



BEAR VALLEY COMMUNITY SERVICES DISTRICT

28999 South Lower Valley Road • Tehachapi, CA 93561-7460
PHONE 661-821-4428 • FAX 661-821-0180

FINANCE COMMITTEE AGENDA October 20, 2021 9:00 am

In accordance with Assembly Bill 361 (AB 361) and the continuing state of emergency, including social distancing directives as a result of the threat of the COVID-19 virus, Board members and BVCSD staff will be participating in this meeting remotely. There will not be a physical location for this meeting. Members of the public may participate in the meeting in the following ways:

1. **Open Session Webinar Link:** <https://us02web.zoom.us/j/84948220918>
2. **Phone:** Dial (for higher quality, dial a number based on your current location):
US: +1 669 900 9128 or +1 253 215 8782 or +1 346 248 7799 or +1 312 626 6799 or +1 646 558 8656 or +1 301 715 8592
Webinar ID: 849 4822 0918
3. **International numbers available:** <https://us02web.zoom.us/j/84948220918>
4. **Email:** You may submit comments on a specific item to kmcewen@bvcsd.org. Please send your email at least one hour prior to the start of the meeting.

COMMITTEE MEMBERS: Chair: John Grace; Vice-Chair: Terry Quinn
Staff: Bill Malinen, General Manager; Hamed Jones, Administrative Services Director; Kristy McEwen, Secretary of the Board
Citizen Volunteer: Leana Bowman, Judith Cagle, Gary Truelove

AGENDA ITEMS:

1. **Approval of Agenda**
2. **Approve Minutes of the June 16, 2021 Finance Committee Meeting**
3. **Public Comments on Non-Agenda Items**
Members of the public may address the Committee on items within its subject matter area which are not listed on this Agenda. The Committee cannot take action on any item that is not on the Agenda. The Committee or staff may briefly respond to statements made or questions posed, or may ask questions for clarification. These items may also be referred to staff or scheduled on a future Agenda. There will be a separate opportunity for public comment for each item on the Agenda.
4. **Information & Discussion Items:**
 - A. Budget & Fiscal Policies – Section 2 Budget Policies
 - i. Review & Discussion
5. **Committee Member Comments**
6. **Staff Comments**
7. **Adjournment** – The next meeting of the Finance Committee is December 15, 2021.

Signed October 14, 2021

Kristy McEwen

Kristy McEwen, Secretary of the Board

INFORMATION REGARDING AGENDA ITEMS: Copies of the staff reports and other disclosable public records related to each open session item of business referred to on the agenda are on file in the office of the District Secretary and are available for public information during regular business hours. Any person who has a question concerning any of the agenda items may call the District Secretary at 661.821.4428.

ADA compliance statement: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District Secretary to the Board of Directors, Kristy McEwen, at 661.821.4428. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.



BEAR VALLEY COMMUNITY SERVICES DISTRICT

28999 South Lower Valley Road • Tehachapi, CA 93561-7460
PHONE 661-821-4428 • FAX 661-821-0180

FINANCE COMMITTEE MINUTES

June 16, 2021 9:00 am

In accordance with the Governor's Executive Order (N-29-20) and the declared State of Emergency, including social distancing directives as a result of the threat of the COVID-19 virus, Board members and BVCS staff will be participating in this meeting remotely. There will not be a physical location for this meeting. Members of the public may participate in the meeting in the following ways:

1. **Open Session Webinar Link:** <https://us02web.zoom.us/j/88680617450>
2. **Phone:** Dial (for higher quality, dial a number based on your current location):
US: +1 669 900 9128 or +1 253 215 8782 or +1 346 248 7799 or +1 312 626 6799 or +1 646 558 8656 or +1 301 715 8592
Webinar ID: 886 8061 7450
3. **International numbers available:** <https://us02web.zoom.us/j/88680617450>
4. **Email:** You may submit comments on a specific item to kmcewen@bvcsd.org. Please send your email at least one hour prior to the start of the meeting.

COMMITTEE MEMBERS: Chair: John Grace; Vice-Chair: Terry Quinn
Staff: Bill Malinen, General Manager; Hamed Jones, Administrative Services Director; Kristy McEwen, Secretary of the Board
Citizen Volunteer: Leana Bowman, Judith Cagle, Gary Truelove

AGENDA ITEMS:

1. **Approval of Agenda**
The agenda was approved unanimously by the committee.
2. **Approve Minutes of the April 21, 2021 Finance Committee Meeting**
The minutes were approved unanimously by the committee.
3. **Public Comments on Non-Agenda Items**
Members of the public may address the Committee on items within its subject matter area which are not listed on this Agenda. The Committee cannot take action on any item that is not on the Agenda. The Committee or staff may briefly respond to statements made or questions posed, or may ask questions for clarification. These items may also be referred to staff or scheduled on a future Agenda. There will be a separate opportunity for public comment for each item on the Agenda.
 - None
4. **Information & Discussion Items:**
 - A. FY 2021/22 Preliminary Budget Review – Mr. Jones provided an overview of the FY 2020/21 Proposed Budget and addressed questions from the Committee and public.
Motion: The Committee RECOMMEND the FY 2021/22 Preliminary Budget be presented to the Board of Directors for Approval: Quinn. Second: Grace
Yea: 4
No: 0

- B. 20 Year Capital Improvement Plan – Mr. Jones & Mr. Malinen introduced the draft plan and discussed the philosophy behind long-term expenditure planning. The draft will also be reviewed the Infrastructure Committee and will undergo further refinement prior to presentation to the Board of Directors.
- C. Budget & Fiscal Policies – Section 1 Financial Reporting/Management Policies
- i. Review & Discussion – Mr. Jones reviewed Section 1 in relation to current practices and heard suggestions from the committee on possible revisions.
5. **Committee Member Comments** – The committee thanked staff for their work in putting together the budget presentation and other agenda items. Director Grace inquired about the District’s server back-up processes; Mr. Jones responded that both on-site and cloud back-ups are done regularly.
6. **Staff Comments** – Mr. Jones thanked staff and division supervisors, particularly Accountant Perla Fikter, for their help in preparing the budget and 20-Year CIP.
7. **Adjournment** – The meeting was adjourned at 10:39 am. The next meeting of the Finance Committee is August 18, 2021.

Kristy McEwen

Kristy McEwen, Secretary of the Board

Bear Valley Community Services District BUDGET AND FISCAL POLICIES

The following budget and fiscal policies are presented to provide guidance and consistency in decision-making for the District's management team and Board of Directors. These policies will assist the District in achieving overall financial planning and rate setting processes from year-to year for District operations. The proposed policies are guidelines that should be reviewed at the beginning of each fiscal period to determine if they are still relevant and appropriate. The budget and fiscal policies framework is shown below:

Budget and Fiscal Policies Framework

1. Financial Reporting/Management Policies
2. Budget Policies
3. Revenue Policies
4. Capital Improvement Policies
5. Debt Policies
6. Reserve Policies
7. Rate Setting Policies
8. Capacity and Connection Fee Policies

Bear Valley Community Services District BUDGET AND FISCAL POLICIES

2. Budget Policies

Bear Valley Community Services District, like any other business, should strive to maintain financial stability over time, as it has done in the past. Financial stability is not only a prudent financial management goal; it can also minimize financial costs in the long-term (e.g. unnecessary borrowing). Above all, financial stability will provide the community with the confidence of knowing a strong, consistent management team is managing the District. The approved annual budget document provides the spending limits by fund for the fiscal year. The District will follow administrative policy and state regulations on all expenditure line items. Management and staff will follow the philosophy of cost control and responsible financial management. The goal will be to balance annual expenditures with the annual revenues. The District will not use short-term borrowing to finance current operating needs without a financial analysis showing impacts to the District as a whole.

- 2.1 The primary budget objective is to provide the highest possible level of service to the residents of Bear Valley without impairing the District's sound financial condition. Continual efforts will be made to improve productivity, lower costs and enhance services.
- 2.2 The District will prepare an annual budget document each fiscal year (July 1 to June 30) that provides a basic understanding of the District's planned spending for the coming fiscal year. Copies of the proposed and final budget will be made available to all interested parties and opportunities will be provided for public input prior to final adoption of the budget.
- 2.3 The budget will be based on generally accepted accounting principals as promulgated by the Governmental Accounting Standards Board (GASB) and the interpretations contained in the Governmental Finance Officers Association publication *Governmental Accounting, Auditing and Financial Reporting*.
- 2.4 Laws and regulations limiting use of revenue sources must be explicitly addressed in the budget process.
- 2.5 The District's annual budget will be presented for each governmental and enterprise fund with a logical breakdown of programs and line-item detail. The budget document for each fund will also be presented for discussion and review by the Board of Directors and the public. This document will

Bear Valley Community Services District BUDGET AND FISCAL POLICIES

focus on policy issues and will summarize expenditures at the personnel, operating and maintenance, project and capital improvement levels. Where practical, the District's annual budget will include standards of workload, efficiency and effectiveness.

- 2.6 Joint or common costs of the District shall be allocated between governmental and enterprise funds based upon a "fair" methodology that utilizes appropriate criteria (e.g. labor ratios, number of customer, asset value, work stations, square footage, FTE's, etc.). The specific allocation method for the joint/common cost should be the method that the District deems to be most appropriate and equitable. The joint/common cost allocation should be reviewed during the annual budget process.
- 2.7 The District will endeavor to keep current expenditures less than current revenues. Current expenditures are defined as operating expenses, debt payments, and project and capital improvement expenditures. Except under extraordinary circumstances approved by the Board, the District will strive to operate within the approved budgetary amounts to avoid deficit spending.
- 2.8 The District should have annual net income (total revenue less O&M, debt service and capital projects funded from rates) greater than or equal to zero.
- 2.9 The District will maintain a budgetary control system to ensure adherence to the overall budget for each governmental and enterprise fund and will prepare regular reports comparing actual revenues and expenditures/expenses for each fund.
- 2.10 The District will not establish a program without also providing the necessary funding to accomplish those objectives. All new operating programs or initiatives submitted for policy decision should include a five-year estimate of anticipated annual operating costs, revenues and their associated impacts on rates.
- 2.11 At mid-year, there shall be a comprehensive review of the operations to date in comparison to the existing budget. Projections of revenues and expenditures through the end of the fiscal year will be prepared and reviewed by management staff with a report to the Board of Directors by January of the operating fiscal year.

Bear Valley Community Services District

BUDGET AND FISCAL POLICIES

- 2.12 The operating budget will be prepared to fund current year expenditures with current year revenue. However, surplus fund balances may, in the Board's discretion, be used to increase reserves, fund capital improvement projects, or be carried forward to fund future year's operating budgets when necessary to stabilize services.
- 2.13 The District will avoid budgetary and accounting procedures that balance the current budget at the expense of future budgets. Budget items requiring Board action:
- a) Appropriation of reserves
 - b) Transfers between funds
 - c) Appropriation of any unanticipated revenues
 - d) Inter-fund loans
 - e) Creation of new CIP projects and appropriation increases in existing CIP projects
- 2.14 Budget items delegated to the General Manager: transfers between budgeted activities or departments within a fund.
- 2.15 Budget items delegated to Department Heads: Within the budgeted category, line item transfers are the responsibility of the Department Heads, subject to approval of the Finance Director and the General Manager. Transfers of line item budgets will be documented in a report provided to the General Manager and Board of Directors at such times as deemed appropriate by the Finance Director.
- 2.16 The District will annually submit its budget to the Government Finance Officer's Association for consideration of the Distinguished Budget Presentation Award and to the California Society of Municipal Finance Officers for its Excellence in Operational Budgeting award.