

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

March 27, 2019  
1:30 P.M.

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Chairperson Raley called the Finance & Administration Committee Meeting to order at 1:31 p.m.

**FINANCE & ADMINISTRATION COMMITTEE MEMBERS PRESENT:**

David E. Raley, Chairperson  
Robert Stewart, Director (Alternate)

**FINANCE & ADMINISTRATION COMMITTEE MEMBERS ABSENT:**

John Longville, Director

**STAFF PRESENT:**

Daniel Cozad, General Manager  
Angie Quiroga, Administrative Services Specialist

1. PUBLIC PARTICIPATION

Chairperson Raley 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 JANUARY 23, 2019

**It was moved by Chairperson Raley and seconded by Director Stewart to approve the minutes of January 23, 2019, Finance & Administration Committee meeting. The motion carried with all members present voting in the affirmative.**

**Chairperson Raley: Yes  
Director Stewart: Yes**

4. PRELIMINARY 3RD QUARTER ANNUAL UNAUDITED FINANCIALS REVIEW 2018-2019

Mr. Cozad presented this item for discussion noting there are no significant changes from the 2<sup>nd</sup> quarter. He stated Staff updated projected annual costs. He reminded the Committee that not all agencies joined the Groundwater Council, so overall groundwater income received is about where expected just allocated to a different GL than budgeted. Mining income is as expected as well. Additional Wash Plan revenue was needed to continue working towards permitting completion, so the District increased the loan to the Wash Plan with Wash Plan reserves. Mr. Cozad explained The Plunge Creek project has not progressed as quickly as anticipated, so grant revenue has not yet been earned. We are hopeful it will be completed by this December. Mr. Cozad stated expenses are about where we would expect. GL 5120 Miscellaneous

Professional Services have been reduced because some items like permitting will have to wait until the next fiscal year. Some employees have increased their PERS 457 account contributions which are the reason for difference from budget. The entire raise pool for salaries was not utilized, so salaries show below budget. We have not yet received an invoice for election fees from the county and are unsure of when we will be receiving it. Chairperson Raley inquired about the amount of property taxes the District receives. Mr. Cozad explained the District does not have an impact as to how much we receive. Director Stewart asked about property taxes for the District's office building. Mr. Cozad clarified that the District is tax exempt from property taxes, but our tenants pay possessory interest taxes for the use of their suites. We receive a fixed percentage of property tax. Mr. Cozad reviewed capital projects. Due to delays in permitting, capital expenditures are minimal. Mr. Cozad noted the presented 3<sup>rd</sup> quarter financials are preliminary since this meeting is taking place prior to the end of the 3<sup>rd</sup> quarter and some data may be updated prior to forwarding to the Board.

**It was moved by Chairperson Raley and seconded by Director Stewart to approve the preliminary 3<sup>rd</sup> Quarter Annual Unaudited Financials as presented and move the financials with any updates to the Board of Directors to receive and file. The motion carried with all members present voting in the affirmative.**

**Chairperson Raley: Yes**

**Director Stewart: Yes**

#### 5. REVIEW OF APPENDIX C AND 4025 MEETING EXPENSE POLICY

Mr. Cozad stated a discussion took place at the March Board meeting in regards to possibly changing Appendix C and the Meeting Expense Policy to allow both the primary and alternate designated Board members to attend specific meetings, such as Valley District Board meetings, as a District Requested meeting. The Board requested the Finance and Administration Committee to review the policy in further detail and bring back their proposal to the Board. The current policy states the alternate only attends if the primary indicates they are unavailable to attend. If the alternate chooses to attend a meeting the primary is also attending, this meeting becomes one of the alternate's three allowed Director Selected meetings for the month. Chairperson Raley provided some additional background to the Board meeting discussion. He expressed his contentment with the current policy and didn't feel any change is needed. Chairperson Raley stated if there is a special circumstance, the Board can always authorize an exception to the policy especially for Director Stewart since he is new to the Board and is in a learning stage. Mr. Cozad added the Board is able to authorize additional Director Selected meetings to receive a per diem (preferably in advance of attendance) if the Board member has not exceeded ten meetings in any one month. Discussion ensued.

**It was moved by Director Stewart and seconded by Chairperson Raley to recommend no changes to Appendix C and 4025 Meeting Expense Policy and forward to the Board. The motion carried with all members present voting in the affirmative.**

**Chairperson Raley: Yes**

**Director Stewart: Yes**

## 6. CAPITAL IMPROVEMENT PROJECT BUDGET 2019-2020

Mr. Cozad reviewed the capital projects listed on package page 13. He stated these projects are the preliminaries to the budget, which have previously been discussed with the Operations Committee, and will also be presented at the Budget Workshop. CIP No. 1 Mill Creek and No. 2 Plunge Creek are primary capital projects at the moment. CIP No. 3b is to replace storage sheds in Mentone with a new second shop building and bathroom facilities for our field employees. We are going to try to get some design work this fiscal year. He stated the greyed out projects have been completed. We are working on No. 7 Mill Creek/River HCP Permitting. On April 5<sup>th</sup> the Regional Board will be out to go over what is needed for permitting. Field Supervisor Manuel indicated a lot of material needs to be moved and the dump truck in CIP No. 8 will be needed this year. Other minor field equipment is included in this project budget. Staff is currently working on No. 9. The survey has been completed, and boulder placement is being used at roughly \$7,000 savings to fencing. Director Stewart asked for clarification under the Prior FYs column. Mr. Cozad explained the Board requested to see project expenses through completion so that column represents any funds spent in previous fiscal years. Most projects in yellow are upcoming. Mr. Cozad briefly reviewed these projects. He stated No. 31 Active Recharge Transfer Project is new and will need its own enterprise category. Director Stewart said he believes Valley District will want to see greater detail in how this money is spent. Chairperson Raley expressed concern that too many people dictating how the money is used can cause issues. Ultimately this money will belong to the District and how the funds are spent should be determined by the District in its own best interest. Mr. Cozad continued with the CIP list. He stated No. 32 Seven W acquisition is close to completion. Some funds were expended from No.17 Buffer Land Acquisitions and Security Improvements for the Mendoza property. Mr. Cozad informed the Committee that the City of Redlands transferred the 100 acres to the District last week as required in the Wash Plan MOU. Security improvements may be needed on this property as well. Staff will have to walk these newly acquired properties to determine what all is required. Director Stewart asked if the Board is looking to purchase additional property. Mr. Cozad stated not necessarily but if something comes up that is contiguous to our property, the District would definitely like to hear about it. He noted the remaining projects are mostly placeholders in which reserves could be used to compete in the future. Chairperson Raley suggested adding stormwater capture to the list. Mr. Cozad responded that No. 26 is primarily just that so Staff will add in the requested wording. Discussion ensued. This item was received and filed.

## 7. INITIAL DISTRICT AND ENTERPRISE BUDGET REVIEW FY 2019-2020

Mr. Cozad presented the draft 2019-2020 budget. He explained there are several things that make up the budget: CIP, staffing plan, and policies such as the reserve policy and the investment policy. A lot of detail is provided in the budget, so the Board understands where the money is getting used. Mr. Cozad noted the new proposed blue column which is a new enterprise to account for Active Recharge Transfer Projects (ARTP) with corresponding new GL 4016 Interest Income ARTP. Mr. Cozad felt it didn't fit into any other fund as a project set and believes due to the operations component, it is best to separate ARTP into its own enterprise. Staff is budgeting \$450,000 into GL 4016 which is about 2.6% (correction to be made to note in the budget) of the \$18 million, the first half of the \$36 million, to be paid from Valley District for the Partnership Agreement for Joint Active Recharge Project Development. Director Stewart asked if it is a diminishing fund. Mr. Cozad stated yes, it's a zero balance at 10 years. The Board will be

presented the investment approach for these funds from the financial advisors in April. Some of the \$36 million will be used to offset project costs. Staff is allocating 75% of the interest earned to the project and 25% to the general fund to cover overhead expenses. Mr. Cozad reviewed revenue sources for each fund. After some discussion, Mr. Cozad continued on to expenses. He stated expenses are mostly in line with what we have seen before. GL 5123 Habitat Management WP which is habitat implementation in the Wash Plan is a new expense account that will be offset mostly by reimbursement from the Trust. If the Board decides, spending could be limited to only what the Trust can provide. GL 5122 Wash Plan Professional Services will be eliminated when Wash Plan processing is complete. Plunge Creek is listed out separately because it gets credited to capital. Remaining items are listed in engineering services. Mr. Cozad noted GL 5050 Basin Cleaning could be budgeted higher, but he believes if there is an overage, it is more likely to occur this fiscal year than next. He reminded the committee that this is the first cut at the budget. Some things could change slightly as the year progresses.

Mr. Cozad pointed out PERS appears to go up significantly, but that is primarily due to a new staffing position. He explained there might be salary changes once we receive the results of the Compensation and Benefits study. For now, the budget includes a cost of living raise and an up to 5% increase in the raise pool. The new Senior Engineer salary (80%) will be covered mostly by the interest earned on the ARTP revenue. The Board shall determine at a later time if we will use ARTP capital to cover remaining ARTP costs or if the project will be loaned money from another enterprise in order to maximize interest earned on ARTP investments. Mr. Cozad explained we are managing ARTP funds separately for disclosure and because we won't need some of that money for nearly 10 years. We are able to make some financial management decisions that we can't make with our regular investments which yield us more. Mr. Cozad pointed out we have also included a new Field Operations Specialist position in the budget. This position along with the Senior Engineer accounts for the majority of the increase to salaries. Overhead offset is 22%, and that expense gets rolled back into the General Fund for providing labor to other entities. Director Fees are increased by about 5% each year, but overall Director Expenses are lower due to no future election costs. We base Director Expenses typically on historical levels. Mr. Cozad reviewed GL 9999 and its association to the capital project list noting the CIP items that are being included in this budget. Director Stewart asked if the Board will receive balance sheets on the investments each month. Mr. Cozad stated staff typically provides quarterly reports. Chairperson Raley said the overall budget looks good. Director Stewart agreed. Chairperson Raley requested a 5-year summary report of the budget to make it easier to review. Discussion ensued.

**It was moved by Chairperson Raley and seconded by Director Stewart to move the draft District and Enterprise Budget forward to the Board with minor changes. The motion carried with all members present voting in the affirmative.**

**Chairperson Raley: Yes  
Director Stewart: Yes**

8. ADJOURN

**It was moved by Chairperson Raley and seconded by Director Stewart to adjourn. The motion carried with all members present voting in the affirmative.**

**Chairperson Raley: Yes**

**Director Stewart: Yes**

There being no further business, the meeting adjourned at 3:37 p.m.