

**SPECIAL MEETING OF THE FINANCE/AUDIT COMMITTEE
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
4040 PARAMOUNT BLVD., LAKEWOOD, CA. 90712
10:00 AM, THURSDAY, MARCH 21, 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: For discussion and possible action.
- 4. DEMANDS – DECEMBER 2018**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors receive and file the monthly demands.
- 5. DEMANDS – JANUARY 2019**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors receive and file the monthly demands.
- 6. FINANCIAL STATEMENTS – DECEMBER 2018**
Staff Recommendation: The Finance/Audit Committee recommend that the Board of Directors approve the financial statements for December 2018.
- 7. FINANCIAL STATEMENTS – JANUARY 2019**
Staff Recommendation: The Finance/Audit Committee recommend that the Board of Directors approve the financial statements for January 2019.
- 8. DRAFT RESERVE FUND POLICY**
Staff Recommendation For discussion and possible action.
- 9. 2019-20 BUDGET DISCUSSION**
Staff Recommendation: For discussion and possible action.

10. NEGOTIATED TAX EXCHANGE RESOLUTION ANNEXATION OF PROJECT TRACT NO. 71925 TO COUNTY LIGHTING MAINTENANCE DISTRICT 1687

Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors adopt a Resolution approving and accepting the negotiated tax exchange resolution of project tract NO. 71925 to County Lighting Maintenance District 1697.

11. DEPARTMENT REPORT.

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

13. ADJOURNMENT

The Committee will adjourn to the next regular meeting currently scheduled for April 15, 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 Brandon Mims, contact 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. 4

DATE: MARCH 21, 2019
TO: FINANCE/AUDIT COMMITTEE
FROM: ROBB WHITAKER, GENERAL MANAGER
SUBJECT: DEMANDS – DECEMBER 2018

SUMMARY

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

FISCAL IMPACT

The demands for the time period of December 1, 2018 through December 31, 2018 were \$11,392,024.87 and are presented in the attached document.

STAFF RECOMMENDATION

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



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

Board of Directors
 Water Replenishment District of Southern California

Submitted herewith for action by the Board of Directors are the following demands for the period ending December 31, 2018.

Check Number	Payee	Transaction Description	Check Amount
DCOMP-181204	PRUDENTIAL INSURANCE	STAFF PAYROLL DCOMP PAYMENTS	\$ 24,175.95
DCOMP-181218	PRUDENTIAL INSURANCE	STAFF PAYROLL DCOMP PAYMENTS	24,175.95
DIRDCOMP-181220	PRUDENTIAL INSURANCE	DIRECTOR PAYROLL DCOMP PAYMENTS	1,292.40
V9264-V9309	STAFF PAYROLL	Pay Date: 12/4/2018	119,130.15
V9310-V9359	STAFF PAYROLL	Pay Date: 12/18/2018	143,826.59
EDD-181204	EDD	STAFF PAYROLL EDD PAYMENTS	8,056.39
EDD-181218	EDD	STAFF PAYROLL EDD PAYMENTS	10,814.60
DIREDD-181220	EDD	DIRECTOR PAYROLL EDD PAYMENTS	706.42
IRS-181204	IRS	STAFF PAYROLL FEDERAL TAX PAYMENTS	38,269.71
IRS-181218	IRS	STAFF PAYROLL FEDERAL TAX PAYMENTS	46,269.04
DIRIRS-181220	IRS	DIRECTOR PAYROLL FEDERAL TAX PAYMENTS	3,884.76
VARIOUS	NAVIA BENEFIT SOLUTIONS	HRA REIMBURSEMENTS & MONTHLY FEE	50,775.43
PERS-181204	PERS	STAFF PAYROLL PERS PAYMENTS	32,566.72
PERS-181218	PERS	STAFF PAYROLL PERS PAYMENTS	31,856.64
DIRPERS-181220	PARS	DIRECTOR PAYROLL PARS PAYMENTS	1,810.98
UNION-181204	AFSCME LOCAL 1902 UNION	STAFF PAYROLL UNION DUES PAYMENTS	763.86
UNION-181218	AFSCME LOCAL 1902 UNION	STAFF PAYROLL UNION DUES PAYMENTS	763.86
P0976	JOHN D. S. ALLEN	11/2018 DIRECTOR COMPENSATION	855.04
P0977	ROBERT E. KATHERMAN	11/2018 EXPENSE REIMBURSEMENT	1,869.79
V9360	WILLARD H. MURRAY, JR	11/2018 DIRECTOR COMPENSATION	978.53
V9361	ROBERT E. KATHERMAN	11/2018 DIRECTOR COMPENSATION	0.00
V9362	SERGIO J. CALDERON	11/2018 DIRECTOR COMPENSATION PART 2	261.27
V9363	ELVIRA R. DEWITT	11/2018 DIRECTOR COMPENSATION	2,776.70
14596	GEOTECH ENVIRONMENTAL EQUIPMENT	EQUIPMENT RENTAL	(323.25)
15128	PACIFIC ATLANTIC PARTNERS	PROFESSIONAL SERVICES	(15,000.00)
15143	SIGN-A-RAMA	ARC CONSTRUCTION SIGN	1,988.46
15144	3673 INDUSTRY AVENUE	COMMON AREA & GW MONITOR MAINTENANCE	4,424.02
15145	AKD CONSULTING	PROFESSIONAL SERVICES	13,824.00
15146	LOS ANGELES COUNTY BUSINESS FEDERATION	ANNUAL MEMBERSHIP RENEWAL	5,000.00
15147	CAFE RIO MEXICAN GRILL	MEETING EXPENSE	222.04
15148	CDW GOVERNMENT	COMPUTER & PRINTING SUPPLIES	24,808.64
15149	CENTRAL BASIN WATER ASSOC	11/01/18 QTRLY MEETING - VRD/TJ/ER/DG	100.00
15150	CERRITOS CHAMBER OF COMMERCE	EVENT SPONSORSHIP	500.00
15151	COUNTY OF ORANGE	ANNUAL PERMIT RENEWAL	1,611.95
15152	CALIFORNIA STATE DISBURSEMENT UNIT	COD PAYMENT	320.76
15153	DURHAM GEO SLOPE INDICATOR	FIELD SUPPLIES	817.35
15154	DOUGLAS DOOR REPAIR	GARAGE DOOR URGENT REPAIR	554.33
15155	EASY READER	WATER CONSERVATION AD	1,325.00
15156	FRANCHISE TAX BOARD	COD PAYMENT	19.11
15157	GEOTECH ENVIRONMENTAL EQUIPMENT	FIELD SUPPLIES	195.37
15158	HARRIS AMERICAN	OFFICE SUPPLIES	1,264.17
15159	HELPLINE YOUTH COUNSELLING	CONSERVATION SPONSORSHIP PROGRAM	19,650.00
15160	JAMISON ENGINEERING CONTRACTORS	CHEMICAL LINE PRESSURE TEST	9,516.00
15161	LOS ANGELES LATINO CHAMBER OF COMMERCE	ANNUAL MEMBERSHIP DUES	2,500.00
15162	LA OPINION	WATER CONSERVATION AD	2,280.00
15163	LONG BEACH, CITY OF	O & M SERVICES	100,000.00
15164	NANCY WHELAN	MEDICAL INSURANCE COVERAGE	768.80
15165	NORTHSOUTH GIS	PROFESSIONAL SERVICES	1,743.75
15166	PACIFIC RESOURCES SERVICES	PROFESSIONAL SERVICES	3,504.68
15167	PANERA	MEETING EXPENSE	657.86
15168	PARS	REP FEES	500.00
15169	PICO RIVERA CHAMBER OF COMMERCE	EVENT SPONSORSHIP	300.00
15170	PLATT SECURITY	PATROL SERVICES	2,000.00
15171	QDOXS	PRINTING SERVICES	7,993.72
15172	ROBERT HALF	TEMPORARY SERVICES	1,497.54

Check Number	Payee	Transaction Description	Check Amount
15173	SYSTEMS SOURCE	OFFICE RECONFIGURATION	2,486.02
15174	THE SOURCE	EMPLOYMENT SCREENING SERVICES	222.00
15175	TORRANCE AREA CHAMBER OF COMMERCE	WRD NEW PROGRAMS AD	1,095.00
15176	TORRANCE, CITY OF	PLANT SITE RENT	3,636.95
15177	ULINE SHIPPING SUPPLIES SPECIALIST	STORAGE CABINET	745.79
15178	URBAN WATER INSTITUTE	ANNUAL MEMBERSHIP DUES	1,250.00
15179	VASQUEZ & COMPANY	FINANCIAL AUDIT	10,000.00
15180	WAVE CYBER USA	SHIPPING FEE	777.25
15181	WRIGLEY AREA NEIGHBORHOOD ALLIANCE	EVENT SPONSORSHIP	300.00
15182	XEROX	COPIER LEASE	6,307.20
15183	JENNA SHAUNESSY FOR WRD	PETTY CASH ACTIVITY	2,300.25
15184	FEDERAL EXPRESS	PRINTING SERVICES	245.13
15185	LOS ANGELES COUNTY DPW	DIVERSION STRUCTURE EASEMENT INSPECTION FEES	45.24
15186	SUPERIOR GROCERS	ARC OUTREACH EVENT	1,167.41
15187	ACWA/JPIA	MED/DEN/LIFE/EAP INS PREMIUMS	85,975.84
15188	AUTOMATED GATE SERVICES	PARKING LOT GATE REPAIR	244.00
15189	BEACHCOMBER	WATER CONSERVATION AD	780.00
15190	CARBON ACTIVATED	PROFESSIONAL SERVICES	26,558.67
15191	CCE CONSULTING GROUP	PROFESSIONAL SERVICES	14,857.50
15192	CENTRAL BASIN MUNICIPAL WATER DISTRICT	MET RTS/WATER SERVICE CHARGES	28,533.00
15193	CH2M HILL ENGINEERS	PROFESSIONAL SERVICES	42,378.40
15194	CLIMATE PRO	QTRLY HVAC PREVENTATIVE MAINTENANCE	807.00
15195	COLORADO SCHOOL OF MINES	AQUIFER RECHARGE LAB TESTING	23,476.00
15196	COUNTY OF LOS ANGELES	SPONSORSHIP EVENT	2,500.00
15197	COUNTY SANITATION DISTRICT 2	WATER PURCHASE	195,447.65
15198	DELI NEWS PIZZA	MEETING EXPENSE	84.85
15199	VOID	VOID	0.00
15200	DMJ CONSULTING GROUP	HYDROGEOLOGIC SERVICES	3,245.80
15201	ENVIRONMENT CONTROL GREATER ORANGE COUNTY	JANITORIAL SERVICES	351.62
15202	FOUNDATION FOR SPECIAL PEOPLE	EVENT SPONSORSHIP	2,500.00
15203	GEOTECH ENVIRONMENTAL EQUIPMENT	REPAIR SERVICES & FIELD SUPPLIES	1,069.60
15204	HARRIS AMERICAN	OFFICE SUPPLIES	808.87
15205	HAZEN AND SAWYER	PROFESSIONAL SERVICES	18,375.00
15206	IN-SITU INC.	REPAIR SERVICES & FIELD SUPPLIES	1,893.64
15207	INTERA	PROFESSIONAL SERVICES	17,310.00
15208	J.F. SHEA CONSTRUCTION	CONSTRUCTION SERVICES	4,711,020.57
15209	KEH & ASSOCIATES	PROFESSIONAL SERVICES	21,741.25
15210	KIDANE & ASSOCIATES	PROFESSIONAL SERVICES	6,000.00
15211	LAKEWOOD, CITY OF	EVENT SPONSORSHIP	500.00
15212	LANG, HANSEN, O'MALLEY AND MILLER	PROFESSIONAL SERVICES	6,000.00
15213	LATITUDE GEOGRAPHICS GROUP	GIS SOFTWARE MAINTENANCE	7,929.17
15214	LEAL & TREJO	LEGAL SERVICES	70,562.00
15215	LOS ANGELES, CITY OF DWP	WATER PURCHASE	9,514.22
15216	LOS CERRITOS COMMUNITY NEWS	NEWSPAPER AD	1,975.00
15217	MAD SYSTEMS	PROFESSIONAL SERVICES	530,400.00
15218	MNS ENGINEERS	PROFESSIONAL SERVICES	11,792.50
15219	EUROFINS EATON ANALYTICAL	LAB SERVICES	68,600.00
15220	PACIFIC HYDROTECH	CONSTRUCTION SERVICES	96,415.50
15221	PANERA	MEETING EXPENSE	128.33
15222	RANDOM LENGTHS NEWS	WATER CONSERVATION AD	1,025.00
15223	RJB ELECTRICAL CONTRACTOR	OFFICE MAINTENANCE SERVICES	199.00
15224	ROBERT HALF	TEMPORARY SERVICES	1,463.51
15225	SIGN-A-RAMA	SIGN FOR WRD CONSTRUCTION PROJECT	721.63
15226	STANDARD INSURANCE	STD/LTD DIS INS PREMIUMS	2,621.86
15227	STANLEY CONVERGENT SECURITY SOLUTIONS	SECURITY SERVICES	520.74
15228	TETRA TECH	PROFESSIONAL SERVICES	495.00
15229	THE HOUSE OF PRINTING	PRINTING SERVICES	1,452.88
15230	URBAN WATER INSTITUTE	CONFERENCE SPONSORSHIP	2,500.00
15231	BRIGHTVIEW LANDSCAPE SERVICES	LANDSCAPING SERVICES	2,370.00
15232	WATEREUSE ASSOCIATION	ANNUAL MEMBERSHIP RENEWAL	11,181.50
15233	WATER RESEARCH FOUNDATION	MEMBERSHIP	57,459.00
15234	WECK LABORATORIES	LAB SERVICES	4,963.00
15235	WEST BASIN MUNICIPAL WATER DISTRICT	WATER PURCHASE	2,100,203.71
15236	ZAPIEN'S SALSA GRILL	MEETING EXPENSE	1,874.25
15237	WATEREUSE ASSOCIATION	CONFERENCE SPONSORSHIP	3,500.00
15238	DELUXE FOR BUSINESS	OFFICE SUPPLIES	441.19
15239	COUNTY OF LOS ANGELES DPH	PERMITS	735.00
15240	BUTIER ENGINEERING	PROFESSIONAL SERVICES	44,272.50

Check Number	Payee	Transaction Description	Check Amount
15241	PUBLIC EMPLOYEES RETIREMENT SYSTEM	OPEB COSTS CONTRIBUTION	878,256.00
15242	CALIFORNIA STATE DISBURSEMENT UNIT	COD PAYMENT	320.76
15243	ENVIRONMENT CONTROL GREATER ORANGE COUNTY	OFFICE MAINTENANCE SERVICES	1,700.00
15244	FRANCHISE TAX BOARD	COD PAYMENT	19.11
15245	GHD	PROFESSIONAL SERVICES	740,603.11
15246	VOID	VOID	0.00
15247	HAZEN AND SAWYER	PROFESSIONAL SERVICES	4,510.00
15248	KESTREL CONSULTING	PROFESSIONAL SERVICES	36,282.08
15249	LONG BEACH CENTURY CLUB	EVENT SPONSORSHIP	300.00
15250	LOS ANGELES BUSINESS COUNCIL	EVENT SPONSORSHIP	5,000.00
15251	PACIFIC ATLANTIC PARTNERS	PROFESSIONAL SERVICES	15,000.00
15252	ROBERT HALF	TEMPORARY SERVICES	1,021.05
15253	WESTERN EXTERMINATOR	MAINTENANCE SERVICES	285.00
15254	ALSTON & BIRD	LEGAL SERVICES	80,102.21
15255	HARRIS AMERICAN	OFFICE SUPPLIES	1,227.50
15256	LEAL & TREJO	LEGAL SERVICES	154.48
15257	LONG BEACH, CITY OF	WATER PURCHASE	354,996.50
15258	MR ROOTER PLUMBING	REPAIR SERVICES	118.50
15259	PARS	REP FEES	500.00
15260	SEGAL WATERS CONSULTING	PROFESSIONAL SERVICES	18,360.00
15261	VOID	VOID	0.00
15262	CONTROLLED KEY SYSTEM	REPAIR SERVICES	556.62
ACH181201-1	EXXON MOBIL	MONTHLY FUEL CHARGES	100.59
ACH181201-2	FRONTIER COMMUNICATIONS	MONTHLY PHONE SERVICE	1,632.31
ACH181201-3	LAKESWOOD, CITY OF	WATER USAGE	493.24
ACH181201-4	MITEL CLOUD SERVICES	MONTHLY PHONE SERVICES	1,034.98
ACH181201-5	SOUTHERN CALIFORNIA EDISON	MONTHLY ELECTRICITY	3,535.70
ACH181201-6	THE GAS COMPANY	MONTHLY GAS CHARGES	524.92
ACH181201-7	TIME WARNER CABLE/SPECTRUM BUSINESS	MONTHLY INTERNET SERVICES	7,053.51
ACH181201-8	VERIZON	MONTHLY PHONE SERVICES	487.68
ACH181201-9	WESTERN EXTERMINATOR	PESTICIDE SERVICES	130.00
ACH181202-1	PROAMERICA BANK	CC CHARGES	10,713.15
ACH181202-2	PROAMERICA BANK	CC CHARGES	8,346.56
ACH181202-3	PROAMERICA BANK	CC CHARGES	3,873.53
ACH181204	PHILLIPS 66-CONOCO-76	MONTHLY FUEL CHARGES	884.22
ACH181207-1	STATE WATER RESOURCES CONTROL BOARD	PERMITS	59,842.00
ACH181214-1	AT&T	MONTHLY PHONE SERVICES	323.63
ACH181214-10	WESTERN EXTERMINATOR	PESTICIDE SERVICES	130.00
ACH181214-2	CALIFORNIA WATER SERVICE	MONTHLY WATER CHARGE	80.96
ACH181214-3	EDCO WASTE SERVICES	LOCK LIDS/WASTE SERVICES	321.20
ACH181214-4	FRONTIER COMMUNICATIONS	MONTHLY PHONE SERVICES	93.07
ACH181214-5	SOUTHERN CALIFORNIA EDISON	MONTHLY ELECTRICITY	39,756.19
ACH181214-6	STATE WATER RESOURCES CONTROL BOARD	PERMITS	88,823.00
ACH181214-7	THE GAS COMPANY	MONTHLY GAS CHARGES	871.93
ACH181214-8	TIME WARNER CABLE/SPECTRUM BUSINESS	MONTHLY INTERNET SERVICES	3,164.56
ACH181214-9	TORRANCE, CITY OF	MONTHLY WATER SERVICES	1,481.84
ACH181220	STAPLES	OFFICE SUPPLIES	214.11
TOTAL DEMANDS FOR DECEMBER 2018			<u>\$ 11,392,024.87</u>



MEMORANDUM
ITEM NO. 5

DATE: MARCH 21, 2019
TO: FINANCE/AUDIT COMMITTEE
FROM: ROBB WHITAKER, GENERAL MANAGER
SUBJECT: DEMANDS – JANUARY 2019

SUMMARY

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

FISCAL IMPACT

The demands for the time period of January 1, 2019 through January 31, 2019 were \$15,178,612.78 and are presented in the attached document.

STAFF RECOMMENDATION

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



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

ROBB WHITAKER, P.E., GENERAL MANAGER

Board of Directors
 Water Replenishment District of Southern California

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

Check Number	Payee	Transaction Description	Check Amount
DCOMP-190101	PRUDENTIAL INSURANCE	STAFF PAYROLL DCOMP PAYMENTS	\$ 33,123.83
DCOMP-190115	PRUDENTIAL INSURANCE	STAFF PAYROLL DCOMP PAYMENTS	32,704.62
DCOMP-190129	PRUDENTIAL INSURANCE	STAFF PAYROLL DCOMP PAYMENTS	33,311.42
DIRDCOMP-190123	PRUDENTIAL INSURANCE	DIRECTOR PAYROLL DCOMP PAYMENTS	4,131.68
V9118	STAFF PAYROLL	Pay Date: 10/22/2018 ACH ADJUSTMENT	192.08
V9364-V9409	STAFF PAYROLL	Pay Date: 1/1/2019	109,095.81
V9415	STAFF PAYROLL	Pay Date: 1/1/2019	20,895.16
V9416-V9461	STAFF PAYROLL	Pay Date: 1/15/2019	108,802.67
V9469-V9523	STAFF PAYROLL	Pay Date: 1/29/2019	130,931.19
DIREDD-190123	EDD	DIRECTOR PAYROLL EDD PAYMENTS	308.02
EDD-190101	EDD	STAFF PAYROLL EDD PAYMENTS	11,402.13
EDD-190115	EDD	STAFF PAYROLL EDD PAYMENTS	7,522.31
EDD-190129	EDD	STAFF PAYROLL EDD PAYMENTS	8,613.93
DIRIRS-190123	IRS	DIRECTOR PAYROLL FEDERAL TAX PAYMENTS	3,801.37
IRS-190101	IRS	STAFF PAYROLL FEDERAL TAX PAYMENTS	62,313.68
IRS-190115	IRS	STAFF PAYROLL FEDERAL TAX PAYMENTS	45,519.73
IRS-190129	IRS	STAFF PAYROLL FEDERAL TAX PAYMENTS	53,132.15
VARIOUS	NAVIA BENEFIT SOLUTIONS	HRA REIMBURSEMENTS & SERVICE CHARGE	81,490.54
190123	PARS	DIRECTOR PAYROLL PARS PAYMENTS	2,646.81
PERS-190101	PERS	STAFF PAYROLL PERS PAYMENTS	31,825.10
PERS-190115	PERS	STAFF PAYROLL PERS PAYMENTS	35,856.92
PERS-190129	PERS	STAFF PAYROLL PERS PAYMENTS	35,797.93
UNION-190101	AFSCME LOCAL 1902 UNION	STAFF PAYROLL UNION DUES PAYMENTS	763.86
UNION-190115	AFSCME LOCAL 1902 UNION	STAFF PAYROLL UNION DUES PAYMENTS	784.91
UNION-190129	AFSCME LOCAL 1902 UNION	STAFF PAYROLL UNION DUES PAYMENTS	809.95
P0978	JOHN D. S. ALLEN	12/2018 DIRECTOR COMPENSATION	715.90
V9462	WILLARD H. MURRAY, JR	12/2018 DIRECTOR COMPENSATION	1,311.85
V9463	ROBERT E. KATHERMAN	12/2018 DIRECTOR COMPENSATION	1,277.00
V9464	SERGIO J. CALDERON	12/2018 DIRECTOR COMPENSATION	356.39
V9465	ELVIRA R. DEWITT	12/2018 DIRECTOR COMPENSATION	2,432.98
V9466	SERGIO J. CALDERON	VOID	0.00
V9467	SERGIO J. CALDERON	01/2019 DIRECTOR COMPENSATION	1,372.79
V9468	SERGIO J. CALDERON	01/2019 DIRECTOR COMPENSATION	261.27
15195	COLORADO SCHOOL OF MINES	AQUIFER RECHARGE LAB TESTING	(23,476.00)
15263	BUTIER ENGINEERING	PROFESSIONAL SERVICES	30,502.00
15264	CONTROLLED KEY SYSTEM	REPAIR SERVICES	2,887.00
15265	COSCO FIRE PROTECTION	INSPECTION	867.25
15266	COUNTY OF LOS ANGELES DPH	BACKFLOW ASSEMBLY FEE	0.00
15267	EARTHCAM	CONSTRUCTION LIVE VIDEO / DATA SERVICES	745.00
15268	ENTERPRISE AUTOMATION	PROFESSIONAL SERVICES	13,660.90
15269	FRANCHISE TAX BOARD	COD PAYMENT	326.18
15270	GOVERNMENT FINANCE OFFICERS ASSC.	ANNUAL MEMBERSHIP RENEWAL	150.00
15271	JOHNSON CONTROLS FIRE PROTECTION	REPAIR SERVICES ALARM SYSTEM	470.00
15272	KINDEL GAGAN	PROFESSIONAL SERVICES	10,000.00
15273	LIFTECH ELEVATOR SERVICES	ELEVATOR MAINTENANCE	418.00
15274	MNS ENGINEERS	PROFESSIONAL SERVICES	28,725.00
15275	EUROFINS EATON ANALYTICAL	LAB SERVICES	4,880.00
15276	PACIFIC ATLANTIC PARTNERS	PROFESSIONAL SERVICES	0.00
15277	PANERA	MEETING EXPENSE	136.33
15278	ROBERT HALF	TEMPORARY SERVICES	1,522.92
15279	TETRA TECH	PROFESSIONAL SERVICES	8,945.00
15280	UNUM LIFE INSURANCE	LTC INS PREMIUM	3,907.20
15281	WECK LABORATORIES	LAB SERVICES	31,724.00
15282	LONG BEACH, CITY OF	O & M SERVICES	100,000.00
15283	TORRANCE, CITY OF	O & M SERVICES	40,062.68
15284	FOLEY LYMAN LAW GROUP	SETTLEMENT PAYMENT	100,000.00

Check Number	Payee	Transaction Description	Check Amount
15286	AKD CONSULTING	PROFESSIONAL SERVICES	5,000.00
15287	ANGELVIEW	DOCUMENTATION FEES	5,175.00
15288	ASBURY ENVIRONMENTAL SERVICES	ENVIRONMENTAL SERVICES	2,207.23
15289	BUTIER ENGINEERING	PROFESSIONAL SERVICES	52,397.00
15290	CALIFORNIA GROUNDWATER COALITION	MEMBERSHIP DUES	9,500.00
15291	CLIMATE PRO	AC SYSTEM MAINTENANCE SERVICES	4,611.00
15292	COMMUNITY PARTNERS	CONFERENCE SPONSORSHIP	10,000.00
15293	COSCO FIRE PROTECTION	ANNUAL FIRE ALARM/SPRINKLER INSPECTION	3,000.00
15295	DAKOTA COMMUNICATION	PROFESSIONAL SERVICES	24,381.88
15296	DELI NEWS PIZZA	MEETING EXPENSE	33.61
15297	ENTERPRISE AUTOMATION	PROFESSIONAL SERVICES	17,672.75
15298	ENVIRONMENTAL SCIENCE ASSOC	PROFESSIONAL SERVICES	16,452.50
15299	ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE	GIS LICENSE	15,082.69
15300	GHD	PROFESSIONAL SERVICES	10,888.73
15301	HARRIS AMERICAN	OFFICE SUPPLIES	671.93
15302	JAMISON ENGINEERING CONTRACTORS	REPAIR SERVICES	9,340.00
15303	J.F. SHEA CONSTRUCTION	CONSTRUCTION SERVICES	4,100,338.02
15304	VOID	VOID	0.00
15305	LA OPINION	WATER CONSERVATION AD	1,140.00
15306	MR ROOTER PLUMBING	OFFICE MAINTENANCE SERVICES	199.00
15307	ORTEGA STRATEGIES GROUP	LEGAL SERVICES	2,735.44
15308	PACIFIC RESOURCES SERVICES	PROFESSIONAL SERVICES	3,504.66
15309	RANDOM LENGTHS NEWS	WATER CONSERVATION AD	750.00
15310	ROBERT E. BUSH	PROFESSIONAL SERVICES	6,000.00
15311	ROBERT HALF	TEMPORARY SERVICES	2,280.35
15312	SANTA FE SPRINGS CHAMBER OF COMMERCE	MEMBERSHIP DUES	240.00
15313	SIGN-A-RAMA	SIGN INSTALLATION	671.63
15314	SOUTHERN CALIFORNIA EDISON	QUITCLAIM - SCE PROJECT	1,000.00
15315	THE SIGNAL TRIBUNE	NEWSPAPER AD	400.00
15317	VASQUEZ & COMPANY	FINANCIAL AUDIT	5,000.00
15318	COLORADO SCHOOL OF MINES	AQUIFER RECHARGE LAB TESTING	23,476.00
15319	KENNEDY COMMUNICATIONS	PROFESSIONAL SERVICES	54,000.00
15320	US BANK	2015 BOND INTEREST EXPENSES	3,375,568.23
15321	REEB GOVERNMENT RELATIONS	PROFESSIONAL SERVICES	15,000.00
15322	3673 INDUSTRY AVENUE	COMMON AREA & GW MONITOR MAINTENANCE	4,448.78
15323	ARC	WATERMASTER REPORTS	1,956.31
15324	AMERICAN WATER WORKS ASSOC	ANNUAL MEMBERSHIP DUES	1,757.00
15325	BLAINE TECH SERVICES	FIELD SERVICES	5,560.00
15326	BARVO SIGN & DESIGN	INTERPRETIVE SIGN	0.00
15327	CAFE RIO MEXICAN GRILL	MEETING EXPENSES	233.48
15328	CCE CONSULTING GROUP	PROFESSIONAL SERVICES	9,187.50
15329	CH2M HILL ENGINEERS	PROFESSIONAL SERVICES	43,520.25
15330	COAST PARTY RENTALS	EVENT RENTAL	3,397.90
15331	COLE-PARMER INSTRUMENT	LAB EQUIPMENT	3,530.32
15332	COMMUNITY FAMILY GUIDANCE CENTER	EVENT SPONSORSHIPS	2,500.00
15333	CALIFORNIA STATE DISBURSEMENT UNIT	COD PAYMENT	641.52
15334	ENGINEERING NEWS RECORD	SUBSCRIPTION RENEWAL FEES	98.00
15335	FRANCHISE TAX BOARD	COD PAYMENT	38.22
15336	HACH COMPANY	LAB EQUIPMENT	8,625.33
15337	IN-SITU	FIELD SUPPLIES & EQUIPMENT	14,042.39
15338	INDEPENDENT CITIES ASSOC	SEMINAR REGISTRATION	500.00
15339	INTERA	PROFESSIONAL SERVICES	350.00
15340	KBC MAILING	PRINTING & MAILING SERVICES	11,280.00
15341	KEH & ASSOCIATES	PROFESSIONAL SERVICES	72,587.71
15342	KEH & ASSOCIATES	PROFESSIONAL SERVICES	38,257.24
15343	KIDANE & ASSOCIATES	PROFESSIONAL SERVICES	6,000.00
15344	KINDEL GAGAN	PROFESSIONAL SERVICES	10,000.00
15345	LANG, HANSEN, O'MALLEY AND MILLER	PROFESSIONAL SERVICES	6,000.00
15346	LIFTECH ELEVATOR SERVICES	ELEVATOR MAINTENANCE SERVICES	209.00
15347	LONG BEACH, CITY OF	RECLAIMED WATER PURCHASES	54.48
15348	LOS ANGELES DAILY NEWS	WATER EDUCATION PROGRAM AD	793.80
15349	METROPOLITAN NEWS	NEWSPAPER NOTICE	612.50
15350	MONTEBELLO CHAMBER OF COMMERCE	ANNUAL MEMBER DUES	445.00
15351	PACIFIC HYDROTECH	CONSTRUCTION SERVICES	226,917.00
15352	PAN AFRICAN FILM FESTIVAL	EVENT SPONSORSHIPS	2,000.00
15353	PITNEY BOWES	POSTAGE METER RENTAL	690.68
15354	PLATT SECURITY	SECURITY SERVICES	2,000.00
15355	U.S. POSTAL SERVICE	WRD NEWSLETTER POSTAGE	35,640.00
15356	RANDOM LENGTHS NEWS	WATER CONSERVATION AD	375.00

Check Number	Payee	Transaction Description	Check Amount
15357	REGIONAL GOVERNMENT SERVICES AUTHORITY	PROFESSIONAL SERVICES	8,887.70
15358	ROBERT E. BUSH	PROFESSIONAL SERVICES	3,000.00
15359	ROBERT HALF	TEMPORARY SERVICES	782.04
15360	SOUTH BAY CITIES COUNCIL OF GOVERNMENTS	COMMUNITY & OUTREACH SERVICES	13,000.00
15361	STANLEY CONVERGENT SECURITY SOLUTIONS	SECURITY SERVICES	117.93
15362	SYSTEMS SOURCE	OFFICE EQUIPMENT & FURNITURE	507.00
15363	TETRA TECH	PROFESSIONAL SERVICES	897.50
15364	TGIS CATERING SERVICES	MEETING EXPENSES	4,866.66
15365	THE HOUSE OF PRINTING	PRINTING SERVICES	1,369.13
15366	TORRANCE, CITY OF	PLANT SITE RENT	3,636.95
15367	U.S. GEOLOGICAL SURVEY	PROFESSIONAL SERVICES	10,420.70
15368	BRIGHTVIEW LANDSCAPE SERVICES	LANDSCAPING SERVICES	2,370.00
15369	GREEN MEDIA CREATIONS	ECO-GARDENING TRAINING PROGRAM	1,000.00
15370	WECK LABORATORIES	LAB SERVICES	5,348.00
15371	BRAVO SIGN & DESIGN	INTERPRETIVE SIGN	40,814.55
15372	PACIFIC ATLANTIC PARTNERS	PROFESSIONAL SERVICES	15,000.00
15373	ASSOCIATION OF CALIFORNIA WATER AGENCIES	ANNUAL MEMBERSHIP DUES	23,580.00
15374	AKD CONSULTING	PROFESSIONAL SERVICES	7,340.00
15375	BUTIER ENGINEERING	PROFESSIONAL SERVICES	55,646.00
15376	CAFE RIO MEXICAN GRILL	MEETING EXPENSES	198.56
15377	CENTRAL BASIN MUNICIPAL WATER DISTRICT	WATER PURCHASES	3,013,402.24
15378	COUNTY SANITATION DISTRICT 2	WATER PURCHASES	225,223.29
15379	EARTHCAM	CONSTRUCTION CAMERA SERVICES	625.00
15380	COUNTY	JANITORIAL SERVICES	390.00
15381	ENVIRONMENTAL SCIENCE ASSOC	PROFESSIONAL SERVICES	4,472.00
15382	IN-SITU	EQUIPMENT & REPAIR SERVICES	3,307.09
15386	LEAL & TREJO	LEGAL SERVICES	137,047.10
15387	LONG BEACH, CITY OF	WATER PURCHASES	337,218.00
15388	LOS ANGELES, CITY OF DWP	WATER PURCHASES	416.77
15389	PACIFIC RESOURCES SERVICES	PROFESSIONAL SERVICES	3,190.16
15390	PARS	REP FEES	500.00
15391	PSOMAS	PROFESSIONAL SERVICES	3,300.00
15392	ROBERT HALF	TEMPORARY SERVICES	2,602.30
15393	SO CAL IMMEDIATE MEDICAL CENTER	PRE-EMPLOYMENT PHYSICAL EXAM	120.00
15394	TETRA TECH	PROFESSIONAL SERVICES	6,552.50
15395	UNUM LIFE INSURANCE	LONG TERM CARE INS PREMIUMS	2,604.80
15396	WEST BASIN MUNICIPAL WATER DISTRICT	WATER PURCHASES	1,265,097.03
15397	VOID	VOID	0.00
15398	VOID	VOID	0.00
15399	FIRST CHOICE BANK	CREDIT CARD CHARGES	1,464.38
15400	4SITEVIDEO	VIDEO PRODUCTION	1,150.00
15401	ACWA JOINT POWERS INSURANCE AUTHORITY	WORKERS' COMPENSATION PROGRAM	6,575.66
15402	BELL GARDENS CHAMBER OF COMMERCE	MEMBERSHIP DUES	250.00
15403	CLIMATEC	HVAC SYSTEM MAINTENANCE SERVICES	425.00
15404	CONTINENTAL COLORCRAFT	PRINTING SERVICES	4,517.84
15405	COUNTY SANITATION DISTRICT 2	EVENT SPONSORSHIPS	2,500.00
15406	DAKOTA COMMUNICATION	PROFESSIONAL SERVICES	20,340.63
15407	DELI NEWS PIZZA	MEETING EXPENSSE	205.10
15408	DUDEK & ASSOCIATES	PROFESSIONAL SERVICES	6,080.00
15409	COUNTY	JANITORIAL SERVICES	1,611.39
15410	FRANCHISE TAX BOARD	COD PAYMENT	1,501.75
15411	GEIGER WEST MONROVIA	PROMOTIONAL ITEMS	7,528.00
15412	GOVERNMENT FINANCE OFFICERS ASSC.	ANNUAL MEMBER DUES	150.00
15413	HAZEN AND SAWYER	PROFESSIONAL SERVICES	69,698.41
15414	IN-SITU	FIELD SUPPLIES & EQUIPMENT	4,731.80
15415	JAMISON ENGINEERING CONTRACTORS	CHEMICAL LINES REPAIRS	64,905.00
15416	LEAGUE OF CALIFORNIA CITIES	EVENT SPONSORSHIPS	2,500.00
15417	LONG BEACH, CITY OF	RECLAIMED WATER PURCHASES	10.90
15418	LOS ANGELES GATEWAY CHAMBER OF COMMERCE	ANNUAL MEMBERSHIP DUES	175.00
15419	McMASTER-CARR SUPPLY	FIELD & OFFICE SUPPLIES	1,068.36
15420	MNS ENGINEERS	PROFESSIONAL SERVICES	20,733.75
15421	PACIFIC HYDROTECH	CONSTRUCTION SERVICES	153,083.00
15422	SOUTHWEST MEMBRANE OPERATOR ASSOC	EVENT SPONSORSHIPS	2,500.00
15423	TGIS CATERING SERVICES	MEETING EXPENSES	799.24
15424	TORRANCE, CITY OF	PLANT SITE RENT	4,037.85
15425	TRIEPEI SMITH & ASSOCIATES	PHOTOGRAPHY SERVICES	382.50
15426	JOHNSON CONTROLS SECURITY SOLUTIONS	FIRE SYSTEM SERVICES	1,892.92
15427	WATER EDUCATION FOUNDATION	MEMBERSHIP RENEWAL FEES	1,610.00
ACH190111-1	COUNTY OF LOS ANGELES DPH	BACKFLOW PREVENTION ADMIN FEES	74.95

Check Number	Payee	Transaction Description	Check Amount
ACH190111-2	SOUTHERN CALIFORNIA EDISON	MONTHLY ELECTRICTIY	32,822.26
ACH190111-3	VERIZON	MONTHLY PHONE SERVICES	130.17
ACH190118-1	EDCO WASTE SERVICES	RECYCLE /WASTE / LOCK LID SERVICES	642.40
ACH190118-2	FRONTIER COMMUNICATIONS	MONTHLY PHONE SERVICES	93.07
ACH190118-3	LAKEWOOD, CITY OF	MONTHLY WATER CHARGES	399.52
ACH190118-4	PEPSI-COLA	SUPPLIES	902.34
ACH190118-5	SOUTHERN CALIFORNIA EDISON	MONTHLY ELECTRICITY	3,897.03
ACH190118-6	THE GAS COMPANY	MONTHLY GAS CHARGES	1,186.15
ACH190118-7	WESTERN EXTERMINATOR	PESTICIDE SERVICES	130.00
ACH190131-1	AT&T	MONTHLY PHONE SERVICES	323.63
ACH190131-10	TIME WARNER CABLE/SPECTRUM BUSINESS	MONTHLY INTERNET SERVICES	3,164.56
ACH190131-2	CALIFORNIA WATER SERVICE	MONTHLY WATER SERVICES	80.96
ACH190131-3	FIRST CHOICE BANK	CREDI CARD CHARGES	282.16
ACH190131-4	FIRST CHOICE BANK	CREDI CARD CHARGES	11,359.99
ACH190131-5	FIRST CHOICE BANK	CREDI CARD CHARGES	2,189.41
ACH190131-6	FIRST CHOICE BANK	CREDI CARD CHARGES	7,504.74
ACH190131-7	FIRST CHOICE BANK	CREDI CARD CHARGES	11,158.95
ACH190131-8	FIRST CHOICE BANK	CREDI CARD CHARGES	1,673.47
ACH190131-9	SOUTHERN CALIFORNIA EDISON	MONTHLY UTILITIES	391.04
TOTAL DEMANDS FOR JANUARY 2019			<u>\$ 15,178,612.78</u>



MEMORANDUM
ITEM NO. 6

DATE: MARCH 21, 2019

TO: FINANCE/AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: FINANCIAL STATEMENTS – DECEMBER 2018

SUMMARY

The attached financial statements include the Statement of Net Assets (Balance Sheet) as of December 31, 2018 and the Statement of Revenues, Expenditures and Changes in Net Assets (Income Statement) for the month ending December 31, 2018. Explanation of selected account balances are as follows:

Statement of Net Assets

ASSETS

Cash and Cash Equivalents – The decrease in cash is from payment of \$4.7 million for the construction of the Albert Robles Center (ARC).

Accounts Receivable – Fluctuation in this account is due to the timing of collecting payments for Water Assessment invoices from customers.

Construction-In-Progress – The increase of \$11.1 million is due to on-going construction expenses related to the construction of the ARC.

LIABILITIES

Accounts Payable – The increase of \$4.3 Million is due to construction costs related to ARC.

Interest Payable – This is a monthly accrual of bond interest costs relating to the District's 2015 Revenue Bond.

NET ASSETS

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

<u>Accounts</u>	<u>Change</u>
Land	\$ 0
Restricted Cash	16,056
Construction-In-Progress	11,164,338
Accumulated Depreciation	<u>(405,283)</u>
Total	<u>\$10,775,110</u>

Unrestricted – The Change/Variance of Total Assets, Total Liabilities and Invested in Capital Assets is (\$10,672,882).

Statement of Revenues, Expenditures and Changes in Net Assets

EXPENSES

Cost of Water – The West Coast Seawater Barrier needed additional imported injection water causing the increase in this account.

Postemployment Benefits – The District contributed \$878,000 to the California Employee Retirement Benefit Trust (CERBT) for its Other Post-Employment Benefits for fiscal year 2017/18 and 2018/19.

Professional Fees – The decrease is due to services relating to the Basin Improvement Funding Obligation to the City of Cerritos from the prior month.

REVENUE

Capital Contribution – The District did not receive any reimbursement this month for Capital Contribution.

FISCAL IMPACT

None.

STAFF RECOMMENDATION

The Finance/Audit Committee recommend that the Board of Directors approve the financial statements for December 2018.

Water Replenishment District of Southern California
Statement of Net Assets
December 31, 2018

Assets	Total	Prior Month Total	Variance
Current Assets			
Cash and Cash Equivalents	\$ 62,945,707	\$ 66,522,307	(3,576,600)
Restricted Cash	10,964,813	10,948,757	16,056
Accounts Receivable	14,550,933	16,697,062	(2,146,129)
Deposit Receivable	(1,600)	(1,600)	-
Interest Receivable	-	-	-
Prepaid Expenses	6,604,802	6,622,320	(17,518)
Total Current Assets	\$ 95,064,655	\$ 100,788,846	(5,724,191)
Noncurrent Assets			
Notes Receivable, Noncurrent	\$ 616,881	\$ 616,881	-
Plant & Equipment	142,375,293	142,375,293	-
Land	16,673,742	16,673,742	-
Construction-In-Progress	161,568,409	150,404,071	11,164,338
Deferred Charges	1	1	-
Accumulated Depreciation	(41,983,586)	(41,578,303)	(405,283)
Total Noncurrent Assets	\$ 279,250,739	\$ 268,491,684	10,759,054
Deferred Outflows of Resources	\$ 2,764,702	\$ 2,764,702	\$ -
Deferred Outflows of Resources - OPEB	\$ 1,008,661	\$ 1,008,661	\$ -
Total Assets	\$ 378,088,757	\$ 373,053,894	\$ 5,034,863
Liabilities			
Current Liabilities			
Accounts Payable	\$ 5,482,523	\$ 1,184,993	4,297,530
Interest Payable - Bond	2,813,708	2,250,967	562,742
Accrued Payroll	1,145	858	288
Accrued Employee Benefits	(18,031)	(90,106)	72,075
Accrued Postemployment Benefits	-	-	-
Deferred Compensation	(7,467)	(7,467)	-
Deferred Revenue - RA	-	-	-
Cal Trans 0690	5,132,802	5,132,802	-
Long term Debt - Bond Payable	163,540,846	163,540,846	-
Long term Notes Payable	53,653,592	53,653,592	-
Other Liabilities	-	-	-
Total Current Liabilities	\$ 230,599,119	\$ 225,666,485	4,932,634
Noncurrent Liabilities			
Compensated Absences	\$ 554,236	\$ 554,236	\$ -
Net Pension Liability	4,930,903	4,930,903	-
Net OPEB Liability	4,913,070	4,913,070	-
Total Noncurrent Liabilities	\$ 10,398,209	\$ 10,398,209	\$ -
Deferred Inflows of Resources	\$ 235,313	\$ 235,313	\$ -
Deferred Inflows of Resources - OPEB	\$ 13,170	\$ 13,170	\$ -
Total Liabilities	\$ 241,245,811	\$ 236,313,177	\$ 4,932,634
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 121,541,904	\$ 110,766,793	10,775,110
Unrestricted	15,301,042	25,973,923	(10,672,882)
Total Net Assets	\$ 136,842,946	\$ 136,740,717	102,229
Total Liabilities & Net Assets	\$ 378,088,757	\$ 373,053,838	5,034,919

Water Replenishment District of Southern California
Statement of Revenues, Expenditures and Changes in Net Assets
For the Month of December 31, 2018

	Total	Prior Month Total	Variance
Revenues			
Operating Revenues			
Water Replenishment Assessments	5,240,391	5,634,174	(393,783)
Late Payment Penalties			-
MWD Subsidy	43,150	43,350	(200)
OCWD Recycled Water Product			-
Desalter Revenue	124,106	107,856	16,250
Title 22 Monitoring Program	-	-	-
Total Operating Revenues	<u>5,407,647</u>	<u>5,785,380</u>	<u>(377,733)</u>
Operating Expenses			
Cost of Water			
Spreading	195,448	179,832	15,616
Injected	2,414,752	2,320,702	94,050
In-Lieu			-
Connection Fees	91,798	95,265	(3,467)
Total Cost of Water	<u>2,701,997</u>	<u>2,595,798</u>	<u>106,199</u>
General & Administrative			
Salaries, Taxes & Benefits	577,087	596,421	(19,334)
Postemployment Benefits	878,256	-	878,256
Conference & Travel	22,070	26,281	(4,211)
Office Expenses	205,985	41,210	164,775
Utilities	6,644	42,739	(36,095)
Rents & Leases	11,215	10,817	397
Repairs & Maintenance	30,020	22,499	7,521
Material & Equipment	53,299	49,090	4,209
General Liability Insurance	17,518	81,541	(64,023)
Professional Fees	653,229	2,133,880	(1,480,652)
Other General & Administrative	401	2,149	(1,748)
Total General & Administrative	<u>2,455,723</u>	<u>3,006,628</u>	<u>(550,904)</u>
Depreciation	<u>405,283</u>	<u>1,831,129</u>	<u>(1,425,846)</u>
Total Operating Expenses	<u>5,563,004</u>	<u>7,433,555</u>	<u>(1,870,552)</u>
Operating Income (Loss)	<u>(155,356)</u>	<u>(1,648,175)</u>	<u>1,492,819</u>
Non-Operating Revenues (Expenses)			
Revenues			
Property Taxes	237,715	10,104	227,612
Election Expenses	-	-	-
Investment Earnings	52,993	19,484	33,509
Miscellaneous	-	720	(720)
Total Revenues	<u>290,708</u>	<u>30,307</u>	<u>260,402</u>
Expenses			
Interest Expenses	-	-	-
Non-RA Related Expenses	(33,122)	(25,359)	(7,763)
Total Expenses	<u>(33,122)</u>	<u>(25,359)</u>	<u>(7,763)</u>
Total Non-Operating Revenues (Expenses)	<u>257,586</u>	<u>4,948</u>	<u>252,638</u>
Income (Loss) Before Contributions	102,230	(1,643,227)	1,745,457
Contributions			
Capital Contributions- Grant	-	4,835,815	(4,835,815)
CIP Expenses	-	(69)	69
Change in Net Assets	<u>102,230</u>	<u>3,192,656</u>	<u>(3,090,427)</u>



MEMORANDUM
ITEM NO. 7

DATE: MARCH 21, 2019

TO: FINANCE/AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: FINANCIAL STATEMENTS – JANUARY 2019

SUMMARY

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

Statement of Net Assets

ASSETS

Cash and Cash Equivalents – The decrease in cash (see corresponding decrease in Accounts Payable) due to payment for the Albert Robles Center (ARC) construction. Restricted cash increased with the proceeds from the District's 2018 Revenue Bond.

Accounts Receivable – No significant changes noted.

Construction-In-Progress – As part of the Capital Improvement Program, the increase of \$3.2 Million this month is mainly due to expenses related to the construction of the ARC.

LIABILITIES

Accounts Payable – The \$4.4 Million decrease is due to payment for construction services for the ARC.

Interest Payable – The District accrues bond interest costs relating to the District's 2018 Revenue Bond monthly and paid semi-annually in August and January. The decrease of \$2.8 million is due to interest payment in January.

NET ASSETS

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

<u>Accounts</u>	<u>Change</u>
Land	\$ 0
Restricted Cash	73,099,119
Construction-In-Progress	3,176,962
Accumulated Depreciation	(0)
Long Term Debt	(79,052,581)
Total	<u>(\$2,776,500)</u>

Unrestricted – The Change/Variance of Total Assets, Total Liabilities and Invested in Capital Assets is \$3,005,429.

Statement of Revenues, Expenditures and Changes in Net Assets

EXPENSES

Cost of Water – The District took delivery of imported spreading water.

Postemployment Benefits – In December 2018, the District contributed \$878,000 to the California Employee Retirement Benefit Trust (CERBT) for its Other Post-Employment Benefits for fiscal year 2017/18 and 2018/19.

Professional Fees – The increase in this account is due to expenses for Cost of Issuance fees for the District's 2018 Bond Issuance.

FISCAL IMPACT

None

STAFF RECOMMENDATION

The Finance/Audit Committee recommend that the Board of Directors approve the financial statements for January 2019.

Water Replenishment District of Southern California
Statement of Revenues, Expenditures and Changes in Net Assets
For the Month of January 01, 2019

	Total	Prior Month Total	Variance
Revenues			
Operating Revenues			
Water Replenishment Assessments	5,501,146	5,240,391	260,755
Late Payment Penalties			-
MWD Subsidy	49,650	43,150	6,500
OCWD Recycled Water Product			-
Desalter Revenue	996,181	124,106	872,075
Title 22 Monitoring Program	-	-	-
Total Operating Revenues	<u>6,546,977</u>	<u>5,407,647</u>	<u>1,139,330</u>
Operating Expenses			
Cost of Water			
Spreading	2,936,967	195,448	2,741,519
Injected	1,562,691	2,414,752	(852,061)
In-Lieu			-
Connection Fees	362,955	91,798	271,157
Total Cost of Water	<u>4,862,612</u>	<u>2,701,997</u>	<u>2,160,615</u>
General & Administrative			
Salaries, Taxes & Benefits	887,629	577,087	310,542
Postemployment Benefits	-	878,256	(878,256)
Conference & Travel	3,100	22,070	(18,970)
Office Expenses	220,325	205,985	14,340
Utilities	86,675	6,644	80,030
Rents & Leases	4,520	11,215	(6,694)
Repairs & Maintenance	82,229	30,020	52,209
Material & Equipment	32,335	53,299	(20,964)
General Liability Insurance	-	17,518	(17,518)
Professional Fees	992,910	653,229	339,682
Other General & Administrative	120	401	(281)
Total General & Administrative	<u>2,309,843</u>	<u>2,455,723</u>	<u>(145,880)</u>
Depreciation	-	405,283	(405,283)
Total Operating Expenses	<u>7,172,455</u>	<u>5,563,004</u>	<u>1,609,452</u>
Operating Income (Loss)	<u>(625,479)</u>	<u>(155,356)</u>	<u>(470,122)</u>
Non-Operating Revenues (Expenses)			
Revenues			
Property Taxes	93,989	237,715	(143,726)
Election Expenses	-	-	-
Investment Earnings	6	52,993	(52,987)
Miscellaneous	100	-	100
Total Revenues	<u>94,096</u>	<u>290,708</u>	<u>(196,613)</u>
Expenses			
Interest Expenses	-	-	-
Non-RA Related Expenses	(22,831)	(33,122)	10,291
Total Expenses	<u>(22,831)</u>	<u>(33,122)</u>	<u>10,291</u>
Total Non-Operating Revenues (Expenses)	<u>71,264</u>	<u>257,586</u>	<u>(186,322)</u>
Income (Loss) Before Contributions	(554,214)	102,230	(656,444)
Contributions			
Capital Contributions- Grant	<u>783,142</u>	-	<u>783,142</u>
CIP Expenses	-	-	-
Change in Net Assets	<u>228,928</u>	<u>102,230</u>	<u>126,698</u>

Water Replenishment District of Southern California
Statement of Revenues, Expenditures and Changes in Net Assets
For the Month of January 01, 2019

	Total	Prior Month Total	Variance
Revenues			
Operating Revenues			
Water Replenishment Assessments	5,501,146	5,240,391	260,755
Late Payment Penalties			-
MWD Subsidy	49,650	43,150	6,500
OCWD Recycled Water Product			-
Desalter Revenue	996,181	124,106	872,075
Title 22 Monitoring Program	-	-	-
Total Operating Revenues	<u>6,546,977</u>	<u>5,407,647</u>	<u>1,139,330</u>
Operating Expenses			
Cost of Water			
Spreading	2,936,967	195,448	2,741,519
Injected	1,562,691	2,414,752	(852,061)
In-Lieu			-
Connection Fees	362,955	91,798	271,157
Total Cost of Water	<u>4,862,612</u>	<u>2,701,997</u>	<u>2,160,615</u>
General & Administrative			
Salaries, Taxes & Benefits	887,629	577,087	310,542
Postemployment Benefits	-	878,256	(878,256)
Conference & Travel	3,100	22,070	(18,970)
Office Expenses	220,325	205,985	14,340
Utilities	86,675	6,644	80,030
Rents & Leases	4,520	11,215	(6,694)
Repairs & Maintenance	82,229	30,020	52,209
Material & Equipment	32,335	53,299	(20,964)
General Liability Insurance	-	17,518	(17,518)
Professional Fees	992,910	653,229	339,682
Other General & Administrative	120	401	(281)
Total General & Administrative	<u>2,309,843</u>	<u>2,455,723</u>	<u>(145,880)</u>
Depreciation	-	405,283	(405,283)
Total Operating Expenses	<u>7,172,455</u>	<u>5,563,004</u>	<u>1,609,452</u>
Operating Income (Loss)	<u>(625,479)</u>	<u>(155,356)</u>	<u>(470,122)</u>
Non-Operating Revenues (Expenses)			
Revenues			
Property Taxes	93,989	237,715	(143,726)
Election Expenses	-	-	-
Investment Earnings	6	52,993	(52,987)
Miscellaneous	100	-	100
Total Revenues	<u>94,096</u>	<u>290,708</u>	<u>(196,613)</u>
Expenses			
Interest Expenses	-	-	-
Non-RA Related Expenses	(22,831)	(33,122)	10,291
Total Expenses	<u>(22,831)</u>	<u>(33,122)</u>	<u>10,291</u>
Total Non-Operating Revenues (Expenses)	<u>71,264</u>	<u>257,586</u>	<u>(186,322)</u>
Income (Loss) Before Contributions	(554,214)	102,230	(656,444)
Contributions			
Capital Contributions- Grant	<u>783,142</u>	-	<u>783,142</u>
CIP Expenses	-	-	-
Change in Net Assets	<u>228,928</u>	<u>102,230</u>	<u>126,698</u>



MEMORANDUM

ITEM NO. 8

DATE: MARCH 21, 2019

TO: FINANCE/AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: DRAFT 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. 9

DATE: MARCH 21, 2019
TO: FINANCE/AUDIT COMMITTEE
FROM: ROBB WHITAKER, GENERAL MANAGER
SUBJECT: 2019-20 BUDGET DISCUSSION

SUMMARY

The District's annual budget is the basis for the Board of Directors setting the replenishment assessment each year. The California State Water Code states that the ensuing year's replenishment assessment rate must be adopted during a public hearing no later than the second Tuesday in May. The District also follows a Proposition 218-like process and mails notifications of the District's intention to raise the replenishment assessment no later than 45 days prior to the public hearing.

The District has started its budgeting process by reviewing the 2018/19 Midyear Budget Review. This is then used as a starting point for the ensuing year's budget. Staff will provide an update of the 2019/20 draft budget.

At its meeting on March 12, 2019, the Budget Advisory Committee provided a recommendation to the Board of Directors for an increase to the 2019/20 replenishment assessment of \$26.00 or 7.8% from \$339.00 per acre-foot to \$365.00 per acre-foot; assuming \$1,500,000 in carryover conversion revenue and 213,000 acre-feet of pumping.

FISCAL IMPACT

None

STAFF RECOMMENDATION

For discussion and possible action.



MEMORANDUM

ITEM NO. 10

DATE: MARCH 21, 2019

TO: FINANCE/AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: NEGOTIATED TAX EXCHANGE RESOLUTION ANNEXATION OF PROJECT TRACT NO. 71925 TO COUNTY LIGHTING MAINTENANCE DISTRICT 1687

SUMMARY

California Property Tax History

Tax Assessment

“Assessment” means any levy or charge by an agency upon real property that is based upon the special benefit conferred upon the real property by a public improvement or service that is imposed to pay the capital cost of the public improvement, the maintenance and operation expenses of the public improvement, or the cost of the service being provided. “Assessment” includes, but is not limited to, “Special Assessment,” “Benefit Assessment,” and “Maintenance Assessment.”

Assessment districts have been in use in California for the past 150 years. Local agencies, including cities, counties, and special districts, may establish assessment districts for the purposes of financing all or a portion of the cost of certain public improvements and services. Each property within an assessment district is assessed an amount sufficient to cover the proportional cost of the special benefit that it receives from the improvements or services that are paid for by the assessment.

As demand for facilities and services grew, municipalities generally chose to increase property taxes to pay for them. In 1966, the State Legislature pegged property tax rates to the assessed value of property as a means to limit the unrestrained rise in tax rates across California. AB 80 (Chapter 147, Statutes of 1966) subjected real property to periodic reassessment at current market value. Through the 1970s, the value of real property in California real estate escalated appreciably and with it the 2 California Debt and Investment Advisory Commission tax liability of owners. By the mid-1970s the property tax burdens of many homeowners had become unbearable.

The Landscaping and Lighting Act of 1972

This legislation (Streets & Highways §22500) allows local governmental agencies to form Landscape & Lighting Maintenance Districts for the purpose of financing the costs and expenses of landscaping and lighting public areas. This act can be used by any local agency

including cities, counties, and special districts such as school districts or water districts. The many approved uses include installation and maintenance of landscaping, statues, fountains, general lighting, traffic lights, recreational and playground courts and equipment, and public restrooms.

Proposition 13

On June 6, 1978, California voters overwhelmingly approved Proposition 13, officially named the “People’s Initiative to Limit Property Taxation.” Proposition 13 is embodied as Article XIII A of the California State Constitution – the most significant portion of which is the first paragraph, which limited the amount of property taxes for real property: “Section 1. (a) The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent (1%) tax to be collected by the counties and apportioned according to law to the districts within the counties.” The proposition decreased property taxes by assessing property values at their 1975 value and restricted annual increases of assessed value of real property to an inflation factor, not to exceed 2 percent per year. It also prohibited reassessment of a new base year value except in cases of (a) change in ownership or (b) completion of new construction. Because Proposition 13 severed the relationship between the local government and property tax, it forced local agencies to seek other forms of revenues, including sales and use taxes, general taxes, special taxes, and assessments.

Proposition 218

How is the Annual Charge Determined? By law (Prop. 13), benefit assessments cannot be based on the value of property. Instead, each district establishes a benefit formula and each parcel in the service area is assessed according to the benefit it receives from the services and improvements. Special Requirements for Increased Charges Proposition 218, called “The Right to Vote on Taxes Act”, was formed in part to counteract concerns surrounding 1972 Act Districts. Under Prop. 218, to increase an existing assessment, the agency must give written notice to all affected property owners, hold a public hearing and an assessment ballot vote. A majority vote is required to approve the rate increase. If a majority vote is not received, the increase cannot be applied.

Assessments that pay for ongoing services will continue as long as services are provided. However, Districts formed solely to finance major improvements (i.e. community centers) may cease assessments after bonds used to finance the project have been paid off. Or, a reduced assessment may be levied to pay for ongoing service and maintenance, if authorized during formation.

FISCAL IMPACT

None

STAFF RECOMMENDATION

The Finance/Audit Committee recommends that the Board of Directors adopt a Resolution approving and accepting the negotiated tax exchange resolution of project tract NO. 71925 to County Lighting Maintenance District 1697.

**JOINT RESOLUTION OF
 THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES,
 THE BOARD OF TRUSTEES OF THE GREATER LOS ANGELES COUNTY
 VECTOR CONTROL DISTRICT, THE BOARD OF DIRECTORS OF THE
 COUNTY SANITATION DISTRICT NO. 9 OF LOS ANGELES COUNTY, AND
 THE BOARD OF DIRECTORS OF THE WATER REPLENISHMENT DISTRICT
 OF SOUTHERN CALIFORNIA APPROVING AND ACCEPTING THE
 NEGOTIATED EXCHANGE OF PROPERTY TAX REVENUES RESULTING
 FROM ANNEXATION OF TRACT NO. 71925
 TO COUNTY LIGHTING MAINTENANCE DISTRICT 1687**

WHEREAS, pursuant to Section 99.01 of the California Revenue and Taxation Code, prior to the effective date of any jurisdictional change that will result in a special district providing one or more services to an area where those services have not previously been provided by any local agency, the special district and each local agency that receives an apportionment of property tax revenue from the area must negotiate an exchange of property tax increment generated in the area subject to the jurisdictional change and attributable to those local agencies; and

WHEREAS, the Board of Supervisors of the County of Los Angeles, acting on behalf of the County Lighting Maintenance District 1687, the County General Fund, the County of Los Angeles Public Library, the County of Los Angeles Road District 4, the Consolidated Fire Protection District of Los Angeles County, the County of Los Angeles Flood Control Drainage Improvement Maintenance District, and the Los Angeles County Flood Control District; the Board of Trustees of the Greater Los Angeles County Vector Control District; the Board of Directors of the County Sanitation District No. 9 of Los Angeles County; and the Board of Directors of the Water Replenishment District of Southern California have determined that the amount of property tax revenue to be exchanged between their respective agencies as a result of the annexation proposal identified as Tract No. 71925 to County Lighting Maintenance District 1687 are as shown on the attached Property Tax Transfer Resolution Worksheet.

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NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The negotiated exchange of property tax revenues with the County Lighting Maintenance District 1687, the County General Fund, the County of Los Angeles Public Library, the County of Los Angeles Road District 4, the Consolidated Fire Protection District of Los Angeles County, the County of Los Angeles Flood Control Drainage Improvement Maintenance District, the Los Angeles County Flood Control District, the Greater Los Angeles County Vector Control District, the County Sanitation District No. 9 of Los Angeles County, and the Water Replenishment District of Southern California resulting from the annexation of Tract No. 71925 to County Lighting Maintenance District 1687 is approved and accepted.

2. For fiscal years commencing on or after July 1, 2018, or the July 1 after the effective date of this jurisdictional change, whichever is later, the property tax revenue increment generated from the area within Tract No. 71925, Tax Rate Area 01604, shall be allocated to the affected agencies as indicated on the attached Property Tax Transfer Resolution Worksheet.

3. No transfer of property tax revenues other than those specified in Paragraph 2 shall be made as a result of the annexation of Tract No. 71925.

5. If at any time after the effective date of this resolution, the calculations used herein to determine initial property tax transfers or the data used to perform those calculations are found to be incorrect, thus producing an improper or inaccurate property tax transfer, the property tax transfer shall be recalculated and the corrected transfer shall be implemented for the next fiscal year.

PASSED, APPROVED, AND ADOPTED this _____ day of _____ 2018, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

WATER REPLENISHMENT DISTRICT
OF SOUTHERN CALIFORNIA

President, Board of Directors

ATTEST:

Secretary

Date

ANNEXATION TO: CO LIGHTING MAINT DIST NO 1687
 ACCOUNT NUMBER: 019.40
 TRA: 01604
 EFFECTIVE DATE: 07/01/2018
 ANNEXATION NUMBER: TR 71925
 PROJECT NAME: TRACT NO. 71925
 DISTRICT SHARE: 0.020492740

ACCOUNT #	TAXING AGENCY	CURRENT TAX SHARE	PERCENT	PROPOSED DIST SHARE	ALLOCATED SHARE	ADJUSTMENTS	NET SHARE
001.05	LOS ANGELES COUNTY GENERAL	0.274876711	27.4886 %	0.020492740	0.005632989	-0.005764510	0.269112201
001.20	L.A. COUNTY ACCUM CAP OUTLAY	0.000104475	0.0104 %	0.020492740	0.000002140	0.000000000	0.000104475
003.01	L A COUNTY LIBRARY	0.020916234	2.0916 %	0.020492740	0.000428630	-0.000428630	0.020487604
005.20	ROAD DIST # 4	0.005370568	0.5370 %	0.020492740	0.000110057	-0.000110057	0.005260511
007.30	CONSOL. FIRE PRO.DIST.OF L.A.CO.	0.160631595	16.0631 %	0.020492740	0.003291781	-0.003291781	0.157339814
007.31	L A C FIRE-FFW	0.006313523	0.6313 %	0.020492740	0.000129381	0.000000000	0.006313523
030.10	L.A.CO.FL.CON.DR.IMP.DIST.MAINT.	0.001509899	0.1509 %	0.020492740	0.000030941	-0.000030941	0.001478958
030.70	LA CO FLOOD CONTROL MAINT	0.008544650	0.8544 %	0.020492740	0.000175103	-0.000175103	0.008369547
061.80	GREATER L A CO VECTOR CONTROL	0.000293095	0.0293 %	0.020492740	0.000006006	-0.000006006	0.000287089
066.35	CO SANITATION DIST NO 9 OPERAT	0.053519376	5.3519 %	0.020492740	0.001096758	-0.001096758	0.052422618
350.90	WTR REPLENISHMENT DIST OF SO CAL	0.000158332	0.0158 %	0.020492740	0.000003244	-0.000003244	0.000155088
400.00	EDUCATIONAL REV AUGMENTATION FD	0.096008400	9.6008 %	0.020492740	0.001967475	EXEMPT	0.096008400
400.01	EDUCATIONAL AUG FD IMPOUND	0.131877650	13.1877 %	0.020492740	0.002702534	EXEMPT	0.131877650
400.15	COUNTY SCHOOL SERVICES	0.001295636	0.1295 %	0.020492740	0.000026551	EXEMPT	0.001295636
400.21	CHILDREN'S INSTIL TUITION FUND	0.002571396	0.2571 %	0.020492740	0.000052694	EXEMPT	0.002571396
805.04	L.A.CITY COMMUNITY COLLEGE DIST	0.027650261	2.7650 %	0.020492740	0.000566629	EXEMPT	0.027650261
805.20	L.A.COMM.COLL.CHILDREN'S CTR FD	0.000285872	0.0285 %	0.020492740	0.000005858	EXEMPT	0.000285872
887.03	LOS ANGELES UNIFIED-SCHOOL DIST	0.203572466	20.3572 %	0.020492740	0.004171757	EXEMPT	0.203572466
887.06	CO.SCH.SERV.FD.- LOS ANGELES	0.000011312	0.0011 %	0.020492740	0.000000231	EXEMPT	0.000011312

ANNEXATION NUMBER: TR 71925 PROJECT NAME: TRACT NO. 71925 TRA: 01604

ACCOUNT #	TAXING AGENCY	CURRENT TAX SHARE	PERCENT	PROPOSED DIST SHARE	ALLOCATED SHARE	ADJUSTMENTS	NET SHARE
887.07	DEV. CTR. HDCPD MINOR-L A UNIF.	0.001148256	0.1148 %	0.020492740	0.000023530	EXEMPT	0.001148256
887.20	LOS ANGELES CHILDRENS CENTER FD	0.003340293	0.3340 %	0.020492740	0.000068451	EXEMPT	0.003340293
***019.40	CO LIGHTING MAINT DIST NO 1687	0.000000000	0.0000 %	0.020492740	0.000000000	0.000000000	0.010907030
TOTAL:		1.000000000	100.0000 %		0.020492740	-0.010907030	1.000000000