



NOTICE OF BUDGET & FINANCE COMMITTEE MEETING May 3, 2022

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, May 3, 2022, at 2:00 p.m.**, via video/teleconference.

There will not be any physical location for this meeting. Pursuant to AB 361 and San Lorenzo Valley Water District Resolution No. 4 (21-22) this meeting will be conducted by video/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. The meeting access information is as follows:

<https://global.gotomeeting.com/join/526036549>

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:+18773092073,526036549#>

United States: +1 (571) 317-3129

- One-touch: <tel:+15713173129,526036549#>

Access Code: 526-036-549

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 five (5) 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. TEMPORARY POSITION

Discussion by the Committee regarding possible temporary replacement hire for the Director of Finance position.

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. FINANCIAL OBLIGATIONS PRESENTATION

Discussion by the Committee regarding a presentation prepared by Director Fultz for the Board of Directors.

5. Informational Material

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

[All Finance Meeting Minutes | San Lorenzo Valley Water District \(slvwd.com\)](http://www.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 April 29, 2022, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 72 hours in advance of the regular 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 April 29, 2022.

Holly B. Hossack, District Secretary

MEMO

TO: Budget and Finance Committee
FROM: District Manager
SUBJECT: Finance Manager Absence Temporary Replacement
DATE: May 3, 2022

RECOMMENDATION:

It is recommended that the Budget and Finance committee review this memo and recommend whether a Temporary Finance Manager is needed during the extended medical leave of the Finance Manager.

BACKGROUND:

The Finance Manager will be on medical leave from June 1 through September 30, 2022 (4 months).

During her absence in June, she will not be available. Starting in July she will be working from home on a limited capacity for the remaining leave period. At the March 2022 Budget & Finance Committee meeting, there was a discussion on whether a temporary Finance Manager would be needed.

In preparation for the absence, the Finance Manager has been cross-training two existing employees to assume limited customer service and accounting duties necessary during her absence.

The Finance and District Manager have discussed hiring a temporary employee. The temporary would be hired for three months working three days a week (24 hours) for \$85,000. There are concerns about what this person would do and be able to learn in such a short time frame. The District Manager would still approve all high-level financial transfers.

The District does not have investments that need close attention during this troubled economy. The majority of District investments are in the County of Santa Cruz Investment Pool - The County of Santa Cruz Investment Pool is a local government investment pool established and controlled by the County of Santa Cruz to afford smaller agencies the benefits of a larger investment portfolio, such as higher interest rates and greater diversification. Authority for the County of Santa Cruz Investment Pool is delegated to the County of Santa Cruz Treasurer.

Additional limited investments are with LAIF - The Local Agency Investment Fund (LAIF) was created by California Government Code Section 16429.1 through 16429.3. LAIF is an investment pool established and controlled by the State of California to afford smaller

agencies the benefits of a large investment portfolio, such as higher interest rates and greater diversification. Funds are completely liquid except for a limitation of ten (10) transactions per month.

Staff believes a month's absence from the Finance Manager would not be burdensome to the District. If there is an extended absence, the District can move forward with a temporary hire if needed.

MEMO

TO: Budget and Finance Committee
FROM: District Manager
SUBJECT: Financial Obligations Presentation
DATE: May 3, 2022

RECOMMENDATION:

It is recommended that the Budget and Finance committee review this item and direct staff.

BACKGROUND:

This item was presented to the Board at the regular meeting on April 21, 2022 by Director Fultz. The Board recommended that it be sent to the Budget and Finance Committee for review.

MEMO

TO: Board of Directors
FROM: Bob Fultz
SUBJECT: SLVWD Financial Obligations
DATE: April 21, 2022

This agenda item is intended to begin a collaborative effort between the Board and District staff to help the SLVWD community reach a better understanding of our current and future financial obligations and how this relates to the District's allocation and use of operating and non-operating margins.

It is true that many Districts around the State of California and in the United States have, in the past, failed to properly structure their finances. And to the extent that we can compete for and receive grant funding and/or capital infrastructure funding state allocations and/or through our national deficit spending to supplement our margin dollars, we should do so. But those funding sources are transient and our District's needs are abiding, persistent and long-lasting. In my opinion, SLVWD's strategic financial plan must reflect those ongoing needs.

The information in the tables and charts in the attached presentation were generated, with the exception of tank replacement and maintenance, from open-source information available to anyone in the community and include reference information by line item. The tank replacement and maintenance information is from a spreadsheet provided by District staff.

Please refer to the attached presentation for additional information.

Attachments: Presentation

Introduction

- Objectives
 - Maximum transparency around SLVWD financial obligations
 - Ensure explicit decision-making for allocation of operating and non-operating margins during budget discussions
 - Identify all recurring vs. one-time (or infrequent) financial obligations, both mandatory and discretionary (excluding operating expenses)
- Requesting Board Action
 - Step 1: Board decision to pursue financial obligations transparency
 - Step 2: Board direction to staff to refine/modify/correct financial obligations calculations
 - Top-down, macro-view model
 - Spreadsheet available
 - Step 3: Future board meeting to finalize numbers and discuss/take action on how to meet financial obligations
- Alternative Board Actions
 - Send to committee(s) for discussion and possible recommendations to the Board
 - No action – retain status quo

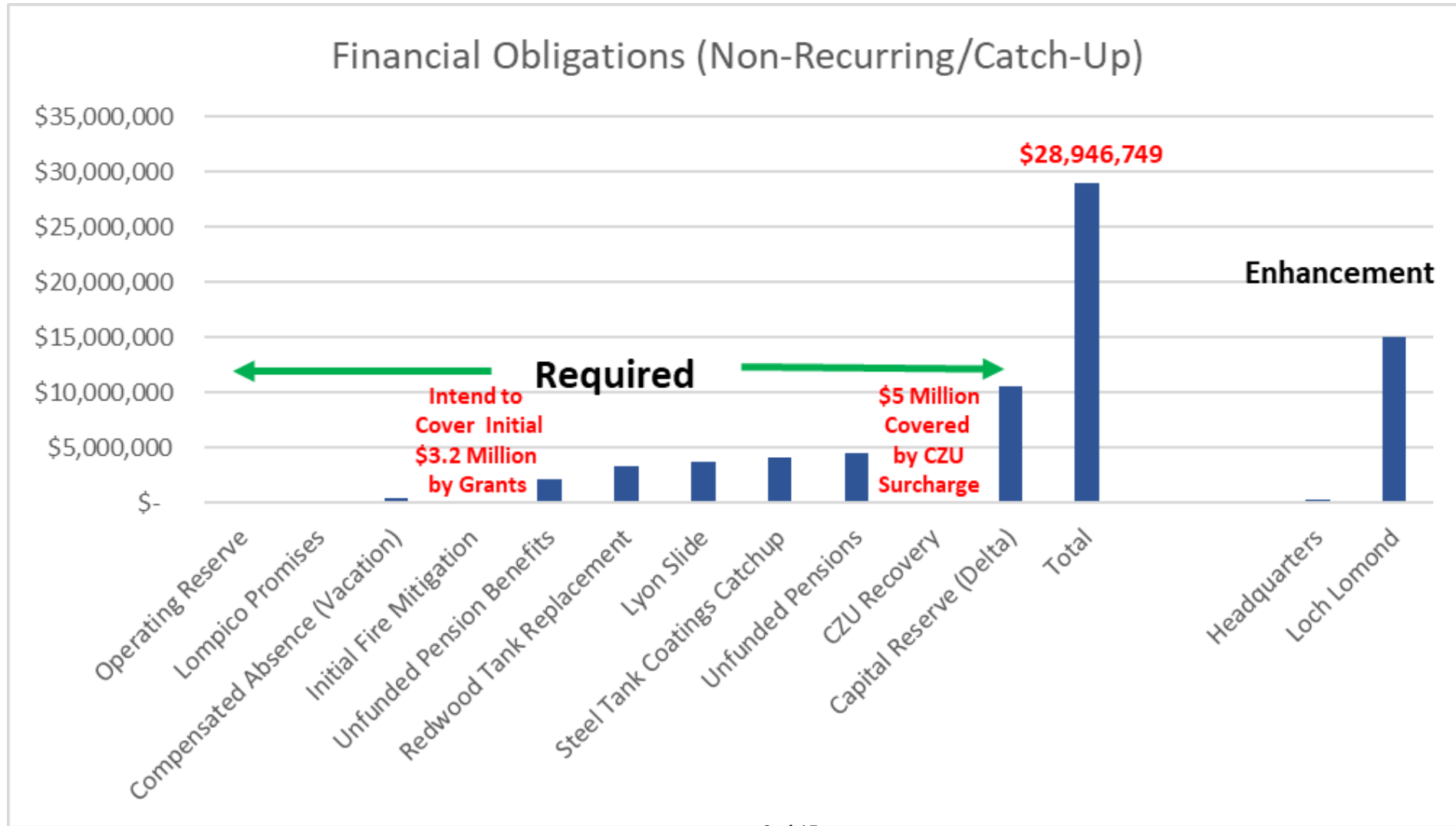
Presentation Roadmap

- SLVWD's financial obligations summarized
 - Section 1: Accumulated/Catch-up/Deferred
 - Capital reserve includes core infrastructure only @ 2.5%
 - Section 2: Annual/Recurring, including infrastructure investments
 - Includes two tables detailing pipe inventory
 - Shown in two modes: chart and tabular (with reference information)
- Section 3: Two infrastructure investment models (examples only)
 - Option 1: Regular level recurring investment
 - Option 2: Irregular investment
- Open task: Adjust for inflation in final model

Section 1

Accumulated/Catch-up/Deferred Financial Obligations (generally non-recurring)

Accumulated/Non-Recurring Financial Obligations



Accumulated/Non-Recurring Financial Obligations

Non-Recurring Financial Obligations	Total Amount	Type	Source	Comments
Operating Reserve	\$ -	Required	History (District normally meets the Operating Reserve Policy)	
Lompico Promises	\$ 200,000	Required	400 Supply lines @ \$500 each	
Compensated Absence (Vacation)	\$ 376,666	Required	FY21-22 from 21 - 23 Budget, p13 (Unfunded portion)	
Initial Fire Mitigation	\$ -	Required	All funded by estimated \$3.275 million funded by grants	
Unfunded Pension Benefits	\$ 2,128,882	Required	FY20-21 annual report (June 30, 2021), p44	
Redwood Tank Replacement	\$ 3,350,000	Required	Report received from J. Furtado 5/5/2020; Steel and Redwood Tank Unfunded SLVWD 4-2020.xlsx	
Lyon Slide	\$ 3,750,000	Disaster	Original estimate \$15million * 25% not FEMA-funded	Road move?
Steel Tank Coatings Catchup	\$ 4,100,000	Required	Report received from J. Furtado 5/5/2020; Steel and Redwood Tank Unfunded SLVWD 4-2020.xlsx	
Unfunded Pensions	\$ 4,530,116	Required	FY20-21 annual report (June 30, 2021), p48 (@7.15% ROI)	\$7.2million @ 6.15% p52
CZU Recovery	\$ -	Disaster	Forecasted number is \$5 million; funded separately	Most likely higher
Capital Reserve (Delta)	\$ 10,511,085	Required	Per policy; infrastructure items only from Recurring Financial Obligations table	
Total	\$ 28,946,749			

Headquarters	\$ 300,000	Enhancement	Final number TBD
Loch Lomond	\$ 15,000,000	Enhancement	2010 study = \$6 million; does not include cost of water

Financial reserve policy		https://www.slvwd.com/sites/g/files/vyhlf1176/f/uploads/fy21_23_financial_reserve_policies.pdf
Initial fire mitigation = 25K * # of Facilities	\$ 3,275,000	https://www.slvwd.com/sites/g/files/vyhlf1176/f/uploads/2021_slvwd_master_plan_final_report.pdf
55 Tanks (Table 4.4)		
60 Booster pumps (Table 4.5)		
7 Wells (Table 4.1)		
7 Diversions (Table 4.2)		
2 Treatment plants (Table 4.1)		

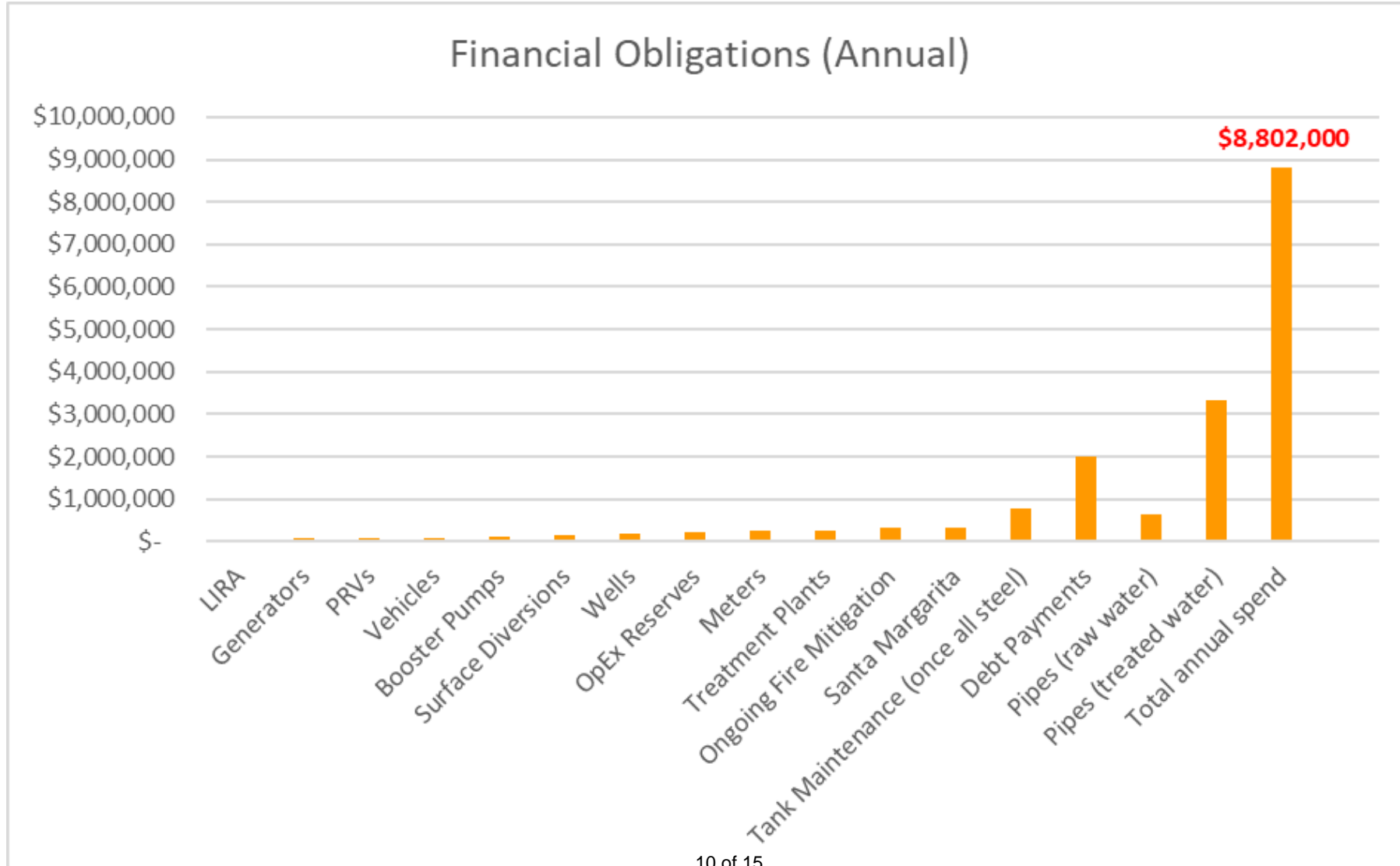
Section 2

Annual/Recurring, including infrastructure investments

Section 2 Context

- More conservative than the recommendations in the recent Water Master Plan.
- Built using a top-down, macro-view model using expected life spans for SLVWD inventory items, with current replacement costs applied.
 - Intended to identify potential underinvestment
- Water Master Plan recommendations were built from the bottom up, focusing on those items most in need of immediate repair:
 - \$3 - \$4 million/year for 5 years, then
 - \$2 - \$3 million/year after that through 2041
- Both do not include disaster recovery, other than already identified projects

Annual/Recurring Financial Obligations



Annual/Recurring Financial Obligations

Recurring Financial Obligations	Annual Spend	Total Amount	Period, Years	Units	Unit Cost	Source	Comments
LIRA	\$ 25,000	\$ 25,000	1	1	\$ 25,000	Budget	Board policy
Generators	\$ 67,000	\$ 1,001,736	15	20	\$ 50,087	Agenda 3/5/2020	Use average
PRVs	\$ 72,000	\$ 2,164,000	30	40	\$ 54,100	Master plan (Table 4.6)	Cost (Table 10.2)
Vehicles	\$ 78,000	\$ 620,635	8	15	\$ 41,376	Agenda 1/3/2019 and 1/9/2020 (average)	
Booster Pumps	\$ 127,000	\$ 3,822,000	30	60	\$ 63,700	Master Plan (Table 4.5)	Ave. Cost (Table 10.2)
Surface Diversions	\$ 140,000	\$ 7,000,000	50	7	\$ 1,000,000	2016 CIP Presentation * 2 for inflation	
Wells	\$ 179,000	\$ 4,466,123	25	7	\$ 638,018	Pasatiempo 8 (6/21/2018) * 1.5 for inflation	
OpEx Reserves	\$ 225,000	\$ 225,000	1	1	\$ 225,000	OpEx ↑ \$600K/yr	Reserve Policy
Meters	\$ 239,000	\$ 3,577,500	15	7,950	\$ 450	Staff guidance	Includes install
Treatment Plants	\$ 267,000	\$ 8,000,000	30	2	\$ 4,000,000	2016 CIP Presentation * 2 for inflation	
Ongoing Fire Mitigation	\$ 328,000	\$ 655,000	2	131	\$ 5,000	After initial clearance	BF Estimate
Santa Margarita	\$ 335,000	\$ 335,168	1	1	\$ 335,168	SMGA Budget	Without subsidy
Tank Maintenance (once all steel)	\$ 770,000	\$ 19,250,000	25	55	\$ 350,000	J. Furtado memo 5/5/2020	Use average
Debt Payments	\$ 2,000,000	\$ 2,000,000	1	1	\$ 2,000,000	21 - 23 Budget, p38	Maintain \$2 million avg.
Pipes (raw water)	\$ 619,000	\$ 61,864,061	100	1	\$ 61,864,061	Agenda 3/14/2022	Agenda 12/3/2020, p. 86
Pipes (treated water)	\$ 3,331,000	\$ 333,127,201	100	1	\$ 333,127,201	Master Plan (Table 4.3)	8" min replacement
Total annual spend	\$ 8,802,000	\$ 448,133,424	↑	↑			
Total annual spend without debt payments	\$ 6,802,000						
Total non-pipe annual spend	\$ 2,852,000						
Total pipe annual spend	\$ 3,331,000						
Inflation not included							

2016 CIP (adj) + See raw and treated water pipe detail

Agenda items +

J. Furtado Tanks table

WMP: https://www.slvwd.com/sites/g/files/vyhlf1176/f/uploads/2021_slvwd_master_plan_final_report.pdf

xCountry Pipe: https://www.slvwd.com/sites/g/files/vyhlf1176/f/uploads/slvdw_crosscountry_constructability_2022-03-09_with_cover_sheet.pdf

SMGA: <https://www.smgwa.org/media/Financials/FY-2022-Budget-Final-5-27-21.pdf>

Pipe Detail (Raw Water)

Raw			
Pipe Facility	Replacement Size	Feet	Cost
Foreman	8	480	\$ 224,061
Peavine	8	6,280	\$12,540,000
5-Mile	8	29,280	\$49,100,000
Total		36,040	\$61,864,061

Peavine and 5-Mile: xCounty Pipe, p. 214

Foreman: Agenda 12/3/2020, p. 86

5-Mile = Clear and Sweetwater Creeks

Pipe Detail (Treated Water)

Treated		Feet (source: pp 71 - 73/314 water master plan)					source: calc from p 31/314 water master plan	
Current Pipe Size	Replacement Size	North	Lompico	South	Felton	Total	Unit Cost	Replacement Cost
0.75	8	2,819	-	-	183	3,002	\$ 342	\$ 1,026,684
1	8	24,847	-	-	1,898	26,745	\$ 342	\$ 9,146,790
1.25	8	4,357	-	-	-	4,357	\$ 342	\$ 1,490,094
1.5	8	43,880	-	-	1,113	44,993	\$ 342	\$ 15,387,606
2	8	210,356	623	3,703	48,934	263,616	\$ 342	\$ 90,156,672
3	8	5,238	-	1,896	150	7,284	\$ 342	\$ 2,491,128
4	8	56,672	44,064	11,466	12,283	124,485	\$ 342	\$ 42,573,870
6	8	203,161	42,429	35,826	34,704	316,120	\$ 342	\$ 108,113,040
8	8	81,203	-	6,593	17,328	105,124	\$ 342	\$ 35,952,408
10	10	18,744	-	-	13,690	32,434	\$ 366	\$ 11,870,844
12	12	30,719	-	6,654	288	37,661	\$ 393	\$ 14,800,773
14	14	284	-	-	-	284	\$ 413	\$ 117,292
	Total	682,280	87,116	66,138	130,571	966,105		\$ 333,127,201

Size	Cost/foot
6	\$ 315 estimate
8	\$ 342
10	\$ 366
12	\$ 393
14	\$ 413 estimate

Section 3

Two Examples of Infrastructure Investment Models

Infrastructure Investment Models

(PRVs, Pumps, Diversions, Wells, Treatment Plants, Pipes)

