



EXHIBIT 1-A

DRAFT MINUTES
Monterey Peninsula Water Management District
Finance and Administration Committee
February 5, 2024

Meeting Location: District Office, Main Conference Room
5 Harris Court, Building G., Monterey, CA 93940
(Hybrid: Meeting Held In-Person and via Zoom – Teleconferencing means)

Call to Order

Chair **Paul Anderson** called the meeting to order at 2:05 PM.

Committee members present: Karen Paull, ~~Chair~~ (Served as Chair due to Director Riley's absence)
Alvin Edwards

Committee members absent: George Riley, **Chair**

District staff members present: David Stoldt, General Manager
Nishil Bali, Administrative Services Manager/Chief Financial Officer
Stephanie Locke, Water Demand Manager
Kyle Smith, Water Conservation Specialist II
Sara Reyes, Executive Assistant/Board Clerk

District staff members absent: None

District Counsel present: David Laredo, DeLay & Laredo

Additions / Corrections to Agenda:

None

Comments from the Public:

None

Action Items:

- 1. Consider Adoption of January 16, 2024 Committee Meeting Minutes**
On a motion by Edwards and second by Paull, the minutes of the January 16, 2024 meeting were approved unanimously 2 – 0.
- 2. Consider Approval of Annual Purchase of Internet License for Water Wise Gardening in Monterey**
On a motion by Edwards and second by Paull, the Finance and Administration Committee

recommended that the Board approve the expenditure of \$5000 to renew the internet license with GardenSoft for the Monterey County Water Wise Landscaping software. The motion was approved unanimously on a 2– 0 vote.

3. Consider Expenditure of Budgeted Funds for Water Conservation Equipment

On a motion by Edwards and second by Paull, the Finance and Administration Committee recommended that the Board approve an expenditure of up to \$20,000 to renew the District’s water conservation equipment prior to springtime outreach efforts. The motion was approved unanimously on a 2 – 0 vote.

4. Receive and File Second Quarter Financial Activity Report for Fiscal Year 2023-2024

Nishil Bali, Chief Financial Officer/Administrative Services Manager, reviewed this item with the Finance and Administration Committee and answered questions. No action was taken by the Committee.

5. Consider Approval of the Second Quarter Fiscal Year 2023-2024 Investment Report

On a motion by Edwards and second by Paull, the Finance and Administration Committee recommended that the Board approve the Second Quarter Fiscal Year 2023-2024 Investment Report. The motion was approved unanimously on a 2 – 0 vote.

6. Consider Adoption of Treasurer’s Report for December 2023

On a motion by Edwards and second by Paull the Finance and Administration Committee recommended that the Board adopt the December 2023 Treasurer’s Report and Statement of Revenues and Expenditures and ratify the disbursements made during the month. The motion was approved unanimously on a 2 – 0 vote.

Informational Items:

7. Report on Activity/Progress on Contracts Over \$25,000

This item was presented as information to the committee. No action was required or taken by the committee.

8. Status Report on Measure J/Rule 19.8 Phase II Spending

This item was presented as information to the committee. No action was required or taken by the committee.

Discussion Item:

9. Adopt 2024 Committee Meeting Schedule

The committee examined and discussed and agreed to adopt the 2024 meeting schedule.

10. Review Draft February 12, 2024 Special and Regular Board Meeting Agenda

General Manager Stoldt reviewed the draft agenda with the committee. No changes were made by the committee.

Adjournment

Chair Paull adjourned the meeting at 3:02 PM.

Carry Forward From Prior Year	886,500	0	886,500
From Capital Reserve	100,000	0	100,000
From Fund Balance	1,081,050	0	1,081,050
Total Revenues	<u>\$48,438,250</u>	<u>(\$6,965,000)</u>	<u>\$41,473,250</u>

<u>Expenditures</u>	<u>Adopted</u>	<u>Change</u>	<u>Amended</u>
Personnel	\$4,486,500	\$245,000	\$4,731,500
Supplies & Services	1,829,900	59,000	1,888,900
Project Expenditures	36,631,100	(6,160,142)	30,470,958
Fixed Assets	230,000	0	230,000
Capital Equip. Reserve	330,300	0	330,300
General Reserve Balance	1,089,394	(1,089,394)	0
Pension Reserve	100,000	0	100,000
OPEB Reserve	100,000	0	100,000
Water Supply Charge Reserve	3,400,000	0	3,400,000
Flood/Drought Reserve	171,056	0	171,056
Contingency	70,000	(19,464)	50,536
Total	<u>\$48,438,250</u>	<u>(\$6,965,000)</u>	<u>\$41,473,250</u>

As the table above indicates, most of the change is attributed to a decrease in project expenditures. Relatively lesser budget additions have been requested in operating expenditures for personnel, additional insurance costs, and vehicle repairs. Additional information regarding all other proposed changes, as well as their effect on reserves, is detailed in the background section of this report.

RECOMMENDATION: The Finance and Administration Committee should recommend that the Board adopt the proposed mid-year budget adjustment for FY 2023-2024.

BACKGROUND: The Board of Directors adopted the original FY 2023-2024 budget on June 20, 2023. The paragraphs below summarize the original budget, proposed mid-year adjustments to the budget, and projected reserves accounts.

Revenues

The 2023-2024 adopted budget anticipated revenue sources in the amount of \$48,438,250. Through January 31, 2024, actual revenue collections totaled \$15,060,715, or 31.09% of the budgeted amount. This includes budgeted revenues of \$3,400,000 for the Water Supply Charge, which is being set aside as reserves pending the outcome of existing litigation. District staff has analyzed the revenue activity for the first seven months of the FY, as well as activities scheduled for the remainder of the FY, and recommends various adjustments to the revenue portion of the budget as shown in **Exhibit 4-A** and discussed below:

1. Increase of \$1,075,000 in Permit Fees. This includes \$525,000 in Permit Fees for the Sand City Marriott project, \$325,000 for the Ascent Project, and \$225,000 for the Laguna Seca Villas project at Seaside.
2. Decrease of \$8,100,000 in grant reimbursements based on projected collections through the end of the FY. The project expenditures related to the grants and related revenue have been deferred to the next fiscal year based on the timing of the projects.
3. Increase in reimbursements of \$60,000 for deed-restricted recording fees.

The cumulative effect of these revenue adjustments is a decrease of \$6,965,000 in projected revenues for FY 2023-2024.

Expenditures

The original budget envisioned expenditures of \$48,438,250 in the fiscal year ending June 30, 2024. Through January 31, 2024, actual expenditures totaled \$15,392,101 or 31.78% of the budgeted amount. The spending pattern at this point of the fiscal year is not unusual because project expenditures for the first half of each fiscal year are low. District staff has analyzed the expenditure activity for the first seven months of the fiscal year, as well as activities scheduled for the remainder of the fiscal year, and recommends various adjustments to the expenditure portion of the budget as discussed below:

- Changes to the operations budget are shown in **Exhibit 4-B**. The operations budget is proposed to be increased by \$304,000 with adjustments as follows:
 1. Increase in personnel services budget of \$245,000 to account for existing and projected retirement payouts and the hiring of temporary staff/retirees.
 2. Increase in Supplies and Services by \$36,000 for additional costs related to insurance and repair of District vehicles.
 3. Increase in IT Supplies and Services of \$20,000 to account for disaster backup services and upgrade of servers.
 4. No adjustments are proposed for the fixed assets budget.

- As presented on **Exhibit 4-C**, project expenditures decreased by a net amount of \$6,160,142. The main adjustments in the project budget are as follows:
 1. Decrease of \$6,400,000 for the Pure Water Expansion project as these expenditures are deferred to the next fiscal year.
 2. Decrease of \$30,000 towards Cal-Am Desal and Water Allocation Process as this is deferred to next fiscal year.
 3. Increase of \$1,896,500 for the District's operating water reserve. This will allow the purchase of an additional 500 Acre Feet of water from Monterey One Water based on actual supply.
 4. Decrease of \$1,700,000 for the Integrated Resource Water Management implementation grant. These expenditures are deferred to next year.
 5. Increase of \$34,158 for Seaside Basin Watermaster adjudication support.
 6. Increase of \$60,000 in reimbursable expenses for Deed Restriction Recording Fees.
 7. Other adjustments to the project expenditures as noted in the exhibit.

The cumulative effect of the adjustments to the expenditure side of the budget is a net decrease of \$5,875,606, excluding changes to the General Reserve balance.

Reserves

The District's reserve balance is projected to be as follows:

Reserves	Actual	FY 2023-24	Est. Balance 06/30/2024
	Balance 6/30/2023	Budget Changes	
Litigation/Insurance Reserve	250,000	0	\$250,000
Capital Reserve	1,294,800	230,300	\$1,525,100
Flood/Drought Reserve	328,944	171,056	\$500,000
Pension Reserve	500,000	100,000	\$600,000
OPEB Reserve	500,000	100,000	\$600,000
General Operating Reserve	19,085,887	(1,975,894)	\$17,109,993
Totals	\$21,959,631	(\$1,374,538)	\$20,585,093

The District estimates a total reserve balance of \$20,585,093 at June 30, 2024, as shown on **Exhibit 4-D**. This amount meets the minimum 5% of the operating budget requirement established by the Board during the 2005-06 budget process. The original adopted budget had a projected reserve balance of \$21,959,631 for the fiscal year. Use of the general operating reserve (carry forward of project funds from prior year) in the amount of \$886,500 as detailed in Exhibit 4-D remains unchanged for the mid-year budget.

EXHIBITS

- 4-A** Revenues
- 4-B** Operating Expenditures
- 4-C** Project Expenditures
- 4-D** Reserves Analysis

EXHIBIT 4-A

**Monterey Peninsula Water Management District
Mid-Year Budget Adjustment
Revenues
2023-2024**

<u>Description</u>	<u>Original Budget</u>	<u>Adjustment</u>	<u>Amended Budget</u>
Permit Fees - WDD	150,000	1,075,000	1,225,000
Reimbursements - PWM Project (Grant)	18,940,000	(8,100,000)	10,840,000
Deed Restriction Recording Fees	50,000	60,000	110,000
Total	<u>19,140,000</u>	<u>(6,965,000)</u>	<u>12,175,000</u>

EXHIBIT 4-D

**Monterey Peninsula Water Management District
Analysis of Reserves
2023-2024**

Reserves	Actual Balance 6/30/2023	FY 2023-2024 Budget Changes	Est. Balance 06/30/2024
Litigation/Insurance Reserve	250,000	0	\$250,000
Capital Reserve	1,294,800	230,300	\$1,525,100
Flood/Drought Reserve	328,944	171,056	\$500,000
Pension Reserve	500,000	100,000	\$600,000
OPEB Reserve	500,000	100,000	\$600,000
General Operating Reserve	19,085,887	(1,975,894)	\$17,109,993
Totals	\$21,959,631	(\$1,374,538)	\$20,585,093

Water Supply Charge Reserve	0	3,400,000	\$3,400,000
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Current Fiscal Year Use of Reserves	\$ -
Current Fiscal Year Excess Revenue	\$ (1,089,394)
Carry Forward Projects from Prior Year	(886,500)
Net Change in General Reserve for Current Fiscal Year	<u>\$ (1,975,894)</u>