

**SPECIAL MEETING OF THE BUDGET ADVISORY COMMITTEE (BAC)
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
4040 PARAMOUNTBLVD., LAKEWOOD, CA. 90712
11:00 AM, FRIDAY, MARCH 22, 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. APPROVE THE MINUTES OF THE SPECIAL MEETING OF APRIL 18, 2018**
Staff Recommendation: Approve the minutes as submitted.
- 4. APPROVE THE MINUTES OF THE SPECIAL MEETING OF MARCH 12, 2019**
Staff Recommendation: Approve the minutes as submitted.
- 5. 2019-20 DRAFT BUDGET AND RESERVE FUND POLICY**
Staff Recommendation: For discussion and possible action.
- 6. DISCUSSION ON FUTURE STRUCTURE OF THE BUDGET ADVISORY COMMITTEE (BAC)**
Staff Recommendation: For discussion and possible action
- 7. ADJOURNMENT**
The Committee will adjourn to its next meeting.

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.

**MINUTES OF APRIL 18, 2018
SPECIAL MEETING OF THE BUDGET ADVISORY COMMITTEE (BAC) OF
THE BOARD OF DIRECTORS
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA**

A special meeting of the Budget Advisory Committee of the Board of Directors of the Water Replenishment District of Southern California was held on April 18, 2018 at 10:03 a.m. at the District Office, 4040 Paramount Boulevard, Lakewood, California 90712. Committee Chair Rob Beste called the meeting to order and presided thereafter. Senior Administrative Specialist Sherri Brown recorded the minutes.

1. DETERMINATION OF A QUORUM

Committee Chair Rob Beste of the City of Torrance announced the presence of a quorum, which in addition to himself included Anatole Falagan, Long Beach Water Department; Mark Andersen, City of Lomita; Frank Heldman, Liberty Utilities; James Crawford, California Water Services Company; Chris Repp, City of Los Angeles (DWP); and Jason Wen, City of Lakewood.

WRD included: Robb Whitaker, Ken Ortega and Scott Ota

Public: Kate Nutting of Golden State Water Company

2. PUBLIC COMMENT

Pursuant to Government Code Section 54954.3
None.

3. APPROVE MINUTES OF THE SPECIAL MEETING OF MARCH 14, 2017

The Committee unanimously approved the minutes as submitted.

4. APPROVE MINUTES OF THE SPECIAL MEETING OF MARCH 14, 2018

The Committee unanimously approved the minutes as submitted.

5. SB 963 WATER REPLENISHMENT DISTRICTS UPDATE

General Manager Robb Whitaker provided information to the Committee regarding a budget-related issue. He shared a history of the reserve cap, formalization of the Technical Advisory Committee (TAC) and plans to formalize the Budget Advisory Committee (BAC) in the same manner. He said that both are added into the WRD Administrative Code and have been very influential partners with WRD. Discussion followed.

Mr. Whitaker explained the purpose of Senate Bill 963; and reported on the effects of the bill on WRD should it be passed. He asked that the Budget Advisory Committee as a body to consider sending a letter of support to Senator Allen in Sacramento. Discussion followed.

The Committee agreed to schedule a follow up meeting for further discussion of this matter and review any reserve references in the existing Water Code.

6. ADJOURNMENT

The Committee unanimously agreed for the next meeting to be scheduled as May 9th at 9:00 A.M.

There being no further business to come before the Committee, the meeting was adjourned at 10:54 A.M.

Chair

ATTEST:

Member

Approved in minutes of:

Unapproved Minutes

**MINUTES OF MARCH 12, 2019
SPECIAL BUDGET ADVISORY COMMITTEE MEETING
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA**

A special meeting of the Budget Advisory Committee (BAC) of the Water Replenishment District of Southern California was held on Tuesday, March 12, 2019 at 11:05 A.M. in the District office located at 4040 Paramount Boulevard, Lakewood, California, 90712. Chairman Rob Beste called the meeting to order.

1. DETERMINATION OF A QUORUM

Committee Chair Rob Beste of the City of Torrance announced the presence of a quorum, which in addition to himself included; Mark Andersen, City of Lomita; James Crawford, California Water Services Company; Chris Repp, City of Los Angeles (DWP); Jason Wen, City of Lakewood.; Gabriel Gomez, Liberty Utilities; and Dean Wang, Long Beach Water Department.

WRD: Robb Whitaker, Brandon Mims, Vera Robles-Dewitt, Robert Katherman, John D. S. Allen, Scott Ota, Jenna Shaunessy, H. Francisco Leal

2. PUBLIC COMMENT

Pursuant to Government Code Section 54954.3

None

3. ELECTION OF OFFICERS

Items were taken out of order

The Budget Advisory Committee (BAC) members elected Chair and Co-Chair of the latest installation of the BAC.

Jason Wen nominated Rob Beste to continue to serve as Chair. The Committee voted and there was no dissent.

Jason Wen was nominated for Vice Chair. The Committee voted and there was no dissent.

4. 2019-20 DRAFT BUDGET AND RESERVE FUND POLICY

WRD General Manager Rob Whitaker introduced this item. A presentation on the midyear budget review followed. Mr. Whitaker presented three scenarios for the budget discussion.

- 213,000 acre feet
- 80/20 DGAP
- 8.0% Increase
- \$1,500,000 Water Purchase Carryover
- Next year- no purchase of 2700 acre feet
- 215,000 acre feet off-set; deficit
- 25-27,000 acre feet; policy decision; in-lieu

➤ Staggered terms

The Budget Advisory Committee recommends to the Board of Directors the pumping of 213,000 acre feet, a \$1,500,000 water purchase carryover and an 80/20 split on DGAP.

The Budget Advisory Committee recommends to the Board of Directors an 8.0% increase (for the upper limit) instead of a 7.8% increase.

5. ADJOURNMENT

The Committee unanimously agreed for the next meeting to be scheduled on March 22nd at 11:00 A.M

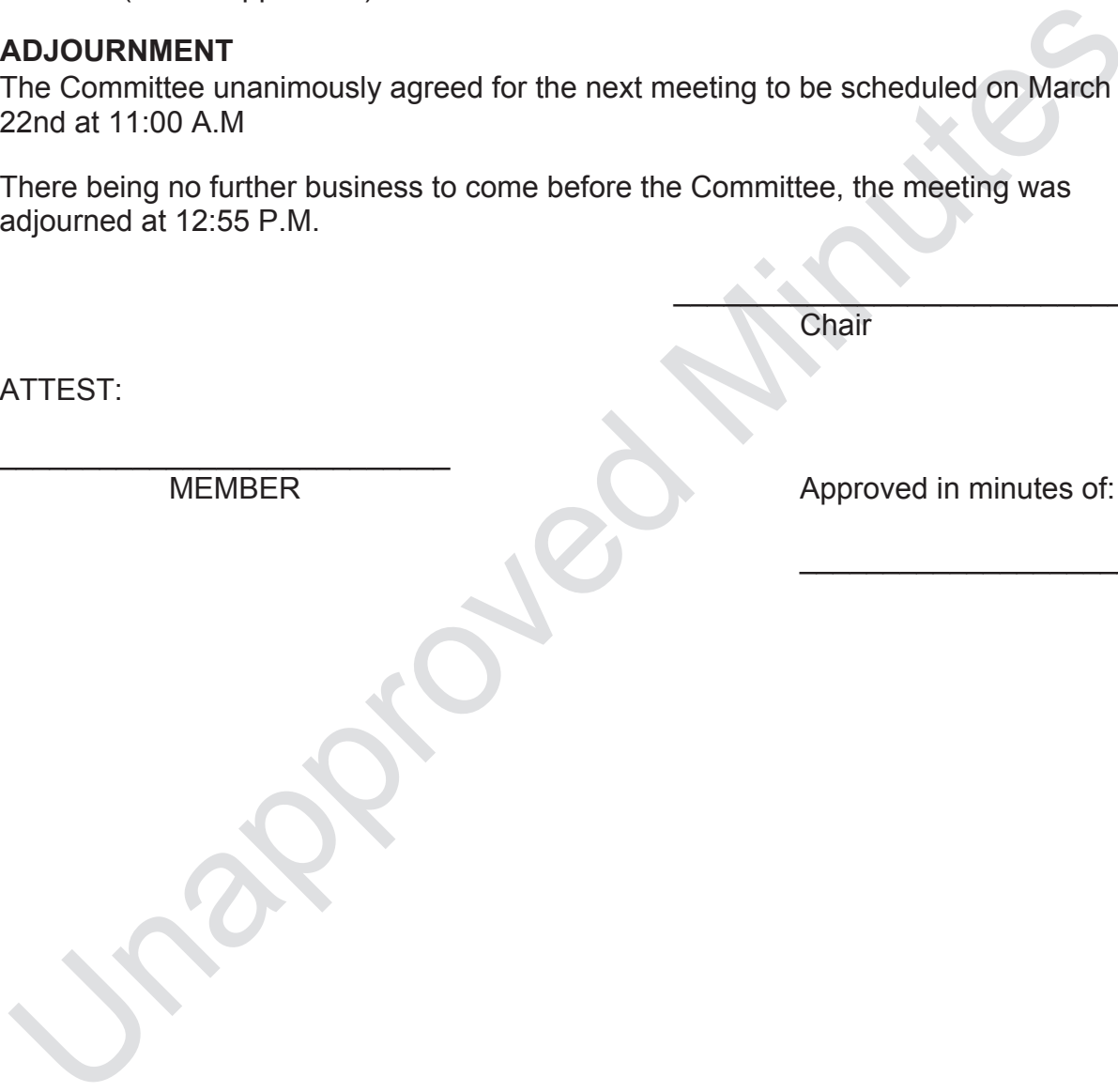
There being no further business to come before the Committee, the meeting was adjourned at 12:55 P.M.

Chair

ATTEST:

MEMBER

Approved in minutes of:





MEMORANDUM

ITEM NO. 5

DATE: MARCH 22, 2019

TO: BUDGET ADVISORY COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: 2019-20 DRAFT BUDGET AND RESERVE FUND POLICY

SUMMARY

The level of reserves maintained by a utility is an important component of short and long-term financial management, and is a key consideration in the rate-setting process. Therefore, many utilities and rating agencies place a significant emphasis on having sufficient reserves available for potentially adverse conditions and future needs.

However, while many utilities view higher levels of reserves as prudent and conservative planning that result in many benefits, some utilities philosophically view reserves as tying up current customer dollars that could be used for expenditures or other benefits. Regardless of the philosophical perspective on reserves, the WRD should establish formal financial policies relative to reserves. Such policies should articulate the following:

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

Once reserve targets are established, they should be reviewed annually during the budgeting process to monitor current levels and evaluate conformance with formal or informal policies. 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 long-term financial plan of the utility¹.

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 critical to responsible financial planning, particularly with the District moving to an agency who produces water and maintains three capital facilities.

¹ Source: Cash Reserve Policy Guidelines for 2018 from the American Water Works Association

Summary of proposed balances:

	Minimum <u>Proposed Balance</u>	Balance as of <u>2/28/19*</u>
Operating Reserve	\$ 13,600,000	\$ 8,000,000
Debt Service Reserve	16,800,000	16,851,000
Capital Projects Reserve:		
Equipment Replacement Reserve	15,000,000	4,236,000
Safe Drinking Water Program Fund	5,000,000	3,336,000
Well Construction and Rehabilitation Fund	7,500,000	1,500,000
Emergency Capital Repair Reserve	5,000,000	---
Water Purchase Carryover Fund	<u>No Minimum</u>	<u>18,400,000</u>
Total	<u>\$ 62,300,000</u>	<u>\$44,323,000</u>
Rate Stabilization Fund	N/A	\$ ---

* - Estimated

FISCAL IMPACT

None

STAFF RECOMMENDATION

For discussion and possible action.

DRAFT RESERVE FUND POLICY

The purpose of this Reserve Fund Policy for the Water Replenishment District of Southern California is to build and maintain an adequate level of reserve funds to support the organization's financial needs. These needs could be used for day-to-day operations in the event of unforeseen shortfalls, for the purchase of capital assets or for the purchase of available imported water, for example.

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 reserves².

- Bond/Loan Covenants – bond/loan covenants may define required minimum operating reserve levels in addition to restricted debt service reserves. In the case of the WRD, the State Revolving Fund (SRF) loan of \$80 million @ 1.0% interest requires that the District have 120% debt service coverage without the use of reserves. The loan covenant also states that WRD must maintain a debt service reserve fund equal 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 has unrestricted reserve criteria that are used in their respective credit rating evaluations. Each year the District has issued debt, the District's reserve funds assisted in maintaining the AA+ rating from both Standard & Poor's and Fitch Ratings.
- Rate structure – major impacts to the District's rate structure includes annual pumping in the Central and West Coast Basins, regional conservation efforts, water quality issues and legislation (such as the previous Water Code §60290).
- Availability of other reserves – some systems maintain multiple reserves which could be used to mitigate fiscal challenges. For example, if a utility has a separate capital, debt service, and/or rate stabilization reserve, certain expenses and considerations should be excluded from the sizing of an operating reserve.

² Source: Cash Reserve Policy Guidelines for 2018 from the American Water Works Association

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

1. Operating Reserve
2. Debt Service Reserve
3. Capital Projects/Replacement Reserve
4. Water Purchase Carryover Reserve
5. Rate Stabilization 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 – Target Minimum \$13,000,000

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 should not be used to cover a long-term or permanent income shortfall. Reserves can allow an organization to weather serious bumps in the road by buying time to implement new strategies. To be prudent, reserves should be used to solve temporary problems, not structural financial problems.

Establish a Minimum Reserve Fund Balance - 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.

Based on the Government Finance Officers Association (GFOA), the target minimum Operating Reserve Fund is equal to two months of average recurring operating costs or revenues³. For fiscal year 2019/20, the total cost to provide service is \$77,837,000 or \$6.5 million per month. Therefore, applying the GFOA guidelines for a minimum balance in a government's unrestricted operating reserve of two months of operating revenues or expenses, the District minimum reserve for 2019/20 is \$13,000,000 (rounded to nearest hundred thousand).

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).⁴ The AWWA recommendation levels are similar to those of the GFOA.

³ Source: GFOA website: <http://www.gfoa.org/fund-balance-guidelines-general-fund>

⁴ 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 minimum 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 District 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 – Target Minimum \$16,800,000

Purpose of Fund - Along with infrastructure and revenue challenges facing utilities, systems that use revenue-backed debt (a primary financing source for publicly owned water systems) must maintain pledged bond covenants. These covenants often include a minimum operating reserve. Given these challenges and requirements, maintaining adequate operating reserves is a critical component of sustainable financial management⁵.

Establish a Minimum Reserve Fund Balance – 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 long term agreement with the State Water Resources Control Board which requires the District to “establish a restricted Reserve Fund, held in the District Fund, equal to one year’s debt service...”⁶ This fund must be maintained for the full term of the Agreement. One year of principle 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. Best practices state that the District maintain a reserve fund to keep its AA+ rating. The fund should be equal to one year’s debt service. One year of principle and interest is about **\$9.3 million** (rounded up to the nearest hundred thousand).
- *2018 Revenue Bonds*
In 2018, the District issued \$65,785,000 in December 2018. Best practices state that the District maintain a reserve fund to keep its AA+ rating. The fund should be equal

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

⁶ Source: California Clean Water Loan Agreement, Appendix D

to one year's debt service. One year of principle and interest is about **\$4.3 million** (rounded up to the nearest hundred thousand).

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.

CAPITAL IMPROVEMENT RESERVE FUND – Target Minimum \$32,500,000

Utilities are capital intensive enterprises that must provide a critical service to their communities on an uninterrupted basis. The impact of large capital expenses on annual budgets and user charges can be mitigated by debt financing; however, there are many advantages to cash funding a portion of capital expenditures. Cash funding is typically a combination of generating annual revenues over the amount needed to cover annual operating expenses (and debt service on prior years' debt issuances, if applicable), and cash balances or capital reserves accumulated in prior years. Cash funding eliminates interest costs and the need for bond coverage on new capital projects. However, it requires careful planning to avoid fluctuations in user charges.⁷

The types of capital improvement reserves are as follows:

- Equipment Replacement Reserve Fund
- Safe Drinking Water Loan Program Fund
- Well Construction and Rehabilitation Loan Program Fund
- Emergency Capital Repair Fund

Equipment Replacement Reserve Fund – Target Minimum \$15,000,000

Purpose of Fund – An equipment replacement fund may be 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 years⁸.

Establish a Minimum Reserve Fund Balance – 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

⁷ Source: Cash Reserve Policy Guidelines for 2018 from the American Water Works Association

⁸ Source: Cash Reserve Policy Guidelines for 2018 from the American Water Works Association

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, using Method 1 of the AWWA's Cash Reserve Policy Guidelines.

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

Safe Drinking Water Program – Target Minimum \$5,000,000

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.

Establish a Minimum Reserve Fund Balance – Wellhead treatment varies in cost depending upon various criteria. Capital costs for wellhead facilities range from \$800,000 to \$2,500,000.

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

Well Construction and Rehabilitation Loan Program – Target Minimum \$7,500,000

Purpose of Fund – The District has developed a Well Construction and Rehabilitation Loan Program to assist groundwater producers 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.

Establish a Minimum Reserve Fund Balance – Well construction and/or rehabilitation vary in cost depending upon various criteria. Based on current estimates from groundwater producers, average construction costs for a new well can be up to \$7,500,000.

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

Emergency Capital Repair – Target Minimum \$5,000,000

Purpose of Fund – With three operating facilities, the District must plan have contingency/emergency funds for capital repair.

Establish a Minimum Reserve Fund Balance – Well construction and/or rehabilitation vary in cost depending upon various criteria. Based on current estimates from groundwater producers, average construction costs for a new well can be up to \$7,500,000.

Intended Use of Reserve – This fund shall be used only in emergency situations and may only be accessed through an emergency action by the Board of Directors.

WATER PURCHASE CARRYOVER FUND – Target Minimum Reserve NONE

Purpose of Fund - The District’s primary responsibility is to replenish the groundwater basin. During the 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, the Central and West Coast Basins may not receive all of the water needed to replenish the Basins. In this case, the District will track budgeted expenses to actual expenses with any surplus going to Water Purchase Carryover Account for use in the future.

Establish a Minimum Reserve Fund Balance – Due to the lack in availability of water, the District maintains the Water Purchase Carryover Fund on a perpetual basis. 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 and there is no maximum amount limiting the Water Purchase Carryover Fund.

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

RATE STABILIZATION RESERVE FUND – Not Used by WRD

Rate stabilization reserve funds are set aside for use in situations when revenue shortages or budgetary imbalances arise. Stabilization amounts may be expended only when certain specific circumstances exist and need Board approval. For example, a stabilization amount may be accessed during the budget process to offset a decrease in pumping due to water conservation.

The District's revenue bonds were carefully worded to allow for a Rate Stabilization Fund that can offset revenue shortfalls so the District can still maintain its 120% debt service coverage. However, the SRF loan covenants do not allow for the use of reserves to maintain the 120% coverage. Therefore, every year the District's revenue must exceed its expenses by no less than 120% of annual debt service without the use of any reserve funds. Since the Board of Directors may not use a rate stabilization fund to subsidize the replenishment assessment, there is no need for this fund.

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 reviews 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 surplus 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.

Due to the District's debt and loan covenants, each fiscal year the District must have net revenue that is no less than 120% of Debt Service on senior obligations for such fiscal year. After semi-annual debt payments, the District will net approximately \$3.4 million which will fund the different Capital Projects Reserve categories and then pay-go capital expenses.

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. The organization's goal is to replenish the funds used within 24 months to restore the Reserve Fund to the target minimum amount.

REPORTING AND MONITORING

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

The Chief Financial Officer will maintain records of the use of funds and plan for replenishment of the fund. The Finance/Audit Committee and/or Board of Directors will receive periodic reports of progress to restore the fund to the target minimum amount. During the annual budgeting process, the Chief Financial Officer will discuss what additional risk factors might be considered for the organization and the impact of budgeting on various reserve balances.

RELATIONSHIP TO OTHER POLICIES

The General Manager and/or Chief Financial Officer 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 minimum, 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 or the Budget Advisory Committee to the Board of Directors for action.



MEMORANDUM
ITEM NO. 6

DATE: MARCH 22, 2019

TO: BUDGET ADVISORY COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: DISCUSSION ON FUTURE STRUCTURE OF THE BUDGET ADVISORY COMMITTEE (BAC)

SUMMARY

Water Code §60233 establishes the Budget Advisory Committee whose primary function is to review the District's budgeting process and the related replenishment assessment; including reserve funds maintained by the District. Water Code §60233(e) states, "This section shall become inoperative on June 30, 2019, as, as of January 1, 2020, is repealed..." However, the Board of Directors, added the Budget Advisory Committee to the District's Administrative Code and will be continuing past the sunset date in the Water Code.

This provides the BAC an opportunity to adjust some of its guidelines.

Budget Advisory Committee Structure Discussion

1. The District's Administrative Code, which currently mirrors the California State Water Code §60233 (b)(1) which states:

"The committee shall consist of seven members who shall serve a two-year term and who shall be elected from among representatives of producers who are owners or operators of groundwater producing facilities who are subject to the replenishment assessment pursuant to Section 60317."

The District would like to discuss staggering the terms of the BAC members so there is consistency in the Committee from election to election. We would also like to discuss the possibility of a longer term.

2. The Water Code §60233 (4)(c) also states:

"No later than the second Tuesday of April each year, the district shall consult with the budget advisory committee for the purposes set forth in subdivision (a)."

The committee shall make recommendations to the board at least 10 days prior to the hearing held pursuant to Section 60306.”

This requires that the Committee to provide their recommendation very early in the budget process. Water Code Section 60306 states that the Public Hearing be opened no later than the second Tuesday in April. This year, the BAC’s recommendation is needed no later than March 22, 2019. The District would like to discuss changing the date to allow the BAC more time to review the District’s budget and reserve funds.

FISCAL IMPACT

None

STAFF RECOMMENDATION

For discussion and possible action.