

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

July 25, 2018  
1:30 P.M.

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Chairperson McDonald called the Finance & Administration Committee Meeting to order at 1:32 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

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. Without public participation, the meeting continued with the published agenda.

2. ADDITIONS/DELETIONS TO AGENDA

There were no additions or deletions to the agenda.

3. APPROVAL OF MEETING MINUTES FROM APRIL 27, 2018

**It was moved by Director Raley and seconded by Chairperson McDonald to approve the minutes of April 27, 2018, Finance & Administration Committee meeting. The motion carried with all members present voting in the affirmative.**

**Director Raley: Yes**

**Chairperson McDonald: Yes**

4. 4th QUARTER ANNUAL UNAUDITED FINANCIAL REVIEW 2017-2018

Mr. Cozad presented this item for discussion noting it is basically the last cash version of the budget that will be presented for the fiscal year. Mr. Cozad stated Staff has provided a slightly different format of the financials which now includes the breakdown of Actuals for each Enterprise so the Committee can see how each enterprise fared. Staff will not know actual reserve balances until after all accruals have been entered and the audit completed. Director Raley asked if groundwater income exceeds groundwater expense, does all that revenue get applied to the groundwater reserve? Mr. Cozad confirmed it does. Director Raley inquired as to why we estimated \$150,000 in expenses for Plunge Creek but only spent \$6,000. Mr. Cozad explained due to permitting delays; construction has not yet begun on the Plunge

Creek project. This delay also affects Plunge Creek income since the DWR grant is only obtained as a reimbursement of expenses. Mr. Cozad further reviewed the provided budget spreadsheet noting revenue of \$2.7 million up from anticipated \$2.4 million primarily due to groundwater pumping during a dry year. The Committee discussed the percentages of income and expenses that correlate to each enterprise. Mr. Cozad stated the District spent a little over half of the Professional Services costs which includes legal counsel fees. The District paid CalPERS unfunded actuarial liability in full to avoid additional interest expenses. Mr. Cozad suggested estimating this liability in the future and including it in future budgets. Total expenses came in a little over a half million dollars under budget for the year. Director Expenses were well under budget since we did not end up having an election year. Net operating revenue plus unneeded use of reserves shows District in the positive \$800,000. This revenue is mostly just differed use of funds for projects not yet completed.

The Committee discussed the groundwater budget and reserve. Mr. Cozad stated the groundwater reserve is relatively high because it is countercyclical. When you earn it and when you spend it can fall into different years depending on rainfall or lack thereof. There was less cleaning required this year, compared to a typical year, because there was very little water. If we continue to have dry years and the reserve continues to increase, the Groundwater Council may question why the reserve is so high. Discussion ensued.

Mr. Cozad continued reviewing net operating revenue for each enterprise. Some of the funds will be transferred to capital by the auditors. General Fund spent more than was received. Even with overhead this typically happens. We frequently move funds from Land Enterprise to General Fund as a reserve balance adjustment. Director Raley suggested allocating 30% of aggregate to the General Fund to help balance the fund. Mr. Cozad stated Staff will follow Board direction but whether the funds are allocated beforehand or transferred at yearend doesn't make much difference to the auditors as long as they find it clear and followable. Mr. Cozad stated there were minimal Capital Expenses mostly in part to permitting delays which did not allow construction to begin on planned projects. The cost-to-date column for the Mill Creek Diversion project provides the total, but it was not expended all this year. The fund totals are greyed out on the spreadsheet until accurate numbers are available after the audit.

Mr. Cozad next reviewed the Quarterly Investment report on package page 7. He stated the California Credit Union money market account was initially a fixed investment but better rates can now be found elsewhere. As a money market account, we are out of compliance with our Investment Policy so Staff will look to move those funds to LAIF this week. Investments brought in a Net Change of \$110,203. It was the consensus of the Committee to move this item forward to the Board for review.

#### 5. COMPENSATION AND BENEFITS STUDY REQUEST FOR PROPOSALS

Mr. Cozad stated a Compensation and Benefits Study was requested by the Board President at the last budget workshop. District staff canvassed a few entities to prepare a Scope of Work (Scope). Most of the Scope on package pg. 13-14 was obtained from United Conservation District who recently completed their own Compensation Study. Chairperson McDonald questioned the procurement schedule. Mr. Cozad stated the dates would be updated prior to final Board review and approval and a new table will be included in the package. After some discussion, Chairperson McDonald and Director Raley felt it was unnecessary to have the Board review the Request for Proposals (RFP) Scope and agreed, unless the Board President is opposed, they would like to move forward and release the RFP. Mr. Cozad will inform President Corneille of the Committee's decision. If the President opposes release, the RFP will go to the

Board first. Chairperson McDonald noted the Board would review the recommended proposal and approve of the firm and the costs to complete the study. She is looking forward to the results of the study. Director Raley stated he doesn't see the Board reducing the salary of any current employee if the results of the survey suggest wages are too high. Mr. Cozad noted the study would provide some reclassifications and updated pay scales. The Board will have to determine how they want to process the results of the study.

**It was moved by Chairperson McDonald and seconded by Director Raley to approve the Compensation and Benefits Request for Proposals and to release it upon consent of the Board President. The motion carried with all members present voting in the affirmative.**

**Chairperson McDonald: Yes**

**Director Raley: Yes**

#### 6. DISTRICT PROCUREMENT AND PURCHASING POLICY

Mr. Cozad stated the District does not have a previous Procurement and Purchasing Policy. The provided policy on package pg. 21 consists of pieces that were already in resolutions, ordinances, etc. along with borrowed parts from other agencies to create a clearly stated policy. Staff compared the provided policy to other agencies' policies and had District Counsel review it. Mr. Cozad highlighted critical areas of the policy. He stated it is a "highest value" policy which provides flexibility, so the District is not always locked into the lowest bidder. It gives the option to choose value over the lowest bid. Services under \$10,000 require only verbal quotes while anything over \$10,000 needs three (3) written quotes. Chairperson McDonald asked if \$10,000 is a typical standard in which to request written quotes.

Mr. Cozad stated for comparable districts in size it averages from \$10,000-\$15,000. Chairperson McDonald requested clarification of a line under "Goods, Services, Equipment and Public Work Projects." Mr. Cozad will change "highest value proposer" to "proposal providing the highest value to the District." Director Raley stated rating value is subjective and suggested having a percentage cap over the lowest bidder amount in which the District is allowed to account for value. Mr. Cozad explained it is best to have a percentage limit in mind but not to have it in writing which could put unnecessary restraints on the District. The Board does have a threshold in which the General Manager is only delegated to determine a value for services up to \$25,000. Anything above this amount requires Board approval. Mr. Cozad pointed out on package pg. 22 that water conservation districts are not subject to competitive bidding requirements for Public Works contracts and can seek the highest value in these situations as well. New to the District and probably pretty useful is using joint procurement under Exceptions to Competitive Bidding. Mr. Cozad further reviewed the policy. Chairperson McDonald requested to add "with signature authority" to the end of the sentence "Checks for more than \$5,000 shall be signed by the President or another Board Member" under section Check Signing Authority. She also confirmed that no Board members have or are allowed to have a District credit card. Mr. Cozad stated the District doesn't do many public projects, but Mill Creek and Plunge Creek will fall under prevailing wage because it is construction. Chairperson McDonald questioned the wording of the last sentence under Requirements for Professional Services. Mr. Cozad stated it should say "A request for any changes to the standard terms and conditions must be approved by the General Manager and Legal Counsel or JPIA as appropriate." and Staff will make that change.

**It was moved by Chairperson McDonald and seconded by Director Raley to forward the District Procurement and Purchasing Policy with noted changes to the Board for approval. The motion carried with all members present voting in the affirmative.**

**Chairperson McDonald: Yes**

**Director Raley: Yes**

7. BOARD POLICY MANUAL REVISIONS

Mr. Cozad reminded the Committee that the Board requested legal counsel to provide a revision to District Requested Meetings supplied in blue on package pg. 29. Director Raley expressed concern of additional costs to the District associated with Board members serving on outside committees. He believes the Board should make decisions on allowed expenses, not an outside committee delegating how much the District will pay. Mr. Cozad stated the Board should assess the costs prior to the Board member serving on an external committee instead of allowing a Board member to join a committee and then not allowing that member to fulfill their requirements of the committee due to costs. He stated the Board should make their decision upfront instead of every step along the way so that it is clear for the member and for Staff. Chairperson McDonald noted that all out of state travel already has to be approved by the Board per policy. Mr. Cozad suggested adding "If service on a committee requires travel or other costs, such costs must be disclosed prior to appointment." for clarification after legal counsel's changes under Districted Requested Meetings. Discussion ensued.

**It was moved by Chairperson McDonald and seconded by Director Raley to forward the Board Policy Manual Revisions with noted changes to the Board for approval. The motion carried with all members present voting in the affirmative.**

**Chairperson McDonald: Yes**

**Director Raley: Yes**

8. 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 3:13 p.m.