

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

April 15, 2015  
1:30 P.M.

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Chairperson McDonald called the Finance & Administration Committee Meeting to order at 1:34 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 JANUARY 21, 2015

**It was moved by Director Raley and seconded by Chairperson McDonald to approve the minutes of the January 21, 2015 Finance & Administration Committee Meeting. The motion carried with all members present voting in the affirmative.**

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

4. THIRD QUARTER ANNUAL UNAUDITED FINANCIALS REVIEW

Mr. Cozad provided an overview of the Third Quarter Unaudited Financials included on package page 5. He noted that interest income is lower than projected because of the bond prices going down and interest rates increasing. Groundwater revenue is higher because groundwater production has been higher due to the drought. The District will not need to seek an increase in the groundwater rate for the upcoming fiscal year. Miscellaneous income has increased by \$45,000 due to aggregate processing/management. The Mentone House rental property will be vacant for the remainder of the fiscal year which will leave that GL at a loss. Since the property is so large the landscaping requires a significant amount of water; which

presented a financial burden to tenants. Staff is seeking proposals for water efficient landscaping to be installed to reduce the water usage and cost to future tenants. Chairperson McDonald asked if staff has considered selling the Mentone House now that the market has changed. Mr. Cozad indicated that the Mentone Shop is on the backside of the lot and we would have to split the parcel. Also, the Mentone Shop would need water as well and they are tied together. Mr. Cozad noted that the capital expenses are under by \$50,000 plus the expenses for the Wash Plan have not been expended yet. Basin maintenance was down this fiscal year. Plunge Creek has not been expensed yet. Capital costs are under by - \$198,180.04 because work was not completed; this will carry over into next year. The insurance will be adjusted at the end of the year because those costs are calendar year based expenses. This item will be brought to the Board for review at the April 22<sup>nd</sup> Board of Directors meeting.

#### 5. RESERVE POLICY REVISION

Mr. Cozad introduced this item for introduction. The Reserve Policy is included in the package on page 6. Mr. Cozad said that this item is reviewed annually and based on feedback from the Board he has made minor changes. The Board indicated that projects should have separate funds. The clarifying language added under 2) Operating Funds and Levels reads as follows:

*“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.”*

Director Raley stated that income and expenses for specific projects should not be co-mingled. However, the language suggested should alleviate ambiguity. Mr. Cozad said that there is another option to use a work in progress based accounting; separate set of books. At the end of the fiscal year it would all roll back into capital. Brief discussion ensued. Mr. Cozad indicated that all of our reserves should be allocated for a specific purpose, but that staff can review the CIP list and allocate funds specific to those projects through reserves. He said that the goal of the reserve is to have a year to a year and a half of operating revenue. Cash flow will look different once we have to begin basin clean out. Mr. Cozad indicated that some of the Land Resources reserves are unearned to date. Once the prepaid royalty is earned from Robertson's the District will need to allocate those funds as well. Director Raley said that we may want to allocate funds to identify what we will do with the mining areas once the miners are finished with them. Discussion of potential projects funded by reserves ensued. Mr. Cozad said that he will put together a memo and CIP/Equipment list and will bring to the Board for review and discussion. Staff asked if an earned but unpaid leave reserve should be added; this pertains to vacation and sick time. The Committee concurred it should be added to the Reserve Policy. This item will be brought forward to the Board for review and approval at the April 22<sup>nd</sup> Board of Directors meeting.

#### 6. INITIAL DISTRICT AND ENTERPRISE BUDGET REVIEW

Mr. Cozad reviewed the proposed 2015-2016 budget on pages 11-13. He provided a handout of a memo which listed budget assumptions and process. Chairperson McDonald asked if the cost for replacement of fencing is included in budget or if any additional gate actuators are needed. Mr. Cozad will have field staff review their needs. Mr. Cozad indicated that costs are being identified by field staff to replace access gates. Another item field staff may need is either a replacement truck or dump truck. Discussion ensued regarding field improvements which may needed budgeted for. GL 6500 Permits has increased because projects have been move forward requiring permitting. Outreach includes the District's participation in the iEfficient program. Staff will obtain unfunded liability numbers likely by mid-June. Once we obtain those numbers staff will bring it back to the Committee. The Committee recommended

creating a reserve for election costs. Director Raley asked if we should go to a full accrual budget rather than a cash budget. Staff will review this possibility with auditors. Mr. Cozad said that staff may list use of reserves as income. It was the consensus of the Committee to move this item forward for Board review at the April 22<sup>nd</sup> Budget Workshop immediately following the Board of Directors meeting.

7. 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 3:00 p.m.