



SPECIAL MEETING
ADMINISTRATIVE AND FINANCE COMMITTEE

June 9, 2015

CALL TO ORDER / ROLL CALL

Chair Arant called the Administrative and Finance Committee meeting to order at 1:35 p.m. Committee members present were Chair Arant, Vice Chair Razak and Directors Gallo, Hilliker, Verbeke, Watkins, and Watton. Vice Chair Wilson and Directors Fong-Sakai, Kennedy, Lewinger, Muir, Weston, Williams, and Wornham were absent. Also present were Directors Brady, Evans, Guerin, Heinrichs, Linden, Madaffer, Olson, Preciado, Saxod, and Tu. 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 Administrative Services Brown, Director of Finance Harris, Director of Operations and Maintenance Eaton, Director of Public Outreach and Conservation Foster, Director of Water Resources Weinberg, and Financial Resources Manager Celaya.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

CHAIR'S REPORT

There was no Chair's report.

DIRECTORS' COMMENTS

There were no Directors' comments.

ACTION/DISCUSSION

Consideration of the General Manager's Recommended Budget for Fiscal Years 2016 and 2017. (Information)

Chair Arant announced that the Board had received the budget document for review at the May 25, 2015 Board Meeting, and at that time the General Manager had provided an overview, a description of the document layout, and had encouraged Directors to direct questions to staff prior to the workshops. He reminded Directors that the Board would meet again on Thursday, June 11, 2015 from 1:30 - 4:30 p.m. for the second budget workshop. He reviewed logistics of how the workshops would run and turned it over to Ms. Stapleton.

Ms. Stapleton began the presentation with a budget overview, which included factors impacting the budget such as challenging water conditions; key components of the recommended budget; historical spending; and historical staffing. She also reviewed staff resources, provided



an overview of labor and benefits, and announced the workshop schedule for both June 9 and June 11, 2015.

Mr. Weinberg presented the Cost of Water segment of the workshop beginning with a background describing how the Water Authority conducted water use forecasts on a long-range demand basis and short-term budgetary forecast. He explained factors including short-term sales, trends in total water demand, member agency local surface water use and total water sales. He explained the agricultural program sales, current activities influencing potential drought response actions in 2015/2016 and the main assumptions for sales forecast in Fiscal Years 2016 and 2017. He touched on Water Supply sources, QSA costs in Fiscal Years 2016 and 2017 and explained the water purchase price agreement with Poseidon.

Mr. Eaton reviewed the Twin Oaks Valley Water Treatment Plant budget, including the planned decrease in plant production.

The Board asked several questions and made comments mostly related to energy options and energy costs.

Mr. Belock reviewed the Capital Improvement Program components of the Fiscal Years 2016 and 2017 Budget covering information from 2000-2020 and a review of completed projects such as the Olivenhain Dam, Coachella Canal Lining, Twin Oaks Treatment Plant, All-American Canal, San Vicente Pipeline, Lake Hodges Pumped Storage, San Vicente Dam Raise, Carlsbad Desalination Plant, and Pipeline 3 Relining Lake Murray to Sweetwater Reservoir. He explained the aqueduct system, asset management history and board policies as it related to asset management. He also explained the internal project review process involved with CIP projects. He stated the focus of the Water Authority's CIP was now Asset Management. He explained the planning, design, and construction phases of ongoing projects and provided a thorough review of all steps in managing a project, including the Water Authority's internal "eight gates". He touched on staffing for CIP past and future; and capitalized overhead. He concluded with a summary and mentioned that the CIP had transitioned from constructing new facilities to managing them.

The Board asked several questions and made comments and staff provided answers.

Ms. Harris presented the Debt Portfolio and Debt Service segment of the budget workshop beginning with Capital Financing Plan targets including long-term debt, short-term debt, and PAYGO/Cash funds; explained how the senior lien coverage meets board policy target; reviewed the financing mix; and summarized the Water Authority's existing debt service, prudent debt management and debt service expenditures.

Mr. Eaton presented the Hydro Power Revenues and Costs portion of the budget workshop including Lake Hodges hydroelectric and Rancho Penasquitos hydroelectric.



San Diego County Water Authority

Mr. Eaton and Mr. Brown explained the Equipment Replacement Fund, which included business systems (computers), vehicles and Supervisory Control and Data Acquisition (SCADA). They reviewed costs and evaluation criteria.

Mr. Weinberg and Mr. Foster presented the Grants portion of the budget workshop by explaining the importance of grant support needed for essential water management projects for the next two fiscal years. They explained Proposition 1 funding availability and mentioned programs that the grants would support, including programs related to conservation and water management goals.

Ms. Stapleton announced that was the end of the budget workshop for day one and reminded the Board of the next scheduled workshop on Thursday, June 11, 2015.

Chair Arant thanked all staff for great presentations and reviewed the schedule for the upcoming Day 2 of budget workshop on Thursday, June 11, 2015.

ADJOURNMENT

There being no further business to come before the Administrative and Finance Committee, Chair Arant adjourned the meeting at 4:10 p.m.