

**MEETING OF THE FINANCE/AUDIT COMMITTEE
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
4040 PARAMOUNT BLVD., LAKEWOOD, CA. 90712
10:30 AM, MONDAY, NOVEMBER 19, 2018**

AGENDA

Each item on the agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Items listed as "For information" or "For discussion" may also be the subject of an "action" taken by the Board or a Committee at the same meeting.

- 1. DETERMINATION OF A QUORUM**
- 2. PUBLIC COMMENT**
Pursuant to Government Code Section 54954.3
- 3. DEMANDS - SEPTEMBER 2018**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors receive and file the monthly demands.
- 4. FINANCIAL STATEMENTS - SEPTEMBER 30, 2018**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors approve the monthly financial statements.
- 5. RESERVES, CASH AND INVESTMENT REPORT - JULY 2018**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors approve the monthly Reserves, Cash and Investment Report.
- 6. RESERVES, CASH AND INVESTMENT REPORT - AUGUST 2018**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors approve the monthly Reserve, Cash and Investment Report.
- 7. TRUST FUND REPORT FOR JULY 2018**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors approve the monthly Trust Fund Report.
- 8. TRUST FUND REPORT - AUGUST 2018**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors approve the monthly Trust Fund Report.
- 9. 2018 DEBT FINANCING UPDATE**
Staff Recommendation: For discussion and possible action.
- 10. DIRECTORS' EXPENSES**

11. DEPARTMENT REPORT

12. DIRECTORS REPORTS, INQUIRIES AND FOLLOW-UP OF DIRECTIONS TO STAFF

13. ADJOURNMENT

The Committee will adjourn to the next regular meeting.

Agenda posted on 11/16/2018. In compliance with the Americans with Disabilities Act (ADA), if special assistance is needed to participate in the meeting, please contact Brandon Mims, Board Deputy Secretary at (562) 921-5521 for assistance to enable the District to make reasonable accommodations. All public records relating to an agenda item on this agenda are available for public inspection at the time the record is distributed to all, or a majority of all, members of the Board. Such records shall be available at the District office located at 4040 Paramount Boulevard, Lakewood, California 90712. Agendas and minutes are available at the District's website, www.wrd.org. EXHAUSTION OF ADMINISTRATIVE REMEDIES – If you challenge a District action in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Deputy Secretary at, or prior to, the public hearing. Any written correspondence delivered to the District office before the District's final action on a matter will become a part of the administrative record.



MEMORANDUM

ITEM NO. 3

DATE: NOVEMBER 19, 2018

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: DEMANDS - SEPTEMBER 2018

SUMMARY

Each month, the Board of Directors receives and files the monthly demands list and makes it available to the public.

FISCAL IMPACT

The demands for the time period of September 1, 2018 through September 30, 2018 were \$9,210,149.87 and are presented in the attached document.

STAFF RECOMMENDATION

The Finance/Audit Committee recommends that the Board of Directors receive and file the monthly demands.



MEMORANDUM

ITEM NO. 5

DATE: ~~JUNE 11, 2018~~

TO: ~~FINANCE/AUDIT COMMITTEE~~

FROM: ~~ROBB WHITAKER, GENERAL MANAGER~~

SUBJECT: ~~DEMANDS — FEBRUARY 2018~~

SUMMARY

Each month, the Board of Directors receives and files the monthly demands list and makes it available to the public.

FISCAL IMPACT

The demands for the time period of September 1, 2018 through September 30, 2018 were \$9,210,149.87 and are presented in the attached document.

STAFF RECOMMENDATION

The Finance/Audit Committee recommends that the Board of Directors receive and file the monthly demands.

**MEMORANDUM****ITEM NO. 4**

DATE: NOVEMBER 19, 2018

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: FINANCIAL STATEMENTS - SEPTEMBER 30, 2018

SUMMARY

The attached financial statements include the Statement of Net Assets (Balance Sheet) as of September 30, 2018 and the Statement of Revenues, Expenditures and Changes in Net Assets (Income Statement) for the month ending September 30, 2018. Explanation of selected account balances are as follows:

Statement of Net Assets**ASSETS**

Cash and Cash Equivalents – The increase in cash is due to receipt of an outstanding \$4.0 million reimbursement check from the Clean Water State Revolving Fund (CWSRF) Loan/Grant program.

Construction-In-Progress – The District is undergoing the final stages of construction of the Albert Robles Center (ARC) Advanced Water Treatment Facility (AWTF). This is the main component of the District's 5-Year Capital Improvement Plan. The increase is due to the expenses related to the construction of this project.

LIABILITIES

Accounts Payable – The increase in this account is due to the two months accrual of bond interest relating to the District's 2015 Revenue Bond.

NET ASSETS

Invested in Capital Assets – This is a formula and related to the changes in all capital asset accounts:

Unrestricted – The Change/Variance of Total Assets, Total Liabilities and Invested in Capital Assets is (\$8,289,375).

Statement of Revenues, Expenditures and Changes in Net Assets**EXPENSES**

Operating Revenue – The Water Replenishment Assessment Revenue Account often fluctuates due to the timing of the Water Master completing water production data needed for billing purposes. This is only a timing difference and the account will return to normal in the following month.

Cost of Injected Water – Timing issues on receiving water invoices impacted the increase in water expenses this month (see Operating Revenue above).

Professional Services – Due to the close of the Water Year on September 30th, there were a few more water quality sampling projects to complete prior to the year end. This explains the increase in the account.

FISCAL IMPACT

None

STAFF RECOMMENDATION

The Finance/Audit Committee recommends that the Board of Directors approve the monthly financial statements.

Water Replenishment District of Southern California
Statement of Net Assets
September 30, 2018

Assets	Total	Prior Month Total	Variance
Current Assets			
Cash and Cash Equivalents	\$ 51,188,214	\$ 46,668,510	4,519,704
Restricted Cash	10,935,122	10,919,600	15,522
Accounts Receivable	36,700,830	45,781,565	9,080,735
Deposit Receivable	(577,403)	(859,319)	281,917
Interest Receivable	-	-	-
Prepaid Expenses	6,587,738	6,587,738	-
Total Current Assets	\$ 104,834,502	\$ 109,098,094	(4,263,592)
Noncurrent Assets			
Notes Receivable, Noncurrent	\$ 616,881	\$ 616,881	-
Plant & Equipment	117,940,655	117,940,655	-
Land	16,673,742	16,673,742	-
Construction-In-Progress	168,589,253	162,681,414	5,907,839
Deferred Charges	1	1	-
Accumulated Depreciation	(39,747,174)	(39,747,174)	-
Total Noncurrent Assets	\$ 264,073,357	\$ 258,165,518	5,907,839
Deferred Outflows of Resources	\$ 2,451,630	\$ 2,451,630	\$ -
Total Assets	\$ 371,359,489	\$ 369,715,242	\$ 1,644,247
Liabilities			
Current Liabilities			
Accounts Payable	\$ 3,573,941	\$ 2,418,439	1,155,503
Interest Payable - Bond	-	-	-
Accrued Payroll	656	494	162
Accrued Employee Benefits	(12,719)	55,922	(68,642)
Accrued Postemployment Benefits	125,859	125,859	-
Deferred Compensation	(7,467)	(7,467)	-
Deferred Revenue - RA	-	-	-
Cal Trans 0690	5,132,802	5,132,802	-
Long term Debt - Bond Payable	163,540,846	163,540,846	-
Long term Notes Payable	57,324,998	54,401,765	2,923,233
Other Liabilities	-	-	-
Total Current Liabilities	\$ 229,678,916	\$ 225,668,660	4,010,256
Noncurrent Liabilities			
Compensated Absences	\$ 554,236	\$ 554,236	\$ -
Pension Liability	4,142,582	4,142,582	-
Total Noncurrent Liabilities	\$ 4,696,818	\$ 4,696,818	\$ -
Deferred Inflows of Resources	\$ 309,224	\$ 309,224	\$ -
Total Liabilities	\$ 234,684,958	\$ 230,674,702	\$ 4,010,256
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 106,334,831	\$ 100,411,470	5,923,361
Unrestricted	30,339,700	38,629,070	(8,289,370)
Total Net Assets	\$ 136,674,531	\$ 139,040,540	(2,366,009)
Total Liabilities & Net Assets	\$ 371,359,489	\$ 369,715,242	1,644,247

Water Replenishment District of Southern California
Statement of Revenues, Expenditures and Changes in Net Assets
For the Month of September 30, 2018

	Total	Prior Month Total	Variance
Revenues			
Operating Revenues			
Water Replenishment Assessments	9,197	6,353,321	(6,344,124)
Late Payment Penalties			-
MWD Subsidy	(28,189)	-	(28,189)
OCWD Recycled Water Product	-	-	-
Desalter Revenue	-	4,734	(4,734)
Title 22 Monitoring Program	-	-	-
Total Operating Revenues	<u>(18,992)</u>	<u>6,358,055</u>	<u>(6,377,047)</u>
Operating Expenses			
Cost of Water			
Spreading	671,558	-	671,558
Injected	1,524,616	-	1,524,616
In-Lieu			-
Connection Fees	186,394	-	186,394
Total Cost of Water	<u>2,382,569</u>	<u>-</u>	<u>2,382,569</u>
General & Administrative			
Salaries, Taxes & Benefits	527,919	549,233	(21,314)
Postemployment Benefits			-
Conference & Travel	4,242	9,826	(5,583)
Office Expenses	48,821	80,871	(32,050)
Utilities	67,299	57,251	10,048
Rents & Leases	3,891	6,791	(2,900)
Repairs & Maintenance	10,886	8,365	2,520
Material & Equipment	66,878	14,494	52,384
General Liability Insurance	-	-	-
Professional Fees	404,387	180,139	224,248
Other General & Administrative	134	-	134
Total General & Administrative	<u>1,134,457</u>	<u>906,969</u>	<u>227,488</u>
Depreciation	-	-	-
Total Operating Expenses	<u>3,517,026</u>	<u>906,969</u>	<u>2,610,056</u>
Operating Income (Loss)	<u>(3,536,018)</u>	<u>5,451,085</u>	<u>(8,987,103)</u>
Non-Operating Revenues (Expenses)			
Revenues			
Property Taxes	19,318	-	19,318
Election Expenses	25,891	-	25,891
Investment Earnings	-	-	-
Miscellaneous	533	148,137	(147,604)
Total Revenues	<u>45,742</u>	<u>148,137</u>	<u>(102,396)</u>
Expenses			
Interest Expenses	-	-	-
Non-RA Related Expenses	(21,896)	(20,403)	(1,493)
Total Expenses	<u>(21,896)</u>	<u>(20,403)</u>	<u>(1,493)</u>
Total Non-Operating Revenues (Expenses)	<u>23,846</u>	<u>127,734</u>	<u>(103,889)</u>
Income (Loss) Before Contributions	(3,512,172)	5,578,820	(9,090,992)
Contributions			
Capital Contributions- Grant	<u>1,146,163</u>	<u>1,558,662</u>	<u>(412,499)</u>
CIP Expenses	-	150,221	(150,221)
Change in Net Assets	<u>(2,366,009)</u>	<u>6,987,261</u>	<u>(9,353,270)</u>



MEMORANDUM

ITEM NO. 5

DATE: NOVEMBER 19, 2018

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: RESERVES, CASH AND INVESTMENT REPORT - JULY 2018

SUMMARY

Each month, the Finance Department reports the District's reserve balances as well as cash and investment activities to the Finance/Audit Committee for subsequent approval by the Board of Directors.

FISCAL IMPACT

None

STAFF RECOMMENDATION

The Finance/Audit Committee recommends that the Board of Directors approve the monthly Reserves, Cash and Investment Report.

Water Replenishment District of Southern California
Cash and Investment Report
July 31, 2018

<u>Banking Institution</u>	<u>Bank Balance</u>	<u>Deposits</u>	<u>Interest Income</u>	<u>Disbursements</u>	<u>Reconciling Items</u>	<u>Book Balance</u>
Bank of the West	\$1,593,633.74		\$108.28			\$1,593,742.02
Banc of California	243,021.32		42.61			243,063.93
Broadway Federal Bank	245,842.44		31.32			245,873.76
City National Bank	1,930,885.39		2,207.55	(803.57)		1,932,289.37
First Bank	4,253,602.64		603.88	(53.00)		4,254,153.52
Manufacturers Bank No.1	3,660,672.16		1,820.13			3,662,492.29
Preferred Bank	255,436.91		391.90			255,828.81
First Choice Bank	43,023,504.30	19,989,089.67	4,177.44	(16,891,786.62)	(190,784.96)	45,934,199.83
Union Bank	240,000.00					240,000.00
US Bank	243,213.91					243,213.91
2015 Bond Reimbursement in Transit	1,108,750.92					1,108,750.92
Transfers Out - Grants	(16,341,509.95)					(16,341,509.95)
	<u>\$40,457,053.78</u>	<u>\$19,989,089.67</u>	<u>\$9,383.11</u>	<u>(\$16,892,643.19)</u>		<u>\$43,372,098.41</u>

I hereby certify that all investment actions executed since the last report have been made in full compliance with the District's Investment Policy. As Treasurer of the Water Replenishment District of Southern California, I hereby certify that sufficient investment liquidity and anticipated revenue are available to meet estimated expenses.

Rob Katherman, Treasurer

Date



MEMORANDUM

ITEM NO. 6

DATE: NOVEMBER 19, 2018

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: RESERVES, CASH AND INVESTMENT REPORT - AUGUST 2018

SUMMARY

Each month, the Finance Department reports the District's reserve balances as well as cash and investment activities to the Finance/Audit Committee for subsequent approval by the Board of Directors. Staff will present the August 2018 Reserves, Cash and Investment Report to the Committee at the meeting.

FISCAL IMPACT

None

STAFF RECOMMENDATION

The Finance/Audit Committee recommends that the Board of Directors approve the monthly Reserve, Cash and Investment Report.

**MEMORANDUM****ITEM NO. 7**

DATE: NOVEMBER 19, 2018

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: TRUST FUND REPORT FOR JULY 2018

SUMMARY

Each month, the Finance Department reports the District's trust fund balances to the Finance Committee for subsequent approval by the Board of Directors.

TRUST FUNDS – A relationship whereby funds are legally held and managed by another party or organization for the benefit of another person or specific purpose.

The Water Replenishment District has a number of trust funds related to District's capital improvement plan. The District's Trustee, U.S. Bank, holds the majority of the funds which were received from the issuance of Certificates of Participation. The remaining amount relates to the funds received from the California Department of Transportation (CalTrans) settlement of \$8.0 million which was received in June 2004. Since that time, the District has been reimbursed for costs associated with the project, as well as for charges tied to the amount of water pumped from the basin for dewatering the freeway.

The balance of trust funds as of July 31, 2018 was as follows:

Restricted for Capital Projects – Funds held in trust with US Bank for use in accordance with the Official Statement and the Master Trust Agreement.

Proceeds from the 2015 Debt Issuances

Source of Funds: 2015 Debt Issuances

Use of Funds: Restricted for Capital Projects Only

Total in Trust for Capital Projects (less: reimbursement in transit) \$21,020,000

Restricted for Payment to Bond Holders – Funds held in trust with US Bank for use in accordance with the Official Statement and the Master Trust Agreement.

Source of Funds: Replenishment Assessment
Use of Funds: Restricted for Capital Projects Only

Total in Restricted for Payment to Bond Holders \$10,762,000

CalTrans Trust – These funds are held in trust by WRD as part of a settlement with the California Department of Transportation (CalTrans) for dewatering the 105 freeway.

Source of Funds: CalTrans Settlement
Use of Funds: Restricted for CalTrans Project and RA

Originally, the CalTrans settlement of \$8.0 million was received in June 2004. Since that time, the District has been reimbursed for costs associated with the project, as well as for charges tied to the amount of water pumped from the basin for dewatering the freeway.

In Trust for CalTrans Project \$5,549,000

FISCAL IMPACT

None

STAFF RECOMMENDATION

The Finance/Audit Committee recommends that the Board of Directors approve the monthly Trust Fund Report.

**Water Replenishment District of Southern California
Trust Fund Report
July 31, 2018**

<u>Fund Purpose</u>	<u>Beginning Balance</u>	<u>Inflows</u>	<u>Interest Income or Change in Net Investments</u>	<u>Disbursements</u>	<u>Deposit In Transit</u>	<u>Ending Balance</u>
COP Bonds - 2011 Project Fund	(\$0)	\$0	\$0	\$0	\$0	(\$0)
Revenue Bonds - 2015 Project Fund	\$17,813,129	\$ 16,341,509.95	\$18,401	(\$12,044,732)	(\$1,108,751)	\$21,019,558
Revenue Bonds - 2015 Interest	\$0	\$3,425,350	\$0	\$0	\$0	\$3,425,350
Revenue Bonds - 2015 Principal	\$0	\$2,445,000	\$0	\$0	\$0	\$2,445,000
Held for semi-annual bond payment	\$3,913,567	\$978,392	\$0	\$0	\$0	\$4,891,959
CalTrans Trust Fund	\$5,549,099	\$0	\$283	\$0	\$0	\$5,549,381
	<u>\$27,275,795</u>	<u>\$23,190,252</u>	<u>\$18,684</u>	<u>(\$12,044,732)</u>	<u>(\$1,108,751)</u>	<u>\$37,331,248</u>

I hereby certify that all investment actions executed since the last report have been made in full compliance with the District's Investment Policy. As Treasurer of the Water Replenishment District of Southern California, I hereby certify that sufficient investment liquidity and anticipated revenue are available to meet estimated expenses.

Rob Katherman, Treasurer

Date



MEMORANDUM

ITEM NO. 8

DATE: NOVEMBER 19, 2018

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: TRUST FUND REPORT - AUGUST 2018

SUMMARY

Each month, the Finance Department reports the District's trust fund balances to the Finance Committee for subsequent approval by the Board of Directors. Staff will present the August 2018 Trust Fund Report to the Committee at the meeting.

FISCAL IMPACT

None

STAFF RECOMMENDATION

The Finance/Audit Committee recommends that the Board of Directors approve the monthly Trust Fund Report.



MEMORANDUM

ITEM NO. 9

DATE: NOVEMBER 19, 2018

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: 2018 DEBT FINANCING UPDATE

SUMMARY

At the meeting of September 17, 2018, the Finance/Audit Committee reviewed and submitted bond documents to the Board of Directors for approval. The Board of Directors have deferred the item to November 21, 2018. Fitch Ratings and Standard & Poor's both rated the District as AA+ / Stable for a potential 2018 bond issuance. If the Board of Directors approve the bond documents on November 21, 2018, the financing team is ready to price bonds as early as the week of November 26, 2018.

Staff will update the Committee on all financing activity.

FISCAL IMPACT

None

STAFF RECOMMENDATION

For discussion and possible action.