

MEETING NOTES

BOARD OF DIRECTORS FINANCE COMMITTEE MEETING **DELTA DIABLO**

WEDNESDAY, MAY 1, 2019
2:00 P.M.

The meeting was called to order by Committee Chair Sean Wright on Wednesday, May 1, 2019 at 2:18 pm in the Plant Operations Center Conference Room at Delta Diablo, 2600 Pittsburg-Antioch Highway, Antioch, California. Also present were Vince De Lange, General Manager; Carol Margetich, Business Services Director; Dean Eckerson, Resource Recovery Services Director; Brian Thomas, Engineering Services Director; and Stacy Tucker, Senior Administrative Assistant/Records Specialist.

PUBLIC COMMENTS

None

REVIEW KEY ASSUMPTIONS FOR PROPOSED FY19/20 OPERATING BUDGET

Ms. Margetich provided an overview of the operating budget development process, including the current single-year focus and future plans to transition to multi-year budgeting. She highlighted that staff has focused on implementing operating budget reduction strategies, which has resulted in a reduction of \$0.6 million (preliminary estimate) for FY19/20 relative to FY18/19. Ms. Margetich reviewed a breakdown of the \$28.7 million budget by major category, noting that Salaries and Benefits (\$17 million) comprise 59% of the overall operating budget. Chair Wright asked where the \$0.6 million in reduction occurred. Mr. De Lange stated that the savings were distributed in several categories that will be highlighted in the presentation and that staff would provide additional detail for the full Board meeting presentation.

Ms. Margetich reviewed key assumptions for Salaries and Benefits, including cost-of-living adjustments (2-5%, pending in mid-May), unfunding three positions (\$0.7 million in savings), position reclassifications, reallocation of engineering labor (\$0.85 million), and overlap of critical positions to support succession planning (\$0.1 million budgeted). She highlighted medical insurance premium increases (5%) and retirement program costs (CalPERS, PARS, CCCERA, OPEB).

Ms. Margetich noted that staff has reduced the budget for Utilities costs (\$1.9 million or 7% of total budget) by 3.9% relative to last year. In response to a question from Chair Wright, Mr. Eckerson noted the majority of this savings came from estimated reductions in potable water (i.e., increased use of on-site process water) and natural gas (price drop) costs. Ms. Margetich noted that the budget for Chemicals (wastewater, recycled water) has not increased this year with Mr. Eckerson noting that this is despite a significant increase in chemical unit costs in the 10 to 20% range. Mr. De Lange conveyed that the District has focused on reducing line item contingencies in these types of categories in favor of an overall General Manager operating budget contingency (estimated at \$0.4-0.5 million). Ms. Margetich noted that the presentation to the full Board in June would include a staff request to grant the General Manager authority to use these funds during the course of the fiscal year.

Ms. Margetich reviewed the Outside Services/Repairs and Maintenance budget (\$4.6 million or 16% of total budget), while highlighted a number of organizational improvement efforts (e.g., IT Strategic Planning, MUNIS enhancements, Cost-of-Service studies (Sewer Service Charges, Capital Facilities Capacity Charges), and total compensation studies. Chair Wright questioned whether the CFCC study could consider the benefits of supporting growth of new businesses in the District's service area and whether the District's rates are competitive relative to neighboring agencies and communities. Mr. De Lange responded that staff would consider this issue as the study develops and that there would be

future opportunities for engagement via the Finance Committee. Ms. Margetich closed by noting that the proposed operating budget supports long-term financial sustainability and aligns with SSC assumptions presented to the Board in April, and reviewing next steps.

Chair Wright asked whether the District could shift to a multi-year budget adoption process to reduce resource impacts, while acknowledging that significant improvements have been made in recent years. Mr. De Lange responded that staff has made good progress in developing the operating budget, but the uncertainty regarding future capital budgets (pending completion of condition assessment work in the upcoming master plan) may need to be resolved prior to embarking on a two-year rate-setting process. He noted that staff is continuing to evaluate this approach going forward.

Chair Wright thanked Ms. Margetich for the report and recommended that the item be brought to the full Board at its May 8, 2019 meeting.

ADJOURNMENT

The meeting was adjourned by Chair Wright at 2:44 pm.

(Recording Secretary: Stacy Tucker)