



SPECIAL MEETING
ADMINISTRATIVE AND FINANCE COMMITTEE
June 9, 2011

1. CALL TO ORDER

Chair Wight called the Special Administrative and Finance Committee meeting to order at 1:35 p.m.

2. ROLL CALL

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

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 Ms. Stapleton would respond to the questions from the Budget Workshop held on June 7, 2011. Ms. Stapleton announced Mr. Sandler would begin the presentation. Mr. Sandler covered how the Water Authority budgets for investment income. He stated cash balances were projected to decline 26% primarily driven by Capital Improvement Program (CIP) expenditures. In addition, he covered bond proceed expenditures, budgeting debt service, stored water fund sources and uses of funds, and estimated vs. budgeted water sales. Ms. Stapleton continued the presentation stating the projected increase in water sales revenue was attributable to an increase in rates and charges. She reviewed the desalination risks and unknowns, the permitting and regulatory risk, the construction cost risk, the availability of suitable project sites, and the energy cost risk. She then reviewed the CIP budget adjustments during Fiscal Years 2010 & 2011. She provided a detailed explanation of the drivers of the Calendar Year 2012 rate increases, rate policy considerations, and rate policy alternatives. She provided an overview of programs and services eliminated, programs and services deferred, followed by programs and services added, programs and service costs added, and reviewed position reductions. Ms. Stapleton answered questions from the Board members.



Mr. Hentschke presented the General Counsel's department budget. He provided department overview, explanation of key services, cost containment, and the top challenges and opportunities for Fiscal Years 2012 and 2013. Mr. Hentschke answered questions from the Board.

Ms. Stapleton presented the General Manager's department budget and the budget for the Board of Directors. She provided a department overview, explanation of key services, cost containment, and the top challenges and opportunities for Fiscal Years 2012 and 2013. Ms. Stapleton answered questions from the Board. Director K. Williams requested the amount spent on sponsorships. Ms. Stapleton stated sponsorships were budgeted for \$30,000 annually and reviewed the organizations included in the budget.

Director of Administrative Services Young presented the Administrative Services department budget. She provided a department overview, explanation of key services, cost containment, and the top challenges and opportunities for Fiscal Years 2012 and 2013. There were no questions for Ms. Young.

Mr. Sandler presented the budget for the Finance Department. He provided a department overview, explanation of key services, cost containment, and the top challenges and opportunities for Fiscal Years 2012 and 2013. There were no questions for Mr. Sandler.

Director of Human Resources Leone presented the budget for the Human Resources Department. She provided a department overview, explanation of key services, cost containment, and the top challenges and opportunities for Fiscal Years 2012 and 2013. Director Tu asked if the \$700,000 budgeted for unemployment claims would be the maximum amount paid. Ms. Leone confirmed that \$700,000 would be the maximum amount paid and if the laid off employees found work the amount paid out in unemployment claims would be lower.

Director of Public Outreach and Conservation Foster presented the budget for the Public Outreach and Conservation budget. He provided department overview including the new organizational structure which consolidated the Public Affairs Department and the Water Conservation Program. He explained key services, cost containment, and the top challenges and opportunities for Fiscal Years 2012 and 2013. Director Price asked a question regarding capitalized overhead and Mr. Sandler provided the answer.

Mr. Belock presented the CIP budget. He reviewed the CIP progress from the past two years, the future of the CIP, the Board approved CIP deferrals, water treatment issues, and project costs. Mr. Belock answered questions regarding the CIP budget.



Mr. Sandler presented the Debt Service budget. He reviewed debt service appropriation, outstanding debt, historical variable rate debt rates, projected future debt service, Water Authority credit ratings, value of a strong credit rating; metrics credit agencies watch, projected senior lien debt service coverage ratio, and debt management. There were no questions for Mr. Sandler.

Chair Wight announced the budget information regarding Lake Hodges Pumped Storage and Grants would be deferred to the June 23, 2011 Board meeting.

5. ADJOURNMENT

There being no further business to come before the Administrative and Finance Committee, Chair Wight adjourned the meeting at 4:40 p.m.

Barbara Wight, Chair