



San Gabriel Basin Water Quality Authority

1720 W. Cameron Avenue, Suite 100, West Covina, CA 91790 • 626-338-5555 • Fax 626-338-5775

**WQA ADMINISTRATIVE/FINANCE COMMITTEE
AND SPECIAL MEETING OF THE BOARD OF DIRECTORS
TO BE HELD ON TUESDAY, NOVEMBER 8, 2022 AT 10:00 A.M.
AT
1720 W. CAMERON AVE., SUITE 100 IN WEST COVINA, CA**

With passage and signing of AB 361 and in light of the ongoing Statewide State of Emergency originally declared by Governor Newsom on March 4, 2020, WQA Board Meetings will continue to be conducted via remote teleconferencing, subject to the requirements of Government Code Section 54953(e). Members of the public can participate remotely via Zoom following the instructions provided below. Members of the public may also submit comments in writing to Stephanie@wqa.com which comments will be distributed to the members of the Board, provided such written comments are received prior to the meeting start time. To address the Board during the meeting you may use the "raise hand" feature and you will be called up on when appropriate.

To attend the meeting please register in advance at:

https://us06web.zoom.us/webinar/register/WN_E65d8cThR6KBtd4ih8y8ng

A confirmation email will be sent to you with instructions on how to join the meeting virtually or a call-in option

**The Administrative/Finance Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board that are not assigned to the Administrative/Finance Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the Committee as advisory to the Board, members of the Board who are not assigned to the Administrative/Finance Committee will not vote on matters before the Committee*

AGENDA

Committee Members: Mike Whitehead, Lynda Noriega and Mark Paulson

Liaison Member: Dave Michalko

- I. Call to Order
- II. Public Comment
- III. Discussion Regarding WQA Meeting Format [enc]
- IV. Discussion Regarding WQA Retirement Account Options [enc]
- V. Discussion Regarding Administrative Procedure No. 41 - Reserve Fund Policy [enc]
- VI. Discussion Regarding Disposal of Surplus Personal Property [enc]
- VII. Executive Director's Report
- VIII. Adjournment



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AGENDA SUBMITTAL

To: Administrative/Finance Committee
From: Randy Schoellerman, Executive Director
Date: November 8, 2022
Subject: **WQA Meeting Format**

Summary

On September 13, 2022, the Governor signed Assembly Bill 2449 into law. Effective January 1, 2023, AB 2449 effectively creates four periods with differing options for remote access to, and member attendance of, local agency public meetings under the Ralph M. Brown Act. At the Admin/Finance Committee in October committee members asked for additional clarification of AB 2449 requirements. Staff will provide an update to the committee on the impact of implications of complying with AB 2449 going forward.

Recommendation/Proposed Action

Discuss remote meeting options for policy consideration.



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AGENDA SUBMITTAL

To: Administrative / Finance Committee
From: Randy Schoellerman, Executive Director
Date: November 8, 2022
Subject: Update on WQA Retirement Account Options

Background and Discussion

At the June 22, 2022, Board meeting, the Board approved the Amended and Restated WQA Employee Pension Plan. At the time of approval, the Board asked staff to look into additional plans that would allow for employee contributions.

This staff report is a discussion of the options for other employee participation plans.

WQA currently participates in the 401(a) Employee Pension Plan, which provides for a guaranteed contribution from the WQA. Additionally, employees are eligible to participate in a 457(b) deferred compensation plan, in which they can defer wages up to the IRS limits.

Mr. Ken Mabie, of EGPA, is the WQA's Pension Plan administrator and advisor. He initially said that an after-tax and/or Roth type of deferral may be an option. After further research, he stated that with the 401(a) Plan and the 457(b) Plan, the WQA has its bases covered and an additional plan would not be beneficial to employees. The employees have the option to personally open a non-deductible IRA account, or a ROTH IRA account, again subject to the IRS AGI thresholds.

Recommendation

Staff recommends no action be taken.



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AGENDA SUBMITTAL

To: WQA Administrative / Finance Committee
From: Randy Schoellerman, Executive Director
Date: November 8, 2022
Subject: **Update to Administrative Procedure No. 41 - Reserve Fund Policy**

Discussion and Recommendation

Staff recommends an update to the Reserve Fund Policy to clarify that (1) interest earned on Restricted Reserves held in LAIF for the FFPA projects are included in designated reserves and are unrestricted, and that (2) interest earned on Restricted Reserves for the South El Monte Operable Unit (SEMOU) Trustee Funds are restricted and are credited to the SEMOU reserves.

- See Section 4.2 of the Policy for the new language regarding the LAIF interest.
- See Section 5.2 Policy for the updated language which clarifies that the interest earned on the SEMOU reserves shall be credited to those reserves.

Enclosure

Policy 41 - Reserve Fund Policy Draft Update

DRAFT

ADMINISTRATIVE PROCEDURES

No. 41

Date: 2/17/2021

Revised: 11/16/2022

Page 1 of 3

Reserve Fund Policy

1. Purpose

The purpose of maintaining adequate reserves is to ensure that there are appropriate levels of working capital in the Authority's funds to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenses) and to ensure stable assessment rates.

Properly designed policies send a positive signal to the community of water producers, ratepayers, responsible parties and regulatory agencies that the Board is committed to the Authority's long-term financial health and viability. Prudent financial management and best practices dictate that the Authority maintain appropriate reserves to fund daily operations and those reserves required as a result of legal or external requirements.

2. Objectives

- To establish sound formal fiscal reserve policies to ensure strong fiscal management to guide future Authority decisions.
- To build adequate reserves over time. This action will provide the Authority with resources to help stabilize the Authority's finances and position it more easily to absorb economic downturns or large-scale emergencies.
- To help smooth assessment rates from year-to-year for prescriptive pumping right holders.
- To provide funding for current and future replacement of existing assets as they reach the end of their useful lives.
- To assist the Authority in meeting its short-term and long-term obligations and to ensure that the Authority maintains the highest possible credit rating.

3. Definitions

Reserves are defined as the amount of Cash and Investments in that fund, plus the Accounts Receivable, less the Accounts Payable and less Amounts due to Others in the fund. This methodology indicates the relatively liquid portion of total enterprise fund capital, which constitutes a margin or buffer for meeting obligations.

3.1 Designated Reserves: Designated reserves are reserves that are established and set aside to be used only for a specific, designated purpose (classified as unrestricted on the audited financial statements).

3.2 Restricted Reserves: Restricted reserves are reserves that are restricted by the Board of Directors, or by an outside source, such as by statute, regulation, court order, or contract (classified as restricted on the audited financial statements).

3.3 Undesignated Reserves: It is assumed that all reserves will be Designated or Restricted, and therefore, there will be no undesignated funds per policy. (These are classified as unrestricted on the audited financial statements).

NOTE: The Authority's audited financial statements segregate Net Position, which includes the effects of all assets and liabilities, some of which are not liquid, or have not been included in the current year budget. Therefore, the definition of Reserves is different than the Net Position, and the two terms should not be used synonymously.

4. Designated Reserves

4.1 Assessment Reserves (operating reserves): These reserves cover operating costs for an established period of time. These reserves will ensure continuity of service regardless of cash flow and are considered working capital to be used to fund current expenses as needed. The funding for assessment reserves (operating reserves) is generated by annual assessments on prescriptive pumping rights in the San Gabriel Basin.

Policy: Maintain minimum assessment reserves at six (6) months or 50 percent of current year budgeted expenses with a goal of achieving assessment reserves of nine (9) months or 75 percent of current year budgeted expenses. The balance will fluctuate from month to month as assessment revenues are utilized to fund operations. However, the year-end objective is to achieve the minimum budgeted ending reserves balance.

4.2 Interest Earned on LAIF Funds: *Interest earned on the restricted reserve held in LAIF for the FFPA projects (see 5.1 below) shall be credited to the Authority's unrestricted funds.*

5. Restricted Reserves

Reserves for Future Commitments: These reserves are established by the Board and/or by contract to ensure that specific funds are set aside to provide for future payments. The following are currently in place.

5.1 Federal Funding Program Administration (FFPA) projects awarded but not yet reimbursed to the award recipient.

5.2 South El Monte Operable Unit (SEMOU) Trustee Funds – These are funds recovered from responsible parties to be utilized for funding specific projects as defined by contract.

Policy: Interest earned on the SEMOU reserves shall be credited to these reserves. There should be a positive balance in this fund at all times.

Other Special Purpose Reserves: The Board may, at its discretion, set aside reserves for a special project or purchase.

6. Reserve Procedures

- The Director of Finance will perform an annual reserve review to be submitted to the Board of Directors as a component of the annual budget process.
- The annual review determines if the funding levels are still appropriate and aligned with Board goals and objectives.
- Periodically, an interim reserve review will be performed and presented to the Administrative / Finance Committee to determine current status of reserve funds.
- A reserve review will be required when a major change in conditions threatens the reserve levels established by this policy.



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AGENDA SUBMITTAL

To: WQA Administrative / Finance Committee
From: Randy Schoellerman, Executive Director
Date: November 8, 2022
Subject: Disposal of Surplus Personal Property

Background and Discussion

Under WQA Administrative Procedure 35, the Executive Director has the authority and responsibility for the disposal of surplus personal property that has been maintained as fixed assets of the WQA. If it is determined that the items are either broken, obsolete or of no further use for the purposes of the WQA, the Executive Director shall submit the items to the Board of Directors to be declared surplus.

WQA wishes to dispose of surplus equipment, as listed on the attached schedule that is either damaged, obsolete or has been replaced with updated technology, and is of no further use. These items have been fully depreciated and have a net book value of \$0.

Under Guideline #1 of Administrative Procedure 35, the value of the property shall be determined by the Executive Director after contacting appraisers or dealers, vendors, or other businesses which buy used equipment or take such items as trade-in. After review of the list of surplus items and further examination of the actual equipment, it was determined that the items proposed for disposal do not have any resale value. Guideline #3 states that if the property has no reasonable resale value, the Executive Director may determine to donate the property to another governmental agency or a charitable institution.

Recommendation / Proposed Action

Recommend that the equipment items listed on the attached schedule be declared surplus allowing the Executive Director to dispose of the property in accordance with Administrative Procedure 35.

