; explained that service and supply expense increased primarily due to the budgeted election expense scheduled for November 2013
- Vice President Lake requested clarification on the election expense; stated that the cost of the general election and the special election were both included in the election expense; requested that this information be made clear when presented to the public; commented that the Director travel and expense account totaled \$25,000 even though not all of the Directors would use their allotment
- General Manager confirmed that the amount allocated to the Director Travel & Meetings account was based on a resolution approved by the Board of Directors
- Director Vargas stated that any unused funds would remain in the General Fund
- General Manager confirmed that any unused funds would remain in the General Fund

3. Adjustments to 2013-2014 Proposed General Operating Budget

a. 2.0% Proposed Cost of Living Adjustment and Effect on Expenses

b. 1.5% Proposed Cost of Living Adjustment and Effect on Expenses

- General Manager stated that both the Water Industry Salary Survey and Comparison and the Consumer Price Index Survey were used to calculate the recommended COLA of 2.0%; explained that at the previous Committee meeting, it was requested that the General Manager provide information pertaining to the effects on the General Operating Budget of a 1.5% COLA increase; reviewed the effects of a 2.0% COLA increase and a 1.5% COLA increase to the proposed General Operating Budget
- Director Vargas requested to present both COLA options to the Board of Directors
- Vice President Lake stated that she supported the General Manager recommendation; requested presenting a 2.0% COLA increase to the Board of Directors
- The Committee consented to make a recommendation of presenting the Capital Improvement Budget and General Operating Budget as presented, including the necessary adjustments related to a 2.0% COLA and a 1.5% COLA, to the Board of Directors at the regularly scheduled meeting on Monday, August 12, 2013

- Vice President Lake inquired if there would be a study session for the Board of Directors to review the proposed Capital Improvement Budget and General Operating Budget before the regular meeting
- General Manager stated that she would schedule a study session for 5:00 pm

Meeting adjourned at 11:29 am.

SIGNED:



President of the Board of Directors

ATTEST:



Secretary of the Board of Directors

(OFFICIAL VCWD SEAL)