

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue
Beaumont, California 92223
Minutes of the
Board Finance and Budget Workshop
October 28, 2019

Directors Present: Ron Duncan, President
Lenny Stephenson, Vice President
Steve Lehtonen, Treasurer
Blair Ball, Director
David Castaldo, Director
David Fenn, Director
Mike Thompson, Director

Staff and Consultants Present:
Jeff Davis, General Manager
Tom Todd, Jr., Finance Manager
Brandon Ferrell, CPA, Eadie + Payne

- 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 Treasurer Steve Lehtonen at 1:30 pm, October 28, 2019, in the Agency Board Room at 1210 Beaumont Avenue, Beaumont, California. Treasurer Lehtonen led the Pledge of Allegiance to the flag. A quorum was present.
- 2. Adoption and Adjustment of Agenda:** General Manager Jeff Davis requested that item 4. I. be moved to the first place under New Business, to allow the auditors to make their presentation first, and then be excused from the meeting. The agenda was adopted as changed.
- 3. Public Comment:** No members of the public requested to speak at this time.
- 4. New Business:**
 - I. Review of Audited Financial Statements for FY 2018-19:** General Manager Davis introduced Brandon Ferrell, Senior Manager - Attest, of Eadie and Payne. Mr. Ferrell reviewed the audited financial statements for FY 2018-19. In his remarks, he indicated that there were no new accounting policies adopted, he discussed significant estimates, and he said there were no difficulties performing the audit, that management had agreed to all adjustments, there were no disagreements with management, and that Eadie and Payne had received the management representation letter as required. In the opinion of Eadie and Payne, the financial statements are presented fairly in accordance with GAAP; in his words, "this is a clean audit." He also discussed internal controls, which Eadie and Payne reviews, but does not express an opinion. He said there were no material weaknesses, and no significant deficiencies. Finally, he noted that a new Government Standards Accounting Board (GASB) pronouncement will require disclosure and listing of leases in future audits, and suggested the Agency be prepared with a list of leases for the next audit. In addition, he asked

the Board to consider a 3-year contract extension. The Board will consider this at a future meeting. After further review and discussion, a motion was made by Director Duncan, seconded by Director Thompson, to recommend that the Board adopt the Audited Financial Statements for FY 2018-19. The motion passed 7 in favor, no opposed.

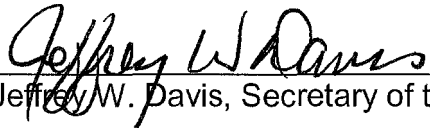
- A. Ratification of Paid Invoices and Monthly Payroll for September, 2019 by Reviewing Check History Reports in Detail: After review and discussion, a motion was made by Director Duncan, seconded by Director Ball, to recommend that the Board ratify paid monthly invoices of \$11,298,988.46 and payroll of \$36,812.71 for the month of September, 2019, for a combined total of \$11,335,801.17. The motion passed 7 in favor, no opposed.
- B. Review Pending Legal Invoices: After review and discussion, a motion was made by Director Fenn, seconded by Director Thompson, to recommend that the Board approve payment of the pending legal invoice for September, 2019 for \$4,199.02. The motion passed 7 in favor, no opposed.
- C. Review of September, 2019 Bank Reconciliation: After review and discussion, a motion was made by Director Thompson, seconded by Director Duncan, to recommend that the Board acknowledge receipt of the Wells Fargo bank reconciliation for September, 2019 as presented. The motion passed 7 in favor, no opposed.
- D. Review of Budget Report for September, 2019: General Manager Davis reviewed the budget report, highlighting a number of items, and answering questions. After further review and discussion, a motion was made by Director Stephenson, seconded by Director Duncan, to recommend that the Board acknowledge receipt of the Budget Report for September, 2019. The motion passed 7 in favor, no opposed.
- E. Review of Cash Reconciliation Report for June 30, 2019: Finance Manager Tom Todd introduced the Cash Reconciliation Report by pointing out that this report is dated June 30, 2019, and could now be presented because the audit had been completed. He reviewed the position of the Debt Service Fund and the General Fund for the year ended June 30, 2019, and also referred to the quarterly comparison that was also included on the second page of the report. After further review and discussion, a motion was made by Director Duncan, seconded by Director Castaldo, to recommend that the Board accept the Cash Reconciliation Report for June 30, 2019. The motion passed 7 in favor, no opposed.
- F. Review of Cash Reconciliation Report for September 30, 2019: Finance Manager Todd reviewed the current Cash Reconciliation Report; he pointed out the usual downward trend in September, that happens because of the large EBX payment made in that month. After further review and discussion, a motion was made by Director Stephenson, seconded by Director Thompson, to

recommend that the Board accept the Cash Reconciliation Report for September 30, 2019. The motion passed 7 in favor, no opposed.

- G. Review of Reserve Allocation Report for September 30, 2019: Finance Manager Todd introduced the Reserve Allocation Report by highlighting activity from FY 2018-19 first, then pointing out the activity for the current quarter. He also said this is the staff recommendation, and that the Board may choose to change any of the unrestricted balances. After further review and discussion, a motion was made by Director Duncan, seconded by Director Stephenson, to recommend that the Board approve the Cash Reconciliation Report for September 30, 2019 as presented. The motion passed 7 in favor, no opposed.
- H. Review of Investment Report for September 30, 2019: Finance Manager Todd introduced this report by pointing out the parts of the report that are similar to the other reports presented, and then reviewed the Agency investments in detail. Of note, the market value of CalTRUST had changed significantly to the positive. General Manager Davis briefly reviewed some of the history of changes in market value and the volatility of the two funds we maintain with CalTRUST. He suggested to the Board that this would be a good time to move some or all of the balance in the Medium-Term Fund to the Short-Term Fund, to lower risk of losing value of the interest earned. The consensus of the Board was to move the entire balance of the Medium-Term Fund to the Short-Term Fund. After further review and discussion, a motion was made by Director Ball, seconded by Director Duncan, to recommend that the Board accept the Investment Report for September 30, 2019. The motion passed 7 in favor, no opposed.
- J. Review of Proposed Budget Revision for FY2019-20: General Manager Davis introduced this topic by describing the need for two new budget line items. San Bernardino Valley Municipal Water District is currently treating water upstream of Citrus Reservoir to reduce algae, which has been effective according to the retailers who receive the water. The Agency participates in the treatment by paying part of the cost of the installation and the on-going supplies needed to continue treating the water, at no cost to the retailers. The proposed budget revision adds a new line item, for an annual expense of \$75,000, to be taken from reserves. The second budget line item is for expenses related to the Yucaipa Groundwater Sustainability Agency. We are a member of the Yucaipa GSA, designated as a 'Regional.' The annual cost to the agency is likely to be less than \$30,000, and even though the GSA has been meeting and conducting business for some time, the Agency has only recently received invoices for the work being conducted. The proposed budget revision adds a new line item, for an annual expense of \$30,000, to be taken from reserves. After further review and discussion, a motion was made by Director Castaldo, seconded by Director Thompson, to recommend that the Board approve the budget revisions as presented. The motion passed 7 in favor, no opposed.

5. **Announcements:** Director Lehtonen reviewed the announcements:
 - A. Regular Board Meeting, November 4, 2019, 1:30 pm
 - B. Office closed Monday, November 11, 2019 in observance of Veterans Day
 - C. Engineering Workshop, Tuesday, November 12, 2019, 1:30 pm

6. **Adjournment:** The Finance and Budget workshop of the San Geronio Pass Water Agency Board of Directors was adjourned at 3:05 pm.



Jeffrey W. Davis, Secretary of the Board