

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
MINUTES OF THE FINANCE & ADMINISTRATION COMMITTEE MEETING

July 22, 2015
1:30 P.M.

Chairperson McDonald called the Finance & Administration Committee Meeting to order at 1:30 p.m.

FINANCE & ADMINISTRATION COMMITTEE MEMBERS PRESENT:

Melody McDonald, Chairperson
David E. Raley, Director

FINANCE & ADMINISTRATION COMMITTEE MEMBERS ABSENT:

None

STAFF PRESENT:

Daniel Cozad, General Manager
Athena Monge, Administrative Services Specialist

GUEST PRESENT:

None

1. PUBLIC PARTICIPATION

Chairperson McDonald announced this as the time for any persons present, who so desire, to make an oral presentation to the Committee. Hearing none, the meeting continued with published agenda items.

2. ADDITIONS/DELETIONS TO AGENDA

There were no additions or deletions to the agenda.

3. APPROVAL OF MEETING MINUTES FROM APRIL 15, 2015

It was moved by Director Raley and seconded by Chairperson McDonald to approve the minutes of the April 15, 2015 Finance & Administration Committee Meeting. The motion carried with all members present voting in the affirmative.

Chairperson McDonald: Yes

Director Raley: Yes

4. 4TH QUARTER UNAUDITED FINANCIALS REVIEW

Mr. Cozad began review of 4th quarter unaudited financials by stating most of the revenue sources are above budget, with the exception of Plunge Creek where work was not started as early as anticipated. Although Plunge Creek currently shows as a negative number, this is not lost money but rather money that will come in later. The investment income is being reduced on the CalTrust Investment due to bond losses as interest rates climb, so it shows as below budget. In the Expense category, everything other than "Wash Plan Other" is under-budget, and since "Wash Plan Other" had no budget, a portion of the meeting costs were consequently allocated there. Mr. Cozad continued, noting insurance is currently in-budget but appears over until year-end closing when the insurance pre-payment is properly allocated to correct fiscal

year. In Capital Expense, the District is under-budget pretty significantly, primarily in basin annual repairs due to the lack of rain. The \$80,000 under Engineering Services was not nearly as much as expected within the fiscal year, so most of the funds were rolled over to the new fiscal year. Package Page 7 shows the Balance Sheet to identify the Accounts Receivable of \$48,600. This is related to the anticipated payment from Spiniello. On the Statement of Cash Flows, Package Page 9, Mr. Cozad explained the "CALPERS Retirement Liability," should not be confused with "Actuarially Estimated Retirement Liability." They are calculated different ways for different purposes.

It was moved by Chairperson McDonald and seconded by Director Raley to send the 4th Quarter Unaudited Financials to the Board for approval. The motion carried with all members present voting in the affirmative.

Chairperson McDonald: Yes

Director Raley: Yes

5. PERSONNEL MANUAL REVISIONS

Chairperson McDonald directed the Committee to Package Page 11 for the history of cell phone costs. Mr. Cozad reminded the committee Director Aranda had inquired as to why the District was over budget for mobile phones. Mr. Cozad explained there had been an error in his calculations and he had under-budgeted; however, this merited reviewing the Cell Phone Policy. Mr. Cozad stated that in the fiscal year 2007-2008 the District spent about \$4,000 on cell phone usage, in contrast to the \$1,650 currently spent. This reduction in cost was done by having a reimbursement allocation rather than providing cell phones for employees. The District currently pays \$17.50 bi-weekly to field staff, averaging about a \$50 monthly bill. Mr. Cozad noted employee cell phone bills all generally cost about \$90 per month. Chairperson McDonald stated her preference is for a flat rate of \$50 per month, per employee. Mr. Cozad discussed the difference in frequency of cell phone use among various employees. Director Raley raised the issue with paying a percentage, stating that the cost of the cell phones end up bundled in the bill. Mr. Cozad followed with his modified proposal at \$45 per month for employees who use their cell phones for business, this being roughly about 50% of the average. Director Raley agreed with this amount.

Mr. Cozad continued to the Sick Leave Policy Update, noting the Personnel Manual was updated on Page 30 to state all employees are now paid Sick Leave. Chairperson McDonald added that this is now State Law. Director Raley asked what it meant where policy states that "the District is not required to carry over and pay out these hours." Mr. Cozad responded that the law does not require the hours to accumulate, even though the District chooses to do this. Director Raley asked whether there was a limitation on the amount of hours that can carry over; Mr. Cozad confirmed there was a limitation.

Mr. Cozad directed to the excerpt at the top of Package Page 19:

"Use of a personal cell phone for business purposes may result in the contents of a personal cell phone being discoverable in a legal matter. It is essential that proper etiquette and language be used at all times related to District business, whether by text, email or phone."

Mr. Cozad noted that he thought it best to include this disclosure and suggests that all board members who do not currently have a District email be given one to use for District purposes. Mr. Cozad then outlined the change in vehicle policy where employees are paid for their mileage which now allows them to commute with their own car. Mr. Cozad continued to Package Page 36 where a new section was added detailing how retirement payments are calculated. Employee-paid member contributions are currently at 3% of the 8% total and new employees are required to pay 6.5%, based on the California Public

Employees' Pension Reform Act. Mr. Cozad stated that the percentage increases by a half percent per year so as to not become a hardship to employees. Package Page 37 now incorporates ABHP/HSA. Package Page 39 will be modified with the previously discussed cell phone recommendation. Director Raley requested the inclusion of how the budget will be affected, to which Mr. Cozad will include a fiscal assessment.

It was moved by Director Raley and seconded by Chairperson McDonald to make the discussed changes to the Personnel Manual and forward the updated manual to the Board with their recommendation. The motion carried with all members present voting in the affirmative.

Chairperson McDonald: Yes

Director Raley: Yes

6. REVIEW OF CALPERS RESOLUTION RELATED TO NEW HIRES

Mr. Cozad stated the District has implemented the California Public Employees' Pension Reform Act and new hires are limited to 2% at age 60. No further changes or actions are required. Chairperson McDonald will keep the Committee updated on what JPIA is doing for new hires after January 2015, since there was another tool in consideration to incentivize and attract staff.

7. CALPERS UNFUNDED LIABILITY PAYOFF

Mr. Cozad explained the state-mandated change in the CalPERS pension program. He stated the District's "side loan", which was generated due to the District being underfunded compared to the pool, has been paid off. PIPRA prohibits new CalPERS employees may be added to the existing pool, so the people already in the system now have a fundamentally different benefit than new employees. Consequently, it's now considered a closed program, and a closed program must be accounted for much differently. Mr. Cozad explained the difference between the old and new pools is the unfunded liability. Director Raley asked how much CalPERS will be billing the District to which Mr. Cozad responded \$33,399 for this fiscal year and confirmed next year's expenses would be reduced by approximately \$35,000 after the billed amount was paid off. The total unfunded liability is estimated at \$747,000, to which Mr. Cozad stated this amount would have to come from various enterprise reserves, leaving the District with \$3 million dollars. Director Raley stated he was comfortable with that amount.

It was moved by Director Raley and seconded by Chairperson McDonald to bring this item forward to the Board for consideration. The motion carried with all members present voting in the affirmative.

Chairperson McDonald: Yes

Director Raley: Yes

8. DISABILITY RETIREMENT INSURANCE OPTIONS

Mr. Cozad stated there was no memo included for the disability retirement insurance options, but rather a verbal update for the Committee. He directed the Committee to Package Page 26, Section 5A2:

"If a full-time employee has attained the age of sixty (60) and has been continuously employed by the District for a minimum of five (5) years upon Board approved retirement, the District may continue to pay the premium for medical insurance coverage for the retiree and his or her spouse, until the retiree reaches the age of Medicare

eligibility. Exceptions or modifications to this section may be authorized by actions of the Board of Directors upon recommendation of the General Manager.”

Mr. Cozad summarized the excerpt, stating that if an employee who has reached the age of 60 retires after 5 years of employment with the District, then the District may continue to pay for their healthcare. Mr. Cozad also noted that JPIA stated they do not allow for one person to be insured differently; either they provide the benefit to everyone or not at all. Mr. Cozad stated to theoretically estimate the cost of this would be to run the OPEB model with age 50 in place of age 60. Currently the actuarial liability is \$32,000 (at age 60) and would be \$46,000 if the District changed the retirement age to age 50. The difference in cost is about \$14,000 and not a significant amount. Chairperson McDonald stated she did not think the current policy needed to be changed and Director Raley agreed. Chairperson McDonald requested a finalized Personnel Manual in an email PDF.

9. STATEMENT OF INVESTMENT POLICY 2015-2016

Mr. Cozad stated there were no changes to the Statement of Investment Policy, however, requests for proposals were sent out for investments and services, so this may change in the future. He noted the District sent out its bid to a little over a dozen different firms. Two declines were received from firms who believed the total amounts were not large enough or who did not think the restrictions on public entities would allow them to make enough money worth the active management that they do. Black Rock, as well as State Street, Global, and JP Morgan would probably not bid. Also, the District has had article mentions within two financial newspapers that advertise to companies who are looking for money to invest. The bid closes in mid-August. Mr. Cozad stated the District may have to be creative on the endowment in order to meet the 4%. One of the approaches to do this would be to allow endowments to make investments, in the same way CalPERS or the UC System does, to receive greater interest. Mr. Cozad added the District may have enough in its OPEB reserve to open a trust for that, as the District money would then be exempt from the rules of investment because it would belong to CalPERS and they would invest it. CalPERS has the lowest fees; their current returns are 5.5% to 6.5% with fees at about 0.01%. The District would be the main beneficiary, but the money would only be used for payments to healthcare post-employment; it does not become a reserve.

It was moved by Director Raley and seconded by Chairperson McDonald to bring this item forward to the Board for consideration. The motion carried with all members present voting in the affirmative.

**Chairperson McDonald: Yes
Director Raley: Yes**

10. BOARD MEMBER MEETING REPORTS

Director Raley noted the packet included meeting reports from June 2014. He stated the idea behind the reports is to pass information to the other Board Members, but that when a report was not submitted within 60 to 90 days, then the information no longer holds any real value to the Board Members. Director Raley suggested that if a Board Member does not submit their report within 90 days of the event, then in lieu of that, they be required to make a verbal report to the Board before they receive payment.

Chairperson McDonald added that the written reports were extremely cumbersome and she would like to entirely eliminate their requirement. Director Raley responded against this suggestion, believing them to serve an important function. Chairperson McDonald stated that the entire Board should discuss the different options in regard to the written reports.

Mr. Cozad noted the need to review the language within Board Policy Manual Section 4060 2D in regard to the number of Committee members. Mr. Cozad also mentioned that the Board Policy does not currently contain anything that allows anyone, under any circumstance, to cancel a meeting. Director Raley noted the need for a restrictive meeting cancellation policy. Chairperson McDonald stated that the Board, and not the Committee, would be the one to discuss and take action on such a policy. The committee indicated no further action was needed.

11. ADJOURN

It was moved by Director Raley and seconded by Chairperson McDonald to adjourn. The motion carried with all members present voting in the affirmative.

Director Raley: Yes

Chairperson McDonald: Yes

There being no further business, the meeting adjourned at 3:23 p.m.