

**FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS
SPECIAL BOARD MEETING AND BUDGET WORKSHOP**

MINUTES

THURSDAY, JUNE 8, 2017
5:00 P.M.

FALLBROOK PUBLIC UTILITY DISTRICT
990 E. MISSION RD., FALLBROOK, CA 92028
PHONE: (760) 728-1125

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

President Wolk called the special meeting and budget workshop of the Board of Directors of the Fallbrook Public Utility District to order at 5:00 p.m. A quorum was established with attendance as follows:

Board of Directors

Present: Charley Wolk, Member / President
Milt Davies, Member
Al Gebhart, Member / Vice-President
Don McDougal, Member (*arrived at 5:58 p.m.*)
Jennifer DeMeo, Member

Absent: None

District Staff

Present: Steven G. Martin, General Legal Counsel
Brian J. Brady, General Manager
Jack Bebee, Assistant General Manager
Marcie Eilers, Administrative Services Manager/Treasurer
Mary Lou West, Secretary

Also present were others, including, but not limited to: Kirk Dulin.

PLEDGE OF ALLEGIANCE

President Wolk led the Pledge of Allegiance.

ADDITIONS TO AGENDA PER GC § 54954.2(b)

There were no additions to the agenda.

APPROVAL OF AGENDA

MOTION: Director Davies moved to approve the agenda as submitted; Vice-President Gebhart seconded. Motion carried; VOTE:

AYES: Directors Davies, DeMeo, Gebhart, and Wolk
NOES: None
ABSTAIN: None
ABSENT: Director McDougal

PUBLIC COMMENT

There were no comments from members of the public.

II. ACTION CALENDAR------(ITEMS A - B)

A. NEW FINANCIAL MANAGEMENT POSITION

Recommendation: To approve financial position job description for CFO/AGM and \$25,000 for recruitment of new finance position.

Dr. Brady reported that due to the approaching retirement of the Administrative Services Manager/Treasurer, the Personnel Committee and staff have reviewed the organizational structure of the District and is recommending the current position be changed to Chief Financial Officer with a designation of assistant general manager. The new job description includes specific tasks of the position, such as working with rating agencies and outside advisors, upgrading purchasing systems and procurement, and placing more emphasis on information systems. Additionally, the recommendation provides for a salary grade adjustment of approximately 7 to 8 percent and for approval of \$25,000 for an external recruiting firm if needed.

Director Davies remarked that the Personnel Committee is recommending the designation of assistant general manager to provide additional support to management staff and to attract candidates for the position.

Discussion followed concerning components of the job description, specifically: examples of duties, licenses and/or certifications, and clarification of footnotes. The organizational chart and reporting structure were also discussed.

President Wolk suggested the example of duties listed in the job description were open-ended and proposed they be clarified to describe specific functions of the position. Vice-President Gebhart remarked the job description lists certification as a California Public Accountant as "highly desirable" and suggested it be a requirement of the position. It was also noted the footnotes appeared to be incomplete and not linked to text.

Vice-President Gebhart inquired if the Personnel Committee had reviewed the organizational chart relative to the number of reports to the Assistant General Manager and suggested the reporting structure be balanced more equally among management staff. Vice-President Gebhart also inquired if a separate individual, such as a board member, could be designated as the District's Treasurer as done at other water agencies. Dr. Brady provided discussion on the difference between the water code and the public utility code relative to officers.

Mr. Bebee pointed out the new organizational chart provides that the two purchasing positions would report to the Chief Financial Officer and suggested the Safety & Risk Administrator position could be moved under the Chief Financial Officer. Mr. Bebee emphasized that most other positions are within the engineering and operations departments and are properly designated under the Assistant General Manager.

President Wolk suggested revising the job title of the Chief Financial Officer/Assistant General Manager to Assistant General Manager/Chief Financial Officer to underscore the designation of assistant general manager.

Director Davies noted the Personnel Committee would work with staff to clean up the job description relative to the duties and functions of the position and to clarify the footnotes where needed. Dr. Brady added that if there were any substantive changes to the job description, it would be brought back to the Board for approval.

MOTION: Director Davies moved to approve staff's recommendation, revise the job title to Assistant General Manager/Chief Financial Officer, and revise the job description with the non-substantive changes discussed; Vice-President Gebhart seconded. Motion carried; VOTE:

AYES: Directors Davies, DeMeo, Gebhart, and Wolk
NOES: None
ABSTAIN: None
ABSENT: Director McDougal

B. ACCEPTANCE OF AUDIT FOR FISCAL YEAR 2015-16

Recommendation: That the Board accept the audited financial statements for FY 2015-16 as recommended by the Fiscal Policy & Insurance Committee.

Mrs. Eilers reported the audited financial statements for fiscal year 2015-16 have been completed by Macias, Gini & O'Connell. As a result, Macias, Gini & O'Connell have issued the audit with an unqualified opinion and the management letter will contain no findings. Mrs. Eilers further reported an IT audit was also performed because of the Springbrook conversion and there were no findings.

Mrs. Eilers stated that although the 2015-16 audit was late, future audits should be completed on time and presented to the Board for approval in October or November. Dr. Brady added that a policy to close the year end was in the process of being developed and would be presented to the Board at the June regular board meeting.

MOTION: Director Gebhart moved to accept the audited financial statements for FY 2015-16; Vice-President Davies seconded. Motion carried; VOTE:

AYES: Directors Davies, DeMeo, Gebhart, and Wolk

NOES: None

ABSTAIN: None

ABSENT: Director McDougal

III. **BUDGET WORKSHOP** -----(ITEM C)

C. BUDGET WORKSHOP

Recommendation: This item is for information purposes only and no action is required.

Dr. Brady stated a slide show would be presented by District staff of the proposed budget for fiscal year 2017-18. Dr. Brady pointed out the workshop would provide an overview of the budget and was not intended as a rate hearing. Raffelis Financial Consultants prepared a cost of service study and the water, wastewater, and recycled water rates and charges would be based on that study, and targeted reserves would be updated in accordance with the Cost of Service Study. Additionally, the cost of service study assumptions impacted the budget, especially the capital budget due to an increase in capital improvement charges. Dr. Brady provided discussion of those increases, pass-through rates and charges, projected sales, debt, and CalPERS unfunded liabilities.

Following Dr. Brady's introduction, Mrs. Eilers continued the presentation with discussion of the operating budget, water budget, reclaimed water budget, and wastewater budget. Mrs. Eilers reported the overall operating budget provides for no changes to staffing, continued prefunding of CalPERS and OPEB liabilities, and low water sales. The water budget provides for sales of 8,600 AF and purchases of 9,200 AF with total expenses increasing by 4.8 percent. Mrs. Eilers pointed out that although sales of reclaimed water are projected to increase, expenses will also increase due to debt service transfer. The wastewater budget expenses were projected to increase overall by just under \$1 million, mostly due to debt service.

Director McDougal arrived at 5:58 p.m.

Dr. Brady concluded with an overall expense summary pie chart that illustrated expenses broken down by category. Dr. Brady provided discussion of the four major expenses illustrated in the chart: water (35%), labor expenses (25%), capital

improvements (18%), and debt (11%), as well as discussion of the remaining expense categories.

Next, Mr. Bebee provided an overview of the capital improvement program. Mr. Bebee provided discussion of the strategic objectives of the program; the capital budget for water, wastewater, and recycled water; and capital projects scheduled for 2017-18 and into the future. Mr. Bebee pointed out that some projects may not be completed in the 2017-18 budget year and would be rolled over into the following year. Mr. Bebee concluded with a review of the major capital projects for 2017-18 and the status of debt service.

Dr. Brady noted the 2017-18 budget would be presented to the Board for approval at the June 26, 2017 regular board meeting.

There were no additional questions.

IV. ADJOURNMENT OF MEETING

There being no further business to discuss, President Wolk adjourned the special meeting of the Board of Directors of the Fallbrook Public Utility District at 6:26 p.m.



President, Board of Directors

ATTEST:



Secretary, Board of Directors