



Those persons wishing to speak on any item included on the agenda should contact the Senior Administrative Assistant via email at [jmireles@cbwcd.org](mailto:jmireles@cbwcd.org) or contact the District Office at (909) 626-2711 at least two hours prior to the advertised starting time of the meeting. During the Public Communications Section, each person's name will be called.

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Link: <https://zoom.us/j/8202857917>

Call In: 408-638-0968  
669-900-6833

Meeting ID: 820 285 7917

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#### FINANCE COMMITTEE MEETING

Chino Basin Water Conservation District  
4594 San Bernardino Street  
Montclair, CA 91763

Monday, September 20, 2021

2:00 p.m.

#### AGENDA

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#### CALL TO ORDER

#### ROLL CALL

Finance Committee Members: Committee Chair Marc Grupposo, Directors Gil Aldaco and Hanif Gulmahamad.

## **ADDITIONS OR CHANGES TO THE AGENDA**

*In accordance with Section 54954.2 of the Government Code (Brown Act), a two-thirds vote (or unanimous vote if less than two-thirds are present), is required to add an item for action, provided that there is a need to take immediate action and that the need for action came to the attention of the agency after the agenda was posted.*

**PRESENTATIONS** – None.

## **PUBLIC COMMUNICATIONS**

*This is the time and place for the general public to address the Finance Committee. Due to Brown Act requirements, action will not be taken on any issues not on the Agenda; however, the Finance Committee may refer comments and concerns to staff or request the item be placed on a future agenda. In accordance with District Resolution No. 2020-05: Decorum During Public Meetings, each speaker shall be allotted five (5) minutes of time to address the Board.*

## **DISCUSSION ITEMS**

### **1. Policy No. XX, District’s Reserve Policy**

Report by: Elizabeth Skrzat, General Manager  
Toyasha Sebbag, Administrative Services Manager

RECOMMENDATION: Review, discuss, and recommend Board approval of Policy No. XX District’s Reserve Policy and Resolution No. 2021-XX authorizing the transfer of funds between 2021 Budget Appropriations and Reserve Funds.

**ORAL REPORTS** – None.

**CLOSED SESSION** – None.

## **ADJOURN**

The Finance Committee will adjourn to the next Regular Meeting of the Chino Basin Water Conservation District, which will be held on October 11, 2021 at 2:00 p.m. online at: <https://zoom.us/j/98961622935>.

I, Jerry Mireles, Senior Administrative Assistant of the Chino Basin Water Conservation District, do hereby certify that a copy of this agenda has been posted by 2:00 p.m. on September 17, 2021.



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Jerry Mireles, Senior Administrative Assistant





**STAFF REPORT**  
**CHINO BASIN WATER CONSERVATION DISTRICT**  
**FINANCE COMMITTEE MEETING**

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**MEETING DATE:** September 20, 2021 **AGENDA ITEM:** DI 1

**FROM:** Elizabeth Skrzat, General Manager  
Toyasha Sebbag, Administrative Services Manager

**SUBJECT:** Policy No. XX, District's Reserve Policy

**ATTACHMENT(S):** 1) Policy No. XX, District's Reserve Policy  
2) Resolution 2021-XX Authorizing the Transfer of Funds Between 2021 Budget Appropriations and Reserve Funds

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**RECOMMENDATION**

Review, discuss, and recommend Board approval of Policy No. XX District's Reserve Policy and Resolution No. 2021-XX authorizing the transfer of funds between 2021 Budget Appropriations and Reserve Funds.

**FISCAL IMPACT**

The recommended level of reserves will strengthen the District's ability to navigate future economic challenges and provide the District with the means to respond to opportunities with a healthy reserve balance.

**BACKGROUND**

On February 8, 2021, the Board of Directors approved participation in the Special District Leadership Foundation (SDLF's) District Transparency Certificate of Excellence Program. Part of the requirements is that the District establishes a Reserves Policy. Moreover, there are many reasons for adopting a reserve policy, including adopting a shared vision of how extra funds should be disbursed, objectivity in long-term planning, and government transparency.

The proposed Reserve Policy will

- 1) Provide adequate funding to meet short and long-term plans;
- 2) Minimize adverse annual and multi-year budgetary impacts from anticipated and unanticipated expenditures; and

- 3) Strengthen the financial stability of the District against present and future uncertainties in an ever-changing environment.

### **ISSUES & ANALYSIS**

Reserve are funds set aside to achieve district objectives, respond to operational uncertainties, and respond to emergencies. Funds are generally kept in three (3) categories:

- 1) Unrestricted, Unassigned: May be allocated by the Board at any time for any lawful purpose of the District.
- 2) Unrestricted, but Assigned: These are funds set aside by the Board to achieve specific objectives or address specific District uncertainty or threats. The Board may reallocate these funds at any time by Board action. The funds may be comingled for financial management purposes.
- 3) Restricted Funds: These funds are permanently set aside to achieve specific objectives and may not be reassigned to another District purpose.

The proposed District's Reserve Policy takes into account staff reviewing the operations of the District including potential future operational and emergency uncertainties to determine criteria for sizing the reserve fund needs. The sizing of the reserve funds should be done annually and with the forethought of the fiscal year end budget. Any depletion of the reserve fund in a given year should be addressed in the next year's budget cycle and the replenishment of the reserve funds done in the subsequent year or years depending upon District needs.

The reserve funds created will be utilized for the specific purposes set forth in the attached Resolution. The Operating Reserve is held in the 30026 Operating Reserves account is established are established Unrestricted but Assigned Fund. The Capital Improvement Funds are 30012 Major Structural Failures/Emergency, 30022 Basin Improvements, and 30027 District Facilities Reserve are established Unrestricted, but Assigned Funds. With this Resolution, the Finance Committee would be recommending that the Board of Directors direct \$1,000,000 in 2021 unspent budget appropriations to be reallocated to these designated funds.

# Attachment 1

**Policy No.:** XX  
**Issue No.:** 1  
**Effective Date:** TBD  
**Subject:** District's Reserve Policy

## **Policy No. XX – District's Reserve Policy**

**Purpose:** The purpose of the District's Reserve Policy is to ensure that the District has adequate funding available to meet its operating and capital obligations. Reserves should be managed in a manner to fund costs consistent with its annual capital improvement program, forward-looking financial plan, and other long-term plans.

### **Policy/Procedure:**

The Board of Directors may establish reserve funds and reserve minimum balances as it determines to be in the best interest of the District. The reserve balances are intended to ensure that the District has enough reserves to meet current and future needs. Such balances shall be reviewed by the Board and District staff on an annual basis as part of the budget process.

With this Policy, the District establishes and segregates several reserve funds to protect the investment in various assets and to meet its financial, regulatory, and contractual obligations. The proper management of these reserves will provide additional assurance that the current levels of service quality and reliability will be met now and into the future.

This Reserve Policy establishes the reserve funds and the level of reserves necessary for adequately providing for the following.

- Funding infrastructure replacement
- Cash flow requirements
- Economic uncertainty
- Local disasters or catastrophic events
- Unfunded mandates and regulatory changes and requirements

### **Reserve Funds:**

The District's reserve funds may be generally classified as operating, capital, and restricted funds. A "fund" is a segregation within the District's accounting system to keep sources and uses of funds easily identifiable and reportable.

The cash reserve balances are to be maintained in separate funds within the accounting system in a manner that ensures accurate tracking of transactions and transparency to the District's taxpayers. The District will follow standardized methods of financial reporting such as Governmental Accounting Standards Board (GASB) No. 34 and/or No. 54.

# Attachment 1

**Policy No.:** XX  
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Target reserves are minimum levels set for each fund. The minimum reserve balances are intended to support a sustainable financial condition, recognizing the risk and long-range financial planning perspective that is acceptable to the District. It is intended that interest income generated from any specific restricted reserve fund remain in such fund until any regulatory or contractual maximum is achieved. Once such maximum is achieved, interest income will be allocated to the Operating Fund until its maximum is reached as stated in this Reserve Policy. Reserves over the maximum are transferred to the associated Capital Replacement Fund. The following funds and reserve targets are established with this Reserve Policy.

### **Operating Fund Reserve:**

Purpose: The purpose of the Operating Fund Reserve is to provide working capital to meet cash flow needs during normal operations and to support the operation, maintenance and administration of the District. The reserve is intended to reduce impacts from unforeseen events such as property tax revenue decrease, litigation, and legislative actions. This reserve ensures that operations can continue should there be significant events that impact cash flows.

Target Operating Reserve: The Target Operating Reserve for this fund is established as at a minimum of 6-month of annual operation and maintenance ("O&M") expense or no less than \$1.5 million. The Operating Reserve is held in the 30026 Operating Reserves account.

### Authority to Use Operating Reserve:

Authority for use of up to 30% of operating reserves is delegated to the General Manager in consultation with the Board Treasurer. The use of operating reserves will be reported to the Board of Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds, and plans for replenishment to restore the Operating Reserve Fund to the target minimum amount. General Manager must receive prior approval from the Board of Directors for use of operating reserves in excess of 30%.

### **Capital Replacement Fund Reserve:**

Purpose: The Capital Replacement Fund Reserve is used to fund future replacement of system capital assets and capital projects and to provide a cushion for uncertainty in the long-range capital replacement program. The reserve provides for timely repair and replacement of system capital facilities.



# Attachment 1

**Policy No.:** XX  
**Issue No.:** 1  
**Effective Date:** TBD  
**Subject:** District's Reserve Policy

Target Reserve: The Target Reserve for the water system is two times the projected 5-year Capital Improvement Program expenditures, or no less than \$5 million. The Capital Reserve is further divided into the following funds: These funds are 30012 Major Structural Failures/Emergency, 30022 Basin Improvements, and 30027 District Facilities Reserve are established Unrestricted, but Assigned Funds.

Authority to Use Capital Reserves:

Any use of the Capital Reserves must be approved by the Board of Directors accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Capital Reserve Fund to the target minimum amount.



# Attachment 2

## RESOLUTION NO. 2021-XX

### **A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CHINO BASIN WATER CONSERVATION DISTRICT AUTHORIZING THE TRANSFER OF FUNDS BETWEEN 2021 BUDGET APPROPRIATIONS AND RESERVE FUNDS**

**WHEREAS**, the Chino Basin Water Conservation District (“the District”) is a water conservation district located organized and operating pursuant to California Water Code Section 74000 et seq.;

**WHEREAS**, Article XIII B, Section 5, of the California Constitution states that each entity of government can establish contingency, emergency, reserve, or similar funds as it deems reasonable and proper;

**WHEREAS**, It is fiscally responsible to set aside cash reserves to prepare for planned and unexpected expenses in the future.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Chino Basin Water Conservation District as follows:

#### Section 1. Created

The reserve funds set forth in Section 3 are hereby created. The General Manager shall establish and maintain the reserve funds in accordance with the District’s Reserve Policy. All dollar amounts indicated are 2021 dollars.

#### Section 2. Utilization.

The reserve funds created will be utilized for the specific purposes set forth in this Resolution. Fund 30026 Operating Reserves is a newly created Unrestricted but Assigned fund. Funds 30012 Major Structural Failures/Emergency, 30022 Basin Improvements, and 30027 District Facilities Reserve are established Unrestricted, but Assigned Funds. With this Resolution, the Board of Directors is directing \$1,000,000 in 2021 unspent budget appropriations to be reallocated to the following reserve funds:

#### Section 3. Funds.

- A. 30026 Operating Reserves. The operating reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes to ensure financial solvency of the District.
- B. 30012 Major Structural Failures/Emergency. Reserves will be used to provide for recovery from natural disasters, such as earthquakes, floods, fire and other catastrophic events. It would also allow the District to fund emergency repairs caused by structural failures or any other unexpected damage to District infrastructure unrelated to natural disasters, allowing for timely repair of capital infrastructure.
- C. 30022 Basin Improvements. Reserves will be used for the replacement of a major component of water infrastructure (e.g. basin rehabilitation), for changes to the

## Attachment 2

infrastructure required to meet new regulatory mandates, or for the planned replacement of assets where the cost of the replacement is greater than the current revenue available.

- D. 30027 District Facilities. Reserves will be used for making improvements and major repairs to the District's Waterwise Community Center campus at 4594 San Bernardino Street, Montclair, CA. This reserve fund may also be drawn down for planned building and facilities expenditures are made.

\$1,000,000 RESERVE FUND REALLOCATION			
	Current Balance	Allocation Amount	New Balance
30026 O&M Reserves	\$ 0	\$ 400,000	\$ 400,000
30012 Major Structural Failures/Emergency	\$ 1,500,000	\$ 200,000	\$ 1,700,000
30022 Basin Improvements	\$ 1,500,000	\$ 200,000	\$ 1,700,000
30027 District Facilities Reserve	\$ 0	\$ 200,000	\$ 200,000
<b>TOTAL</b>	<b>\$ 3,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 4,000,000</b>

This Resolution supersedes previous Resolutions and shall take effect immediately upon its adoption.

ADOPTED this 11<sup>th</sup> day of October 2021.

AYES:

NOES:

ABSTAIN:

ABSENT:

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors