

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

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

Directors Absent: John Jeter, President

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 Vice President Bill Dickson at 4:00 p.m., July 25, 2016, in the Agency Conference Room at 1210 Beaumont Avenue, Beaumont, California. Chair Mary Ann Melleby led the Pledge of Allegiance to the flag. A quorum was present.
- 2. Adoption and Adjustment of Agenda:** There were no adjustments to the agenda.
- 3. Public Comment:** No member of the public wished to address the Board at this time.

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

- 4. New Business:**
 - A. Ratification of Paid Invoices and Monthly Payroll for June, 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 \$939,155.00 and payroll of \$31,286.87 for the month of June, 2016, for a combined total of \$970,441.87. The motion passed 6 in favor, no opposed, with President Jeter absent.
 - B. Review Pending Legal Invoices:** After review and discussion, a motion was made by Director Duncan, seconded by Director Stephenson, to recommend that the Board approve payment of the pending legal invoices for June, 2016. The motion passed 6 in favor, no opposed, with President Jeter absent.

- C. Review of June, 2016 Bank Reconciliation: After review and discussion, a motion was made by Director Dickson, seconded by Director Duncan, to recommend that the Board acknowledge receipt of the Wells Fargo bank reconciliation for June, 2016 as presented. The motion passed 6 in favor, no opposed, with President Jeter absent.
- D. Review of Budget Report for June, 2016: The budget report update presented is the last one for FY 2015-16, and is unaudited. General Manager Jeff Davis highlighted items that will change when the audit is complete. Finance Manager Tom Todd said a final version of the budget report for FY 2015-16 will be presented to the Board after the audit is completed. After review and discussion, a motion was made by Director Duncan, seconded by Director Dickson, to recommend that the Board acknowledge receipt of the Budget Report for June, 2016. The motion passed 6 in favor, no opposed, with President Jeter absent.
- E. Review of Proposed Debt Service Fund Budget for FY 2016-17: General Manager Davis opened the discussion. He reviewed the proposed budget, highlighting the major expense, bond payments to the Department of Water Resources. Finance Manager Todd noted that the proposed budget was about \$2 million less than last fiscal year's budget. When the discussion about the expenditures was finished, General Manager Davis introduced consideration of the tax rate.
- F. Discussion of Proposed FY 2016-17 Tax Rate: General Manager Davis reviewed the Board's previous tax rate objectives. The Board set a tax rate of 18.5 cents per \$100 of assessed value 4 years ago to reduce or eliminate the potential tax rate hikes that could result when the Agency needed to make bond payments which increase significantly during 2026 through 2029. Increasing the tax rate is projected to build reserves to allow the Agency to make bond payments without raising the tax rate, and allow the Agency to keep a 6 month reserve. General Manager Davis suggested 3 options for a tax rate for FY 2016-17: maintain the current rate of 18.5 cents; reduce the tax rate to 18.25 cents; or reduce the tax rate to 18.0 cents. Comments in favor of reducing the tax rate included the Agency's level of reserves, current positive economic indicators, potential increases in the region's assessed value due to building new homes and the Agency's conservative policies. Comments in favor of maintaining the current rate included uncertainty about the upcoming Presidential election, concern about economic indicators and potential cyclical recessions, and the Agency's conservative policies. After further review and discussion, a motion was made by Director Dickson, seconded by Director Duncan, to recommend that the Board maintain the tax rate at 18.5 per \$100 of assessed value for FY 2016-17. The motion passed 6 in favor, no opposed, with President Jeter absent. Next, a motion was made by Director Dickson, seconded by Director Stephenson, to recommend that the Board approve the proposed Debt Service Fund budget for

FY 2016-17. The motion passed 6 in favor, no opposed, with President Jeter absent.

G. Review of Resolution 2008-03 Establishing Guidelines for Compensation of Directors: Director David Fenn opened the discussion, highlighting item 4.c. of the resolution. Finance Manager Todd handed out a list of organizations of which the Agency is a member. Comments included benefits of networking at chamber events, directors going to a variety of meetings to be informed about regional issues, more than 1 director attending the same meeting to get different viewpoints, and Board members reporting about the meetings they attended at Board meetings so that all Board members can benefit. No action was taken.

H. Further Review of Water Rates: Director Ball asked staff to prepare a comparison of the revenue and expenses projected by the Taussig rate study used to set water rates in 2009, and the Agency's actual experience. Finance Manager Todd handed out the spreadsheet he prepared. Director Ball said he did not expect discussion to take place at this meeting, as this was a lot of detailed information to digest. He asked Board members to review this spreadsheet, and review the Taussig rate study, in preparation for further discussion at a future Finance and Budget workshop.

5. Announcements: Chair Melleby reviewed the following announcements:

- A. San Gorgonio Pass Regional Water Alliance, July 27, 2016, 5:00 p.m. – Banning City Hall
- B. Regular Board Meeting, August 1, 2016 at 7:00 p.m.
- C. Engineering Workshop, August 8, 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 5:22 p.m.



Jeffrey W. Davis, Secretary of the Board