

SUMMARY MINUTES OF THE FINANCE COMMITTEE
ZONE 7 BOARDS OF DIRECTORS

March 29, 2011
5:30 p.m.

Directors present: Sandy Figuers
A. J. Machaevich
Chris Moore

Zone 7 Staff: Jill Duerig, General Manager
John Yue, Asst. General Manager, Finance
Tamara Baptista, Financial & Systems
Service Manager
JaVia Green, Staff Analyst
Judy Rector, Board Secretary

1. Public Comment - None

2. FY 2011/12 Final Budget

John Yue, Assistant General Manager, Finance, began the presentation on the final budget for Zone 7. Staff was seeking the Finance Committee's direction regarding the FY 11/12 budget.

Tamara Baptista, Financial & Systems Service Manager, discussed the budget for the three operating funds. In summary:

- General Fund/Flood Control (Fund 50) FY11/12 proposed expenses are decreasing \$0.6 million compared to the FY10/11 projected actuals due to a significant non-recurring project (El Charro Specific Plan \$4.3 million) expenses in FY10/11, offset by new projects planned for FY11/12.
- State Water Facilities Fund (Fund 51) proposed expenses are increasing \$1.9 million over the FY10/11 projected actuals, based on increasing State Department of Water Resources charges.
- Water Enterprise (Fund 52) proposed expenses are increasing by \$2.0 million over the FY10/11 projected actuals primarily due to \$0.9 million higher chemical costs (planned 30% increase use of surface water and 5% increase on unit prices), \$0.5 million higher Demin operating costs (planned operations at 50% capacity compared to 25% in FY10/11) and other services (planned replacement of the financial information system, partial cost of \$0.4 million and election expense of \$0.2 million).

Issues affecting the budget include:

- Conservation (SBX7-7) - Because of environmental issues, SBX7-7 requires a 20 percent reduction in water usage in California by 2020. However, reduced water usage also lowers water revenues.
- Economy – The poor economy's impact on the housing market lowers connection fee revenues and affects Zone 7's growth-related funds.
- Asset Management Program (AMP) - Completed in 2004; however, staff is in the process of updating the Asset Management Program which will be presented to the Board in May.

The total proposed budget for operating funds, including reserves, is \$91,038,028 million.

The presentation included a slide presentation and handouts referencing individual funds. Director Figuers suggested improving the presentation to the full Board on April 20 by clarifying terminology and consistently using specific accounting definitions, i.e., forecast = projected actuals; budget=proposed budget; proposed expenditures=subset of something within a budget; correction of the height of the blue bars on a graph; and more detail on where transfers come from and go.

Director Figuers also suggested that it would be helpful to have a graph showing actual acre feet sold so board members can see actuals. The graph referenced during the presentation shows revenue for lots of water being sold but he wants to see if there is a trend for acre feet of demand.

JaVia Green, Staff Analyst for Finance, discussed the budget for the three capital funds. In summary:

- Renewal/Replacement and System-wide Improvements (Fund 72) proposed expenditures for FY11/12 total \$7.5 million. The proposed FY11/12 expenditures are \$1.1 million less than the FY10/11 budget and consistent with the FY10/11 projected actuals. This fund is funded via an annual contribution from the Water Enterprise fund which for FY11/12 is planned at \$5.0 million. The original Asset Management Program study recommended that the annual contribution to these programs be increased from \$4 million to \$10 million per year which is planned to ramp up to \$10.0 million by FY 2013-14.
- Expansion (Fund 73) proposed expenditures for FY11/12 total \$20.4 million. The proposed expenditures are \$0.2 million less than the FY10/11 budget and \$2.8 million more than the FY10/11 projected actuals. Funding is primarily from water connection fees.
- Flood Protection/Storm Drainage DIF (Fund 76) proposed expenditures for FY11/12 total \$1.8 million. The proposed expenditures are \$2.3 million less than the FY10/11 budget and \$4.5 million less than the FY10/11 projected actuals due to the \$5.7 million El Charro Specific Plan project expenditures in the current year. Funding is mainly from new development fees.

The total proposed budget for capital funds is \$29,684,794 million.

Director Figuers suggested putting the funding source on each page as an improvement for the April 20th board presentation.

During a discussion regarding revenue from connection fees, Director Figuers also requested a graph showing the number of water connections. Staff promised to provide, based on equivalent dwelling units.

After a discussion regarding the use of the Installment Sale Agreement (ISA) with Wells Fargo, Director Figuers asked for an ISA history sheet showing when it started, when it was used, and a timeline to facilitate keeping track of such a large obligation.

The annual budget and Quarterly Update for Fund 73 will both be presented at the April board meeting.

Director Moore moved that the proposed budget be recommended to the Board on April 20th and Director Machaevich seconded the motion followed by a unanimous voice vote.

There were no verbal reports.

Since there were no further issues or comments, the meeting was adjourned at 6:20 p.m.