



BOARD BUDGET WORKSHOP

**May 31, 2017 –2:30 p.m. or
Immediately Following Board Meeting**

Location--1630 West Redlands Boulevard, Suite A, Redlands, California

Note: Copies of staff reports and other documents relating to the items on this agenda are on file at the District office and are available for public review during normal District business hours. New information relating to agenda topics listed, received, or generated by the District after the posting of this agenda, but before the meeting, will be made available upon request at the District office and in the Agenda Package on the Districts website. It is the intention of the San Bernardino Valley Water Conservation District to comply with the Americans with Disabilities Act (ADA) in all respects. If you need special assistance with respect to the agenda or other written materials forwarded to the members of the Board for consideration at the public meeting, or if as an attendee or a participant at this meeting you will need special assistance, the District will attempt to accommodate you in every reasonable manner. Please contact Athena Monge at (909) 793-2503 at least 48 hours prior to the meeting to inform her of your particular needs and to determine if accommodation is feasible. Please advise us at that time if you will need accommodations to attend or participate in meetings on a regular basis.

CALL TO ORDER

1. PUBLIC PARTICIPATION

Members of the public may address the Board of Directors on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) Section 54954.2 of the Government Code.

2. DISCUSSION ITEMS

A. CAPITAL IMPROVEMENT PROJECTS BUDGET (M#1499).....3

Presenter: Daniel Cozad

Recommendation: The Finance & Administration Committee and Operations Committee recommends that the Board review and accept the updated Capital Equipment and Improvement Plan (CEIP) for use in the 2017-2018 annual budget.

B. RESERVE POLICY REVISIONS (M#1498)6

Presenter: Daniel Cozad

Recommendation: The Finance & Administration Committee recommends that the Board review and approve changes to the 2017 Reserve Policy regarding capital projects and budget changes.

C. DISTRICT AND ENTERPRISE BUDGET FOR FISCAL YEAR 2017-2018
(M#1497)13

Presenter: Daniel Cozad

Recommendation: The Finance & Administration Committee recommends the Board review in workshop format provide any feedback and consider approval of the 2017-2018 District and Enterprise Budget or set approval for June 14, 2017.

3. **ADJOURN MEETING**



SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

Established 1932

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Memorandum No. 1499

To: Board of Directors

From: Finance & Administration Committee, Operations Committee and General Manager, Daniel Cozad

Date: May 31, 2017

Subject: Capital Equipment Improvement Plan

RECOMMENDATION

The Finance & Administration Committee and Operations Committee recommends that the Board review and accept the updated Capital Equipment and Improvement Plan (CEIP) for use in the 2017-2018 annual budget.

BACKGROUND

The District has had an informal list of capital project for at least 15 years. In the past five years staff has been working to better develop and document the list. The 2014-2015 budget began the practice of reviewing the CEIP and incorporating it into the development of the budget. In 2015-2016 budget the capital projects and equipment was identified in the budget showing the Capital Improvement Plan (CIP) list number. Since that time some CEIP projects or equipment have been completed and many others are in progress or added to the list. The CEIP is primarily funded by retained earnings and other funds in the Groundwater Recharge Enterprise Reserve (GRER) and the Land Management Enterprise. Significant projects underway are Mill Creek Sediment Management Diversion Changes, Plunge Creek Restoration and Mill Creek Permitting.

DISCUSSION

Staff updated the former CIP to become the CEIP with the inclusion of capital equipment. Staff also included costs expended to date as well as the status of the project. Additionally, new projects that are conceptual or are based grants or other opportunities are listed under status. Finally the list shows prior year expenditures, and current year expectations for cash management in the GRER and Land Management Reserve. Staff reviewed this with the Operations Committee who made additions, deletions and changes to the list. Staff also reviewed it with the Finance & Administration Committee. During the review with these committees staff refined the list and clarified descriptions. Additionally the Strategic Plan Process yielded some Board directed efforts which are captured as conceptual in the CEIP. More work is needed to determine the full cost and implementation needs for these projects as the Strategic Plan is implemented.

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GENERAL
MANAGER

Daniel B. Cozad

POLICY CONSIDERATIONS

The Board has instituted a Reserve Policy and Budget Planning Process. The Reserve Policy and the new CEIP are inputs to the annual budget process. While committees have reviewed the CEIP the broader Board has not had input. The CEIP is a planning to provide assurance that funding will be available for the capital projects and equipment when it is needed. The Board could consider other capital priorities and financing.

ALTERNATIVES

Potential Board Actions include:

- Accept the CEIP as presented for incorporation into District budget.
- Provide specific changes with the motion accepting the list
- Table the issue and refer to a Finance and Administration Committee, Operations Committee or to a future meeting of the Board and consider the budget without the CEIP.

FISCAL IMPACT

The allocation of reserves to capital projects is prudent as a policy and does not affect the financial status of the District as if exchanges cash reserves for physical assets. The CEIP provides a plan describing in summary the uses of the reserves in the GRER and Land Management Reserve. The clarity and transparency achieved by documenting expected or planned costs and sources of funding is appropriate.

POTENTIAL MOTIONS

1. Move to accept the updated CEIP as recommended by the Finance & Administration Committee and Operations Committees
2. Move to approve with specific changes to the CEIP
3. Move to table the item to a future meeting of the Finance & Administration Committee, Operations Committee or the Board.

ATTACHMENTS OR MATERIALS

Capital Equipment and Improvement Plan

APPROVALS

Reviewed with the Finance & Administration Committee

Reviewed the Operations Committee

Reviewed by General Manager

Reviewed by District Counsel

SBVWCD Capital Projects and Needs

Existing Facilities Capital Repair and Improvement Projects

Version 11 5-15-17

CIP No.	Capital Equipment or Project	Cost Est.	Cost to Date	Budget		Status	Running Total	Enterprises		
				Remaining	FY			Prior FYS	GW	Land
1	Mill Creek	\$750,000	\$172,998	\$577,002	2016-2017	Ongoing	\$577,002		577000	
	Mill Creek Diversion Improvement Design/Permitting	\$100,000				Ongoing		\$150,000		
	Mill Creek Diversion Improvement Implementation	\$500,000				New Start				
2	Plunge Creek	Grant Funds \$500,000	\$710,000	\$177,290	\$532,710	2016-2017	Ongoing	\$1,109,712		\$500,000
	Plunge Creek Restoration (Water and Habitat) Design/Permitting	\$50,000				Ongoing		\$100,000		\$50,000
	Plunge Creek Restoration (Water and Habitat) Implementation	\$560,000				New Start				\$560,000
3	Restroom/Septic Tank Mentone Shop	\$35,000	\$0	\$35,000	2016-2017	New Start	\$1,144,712		\$35,000	
4	Trails Planning Design and Coordination	\$45,000	\$45,000	\$0	2016-2017	Ongoing	\$1,144,712	\$45,000		\$45,000
5	Redlands Plaza Parking Lot	\$70,000	\$0	\$70,000	2016-2018	New Start	\$1,214,712			\$70,000
6	Wash Plan HCP Endowment	\$55,000	\$55,000	\$0	2016-2017	One Time	\$1,214,712	\$55,000		
7	Mill Creek/ River HCP Permitting	\$120,000	\$80,000	\$40,000	2016-2018	New Start	\$1,254,712	\$30,000	\$90,000	\$30,000
8	Dump Truck and other Capital Equipment	\$150,000	\$0	\$150,000	2016-2018	Equipment	\$1,404,712		\$100,000	
9	Fencing and Gates etc. Mendoza	\$35,000	\$0	\$35,000	2017-2018	New Start	\$1,439,712			\$35,000
10	Capital Maintenance Mill Creek - #6 to #12 capacity	\$30,000	\$0	\$30,000	2017-2018	New Start	\$1,469,712		\$30,000	
11	Concrete Repair and Flume with new Gate/Current Meter Mill Cr	\$30,000	\$0	\$30,000	2017-2019	New Start	\$1,499,712		\$30,000	
12	Environmental Habitat Improvement Documentation Mendoza	\$150,000	\$0	\$150,000	2018-2020	Opportunity	\$1,649,712			\$150,000
13	Habitat Equipment Herbicide Sprayer and ATV	\$30,000	\$0	\$30,000	2018	New Start	\$1,679,712			\$30,000
14	Canyon house demolition and cleanup	\$20,000	0	\$20,000	2018	Optional	\$1,699,712			\$20,000
15	Canyon shop lead abatement maintenance and drainage grading	\$30,000	0	\$30,000	2018	Optional	\$1,729,712		\$30,000	
16	Capital Maintenance SAR Main canal connection to #11	\$50,000	\$0	\$50,000	2017-2018	New Start	\$1,779,712		\$50,000	
	Potential or Opportunity									
17	Buffer Land Acquisitions and Security improvements	\$500,000	\$318,000	\$182,000	2016-2020	Opportunity	\$1,961,712			\$500,000
18	Water Recharge Mendoza Design	\$50,000	\$0	\$50,000	2017-2020	Opportunity	\$2,011,712		\$50,000	
19	Water Recharge Mendoza Implementation	\$300,000	\$0	\$300,000	2017-2020	Conceptual	\$2,311,712		\$300,000	
20	Concrete Repair Parshal Flume SAR if needed after Enhanced Rec	\$50,000	\$0	\$50,000	2020	Potential	\$2,361,712		\$50,000	
21	Borrow Pit basins bypass to pit SAR	\$75,000	\$0	\$75,000	2018	Conceptual	\$2,436,712		\$75,000	
22	D9 Bulldozer/long reach excavator permitted cleaning D6T \$400k	\$900,000	\$0	\$900,000	2019	Potential	\$3,336,712		\$900,000	
23	Aggressive Recharge Planning	\$100,000	\$0	\$100,000	2017-2021	Conceptual	\$3,436,712			\$100,000
24	Aggressive Recharge Implementation	\$1,000,000	\$0	\$1,000,000	2019-2025	Conceptual	\$4,436,712		\$1,000,000	
25	Distributed Recharge Planning	\$200,000	\$0	\$200,000	2017-2021	Conceptual	\$4,636,712			\$200,000
26	Distributed Recharge Implementation	\$2,000,000	\$0	\$2,000,000	2018-2030	Conceptual	\$6,636,712			\$2,000,000
27	Greenspot and Conecamp parking/staging and trailheads plannir	\$50,000	\$0	\$50,000	2018-2026	Conceptual	\$6,686,712			\$50,000
28	Mining Area Multi-use Planning	\$100,000	\$0	\$100,000	2020-2025	Conceptual	\$6,786,712			\$100,000
29	Treatment Wetlands Planning	\$150,000	\$0	\$150,000	2020-2026	Conceptual	\$6,936,712		\$50,000	\$100,000
30	Greenspot/Conecamp parking/staging and trailheads	\$350,000	\$0	\$350,000	2018-2027	Conceptual	\$7,136,712			\$350,000
	Total Budgeted Capital Cost	\$8,745,000	\$848,288	\$7,286,712				\$380,000	\$3,867,000	\$4,390,000
	Net of Grant	\$8,245,000		\$6,786,712						



Memorandum No. 1498

To: Board of Directors

From: Finance & Administration Committee/General Manager, Daniel Cozad

Date: May 31, 2017

Subject: Reserve Policy Revisions

RECOMMENDATION

The Finance & Administration Committee recommends that the Board review and approve changes to the 2017 Reserve Policy regarding capital projects and budget changes.

BACKGROUND

The Board last approved changes to the reserve policy in January 2017. Shortly thereafter the Operations committee directed Staff to eliminate the reserve funded wet year cleaning from the CIP and include it in the annual O&M budget. The cost of multi-year cleaning is not easily annualized because some maintenance is done annually but the most expensive maintenance of basins is planned on 3 and 5 year cycles. This results in higher costs after wet years when the 3 and 5 year maintenance is needed. Since 2011 the District has proportioned funding for wet year repairs and cleaning into Groundwater Recharge Enterprise Reserve (GRER) to have the funds available after wet year operations and avoid large swings in the Groundwater Charge.

DISCUSSION

To accommodate this change staff coordinated with the District Auditor and the Finance and Administration Committee. The change requires revision of the GRER Policy to avoid significantly increasing the groundwater charge. This change would provide for an average cost to be used in budgeting and remaining funds contributed to the GRER. This average cost over five years will be budgeted each year and excesses will be accumulated in the GRER for wet years, the reserve will be the source of funds for wet year cleaning. Staff has attached a redline/strikeout version of the policy to this letter.

POLICY CONSIDERATIONS

The Board has instituted the Reserve Policy and endorsed sound reserve policy for many years. This policy has provided assurance that funding will be available for the enterprises when needed. The Board could consider other revisions rather than those suggested by staff.

ALTERNATIVES

Potential Board Actions include:

- Approve the revised policy for incorporation into District budget.
- Provide specific changes with the approval motion
- Table the issue and refer to the Finance & Administration Committee or to a future meeting of the Board

FISCAL IMPACT

The allocation of reserves based on policy does not affect the overall financial status of the District. The changes to the reserve policy do not have direct fiscal impacts because they will be funded from prior year budget savings. The development and funding of appropriate reserve levels from available cash in the short term and managing with reduced costs in the long term will maintain and build fiscal health for the enterprises. The clarity and transparency achieved by the system is believed to outweigh the small increase in transactional costs required for the implementation of enterprise and reserve policies.

POTENTIAL MOTIONS

1. Move to approve the revised reserve policy as recommended by the Finance & Administration Committee
2. Move to approve with specific changes to the policy
3. Move to table the item to a future meeting of the Finance & Administration Committee or the Board.

ATTACHMENTS OR MATERIALS

Reserve Policy

APPROVALS

Discussed with the Finance & Administration Committee

Discussed with District External Auditor

Reviewed by General Manager

Reviewed by District Counsel

San Bernardino Valley Water Conservation District Policy

Policy Number 0001

Date: Revised ~~154/312~~1/2017

Policy Name: District and Enterprise Reserve Policy

History: **Adopted** 1/2011 revised 4/15/2013, 9/11/13, 11/19/14, 4/22/15, and ~~145/123~~1/17

Application: All SBVWCD Employees, Board Members, Enterprises, Partners and Financial Advisors

GENERAL POLICY:

SBVWCD desires to better document and communicate its reserve policy to identify the necessity, purpose, development and use of District General and Enterprise reserves.

Additionally the District needs to: 1) document a calculation methodology and/or maintained level of reserves for all existing and future needs within the agency where reserve funds are required and/or necessary; 2) allocate and separate fund excesses for similar use, restrict transfer without Board Approval. The policy addresses the following:

Consideration on the establishment and development/continuation of a reserve fund will be decided based on the following criteria:

- Purpose and need for the reserve fund;
- Availability and source of funds to continue, replenish or establish the reserve;
- Operating expenditures approved by annual budgets or Groundwater Charge processes;
- Current and future emergency repairs, capital expenditures and debt service requirements;
- Board approval or changes to the reserve policy.

SBVWCD recognizes the importance of operating an agency or company with sound reserve levels in place that provides for unanticipated/emergency costs, should they arise within a budgeted fiscal year. These costs would be set aside to avoid requesting significant increased funding from year to year from groundwater charge entities or other revenue sources and to insure that the District is able to perform required critical tasks and respond to emergencies.

SCOPE:

The development of the enterprise model was proposed based on the review of the District's operation and performance in prior fiscal years. Additionally the enterprise model requires a policy and process for transferring reserves. It is critical to identify and build a General Fund operating reserve to provide funding for both District special contingencies and annual budget shortfalls.

This policy will provide direction to staff for the following areas:

- Sources of funds and segregation of the accounts and reserves
- Level and/or target for a reserve;
- Limits placed on the use of reserves;
- Requirements for reporting trends for reserves
- Limitation of transfers without Board Approval;

SPECIFIC PROVISIONS:

A. Groundwater Recharge Enterprise Reserve

The Groundwater Recharge Enterprise Reserve (GRER) shall be developed to fund general operating cash flow needs relative to the operation of the GRER fund. Through the Groundwater Charge rate setting process, Staff will informally coordinate with Groundwater Charge payees on the level of this

San Bernardino Valley Water Conservation District Policy

reserve in accordance with this policy. Initially it is proposed that the reserve level be set at an amount equal to 100% of the GRE operating budget or a target of \$1,250,000 until the completion of Mill Creek diversion and environmental permitting requirements. The additional funding is intended to be expended toward Mill Creek [construction](#) and return to approximately 1 year's operating budget [over the years after construction](#) to cover large emergency repairs [and significant operations costs](#) as needed. The District's cost is higher [during and](#) in the year after a wet year and the District's revenue is highest in drought [times years](#). This countercyclical relationship requires a higher reserve and prudent planning. The primary source of these funds is the District Groundwater [Charge Charge and these operations are not easily annualized because some maintenance is done annually but the most expensive maintenance of basins is planned on 3 and 5 year cycles. This results in higher costs after wet years when the 3 and 5 year maintenance is needed. Since 2011 the District has proportioned funding for wet year repairs and cleaning into GRE to have the funds available after wet year operations and avoid large swings in the Groundwater Charge. In 2017 the Operations committee directed Staff to eliminate the reserve funded wet year cleaning from the CIP and include it in the annual O&M budget. To continue to avoid significantly increasing the groundwater charge the average cost over five years will be budgeted each year and excesses will be accumulated in the GRE.](#)

[An Agreement with SBVMWD and WMWD provides separate funding for Enhanced Recharge operation and maintenance. While this funding is separate from funding received from the Groundwater Charge the uses of the funding are very similar. A specific allocation of a portion of Enhanced Recharge funds annually to fund exceptional water year event costs is recommended. Allocation of a maximum of \\$50,000 per year contribution up to \\$250,000 will be included in the GRE. and the The GW Emergency Repair Reserve when approved by the Board. The GRE shall, upon completion of Mill Creek project, stop accumulating funding when it contains one year's operating costs for the Groundwater Enterprise is fully funded at \\$250,000. -](#)

~~[An Agreement with SBVMWD and WMWD provides separate funding for Enhanced Recharge operation and maintenance. While this funding is separate from funding received from the Groundwater Charge the uses of the funding are very similar. A specific allocation of a portion of Enhanced Recharge funds annually to fund exceptional water year event costs is recommended. Allocation of a maximum of \\$50,000 per year contribution up to \\$250,000 will be included in the GRE.](#)~~

B. Groundwater Assessment Rate Stabilization Reserve

This is recommended to assist the District in providing stability and predictability in the Groundwater Assessment Fee. The reserve budget and excess funds will allow multi-year stability and support when costs increase or revenues decrease due to adverse weather or other changes. This reserve will accumulate 10% of any net retained earnings of the Groundwater Enterprise and beginning in 2014 will be budgeted at up to 5% of the total rate. This 5% may be phased in over time. The reserve shall no longer be budgeted when it reaches \$400,000.

C. Redlands Plaza Reserve

The District's offices are in Redlands Plaza and it manages the building for itself and its tenants. In addition, other real property owned by the District that is leased is also managed under this enterprise. The Redlands Plaza Reserve (RPR) shall be developed solely of lease payments of the property leased up to an amount not to exceed greater of 150% of the average annual maintenance costs or 50% of annual rental proceeds plus any capital improvement needed. For 2017 the target level is set at \$81,418. The purpose of the RPR is to accumulate funding to pay for major maintenance, upgrades, marketing, or emergency repairs.

D. Land Resources Reserve

The Land Resources Reserve (LRR) shall be developed to fund general operating cash flow needs relative to the land management, planning, habitat, wash plan and other costs related to the Districts held lands. Through the payment of Aggregate royalties and other revenue, the LRR will accumulate capital to be able to fund the management needs and establish security against future unexpected expenses. Staff shall coordinate with Land Resource Partners on likely income for each fiscal year and plan for the contribution or use of this reserve fund.

Initially in 2011 this reserve did not have funding contribution due to limited mining activities. Costs to the Land Resources Enterprise will be funded by mining royalties. For 2017, the reserve is increased to \$816,743. Future levels may be set by modifications or in the Annual Budget.

E. Prepaid Royalties Reserve

The District holds a \$5 Million prepaid royalty from Robertson’s. This reserve is subject to call provisions in the contract with Robertson’s and is invested in 1 year or shorter investments. This Prepaid Royalties Reserve (PRR) is intended to provide the assurance to the District from Robertson’s for the long term lease of District property and the payment of future royalties. District revenue from interest may be used in the General Fund or fund the PRR if identified in the Annual Budget.

General Fund Reserves

1. General Fund Reserve

This reserve is to secure funding to the General Fund for District operations in time of temporary deficit and to balance the large swings in District cash flow. The sources of funding to the District are ephemeral and tend toward moving together so when one revenue source is down others are as well. Thus, the District needs to have longer term reserves and short term operating funds and capital.

Because there will be urgent needs and possible unforeseen costs after the District sets rates and or costs which are over budget the District will use the General Fund Reserve (GFR). This allows the District flexibility to operate even in down economic cycles.

This is the only existing reserve (with the exception of the Prepaid Royalty Reserve) that has been significantly depleted in the past years due to the general economy and litigation costs. This reserve will be budgeted each year to increase and/or decrease based on annual operating expenditures of the General Fund and annual decisions made by the Board. It is envisioned that this reserve level balance once achieved, will be maintained at a level equal to two years of General Fund operating expenses, currently approximately \$1,250,000.

2. Operating Funds and Levels

The Board has established an “Operating Fund” as a subset of the General Fund Reserve. This fund, not to exceed \$300,000, is established and may be withdrawn by the General Manager, from LAIF or other investments to meet the projected operating cash flow needs of the District within the budget year. Because revenue and expense timing as well as contract reimbursements do not align with expenses this Operating Funding is important. Costs vary from year to year; therefore the Operating Fund level should be reviewed and may be modified by the Board as part of the Annual Budget process. The General Manager shall not transfer operating funds from investments beyond the level of the Operating Fund without Board approval.

San Bernardino Valley Water Conservation District Policy

Additionally Specific Projects (such as the Wash Plan and Plunge Creek) will have project funding that must be illustrated in the District Annual Budget, but is not received or expended with regard for fiscal year. Planned spending of these project funds will be identified in the budget to the extent possible and will be subject to the segregation requirements of the Reserve Policy, but are not technically reserves for other purposes.

3. Compensated Absences Reserve

The Board established this reserve to reflect the set aside of earned but unpaid annual leave, sick time and Vacation. The purpose of the reserve is to insure the District can pay for sick or vacation at employee separation.

4. PERS Employer Contribution and Post Employment Expense Reserve

The District has limited post-employment liabilities due to its prudent management of benefits. The District shall complete an actuarial evaluation every two years or similar report to provide reserve funding adequate to fund projected post-employment expenses. In May, 2014 the Board authorized \$32,423.00 allocated to this Reserve for the full funding of anticipated costs. Additional funds were added to the reserve until the Board approved the CalPERS OPEB Trust to hold funds for the OPEB liability. No funding is included in this reserve due to the Trust.

This reserve also provides funding for the District to protect against future fluctuations in the employer contribution as witnessed over the past several years. SBVWCD, as most agencies, was not obligated to contribute to the PERS retirement program as interest rates and earnings exceeded the projected liabilities of the retirement fund. Over the past few years the SBVWCD Employer Contribution has increased and additional increases are forecasted in the future. This reserve will be created to set aside funds at 7% of payroll even when the requested contribution from PERS falls below this level. No contribution and/or set aside will be required at this time.

5. Self-Insurance Reserve

This reserve is to provide insurance protection to the District for losses that could arise from property, general liability and worker's compensation claims. The reserve should be maintained at a level that together with SBVWCD's existing insurance policies would adequately protect the District. The Self-Insurance Reserve (SIR) will accumulate funds at an annual rate of \$5,000 earning interest allocated quarterly on balances maintained. The fund shall be utilized to cover insurance losses experienced by the agency that may or may not be awaiting insurance claim reimbursement or deductibles. The agency shall cease to contribute set-aside funds upon reaching a \$50,000 balance.

6. Capital Improvement and Equipment Reserve

This reserve is to provide multi-year funding to support future capital projects and equipment identified and approved by the Board in the District plans and budgets. Costly equipment or vehicles are budgeted and reserves maintained as an alternative to funding depreciation in the budget process. The District has reviewed its capital improvement and equipment reserve based on capital repairs and equipment. This reserve target was [originally](#) set to \$400,000 in 2015 and has been increased to \$750,000 to accommodate [future-near term](#) capital needs primarily for Mill and Plunge Creek projects.

CLARIFICATION:

Restricted Reserves

The only funds classified as restricted are those which are specifically governed by a written contract with the agency or outlined within the "bond covenants" of a bond issue.

San Bernardino Valley Water Conservation District Policy

Unrestricted Reserves

Reserve levels classified as unrestricted are set by SBVWCD Board Resolution. The Board may modify or transfer funds between reserves by Board action.

Reserve and Enterprise Transfers, Loans and Approval

The District Board has authority over all transfers and loans among enterprises and their Reserve accounts. The Board delegates day to day management of the funds of the enterprises to the General Manager. Under this authority, the General Manager may approve the transfer/loan of funds from one enterprise/reserve to/from another within the fiscal year in an amount not to exceed \$50,000. Such transfers/loans must be repaid within the same fiscal year and accrued interest (at the LAIF rate) is due to the lending enterprise reserve from the borrowing enterprise reserve. Invested funds are pooled and interest is allocated to the general fund unless specifically identified. Transactions above this limit or which will extend past the end of the fiscal year shall be disclosed and approved by the Board unless included in the annual budget.



SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

Established 1932

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Memorandum No.1497

To: Board of Directors

From: Finance & Administration Committee/General Manager, Daniel Cozad

Date: May 31, 2017 Budget Workshop/June 14, 2017 Board Action

Subject: District and Enterprise Budget for Fiscal Year 2017-2018

RECOMMENDATION

The Finance & Administration Committee recommends the Board review in workshop format, provide any feedback and consider approval of the 2017-2018 District and Enterprise Budget on June 14, 2017.

BACKGROUND

Staff prepared and the Board approved the development plan for the Groundwater budget in February 2017. This same plan is applied to the development of the other Enterprises and District consolidated budget. Staff followed this plan and updated the budget from actual and projected costs for 2017-2018. The Finance & Administration Committee reviewed a preliminary budget at their April 21st meeting and provided feedback to staff. The approval of the groundwater charge at the Board's May meeting and with the feedback from the Board in the Workshop; staff will finalize any issues and upon approval in June staff will implement the Budget for the beginning of the Fiscal Year July 1, 2017.

DISCUSSION

The District has managed costs to stay within or below the available revenue in major areas. Staff revised and updated the Capital Equipment and Improvement Plan with the Operation Committee earlier this year. This plan includes requirements and improvements that should be completed to maintain and secure our facilities such as the following:

- Mill Creek Diversion improvements, engineering and construction (capital expense)
- Environmental evaluation and permitting of Mill Creek and Santa Ana Spreading Grounds for California Department of Fish and Wildlife permit, monitoring and documentation
- Mentone Shop restroom facilities
- Dump Truck and other Capital Equipment
- Continued Security repairs – fencing, gates, etc: Mendoza property
- Support for Groundwater Sustainability Council formation
- Concrete Repair and Flume with new Gate/Current Meter Mill Creek
- Habitat Equipment Herbicide Sprayer and ATV
- Capital Maintenance SAR Main canal connection

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Division 5:
Melody McDonald

GENERAL
MANAGER

Daniel B. Cozad

These needs result in higher costs. Significantly new elements include environmental permitting and continued efforts related to facility security, fencing gates and capital equipment and Projects. These are offset by lower estimated costs for fuel and vehicle maintenance as well as reduction in part time field staffing.

The budget approach followed by staff includes the following elements and activities:

- Develop and review draft budget with groundwater partners
- Vet the draft budget with the Groundwater Council's potential members
- Utilize the Groundwater Enterprise Budget to develop the proposed groundwater charge
- Review other budgets with appropriate partners and stakeholders
- Review the Capital Equipment Improvement Plan with the Operations Committee
- Review the preliminary budget with the Finance & Administration Committee
- Review the budget in a Board Workshop before requesting approval
- Utilize feedback from all of the above in the development of the budget for approval

Assumptions

The budget uses the following assumptions and basis for the 2017-2018 budget where known:

Revenue

- Groundwater revenue based on actual charges paid with review from groundwater partners
- Mining revenue will be estimated based on lease guaranteed annual minimum

Expenses

- Expenses are estimated on the zero basis or actual costs/estimates modified based on specific needs and actual 2015/2016 costs.
- COLA increases based on Bureau of Labor Statistics CPI-U All West at 2.5%
- Salary forecast includes raise pool at 5% of total salaries
- Utilities, increase at approximately 4-10% based on sector CPI or rates
- Miscellaneous expenses were generally increased where no other basis is available at 3%.

Significant Budget Changes

Based on the District's "Pay-as-you-go" policy for facility development and capital improvement and maintenance, the 2017-18 budget proposes to fund significant improvements from the retained earnings in the groundwater recharge and capital improvement reserves. In the 2016-2017 budget the full cost of remaining capital projects and equipment were documented in the Capital Budget. This effort is continued with this budget and this budget separates capital costs from the Operating Budget. This change results in the need for cash management review but is a more transparent and understandable format in the document.

The Operations Committee requested a change in budgeting for the annual and wet year cleaning to include it in the annual operating budget. Previously staff budgeted a capital contribution for this from the operating budget. The revised policy will include an average cost and accumulate the excess or deficit in the Groundwater Recharge Enterprise Reserve. This action reduces the contribution to reserves.

Another change is for biennial elections. While election costs are estimated at \$100,000 for 2017, these costs may actually be expended until the 2018 budget if the County registrar approves the change in election dates.

POLICY CONSIDERATIONS

The Board developed a sound budget and reserve process over the past seven years. This policy and process is integrated to provide budget planning direction and comprehensive multi-committee and multi-party review of the Groundwater Charge and Groundwater Enterprise budget as well as the District comprehensive Budget. The Board's policies direct the development of the budget and the elements to be funded in the budget. The Board may reconsider their direction and provide other policy changes or staff direction in the workshop.

ALTERNATIVES

Potential Board Actions include:

- Accept the draft budget for approval on June 14, 2017
- Provide general policy changes
- Provide specific changes to the budget document
- Table the issue and refer to the Finance & Administration Committee prior to the next meeting of the Board

FISCAL IMPACT

Staff time for planning is included in the approved budget. Overall budgeted operation revenue decreased by about \$360,000 primarily Wash Plan expenses loan from the District and planned expenses increased by about \$175,000 primarily due to Election and Wash Plan elements. General Fund Reserve after allocation of overhead based on the District's policy.

POTENTIAL MOTIONS

1. Move to accept the budget as recommended by the Finance & Administration Committee
2. Move to accept the budget with general or specific changes
3. Move to table the item to the Finance & Administration Committee prior to the next meeting of the Board

ATTACHMENTS OR MATERIALS

Budget Spreadsheets

APPROVALS

Reviewed with the Finance & Administration Committee

Reviewed with Operations Committee

Reviewed by General Manager

Reviewed by District Counsel

GL ACCT:	GL DESCRIPTION:	Approved 2016-2017 Budget	Expended/ Received to Date as of 3/31/17	Projected Annual Costs (7/1/16- 6/30/17)	Increase/ Decrease	Draft 2017- 2018 Budget	GENERAL FUND			GROUNDWATER RECHARGE ENTERPRISE			REDLANDS PLAZA & LEASED PROPERTY- MENTONE HOUSE			LAND RESOURCE			WASH PLAN				
							2016 BUDGET:	% BUDGET	BASIS:	2016 BUDGET:	% BUDGET	BASIS:	2016 BUDGET:	% BUDGET	BASIS:	2016 BUDGET:	% BUDGET	BASIS:	2016 BUDGET:	% BUDGET	BASIS:		
2017-2018 Budget																							
INCOME:																							
4012	INTEREST INCOME-LAIF	1,300.00	2,056.11	2,741.48	500.00	1,800.00	1,800.00	100.00%		0.00			0.00			0.00			0.00				
4013	INTEREST INCOME-CALTRUST	60,000.00	13,498.98	17,998.64	-40,000.00	20,000.00	20,000.00	100.00%		0.00			0.00			0.00			0.00				
4014	INTEREST INCOME-CA CREDIT UNION	0.00	19,472.68	25,963.57	25,000.00	25,000.00	25,000.00	100.00%															
4015	INTEREST INCOME-UBS	0.00	8,646.53	18,434.59	17,500.00	17,500.00	17,500.00	100.00%															
4021	GROUNDWATER CHARGE-AG	47,158.00	35,950.96	36,000.00	-8,236.76	38,921.24	0.00		38,921.24	100.00%	4% rate increase	0.00				0.00			0.00				
4023	GROUNDWATER CHARGE-NON AG	719,239.60	706,308.51	706,308.51	-5,539.20	713,700.40	0.00	Board Direction prior yr product	713,700.40	100.00%	Board Direction prior yr prod	0.00				0.00			0.00				
4031	PLANT SITE CEMEX	48,000.00	36,000.00	48,000.00		48,000.00	0.00		0.00		\$ 752,622	0.00				48,000.00	100.00%	PER LEASE MIN	0.00				
4032	CEMEX - ROYALTY/LEASE	586,000.00	393,666.64	586,000.00		586,000.00	0.00		0.00			0.00				586,000.00	100.00%	Per Lease Agreement	0.00				
4036	AGGREGATE MAINTENANCE	50,000.00	36,227.17	40,000.00	5,000.00	55,000.00	0.00		0.00			0.00				55,000.00	100.00%	EST FROM 2010	0.00				
4040	MISCELLANEOUS INCOME	10,000.00	2,743.00	5,000.00		10,000.00	7,500.00	75.00%	ESTIMATE	0.00		0.00				2,500.00	25.00%	ESTIMATE	0.00				
4050	PROPERTY TAX	79,800.00	45,743.54	79,800.00	2,000.00	81,800.00	81,800.00	100.00%	+5%	0.00		0.00				0.00			0.00				
4055	SBVMWD LEASE AGREEMENT	370,886.55	370,010.78	370,010.78	5,180.15	376,066.70	188,033.35	50.00%	+1.4% CPI	188,033.35	50.00%	0.6% EST. CPI-U CUURA421S	0.00			0.00	0.00%	Land Lease Cost	0.00				
4062	MENTONE PROPERTY INCOME	21,600.00	15,905.00	21,305.00		21,600.00	0.00		Actual Rent	0.00		21,600.00	100.00%	PER LEASE	0.00			0.00					
4065	REDLANDS PLAZA	170,905.56	131,577.97	170,905.56	-5,082.91	165,822.65	0.00		Vacancy likely	0.00		165,822.65	100.00%	Est. via revised leases	0.00			0.00					
4066	REDLANDS PLAZA CAM	35,000.00	25,736.84	36,378.84	-3,000.00	32,000.00	0.00		Vacancy likely	0.00		32,000.00	100.00%	Est. via revised leases	0.00			0.00					
4080	EXCHANGE PLAN	30,000.00	0.00	30,000.00		30,000.00	0.00			30,000.00	100.00%	HISTORIC	0.00			0.00			0.00				
4025	WASH PLAN REVENUE *Reserve CIP #5	430,000.00	438,191.63	430,000.00	-360,000.00	70,000.00	0.00		Processing Complete	0.00		0.00				0.00			0.00	70,000.00	100.00%	\$430k Loan from Reserve	
4086	PLUNGE CREEK IRWMP	150,000.00	71,768.72	94,321.86		150,000.00	0.00	0.00%	Per Plunge Creek Budget/schedule	0.00		0.00				150,000.00	100.00%		0.00				
4998	RATE STABILIZATION *From Reserves	24,857.00	0.00	24,857.00		35,000.00	0.00			35,000.00	100%					0.00			0.00				
TOTAL INCOME:		2,834,746.71	2,353,505.06	2,744,025.83	-366,678.72	2,478,210.99	341,633.35			1,005,654.99			219,422.65			841,500.00			70,000.00				
EXPENSES:																							
5080	LAFCO CONTRIBUTION/FEES	400.00	0.00	400.00	0.00	400.00	400.00	100.00%		0.00			0.00			0.00			0.00				
5120	MISC. PROFESSIONAL SERVICES	150,000.00	28,022.42	75,000.00	0.00	150,000.00	43,750.00	29.17%	Includes GSC Support	31,250.00	20.83%	GSC and Bio Support	0.00	0.00%		75,000.00	50.00%		0.00				
5122	WASH PLAN PROFESSIONAL SERVICES	70,000.00	62,769.49	70,000.00	-20,000.00	50,000.00	0.00		Per Wash Plan Budget	0.00		0.00				0.00			50,000.00	100.00%	Per Wash Plan Budget		
5124	PLUNGE CREEK PROFESSIONAL SERVICES	50,000.00	31,647.77	50,000.00	100,000.00	150,000.00	0.00		Per Plunge Creek Budget	0.00	0.00%					150,000.00	100.00%	Plunge Creek Budget	0.00				
5125	ENGINEERING SERVICES	16,000.00	0.00	16,000.00	2,000.00	18,000.00	0.00			18,000.00	100.00%	GENERAL ENG./GIS	0.00			0.00			0.00				
5130	AERIAL PHOTO/SURVEYING/MARKET	1,000.00	0.00	1,000.00		1,000.00	0.00			0.00		0.00				1,000.00	100.00%		0.00				
5133	Regional River HCP Contribution CIP #7	30,000.00	25,000.00	30,000.00	10,000.00	40,000.00	0.00			30,000.00	75.00%		0.00			10,000.00	25.00%		0.00				
5143	SBVCT District Contribution	50,000.00	116.55	50,000.00	-45,958.00	4,042.00	0.00			0.00		0.00				4,042.00	100.00%	Conservation Trust Support	0.00				
5145	ENVIRONMENTAL SERVICES (WASH PLAN)	160,000.00	157,846.49	162,841.49	-160,000.00	0.00	0.00		Per Wash Plan Budget	0.00		0.00				0.00			0.00	100.00%	Per Wash Plan Budget		
5160	IT SUPPORT	6,000.00	4,005.00	6,000.00	1,000.00	7,000.00	2,800.00	40.00%		3,500.00	50.00%	Share by need	0.00			700.00	10.00%		0.00				
5170	AUDIT	22,000.00	23,134.00	23,134.00	5,135.00	27,135.00	5,427.00	20.00%		12,482.10	46.00%	Share based on Revenue	4,070.25	15.00%	ON REVENUE	5,155.65	19.00%	ON REVENUE	0.00				
5175	LEGAL-WASH PLAN	25,000.00	15,932.00	25,000.00	-15,000.00	10,000.00	0.00		Per Wash Plan Budget	0.00		0.00				0.00			10,000.00	100.00%	Per Wash Plan Budget		
5180	LEGAL	90,000.00	65,815.04	100,000.00	100,000.00	190,000.00	57,000.00	30.00%	Litigation on SOD	57,000.00	30.00%	GSC and COE Litigation	13,300.00	7.00%		81,700.00	43.00%	Agreements	0.00			60,000.00	
FIELD OPERATIONS:																							
5123	TEMP FIELD LABOR	10,000.00	0.00	5,000.00	1,000.00	11,000.00	0.00			11,000.00	100.00%	Invasive and canal cleaning	0.00			0.00			0.00				
5210	EQUIPMENT MAINTENANCE	6,000.00	2,857.03	6,000.00	0.00	6,000.00	0.00			6,000.00	100.00%	based on average actual	0.00			0.00			0.00				
5215	PROPERTY MAINTENANCE	32,500.00	9,116.88	20,000.00	7,500.00	40,000.00	0.00			32,000.00	80.00%	Basin Maintenance Moved	0.00			8,000.00	20.00%	Tamerisk	0.00				
5225	FIELD CLEAN UP-ILLEGAL DUMPING	6,000.00	0.00	6,000.00	0.00	6,000.00	0.00			3,000.00	50.00%		0.00			3,000.00	50.00%		0.00				
5050	BASIN CLEANING FORMERLY 7050 CAPIT	60,000.00		50,000.00	-10,000.00	50,000.00				50,000.00	100.00%								0.00				
VEHICLE OPERATIONS:																							
5310	VEHICLE MAINTENANCE	10,000.00	2,108.21	10,000.00	0.00	10,000.00	0.00			10,000.00	100.00%	reduced from 2013-14 base	0.00			0.00			0.00				
5320	FUEL	13,000.00	5,865.96	10,000.00	-750.00	12,250.00	0.00			12,250.00	100.00%	EST. LOWER FUEL COST	0.00			0.00			0.00				
UTILITIES:																							
5410	ALARM SERVICE	2,500.00	946.00	1,500.00	-1,000.00	1,500.00	750.00	50.00%	Reduced	750.00	50.00%	FACILITIES SHARE	0.00			0.00			0.00				
5420	ELECTRICITY	9,500.00	4,657.39	9,500.00	0.00	9,500.00	2,660.00	28.00%		1,900.00	20.00%	FACILITIES SHARE	4,940.00	52.00%		0.00			0.00				
5430	MOBILE PHONES	3,500.00	2,700.00	3,500.00	50.00	3,550.00	710.00	20.00%		2,662.50	75.00%	FACILITIES SHARE	0.00			177.50	5.00%		0.00				
5440	TELEPHONE	8,700.00	4,162.44	6,500.00	-700.00	8,000.00	5,600.00	70.00%		2,400.00	30.00%	FACILITIES SHARE	0.00			0.00			0.00				
5450	NATURAL GAS	900.00	830.79	900.00	0.00	900.00	540.00	60.00%		360.00	40.00%	FACILITIES SHARE	0.00			0.00			0.00				
5460	WATER / TRASH / SEWER	2,160.00	1,065.86	2,160.00	0.00	2,160.00	1,080.00	50.00%		864.00	40.00%	FACILITIES SHARE	0.00			216.00	10.00%		0.00				
5470	INTERNET SERVICES	2,500.00	1,867.22	2,500.00	0.00	2,500.00	1,250.00	50.00%	Now with phones	750.00	30.00%	FACILITIES SHARE	125.00	5.00%		375.00	15.00%		0.00				
GENERAL ADMINISTRATION:																							
6001	GENERAL ADMIN-OTHER	7,000.00	817.38	2,500.00	-1,500.00	5,500.00	2,750.00	50.00%		2,750.00	50.00%	ESTIMATE BY USE	0.00			0.00			0.00				
6002	WEBSITE ADMINISTRATION	3,100.00	1,758.14	3,100.00	0.00	3,100.00	3,100.00	100.00%		0.00		0.00				0.00			0.00				
6003	PROPERTY TAX	235.10	0.00	235.10	0.00	235.10	235.10	100.00%		0.00		0.00				0.00			0.00				
6004	MEETING EXPENSES	2,200.00	1,027.87	2,200.00	-200.00	2,000.00	1,000.00	50.00%		0.00		0.00				1,000.00	50.00%		0.00				
6006	PERMITS	10,000.00	370.00	10,000.00	0.00	10,000.00	2,000.00	20.00%		5,000.00													

GL ACCT:	GL DESCRIPTION:	Approved 2016-2017 Budget	Expended/ Received to Date as of 3/31/17	Projected Annual Costs (7/1/16- 6/30/17)	Increase/ Decrease	Draft 2017- 2018 Budget	GENERAL FUND			GROUNDWATER RECHARGE ENTERPRISE			REDLANDS PLAZA & LEASED PROPERTY- MENTONE HOUSE			LAND RESOURCE			WASH PLAN		
							2016 BUDGET:	% BUDGET	BASIS:	2016 BUDGET:	% BUDGET	BASIS:	2016 BUDGET:	% BUDGET	BASIS:	2016 BUDGET:	% BUDGET	BASIS:	2016 BUDGET:	% BUDGET	BASIS:
2017-2018 Budget																					
Multiyear Capital projects																					
7010	MATERIALS	8,000.00	0.00	8,000.00		8,000.00	0.00			8,000.00	100.00%	Field Security Changes	0.00			0.00			0.00		
7050	BASINS - CAPITAL ANNUAL REPAIRS	20,000.00	0.00	20,000.00		0.00	0.00			0.00	100.00%	ANNUAL MAINTENANCE	0.00			0.00			0.00		
	3 year Maintenance - MOVED TO 5050	40,000.00	0.00	20,000.00		0.00	0.00			0.00	100.00%	25% OF \$120K IN 3 YEARS	0.00			0.00			0.00		
7053	HCP Endowment Contribution CIP #6	55,000.00	0.00	54,042.00		0.00	0.00	Completed		0.00	75.00%	100% of cost	0.00			0.00	25.00%		0.00		
7055	PLUNGE CREEK PROJECT CIP #2	210,000.00	0.00	210,000.00		500,000.00	0.00	In GL 5124 Until Completion		100,000.00	20.00%	20% recharge	0.00			400,000.00	80.00%	Match Funding for PCC	0.00		
LAND & BUILDINGS																					
7110	PROPERTY - CAPITAL REPAIRS	50,000.00	7,586.00	50,000.00		260,000.00	0.00	CIP #10 #11 #15 #16		140,000.00		CIP #10 #11 #15 #16	70,000.00		CIP #5	50,000.00		Gates	0.00		
7120	PROPERTY - LAND PURCHASE	0.00	311,111.50	311,111.50		0.00	0.00			0.00			0.00	100.00%		0.00			0.00		
7130	MENTONE PROPERTY (HOUSE) CAPITAL	0.00	0.00	0.00		0.00	0.00			0.00			0.00			0.00			0.00		
7140	MENTONE PROPERTY (SHOP) CIP #3	50,000.00	0.00	50,000.00		50,000.00	0.00			50,000.00	100.00%	CIP #3	0.00			0.00			0.00		
7160	MENDOZA PROPERTY CIP #9 #12 and #1	0.00	0.00	0.00		215,000.00	0.00									215,000.00	100.00%		0.00		
EQUIPMENT & VEHICLES																					
7210	COMPUTER HARDWARE CAPITAL REPAIR	5,000.00	0.00	5,000.00		5,000.00	3,750.00	75.00%		1,250.00	25.00%	Allocation basis 2011	0.00			0.00			0.00		
7220	COMPUTER SOFTWARE	12,500.00	10,274.38	12,500.00		12,500.00	2,500.00	20.00%		3,750.00	30.00%	Allocation basis 2011	0.00			5,000.00	40.00%		1,250.00	10.00%	
7230	FIELD EQUIPMENT / VEHICLES CIP #8	100,000.00	19,661.84	100,000.00		150,000.00	0.00			150,000.00	100.00%	CIP #10	0.00			0.00			0.00		
7240	OFFICE EQUIPMENT	1,500.00	0.00	1,500.00		1,500.00	1,500.00	100.00%		0.00			0.00			0.00			0.00		
PROFESSIONAL SERVICES:																					
7150	MILL CREEK DIVERSION PROJECT CIP #1	600,000.00	0.00	600,000.00		577,000.00	0.00	MultiYear Total comitment \$750K		577,000.00	100.00%	In WIP Acct until completion	0.00			0.00	0.00%		0.00		
7438	ENGINEERING SERVICES-OTHER	135,000.00	0.00	100,000.00		135,000.00	0.00	CIP #7		40,500.00	30.00%	Mill Creek O&M Plans	0.00			94,500.00	70.00%	Mill Creek O&M Plans	0.00		
CAPITAL EXPENSE		1,287,000.00	348,633.72	1,542,153.50	0.00	1,914,000.00	7,750.00			1,070,500.00			70,000.00			764,500.00			1,250.00		
CAPITAL REVENUE		444,690.49				280,500.00	0.00			10,500.00			70,000.00			200,000.00			0.00		
CAPITAL SUBTOTAL ANNUAL NET		-834,809.51				-1,633,500.00	-7,750.00			-1,060,000.00			0.00			-564,500.00			-1,250.00		
RESERVE CONTRIBUTION OR (-USE)		-650,223.61		TOTAL	-3,673,290	-1,827,144.90	-66,482.99			-1,060,129.53	Total Multi year Pay Go Capital Project:		-51,549.79			-583,812.38			-84,170.20		

District Cost Budget	2,671,855.89
Capital Contribution	280,500.00
Wash Plan	60,000.00
Plunge Creek	150,000.00
Net of Capital and Projects	2,181,355.89