

CANCELLED

**MEETING OF THE FINANCE/AUDIT COMMITTEE
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
4040 PARAMOUNT BLVD., LAKEWOOD, CA., 90712
10:30 A.M., MONDAY, JULY 15, 2019**

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. DIRECTORS' EXPENSES**
Staff Recommendation: The Finance/Audit Committee approve Directors' expenses.
- 4. DEMANDS – MAY 2019**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors approve the May 2019 Demands.
- 5. FINANCIAL STATEMENTS – MAY 2019**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors approve the May 2019 Financial Statements.
- 6. RESERVES, CASH AND INVESTMENT REPORT FOR THE PERIOD ENDING MAY 2019**
Staff Recommendation: For discussion and possible action.
- 7. TRUST FUND REPORT FOR THE PERIOD ENDING MAY 2019**
Staff Recommendation: The Finance/Audit Committee recommends the Board of Directors approve the monthly Trust Report.
- 8. EXPENSES OVER 90 DAYS**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors approve expenses over 90 days.
- 9. RESERVE FUND POLICY**
Staff Recommendation: For discussion and possible action.
- 10. DEPARTMENT REPORT**
Staff Recommendation: For discussion and possible action.

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

12. ADJOURNMENT

The Committee will adjourn to the next meeting currently scheduled on August 19, 2019, at 10:30 a.m.

In compliance with the Americans with Disabilities Act (ADA), if special assistance is needed to participate in the meeting, please contact Brandon Mims, 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 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: JULY 15, 2019

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: DIRECTORS' EXPENSES

SUMMARY

As required by the District's Administrative Code section 7.3.1, the Finance/Audit Committee is responsible for approving Directors' monthly expenses.

FISCAL IMPACT

Directors' expenses are approved through the annual budgeting process and must adhere to the guidelines provided in the District's Administrative Code chapters six and seven.

STAFF RECOMMENDATION

The Finance/Audit Committee approve Directors' expenses.



MEMORANDUM
ITEM NO. 4

DATE: JULY 15, 2019

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: DEMANDS - MAY 2019

SUMMARY

The demands for the time period of May 1, 2019 through May 30, 2019 are presented in the attached document.

FISCAL IMPACT

None

STAFF RECOMMENDATION

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



Board of Directors
Water Replenishment District of Southern California

DIRECTORS
JOHN D.S. ALLEN, PRESIDENT
VERA ROBLES DEWITT, VICE PRESIDENT
WILLARD H. MURRAY, JR., SECRETARY
ROB KATHERMAN, JR., TREASURER
SERGIO CALDERON, DIRECTOR

ROBB WHITAKER, P.E., GENERAL MANAGER

Submitted herewith for action by the Board of Directors are the following demands for the period ending May 31, 2019.

| Check Number | Payee | Transaction Description | Check Amount |
|-----------------|---|---|--------------|
| DCOMP-190507 | PRUDENTIAL INSURANCE COMPANY OF AMERICA | STAFF PAYROLL DCOMP PAYMENTS | 24,116.42 |
| DCOMP-190521 | PRUDENTIAL INSURANCE COMPANY OF AMERICA | STAFF PAYROLL DCOMP PAYMENTS | 22,718.07 |
| DIRDCOMP-190520 | PRUDENTIAL INSURANCE COMPANY OF AMERICA | DIRECTOR PAYROLL DCOMP PAYMENTS | 3,681.68 |
| IRS-190507 | INTERNAL REVENUE SERVICE | STAFF PAYROLL FEDERAL TAX PAYMENTS | 40,608.16 |
| IRS-190521 | INTERNAL REVENUE SERVICE | STAFF PAYROLL FEDERAL PAYMENTS | 39,719.78 |
| DIREDD-190520 | EMPLOYMENT DEVELOPMENT DEPT | DIRECTOR PAYROLL EDD PAYMENTS | 853.16 |
| EDD-190507 | EMPLOYMENT DEVELOPMENT DEPT | STAFF PAYROLL EDD PAYMENTS | 6,172.02 |
| EDD-190521 | EMPLOYMENT DEVELOPMENT DEPT | STAFF PAYROLL EDD PAYMENTS | 6,610.34 |
| DIRIRS-190520 | INTERNAL REVENUE SERVICE | DIRECTOR PAYROLL FEDERAL PAYMENTS | 6,803.06 |
| DIRPARS-190520 | PUBLIC EMPLOYEES RETIREMENT SERVICES | DIRECTOR PAYROLL PARS PAYMENTS | 4,264.05 |
| PERS-190507 | PUBLIC EMPLOYEES RETIREMENT SYSTEM | STAFF PAYROLL PERS PAYMENTS | 30,615.91 |
| PERS-190521 | PUBLIC EMPLOYEES RETIREMENT SYSTEM | STAFF PAYROLL PERS PAYMENTS | 30,992.26 |
| UNION-190507 | AFCSCME LOCAL 1902 UNION | STAFF PAYROLL UNION DUES PAYMENTS | 789.47 |
| UNION-190521 | AFCSCME LOCAL 1902 UNION | STAFF PAYROLL UNION DUES PAYMENTS | 789.47 |
| VARIOUS | NAVIA BENEFIT SOLUTIONS | 05/01 HRA REIMBURSEMENTS | 42,554.29 |
| P1001 | JOHN D. S. ALLEN | 04/2019 DIRECTOR COMPENSATION | 2,009.05 |
| P1002 | ROBERT E. KATHERMAN | 04/2019 EXPENSE REIMBURSEMENT | 2,825.84 |
| V9991 | WILLARD H. MURRAY, JR | 04/2019 DIRECTOR COMPENSATION | 993.12 |
| V9992 | ROBERT E. KATHERMAN | 04/2019 DIRECTOR COMPENSATION | 1,360.15 |
| V9993 | SERGIO J. CALDERON | 04/2019 DIRECTOR COMPENSATION | 1,461.91 |
| V9994 | ELVIRA R. DEWITT | 04/2019 DIRECTOR COMPENSATION | 1,507.33 |
| V9995 | ROBERT E. KATHERMAN | 03/2019 DIRECTOR COMPENSATION PART 2 | 844.88 |
| V9996 | ELVIRA R. DEWITT | 03/2019 DIRECTOR COMPENSATION PART 2 | 776.25 |
| V9997 | SERGIO J. CALDERON | 05/2019 DIRECTOR COMPENSATION | 1,678.17 |
| V9851 - V9896 | STAFF PAYROLL | PAY DATE: 5/7/2019 | 104,553.40 |
| V9897 - V9941 & | STAFF PAYROLL | PAY DATE: 5/21/2019 | 105,589.86 |
| 15338 | INDEPENDENT CITIES ASSOCIATION | SEMINAR REGISTRATION CREDIT | (500.00) |
| 15559 | ASSOCIATION OF CALIFORNIA WATER AGENCIES | JOB POSTING CREDIT | (475.00) |
| 15591 | PSI SERVICES LLC | CA SELF INS EXAM CERT/REGISTRATION CREDIT | (240.00) |
| 15779 | ADRIANA E. AGUIRRE | GROUNDWATER FESTIVAL EVENT | 264.00 |
| 15780 | ANGELES ZAVALA | GROUNDWATER FESTIVAL EVENT | 274.00 |
| 15781 | ARLENE GARCIA | GROUNDWATER FESTIVAL EVENT | 278.00 |
| 15782 | CHAMELEON BEVERAGE COMPANY | PROMOTIONAL ITEMS | 4,168.00 |
| 15783 | CORO SOUTHERN CALIFORNIA | CONFERENCE SPONSORSHIP | 1,500.00 |
| 15784 | JOSE MONTANO | GROUNDWATER FESTIVAL EVENT | 600.00 |
| 15785 | ELBA ROCIO GAETA | GROUNDWATER FESTIVAL EVENT | 280.00 |
| 15786 | PAUL CASH | GROUNDWATER FESTIVAL EVENT | 576.00 |
| 15787 | EVERARDO ABARCA | GROUNDWATER FESTIVAL EVENT | 274.00 |
| 15788 | GEIGER WEST MONROVIA | PROMOTIONAL ITEMS | 807.78 |
| 15789 | IRENE GARCIA | GROUNDWATER FESTIVAL EVENT | 278.00 |
| 15790 | JOCELYNE N. AYALA | GROUNDWATER FESTIVAL EVENT | 267.00 |
| 15791 | JONATHAN MARAVILLAS | GROUNDWATER FESTIVAL EVENT | 278.00 |
| 15792 | JUDITH ABARCA | GROUNDWATER FESTIVAL EVENT | 274.00 |
| 15793 | KATHERINE LIZETTE MARTINEZ | GROUNDWATER FESTIVAL EVENT | 274.00 |
| 15794 | LESLIE PRECIADO | GROUNDWATER FESTIVAL EVENT | 278.00 |
| 15795 | LISA CANTU | GROUNDWATER FESTIVAL EVENT | 160.00 |
| 15796 | LOS ANGELES SENTINEL INC. | ADVERTISEMENTS | 3,139.00 |
| 15797 | LUCILLE'S SMOKEHOUSE BBQ | GROUNDWATER FESTIVAL EVENT | 5,278.93 |
| 15798 | LUGEOCO SPECIALTIES | PROMOTIONAL ITEMS | 7,971.09 |
| 15799 | MARGILIE SANGUINO | GROUNDWATER FESTIVAL EVENT | 272.00 |
| 15800 | MAYRA LYZZETHE LOPEZ MONROY | GROUNDWATER FESTIVAL EVENT | 277.00 |
| 15801 | VOID | VOID | 0.00 |
| 15802 | MOORE PHOTO VIDEO BOOTHS | GROUNDWATER FESTIVAL EVENT | 1,750.00 |
| 15803 | PALOMAR MOUNTAIN PREMIUM SPRING WATER | GROUNDWATER FESTIVAL EVENT | 0.00 |
| 15804 | RAH-RAH RANCH, LLC | GROUNDWATER FESTIVAL EVENT | 950.00 |
| 15805 | ROSA I. ALVAREZ ROMERO | GROUNDWATER FESTIVAL EVENT | 278.00 |
| 15806 | SOUTH COUNTY LABOR | EVENT SPONSORSHIP | 2,500.00 |
| 15807 | TGIS CATERING SERVICES | MEETING EXPENSES | 387.08 |
| 15808 | THE COFFEE BEAN & TEA LEAF | GROUNDWATER FESTIVAL EVENT | 2,488.05 |
| 15809 | THINUVIELLE SANGUINO | GROUNDWATER FESTIVAL EVENT | 272.00 |
| 15810 | TRIPEPI SMITH & ASSOCIATES, INC. | GROUNDWATER FESTIVAL EVENT | 1,306.00 |
| 15811 | UNA-USA, WHITTIER | EVENT SPONSORSHIP | 200.00 |
| 15812 | YULIAM BELLOSO | GROUNDWATER FESTIVAL EVENT | 268.00 |
| 15813 | FRIENDS OF THE LOS ANGELES RIVER | GROUNDWATER FESTIVAL EVENT | 2,500.00 |
| 15814 | JONATHAN A. RENTERIA | GROUNDWATER FESTIVAL EVENT | 3,650.00 |
| 15815 | 3673 INDUSTRY AVENUE, LLC | LEASE SPACE O&M SERVICES | 8,821.30 |
| 15816 | A-A BACKFLOW TESTING AND MAINTENANCE | BACKFLOW TESTING | 118.00 |
| 15817 | ASSOCIATION OF CALIFORNIA WATER AGENCIES/JPIA | MED/DEN/LIFE/EAP INS PREMIUM | 88,830.21 |
| 15818 | AMY'S TROPHIES & SPECIALTIES | GROUNDWATER FESTIVAL EVENT | 664.12 |
| 15819 | AQUILLOGIC, INC. | PROFESSIONAL SERVICES | 1,622.40 |
| 15820 | BELL GARDENS CHAMBER OF COMMERCE | EVENT SPONSORSHIP | 1,000.00 |
| 15821 | CDW GOVERNMENT, INC. | COMPUTER SUPPLIES & EQUIPMENT | 29,032.78 |
| 15822 | CENTRAL BASIN MUNICIPAL WATER DISTRICT | READINESS-TO-SERVE CHARGES | 28,533.00 |
| 15823 | CHAMELEON BEVERAGE COMPANY | PROMOTIONAL ITEMS | 914.00 |
| 15824 | COAST PARTY RENTALS, INC. | GROUNDWATER FESTIVAL EVENT | 1,852.01 |
| 15825 | COUNTY SANITATION DISTRICT 2 | WATER PURCHASES | 210,309.99 |
| 15826 | DMJ CONSULTING GROUP, INC | FIELD SERVICES | 6,734.20 |
| 15827 | VOID | VOID | 0.00 |
| 15828 | GEIGER WEST MONROVIA | WRD UNIFORMS | 224.45 |
| 15829 | HARRIS AMERICAN | OFFICE EQUIPMENT & SUPPLIES | 2,959.60 |
| 15830 | INTERA INCORPORATED | PROFESSIONAL SERVICES | 7,604.00 |
| 15831 | LONG BEACH, CITY OF | WATER PURCHASES | 313,111.80 |
| 15832 | MATRIX AUDIO VISUAL DESIGNS, INC. | AUDIO-VISUAL REPAIR SERVICES | 1,984.21 |
| 15833 | PANERA | MEETING EXPENSES | 413.40 |
| 15834 | QDOXS | PRINTING SERVICES | 5,988.31 |
| 15835 | STANDARD INSURANCE COMPANY | SHORT AND LONG TERM DISABILITY INSURANCE | 2,562.20 |
| 15836 | TGIS CATERING SERVICES | MEETING EXPENSES | 772.23 |
| 15837 | UNIVAR USA INC | CHEMICAL SUPPLIES | 4,464.19 |
| 15838 | URBAN FUTURES, INC. | BOND CONTINUING DISCLOSURE SERVICES | 1,950.00 |
| 15839 | U.S. GEOLOGICAL SURVEY | PROFESSIONAL SERVICES | 122,646.14 |
| 15840 | US STANDARD PRODUCTS | OFFICE SUPPLIES | 1,642.40 |
| 15841 | WEST BASIN MUNICIPAL WATER DISTRICT | WATER PURCHASES | 2,090,959.02 |
| 15842 | WEST COAST CABLE, INC. | NETWORK REPAIR SERVICES | 300.00 |
| 15843 | WORLEY PARSONS GROUP INC | PROFESSIONAL SERVICES | 38,696.25 |
| 15844 | XEROX CORPORATION | COPIER LEASE | 3,153.60 |
| 15845 | AKD CONSULTING | PROFESSIONAL SERVICES | 7,760.00 |
| 15846 | AKM CONSULTING ENGINEERS | PROFESSIONAL SERVICES | 8,722.00 |
| 15847 | ANGELVIEW, LLC (dba MULTIVISTA) | CONSTRUCTION SITE CAMERA SERVICES | 1,425.00 |
| 15848 | ARC | 2019 COST OF SERVICE REPORT | 1,432.92 |
| 15849 | ASBURY ENVIRONMENTAL SERVICES | NON-HAZARDOUS LIQUID DISPOSAL | 170.00 |
| 15850 | CAFE RIO MEXICAN GRILL | BOARD OF DIRECTORS MEETING EXPENSES | 233.48 |
| 15851 | CALIFORNIA COUNCIL FOR ADULT EDUCATION | EVENT SPONSORSHIP | 900.00 |
| 15852 | CARBON ACTIVATED CORPORATION | CONSTRUCTION SERVICES | 102,117.35 |
| 15853 | CENTRAL BASIN WATER ASSOCIATION | MEETING EXPENSES | 125.00 |

| Check Number | Payee | Transaction Description | Check Amount |
|---------------|---|-------------------------------------|--------------|
| 15854 | CALIFORNIA STATE DISBURSEMENT UNIT | COURT ORDER PAYMENT | 641.52 |
| 15855 | WONDERWARE CALIFORNIA | SCADA SOFTWARE UPGRADE | 83,263.46 |
| 15856 | ENVIRONMENT CONTROL GREATER ORANGE COUNTY | JANITORIAL SERVICES | 5,934.00 |
| 15857 | ENVIRONMENTAL SCIENCE ASSOCIATES | PROFESSIONAL SERVICES | 4,611.00 |
| 15858 | FRANCHISE TAX BOARD | COURT ORDER PAYMENT | 19.11 |
| 15859 | HACH COMPANY | LAB MATERIALS & EQUIPMENT | 819.27 |
| 15860 | HARRIS AMERICAN | OFFICE SUPPLIES | 175.84 |
| 15861 | HAZEN AND SAWYER | PROFESSIONAL SERVICES | 14,338.75 |
| 15862 | JOHNNY REBS' INC. | COMMITTEE MEETING EXPENSES | 131.69 |
| 15863 | KINDEL GAGAN | PROFESSIONAL SERVICES | 10,000.00 |
| 15864 | LONG BEACH, CITY OF | RECLAIMED WATER & O & M SERVICES | 100,446.70 |
| 15865 | MAIN SAN GABRIEL BASIN WATERMASTER | 2017/18 WNOU WATER PAYMENT | 1,222,477.20 |
| 15866 | McMASTER-CARR SUPPLY COMPANY | FIELD SUPPLIES | 22.68 |
| 15867 | MLA GREEN, INC. | LANDSCAPE ARCHITECT DESIGN SERVICES | 7,638.00 |
| 15868 | NORTHSOUTH GIS, LLC | PROFESSIONAL SERVICES | 3,230.25 |
| 15869 | PACIFIC ATLANTIC PARTNERS, LLC | PROFESSIONAL SERVICES | 30,000.00 |
| 15870 | PACIFIC HYDROTECH CORPORATION | CONSTRUCTION SERVICES | 846,124.34 |
| 15871 | PANERA | SPECIAL CIP COMMITTEE MEETING | 273.05 |
| 15872 | RJB ELECTRICAL CONTRACTOR | MAINTENANCE SERVICES | 275.90 |
| 15873 | ROBERT E. BUSH CORPORATION | PROFESSIONAL SERVICES | 3,000.00 |
| 15874 | ROBERT HALF | TEMP SERVICES | 4,606.25 |
| 15875 | SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT | 2019 EMISSIONS FEES | 945.37 |
| 15876 | THE HOUSE OF PRINTING, INC | PRINTING SERVICES | 113.12 |
| 15877 | THE SOURCE | BACKGROUND SCREENING SERVICES | 171.50 |
| 15878 | CITY OF WHITTIER | 2019 PROPERTY SUBLEASE | 325,193.00 |
| 15879 | ALSTON & BIRD LLP | LEGAL SERVICES | 43,556.23 |
| 15880 | ASBURY ENVIRONMENTAL SERVICES | NON-HAZARD DISPOSAL SERVICE | 6,389.76 |
| 15881 | BACKFLOW APPARATUS & VALVE CO. | BACKFLOW VALVE INSPECTION | 245.00 |
| 15882 | DUDEK & ASSOCIATES, INC. | PROFESSIONAL SERVICES | 6,110.00 |
| 15883 | HARRIS AMERICAN | OFFICE SUPPLIES | 124.90 |
| 15884 | VOID | VOID | 0.00 |
| 15885 | GANNETT FLEMING, INC. | PROFESSIONAL SERVICES | 24,477.25 |
| 15886 | KESTREL CONSULTING, INC. | PROFESSIONAL SERVICES | 19,937.00 |
| 15887 - 15888 | LEAL & TREJO APC | LEGAL SERVICES | 96,272.92 |
| 15889 | LIFTECH ELEVATOR SERVICES, INC | ELEVATOR MAINTENANCE | 209.00 |
| 15890 | LOS ANGELES COUNTY DPW | ANNUAL WASTE DISPOSAL PERMIT FEE | 402.00 |
| 15891 - 15892 | METROPOLITAN NEWS COMPANY | CHEMICAL SUPPLIES BID AD | 14,896.00 |
| 15893 | MNS ENGINEERS, INC. | PROFESSIONAL SERVICES | 1,284.50 |
| 15894 | EUROFINS EATON ANALYTICAL, LLC | LAB SERVICES | 71,376.00 |
| 15895 | PROACTIVE ENVIRONMENTAL PRODUCTS LLC | FIELD EQUIPMENT | 7,813.40 |
| 15896 | FIRST CHOICE BANK | CREDIT CARD CHARGES | 25.00 |
| 15897 | SAN GABRIEL VALLEY PROTECTIVE ASSOC. | 2019 MEMBERSHIP DUES | 29,234.56 |
| 15898 | SO CAL IMMEDIATE MEDICAL CENTER | PRE-EMPLOYMENT PHYSICAL EXAMS | 60.00 |
| 15899 | TETRA TECH INC | PROFESSIONAL SERVICES | 1,985.00 |
| 15900 | THE OFFICE EXPRESS | EA COMMITTEE MEETING | 221.10 |
| 15901 | TORRANCE, CITY OF | O & M SERVICES | 29,462.53 |
| 15902 | UNIVAR USA INC | CHEMICAL SUPPLIES | 14,730.89 |
| 15903 | UNUM LIFE INSURANCE COMPANY OF AMERICA | LONG TERM CARE INSURANCE PREMIUM | 2,604.80 |
| 15904 | VOID | VOID | 0.00 |
| 15905 | VOID | VOID | 0.00 |
| 15906 | BRIGHTVIEW LANDSCAPE SERVICES, INC. | LANDSCAPE SERVICES | 4,740.00 |
| 15907 | WECK LABORATORIES, INC. | LAB SERVICES | 12,066.00 |
| 15908 | VOID | VOID | 0.00 |
| 15909 | VOID | VOID | 0.00 |
| 15910 | VOID | VOID | 0.00 |
| 15911 | U.S. GEOLOGICAL SURVEY | PROFESSIONAL SERVICES | 110,866.67 |
| 15912 | VOID | VOID | 0.00 |
| 15913 | VOID | VOID | 0.00 |
| 15914 | J.F. SHEA CONSTRUCTION, INC. | O & M SERVICES | 178,933.33 |
| 15915 | J.F. SHEA CONSTRUCTION, INC. | CONSTRUCTION SERVICES | 1,369,665.32 |
| 15916 | LADIES TKO | EVENT SPONSORSHIP | 1,000.00 |
| 15917 | LAHC FOUNDATION | EVENT SPONSORSHIP | 250.00 |
| 15918 | CENTRAL BASIN MUNICIPAL WATER DISTRICT | RTS CHARGES & MWD REBATE | 28,286.10 |
| 15919 | COUNTY SANITATION DISTRICT 2 | WATER PURCHASES | 195,328.71 |
| 15920 | LOS ANGELES, CITY OF DWP | WATER PURCHASES | 360,218.66 |
| 15921 | WEST BASIN MUNICIPAL WATER DISTRICT | WATER PURCHASES | 1,730,120.63 |
| 15922 | ACWA JOINT POWERS INSURANCE AUTHORITY | CONFERENCE REGISTRATION | 360.00 |
| 15923 | AKM CONSULTING ENGINEERS | PROFESSIONAL SERVICES | 7,316.00 |
| 15924 | BUTTER ENGINEERING INC. | PROFESSIONAL SERVICES | 45,263.50 |
| 15925 | CAFE RIO MEXICAN GRILL | WATER RESOURCES COMMITTEE MEETING | 198.56 |
| 15926 | CDW GOVERNMENT, INC. | COMPUTER SUPPLIES | 26,116.19 |
| 15927 | CITY OF NORWALK | EVENT SPONSORSHIP | 500.00 |
| 15928 | DAKOTA COMMUNICATION | PROFESSIONAL SERVICES | 21,860.63 |
| 15929 | DELI NEWS PIZZA | BOARD MEETING | 186.36 |
| 15930 | EASTSIDE WINDOW CLEANING CO. | OFFICE MAINTENANCE SERVICES | 980.00 |
| 15931 | EASY READER, INC. | NEWSPAPER AD | 1,450.00 |
| 15932 | ENTREPRENEUR EDUCATIONAL CENTER | EVENT SPONSORSHIP | 1,000.00 |
| 15933 | GAZETTE NEWSPAPER | NEWSPAPER AD | 940.00 |
| 15934 | GEIGER WEST MONROVIA | PROMOTIONAL ITEMS | 6,303.49 |
| 15935 | GRAYBAR ELECTRIC CO., INC. | TECHNOLOGY TRANSFER SERVICE | 1,250.76 |
| 15936 | HARRIS AMERICAN | OFFICE SUPPLIES | 1,843.15 |
| 15937 | HISTORICAL SOCIETY OF LONG BEACH | EVENT SPONSORSHIP | 1,000.00 |
| 15938 | JACOBS ENGINEERING GROUP, INC. | PROFESSIONAL SERVICES | 77,247.50 |
| 15939 | KIDANE & ASSOCIATES | PROFESSIONAL SERVICES | 6,000.00 |
| 15940 | LANG, HANSEN, O'MALLEY AND MILLER | PROFESSIONAL SERVICES | 6,000.00 |
| 15941 | LA OPINION | NEWSPAPER ADVERTISEMENT | 2,890.00 |
| 15942 | LONG BEACH, CITY OF | RECLAIMED WATER PURCHASE | 12,877.89 |
| 15943 | LOS CERRITOS COMMUNITY NEWS | NEWSPAPER ADVERTISEMENT | 1,975.00 |
| 15944 | McMASTER-CARR SUPPLY COMPANY | FIELD SUPPLIES | 67.88 |
| 15945 | PANERA | WATER RESOURCES COMMITTEE MEETING | 200.00 |
| 15946 | PLATT SECURITY, INC. | SECURITY SERVICES | 4,000.00 |
| 15947 | QDOXS | PRINTING SERVICES | 8,990.98 |
| 15948 | RANCHO LOS ALAMITOS FOUNDATION | EVENT SPONSORSHIP | 1,000.00 |
| 15949 | RANDOM LENGTHS NEWS | NEWSPAPER ADVERTISEMENT | 2,525.00 |
| 15950 | ROBERT HALF | TEMP SERVICES | 1,306.25 |
| 15951 | SINCLAIR WELL PRODUCTS, INC | FIELD SUPPLIES | 503.48 |
| 15952 | THE HOUSE OF PRINTING, INC | PRINTING SERVICES | 2,872.19 |
| 15953 | THE OFFICE EXPRESS | BOARD MEETING EXPENSES | 187.11 |
| 15954 | THE SIGNAL TRIBUNE | ADVERTISEMENTS | 1,425.00 |
| 15955 | TORRANCE, CITY OF | PLANT SITE RENT | 4,037.85 |
| 15956 | URBAN WATER INSTITUTE INC. | CONFERENCE SPONSORSHIP | 2,500.00 |
| 15957 | GREEN MEDIA CREATIONS | ECO-GARDENING TRAINING PROGRAM | 5,393.63 |
| 15958 | WAVELENGTH AUTOMATION, INC | CAPITOLTRACK SUBSCRIPTION | 2,328.00 |
| 15959 | WECK LABORATORIES, INC. | LAB SERVICES | 10,022.00 |
| 15960 | WORTHINGTON FORD | FLEET VEHICLE MAINTENANCE SERVICE | 1,754.31 |
| 15961 | XEROX CORPORATION | COPIER LEASE | 3,153.60 |
| 190515-1 | CHEVRON AND TEXACO CARD SERVICES | MONTHLY FUEL CHARGES | 155.46 |
| 190515-10 | WESTERN EXTERMINATOR COMPANY | PESTICIDE SERVICES | 130.00 |
| 190515-2 | EDCO WASTE SERVICES | RECYCLE WASTE SERVICES | 321.20 |
| 190515-3 | EXXON MOBIL | MONTHLY FUEL CHARGES | 222.36 |
| 190515-4 | FEDERAL EXPRESS CORPORATION | FEDEX SERVICES | 703.66 |
| 190515-5 | FRONTIER COMMUNICATIONS | MONTHLY PHONE SERVICES | 128.69 |
| 190515-6 | FIRST CHOICE BANK | CREDIT CARD CHARGES | 5,903.48 |
| 190515-7 | SOUTHERN CALIFORNIA EDISON | MONTHLY UTILITIES | 36,478.90 |
| 190515-8 | THE GAS COMPANY | MONTHLY GAS CHARGES | 842.94 |
| 190515-9 | TIME WARNER CABLE/SPECTRUM BUSINESS | MONTHLY INTERNET SERVICES | 3,164.85 |
| ACH190516-1 | FRONTIER COMMUNICATIONS | MONTHLY PHONE SERVICE | 165.52 |

| Check Number | Payee | Transaction Description | Check Amount |
|--------------|-------------------------------------|----------------------------|---------------|
| ACH190516-2 | LAKEWOOD, CITY OF | MONTHLY WATER SERVICES | 432.37 |
| ACH190524-1 | AT&T | MONTHLY PHONE SERVICES | 326.35 |
| ACH190524-2 | CALIFORNIA WATER SERVICE | MONTHLY WATER SERVICE | 81.30 |
| ACH190524-3 | DELUXE FOR BUSINESS | PRINTING SERVICES | 964.33 |
| ACH190524-4 | FRONTIER COMMUNICATIONS | MONTHLY PHONE SERVICES | 893.61 |
| ACH190524-5 | PEPSI-COLA | GROUNDWATER FESTIVAL EVENT | 1,061.20 |
| ACH190524-6 | TIME WARNER CABLE/SPECTRUM BUSINESS | MONTHLY INTERNET SERVICES | 3,889.09 |
| ACH190524-7 | VERIZON WIRELESS | MONTHLY PHONE SERVICES | 1,361.53 |
| ACH190531 | FRONTIER COMMUNICATIONS | MONTHLY PHONE SERVICES | 95.66 |
| | | | 10,989,234.46 |



MEMORANDUM

ITEM NO. 5

DATE: JULY 15, 2019

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: FINANCIAL STATEMENTS – MAY 31, 2019

The attached financial statements include the Statement of Net Assets (Balance Sheet) as of May 31, 2019 and the Statement of Revenues, Expenditures and Changes in Net Assets (Income Statement) for the month ending May 31, 2019. Explanation of selected account balances are as follows:

Statement of Net Assets:
July 1, 2018 – May 31, 2019

ASSETS

Cash and Cash Equivalents – The issuance of the District’s 2018 Revenue Bond in 2019 increased Restricted Cash to reflect the bond proceeds reserved for Capital Projects. The decrease in Cash is impacted by the decrease in Accounts Payable.

Accounts Receivable – This account often fluctuates due to the timing of receiving payments for the monthly water production from pumpers.

Construction-In-Progress – Construction Work in Progress (CWIP) increased by \$37 Million, reflecting expenditures related to the on-going construction of the ARC Advanced Water Treatment Facility.

Plant & Equipment – The Robert W. Goldsworthy Desalter expansion was completed and capitalized to fixed assets this year.

LIABILITIES

Accounts Payable – A payment of \$8.1 million was made to J.F. Shea in fiscal year 2017/18 associated with their work on ARC. Accounts payable are lower in 2018/19 as payments are more in line with historical trends.

Long Term Debt & Notes Payable – The increase in FY18/19 reflects both the 2015 & 2018 Bond Issuance and total to-date of approximately \$57 Million drawn from the Clean Water State Revolving Fund (CWRP) loan.

NET ASSETS

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

| Accounts | Change |
|--------------------------|-----------------------|
| Plant & Equipment | 23,963,755.00 |
| Restricted Cash | (35,953,431.00) |
| Construction-In-Progress | 37,145,514.00 |
| Accumulated Depreciation | <u>(4,196,105.00)</u> |
| Total | _____ |
| <u>\$20,959,734.00</u> | |

Unrestricted – The Change/Variance of Total Assets, Total Liabilities and Invested in Capital Assets is (\$2,857,815).

Statement of Revenues, Expenditures and Changes in Net Assets: **July 1, 2018 – May 31, 2019**

REVENUE

Water Replenishment Assessment – Revenue reflected in the current year is behind by one month of revenue as the current fiscal year's accounting cycle was changed to facilitate an earlier monthly close. The month of June will be captured in the year-end closing, and annual revenues will reflect the entire twelve-month period.

EXPENSES

Cost of Spreading Water – More imported water delivery was purchased in the prior year for replenishment purposes.

Cost of Injected Water – The costs reflect the decrease in recycled water delivered to the West Coast and Dominguez Gap Barriers.

Professional Services – Increase in this account in the current year relates to the District's Litigation expenses paid to the City of Cerritos for Basin Improvement Funding Obligation, professional services for the Safe Drinking Water Program and the Operation and Maintenance of the ARC.

Statement of Revenues, Expenditures and Changes in Net Assets for May 2019

REVENUES

Revenues are higher than last month due to higher Replenishment Assessment revenues, reflecting greater pumping volumes.

EXPENSES

Cost of Spreading Water – The decrease reflects the District’s reimbursement of the \$1.2M for the discharge of treated water from the Whittier Narrows Operable Unit (WNOU) Project into Central Basin during the water year 2017/18 in the prior month.

Cost of Injected Water – The increase is due to timing of receiving invoices from the City Los Angeles Department of Water and Power for recycled water for the Dominguez Gap Barrier.

Office Expenses – The District paid about \$115,000 in membership dues; \$84,000 to the San Gabriel River Watermaster for annual fees relating to the Long Beach Judgement and \$29,000 to San Gabriel Valley Protective Association.

Professional Services – Expenses from the prior month included operation costs for ARC and engineering services relating to the Safe Drinking Program.

INCOME (LOSS) BEFORE CONTRIBUTIONS

Income before contributions reflects a \$3 million profit than in April due primarily to the decrease in cost of water.

STAFF RECOMMENDATION

The Finance/Audit Committee recommends the Board of Directors approve the financial statements for May 31, 2019.

Water Replenishment District of Southern California
Statement of Net Assets
As of 5/31/2019

| Assets | <u>Total</u> | <u>Prior Year</u> <u>Total</u> | <u>Variance</u> |
|---|-----------------------|-----------------------------------|-----------------------|
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 45,568,854 | \$ 53,297,184 | (7,728,330) |
| Restricted Cash | 84,329,472 | 22,964,698 | 61,364,774 |
| Accounts Receivable | 15,444,587 | 17,685,502 | (2,240,915) |
| Deposit Receivable | (26,489) | (296) | (26,785) |
| Interest Receivable | - | - | - |
| Prepaid Expenses | 6,521,037 | 9,656,122 | (3,135,085) |
| Total Current Assets | \$ 151,837,461 | \$ 103,603,210 | 48,234,251 |
| Noncurrent Assets | | | |
| Notes Receivable, Noncurrent | \$ 308,420 | \$ 814,361 | (505,940) |
| Plant & Equipment | 142,410,351 | 117,940,655 | 24,469,696 |
| Land | 16,673,742 | 16,673,742 | - |
| Construction-In-Progress | 183,336,483 | 146,190,968 | 37,145,514 |
| Deferred Charges | 1 | 1 | - |
| Accumulated Depreciation | (43,602,212) | (39,406,107) | (4,196,105) |
| Total Noncurrent Assets | \$ 299,126,785 | \$ 242,213,620 | 56,913,165 |
| Deferred Outflows of Resources | \$ 2,707,779 | \$ 2,451,630 | \$ 256,149 |
| Deferred Outflows of Resources - OPEB | \$ 1,008,661 | \$ - | \$ 1,008,661 |
| Total Assets | \$ 454,680,685 | \$ 348,268,460 | \$ 106,412,226 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 4,798,024 | \$ 14,749,650 | (9,951,626) |
| Interest Payable - Bond | 1,688,225 | 2,283,567 | (595,342) |
| Accrued Payroll | 10,404 | 494 | 9,910 |
| Accrued Employee Benefits | (10,121) | (66,629) | 56,508 |
| Accrued Postemployment Benefits | - | 125,859 | (125,859) |
| Deferred Compensation | - | (6,817) | 6,817 |
| Deferred Revenue - RA | - | 4,154,665 | (4,154,665) |
| Other Liabilities | - | - | - |
| Total Current Liabilities | \$ 6,486,532 | \$ 21,240,789 | (14,754,257) |
| Noncurrent Liabilities | | | |
| Cal Trans 0690 | 5,091,864 | 5,168,949 | (77,085) |
| Long term Debt - Bond Payable | 239,228,977 | 166,775,360 | 72,453,617 |
| Long term Notes Payable | 57,018,042 | 32,076,369 | 24,941,673 |
| Compensated Absences | \$ 554,236 | \$ 429,367 | \$ 124,870 |
| Net Pension Liability | 4,942,077 | 4,142,582 | 799,495 |
| Net OPEB Liability | 4,913,070 | - | 4,913,070 |
| Total Noncurrent Liabilities | \$ 311,748,266 | \$ 208,592,626 | \$ 103,155,640 |
| Deferred Inflows of Resources | \$ 204,978 | \$ 309,224 | \$ (104,246) |
| Deferred Inflows of Resources - OPEB | \$ 13,170 | \$ - | \$ 13,170 |
| Total Liabilities | \$ 318,452,946 | \$ 230,142,639 | \$ 88,310,307 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 82,117,373 | \$ 61,157,640 | 20,959,734 |
| Unrestricted | 54,110,366 | 56,968,181 | (2,857,815) |
| Total Net Assets | \$ 136,227,739 | \$ 118,125,820 | 18,101,919 |
| Total Liabilities & Net Assets | \$ 454,680,685 | \$ 348,268,460 | 106,412,226 |

Water Replenishment District of Southern California
Statement of Revenues, Expenditures and Changes in Net Assets
July 01 to May 31, 2019

| | Total | Prior Year Total | Variance |
|--|-------------------|---------------------|--------------------|
| Revenues | | | |
| Operating Revenues | | | |
| Water Replenishment Assessments | 56,511,546 | 63,656,871 | (7,145,325) |
| Late Payment Penalties | | | - |
| MWD Subsidy | 409,739 | 65,457 | 344,282 |
| OCWD Recycled Water Product | 6,352 | 44,829 | (38,477) |
| Desalter Revenue | 937,775 | - | 937,775 |
| Title 22 Monitoring Program | 221,044 | 127,210 | 93,834 |
| Total Operating Revenues | 58,086,456 | 63,894,367 | (5,807,911) |
| Operating Expenses | | | |
| Cost of Water | | | |
| Spreading | 7,288,014 | 10,450,598 | (3,162,584) |
| Injected | 20,240,733 | 24,728,890 | (4,488,157) |
| In-Lieu | | | - |
| Connection Fees | 1,426,534 | 1,722,718 | (296,184) |
| Total Cost of Water | 28,955,281 | 36,902,206 | (7,946,925) |
| General & Administrative | | | |
| Salaries, Taxes & Benefits | 6,829,836 | 5,853,889 | 975,947 |
| Postemployment Benefits | 878,256 | - | 878,256 |
| Conference & Travel | 177,089 | 175,577 | 1,512 |
| Office Expenses | 1,130,068 | 1,024,489 | 105,579 |
| Utilities | 586,460 | 320,080 | 266,380 |
| Rents & Leases | 129,972 | 132,415 | (2,443) |
| Repairs & Maintenance | 270,662 | 178,842 | 91,820 |
| Material & Equipment | 477,504 | 318,787 | 158,717 |
| General Liability Insurance | 182,825 | 210,735 | (27,910) |
| Professional Fees | 7,938,747 | 5,452,351 | 2,486,396 |
| Other General & Administrative | 124,731 | 20,858 | 103,873 |
| Total General & Administrative | 18,726,150 | 13,688,023 | 5,038,127 |
| Depreciation | 3,855,038 | 3,770,996 | 84,042 |
| Total Operating Expenses | 51,536,469 | 54,361,225 | (2,824,756) |
| Operating Income (Loss) | 6,549,987 | 9,533,142 | (2,983,155) |
| Non-Operating Revenues (Expenses) | | | |
| Revenues | | | |
| Property Taxes | 672,010 | 619,855 | 52,155 |
| Election Expenses | (601,323) | - | (601,323) |
| Investment Earnings | 506,126 | 209,397 | 296,729 |
| Miscellaneous | 169,270 | 24,130 | 145,140 |
| Total Revenues | 746,083 | 853,382 | (107,299) |
| Expenses | | | |
| Interest Expenses | - | (2,480,912) | 2,480,912 |
| Non-RA Related Expenses | (591,016) | (432,032) | (158,984) |
| Total Expenses | (591,016) | (2,912,944) | 2,321,928 |
| Total Non-Operating Revenues (Expenses) | 155,067 | (2,059,562) | 2,214,629 |
| Income (Loss) Before Contributions | 6,705,054 | 7,473,580 | (768,526) |
| Contributions | | | |
| Capital Contributions- Grant | 5,668,866 | 6,661,343 | (992,477) |
| CIP Expenses | 422,894 | (9,216) | 432,110 |
| Change in Net Assets | 11,951,026 | 14,144,139 | (2,193,113) |

Water Replenishment District of Southern California
Statement of Revenues, Expenditures and Changes in Net Assets
For the Month of May 31, 2019

| | Total | Prior Month Total | Variance |
|--|------------------|----------------------|--------------------|
| Revenues | | | |
| Operating Revenues | | | |
| Water Replenishment Assessments | 5,701,099 | 5,303,347 | 397,752 |
| Late Payment Penalties | | | - |
| MWD Subsidy | 50,792 | 33,825 | 16,967 |
| OCWD Recycled Water Product | - | - | - |
| Desalter Revenue | 90,325 | 126,294 | (35,969) |
| Title 22 Monitoring Program | 103,303 | - | 103,303 |
| Total Operating Revenues | 5,945,519 | 5,463,465 | 482,053 |
| Operating Expenses | | | |
| Cost of Water | | | |
| Spreading | 195,329 | 1,432,787 | (1,237,458) |
| Injected | 2,647,554 | 2,431,958 | 215,596 |
| In-Lieu | | | - |
| Connection Fees | 75,618 | 86,514 | (10,897) |
| Total Cost of Water | 2,918,501 | 3,951,260 | (1,032,759) |
| General & Administrative | | | |
| Salaries, Taxes & Benefits | 498,426 | 600,919 | (102,492) |
| Postemployment Benefits | - | - | - |
| Conference & Travel | 6,389 | 16,896 | (10,506) |
| Office Expenses | 210,842 | 92,389 | 118,453 |
| Utilities | 63,242 | 27,079 | 36,163 |
| Rents & Leases | 12,211 | 9,228 | 2,983 |
| Repairs & Maintenance | 10,607 | 16,258 | (5,652) |
| Material & Equipment | 40,916 | 72,478 | (31,562) |
| General Liability Insurance | - | - | - |
| Professional Fees | 344,106 | 959,240 | (615,134) |
| Other General & Administrative | - | 4,315 | (4,315) |
| Total General & Administrative | 1,186,740 | 1,798,801 | (612,061) |
| Depreciation | - | 403,767 | (403,767) |
| Total Operating Expenses | 4,105,241 | 6,153,828 | (2,048,587) |
| Operating Income (Loss) | 1,840,278 | (690,363) | 2,530,641 |
| Non-Operating Revenues (Expenses) | | | |
| Revenues | | | |
| Property Taxes | 77,698 | 176,201 | (98,503) |
| Election Expenses | - | (601,323) | 601,323 |
| Investment Earnings | - | 45 | (45) |
| Miscellaneous | 3,741 | 16,039 | (12,298) |
| Total Revenues | 81,439 | (409,039) | 490,478 |
| Expenses | | | |
| Interest Expenses | - | - | - |
| Non-RA Related Expenses | (20,728) | (44,693) | 23,965 |
| Total Expenses | (20,728) | (44,693) | 23,965 |
| Total Non-Operating Revenues (Expenses) | 60,712 | (453,731) | 514,443 |
| Income (Loss) Before Contributions | 1,900,989 | (1,144,094) | 3,045,083 |
| Contributions | | | |
| Capital Contributions- Grant | - | - | - |
| CIP Expenses | - | 562,742 | (562,742) |
| Change in Net Assets | 1,900,989 | (1,706,836) | 3,607,825 |



MEMORANDUM

ITEM NO. 6

DATE: JULY 15, 2019

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

**SUBJECT: RESERVES, CASH AND INVESTMENT REPORT FOR THE PERIOD
ENDING MAY 31, 2019**

SUMMARY

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

FISCAL IMPACT

None.

STAFF RECOMMENDATION

For discussion and possible action.

**Water Replenishment District of Southern California
Reserves, Cash and Investment Report for the period ending May 30, 2019**

RESERVE BALANCE

As of MAY 31, 2019, the District has \$2,813,000 in the Operating Reserve. The following pages provide specific breakdowns of the District cash and investments.

RESERVED FUNDS – These funds are designated by the Board of Directors to recognize future commitments of resources prior to the actual expense.

Reserved for Capital Projects – These funds are designated for use in the Safe Drinking Water Program and Well Rehabilitation Loan Program or set aside for capital replacement costs at the Leo J. Vander Lans Advanced Water Treatment Facility and the Robert W. Goldsworthy Desalter.

1. Safe Drinking Water Program

Source of Funds: Replenishment Assessment
Use of Funds: Safe Drinking Water Projects

Restricted for Safe Drinking Water Loan Program **\$ 3,842,000**

2. Well Rehabilitation Program

Source of Funds: Replenishment Assessment
Use of Funds: Well Rehabilitation Program

Restricted for Well Rehabilitation Program **\$ 1,500,000**

3. Capital Replacement / Construction

Source of Funds: Replenishment Assessment
Use of Funds: Repair and Replacement Costs

Leo J. Vander Lans Water Treatment Facility \$ 3,719,000

Goldsworthy Desalter 998,000

Restricted for Capital Projects **\$ 4,717,000**

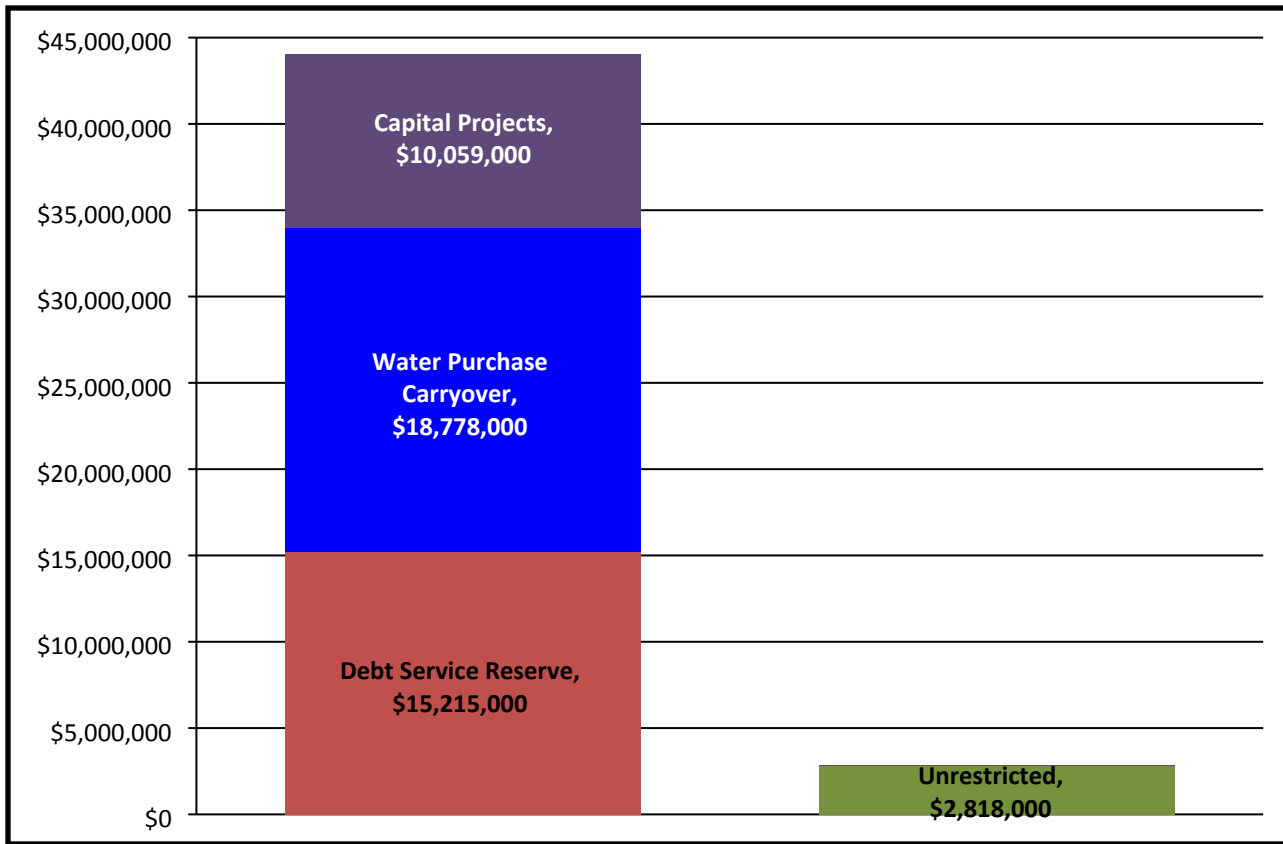
Total Reserved for Capital Projects **\$ 10,059,000**

Total Water Purchase Carryover Fund – This category represents funds reserved by the Board of Directors as follows:

Source of Funds: Replenishment Assessment
Use of Funds: Water Purchases

Reserved Balance in Account **\$ 18,778,000**

Reserved for Debt Service Fund – Based on the rate covenant, pursuant to the District's Master Agreement, the net revenues less payments made by the WRD for purchase and



CASH AND INVESTMENTS

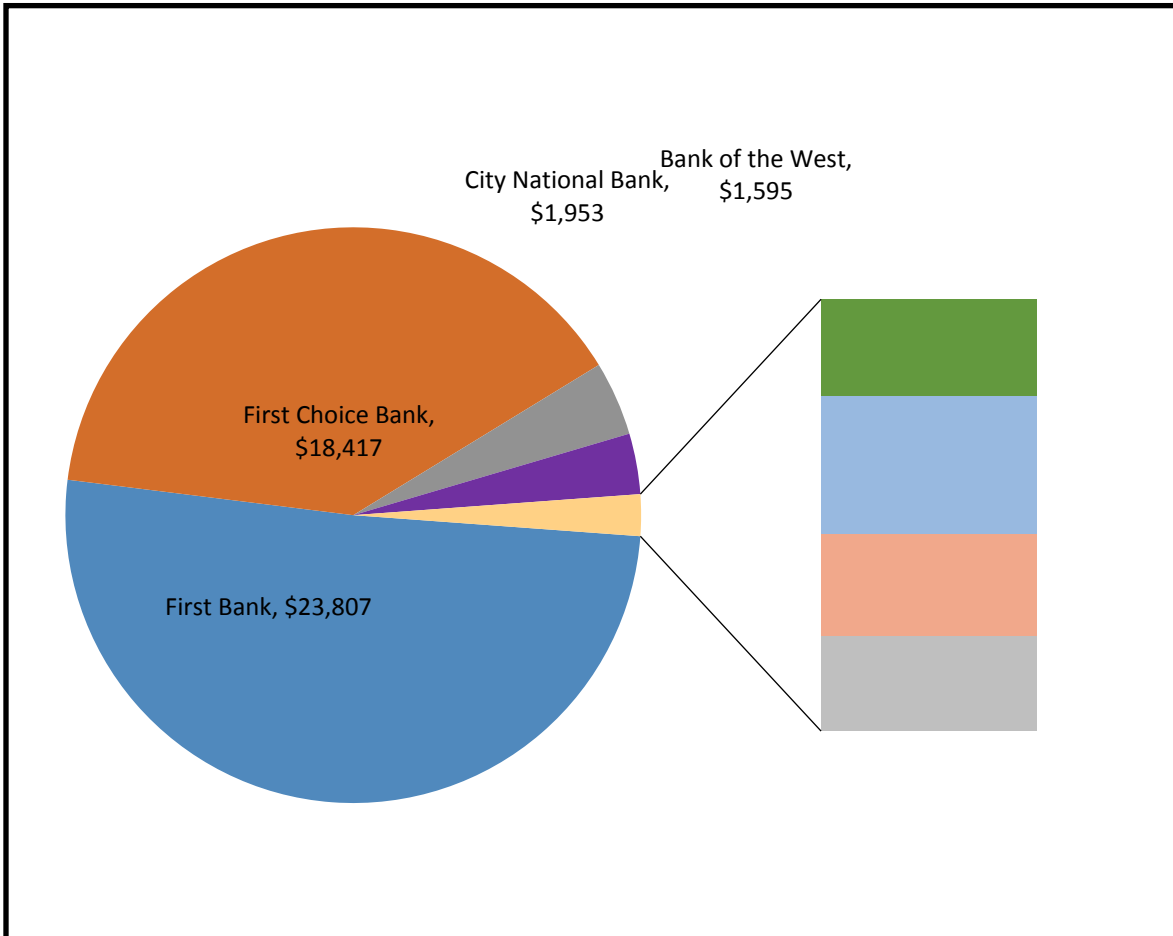
At the direction of the Board of Directors, on March 31, 2009 the District implemented its Community Banking Program and has funds deposited in several community banks in addition to the two major accounts at First Choice Bank and First Bank.

Cash and Investments By Institution
(Rounded to nearest thousand)

| | |
|--|----------------|
| Cash and Investments: | |
| Manufacturers Bank ¹ | \$348,000 |
| First Choice Bank ¹ | 18,417,000 |
| City National Bank ¹ | 1,953,000 |
| Bank of the West ¹ | 1,595,000 |
| Banc of California (formally Beach Business Bank) ¹ | 0 |
| Broadway Federal Bank ¹ | 246,000 |
| Union Bank ¹ | 240,000 |
| | |
| First Bank ¹ | 23,807,000 |
| Preferred Bank ¹ | <u>259,000</u> |

Total Cash in Bank

\$46,865,000



Footnotes:

1 – Cash & Cash Equivalents and Certificates of Deposit: Amounts are either insured by the Federal Deposit Insurance Corporation (FDIC) or secured by the bank’s assets. Funds are also held in Certificate of Deposit Account Registry Service (CDARS) and Insured Cash Sweep (ICS); a very safe way to invest funds while continuing to be FDIC insured.

Any slight differences are due to rounding. For presentation purposes, staff has rounded dollar values to the nearest thousand.

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

DATE: JULY 15, 2019

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: TRUST REPORT – MAY 2019

SUMMARY

Each month, the Finance Department reports the District's reserve balances and cash and investment activities in the Trust accounts held by the U.S. Bank and BankWest to the Finance/Audit Committee for subsequent approval by the Board of Directors. As shown in the attached report, the total balance in the Trust Funds at May 31, 2019 was \$86.6 million.

FISCAL IMPACT

None

STAFF RECOMMENDATION

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

Water Replenishment District of Southern California
Trust Fund Report
May 31, 2019

| <u>Fund Purpose</u> | <u>Beginning Balance</u> | <u>Inflows</u> | <u>Interest Income or Change in Net Investments</u> | <u>Disbursements</u> | <u>Ending Balance</u> |
|---|------------------------------|----------------|---|----------------------|---------------------------|
| 2015 Revenue Bonds | | | | | |
| Acquisition Fund | 5,858,197.59 | | 9,308.94 | - | 5,867,506.53 |
| Cost of Issuance Fund | - | - | - | - | \$0 |
| Principal Account | 631.29 | | 1.00 | - | 632.29 |
| Interest Account | 688.82 | - | 1.09 | - | \$689.91 |
| Debt Service Fund | - | - | - | - | \$0 |
| 2018 Revenue Bonds | | | | | |
| Acquisition Fund | 73,372,307 | | 116,797 | 0 | \$73,489,104 |
| Cost of Issuance Fund | 14,772 | 0 | 28 | (6,750) | \$8,050 |
| Principal Account | 0 | | 0 | 0 | \$0 |
| Interest Account | 1,651,653 | 0 | 2,629 | 0 | \$1,654,282 |
| Held for semi-annual bond payment | 0 | 0 | 0 | 0 | \$0 |
| Transfer of Grant Funds from Operating | 0 | 0 | | | \$0 |
| CalTrans Trust Fund (BancWest) | \$5,551,872 | \$0 | \$283 | \$0 | \$5,552,155 |
| | 86,450,122.26 | - | 129,047.57 | (6,750.00) | 86,572,419.83 |

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: JULY 15, 2019

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: EXPENSES OVER 90 DAYS

SUMMARY

Based on Section 13.2.3 of the District's Administrative Code, "Requests for reimbursement must be submitted within 90 days of the date the expense was incurred...Any reimbursement for a non-excluded expense submitted after 90 days must be approved by the Board of Directors."

Staff would like to present expenses over the 90 day period to the Finance/Audit Committee.

FISCAL IMPACT

Staff will give the exact fiscal impact of these expenses at the Committee meeting.

STAFF RECOMMENDATION

The Finance/Audit Committee recommends the Board of Directors approve expenses over 90 days.



MEMORANDUM

ITEM NO. 9

DATE: JULY 15, 2019

TO: FINANCE/AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: RESERVE FUND POLICY

SUMMARY

The level of reserves maintained by a utility is an important component of short and long-term financial management, is a key consideration in the rate-setting process. Further, the level of reserves is one of the key financial metrics used by credit rating agencies when evaluating the financial strength of an organization. Prudent reserves are an important financial tool that benefits both WRD and the pumpers. A prudent level of reserves helps mitigate financial risks due to changes in pumping levels, unexpected cost increases, and emergencies.

Given recent changes in legislation (SB 963), it is important that WRD establish a reserve policy and adopt formal practices to ensure that reserves meet WRD's financial and operational objectives. Among other things, the Reserve Policy articulates:

- How these balances are established
- How funds are used
- How the adequacy of each respective reserve fund balance is determined
- How reserves are replenished when used

Once reserve targets are established, they should be reviewed annually during the budgeting process to monitor current levels and evaluate conformance with the policy. Decisions can then be made to maintain, increase, or spend down reserve balances, as appropriate, with an understanding of the impact of such decisions to the upcoming budget period and WRD's long-term financial plan.

Staff has reviewed reserve fund guidelines from the Government Finance Officers Association (GFOA), American Water Works Association (AWWA), California Special Districts Association (CSDA) and the National Advisory Council on State and Local Budgeting (NACSLB) in developing the District's Reserve Fund Policy.

With SB 963 removing any limit on District reserve funds, this annual analysis of funds is an important part of responsible financial planning, particularly as WRD transitions from an agency that produces water to one that produces water and operates and maintains three capital facilities.

The recommended policy reflects comments from the Budget Advisory Committee (BAC) and the Finance/Audit Committee. The policy does not include restricted reserves held in trust by US Bank (e.g. bond proceeds, CalTrans Trust, etc.) The policy identifies six reserve funds:

1. **Operating Reserve.** The operating reserve is an unrestricted reserve used to stabilize finances in the event of lower than expected sales, unbudgeted expenses and other unforeseen events.
2. **Debt Service Reserve.** This restricted fund is established pursuant to the covenants in WRD's State Revolving Fund Loan.
3. **Equipment Replacement Reserve Fund.** The Equipment Replacement Fund is used to fund periodic replacement of assets with expected useful lives of three to twenty years. Effective use of a replacement reserve helps to stabilize annual budgets, reducing the need for large expenditures as equipment is replaced.
4. **Safe Drinking Water Program Fund.** The Safe Drinking Water Fund is used to account for, and fund, loans and grants to help clean up the groundwater basin. This fund will be a "revolving" fund, to be replenished by repayment of outstanding loans as well as any needed funding from WRD.
5. **Well Construction and Rehabilitation Program Fund.** This fund would be used provide zero loans to pay for well construction and rehabilitation. Qualifying projects would assist groundwater producers' ability to utilize their full groundwater extraction rights, reducing demands for imported water. As with the Safe Drinking Water Program Fund, this would be a revolving fund, replenished by repayment of loans as well as any additional contributions by WRD.
6. **Water Purchase Carryover Fund.** The Water Purchase Carryover Fund is funded with revenues that would have been used to purchase water to replenish the basin when imported water is unavailable for purchase. This reserve is funded with remaining revenues that had been budgeted for purchasing imported water or other supplies but were not expended for this purpose due to the lack of availability of water.

The Budget Advisory Committee reviewed the attached reserve policy and, has agreed with the targets shown in Table 1 for each of the funds. These targets are consistent with the following specific BAC recommendations:

1. Operating Reserve. The BAC suggested increasing the Operating Reserve to include 3 months of operations.
2. Debt Service Reserve. The District's bond covenants required the District to keep one year of debt service payments for the 2004, 2008 and 2011 debt. When the District refinanced those funds through the 2015 revenue bond, the covenants no longer required a reserve of one year of debt service payments. The SRF loan is the only debt that requires one year of debt service held in reserve. Therefore, the BAC suggested decreasing this reserve fund to include only the SRF required amount of \$3.2M.

3. Emergency Capital Repair Reserve – This is related to any emergency repairs needed by the District. The original staff proposal included establishing a reserve for emergency capital repairs. The BAC and the Finance/Audit Committee suggested eliminating that reserve in favor of a larger Operating Reserve. This would provide more financial flexibility to fund both capital and operating expenditures.
4. Water Purchase Carryover Fund – The BAC recommended that there be no target or maximum for the Water Purchase Carryover Fund, and these funds would be driven by the resource goals of the District.

The BAC also requested that WRD review the Equipment Replacement Fund to see if it could be reduced. As a result, the target level has been reduced to \$5.0 million from the original staff proposal of \$15.0 million.

Table 1 reflects these comments and suggestions. These targets and the amount of money in each fund will be reviewed each year as part of the annual budget process.

| Reserve Fund | Description | Target |
|---|---|----------------|
| Operating Reserve | Three months operating expenses | \$20.4 Million |
| Debt Service Reserve | One year of principal and interest on the State Revolving Fund Loan | \$3.2 Million |
| Equipment Replacement Reserve Fund | Estimate of equipment replacement needs based on WRD's depreciation schedules | \$5.0 Million |
| Safe Drinking Water Program Fund | Estimated need to sustain funding for eligible projects. | \$5.0 Million |
| Well Construction and Rehabilitation Loan Program | Estimated need to sustain funding for eligible projects. | \$7.5 Million |
| Water Purchase Carryover Fund | There would be no set target. This Fund would be equal to amounts remaining after funding water purchases and other activities needed to replenish the basin. | NA |

Table 1. Target Amounts for Reserve Funds

Table 2 shows projected balances at June 30, 2019, given current reserve levels and how reserves would be reallocated to be consistent with the proposed reserve policy. The projected balances are based on financial results through March 31, 2019. As such, final year-end results will likely be different than shown in Table 2 – and will be reflected in the balance in the Water Purchase Carryover Fund.

| Reserve Fund | Estimated Balance at June 30, 2019 (1) | Balances Consistent with Proposed Reserve Fund |
|---|--|--|
| Operating Reserve | \$8.0 Million | \$20.4 Million |
| Debt Service Reserve | \$14.8 Million | \$3.2 Million |
| Equipment Replacement Reserve Fund | \$4.8 Million | \$5.0 Million |
| Safe Drinking Water Program Fund | \$3.7 Million | \$5.0 Million |
| Well Construction and Rehabilitation Loan Program | \$1.5 Million | \$7.5 Million |
| Water Purchase Carryover Fund | \$18.7 Million | \$10.4 Million |
| Totals | \$51.5 Million | \$51.5 Million |

(1) Based on March 31, 2019 financial activity. Actual results will vary.

Table 2. Projected Reserve Fund Balances vs. Proposed Targets

Table 2 assumes that all reserves will be funded at their recommended targets beginning in fiscal year 2019/20. Monies from the Debt Service Reserve Fund and Water Purchase Carryover Fund are reallocated to meet the targets, leaving an estimated \$10.4 million in the Water Purchase Carryover Fund for future needs.

FISCAL IMPACT

Adopting the Reserve Policy, proposed targets and funding levels will improve financial planning, improve transparency and strengthen WRD's financial profile.

STAFF RECOMMENDATION

For discussion and possible action.

RESERVE FUND POLICY

The purpose of this Reserve Fund Policy for the Water Replenishment District of Southern California (WRD or District) is to describe the District's need and use of reserves to support the organization's financial needs. Reserves are an important tool to ensure financial sustainability and to mitigate impacts on WRD and the groundwater producers.

This Reserve Fund Policy will be implemented in conjunction with the other financial policies of the organization and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

As part of the District's effort to increase transparency, the Board of Directors approved adding the Budget Advisory Committee (BAC) to the District's Administrative Code so the BAC can continue to be used to review the annual budget, as well as the District's reserve fund policy.

The following list explains several considerations for setting appropriate levels of operating reserves¹:

- Bond/Loan Covenants – bond/loan covenants often define required minimum operating reserve levels in addition to restricted debt service reserves. In the case of WRD, the 2016 State Revolving Fund (SRF) loan of \$80 million, which has an interest rate of 1.0%, requires the District to maintain have 120% debt service coverage without the use of reserves. In addition, the loan covenants require WRD to maintain a debt service reserve fund equal to or greater than one year's debt service.
- Credit rating objectives – unrestricted reserves are a key consideration in establishing a bond rating. Each of the major rating agencies includes available reserves (unrestricted reserves) as a metric used in judging the credit strength of the agency. Reserves are a measure of liquidity and the utility to meet unforeseen events such as earthquakes, droughts, and other weather-related events (e.g., greater rain and cooler weather leading to lower pumping). Rating agencies look at the number of days cash the utility holds to assess how much financial flexibility the utility maintains. Days cash is equal to the amount of available reserves divided by annual operating expenses times 365. The District is rated AA+ by both Standard & Poor's and Fitch Ratings. The level of reserves is an important reason for these strong credit ratings.
- Rate structure – major impacts to the District's rate structure include annual pumping in the Central and West Coast Basins, regional conservation efforts, water quality issues and legislation (such as the previous Water Code §60290).

The District's reserves will be segregated into separate categories as follows:

¹ Source: Cash Reserve Policy Guidelines from the American Water Works Association

1. Operating Reserve
2. Debt Service Reserve
3. Equipment Replacement Reserve
4. Safe Drinking Water Fund
5. Well Replacement and Rehabilitation Fund
6. Water Purchase Carryover Reserve

Cash, investments and reserve balances will be reported to the Finance/Audit Committee and Board of Directors and included in the regular financial reports.

OPERATING RESERVE

Purpose of Fund - An operating reserve is an unrestricted fund balance set aside to stabilize finances by providing a cushion against unexpected events, losses of income, and unbudgeted expenses. Operating reserves are not used to cover a long-term shortfall or structural deficit. The Operating Reserve can allow WRD to weather serious bumps in the road by providing a source of funds while the District implements actions and strategies to address these one-time or temporary events. It is also a benefit to the groundwater producers as the Operating Reserve can be used to offset the need to have large and varying increases in the Replenishment Assessment due to a one-year event. Ideally, WRD would never draw upon its Operating Reserve, and if it does, it would only be used to solve temporary problems, not structural financial problems.

Reserve Target - The District's Operating Reserve is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as operating reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The operating reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The Government Finance Officers Association (GFOA), recommends a minimum Operating Reserve Fund equal to two months of average recurring operating costs or revenues².

Additionally, the American Water Works Association (AWWA) states that the most common metric used in evaluating operating reserve levels is time; number of days or months of operating expenses. While they do not provide an actual recommendation, they provide recommended reserve levels from Water Environment Federation (one to three months of operating costs) and International City/County Management Association (1-2 months of expenses).³ The AWWA recommendation levels are similar to those of the GFOA. The rating agencies also provide guidance for the AA rating category, ranging from 90 days cash to 180 days cash.

The reserve target for operating reserves will be three months (90 days) cash.

² Source: GFOA website: <http://www.gfoa.org/fund-balance-guidelines-general-fund>

³ Source: Cash Reserve Policy Guidelines for 2018 from the American Water Works Association

In addition to calculating the actual operating reserve at the fiscal year-end, the operating reserve fund target will be calculated each year during the annual budget process. As stated in Water Code §60233(a), the Budget Advisory Committee (BAC) will review the annual budget, as well as the reserve funds maintained by the District.

Intended Use of Reserve - The operating fund should be used for non-recurring operating expenses at the discretion of the Board of Directors.

DEBT SERVICE RESERVE FUND

Purpose of Fund – The debt service reserve fund is necessary to meet bond and/or loan covenants. These covenants often require the borrower to hold an amount equal to one year’s worth of principal and interest payments or an amount equal to the highest year of principal and interest (maximum annual debt service.) Such reserves provide additional comfort to investors regarding the District’s ability to meet its annual principal and interest payments.

Reserve Target – The Debt Service Reserve Fund is used to set aside funds for future use to meet the District’s debt service obligations. Currently, the District has three major debt instruments:

- *State Revolving Fund (SRF) – Prop 1 Funding*
The District entered into a loan agreement with the State Water Resources Control Board that requires the District to “establish a restricted Reserve Fund, held in the District Fund, equal to one year’s debt service...⁴” This fund must be maintained for the full term of the Agreement. One year of principal and interest for the SRF loan is **\$3.2 million** (rounded up to the nearest hundred thousand). In a fiscal emergency, this reserve fund is intended to provide security to the bondholders while allowing the District time to address any financial issues causing non-payment.
- *2015 Revenue Bonds*
In 2015, the District issued \$148,345,000 of debt for the refunding of the outstanding 2004, 2008 and 2011 Certificates of Participation (COPs) and \$69,500,000 of new money for the District’s capital improvement plan. The District does not have a bond covenant requiring it to maintain a debt service reserve.
- *2018 Revenue Bonds*
In 2018, the District issued \$65,785,000 in December 2018. As with the 2015 Revenue Bonds, the District has not covenanted to maintain a debt service reserve.

The reserve target for the debt service reserve fund is equal to one year of principal and interest on the 2016 SRF Loan.

Intended Use of Reserve – This fund shall be maintained for the term of the debt instrument and can be used to pay principal and interest payments if the District is unable to do so or to pay the last year of principal and interest on the loan.

⁴ Source: California Clean Water Loan Agreement, Appendix D

EQUIPMENT REPLACEMENT RESERVE FUND

Purpose of Fund – An equipment replacement fund is established to fund the periodic replacement of assets with relatively short useful lives. Assets defined as equipment include vehicles, pumps, computer equipment, office equipment, mechanical equipment, laboratory equipment, and other similar equipment with an expected life typically in the range of as few as three to as many as twenty years⁵. The use of an equipment replacement reserve helps to smooth out budget impacts over years as equipment reaches the end of its useful life.

Reserve Target – There are two general methods of determining equipment replacement funds:

Method 1 – Annual deposits based on depreciation of existing equipment and maintenance of a minimum balance based on a percentage of the value of equipment. Annual deposits are determined based on an itemized schedule of equipment, listing the type of equipment, the original cost, the expected service life, and the annual deposit to the equipment replacement fund. The total annual deposit is the sum of the annual deposits for each asset. When an asset on the equipment replacement fund list is replaced, the amount is drawn from the fund, and the schedule of annual deposits is adjusted accordingly to reflect the value and service life of the new asset(s).

Method 2 – A minimum balance in the equipment reserve fund is often determined based on a percentage of the value of equipment assets. The more equipment maintained by a utility, the lower the recommended percentage of value of the equipment assets that are maintained in reserve. In determining the recommended percentage, the utility should consider the value of the costliest piece of equipment on the replacement schedule as it represents the maximum cost to replace an unplanned equipment item.

With the District's Computerized Maintenance Management System (CMMS), the District will obtain all funding requirements through the system to set the target reserve level, using Method 1 of the AWWA's Cash Reserve Policy Guidelines.

This target will be updated annually to reflect actual equipment needs.

Intended Use of Reserve – This fund shall be used for equipment replacement.

SAFE DRINKING WATER FUND

⁵ Source: Cash Reserve Policy Guidelines for 2018 from the American Water Works Association

Purpose of Fund – The Safe Drinking Water program is intended to promote the cleanup of groundwater resources at specific well locations through the installation of wellhead treatment facilities at existing production wells. Focused on VOCs, the District provides grant funding for affected wells and no interest, 10-year loans for other constituents of concern.

Reserve Target – Wellhead treatment varies in cost depending upon various criteria. Capital costs for wellhead facilities range from \$800,000 to \$2,500,000. **The target for the Safe Drinking Water Fund will be set based on the expected need of \$5 million in 2019/20.**

Intended Use of Reserve – This fund shall be used in accordance with the guidelines set forth by the Board of Directors for the District’s Safe Drinking Water Program. This fund is a revolving fund, replenished by loan repayments as well as funds from WRD.

WELL CONSTRUCTION AND REHABILITATION FUND

Purpose of Fund – The District has developed a Well Construction and Rehabilitation Loan Program to assist groundwater producers improve their ability to utilize their full groundwater extraction rights and reduce their need for imported water. The Program provides no interest, 10-year loans for groundwater production well construction and/or rehabilitation.

Reserve Target – Well construction and/or rehabilitation expenditures vary in cost depending upon various criteria. **The target for the Well Construction and Rehabilitation Fund will be set based on the expected need of \$7.5 million in 2019/20.**

Intended Use of Reserve – This fund shall be used in accordance with the guidelines set forth by the Board of Directors for the District’s Well Construction and Rehabilitation Loan Program. This fund is a revolving fund, replenished by loan repayments as well as funds from WRD.

WATER PURCHASE CARRYOVER FUND

Purpose of Fund - The District’s primary responsibility is to replenish the groundwater basin. During each fiscal year, the WRD purchases imported and recycled water for replenishment either through the Montebello Forebay and San Gabriel River spreading grounds or through the seawater intrusion barrier systems. If water is unavailable for purchase, budgeted revenues will not be used. Instead, these funds will be carried over to future years to ensure WRD’s ability to acquire or develop water supplies to ensure the Central and West Coast groundwater basins are replenished. In the years when water is unavailable for purchase, the District will track budgeted expenses to actual

expenses with unexpended monies placed in the Water Purchase Carryover Account for use in the future.

Reserve Target – The account will be funded through budget surpluses made available due to lack of available water. The balance of the Water Purchase Carryover Fund will be reviewed each year during the budget process. **There is not a target for the Water Purchase Carryover Fund, with no minimum or maximum limiting the Water Purchase Carryover Fund.**

Intended Use of Reserve – This fund shall be used for the purchase of recycled or imported water or for developing water supplies.

ACCOUNTING FOR RESERVES

Reserve Funds will be recorded in the accounting system and financial statements. The Operating Reserve Fund will be funded and available in cash or cash equivalents. Operating reserves will be maintained separately for accounting purposes but will be commingled with the general cash and investment accounts of the organization.

Reserves are presented to the Finance/Audit Committee for review and forwarded to the Board of Directors for approval on a monthly basis. In addition, the Budget Advisory Committee will review the reserve levels and the use of reserves each year during the budget process.

FUNDING OF RESERVES

The Operating Reserve Fund will be funded with unrestricted operating funds. The Board of Directors may, from time to time, direct that a specific source of revenue be set aside for operating reserves.

As part of the budget process, the District will determine appropriate reserve levels consistent with this Policy.

AUTHORITY TO USE OPERATING RESERVES

The General Manager will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. Determination of need requires analysis of the sufficiency of the current level of reserve funds, the availability of any other sources of funds before using reserves, and evaluation of the time period for which the funds will be required and replenished.

The General Manager will submit a request to use reserve funds through the District's Committee structure with final approval by the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. WRD's goal is to replenish the funds used within 24 months to restore the Reserve Fund to the target amount.

REPORTING AND MONITORING

The General Manager and/or Chief Financial Officer is responsible for ensuring that all reserve funds are maintained and used as described in this Policy.

The Chief Financial Officer will maintain records of the use of funds and plan for replenishment of any reserves as necessary. If any Reserve Fund falls below its target, the Finance/Audit Committee and Board of Directors will receive periodic reports of progress to restore the fund to the target level. Further – reserve balances and targets will be discussed and approved during the annual budget process. This will include review and recommendations by the BAC.

RELATIONSHIP TO OTHER POLICIES

The District shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Reserve Fund:

- Investment Policy, including risk tolerance
- Debt Service Policy
- Policies related to Operating and Capital Budgeting

REVIEW OF POLICY

This Policy will be reviewed by the Finance/Audit Committee, the Budget Advisory Committee (BAC) and the Board of Directors, at least annually during the budget process or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance/Audit Committee to the Board of Directors, after the Finance/Audit Committee has received recommendations from the BAC.