



Santa Clara Valley Water District

File No.: 20-1067

Agenda Date: 11/24/2020

Item No.: 4.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Discuss Establishment of a Board Budget Committee.

RECOMMENDATION:

Support 2020 Board Chair Hsueh's Recommendation to Not Establish a Board Budget Committee.

SUMMARY:

On August 11, 2020, the Board received an overview of the current budget process and provided direction to staff to implement a rolling biennial budget process upon completion of, and demonstrated stability of, the Infor ERP system implementation. In addition, the Board requested further information on best practices as it relates to the use of a Budget Committee.

Although many Water Districts throughout California use a "Finance Committee", Chair Hsueh does not recommend the formation of a Finance Committee for Valley Water for the following reasons:

1. **So that no Board member is excluded from engaging in important Finance conversations, which are currently had at the full Board level.** For reference, the following finance topics represent typical topics that a Finance Committee would address, which are currently addressed by the full Board:
 - **Rate setting** - Must follow District Act prescribed process (Board members are extremely engaged in this process, which includes multiple Board meetings, advisory committee outreach, public hearings, etc.)
 - **Budget setting** - Full Board engaged via multiple Board meetings including a detailed work study session.
 - **Debt** - All debt issuances come to full Board for approval after approval from the Public Facilities Finance Corporation (PFFC).
 - **Investments** - Monthly and quarterly written investment reports are provided to the full Board via non-agenda process. Board has been very engaged as evidenced by several recently approved investment policy changes.

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- **Accounting** - The Board Audit Committee already reviews the Comprehensive Annual Financial Report prior to going to the full Board.
 - **Actual vs Budget performance monitoring** - Staff provides mid-year actual versus budget, and year-end unaudited actual versus budget financial report outs to the full Board.
2. **Several Committees already exist that review detailed financial analysis on key topics prior to full Board presentation if needed** (Board Audit Committee, CIP Committee, Recycled Water Committee, Water Storage Exploratory Committee, and FAHCE Committee.) The roles and responsibilities of a new “Finance Committee” could easily overlap with these existing Committees and create issues such as serial meetings.
3. **No compelling reason to form a Finance Committee**, in other words there is no particular problem to solve.

Chair Hsueh’s recommendation is to continue with the current practice of establishing an ad hoc working group or committee to address financial issues as they come up. Recent successful examples include the Budget Review Working Group and the Financial Sustainability Working Group, which were established to engage in more detailed discussions to help solve a particular problem.

If Board members have financial topics of interest that require in depth discussion, please communicate to the Board Chair and they can be addressed.

FINANCIAL IMPACT:

There is no financial impact associated with this item.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

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