

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

April 20, 2016
1:30 P.M.

Chairperson McDonald called the Finance & Administration Committee Meeting to order at 1:35 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
Angie Quiroga, Administrative Services Specialist
Athena Monge, Administrative Services Specialist (4:00 p.m. arrival)

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

2. ADDITIONS/DELETIONS TO AGENDA

There were no additions or deletions to the agenda.

3. APPROVAL OF MEETING MINUTES FROM FEBRUARY 29, 2016

It was moved by Director Raley and seconded by Chairperson McDonald to approve the minutes of the February 29, 2016 Finance & Administration Committee meeting. The motion carried with all members present voting in the affirmative.

Director Raley: Yes

Chairperson McDonald: Yes

4. 3RD QUARTER ANNUAL UNAUDITED FINANCIALS REVIEW

Daniel Cozad directed committee members to package page 6. He explained the quarterly spreadsheet is slightly more expanded to show committee reasons for some of the account totals. Aggregate Maintenance account is basically the rock the District sells, primarily to Upland Rock. We budgeted for the sale of the entire 80 tons of rock we received plus the usual amount sold. Upland Rock hasn't been able to move all of that rock. We expect to end the year under budget but what is left over will be sold next fiscal year. CEMEX is behind on their payments but we expect full payment by year end. Plunge

Creek is being billed as we earn it. Costs are a little higher than the reimbursement we receive. Revenue discussion ensued. Mr. Cozad explained the next fiscal year budget is based on 2nd quarter financials. 3rd quarter financials review is the last chance to forecast the new budget. In expenses, Miscellaneous Professional Services is lower partially due to contractor scheduling conflicts. Chairperson McDonald questioned Director Expenses. Mr. Cozad explained Director Expenses appear low due to non-use of the \$100,000 budgeted for elections and decreased travel. The capital maintenance contribution was reduced by a \$100,000 to offset the \$100,000 loss in groundwater revenue from mandatory conservation efforts. We expect a significantly lower amount of capital spending. Plunge Creek won't be nearly as high as budgeted due to the HCP Completion. Some of the capital costs appear lower because they aren't adjusted until year end. Maintenance costs are lower due to the lack of water. Mill Creek diversion expenses were adjusted down since it appears it will be under review by the Corps of Engineers for permitting and that is a long path. Discussion ensued. Chairperson McDonald asked about the contribution of \$20,000 for the groundwater rate stabilization. Mr. Cozad explained it was budgeted and we will put the \$20,000 into that fund at year end. He stated the District could forego it but the policy requires contribution. However next fiscal year, no contribution will be made and instead a use of the fund will be made.

Mr. Cozad provided two handouts, a quarterly invest report and an investment planning worksheet, which are requested in the recently approved Statement of Investment Policy. The quarterly investment report is Staff's first cut. Mr. Cozad reviewed the report and requested feedback on the report from the Committee. He reminded the committee of the \$700,000 payment to pay off our unfunded liability account with CalPERS which significantly reduced the cash balance mid-year and a CERBT payment (post-employment benefits) of \$41,770.00. We have earned about 4.42% to date on the CERBT funding. He noted the rate effective yield of CalTRUST long-term fund unrealized loss is in error. The CalTRUST long-term fund has lost some value. It was previously discussed to move the securities out of these funds especially the long-term fund because it is heavily bond related. This report provides a picture of where District monies are and what they have earned so far this year. This report will be included when we present the quarterly financials to the Board. On the investment planning worksheet, cash status is slightly lower because it does not include OPEB which is technically an expense. Cash needs as determined by the Operations Committee for capital projects over the next 12-18 months, package page 10, is the same as cash needs on the investment planning worksheet. Capital projects plus operating cash is approximately \$2.25 million which we will either spend or need in the bank to meet our regular obligations. Approximately \$7million is investable cash. He further explained potential allocations as listed on the worksheet. Director Raley suggested keeping the investments simple as to not take up too much staff time for an additional incremental amount of money. Mr. Cozad agreed and noted the suggested allocation also provides nearly \$4 million in fairly liquid cash if needed. Discussion ensued. Director Raley wanted to clarify that he does not feel No. 14, cleaning out existing basins, should be listed as a capital repair on package page 10. Mr. Cozad explained when long term maintenance is needed that the District may only do once every ten years or so and it costs a large sum of money, we list it as a capital repair because it extends the life of the capital facility.

5. INITIAL DISTRICT AND ENTERPRISE BUDGET REVIEW FY 2016-2017

Mr. Cozad reviewed the 2016-2017 draft budget on package page 7 noting actual income and expenses have been updated through March 31, 2016, end of 3rd quarter. Reviewing the increase/decrease column,

Mr. Cozad stated based on the investment strategy just discussed, he intends to take out the reduction for GL 4013 Interest Income and keep anticipated interest revenue at \$55,000. Groundwater revenue is budgeted lower not due to rate but to reduced use. Aggregate management is reduced because we have less rock to sell. CAM fees were previously estimated high so those are being reduced. Plunge Creek budget is adjusted to the amount we expect to receive this year. He wanted to be clear that the Rate Stabilization Reserve is not new revenue but cash reserves being used in that year. He reviewed increases and decreases in anticipated expenses. GL 5081 Wash Plan and GL 5083 Repayment of Wash Plan Advance will no longer be needed and will go away. Miscellaneous Professional Services were left the same due to some unfinished projects. Wash Plan Professional Services increased and is now seeing expenses for wrap up of the Wash Plan. GL 5145 Environmental Services Wash Plan is for the EIR/EIS. He explained some Wash Plan expenses will be billed before year end or some may not. We may over spend this year and underspend next year. It just depends when we receive the bills. Legal counsel fees have been lower so decreased by \$20,000.

Director Raley questioned telephone services. Mr. Cozad explained telephone and internet expenses shifted due to package deals and who we pay. California Forestry inmate crews are being used as temporary field labor for illegal dumping at a great value. Fuel expenses are reduced since prices have moderated. Permit fees were reduced but will double check with Jeff Beehler on permits for capital projects. Bank investment services increased but these fees may go to the Conservation Trust and will be reviewed. Outreach budget is lower but still includes \$10,000 for the iEfficient program. Director Raley wondered if there should be a budget for recharge water. Mr. Cozad stated a meeting to discuss water purchase with other retail agencies of the Groundwater Sustainability Council is being held May 9th. For the District to purchase water at \$125/acre foot, groundwater rates would have to be raised to recoup this expense but approval of a rate increase is not guaranteed. Discussion ensued. Chairperson McDonald wants to make sure the potential increase in Director Fees is in the budget. Mr. Cozad confirmed the increase up to 5% was taken into account and he will add notes to the item. GL 6410 Mileage is increased due to a decrease in air travel. Mr. Cozad noted there is not a contribution to the rate stabilization fund because we are taking about \$25,000 out. The cash capital expenditure portion of the budget was discussed which includes longer term, bigger picture activities/purchases. Mr. Cozad will update GL 7053 HCP Endowment Contribution to \$55,000. This amount is based on actual impacts to the Wash Plan. It is estimated that about \$3 million will be put in the endowment in the first year. Discussion ensued. The District is forecasting ways money can go to the Conservation Trust, with a deed to come back to the District, in order to earn more money than the District can. The land species cost related to the endowment plus the issuance costs would essentially be a loan of \$500,000 to the Trust that the District would earn interest on. Mr. Cozad continued with the budget stating the Groundwater Enterprise is contributing to its capital projects from reserves otherwise it's about meeting its operating costs. Redlands Plaza, Land Resource, and Wash Plan Funds are balanced or better.

The General Fund is about balanced and may end up in the positive. We will be spending less reserve and still making contributions to projects. Mr. Cozad is pleased with the budget and stated just a few items need to be cleaned up. Budget workshop is next week and will go to the Board for May approval. It could be adopted as late as June if necessary. Reviewed and recommend it go to the workshop.

It was moved by Director Raley and seconded by Chairperson McDonald to forward the 2016-2017 Fiscal Year Budget to the Board with discussed

changes with their recommendation. The motion carried with all members present voting in the affirmative.

Director Raley: Yes

Chairperson McDonald: Yes

6. BOARD MEMBER MEETING REPORTS POLICY

Staff provided copies of the Directors Expense Policy and Appendix C of the Policy Handbook. Chairperson McDonald began discussion by stating she does not feel written reports for Director attended meetings should be mandatory but an option. The written report should not prevent a Director from being paid. Mr. Cozad reminded the Committee that the Board voted to require reporting prior to payment but California law only requires reporting to take place for payment but not necessarily prior to payment. Director Raley feels providing the minutes of the meeting attended would be sufficient for reporting since Directors don't always report on everything that another Director might find important. It is the Director's responsibility to report on any meetings they attend that they will be reimbursed for and Chairperson McDonald added it is up to the Director to make sure their reporting is recorded in the minutes. Discussion ensued. Mr. Cozad suggested to either waive the requirement that a Director has to report prior to payment or change the requirement for written reports. Board members are now essentially considered employees by the IRS so legally Staff may be unable to withhold payment of a submitted Director's expense report even if they haven't reported on the meeting content.

Director Raley requested we confirm the law allows for payment prior to reporting. Mr. Cozad will verify with legal counsel. He will also find out who the penalty is on for not reporting, District staff or the Board member. Director Raley suggested having each Director provide a list of meetings attended prior to Board meetings so everyone will know and can ask questions about specific meetings if desired. He does prefer written reports but will go along with whatever the Board decides. Chairperson McDonald requested in Appendix C to add a period after Expenses only in the sentence "Any District Requested or Director Selected meetings beyond ten per month are eligible for reimbursement of Expenses only. California Government Code requires Board members to report on each compensated meeting outside of meetings District Board or Committee meetings." She suggests deleting the last two sentences in the first paragraph of Appendix C and change to say "Board members may report orally at regular Board meetings or submit a written report" and removing the Report Required column. Section 4025.1.1(e) in the Policy Handbook will be changed to coincide with the Appendix C changes.

It was moved by Director Raley and seconded by Chairperson McDonald to forward changes to the Board Member Meeting Reports Policy to the Board with their recommendation. The motion carried with all members present voting in the affirmative.

Director Raley: Yes

Chairperson McDonald: Yes

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 4:12 p.m.