

**SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS**

MINUTES OF THE FINANCE & ADMINISTRATION COMMITTEE MEETING

January 24, 2024
1:30 P.M.

Chairperson Raley called the Finance & Administration Committee Meeting to order at 1:30 p.m.

FINANCE & ADMINISTRATION COMMITTEE MEMBERS PRESENT:

David Raley, Chairperson
Robert Stewart, Vice President (Alternate)

FINANCE & ADMINISTRATION COMMITTEE MEMBERS ABSENT:

John Longville, Director

STAFF PRESENT:

Betsy Miller, General Manager
Athena Laroche, Administrative Specialist
Angie Quiroga, Senior Administrative Analyst
David Cosgrove, District Counsel
Milan Mitrovich, Land Resources Manager

GUEST PRESENT:

None

1. PUBLIC PARTICIPATION

Chairperson Raley announced this as the time for any persons present who so desire to make an oral petition to the Finance & Administration Committee. Hearing none, the meeting proceeded with the published agenda items.

2. ADDITIONS/DELETIONS TO AGENDA

There were no additions or deletions to the agenda.

3. APPROVAL OF MINUTES FROM THE NOVEMBER 15, 2023, MEETING

It was moved by Vice President Stewart and seconded by Director Raley to approve the minutes of the November 15, 2023 meeting. The motion carried unanimously.

**Vice President Stewart: Yes
Director Raley: Yes**

4. 2nd QUARTER UNAUDITED FINANCIALS FOR FY24

Ms. Quiroga introduced this item for discussion, noting its inclusion on package page 7.. The total revenue received to date for GL's 4012-4017 Interest Income is \$1,358,064.07. The total received to date for GL's 4021-4026 is \$943,592.05. Ms. Quiroga said that she anticipates that due to it being a wet year, these funds will be reduced as we go from cash to accrual basis at the end of the year. She said all Groundwater Council revenue has been received, except for East Valley Water District. GL 4024-2 Groundwater Council Passthrough is currently at \$117, 398.71, and will be expended by the end of FY24. GL 4031-4034 Mining Income is higher than budgeted, \$522,813.17; the budgeted amount is based on the Minimum Annual Guarantee. GL 4062-66 Rentals received to date are lower than budgeted due to tenant back payments and the property management company's portion of seven percent of the base lease. Ms. Miller said the District was spending more on salaries than Hudson Property Management charged us to perform that work. Ms. Quiroga noted that the District has received \$4,251,985.11 of the budgeted \$5,474,923.97.

Ms. Quiroga reviewed minor changes in expenses. GL 5120 Miscellaneous Professional Services is currently lower than budgeted; additional expenses are expected to occur later this fiscal year. She said that some of these expenses have been reallocated to capital. Discussion on income ensued. Director Raley asked if there are any areas where expenses are higher than anticipated. Ms. Miller said that the Redlands Plaza budget was higher than anticipated due to the mold issue in Suite I. She noted that it is likely that the District will come in at budget for basin maintenance. Basin maintenance has been performed due to last year's wet year, and in preparation, next year will also be a wet year. Vice President Stewart asked if the District will be paying to CalPERS for its unfunded liability. Ms. Miller said that the District is fully funded and that, currently, there is no payment due. Ms. Quiroga indicated that the unfunded liability is projected to be \$18,000 for the next fiscal year. Ms. Miller noted that the District has two trusts to cover unexpected costs: 1) California Employer's Pension Prefunding Trust (CEPPT) and 2) California Employers' Retirement Benefit Trust (CERBT) Fund. These will help mitigate if there is a swing in the future. Vice President Stewart asked if the District will reach the GL 6400 Director's Expenses budget. Ms. Quiroga believes we may be 70%-85% by year-end. She reviewed the capital budget as shown on package page 8, noting that the majority of the expenses were for GL 7150 Mill Creek Diversion, \$ 1,396,222.32. She said that the District is anticipating final invoices for this project but will end the year within budget.

Director Raley noted \$70,000 in funds for GL 7120 Property-Land Purchase and asked if staff has identified a use for these funds. Ms. Miller said that a use for these funds has not been identified; staff continues to investigate possibilities. The Board indicated their interest in purchasing land. Program for the Expansion of Recharge Capacity (PERC) costs were discussed. Ms. Quiroga said that additional invoices were received and will be shown in January expenditures.

She reviewed the Quarterly Investment Reports shown on package page 9. The District has an unrealized gain of \$290,862. Ms. Quiroga noted that the District investments are shown on package page 10, and the breakout of PERC investments are shown on package page 11. The market value of investments as of 12/31/23 is \$5,574,979.73. The average yield on investments is 4.85%.

It was moved by Vice President Stewart and seconded by Director Raley to approve the 2nd Quarter Unaudited Financials for FY24, and move it forward to the Board for final approval. The motion carried unanimously.

Vice President Stewart: Yes

Director Raley: Yes

5. BUDGET PLANNING FOR GROUNDWATER ENTERPRISE FOR 2024-2025 AND ADVERTISED GROUNDWATER CHARGE

Ms. Miller introduced this item for discussion, noting its inclusion on package page 12. She said that GL 4024 Groundwater Council Revenue and GL 4026 GW Sustainability/Replenishment remained in the FY25 budget as a placeholder in case the Groundwater Council (GC) decides to renew. There was a one-year extension of the GC that will expire on June 30, 2024. There have been discussions regarding the renewal of the GC. However, it is not likely an agreement will be in place by the beginning of FY25. She indicated there has been staff turnover, and additional discussions need to be held to bring new staff up to speed. If a new agreement is not in place by the beginning of FY25, the revenue will be allocated to GL 4022 Groundwater Charge. GL 4026 will be paused until a new GC is put into place. Director Raley requested additional information on the GC's purpose and history. Mr. Cosgrove provided a verbal overview of the GC. Ms. Miller stated that the District will still receive funds either way, whether it be through the GC or the groundwater charge itself, which is the only difference in the way funds are collected. Ms. Miller reviewed GL 5050 Basin Cleaning on package page 13. She said there is deferred maintenance from previous wet years, and \$250,000 has been allocated to this GL. Staff will perform a Comprehensive Maintenance Plan (Plan), including removing and using stockpiled materials. The Plan is anticipated to be completed in March. The reserves have been reviewed for emergency maintenance. Vice President Stewart asked if GL 9999 Contribution toward Capital Maintenance, \$220,000, is in addition to GL 5050. Ms. Miller said that GL 9999 does not include the Groundwater Enterprise. Ms. Quiroga noted that the use of \$250,000 of reserves is included in the draft groundwater budget. There is \$1.3 million in reserves for emergency maintenance; some funds were used last year for deferred maintenance. Ms. Miller said that once the Plan is complete, staff can identify ways to fund deferred maintenance. It is likely that we have a couple years' worth of work and may be able to obtain grant funding.

Ms. Miller discussed the implementation of the Enhanced Recharge Project. She stated that the first new basin began taking water on January 7. There will be an estimated twenty new basins that will be installed and become operational in approximately fourteen months for the District to operate. Ms. Miller included in GL 6230 Salaries inclusion of an additional Field Operations Specialist. Staff proposed a 5% increase to the groundwater charge and requested feedback. Director Raley asked if the District has surplus money in the groundwater enterprise. Ms. Miller stated that we do not, and included in the budget is the use of reserves so that it can be fully funded. Discussion on reserves ensued. Mr. Cosgrove reviewed the process for setting groundwater charges. The Board will decide on a rate to advertise at its February Board meeting based on the feedback of the Finance & Administration Committee.

Director Raley said the best way to protect our investments and operations is by insuring it. Ms. Miller said that she would review whether the basins were insured or not. She said that related to risk, the San Bernardino Valley Municipal Water District (SBVMWD) will be preparing a Hazard Mitigation Plan (HMP), which is required to receive funding from FEMA and Cal OES. She said that preparing an HMP

independently is expensive, but partnering with SBVMWD would save the District money and would give the District access to grand funding. Director Raley spoke in support of looking into this opportunity. He said that we should have a backup plan. Vice President Stewart asked where the expenses for Mentone Shop are allocated. Ms. Miller said that it is included under capital costs, which is not shown in the draft groundwater budget. Vice President Stewart asked where the operating expenses of the Mentone Shop are shown. It was noted that the costs for utilities are spread across GL 5400's. Ms. Quiroga said that field staff allocate any maintenance to Mentone Shop to GL 5215 Property Maintenance. Vice President Stewart stated that he believes there should be interest income allocated to the groundwater enterprise. Ms. Miller said that the other enterprises should not subsidize the groundwater enterprise. However, she indicated that the other enterprises subsidize it by sharing salaries, which allows us to hire well. Director Raley said that we need to be careful on spending too much money and time tracking small increments of the budget. Ms. Quiroga said that the General Fund supports the Groundwater Enterprise, which is why the interest income is allocated there.

It was moved by Vice President Stewart and seconded by Director Raley to recommend a published groundwater rate increase of five percent and move it forward to the Board for approval. The motion carried unanimously.

Vice President Stewart: Yes
Director Raley: Yes

6. PROMISSORY NOTE WITH CONSERVATION TRUST

Ms. Miller reviewed this item, noting that the District extended funds to the San Bernardino Valley Conservation Trust (Trust) in order for it to complete Wash Plan obligations, given that the mining entities had not paid their endowment. There has been \$700,000 loaned to the Trust for implementation, and additional expenses related to permitting. The staff has prepared a Promissory Note to document what is owed to whom, its purpose, and its term. Ms. Miller noted that the District called back \$1.125 million. Mr. Cosgrove said that the Trust reviewed and approved the draft Promissory Note. The parameters include that it is a no-interest loan, prepayment can be done at any time, and it has a ten-year balloon payment at the end. The term is from June 30, 2024, to June 30, 2033. The Trust could pay the District back within that timeframe without penalty. In the event of any default, the loan would become due immediately with a ten percent per annum, and late charges would be 1.25% every thirty days after the maturity date is extended. The final Promissory Note with dollar amounts will be presented to the Trust in April for final approval.

It was moved by Director Stewart and seconded by Director Raley to approve the draft Promissory Note as presented and move this item forward to the Board for final review and approval. The motion carried unanimously.

Vice President Stewart: Yes
Director Raley: Yes

7. MENTONE HOUSE OWNERSHIP VERBAL UPDATE

Ms. Miller provided a verbal update on this item. This was a request from Director Raley from the November 15 meeting. He requested that the District review the value of retaining the Mentone Property. Ms. Miller pulled general information on the Mentone House, the range for the home is roughly \$600,000. The Mentone House is currently being rented out. Mr. Cosgrove stated that the current agreement related to the Mentone House extends to November 2024. He said that currently, the Mentone House is worth an estimated \$550,000, with transactional costs estimated to be 15%. The liquidation of the house would be estimated to be in the \$400,000 range. The fees for the maintenance of the home are negligible. There are two benefits to the Steps 4 Life arrangement: 1) We have a place for those experiencing homelessness to go, and 2) There is a community and public relationships value to this partnership. Mr. Cosgrove said that if the Board would like to divest the property, it should be done in December. However, another area of consideration is market factors. Vice President Stewart expressed interest in retaining the lease with Steps 4 Life. Director Raley said that if staff is content with the current arrangement, he supports keeping things as is. There was no action taken.

8. REVIEW OPTIONS FOR OUTSIDE INVESTMENT FIRMS VERBAL UPDATE

Ms. Miller provided a verbal update on this item. She contacted other general managers to obtain information on the firms they use. The District will also receive support to review best practices for financial record keeping. The current investment firm only supports the Trust. The management of investments is included in the General Manager's contract. Government investing options are limited in California. Ms. Miller will continue to reach out to smaller agencies. The quotes received to date have yet to be cost-effective. Staff will continue to research and bring it back to the Committee at a later date.

9. ADJOURN

It was moved by Vice President Stewart and seconded by Director Raley to adjourn. The motion carried unanimously.

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

There being no further business, the meeting adjourned at 3:13 p.m.