



**SPECIAL MEETING**  
**ADMINISTRATIVE AND FINANCE COMMITTEE**

**June 11, 2013**

**1. CALL TO ORDER**

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

**2. ROLL CALL**

Committee members present were Vice Chair Arant, Vice Chair Wight, Directors Gallo, Hilliker, Topolovac, Watton, Weston, Williams and Wilson. Committee members absent were Chair Saunders, Directors Bailey, Hogan, Lewinger and Sanford. Also present were Directors Linden, Madaffer, Miller, Muir, Murtland, Pocklington, Saxod, Tu, Verbeke and Wornham. 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 McCraner and Financial Resources Manager Celaya.

**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 2014 and 2015.

Vice Chair Arant announced that the board received the budget document for review at the May 23, 2013 Board meeting, at which time Ms. Stapleton provided a budget overview and description of the document layout, and encouraged Directors to direct questions to staff prior to the workshops. He reminded the Board of the second budget workshop being held on Thursday July 13, 2013. He then reviewed logistics of how the workshops would run and turned it over to Ms. Stapleton.

Ms. Stapleton began with a review of the anticipated environment in which the Water Authority would be operating in for Fiscal Years 2014 and 2015, historical spending, the main components of the recommended budget and the budget workshop schedule. She explained the order of the workshops would focus on three main components, as they relate to their overall percentage of the Water Authority's total budget; starting with the Cost of Water, followed by the Capital Improvement Program and its funding, and the Operating departments would be presented last.

Mr. Weinberg began with Cost of Water by providing background information which included long range demand forecast, and short term budgetary forecast. He reviewed the water



supply sources and factors influencing short-term sales, such as weather, member agency local supplies, and economic conditions. He then explained each in further detail.

Mr. Weinberg discussed total water sales, water sales-to-date for Fiscal Year 2013, assumptions for Fiscal Years 2014 and 2015 sales projections, and budgeted water sales verses actual. The Board had several questions and Mr. Weinberg provided answers.

Vice Chair Arant called on Mr. Belock and Ms. McCraner to provide a presentation on the Capital Improvement Program (CIP) and Funding. Mr. Belock began with an overview of the total CIP program and highlighted significant completed and ongoing CIP projects and their costs, including Olivenhain Dam and Reservoir; Lake Hodges Pumped Storage and Pipeline; Twin Oaks Valley Treatment Plant; San Vicente Pump Station and Surge Tank; San Vicente Pipeline; and Colorado River Canal Linings.

Ms. McCraner explained how the Water Authority was going to pay for the CIP projects. She reviewed the long-range financing plan, financial performance metrics—debt service coverage ratios, and historical CIP spending. She also explained fiscal year 2013 debt portfolio, existing debt service, prudent debt management, debt service expenditures and how the Water Authority would be budgeting for debt service.

Mr. Belock continued his presentation focusing on the CIP Fiscal Years 2014 and 2015 recommended appropriation and provided detail on three projects that represented a majority of planned expenses in the upcoming two-years: the Carlsbad Desalination Project, Relining and Pipe Replacement Program, and ESP-San Vicente Dam Raise and Carryover Storage. He then reviewed how priorities were assessed in the CIP. In addition, he stated the Engineering Department would have a higher need for in-house design and as such were re-classifying four existing positions.

Mr. Belock discussed two new CIP projects: Regional Facilities Planning and the Second Aqueduct Pipeline, which would be reimbursed by CalTrans. He also reviewed projects recommended for close-out, focusing on Twin Oaks Valley Water Treatment Plant and Colorado River Canal Linings.

Mr. Belock explained the changes in the recommended CIP, provided a status of the project deferrals from the previous budget period, and provided a comprehensive review on how the CIP budgets had been modified since original adoption. He mentioned the most significant modifications resulted from the 2006 Comprehensive Reliability and Cost Assessment (CRACA). In addition, he provided details on budget amendments for San Vicente Pipeline, Lake Hodges Pump Station and Inlet/Outlet, Olivenhain Reservoir/Lake Hodges Pumped Storage, Pipeline Relining and Replacement Program, Pipeline 6 and the Second Crossover Pipeline.



Mr. Belock explained the project summary table, as well as a more in-depth table that summarized the history of project adjustments for current CIP projects.

Vice Chair Arant requested Vice Chair Wight to take over the meeting as he had to leave. Vice Chair Wight opened up to questions from the Board and staff provided answers.

Ms. Stapleton introduced the “Operating Departments” piece of the budget workshop beginning with historical spending and staffing, how the Water Authority managed personnel costs, and discussed organizational changes to enhance efficiencies. She reviewed the upcoming key focus areas, which were Asset Management; Fiscal Sustainability Task Force effort; Cost of Service Study – Phase II completion; water demand forecasting; Urban Water Management Plan update; ongoing QSA and MWD Litigation; and the Carlsbad Desalination Project implementation. She discussed labor and benefits adjustments, continuous improvement throughout departments, department restructuring, allocation of resources and performance improvement projects. She then introduced Director of Operations and Maintenance Eaton to begin with the Operation Department presentations.

Mr. Eaton gave an overview of the Operations and Maintenance Department (O&M), beginning with a description of the eight separate divisions of the department, which were O&M Administration, Systems Operations, Technical Services, System Maintenance, Facilities Maintenance, Rotating Equipment Maintenance, Fleet Services and Asset Management. He explained Fiscal Years 2014 and 2015 key initiatives would be asset management, participation in the Technical Advisory Group, CIP Project support, efficiency and cost reduction. He reviewed a summary of the department’s budget and explained significant changes.

Director Williams requested an analysis of revenues and expenses of the Lake Hodges project. Ms. Stapleton stated that staff would bring the information back at the Thursday, July 13, 2013 workshop.

Ms. Young gave an overview of the Administrative Services Department beginning with a description of the five separate divisions of the department, which were Administration and Board Support, Purchasing, Information Technology, Risk Management, and newly acquired Human Resources. She explained Fiscal Years 2014 and 2015 key initiatives would be a Maximo upgrade, E-discover implementation, document management system expansion, computer purchase assessment, succession planning and web applications enhancements. She reviewed a summary of the department’s budget and explained significant changes.

Vice Chair Wight requested a breakdown in costs of the key initiatives. Director Saxod complimented staff on all presentations that were given. Vice Chair Wight echoed that compliment and announced the workshops would continue on Thursday, July 13, 2013 with the remainder of the operating departments.



**San Diego County Water Authority**

Director Williams requested information regarding reconciled water sales revenue increases over prior years' budget and a chart displaying how much of the increase was attributable to rate increases, and how much was attributable to an increase in budgeted acre feet. Additionally, he requested to see reconciled labor and benefits with the 3.5% increase and the slight decline of the number of employees with a total increase of 4.6%

Ms. Stapleton replied that the requested information would be provided at the upcoming Budget Workshop.

Vice Chair Wight adjourned the meeting at 4:00 p.m.

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Gary Arant, Vice Chair