SUMMARY MINUTES OF THE FINANCE COMMITTEE
ZONE 7 BOARD OF DIRECTORS

April 22, 2013
4:00 p.m.

Directors present:	Sandy Figuers	Zone 7 Staff:	Jill Duerig, General Manager
	A. J. Machaevich		Tom Hughes, Asst. Gen. Mgr., Admin.
	Sarah Palmer		JaVia Green, Staff Analyst, Finance
	(for Angela Ramirez Holmes)		Mike Wallace, Staff Analyst, Finance
			Judy Rector, Board Secretary

President Figuers called the meeting to order at 4:00 p.m.

1. Public Comment – None

2. Proposed FY 2013/14 Budget

Tom Hughes, Assistant General Manager, Administration, discussed with the Board the challenges facing his staff to continue with Zone 7's goal of going online with the New World financial software July 1st along with a request from Alameda County received in late March that Zone 7 submit the 2013/14 budget forcing a schedule acceleration.

Mike Wallace and JaVia Green, Staff Analysts in the Finance Department, provided updated handouts to the Directors and public which included summary pages by account number. There was also a list of changes to the capital improvement projects from the approved CIP projected for FY 13/14 versus those capital projects in the FY 13/14 Proposed Budget. Ms. Duerig explained that basically every two years we adopt a CIP and part of budget preparation is to review the CIP and add to the budget or defer a project; these are changes over what was adopted for the CIP for big projects.

Mr. Wallace noted that the fund numbers are changing but the former fund numbers were noted in red next to the new fund numbers: Operating Budgets: Water Enterprise Fund 100 (52); State Water Facilities Fund 110 (51); Renewal/Replacement & System-wide Improvements Fund 120 (72); Expansion Fund 130 (73); General Fund/Flood Control Fund 200 (50); and Flood Protection/Stormwater Drainage DIF Fund 210 (76). Mr. Wallace gave a budget overview of each fund including the revenue, expenses, and reserves.

Impacts on Zone 7's budget included the following factors:

- Conservation: The retailers and Zone 7 are trying to manage to achieve the goal of SBX7-7 which is to reduce per capita the use of water by 20% by 2020 but it has also resulted in the reduced sale of water;
- The economy, although improving, is still experiencing a slow recovery;
- The Asset Management Program (AMP) which dictates what amount of money is going to be provided from the reserves and go toward funding the program;
- New financial software implementation.

In Water Enterprise Fund 100, projected revenues increased by 8.61% primarily due to a higher volume of water requested by the retailers and the adopted water rate increases of 0% for 2013 and 2.65% for 2014 while expenses increased by 11.7% due to the AMP transfer and a slight increase in professional services. FY 13/14 reserve minimums and maximums were also listed as requested by the Directors.

Ms. Green explained the Water Enterprise Fund Reserve projected actuals in the pie chart on the handout. Director Figuers suggested a column in the chart with the minimum, maximum, target and actual figures so it is easier to read than switching back and forth. That suggestion will be implemented in the future.

The total for all funds for the proposed FY 13/14 budget is $90,295,604 in revenue and $150,882,951 in expenses. Revenue increased 7% and expenses increased by 63%. Ms. Green said expenses increased by paying off the ISA and watershed improvements.

Ms. Duerig stated that if the Directors look at the two adopted budgets, there was only a slight increase. Since Fund 130 (73) revenues are development driven, an increase in actuals over last year's budget is because development was better than expected. This budget is more conservative and probably more realistic.

Director Figuers said that if you look at the total of all funds, and the estimated actuals for 2013 proposed for revenue, the increase is about $6 million. If you look at expenses for last year and take out the ISA and watershed improvements, there is a $4 million increase left between revenue and expenses. He asked if this is because of being conservative in estimating income.
Mr. Hughes explained that the Agency has kept costs down and cut down on expenses, chemical costs and managing costs. He said the Engineering staff has done a good job in this recession He also complimented Margaret Chun on her job as the Project Manager for the new software.

Mr. Machaevich noted managing money and good use of money from previous budgets to get to this point.

President Palmer asked about Water Enterprise Fund 100 (52) expenditures for labor and overhead - what kind of things are considered overhead? Ms. Green answered that materials and supplies, personnel, and the expenses shared with other funds like labor for Administration, Human Resources and Safety and are different from General Office Supplies like paper.

Director Figuers said that in looking at the FY 12/13 estimated and actuals, expenses exceeded revenue by a greater amount so staff cut that difference significantly.

President Palmer asked if staff feels the new software is worthwhile and Mr. Wallace responded that it will allow staff to produce reports quicker. Although the new software was originally purchased with independence from the County in mind, and it has been a challenge, it is a good investment. Ms. Duerig added that Fundware was no longer being supported so new software was needed.

No public comments. Director Machaevich moved and President Palmer seconded the motion. By a voice vote of 3-0, the Finance Committee directed staff to present this item to the full Board on May 15, 2013.

Director Figuers noted that this is the quickest and easiest budget in 20 years. Director Machaevich commented that he likes the new format and it seems cleaner.

President Palmer asked for clarification on the 10 sections and 7 programs. A summary was provided.

3. Verbal Reports – None

4. Adjournment
Since there were no further issues or comments, the meeting was adjourned at 4:30 p.m.