

MEETING REPORT  
FISCAL COMMITTEE  
THURSDAY, JUNE 18, 2009  
8:00 A.M.

Directors:        Joseph Day  
                     Bob Behee

Staff:             Pete Kampa                     Leonard Mauro  
                     John Barnhart                 Sheri Barnett  
                     Casey Prunchak

**Review First Draft of the 2009/2010 FY Budget**

District staff and the Committee members reviewed in detail the 2009/2010 FY budget documents and several revisions were suggested.

John Barnhart reported that the employer contribution rate for CalPERS retirement will decrease from 18.458% to 18.249%, noting that the impact is about a \$10,000 decrease in employer contributions. Mr. Barnhart explained that the estimated unfunded PERS pension liability (amount we have underpaid into the account) as of June 30, 2009 is \$2,251,389 and is being amortized at the current rate over the next ten years. The estimated annual cost of this amortization is \$281,045, which we pay in our premiums directly into PERS.

Sheri Barnett explained that workers' compensation rates will decrease about 25% for the 2009/2010 fiscal year, indicating that the District's insurance carrier, SDRMA announced a 15% discount in rates, and District staff earned incentives credits based on participation in various administration, governance and risk management tracks.

John Barnhart reported that employers currently have the option to pre-fund retirees' medical benefit liability using a third party trustee, explaining that pre-funding minimizes future cost impacts, since agencies that pre-fund use higher discount rates (basically receiving the benefit of interest earned on the account). Mr. Barnhart indicated that if the Board approved the pre-funding and the District pre-funds the cost avoidance (savings) would be \$505,293 for the first year, and is estimated to be a total cost avoidance of \$5,368,000.

John Barnhart reviewed the budget comparisons with prior years, noting that the number of employees for the 2009/2010 FY budget is 78 vs. 80 employees in the 2008/2009 FY budget.

John Barnhart reviewed the consolidated budget water funds projections for 2009/2010 FY budget, indicating that District staff will be proposing a rate increase next year to cover the District's cash flow deficit.

John Barnhart indicated that a definition narrative of various terms used in the allocation of cost to the various functional areas will be included in the budget, as they have been in the previous years.

John Barnhart reviewed the District's debt service payments that were previously approved by the Board:

SRF #1 - \$1,042,326

    Monte Grande interconnection to Curtis Creek (\$823,973)

    Monte Grande and Curtis Creek state required contract time and increased storage (\$218,353)

SRF #2 - \$1,184,704

    Monte Grande clear well (\$284,197)

    Monte Grande 2<sup>nd</sup> unit and change pump (\$281,565)

    Monte Grande to Soulsbyville pipeline (618,942)

John Barnhart reviewed the proposed major projects scheduled for the 2009/2010 FY budget, indicating that District staff will show why each individual project needs to be completed in this budget year.

***Committee recommendation: Make revisions as suggested, schedule another Fiscal Committee meeting and Water Committee meeting for further review, and for District staff to proceed with the budget process for Board review and consideration at the July 14, 2009 Board meeting.***

### **Review the 2009/2010 Consulting Services Scope of Work for John Mills**

Pete Kampa reported that the District entered into agreement for the 2008/09 fiscal year with John Mills for services related to state, federal and local regulatory, legislative and other policy matters, noting that Mr. Mills is paid \$5,000 per month to complete work as directed by the General Manager. Mr. Kampa explained that the purpose of the contract with Mr. Mills is to complete work in areas where specialized expertise and experience is necessary, and in areas where adequate TUD staff time is unavailable. Mr. Mills' efforts are directly tied to implementation of strategic plan items, as detailed in his proposed scope of work for 2009/10, and influencing the regulations and policies is the only way that the District can reduce its compliance costs. Mr. Kampa noted that many of these policies, if adopted as initially written, would be devastating to the District, both financially and many from an operations perspective, it is difficult to account for the cost saving of the influence we have had on regulations and policies, until such time as such are finalized and implemented, which can be several years after we submit comments.

District staff and Committee members reviewed a summary of tasks carried out by John Mills in 2008/09, the proposed tasks necessary to maintain the District's positive progress in 2009/10, and a summary and detailed description of the proposed 2009/10 scope of work.

Director Day explained that developing a District external communication plan and comprehensive system of community and public agency outreach should be implemented by an outside consultant.

***Committee recommendation: Conceptually approved the 2009/2010 scope of work with John Mills and recommended that an agreement with Mr. Mills be placed on the July 14, 2009 agenda for Board review and consideration.***