



NOTICE OF BUDGET & FINANCE COMMITTEE MEETING August 8, 2023

Responsible for the review of District finances including: rates, fees, charges and other sources of revenue; budget and reserves; audit; investments; insurance; and other financial matters.

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a regular meeting of the Budget & Finance Committee to be held on **Tuesday, August 8, 2023, at 4:00 p.m.**, at the SLVWD Conference Room, 12788 Highway 9, Boulder Creek, CA and via videoconference and teleconference.

Any person in need of any reasonable modification or accommodation in order to participate in the meeting may contact the District Secretary's Office at (831) 430-4636 a minimum of 72 hours prior to the scheduled meeting.

This meeting is being conducted as an in-person meeting under the Brown Act, Government Code section 54953, and a quorum of the Committee must participate from the location(s) within the District that are identified above. Members of the public may attend the meeting at the identified location(s). Teleconferencing/videoconferencing access as set forth below is being provided as a convenience only and is not guaranteed. The meeting may continue in person even if teleconferencing/videoconferencing capability is disrupted or unavailable.

The meeting access information is as follows:

<https://meet.goto.com/718507893>

You can also dial in using your phone.

(For supported devices, tap a one-touch number below to join instantly.)

United States (Toll Free): 1 877 309 2073

- One-touch: <tel:+18773092073,,718507893#>

United States: +1 (646) 749-3129

- One-touch: <tel:+16467493129,,718507893#>

Access Code: 718-507-893

AGENDA

1. Convene Meeting
Roll Call

2. Oral Communications

This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the District. Normally, presentations must not exceed three (3) minutes in length, and individuals may only speak once during Oral Communications. Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.

3. Unfinished Business:

Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.

a. RATE STUDY UPDATE

Discussion by the Committee regarding the Rate Study process.

4. New Business:

Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.

a. CAPITALIZING LABOR COSTS

Discussion by the Committee regarding capitalizing labor costs.

5. Informational Material:

Here is a link to previous B & F Committee meeting minutes:

[All Finance Meeting Minutes | San Lorenzo Valley Water District \(slvwd.com\)](#)

6. Adjournment

Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on August 4, 2023, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, and at the SLVWD Boardroom, 12788 Highway 9, Boulder Creek, California, said time being at least 72 hours in advance of the meeting of the B & F Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on August 4, 2023.

Holly B. Hossack, District Secretary

MEMO

DATE: August 8, 2023
TO: Budget & Finance Committee, San Lorenzo Valley Water
District
FROM: Rick Rogers, District Manager
SUBJECT: Capitalizing Labor Costs

WRITTEN BY: Kendra Reed
PRESENTED BY: Kendra Reed

STAFF RECOMMENDATION

Read the memo, which is provided for informational purposes, and discuss as needed.

RECOMMENDED MOTION

None

BACKGROUND

The following definitions will help aid in the discussion of this item:

Asset - Anything of value such as an area of land, or a building, or an item of plant or equipment of infrastructure that provides service potential or

future economic benefits over a period greater than three years, and has a cost that is material (at least \$5,000).

Capital Project - Projects budgeted as capital projects fall within the definition of capital expenditures, which means (1) they create or extend the lives of assets, (2) their work products have a useful life of more than three years, and (3) they involve an expenditure of District resources equal to or greater than \$5,000.

When capitalizing a capital project, any expenses directly attributable to bringing the asset into service for its intended use are allowable. For construction projects, in general, this includes any engineering services, construction management, actual labor costs spent constructing the asset, etc. The District Engineer and Construction Inspector position spend considerable amount of time on the District's various construction projects, and their time spent on said projects is directly attributable to bringing the asset into service. Their time is tracked on each project using our payroll system which allows staff to code their labor hours to certain projects. That time is then accounted for at each month end when reconciling the District's CIP account. The labor time is then allocated to each project and gets coded to a capitalized overhead account.

For example, the District Engineer and Construction inspector had a combined total of \$5,000 for a specific project. This would be a debit (increase) to the CIP account on the balance sheet, and a credit (decrease) to the capitalized overhead account on the income statement. The effect of

capitalizing staff labor to capital projects is an overall decrease to total expenses.

Administrative costs such as the General Manager's time, Finance department's time spent on accounting for each project, and any other miscellaneous administrative tasks are not allowable in the total capitalized cost as they are not directly related to placing the asset into use.

In regard to tracking expenses for FEMA, there are certain allowable costs the District can claim that are slightly different than what the District can capitalize. In relation to staff labor, any administrative time spent on FEMA related items, such as attending meetings, preparing scope of work for each project, preparing all back up documentation for submittal, and any other related administrative expenses are able to be claimed under what FEMA calls Category Z expenses. This requires staff to track their time and adds an additional level of reporting for each project.

The District currently has around 15 FEMA projects. Within each project, there can be several sub projects, which FEMA calls damage inventory. The total number of damage inventories the District is currently working on is 59. This includes damages from the CZU Fire and also the damages from the storm events at the beginning of 2023. The level of tracking that is required is a huge lift to the District, but necessary to ensure all expenses are being reported for reimbursement.

PRIOR COMMITTEE ACTION

None

FISCAL IMPACT

None

ENVIRONMENTAL IMPACT

None

ATTACHMENTS AND RELEVANT LINKS TO DISTRICT WEBSITE