

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue
Beaumont, California 92223
Minutes of the
Board Finance and Budget Workshop
April 25, 2016

Directors Present: John Jeter, President
Bill Dickson, Vice President
Mary Ann Melleby, Treasurer
Blair Ball, Director
Ron Duncan, Director
David Fenn, Director

Directors Absent: Leonard Stephenson, Director

Staff and Consultants Present:
Jeff Davis, General Manager
Tom Todd, Jr., Finance Manager

1. **Call to Order, Flag Salute and Roll Call:** The Finance and Budget workshop of the San Gorgonio Pass Water Agency Board of Directors was called to order by President John Jeter at 4:00 p.m., April 25, 2016, in the Agency Conference Room at 1210 Beaumont Avenue, Beaumont, California. President Jeter led the Pledge of Allegiance to the flag. A quorum was present.

President Jeter turned the meeting over to the Chair of the Finance & Budget Committee, Director Mary Ann Melleby.

2. **Adoption and Adjustment of Agenda:** The agenda was adopted as published.
3. **Public Comment:** No members of the public wished to make any comment at this time.
4. **New Business:**
 - A. Ratification of Paid Invoices and Monthly Payroll for March, 2016 by Reviewing Check History Reports in Detail: After review and discussion, a motion was made by Director Duncan, seconded by Director Dickson, to recommend that the Board ratify paid monthly invoices of \$4,817,455.08 and payroll of \$32,756.37 for the month of March, 2016, for a combined total of \$4,850,211.45. The motion passed 6 in favor, no opposed, with Director Stephenson absent.
 - B. Review Pending Legal Invoices: After review and discussion, a motion was made by Director Duncan, seconded by Director Dickson, to recommend that the Board approve payment of the pending legal invoices for March, 2016. The motion passed 6 in favor, no opposed, with Director Stephenson absent.

- C. Review of March, 2016 Bank Reconciliation: After review and discussion, a motion was made by Director Duncan, seconded by Director Dickson, to recommend that the Board acknowledge receipt of the Wells Fargo bank reconciliation for March, 2016 as presented. The motion passed 6 in favor, no opposed, with Director Stephenson absent.
- D. Review of Budget Report for March, 2016: After review and discussion, a motion was made by Director Duncan, seconded by Director Fenn, to recommend that the Board acknowledge receipt of the Budget Report for March, 2016. The motion passed 6 in favor, no opposed, with Director Stephenson absent.
- E. Cash Reconciliation Report for March, 2016: Finance Manager Tom Todd reviewed the report. The majority of expenses for the current fiscal year have been incurred by the Debt Service Fund, but a major portion of the income for the fiscal year will arrive in May and June, so the balance of the Debt Service Fund has decreased for this quarter. This is typical for this time of the year. The balance in the General Fund has gradually increased, but is expected to decrease in FY2106-17 due to losses on water sales. After further review and discussion, a motion was made by Director Duncan, seconded by Director Dickson, to recommend that the Board accept the Cash Reconciliation Report for March, 2016. The motion passed 6 in favor, no opposed, with Director Stephenson absent.
- F. Investment Report for March, 2016: Finance Manager Todd reviewed the report, noting similarities to the Cash Reconciliation Report. He pointed out the categories of investments, then directed the Board's attention to the chart, which graphically shows the distribution of the Agency's invested funds. General Manager Jeff Davis brought to the Board's attention the balance of funds at the Bank of Hemet, noting that the interest rate was the least of all the investments the Board had authorized. After discussion, a motion was made by Director Duncan, seconded Director Dickson, to recommend to the Board that \$2,000,000 be moved from the Bank of Hemet to a medium-term investment. The motion passed 6 in favor, no opposed, with Director Stephenson absent. Finance Manager Todd continued by pointing out that about 75% of the funds invested by the Board were yielding 1% or better, and another about 15% were yielding close to 0.5%. After further review and discussion, a motion was made by Director Duncan, seconded by Director Dickson, to recommend that the Board approve the Investment Report for March, 2016. The motion passed 6 in favor, no opposed, with Director Stephenson absent.
- G. Reserve Allocation Report for March, 2016: Finance Manager Todd reviewed the report, noting that little had changed from the previous quarter. When the General Fund balance fluctuates, the main category that fluctuates as well is the category for New Infrastructure. For this quarter, \$416,054 was added to New Infrastructure, while all the other categories remained the same. Finance Manager Todd asked if the Board wanted to change the allocations of any of the categories, and the consensus of the Board was that they were fine as presented. After further review and discussion, a motion was made by Director Dickson, seconded by

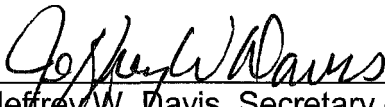
Director Duncan, to recommend that the Board approve the Reserve Allocation Report for March, 2016. The motion passed 6 in favor, no opposed, with Director Stephenson absent.

- H. Discussion of Debt Service Income, Expenses and Reserves: General Manager Davis introduced this topic. This is the second in a series of information presentations to help prepare the Board to make decisions related to the Debt Service Budget for FY 2016-17. Finance Manger Todd highlighted the major categories of income for the Debt Service Fund, and explained in detail the various sources of income. He noted specific events, for example, the dissolution of the Redevelopment Agencies, and pointed out how that showed up on the chart. He concluded by saying, at this point, overall Debt Service income is increasing, and is expected to continue, barring major, unforeseen circumstances. General Manager Davis then directed the Board's attention to the next chart, a depiction of Income, Expenses and Reserves of the Debt Service Fund. Finance Manager Todd noted the two years where expenses exceeded income, and pointed out how that affected the reserves during those years. General Manager Davis concluded by reviewing the Board's strategy of minimizing the maximum tax rate by raising it a smaller amount sooner, thereby allowing the Agency to build up a reserve to smooth out the major increases in EBX payments the Agency will experience starting in 2026.
- I. Further Discussion of Water Rates: General Manager Davis started the discussion by noting that this was included in the agenda at the request of the Board. Chair Melleby mentioned that part of the Strategic Plan includes reviewing the water rate periodically. She stated that the water rate has not been reviewed since it was changed in 2009, and we have a budget item approved so that the Agency could review it. She asked if it might be time to look at the water rate. Director Ball asked if a presentation could be made comparing the David Taussig study categories with the actual figures that the Agency experienced over the past few years. Staff was directed to prepare this comparison and present it at the next Finance and Budget workshop for Board discussion.

5. Announcements: Chair Melleby reviewed the following announcements:

- A. Regular Board Meeting, May 2, 2016 at 7:00 p.m.
- B. Engineering Workshop, May 9, 2016 at 4:00 p.m.
- C. Allocation Workshop, May 10, 2016 at 4:00 p.m.

6. Adjournment: The Finance and Budget workshop of the San Gorgonio Pass Water Agency Board of Directors was adjourned at 5:04 p.m.



Jeffrey W. Davis, Secretary of the Board