

**SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT  
BOARD OF DIRECTORS**

**MINUTES OF THE ADMINISTRATIVE COMMITTEE MEETING**

August 26, 2013  
8:00 A.M.

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Chairperson McDonald called the Administrative Committee Meeting to order at 8:06 a.m. All present stood for the pledge of allegiance, led by Chairperson McDonald.

**ADMINISTRATIVE COMMITTEE MEMBERS PRESENT:**

Melody McDonald, Chairperson  
David Raley, Director  
Clare Henry Day, Director

**ADMINISTRATIVE COMMITTEE MEMBERS ABSENT:**

None

**STAFF PRESENT:**

Daniel Cozad, General Manager  
Athena Medina, Administrative Services Specialist

**GUEST PRESENT:**

None

**1. PUBLIC PARTICIPATION**

Chairperson McDonald announced this as the time for any persons present, who so desire, to make an oral petition to the Administrative Committee. Hearing none, the meeting proceeded with the published agenda items.

**2. ADDITIONS/DELETIONS TO AGENDA**

There were no additions or deletions to the agenda.

**3. APPROVAL OF MINUTES FROM THE APRIL 15, 2013, MEETING**

**It was moved by Director Raley and seconded by Director Day to**

**approve the minutes of the April 15, 2013. The motion carried unanimously.**

#### **4. INVESTMENTS STATUS AND CHANGES TO INVESTMENT DURATIONS**

Daniel Cozad reviewed the existing CalTrust investment program that the District is enrolled in. He reviewed the medium portfolio of CalTrust's investment program. The District is permitted to participate in only certain investment programs. He reviewed the current market conditions and indicated that the value of each share of CalTrust is likely to drop in value over the next months or year. Chair McDonald verified that the interest rate goes up and value of the bond par value goes down. Director Raley stated that the bonds are priced at the current interest rate and if you were to buy a new bond, you would get the current rate. Mr. Cozad stated that the interest rate is set, but the value of that bond is tradable. The interest rate in CalTrust is higher than our interest rate in LAIF. Mr. Cozad indicated that Staff wants to adjust quantity of shares of short and long term maturing bonds. The District transferred funds into the medium term fund because the return was one higher than short term.

Director Raley stated that the District should split funds and put roughly half into short fund and half into medium fund. Mr. Cozad said that the value of that term could go down which is the risk to the District. When you take into account PAR value, the District has done considerably better than previous years. Mr. Cozad spoke with manager of CalTrust and informed him that the District needs to have a one year call on a \$5M dollar from Robertson's Ready Mix (Robertson's). It is recommended half of \$5M for short term (day to day) and medium term is split evenly into both funds. Staff was given direction by the committee to split the funds approximately equally between short and medium term. This will be reported to full board on September 11, 2013 as an update.

#### **5. RESERVE POLICY YEAR END REPORT AND CHANGES FOR 2013-2014**

President Corneille requested that Staff review and revise the Reserve Policy since some of the reserves seem to be similar to others in use of funds. Revisions include combining groundwater reserves into one reserve with both sources of revenue. Staff worked with RAMS to spread the total cash across enterprises in order to implement the policy. The first year the Reserve Policy was created 2011; there were no funds to contribute to reserves so they were not broken out. Chair McDonald inquired as to if there are funds in the bank to back up the spreadsheet provided. Mr. Cozad confirmed the investments and checking account are the where the cash is located. Director Raley stated that aggregate or total of all the reserves are important as well as keeping track of transfers between enterprises. Mr. Cozad stated that groundwater rate funds should not be used for other enterprises. Director Raley indicated reserves policies give management guidance on how to utilize District funds. This provides record that the District has maintained their fiduciary responsibilities. Director Day stated that producers may look at reserves and require justification as to why the District is raising groundwater rates. He also asked 1. If mining picks up and revenue where does that money go? 2. What is the long range picture of potential activities and options and how does it affect the District's relationship with producers? Mr. Cozad stated that groundwater reserves are separate and there is also a rate stabilization fund. The Reserve has a target of one year's worth of operating cost of the

groundwater enterprise and once it reaches that limit the District will not accrue anymore. This could allow the District to lower rate or review rate stabilization funds to assess the different options. Mr. Cozad stated that any excess funding or profit would go into reserves and that is how the reserve is developed and funded. He indicated that in regards to the mining revenues; if revenue increases it would be allocated to the Land Resource Enterprise Reserve to assist in fully funding that enterprise and the related reserve. Mr. Cozad stated the primary reason that reserves are important for staff is that it gives staff a target of where to allocate these reserve funds and define the purpose for the funding. The Reserve Policy defines the public purpose for reserve funds existence.

Director Raley stated that if mining picks up the Board could consider using the funding to assist in covering the Wash Plan implementation costs. Discussion ensued. Mr. Cozad indicated that approximately \$2.6 million is what the District Reserve funds total and that the \$5 million is a prepaid unearned royalty that will have to be returned if the Wash Plan does not go through. He also noted that General Fund reserves looks lower and that staff did not anticipate that Land Resources Enterprise revenue would be what it is today. Mr. Cozad reviewed separate accounts and indicated these are after depreciation numbers. Redlands Plaza has more depreciation and that the land does not depreciate. Director Raley recommend allocating more funds to Redlands Plaza Enterprise to assist in making it more marketable. Mr. Cozad noted staff's desire to add new signage and put in drought tolerant landscaping which is included in approved FY 2013-2014 budget. Director Raley indicated he will support staff's efforts. Further discussion ensued regarding Redlands Plaza Enterprise. Staff recommended moving \$400,000 from Land Resource Enterprise Reserve to General Fund Enterprise Reserve to better match the targets set by the Board for allocation of reserves.

**It was moved by Director Raley and seconded by Director Day to move \$400,000 from Land Resource Enterprise Reserve to General Fund Enterprise Reserve and revise Reserve Policy and bring back to full board for review and final approval. The motion carried unanimously.**

## **6. OVERHEAD RATE IMPLEMENTATION AND ADJUSTMENT**

Mr. Cozad reviewed this item. Mr. Cozad stated that most cost items are directly allocated to each enterprise by the level of their usage. He noted that items highlighted in yellow from page 30-32 are included in overhead calculations. The items that he referred to are items that are not directly allocated to specific enterprises because their use is not specifically allocable. Overhead is allocated to all efforts except the general fund depending on labor that is charged out to each enterprise. He indicated that overhead used for the past 2 years was calculated at 20% because records were not available to determine the actual overhead. The review of the past years and current budget indicate that the items highlighted would require approximately 30% to recover their cost. General Fund shows a loss due to not allocating enough overhead. Staff will complete an Overhead Policy showing how overhead is calculated. Brief discussion ensued. Director Raley suggests looking at the overhead percentage calculated by dividing costs into the total of salary and benefits. This would be the most appropriate percentage to use and would change the percentage but would represent the same as the 30%.

**Director Raley moves the recommendation to bring to the full board for approval the new overhead rate equivalent to 30% for fiscal year 2013-2014 attributable to General Fund and will be reviewed and adjusted annually by Staff and will be presented as part of the budget. It was approved unanimously.**

#### **7. EXPENDITURE PROCESSING AND APPROVAL POLICY**

Mr. Cozad reviewed current process and why it is in place. RAMS indicated that the level of signing the Board does for checks and expenditure sheets or warrants is somewhat redundant. RAMS indicated that payroll is paid without having any countersignatures and that there are other items likely do not need more than one signature. It was RAMS recommendation that anything below \$5,000 require one signature and levels above that be counter signed by a Director. Director Raley indicated that the bank does not check for a countersignature anyway. He also stated that all items paid including electronic transfers need to be on the monthly expenditure report. Director Raley stated that real control is the expenditure reports that are reviewed monthly by the Board included in every Board package. Chair McDonald verified current deposit procedures and separation of duties. She also stated that since Mr. Cozad has an expenditure limit of \$25,000 there should be no conflict with him signing checks that fall within the \$5,000 limit. Staff's suggestion was to add Jeff Beehler, Land Resource Manager as another signatory. It was the concurrence of the Committee to forward with the committee's recommendation and revisions to the Expenditure Processing and Approval Policy.

#### **8. WASH PLAN PROJECT ACCOUNTING APPROACH**

Mr. Cozad reviewed the handout on Project Accounting Options for the Wash Plan. There are two options recommended in the handout: Option 1: Separate enterprise which would be called the Wash Plan Enterprise and Option 2: Separate company in QuickBooks and include a separate bank account. Director Day suggested that since there are multiple separate agencies involved it may be better to have to go with Option 2. Mr. Cozad stated that Option 1 will allow for staff to run a profit and loss without the task of keeping a completely separate set of books. He indicated the least level of difficulty is to create a separate enterprise in Option 1. He stated that Option 1 would include taking the general ledger accounts (GL's) out of the Land Resource Enterprise and allocating them to their own enterprise. Mr. Cozad stated that Option 2 would include staff opening up a new bank account for the Wash Plan as well as keeping another set of books. Director Raley stated that Option 2 is his preference, but he is sensitive to the amount of work that is required and the District's minimal staffing and he is in support of Option 1. Mr. Cozad said that if at some point the Wash Plan were to divest the wash plan efforts Option 2 would be easier. He also indicated that changes can be made at a later date if the Board and Task Force desire to change the accounting methods. Mr. Cozad indicated the changes will be reported out to the full board when staff implements the new enterprise.

#### **9. BOARD POLICY HANDBOOK**

Chair McDonald introduced this item for discussion. There was a handout provided of the redlined Board Policy Handbook. Director Raley stated that travel is not a meeting and should not be reimbursable. Chair McDonald stated that a travel day has been considered a day of service and has historically been reimbursed by the District. Mr. Cozad stated that if a travel day is to be reimbursable it will need to be included in policy. Chair McDonald indicated that signing checks is not a meeting but is a District required necessary function. Director Raley reviewed the definition of a meeting aloud. He stated that the existing ordinance needs to be in compliance with 53232.1 defining a meeting. Mr. Cozad stated that the issue of what a director can be compensated for has been an issue in the past where staff has been asked to reimburse directors for items not included in policy. One of these areas is travel days. He also noted an occasion where Chair McDonald drove back to the District from San Diego in order to sign checks and requested a per diem for that. She stated that check signing is a district required necessary function. In the past there had always been two staff members that would sign checks. Director Day stated if you perform a District necessary function of the District and occurs rarely that the check signor should be reimbursed a per diem for that day. Director Raley stated that we should get a designated signor who is agreeable to not accept a per diem. He also stated that the resolution says who check signors are but there is no legal requirement to have Chair and President sign checks. Mr. Cozad indicated that there is a small subset of \$5,000 and more checks. Discussion ensued. Director Raley does not feel that they need additional compensation for check signing. Director Day stated that there needs to be more emphasis on being a board member and that it is essentially community service.

Director Day requested that outside activities being submitted in a written report similar to that of the General Manager's Report. Director Raley would support having a written report. He stated that anything that does not fall under the definition of a District meeting would require a report. This would include presentations, outside meetings that are not considered District Requested, conferences and education seminars; including chamber meetings. Director Raley stated that it should include the five most important things that were learned at the meeting. Chair McDonald asked if the written report would be required in order to get compensation. Director Day stated that it should be submitted in place of an oral report and would be a requirement to receive compensation for the meeting. Mr. Cozad stated that if we implement the written requirement for Board activities it would need to be attached to expense report or Staff could hold payment until Board report is given at the meeting. He suggested that you add the meeting that is required to have a written report also have a section as to why the meeting is relevant to the District.

It was the concurrence of the committee to revise the policy to include the revision to meeting definition and to allow for a per diem to be paid for one travel day related to District function. Directors should not be paid for more than one travel day and should accept the least costly of the two forms of travel whether its air fare or mileage.

Director Raley proposed abolishing board approvals for events that are set by board action or require travel approval. He recommended setting a budget for each individual board members and allow the funds to transfer among board members. Director Day stated that the Board already has a mechanism in place to restrict overspending in the form of the limit of 9 board

meeting and maximum of 3 Director Selected. Mr. Cozad stated that conferences are where additional costs are incurred. There was recommended revisions on this item from committee.

10. ADJOURN

**It was moved by Director Day and seconded by Director Raley to adjourn. The motion carried unanimously.**

There being no further business, the meeting adjourned at 10:56 a.m.