



Salinas Valley Basin

Groundwater Sustainability Agency

www.svbgsa.org

BUDGET AND FINANCE COMMITTEE

Primary Directors Alejo, Brennan, Lipe, McHatten, and Secondo

TUESDAY, JUNE 12, 2018, 3:30 P.M.

SPECIAL MEETING

SALINAS CITY COUNCIL CONFERENCE ROOM

200 LINCOLN AVENUE, SALINAS

1. Roll Call
2. Approve May 3, 2018 minutes.
3. Consider recommending approval to the Board of Directors of the April 2018 Financial Reports.
4. Consider recommending approval of the final budget for Fiscal Year 2018-19
5. Future Budget and Finance Committee agenda items
6. Adjourn

MEETING ACCOMMODATION

Disability-related modification or accommodation, including auxiliary aids or services, may be requested by any person with a disability who requires modification or accommodation in order to participate in the meeting. Requests should be referred to the Clerk to the Board at camela@svbgsa.org or at 831-471-7519 as soon as possible but by no later than 5 p.m. two business days prior to the meeting. Hearing impaired or TTY/TDD text telephone users may contact the Agency by dialing 711 for the California Relay Service (CRS) or by telephoning any other service providers' CRS telephone number.

AGENDA POSTING

The meeting agenda was posted on June 8, 2018 in the City Hall Rotunda, 200 Lincoln Avenue, Salinas, CA and Monterey County Government Center, 1441 Schilling Place, Salinas, CA.

BUDGET AND FINANCE COMMITTEE

Primary Directors Alejo, Brennan, Lipe, McHatten, and Secondo

REGULAR MEETING AGENDA Thursday, May 3, 2018, 10 a.m.

Monterey County Government Center,

Saffron Room 1441 Schilling Place, Salinas, CA 93901

Roll Call

Present: Directors Alejo, Brennan, Lipe and Secondo

Absent: Chair McHatten

With Chair Absent, Director Brennan was by consensus appointed Chair Pro Tem for this meeting.

1. Review March 2018 Financial Reports and recommend approval to the Board of Directors. *Reviewed by Directors -Motion to accept by Director Secondo, seconded by Director Lipe, carried unanimously*
2. Approve Audit Engagement of Badawi & Associates to audit the GSA financial statements for the seven-month period ended June 30, 2017 and the year ended June 30, 2018 and recommend approval to the Board of Directors. *Reviewed by Directors. Motion to bring to full board made by Director Lipe, seconded by Director Secondo , carried unanimously*
3. It is recommended that the Budget and Finance Committee review the RGS Agreement extension (Amendment No. 1) and recommend approval to the Executive Committee. *Reviewed by Directors – item approved only after review of item 4. Directors then returned to Item 3 with Motion to bring to Executive Committee made by Director Lipe, seconded by Director Alejo, carried unanimously.*
4. Review Preliminary 2018-19 operating budget and recommend approval to the Board of Directors. *Staff provided overview and answered questions regarding specific line items and the role of a preliminary budget in receiving review and input from Finance Committee and Board with final approval of Budget by full Board in June. Reviewed by Directors. Motion to bring to full board made by Director Alejo, seconded by Director Secondo , carried unanimously*
5. Future Budget and Finance Committee agenda items – *reviewed by Committee no additions, no action required.*



BUDGET AND FINANCE COMMITTEE STAFF REPORT

MEETING DATE: June 12, 2018

AGENDA ITEM: 3

SUBJECT: Receive April 2018 Financial Reports

RECOMMENDATION:

It is recommended that the Budget and Finance Committee review the April 2018 financial reports and recommend approval to the Board of Directors.

BACKGROUND:

Section 10.2 of the Joint Exercise of Powers Agreement forming the Salinas Valley Basin Groundwater Sustainability Agency ("Agency") states "The Agency shall maintain strict accountability of all funds and report all receipts and disbursements of the agency on no less than a quarterly basis." Reports are being presented monthly.

DISCUSSION:

Attached are the following financial statements for the Agency thru April 30, 2018:

- Statement of Revenue & Expense - Budget vs. Actual – April expenses were \$43,998. Year-to-date revenues exceed expenses by \$861,667.
- Balance Sheet – shows \$898,134 in cash
- Payment & Disbursement Report – shows detail of deposits and disbursements for the month of April with a net decrease of \$7,908.

FISCAL IMPACT:

None.

ATTACHMENT(S):

Financial Statements as stated above

PREPARED BY:

Roberto Moreno, RGS Senior Advisor

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Revenue & Expense Budget vs. Actual
July 2017 through April 2018

9:40 AM
05/08/2018
Accrual Basis

| | <u>April 2018 Actual</u> | <u>Jul '17 - Apr '18 Actual</u> | <u>FY18 Budget</u> | <u>\$ Over Budget</u> | <u>Percent of Budget</u> |
|--|------------------------------|-------------------------------------|----------------------|---------------------------|------------------------------|
| Ordinary Revenue/Expense | | | | | |
| Revenue | | | | | |
| 440000 · Member Contributions | | 1,145,000 | 1,145,000 | 0 | 100% |
| 451000 · Prop 1 DWR Grant | | | 1,500,000 | -1,500,000 | |
| Total Revenue | <u>0</u> | <u>1,145,000</u> | <u>2,645,000</u> | <u>-1,500,000</u> | <u>43%</u> |
| Expense | | | | | |
| 520000 · Administrative Services | 34,874 | 202,146 | 255,500 | -53,354 | 79% |
| 530000 · Groundwater Sustainability Plan | | | 1,924,006 | -1,924,006 | |
| 530500 · Legal Services | 6,821 | 11,834 | 60,000 | -48,166 | 20% |
| 540100 · Agency Financing Plan | | | 97,000 | -97,000 | |
| 540110 · Financing Plan Other Services | | | 12,000 | -12,000 | |
| 540200 · Facilitation Services | | | 16,000 | -16,000 | |
| 540300 · Grant Writing / Lobbying | | 27,720 | 62,000 | -34,280 | 45% |
| 540400 · Outside Specialty Legal Svcs | | | | | |
| 540500 · Communications Consultant | 1,200 | 3,000 | 20,000 | -17,000 | 15% |
| 550200 · Conferences / Training | 100 | 1,303 | 12,500 | -11,197 | 10% |
| 550300 · Dues and Subscriptions | | 300 | 3,000 | -2,700 | 10% |
| 550600 · Insurance Premium | | 2,219 | 2,300 | -81 | 96% |
| 550700 · Legal Notices & Ads | | | 3,000 | -3,000 | |
| 550800 · Office Supplies | 15 | 311 | 2,500 | -2,189 | 12% |
| 550900 · Postage and Delivery | 50 | 60 | 1,000 | -940 | 6% |
| 551000 · Printing and Reproduction | 113 | 3,175 | 6,000 | -2,825 | 53% |
| 551100 · Office Rent | 250 | 1,550 | 10,000 | -8,450 | 16% |
| 551200 · Technology | 223 | 2,243 | 3,500 | -1,257 | 64% |
| 551220 · Website Upgrade | | | 5,000 | -5,000 | |
| 551250 · Agenda Management Software | | | 3,600 | -3,600 | |
| 551300 · Travel Expense | | 85 | 10,000 | -9,915 | 1% |
| 551400 · Bank Service Charges | 21 | 130 | 300 | -170 | 43% |
| 551500 · Recruitments | | 9,551 | 10,000 | -449 | 96% |
| 551800 · Meals and Meeting Expenses | | 50 | 2,500 | -2,450 | 2% |
| 551810 · Mileage Reimbursement | 331 | 1,164 | 1,000 | 164 | 116% |
| 551900 · Board Stipends | | 15,338 | 22,500 | -7,162 | 68% |
| 599000 · Contingency | | | 28,025 | -28,025 | |
| Total Expense | <u>43,998</u> | <u>282,179</u> | <u>2,573,231</u> | <u>-2,291,052</u> | <u>11%</u> |
| Net Ordinary Income | <u>-43,998</u> | <u>862,821</u> | <u>71,769</u> | <u>791,052</u> | <u>1,202%</u> |
| Other Income/Expense | | | | | |
| Other Income | | | | | |
| 702000 · Interest Income | -372 | -1,154 | 200 | -1,354 | -577% |
| Total Other Income | <u>-372</u> | <u>-1,154</u> | <u>200</u> | <u>-1,354</u> | <u>-577%</u> |
| Net Other Income | <u>-372</u> | <u>-1,154</u> | <u>200</u> | <u>-1,354</u> | <u>-577%</u> |
| Net Income | <u><u>-44,370</u></u> | <u><u>861,667</u></u> | <u><u>71,969</u></u> | <u><u>789,698</u></u> | <u><u>1,197%</u></u> |

Salinas Valley Basin Groundwater Sustainability Agency
Balance Sheet
As of April 30, 2018

9:50 AM
05/08/2018
Accrual Basis
Apr 30, 18

ASSETS

Current Assets

Checking/Savings

100100 · Rabobank Checking 14,288

100200 · Rabobank Money Market 85,142

100300 · CalTrust Medium Term Funds 798,704

Total Checking/Savings 898,134

Total Current Assets 898,134

TOTAL ASSETS 898,134

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

200000 · Accounts Payable 36,465

Total Accounts Payable 36,465

Total Current Liabilities 36,465

Total Liabilities 36,465

Equity

Net Income 861,669

Total Equity 861,669

TOTAL LIABILITIES & EQUITY 898,134

Salinas Valley Basin Groundwater Sustainability Agency
Payment & Disbursement Report
April 2018

9:51 AM
05/08/2018
Accrual Basis
Amount

| | Type | Date | Num | Name | Memo | |
|--------|-----------------|------------|------|--|--|------------------|
| Apr 18 | | | | | | |
| | General Journal | 04/13/2018 | 8 | Rabobank | Account Analysis Fee for 03/18 | -21.04 |
| | Bill Pmt -Check | 04/24/2018 | 1077 | County of Monterey | April SVBGSA Rent- 1441 Schilling Place, South Building, 1 | -250.00 |
| | Bill Pmt -Check | 04/24/2018 | 1080 | Office of the County Counsel of Monterey | Legal Services Rendered January and February 2018 | -6,820.50 |
| | Bill Pmt -Check | 04/24/2018 | 1078 | Regional Government Servies | Reimbursable Expenses for Gary Peterson- Groundwater Su | -331.36 |
| | Bill Pmt -Check | 04/24/2018 | 1079 | U.S. Bank - CalCard | Google Acct, FedEx, USPS, office supplies | -501.92 |
| | Deposit | 04/30/2018 | | | Interest | 16.68 |
| Apr 18 | | | | | | -7,908.14 |



STAFF REPORT

MEETING DATE: June 14, 2018

AGENDA ITEM: 4

SUBJECT: Approve Final Budget for FY 2018-19

RECOMMENDATION:

It is recommended that the Board approve the Proposed Budget for FY 2018-19

BACKGROUND:

The JPA formation document provided funding for FY 2017-18 and 2018-19. The FY 2017-18 budget has been revised several times to address changing needs of the GSA. The FY 2018-19 Budget is based on the funding established in the JPA document. The Preliminary Budget was reviewed by the Budget and Finance Committee and the Board in May.

DISCUSSION:

The Proposed Budget for FY 2018-19 is presented for adoption after having been reviewed in May. At the June 12 Budget and Finance Committee the budget will be reviewed one last time. If there are any recommended changes the Board will be notified at the June 14 Board meeting.

The attached budget document includes a two-year comparison and describes the major line items in the budget.

FISCAL IMPACT:

The budget as drafted provides a year-end surplus of \$77,000

ATTACHMENT(S):

FY 2018-19 Proposed Budget

PREPARED BY:

Roberto Moreno, RGS Senior Advisor



Salinas Valley Basin

Groundwater Sustainability Agency

Annual Budget

FY 2018-19

Office: 1441 Schilling Place, Salinas, CA 93901

Mail: PO Box 1350, Carmel Valley, CA 93924

(831) 471-7518

www.svbgsa.com

May 10, 2018

Honorable Chair and Members of the Board of the Salinas Valley Basin Groundwater Sustainability Agency (GSA)

We are pleased to present the Proposed Budget for Fiscal Year 2018-19. The operating appropriations of \$1,068,000 are funded by \$1,145,000 in contributions from the member agencies. The will generate a surplus of \$77,000. The proposed use of this surplus is to establish a Cash Flow Reserve.

Fiscal Year 2018-19 is the second fiscal year of the Agency. This will be a pivotal year as the GSA works on two major initiatives - 1) develop an ongoing funding mechanism strategy for operations beyond June 30, 2019, and 2) continue work on developing the Groundwater Sustainability Plan (GSP), the purpose for which the GSA was established. While there is not much history on which to base future projections, the 2018-19 budget is based on accomplishing the two major initiatives just mentioned.

Highlights of FY 2018-19 Operating Budget

The 2018-19 budget is based on the \$1,145,000 in JPA member contributions found in the JPA agreement. The budget uses those monies to pay for management services, development of an ongoing funding mechanism and development of the GSP.

At the end of fiscal year 2017-18 any remaining contracts (i.e. rate study and GSP) will be brought forward to 2018-19 along with the funding sources (i.e. remaining cash and Prop 1 grant). These items will then be incorporated into the 2018-19 budget.

The largest budget increase is \$179,800 in RGS management service hours. It is primarily for the General Manager and Senior Advisor to spend more time on developing the GSP and the new funding source for operations. It also includes more hours for the Clerk of the Board and RGS support staff.

The second largest increase of \$104,000 is an increase in RGS management services for the additional services of a Hydrologist, Deputy Clerk of the Board and Grant Management services which are needed for the development of the GSP and management of all the additional stakeholder meetings and the Prop 1 grant.

On the next page is a summary of the proposed budget followed by a more detailed discussion of how it was developed.

| Salinas Valley Basin Groundwater Sustainability Agency | | | | |
|--|-----------|-----------|------------|----------|
| Two Year Budget Comparison | | | | |
| FY 2018-19 | | | | |
| | | | | |
| | 2017-18 | 2018-19 | Increase | |
| | Budget | Proposed | (Decrease) | % Change |
| Ordinary Revenues/Expense | | | | |
| Revenues | | | | |
| 440000 - Member Contributions | 1,145,000 | 1,145,000 | 0 | 0% |
| 451000 - Prop 1 DWR Grant | 1,500,000 | 0 | -1,500,000 | 0% |
| Total Revenues | 2,645,000 | 1,145,000 | -1,500,000 | 0% |
| Expense | | | | |
| 520000 - Administrative Services | 255,500 | 435,300 | 179,800 | 70% |
| 530000 - Groundwater Sustainability Plan | 1,924,006 | 140,000 | -1,784,006 | -93% |
| 532100 - Consulting Hydrologist (RGS) | | 54,000 | | |
| 532200 - Deputy Clerk of the Board (RGS) | | 10,800 | | |
| 532300 - Grant Management Services (RGS) | | 40,000 | | |
| 530500 - Legal Services | 60,000 | 60,000 | 0 | 0% |
| 540100 - Financing Plan Consultant | 97,000 | 43,000 | -54,000 | -56% |
| 540110 - Financing Plan Other Services | 12,000 | | -12,000 | -100% |
| 540200 - Facilitation Services | 16,000 | 30,000 | 14,000 | 88% |
| 540300 - Grant Writing / Lobbying | 62,000 | 20,000 | -42,000 | -68% |
| 540400 - Outside Specialty Legal Svcs | | 40,000 | 40,000 | |
| 540500 - Communications Consultant (RGS) | 20,000 | 20,000 | 0 | 0% |
| 550200 - Conferences / Training | 12,500 | 7,100 | -5,400 | -43% |
| 550300 - Dues and Subscriptions | 3,000 | 3,000 | 0 | 0% |
| 550600 - Insurance Premium | 2,300 | 3,000 | 700 | 30% |
| 550700 - Legal Notices & Ads | 3,000 | 10,000 | 7,000 | 233% |
| 550800 - Office Supplies | 2,500 | 4,500 | 2,000 | 80% |
| 550900 - Postage and Delivery | 1,000 | 3,000 | 2,000 | 200% |
| 551000 - Printing and Reproduction | 6,000 | 10,300 | 4,300 | 72% |
| 551100 - Office Rent | 10,000 | 3,000 | -7,000 | -70% |
| 551200 - Technology | 3,500 | 13,000 | 9,500 | 271% |
| 551220 - Website Upgrade | 5,000 | | -5,000 | -100% |
| 551250 - Agenda Management Software | 3,600 | 3,600 | 0 | 0% |
| 551300 - Travel Expense | 10,000 | 20,000 | 10,000 | 100% |
| 551400 - Bank Service Charges | 300 | 500 | 200 | 67% |
| 551500 - Recruitments | 10,000 | 2,000 | -8,000 | -80% |
| 551800 - Meals and Meeting Expenses | 2,500 | 2,500 | 0 | 0% |
| 551810 - Mileage Reimbursement | 1,000 | 1,000 | 0 | 0% |
| 551900 - Board Stipends | 22,500 | 26,400 | 3,900 | 17% |
| 5XXXX - External Annual Audit | 0 | 5,000 | 5,000 | |
| 5XXXX - Contingency (5%) | 28,025 | 57,000 | 28,975 | 103% |
| Total Expense | 2,573,231 | 1,068,000 | -1,505,231 | -58% |
| Net Ordinary Income | 71,769 | 77,000 | 5,231 | 7% |
| Other RevenuesExpense | | | | |
| Other Revenue | | | | |
| 702000 - Interest Income | 200 | 200 | 0 | 0% |
| Total Other Revenue | 200 | 200 | 0 | 0% |
| Net Other Revenue | 200 | 200 | 0 | 0% |
| Operating Budget Surplus | 71,969 | 77,200 | 5,231 | 7% |
| Allocation of Surplus: | | | | |
| Reserve for Cash Flow | | 77,200 | | |

FY 2018-19 BUDGET AT A GLANCE

Revenues

Operating revenues are estimated at \$1,145,000 per the JPA formation document. The funding comes from contributions from the following member agencies:

| | | |
|----|-------------------|-----------|
| 1) | County: | \$670,000 |
| 2) | WRA: | \$ 20,000 |
| 3) | City of Salinas: | \$330,000 |
| 4) | City of Gonzales: | \$ 20,000 |
| 5) | City of Soledad: | \$ 35,000 |
| 6) | MontereyOneWater | \$ 20,000 |
| 7) | City of King: | \$ 30,000 |
| 8) | Castroville CSD | \$ 20,000 |

The only additional revenue beyond the JPA member agency contributions is the Prop1 Grant from Department of Water Resources (DWR) for \$1.5 million. Whatever amount is not received in FY 2017-18 will be carried-forward to FY 18-19.

Operating Expenditures

The majority of the operating expenses are related to the development of the GSP and the funding source for ongoing operations.

Use of 2017-18 Operating Budget Surplus

The FY 2017-18 budget is expected to yield a year-end balance of around \$500,000. This is due to the fact that the agency did not begin incurring costs until August 1, 2017 and it used RGS services which was less expensive to start up compared to a fully staffed agency. The year-end balance is recommended to be used for the following items:

\$500,000 set funds aside for reserves for cash flow

The GSA will need to start developing a reserve for cash flow purposes. At present the GSA revenue is all received within one or two months of the start of the fiscal year. However, as it develops a funding strategy, depending on the source of revenue selected the GSA will need sufficient cash on hand to pay anywhere from one to two months (\$95,000 to \$190,000) of expenses to as much as 6 months of expenses (\$570,000).

EXPENDITURES BUDGET HIGHLIGHTS

Management Services - \$435,300 (41%)

Management Services provided by RGS account for 41 % of the budget.

Following are the estimated service hours included in the budget:

| Position | Estimated annual hours |
|--------------------|-------------------------------|
| General Manager | 1,820 (35 hours per week) |
| Senior Advisor | 420 (35 hours per month) |
| Clerk of the Board | 360 (30 hours per month) |

Administrative services are budgeted to increase \$179,800 in 2018-19. While the Administrative services costs will increase 2.5% per the RGS agreement, the majority of the increase is due to additional hours being spent by the General Manager, Senior Advisor and Clerk of the Board for a full fiscal year and more meetings due to the work of Hansford Economic Consulting on the funding methodology and the work of HydroMetrics WRI on the GSP plan.

New Services (Positions) - \$104,800

The budget reflects the following new positions which RGS will bring on board as needed:

| Position | Estimated Hours | Estimated Cost |
|---------------------------|------------------------|-----------------------|
| Hydrologist | 30 hrs. per month | \$54,000 |
| Deputy Clerk of the Board | 10 hrs. per month | \$10,800 |
| Grant Management Services | 35 hrs. per month | \$40,000 |

The Hydrologist will assist the General Manager to review the technical aspects of the work performed by the GSP consultant and by Monterey County Water Resources Agency staff. The Deputy Clerk of the Board will assist with coordinating the numerous stakeholder meetings that will be taking place and will fill-in for the Clerk of the Board as needed. Grant Management Services will be utilized to track and report to the California Department of Water Resources on the Prop. 1 Grant. There are numerous reporting requirements that must take place on a timely basis so the GSA can be reimbursed promptly for expenses incurred. RGS will put a system in place to track and report on the GSP Grant.

Legal Services - \$60,000

The legal services budget will continue to be capped at \$60,000 per the agreement with the County.

Financing Plan Consultant - \$43,000

This amount is budgeted in case the GSA should follow a funding methodology that requires more public input, such as an election. The FY 2017-18 budget includes the funding for the current contract.

Facilitation Services - \$30,000

This line item will be used to pay CBI Consulting for facilitation services. The grant that has been paying for CBI services is expected to be all used within the next 6 months. CBI has been an integral part of building consensus among the GSA members and their services will be needed as the GSA decides on a new funding methodology and continues work on the GSP.

Grant Writing/Lobbying - \$20,000

The GSA has been very successful in obtaining grants to pay for facilitation services and GSP preparation services. The GSA will continue to look for grants in order to minimize the rates that will need to be paid by constituents.

Communications Consultant - \$20,000

The work of the communications consultant is crucial in order to deliver a unified message for the rate study consultant and the GSP consultant. Their work is also crucial as the GSA begins to utilize social media and the website to provide information. The consultant is provided by RGS.

Travel Expense - \$20,000

The travel budget is being increased by \$10,000 as more meetings are anticipated in Sacramento and with other GSA's in order to develop a GSP that will meet the needs of the Salinas Valley and meet the requirements of the State.

CONCLUSION

The budget as presented funds all required operating expenditures and leaves a surplus of \$77,200. Since this is only the second year of operations for the GSA, it is anticipated that there will be changes in the budget throughout the year. The first major budget adjustment will take place when the books are closed for the fiscal year ended June 30, 2018 and we know how much savings is available to carry forward to FY 2018-19.

The Board of Directors' approval of this budget will allow the GSA to continue working on the GSP, the purpose for which the GSA was formed.

Respectfully submitted,

Gary Petersen
General Manager

Roberto Moreno
Senior Advisor