

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
February 9, 2016 270 Elm Road, Bolinas

1. Call to Order.

10:15 a.m.

2. Roll.

Directors Amoroso and Comstock; General Manager Jennifer Blackman also present.

3. Proposed New Format for Budget.

Staff presented a new format for the district's annual operating budget prepared by the district's outgoing bookkeeper, Kaaren Gann; the new format tracks the Quickbooks reporting format and includes actual expenditures from prior years, the approved budget from the immediately preceding fiscal year, and the proposed budget (total and for each enterprise) for the upcoming fiscal year. Director Comstock said that he likes the proposed format and finds it clear and easy to follow. He noted that the third page includes non-operating budget items, which should be included in the budget each year (but historically have not been); he said the capital items similarly should be included and that the district should be tracking budget-to-actual for capital projects as it does for operating expenses. Discussion ensued about the various types of financial information the Board is tracking, and director Comstock said that the Board historically has not conducted a budget-to-actual comparison for the entire fiscal year, but it should; staff noted that such a comparison is prepared each year by staff per the request of the district's auditors and this paperwork easily can be presented to the Board for consideration, as well. Director Comstock also suggested the five-year capital plan be "rolled forward" each year to account for the projects that were completed as planned, the projects that were completed but unexpected (due to emergency breakdown, etc.), and the projects not completed as planned (and the reasons therefore). Director Amoroso expressed some reservations about the proposed budget format as he finds it confusing to have information included from prior fiscal years.

4. Draft Fiscal Year 2016-17 Budget.

Staff presented an overview of the first draft of an operating budget for the 2016-17 fiscal year. First, the committee members reviewed the employee services portion of the budget. Staff pointed out that the new staff members are all included so the total wages and benefits (as proposed) will increase by approximately 9%. Not all of the increase is attributable to an increase in the size of the operations staff, however; due to increased contributions required by CalPERS relative to the retirement plan's unfunded liability, the cost of the district's portion of the annual CalPERS contributions increased significantly, as well. Discussion ensued about the staff time that is projected to be capitalized in the upcoming year; staff noted that all projected time is projected on water system projects and, accordingly, is reflected in the capital section of the budget. The committee briefly discussed the status of the chlorine disinfection byproduct ("DBP") reduction project, which is in the water system capital projects section of the budget, and the expected recommendation that the district implement coagulation prior to filtration to reduce DBP's below the maximum contaminant levels. Directors Amoroso and Comstock inquired how frequently the treated water will be tested to ensure there are no detectable levels of alum (the coagulant) remaining in the water after it is filtered; staff will request that this information be provided in the ultimate recommendation.

Discussion returned to the CalPERS section of the budget. Staff said that the unfunded liability portion of the budget has been scheduled out by CalPERS for the next few years and appears to be increasing by approximately \$5,000 – 6,000 per year. On the other hand, medical insurance costs are holding steady without any appreciable increase for the upcoming fiscal year. Turning to the operations and maintenance costs projected for the water side of the budget, staff is recommending an increase to the annual bookkeeping

expenditures and decreases to other categories of expenditures based on last year's actuals, for a total overall increase of 1.9% to this section of the budget. However, staff will be evaluating the office supplies and insurance categories of the budget as expenditures last year were much higher than budgeted – staff needs to evaluate why this occurred and whether adjustments need to be made for the upcoming fiscal year.

The Committee next evaluated the proposed budget for the sewer system. Director Amoroso inquired about the lift station pump replacement project and how the cost of that installation will be reflected; staff said that the project was unbudgeted and will be paid for in this fiscal year from reserves, so during the next fiscal year staff proposes to rebuild the reserves and the committee will see this reflected in the reserves/debt section of the budget. With regard to the septic/drainage section of the budget, staff has continued to budget for Lewie Likover to continue his role planning and consulting on projects with implementation to be done by BCPUD staff and/or outside contractors. The committee discussed the current status of projects planned and/or foreseeably remaining and asked staff to evaluate whether a service fee reduction might be appropriate in upcoming years if the district's focus shifts more to maintenance rather than installation. Finally, staff said that the Resource Recovery Project budget is balanced as presented, but one of the site attendants recently passed away unexpectedly and staffing costs at the site are uncertain at the present time, so the budget may need to be adjusted within the next few months.

The Committee turned its attention to the income side of the budget. Director Comstock inquired about the amount of \$100,000 forecast for water sales (from the quarterly metered water bills) and whether that is realistic. Staff concurred that the number might be overly optimistic as last year's revenue from water sales was less than \$90,000 and revenues thus far this fiscal year are even lower; on the other hand, the district was on "heightened conservation alert status" all year, so water sales understandably are low by historic standards. After a brief discussion, staff agreed to lower the projected water sales revenue to \$90,000 for budget purposes. The committee then evaluated the percentage of property tax revenue projected for the upcoming year and staff agreed to locate better information from the County with regard to expected tax revenue (and specific sources) for the upcoming year. Turning to debt, the Committee reviewed the outstanding debt service which includes \$30,400 to repay the loan for the Terrace Avenue Water Main Relocation project and the two Clean Renewable Energy Bond payments (which are essentially self-financing via money saved on power costs plus rebate income received during the first five years of operation of the solar arrays) – the district otherwise has repaid all outstanding debt and is in a reserve-rebuilding phase to finance planned capital improvement projects.

As for capital improvement projects, staff included a series of projects in the proposed budget that the district can pay for without raising rates or using reserves. On the water side, the projects include fire hydrant installation, water meter replacement, ongoing chlorine DBP reduction work, and the replacement of the intake piping and valves at the Woodrat #1 reservoir; all of these projects are planned for FY 2016-17 in the district's five-year capital plan. Staff proposes to defer for one year the planned rehabilitation of the East Tank, which is estimated to cost \$160,000. No projects are planned for the sewer system as staff is recommending a focus on rebuilding reserves; the budget proposes a contribution of just under \$63,000 toward sewer reserves (as well as \$114,000 toward water reserves). Discussion ensued about the water supply study and the status of Rob Gailey's work; staff reminded the Committee that the Board authorized \$50,000 for this project and just over \$30,000 has been spent to date. The Committee then studied the five-year capital plan and the projects planned for FY 2016-2017; as noted above, the majority of the planned projects are included in the draft budget, but the East Tank rehabilitation project is deferred and none of the distribution pipeline projects are included. Staff suggested that the Committee obtain a prioritization list from the Chief Operator for the near-term capital improvement projects and revise the capital improvement plan as necessary to reflect the current district priorities; the Committee concurred with this suggestion. Director Comstock requested that staff also update the Committee at the next meeting as to which capital improvement projects planned for the current fiscal year (FY 2015-16) have been or will be completed prior to the close of the fiscal year this June 30th; to the extent a planned project did not occur, then it should be "rolled forward" into the updated five-year capital improvement plan.

Director Comstock asked if it would be possible to have a mid-year report from staff – well prior to the beginning of the next fiscal year budget process -- about the budget-to-actual operating costs and budget-to-actual capital expenditures. Staff said that it would. After a brief discussion, staff suggested that such a report be prepared in September of each year, following the close of the field work for the audit of the immediately preceding year and the Committee concurred.

The Committee reviewed spreadsheets prepared by staff concerning the projected impact of the proposed budget on the district's reserves and on the district's outstanding debt. Staff is working on a similar spreadsheet for outstanding capital improvement projects. Director Comstock noted that payment of the lift station pump replacement project will draw the sewer reserves down to zero and the district will need to fund the balance of the project from unrestricted reserves. Staff agreed and said this is why the proposed budget is focused on rebuilding those reserves.

After further discussion, the Committee resolved to meet in two weeks rather than wait a full month until the next Committee meeting given the amount of work for staff to do to revise the budget and associated spreadsheets per the Committee's direction at this meeting.

5. Community Expression

None.

6. Adjournment

1:03 p.m.