



**WALNUT VALLEY WATER DISTRICT**  
**271 South Brea Canyon Road**  
**Walnut, California 91789**

**FINANCE COMMITTEE MEETING**  
**Tuesday, January 9, 2018, at 4:45 p.m.**  
**Conference Room**

❖ **Chair** Director Wu      ❖ **Member** Director Ebenkamp      ❖ **Alternate** Director Lee

1. Public Comment
2. Source and Application of Funds
  - A. Discussion
  - B. Committee Recommendation
3. Budget Meeting Schedule
  - A. Discussion
  - B. Committee Recommendation
4. Investment Transactions Report (copies will be distributed at the meeting)
  - A. Discussion
  - B. Committee Recommendation
5. Revenue Bond Funds Held in Trust – Union Bank
6. Other
7. Adjournment

***NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any committee meeting, please contact the General Manager's office at least 48 hours prior to the meeting to inform the District of your needs and to determine if accommodation is feasible.***

# WVWD – Staff Report



**TO:** Finance Committee  
**SUBMITTED:** Director of Finance  
**DATE:** January 9, 2018  
**SUBJECT:** Approval of the FY 2016-17 Source and Application of Funds

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Action/Discussion     Fiscal Impact     Resolution     Information Only

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## **Recommendation**

- (1) That the Board of Directors approve staff's recommendation for the FY 2016-17 Source and Application of Funds, to transfer the following from the General Account:
- A. \$215,000: To the Operating Reserve
  - B. \$750,000: To the Employees Liabilities Reserve related to the Employer OPEB liability and authorize the transfer of these funds to the OPEB Trust
  - C. \$500,000: To the Capital Improvement Reserve
  - D. \$2,773,000: To the Reserve for Replacement

## **Background**

In past years, once the audit has been completed and the audit report issued, the District has prepared the Source and Application of funds, which is used as a basis to fund the District's reserves. These reserves are used to fund capital projects, replacement items, fund long-term liabilities and to stabilize rates. The Source and Application of Funds is based on cash-flows related to operations for FY 2016-17, and may vary from the net income (change in net assets) reported on the financial statements.

1. Using this methodology, the General Funds available for transfer is \$4,238,000. Based on the current reserve policy and target funding levels, staff is recommending:
  - A. \$215,000 be transferred to the operating reserve to meet the minimum funding policy equal to 35% of operating expenses, excluding purchased water and debt service.
  - B. \$750,000 be transferred to the Employee Liabilities Reserve related to the employer obligation for Other Post-Employment Benefits (OPEB) and authorize staff to transfer these funds to the OPEB Trust. It is the goal of the District to fund this liability within a period of twenty years.
  - C. \$500,000 be transferred to the Capital Improvement Reserve to fund the capital projects approved in the District's CIP budget for FY 2017-18, as well as to fund future capital projects.
  - D. \$2,773,000 be transferred to the Reserve for Replacement. Target funding levels for this reserve are based on the District's long-term Asset Replacement Schedule covering a planning period of twenty years.

Attached is a summary of the reserves balances as of November 30, 2017, including the recommended transfers.

**Walnut Valley Water District  
Source and Application of Funds  
Reconciliation 2016-17**

Description	Actual 2016-17
Beginning Balance - General Fund 07/01/16	\$ 4,944,704
Cash Receipts	38,598,167
Cash Disbursements	(33,426,025)
BOD Approved Transfers (Approved FY 16-17)	(5,231,678)
Balance - General Fund 06/30/17 (Before Adjustments)	4,885,168
Adjustments:	
Funds Encumbered (Accounts Payable)	(5,304,450)
Funds to be Received (Accounts Receivable)	4,833,109
Due to/from Interfunds	105,435
Due from Bond Proceeds	118,759
Reserve for Employee Spousal Medical Buy Back	(400,000)
<b>Available for Transfer</b>	<b>4,238,021</b>
<b><u>Recommended Transfers</u></b>	
Operating Reserve	(215,000)
Employee Liabilities (OPEB)	(750,000)
Reserve for Capital	(500,000)
Reserve for Replacement	(2,773,000)
	(4,238,000)
<b>Balance of Funds Available for Transfer</b>	<b>21</b>

**Walnut Valley Water District  
Cash Reserves Summary  
November 30, 2017**

Reserve	Balance 11/30/2017	Recommend Transfers	Balance after Transfer	Minimum Funding Level	Difference \$	Difference %
<b>General Account</b>	\$ 7,447,554	\$ (4,238,000)	\$ 3,209,554	NA		
<b>Designated Funds (Category 2):</b>						
Operating Reserve	\$ 4,639,000	215,000	4,854,000	4,854,000	0	0.00%
Capital Improvement	\$ 997,866	500,000	1,497,866	972,219	525,647	54.07%
Replacement (Includes Building)	\$ 9,513,247	2,773,000	12,286,247	Based on the District's Asset Replacement Schedule covering a planning period of 20 years		
Rate Stabilization	\$ 1,541,603	0	1,541,603	1,541,603	0	0.00%
Project Reserve	\$ 967,232	0	967,232	NA	NA	NA
<b>Employee Liabilities:</b>						
OPEB Employer Obligation	\$ -	750,000	750,000	The District has established an OPERB Trust it the goal of the Trust to be fully funded within a target goal of 20 years based on annual contributions of \$750k.		
OPEB Employee Obligation	\$ -	0	0	Per Terms and Conditions of Employment full obligation to be funded through a reduction of 1% of the employee's COLA		
Sick/Vacation	\$ 1,219,755	0	1,219,755	1,219,755	0	0.00%
Other Employee Liabilities	\$ 900,000	0	900,000	900,000	0	0.00%
Badillo/Grand Catastrophic Ins.	\$ 500,000	0	500,000	500,000	0	0.00%

**Walnut Valley Water District  
Preliminary Budget Meeting Schedule**



**FISCAL YEAR 2018-2019**

<b>Tentative Date</b>	<b>Item</b>
<b>April 2018</b> Special Budget Workshop	<b>Review of Budget Process and Methodology</b>  <b>Preliminary Review of Budget:</b> Expenses Revenues Capital Projects
<b>May 2018</b> Special Budget Workshop	<b>Final Review of Budget:</b> Expenses Revenues Capital Projects
<b>June 2018</b> Budget Workshop	<b>Consideration of Adoption: Final Budget</b>

Walnut Valley Water District  
Revenue Bond Funds Held in Trust - Union Bank  
Life to Date  
December 31, 2017

Bond Proceeds \$ 19,940,487.80

Disbursements:

Cost of Issuance

Fieldmann, Rolapp & Associates (Financial Advisors)	\$	(26,270.57)	
Hawkins, Delafield & Wood, LLP. (Bond Counsel)		(45,000.00)	
Union Bank, N.A. (Trustee)		(3,708.00)	
Standard & Poor's Rating Services (Credit Rating)		(17,000.00)	
Image Master (Official Statement)		(3,158.31)	
Hawkins Delafield & Wood (Bond Counsel)		(1,743.31)	
			(96,880.19)

Projects

Puente Basin Water Agency - Pomona Basin <sup>1</sup>		(948,462.70)	
Puente Basin Water Agency - LHHCWWD Project <sup>1</sup>		(350,566.00)	
Puente Basin Water Agency - CDWC Project <sup>1</sup>		(4,090,549.30)	
Administration Headquarters <sup>1</sup>		(840,854.37)	
Water Rights - Central Basin		(3,630,907.50)	
			(9,861,339.87)

Substitute Projects

Ace Nogales Grade Separation (P#03-2820) <sup>2</sup>		(706,545.61)	
Ridgeline Pump Station Modifications (P#12-3267) <sup>3</sup>		(221,195.68)	
30 kw Diesel Portable Generator (P#13-3290) <sup>3</sup>		(39,490.70)	
			(967,231.99)

Interest Income 218,497.45

Ending Balance of Bond Funds Held in Trust \$ 9,233,533.20

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<sup>1</sup> Related to projects identified in the Official Statement dated March 21, 2013

<sup>2</sup> Substitute project approved by the Board on April 18, 2013. Reimbursed amounts will be placed in the Project Reserve

<sup>3</sup> Substitute projects approved by the Board on September 16, 2013. Reimbursed amounts will be placed in the Project Reserve

Walnut Valley Water District  
Revenue Bond Funds Held in Trust - Union Bank  
December 31, 2017

Beginning Balance of Bonds Funds Held in Trust	\$ 9,232,910.94
Receipts:	
Interest Income	622.26
Disbursements:	
	_____
	\$ -
Ending Balance of Bond Funds Held in Trust	<u><u>\$ 9,233,533.20</u></u>