

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

April 21, 2017
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
David Cosgrove, Legal Counsel (via teleconference)

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 JANUARY 25, 2017

It was moved by Director Raley and seconded by Chairperson McDonald to approve the minutes of the January 25, 2017 Finance & Administration Committee meeting. The motion carried with all members present voting in the affirmative.

Director Raley: Yes

Chairperson McDonald: Yes

4. THIRD QUARTER ANNUAL UNAUDITED FINANCIAL REVIEW FOR 2016-2017

Mr. Cozad introduced this item for review noting it is provided in the usual format beginning on package page 6. Groundwater revenue is slightly below budget due to the wet year. Cemex royalty payments are still slightly behind but are catching up. All other accounts are as expected. Staff is working with Cemex to determine an audit procedure of their accounts for sound accounting practices. Chair McDonald questioned if a 4% increase in the groundwater rate for the next fiscal year will be sufficient to cover expenses. Mr. Cozad stated with the uncertainty of the Groundwater Sustainability Council formation, his recommendation is a 4% increase this year and an additional 4% increase the following year will be needed unless water usage goes up again. Currently, some of our rate stabilization fund is being used to

balance the budget. He believes a 4% increase for next fiscal year will be sufficient to cover Groundwater Enterprise expenses. Director Raley requested clarification on GL 4025. Mr. Cozad reminded the committee \$97,500 of the \$430,000 Wash Plan revenue was paid by Flood Control District for their removal from the Implementing Agreement and cost of changes to the Wash Plan HCP. Mr. Cozad stated Miscellaneous Professional Services GL is still projected lower. He is forecasting higher than normal costs in field operations due to major maintenance activities which will in turn reduce contribution toward Capital Maintenance. Clarification was requested regarding GL 6170.01 PERS Employee Contribution. Mr. Cozad explained when employees choose to increase their retirement contributions thru the supplemental 457 program it shows up in this GL account; however it does not affect what the District pays. Request was made to notate that GL 7100 Capital Repairs includes the land purchase for the Mendoza Property. Mr. Cozad referred the Committee to the Quarterly Investment Report on package page 8: noting no significant changes and that the market is currently up.

It was moved by Director Raley and seconded by Chairperson McDonald to move the Third Quarter Unaudited Financials 2016-2017 forward to the Board for final approval. The motion carried with all members present voting in the affirmative.

Director Raley: Yes

Chairperson McDonald: Yes

5. PUBLIC RECORDS REQUEST CONSIDERATIONS AND DRAFT POLICY

This item was taken out of order.

Chairperson (Chair) McDonald thanked Legal Counsel David Cosgrove for joining the meeting via teleconference. Mr. Cosgrove's suggested revisions to the Board Policy Manual to comply with the City of San Jose's 2017 court ruling regarding transparency are provided on package pages 11-16 in redline. Mr. Cosgrove began with section 4010.3. He stated the greatest impact to the Board of Directors is in Section 4010.3.1 in which the District will request all Directors use a District-based email account, hosted on the District's email server, for all electronic written communications regarding District-related business. Directors shall not utilize instant messaging, text messaging, or social media messaging services in the conduct of District-related business unless such accounts are synced with and simultaneously stored on the District's server. Section 4010.3.2 describes restrictions of using District email or other written electronic communication accounts for personal or non-District related business. The four factors, pulled directly from the San Jose case, that determine whether a communication is District related or not are also listed in this section. Mr. Cosgrove explained how the revisions to the policy are essentially designed to take the burden off of Directors and help expedite the response process to a public request since they are time sensitive. Mr. Cosgrove stated that Directors retention of correspondence must be consistent with what the District's correspondence provisions are, currently two years, on the published Record Retention Policy. Mr. Cosgrove noted the addition of Section 1050.1 which will require Directors to search their personal electronic communications if a records request is made. Upon completion of the search and submission of any applicable emails/records, an affidavit will be signed by the Director stating all records (if any) have been released to the District for the public records request.

Director Raley requested and Chair McDonald concurred that the wording in line one of section 4010.3.2 be changed from "Directors shall not use dedicated District email..." to "Directors shall make every effort not to use District email..." Discussion ensued related to the practical implementation of the policy. Director Raley expressed opposition to having a District email account due to the inconvenience

of having to remember the remote address needed to log in if not at ones regular computer. Mr. Cosgrove responded that section 4010.3.1 states assistance will be provided to all Directors at no cost to have their devices configured for ease of use. Mr. Cosgrove indicated he would make the requested adjustments in the wording of the policy.

It was moved by Chairperson McDonald and seconded by Director Raley to move the Public Records Request Policy to the Board for final approval with minor revisions. The motion carried 2-0 with all members present voting in the affirmative.

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

6. RESERVE POLICY REVISIONS

Mr. Cozad introduced this item for discussion. He stated the Operations Committee requested basin maintenance be removed from the Capital Budget section (7000's) and shown in the Operations and Maintenance (O&M) budget (5000's). Significantly more work is required for basin maintenance during wet years compared to dry or average years. These wet year costs are budgeted on a three year basis. Funds collected are held in the Groundwater reserve per policy in dry years and expensed for basin maintenance during wet years. Mr. Cozad explained if basin maintenance is shown in the O&M budget, it causes Groundwater Enterprise expenses to increase which in turn would result in a higher groundwater charge rate required to cover expenses that may or may not occur depending on rainfall. Director Raley stated if basin maintenance expenses are moved to the O&M budget but go unused during a dry year, the District should expense these funds to an asset account and then expense the funds from this asset account when needed. Chair McDonald and Mr. Cozad agreed this is practically similar to holding the funds in a reserve account. Director Raley suggested speaking with the District's auditor to find out the proper way to hold the funds. The Committee recommended moving the Reserve item forward to the Board for review and approval.

7. CAPITAL IMPROVEMENT PROJECT BUDGET 2017-2018

Mr. Cozad stated the Operations Committee directed changes that are incorporated in the capital improvement project budget handout. He stated the line items that are grayed out are complete. Approximately the first six projects/improvements have already been included in the current budget and from No. 8-16 are projects the District is looking at or planning for but may or may not be included in the budget. The last 14 items are potential projects or opportunities the Board may want to consider with use of capital funds such as buffer land acquisitions or water recharge design and implementation on the Mendoza property. Director Raley inquired about risks involved with the District's Canyon house. Mr. Cozad stated there are potential liability issues if someone goes inside and gets hurt. It is estimated to cost \$20,000 for demolition of the Canyon house and an additional \$30,000 for lead abatement. Director Raley suggested putting this item in the budget to get completed. Mr. Cozad agreed.

8. INITIAL DISTRICT AND ENTERPRISE BUDGET REVIEW FY 2017-2018

Mr. Cozad presented this item for discussion. An early version of the budget for FY 2017-2018 was provided as a handout. The Committee agreed to review the budget, provide feedback within the next week or two so Mr. Cozad may make any budget adjustments prior to presenting it to the Board at the

May 24th Board meeting. The Committee will recommend the Board not take action on the budget until after adoption of the groundwater charge at the May 31st Public Hearing/Board meeting. Mr. Cozad noted one item not yet included in the budget is the Wash Plan implementation costs. These costs will not affect cash flow for the District because funding will come from the Conservation Trust to the District to complete the work. No additional staffing needs are anticipated for the Wash Plan implementation work for FY 2017-2018 but possibly in FY 2018-2019.

9. 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 3:09 p.m.