



SPECIAL MEETING
ADMINISTRATIVE AND FINANCE COMMITTEE
June 7, 2011

1. CALL TO ORDER

Chair Wight called the Special Administrative and Finance Committee meeting to order at 1:30 p.m.

2. ROLL CALL

Committee members present were Chair Wight, Vice Chair Bond, Directors Arant, Bailey, Dion, Hilliker, Price, Saunders, and H. Williams. Committee members absent were Vice-Chair Croucher, Lewis, Muir, Smith and Wornham. Also present were Directors Boyle, Dailey, Douglas, Heidel, Knutson, Linden, McIntosh, Mudd, Pocklington, K. Williams, and Wilson. At that time, there was a quorum of the committee.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Finance/Treasurer Sandler, Budget and Analysis Manager Celaya, and Financial Planning Manager Shank.

3. PUBLIC COMMENT

There were no members of the public who wished to address the Committee.

4. ACTION/DICUSSION

Consideration of the General Manager's Recommended Budget for Fiscal Years 2012 and 2013.

Chair Wight announced that at the May Board meeting, the Board had received the budget document and it had also been placed on the website for all members of the Board to review. She reviewed the schedule of the two budget workshops, highlighting what items would be covered on each day and that the Board would consider adoption of the budget at the June 23, 2011 Board meeting. Chair Wight then turned the meeting over to Ms. Stapleton to provide an overview of the Recommended Budget.

Ms. Stapleton reviewed the agenda for the workshop presentations, which would commence with a budget overview followed by a discussion of sources and uses of funds. The discussion on sources and uses of funds would provide additional details on the Operating Departments, broken down by Water Authority's Business Plan Focus Areas: Water Sales Portfolio, Water Facilities, and Core Business; Capital Improvement Program (CIP); Debt Service; and other key aspects of the budget, including Lake Hodges Pumped Storage and Grants.

Ms. Stapleton presented an extensive budget overview starting with Board input on the Fiscal Years 2012 and 2013 Budget, which included water sales forecast uncertainty, conservation funding, external contingencies, organizational efficiencies, CIP, and communication regarding rates and charges.

Ms. Stapleton described the “new normal” environment and explained some of the risks and unknowns the Water Authority would face in the upcoming budget period, which include litigation, water sales, capital project change in conditions, and state and federal actions.

Ms. Stapleton presented and explained sources of funds, which was comprised of water sales revenues, infrastructure access charges, property taxes and in-lieu charges, investment income, hydroelectric revenue, other income, capacity charges, water standby availability charges, contributions in aid of CIP, and net fund withdraws.

Ms. Stapleton then reviewed uses of funds by major categories, including water purchases and treatment, CIP and debt service. She also reviewed the Operating Departments in detail beginning with an overview explaining the expenditure categories, labor and benefits budget by each department, and personnel reductions.

Ms. Stapleton reviewed CalPERS costs and the increasing employee cost share as a result of the last Memorandum of Understanding (MOU) negotiation process. She noted the next negotiation process would begin in 2012. Ms. Stapleton concluded the presentation with answering questions from the Board.

Director Bailey asked how the Water Authority’s debt service was projected. Mr. Sandler provided the answer. Director Bailey requested a better explanation of the debt service and how the rate assumptions were projected. He also asked about the impact of deferring CIP projects on the use of bond proceeds. Ms. Stapleton and Mr. Sandler replied that these requests would be addressed at the next Budget Workshop on Thursday, June 9, 2011.

Director Mudd asked for additional details and back-up data regarding the Water Authority’s investment income. He also requested a breakdown in greater detail of the drivers of the rate and charge increases. Ms. Stapleton replied that would be provided at the next Budget Workshop on Thursday, June 9, 2011.

Director K. Williams made comments and asked questions regarding the labor and benefits portion of the budget presentation. He recommended a breakdown of labor and benefits by department comparing budget versus estimates be provided. Ms. Stapleton replied that would be provided at the next Budget Workshop on Thursday, June 9, 2011.

Director Douglas requested more information be provided on the Water Authority’s risks involved with desalination and had questions on the rate stabilization fund and contracting services to member agencies. Ms. Stapleton and Mr. Sandler answered her questions and Ms. Stapleton pointed out that on page 34 and 35 of the budget book, there was an explanation of the various funds for Fiscal Years 2012 and 2013.

Chair Wight had a few questions regarding water sales (2010 and 2011 estimated versus 2012 and 2013 recommended budget) and requested to see in detail the variance in dollars and how much of the variance (volume versus price) was a direct result of the MWD increase. She also asked for more information to be provided on the costs allocated in each rate category. Ms. Stapleton replied that would be provided at the next Budget Workshop on Thursday, June 9, 2011.

Chair Wight announced that the individual operating departments would begin their presentations. The first one to present was Halla Razak for the Colorado River Program. Ms. Razak presented the budget for the Colorado River Program. She explained the three focus areas of the department were QSA Implementation, Canal Lining Program and the Colorado River Supply Management and Development. She provided a department summary that included operating labor and benefits and explained that cost containment measures were staff reductions, reduced funding for various items, and a shift in outreach that would be focused on using “in-kind” services. Ms. Razak also covered the performance measures and a look ahead for the 2012 and 2013 budget period. Ms. Razak answered questions from the Board.

MWD Program Chief Chen presented the budget for the MWD program. She explained the three focus areas were Advocacy & Policy Development, MWD Delegates Support and Imported Water Management. She provided a department summary that included operating labor and benefits and explained cost containment measures and reduced funding for various items, staff reduction, and reprioritization of professional and technical services. Ms. Chen also covered the performance measures and a forecast for the 2012 and 2013 budget period. Ms. Chen answered questions from the Board.

Director of Water Resources Weinberg presented the budget for the Water Resources Department. He explained the three focus areas were Water Supply and Facilities Planning; Environmental Planning; and Local Project Assistance. He provided a department summary that included operating labor and benefits, and explained cost containment measures were reduced and eliminated funding for various items and projects. Mr. Weinberg also covered the performance measures and a forecast for the 2012 and 2013 budget period. Mr. Weinberg answered questions from the Board.

Future Director of Engineering, Rose presented the budget for the Engineering Department. He explained the three focus areas were support of CIP and Asset Management; management of rights-of-way; and technical support to other departments and agencies. Mr. Rose provided a department summary and explained the consolidation of the Engineering and Right-of-Way departments, the differences in the consolidated department, the new structure and operating labor and benefits. He also covered the performance measures and a forecast for the 2012 and 2013 budget period. Mr. Rose answered questions from the Board.

Director Bailey requested more information on labor and benefits. Ms. Stapleton replied that would be provided at the next Budget Workshop on Thursday, June 9, 2011.

Director of Operations and Maintenance Eaton presented the budget for the Operations and Maintenance Department. He gave a department overview, explained key services, and provided a department summary including labor and benefits. Mr. Eaton explained cost containments were reductions in various items such as fleet size and supplies. He also covered the performance measures and a forecast for the 2012 and 2013 budget period. Mr. Eaton answered questions from the Board. Chair Wight concluded the Operating Department presentations and asked the Board if there any further questions.

Director Heidel requested detailed information to be provided regarding program cuts in the Public Outreach and Conservation Department. Director Dion asked what services and programs were going to be eliminated by each department. Director Bailey asked about the existing bond proceeds and how it relates to CIP. Chair Wight requested to see what the original budgets were for in the CIP schedule. Director Saunders asked to see the assumptions underlying the Stored Water Fund.

Ms. Stapleton replied that these answers would be provided at the next Budget Workshop on Thursday, June 9, 2011.

5. ADJOURNMENT

There being no further business to come before the Administrative and Finance Committee, Chair Wight adjourned the meeting at 4:35 p.m.

Barbara Wight, Chair