



Monterey County

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Board Report

Legistar File Number: WRAG 17-240

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Matter Type: WR General Agenda

- a. Approve a proposal to modify the Water Resources Agency's Organization Fund Structure for Fiscal Year (FY) 2018-19 to provide more transparency and simplicity in how revenues and expenditures are reported in the Agency's Budget, as well as using Enterprise Resources Planning (ERP) Advantage System fully within the County of Monterey, a change which was recommended by Rodney Craig Goodman Jr., CPA and the County Auditor-Controller's Office; and
- b. Authorize the Auditor-Controller to create a General Administration Fund 111 by combining the following Agency Funds: 111, 113, 114, 115, 117, 118, 120, 123, 125, 126, 128, and 129, financed by the following revenue type: Ad Valorem (Property) taxes, Royalties, Planning and Engineering Fees, Rent and Concessions, and Permit fees; and
- c. Authorize the Auditor-Controller to eliminate the following revenue transfer funds: Fund 119 - Water Resources Zone # 6 2B, Fund 133 - Salinas Valley Water Project Revenue, and Fund 303 - CSIP Debt Service Fund; and
- d. Authorize the Auditor-Controller to transfer the remaining balances from Fund 422 - Nacimiento Spillway Modification Construction, Fund 423 - Diversion Facility Construction, and Fund 425 -Salinas Valley Water Project (SVWP) to Fund 313 - Debt Service Fund for the SVWP Bond; and
- e. Authorize the Auditor-Controller and County Administrative Budget Office to reflect these changes in the FY 2018-19 Budget process.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Supervisors:

- a. Approve a proposal to modify the Water Resources Agency's Organization Fund Structure for Fiscal Year (FY) 2018-19 to provide more transparency and simplicity in how revenues and expenditures are reported in the Agency's Budget, as well as using Enterprise Resources Planning (ERP) Advantage System fully within the County of Monterey, a change which was recommended by Rodney Craig Goodman Jr., CPA and the County Auditor-Controller's Office; and
- b. Authorize the Auditor-Controller to create a General Administration Fund 111 by combining the following Agency Funds: 111, 113, 114, 115, 117, 118, 120, 123, 125, 126, 128, and 129, financed by the following revenue type: Ad Valorem (Property) taxes, Royalties, Planning and Engineering Fees, Rent and Concessions, and Permit fees; and
- c. Authorize the Auditor-Controller to eliminate the following revenue transfer funds: Fund 119 - Water Resources Zone # 6 2B, Fund 133 - Salinas Valley Water Project Revenue, and Fund 303 - CSIP Debt Service Fund; and
- d. Authorize the Auditor-Controller to transfer the remaining balances from Fund 422 - Nacimiento Spillway Modification Construction, Fund 423 - Diversion Facility Construction, and Fund 425 -Salinas Valley Water Project (SVWP) to Fund 313 - Debt Service Fund for the SVWP Bond; and

e. Authorize the Auditor-Controller and County Administrative Budget Office to reflect these changes in the FY 2018-19 Budget process.

SUMMARY/DISCUSSION:

On January 26, 2015 the Water Resources Agency approved and recommended that the Monterey County Board of Supervisors approve this recommendation to modify the Water Resources Agency Organization Fund Structure to provide more transparency and simplicity in how revenues and expenditures are reported in the Agency's Budget , as well as determining on using Enterprise Resources Planning (ERP) Advantage System fully within the County of Monterey as the change was recommended by Rodney Craig Goodman Jr., CPA and with collaboration from the County Auditor Controller's Office. The Agency has been working with the Auditor-Controller's Office to meet the County ERP Advantage System deadlines for these fund changes by November 1, 2017 to be implemented into the FY 2018-19 budget cycle.

The Monterey County Water Resource Agency has a complex fund accounting structure that includes 15 sources of revenue spread amongst 32 fund accounts. As mentioned in the attached report by Rodney Craig Goodman Jr., CPA, "Currently, many of these revenues are being allocated to multiple funds without being transferred. This makes budgeting more difficult and it adds a sense of entitlement to these dollars in other funds. If there is an agreement to backfill debt service charges to zones with ad valorem taxes, it would be less transactions and cleaner if the WRA General Fund just transferred the appropriate amount of ad valorem to fund the debt service payment." What Mr. Goodman is referring to is the Agency's most recent Salinas Valley Water Project Bond and its requirement to pledge all revenue to a debt service to pay the annual bond payment rather than just using one debt service account to accumulate and pay the annual bond payment. As a result, the Agency accumulates all pledged revenue into the Debt Service Fund 133 to ensure the annual payment of the bond and then redirects the remaining ad valorem to several smaller funds. By restructuring the Fund accounts, it enables the agency to classify its revenue based on the defined fund types described in the attached recommendations of Rodney Craig Goodman Jr., CPA, and cited below. In addition, it requires the Agency to seek authorization from the Agency Board of Directors when transferring these monies between Funds, therefore, creating a clear audit trail.

- The yellow highlighted funds: 111, 113, 114, 115, 117, 118, 120, 123, 125, 126, 128, and 129) will be combined into one General Administration Fund of the WRA. Historically each of these zones (Zones 2, 2A, 3, 5, 7, 11, 14, 15, Storm Drain Maintenance #2, and Gonzales Slough) made a claim to the ad valorem taxes attributed to each respective zone. However, Mr. Goodman states, "the reason these zones appear to have a share of ad valorem taxes is because at the time proposition 13 was implemented, these zones were considered the Water Resources Agency. Thus, each of these zones was included in the applicable tax rate areas established between 1977 and 1979. The ad valorem taxes collected from these zones should be considered the discretionary revenues of the WRA. Discretionary revenues are non-earmarked moneys that may be spent as the WRA Board of Supervisors authorizes. With that said, any projects approved in these zones would require the use of these discretionary dollars because these zones do not have any other source of moneys, such as voter approved direct assessments or benefit assessments."
- The green highlighted funds: 112, 116, 121, 122, 124, 127, 130, 131, 132, 134, and 426 will remain in a separate special revenue fund due to either a direct assessment or benefit assessment that

the voters passed to fund the prevention of flooding within each of these zones (Zones 1, 1A, 8, 9, 12, and 17). In addition, Mr. Goodman states, “the following benefit assessments are voter approved tax assessments (Zones 2B, 2C, 2Y, and 2Z) above the one percent ad valorem taxes, which are earmarked for a specific purpose and cannot be used for an alternate purpose. These moneys can only be used for the specific purpose approved by the voters or they violate the legal provisions of the voter approved tax assessment. Therefore, WRA must keep these moneys in their own separate fund and only use them as directed by the voters. In all cases, the assessments and benefit assessments that have been approved in WRA are zone specific.”

- Eliminate the orange highlighted transfer funds: 119, 133, and 303. These funds are duplicative in nature as they transfer revenue from special assessments funds. For example, Fund 119 transferred Zone 2B special assessments to the Castroville Seawater Intrusions Project (CSIP) - Fund 131, and the Salinas Valley Reclamation Project (SVRP) Fund 132 and then to CSIP Debt Service Fund 303. The Auditor-Controller has since directed the Agency in FY 2016-17 to move the Rate Stabilization Reserve of \$1.5 million out of Fund 303 - CSIP Debt Service Fund to Fund 131 - CSIP Operations and Maintenance Fund to pay for its debt service payments directly. In addition, Fund 133 SVWP appears to exist solely for the purpose of holding next year’s bond payment. Therefore, Fund 313 the Monterey County Financing Authority will be used to collect and pay the SVWP Bond installments directly to the bank.
- The purple highlighted funds (funds 422, 423, 425) are capital projects funds and transferred to Fund 313 - SVWP Debt Service Fund. Moneys for the Salinas Valley Water Project (SVWP) construction of capital assets were transferred into capital projects funds from other sources such as debt proceeds. These are remaining debt proceeds after construction of the capital assets and will be transferred to fund 313 for repayment of the debt.
- Fund 426 will remain separated to track the Interlake Tunnel and Spillway Modification Grant funding of \$10 million dollars.

OTHER AGENCY INVOLVEMENT:

The Agency has worked in collaboration with the Auditor-Controller’s Office to restructure the Agency Funds. In addition, it was supported by the Budget Committee on October 25, 2017.

FINANCING:

This is a request to restructure the fund accounting and financing is necessary to complete this activity.

Prepared by: Cathy Paladini, Finance Manager II, (831)755-4860

Approved by: _____
David E. Chardavoyne, General Manager, (831) 755-4860

Attachments:

1. Requested Fund Restructure
2. Craig Goodman Report
3. Executed MCWRA Board Order

