



# 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, DECEMBER 13, 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](mailto: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\\_1RYFpxxeTWuzIA\\_\\_co9U8Q](https://us06web.zoom.us/webinar/register/WN_1RYFpxxeTWuzIA__co9U8Q)

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

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*\*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*

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## AGENDA

**Committee Members:** Mike Whitehead, Lynda Noriega and Mark Paulson

**Liaison Member:** Dave Michalko

- I. Call to Order
- II. Public Comment
- III. Discussion Regarding Remote Meeting Policy [available prior to meeting]
- IV. Discussion Regarding Interim Budget and Assessment Reserve Review for FY 22/23 [enc]
- V. Discussion Regarding Draft Federal Funding Program Administration Recommendations (FFPA) [available prior to meeting]
- VI. Executive Director's Report
- VII. Adjournment



# San Gabriel Basin Water Quality Authority

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## AGENDA SUBMITTAL

**To:** WQA Administrative / Finance Committee  
**From:** Randy Schoellerman, Executive Director  
**Date:** December 13, 2022  
**Subject:** **Interim Budget and Assessment Reserve Review for FY 22/23**

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### OVERVIEW

In February 2021, the Board approved Administrative Procedure No. 41, Reserve Fund Policy.

Section 4.1 of the Procedure defines and establishes Assessment Reserves as the reserves that cover operating costs. The Assessment Reserves are funded by an annual assessment on prescriptive pumping rights in the San Gabriel Basin. The Policy establishes a minimum assessment reserve of 6 months or 50 percent of current budgeted operating expenses with a goal of achieving reserves of 9 months or 75 percent of budgeted expenses.

Section 6, Reserve Procedures, requires that an interim reserve review be performed and presented to the Administrative /Finance Committee to determine the status of reserve funds.

This presentation is the Interim Assessment Reserve Review in accordance with the Policy.

### DISCUSSION

The assessment rate is determined during the annual WQA budget process. Typically, the WQA draft budget is presented to the Board and the public during April and May of each year, with the budget being approved at the May Board Meeting. The Board adopted the FY 22/23 budget on May 18, 2022, with an annual assessment of \$12/acre ft on 197K acre-ft. of prescriptive pumping rights.

Staff is presenting the following documents to the Administrative/Finance Committee for discussion and analysis.

- Page 1 Summary of the Approved Budget for FY 22/23 - shows the assessment reserve for WQA with the current assessment of \$12 per acre foot of prescriptive pumping rights. For reference, as of April 2022, the maximum assessment that can be charged is \$16.44 per acre foot. This limit is increased each year by the April CPI.
- Updated Detail of Assessment Reserves - FY 21/22 has ended and staff has been able to determine the actual use of assessments for the fiscal year ended 6-30-2022. This schedule compares the budgeted increase in assessments to the actual increase in assessments for FY 21/22.
- Charts and schedules of projected assessment needs for the next five years (see charts and schedules A, B, and C).

Included in the projections are the impacts of the Prop 1 funding for SEMOU projects, three years of Prop 68 funding for T & R throughout the San Gabriel Basin, and the annual operating costs, funding acquisition costs as well as the federal funding from Restoration Funds received in September 2022.

## **RECOMMENDATION/PROPOSED ACTION**

Discussion of Assessment Reserve analysis and projected assessments.

### Attachments

- *Page 1 Summary of Approved Budget for FY 22/23*
- *Detail of Assessment Reserves from Page 1 of Approved Budget*
- *Schedules A, B, and C: 5-year projections with annual assessments ranging from \$12/acre-ft. to \$14 acre-ft.*
- *Procedure 41 Reserve Fund Policy*

**SAN GABRIEL BASIN WATER QUALITY AUTHORITY  
BUDGET SUMMARY  
FOR FISCAL YEAR ENDING JUNE 30, 2023**

*FINAL adopted - May 18, 2022*

LINE ITEMS	Other Projects	Baldwin Park Operable Unit	El Monte Area Operable Unit	So. El Monte Operable Unit	Puente Valley Operable Unit	Area Three Operable Unit	Prop 68	Administration	Total Project Budget
	(5 Projects)	(10 Projects)	(6 Projects)	(10 Projects)	(3 Projects)	(2 Projects)			
<b>CAPITAL COSTS</b>	<b>\$2,431,600</b>	<b>\$887,680</b>	<b>\$89,000</b>	<b>\$408,300</b>	<b>\$3,419,040</b>	<b>\$56,900</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,292,520</b>
WQA Salaries	0	0	0	0	6,000	0		0	6,000
WQA Benefits	0	0	0	0	2,000	0		0	2,000
WQA Overhead	0	0	0	0	3,000	0		0	3,000
Government Relations	49,900	212,400	68,900	124,900	25,700	50,300		0	532,100
Community Relations	16,700	33,400	20,100	33,400	10,000	6,600		0	120,200
Project Construction	0	0	0	0	0	0		0	0
Contractors/Grants	2,365,000	641,880	0	250,000	3,372,340	0		0	6,629,220
Site Acquisition	0	0	0	0	0	0		0	0
<b>OPERATING EXPENSES</b>	<b>\$3,168,300</b>	<b>\$19,791,859</b>	<b>\$2,107,577</b>	<b>\$6,762,372</b>	<b>\$273,500</b>	<b>\$2,479,233</b>	<b>\$383,333</b>	<b>\$1,153,046</b>	<b>\$36,119,221</b>
WQA Salaries	15,000	117,500	35,500	139,500	35,000	6,500	0	435,000	784,000
Prop 68-WQA Salaries	0	0	0	0	0	0	100,000		100,000
WQA Benefits	5,000	38,778	11,725	46,500	11,667	2,100	33,333	141,896	291,000
WQA Overhead	7,500	58,750	17,750	69,750	17,500	3,300	50,000	576,150	800,700
Legal/Consultants	0	85,000	0	3,000	0	0		0	88,000
Utilities	0	0	0	20,000	0	0		0	20,000
Other (See attached pages)	0	12,000	1,000	0	4,000	0		0	17,000
Prop 68-Consultants	0	0	0	0	0	0	200,000	0	200,000
Prop 68-Treatment & Remediation	3,140,800	0	1,610,567	1,766,697	0	2,467,333	0	0	8,985,397
Treatment & Remediation Costs	0	19,479,831	431,035	4,716,925	205,333	0		0	24,833,124
<b>TOTAL CAPITAL &amp; OPERATING</b>	<b>\$5,599,900</b>	<b>\$20,679,539</b>	<b>\$2,196,577</b>	<b>\$7,170,672</b>	<b>\$3,692,540</b>	<b>\$2,536,133</b>	<b>\$383,333</b>	<b>\$1,153,046</b>	<b>\$43,411,741</b>
<b>REVENUES</b>	<b>\$5,599,900</b>	<b>\$20,679,539</b>	<b>\$2,196,577</b>	<b>\$7,170,672</b>	<b>\$3,692,540</b>	<b>\$2,536,133</b>	<b>\$383,333</b>	<b>\$1,153,046</b>	<b>\$43,411,741</b>
Rest. Fund/Title XVI/PRPs/Producers									
Restoration Funds (RF)	100,000	0	0	0	0	0	0	0	100,000
Potentially Responsible Parties	0	19,464,836	431,035	0	3,577,673	0	0	0	23,473,544
Water Producers (PROD)	0	1,002,440	0	1,700,000	0	0	0	0	2,702,440
State - SWRCB/Prop 84/Prop	2,265,000	0	0	1,171,382	0	0	0	0	3,436,382
SEMOU Cooperative Agreement	0	0	0	1,832,623	0	0	0	0	1,832,623
SEMOU Settlement Funding	0	0	0	0	0	0	0	0	0
Interest income	0	0	0	0	0	0	0	36,000	36,000
SWRCB DFA Proposition 68	3,140,800	0	1,610,567	1,930,519	0	2,467,333	300,000	0	9,449,219
WQA Assessment	94,100	212,263	154,975	536,148	114,867	68,800	83,333	1,117,046	2,381,533
<b>ASSESSMENT RESERVE</b>									
<i>Reserve balance from FY 2020-21</i>									2,459,841
<i>WQA 21-22 Assessments Collected @ \$12 acre foot</i>									2,371,320
<i>WQA 21-22 Projected Costs Funded By Assessments</i>									(1,966,512)
<i>Projected reserve balance for FY 2021-22</i>									<b>2,864,649</b>
<i>WQA Assessments Collected @ \$12 acre foot</i>									2,371,320
<i>WQA 22-23 Budgeted Costs Funded By Assessments</i>									(2,381,533)
<i>Projected Assessment Reserve for FY 22-23</i>									<b>2,854,436</b>
<b>WQA ASSESSMENT SUMMARY - "See Annotation 33, page 52"</b>									
WQA ASSESSMENT FOR FY 2022-23									<b>\$2,371,320</b>
WQA ASSESSMENT PER ACRE FOOT									<b>\$12</b>

	<u>ASSESSMENT RESERVE - APPROVED BUDGET</u>		<u>UPDATED ASSESSMENT RESERVE -</u>	
	<u>MAY 18, 2022</u>	Net Increase	<u>DECEMBER 2022</u>	Net Increase
<i>Reserve balance from FY 2020-21</i>	2,459,841		2,459,841	
<i>WQA 21-22 Assessments Collected @ \$12 acre foot</i>	2,371,320	} <b>404,808</b>	2,371,320	} <b>82,787</b>
<i>WQA 21-22 Projected Costs Funded By Assessments</i>	(1,966,512)		(2,288,533)	
<b><i>Projected reserve balance for FY 2021-22</i></b>	<b>2,864,649</b>		<b>2,542,628</b>	
<i>WQA Assessments Collected @ \$12 acre foot</i>	2,371,320	} <b>(10,213)</b>	2,371,320	} <b>438,052</b>
<i>WQA 22-23 Budgeted Costs Funded By Assessments</i>	(2,381,533)		(1,933,268)	
<b><i>Projected Assessment Reserve for FY 22-23</i></b>	<b>2,854,436</b>		<b>2,980,680</b>	

A

**RESERVE MINIMUM  
Use of Assessments**

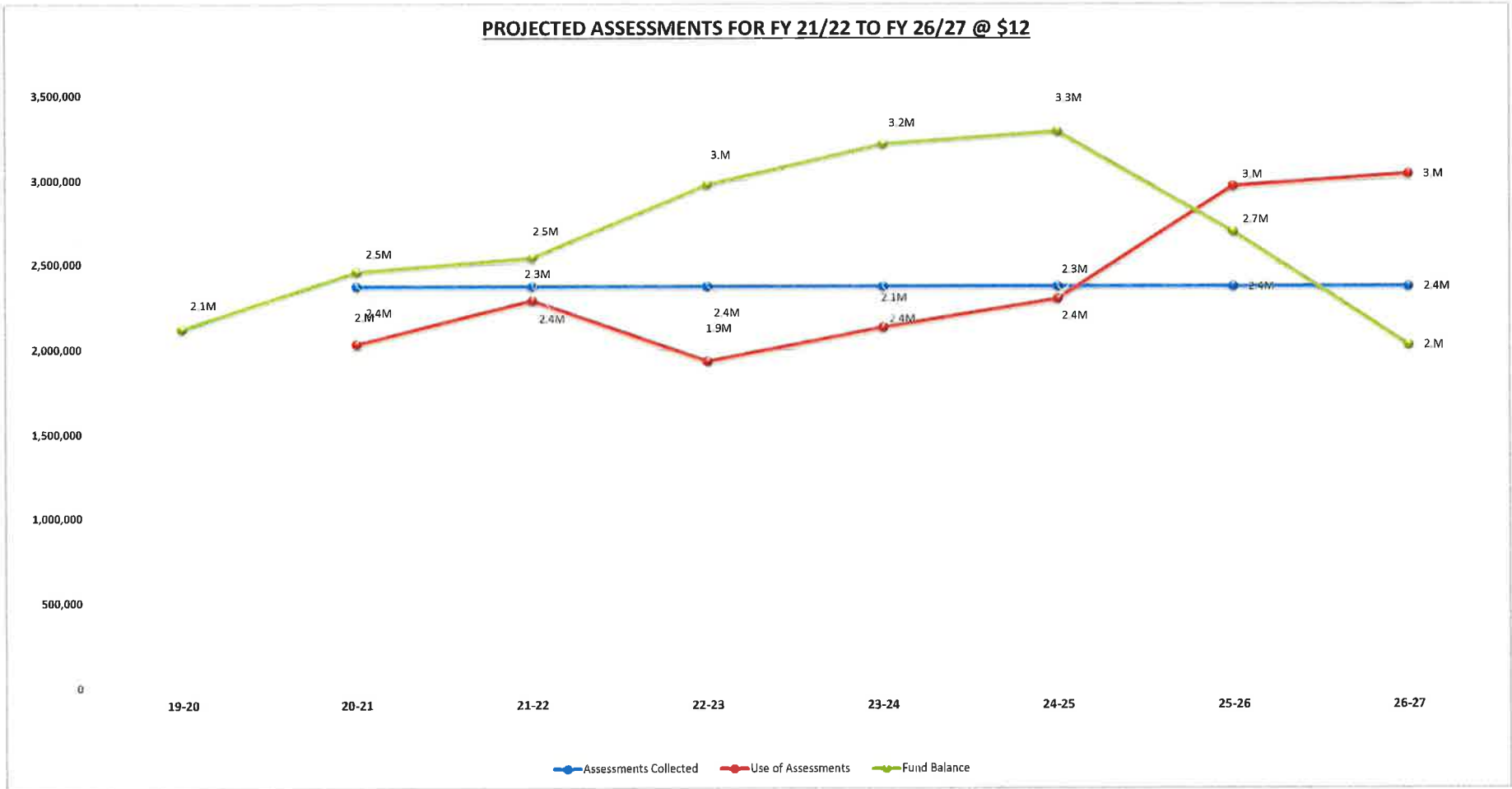
**San Gabriel Basin WQA**

**Projected Assessment Activity for the next 5 years**

**Assessments at \$12 for FY 22/23 to FY 26/27**

Includes Whitmore T&R for 5 years; with 3 yrs paid by Prop 68 (\$155k ANNUAL) and future T&R costs offset by FPPA (increase to \$310K ANNUAL T&R for FY 24/25)  
 Prop 68 Reimbursement \$362K for Prior Assessment Funded T&R (FY 22/23)  
 Prop 1 Match for Whitmore Site Expansion \$2M over 3 years (FY 23/24, FY 24/25, FY 25/26)  
 SEMOU Projected FPPA Awards for Whitmore & Prop 1 for FY 22/23 to FY 25/26

	Fiscal Year	Assessments		Fund Balance	RESERVE MINIMUM Use of Assessments	
		Collected	Assessments		75%	50%
	19-20			2,121,807		
	\$12 20-21	2,371,320	2,033,286	2,459,841	1,524,964	1,016,643
	\$12 21-22	2,371,320	2,288,533	2,542,628	1,716,400	1,144,267
1	\$12 22-23	2,371,320	1,933,268	2,980,680	1,449,951	966,634
2	\$12 23-24	2,371,320	2,131,012	3,220,988	1,598,259	1,065,506
3	\$12 24-25	2,371,320	2,297,036	3,295,272	1,722,777	1,148,518
4	\$12 25-26	2,371,320	2,968,194	2,698,399	2,226,145	1,484,097
5	\$12 26-27	2,371,320	3,040,906	2,028,812	2,280,680	1,520,453



B

San Gabriel Basin WQA

RESERVE MINIMUM  
Use of Assessments

Projected Assessment Activity for the next 5 years

Assessments at \$12 for FY 21/22 to FY 25/26 and then increase to \$13 for FY 26/27

Includes Whitmore T&R for 5 years; with 3 yrs paid by Prop 68 (\$155k ANNUAL)  
and future T&R costs offset by FPPA (increase to \$310K ANNUAL T&R for FY 24/25)

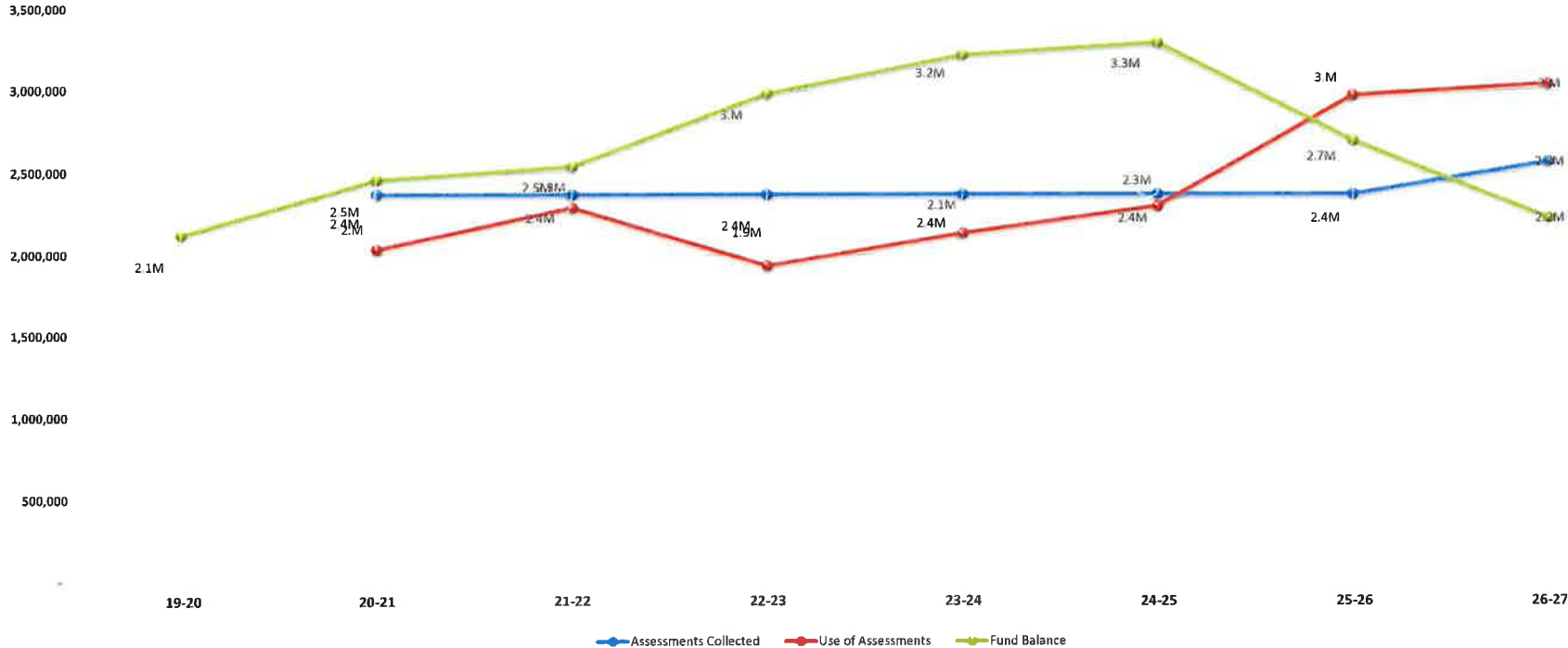
Prop 68 Reimbursement \$362K for Prior Assessment Funded T&R (FY 22/23)

Prop 1 Match for Whitmore Site Expansion \$2M over 3 years (FY 23/24, FY 24/25, FY 25/26)

SEMOU Projected FPPA Awards for Whitmore & Prop 1 for FY 22/23 to FY 25/26

Fiscal Year	Assessments Collected	Use of Assessments	Fund Balance	RESERVE MINIMUM Use of Assessments	
				75%	50%
19-20			2,121,807		
\$12 20-21	2,371,320	2,033,286	2,459,841	1,524,964	1,016,643
\$12 21-22	2,371,320	2,288,533	2,542,628	1,716,400	1,144,267
\$12 22-23	2,371,320	1,933,268	2,980,680	1,449,951	966,634
\$12 23-24	2,371,320	2,131,012	3,220,988	1,598,259	1,065,506
\$12 24-25	2,371,320	2,297,036	3,295,272	1,722,777	1,148,518
\$12 25-26	2,371,320	2,968,194	2,698,399	2,226,145	1,484,097
\$13 26-27	2,568,930	3,040,906	2,226,422	2,280,680	1,520,453

PROJECTED ASSESSMENTS @ \$12 THROUGH FY 25/26 & \$13 FY 26/27



C

San Gabriel Basin WQA

Projected Assessment Activity for the next 5 years

Assessments at \$12 for FY 20/21 to FY 25/26; \$14 for FY 26/27

Includes Whitmore T&R for 5 years; with 3 yrs paid by Prop 68 (\$155k ANNUAL)  
and future T&R costs offset by FFPA (increase to \$310K ANNUAL T&R for FY 24/25)

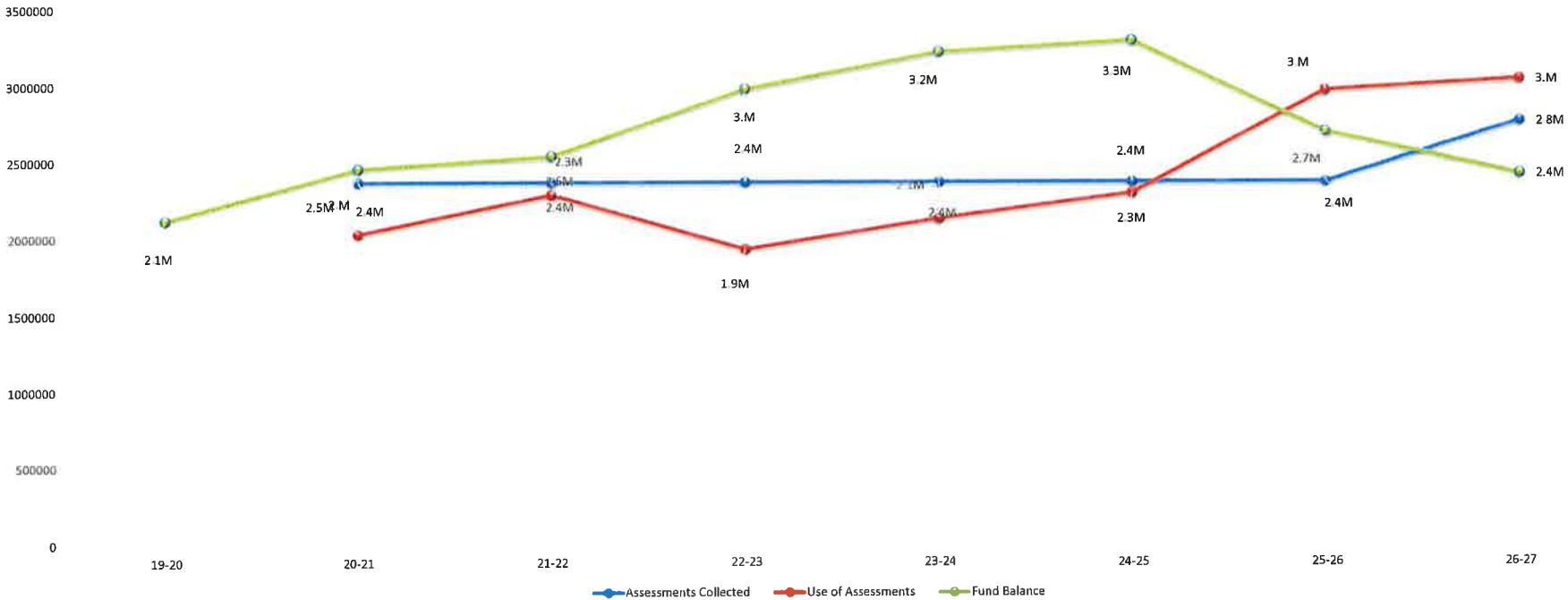
Prop 68 Reimbursement \$362K for Prior Assessment Funded T&R (FY 22/23)

Prop 1 Match for Whitmore Site Expansion \$2M over 3 years (FY 23/24, FY 24/25, FY 25/26)

SEMOU Projected FFPA Awards for Whitmore & Prop 1 for FY 22/23 to FY 25/26

Fiscal Year	Assessments Collected	Use of Assessments	Fund Balance	RESERVE MINIMUM Use of Assessments	
				75%	50%
19-20			2,121,807		
\$12 20-21	2,371,320	2,033,286	2,459,841	1,524,964	1,016,643
\$12 21-22	2,371,320	2,288,533	2,542,628	1,716,400	1,144,267
\$12 22-23	2,371,320	1,933,268	2,980,680	1,449,951	966,634
\$12 23-24	2,371,320	2,131,012	3,220,988	1,598,259	1,065,506
\$12 24-25	2,371,320	2,297,036	3,295,272	1,722,777	1,148,518
\$12 25-26	2,371,320	2,968,194	2,698,399	2,226,145	1,484,097
\$14 26-27	2,766,540	3,040,906	2,424,032	2,280,680	1,520,453

PROJECTED ASSESSMENTS @ \$12; INCREASE TO \$14 AT FY 26/27





## **ADMINISTRATIVE PROCEDURES**

No. 41

Date: 2/17/2021

Amended: 11/16/2022

Page 1 of 3

### **Reserve Fund Policy**

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#### **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 reserve held in LAIF for the FFPA projects 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.