

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
March 22, 2016 270 Elm Road, Bolinas

1. Call to Order.

10:25 a.m.

2. Roll.

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

3. Draft Update of Five-Year Capital Improvement Plan.

No discussion.

4. Draft Fiscal Year 2016-17 Budget; Status of Reserves and Debt.

The Committee, per the requirements of the district's Financial Reserve Policy, evaluated the status of the district's General Fund as of June 30, 2015 to determine whether the district met the requirements of that policy with regard to its reserve funds as of June 30, 2015. The policy requires that the district have on deposit in its General Fund as of June 30, 2015 an amount equivalent to four (4) months of the district's budgeted operating costs. The Committee calculated that amount for FY 2014-15: \$296,704. In fact, the district's bank statements show that the district had \$478,512.76 on deposit in its General Fund on June 30, 2015, which exceeds the requirements of the Financial Reserve Policy. The Committee next evaluated the status of the district's Water Reserves and Sewer Reserves. The Financial Reserve Policy requires the district to maintain an amount on deposit in each of those funds equivalent to one year of the water or sewer capital budget, based on a five-year average as determined by the Tier One project costs identified in the Five-Year Capital Plan for FY 2015-2020. With regard to the Water Reserves, the Committee calculated the required amount to have on deposit as \$195,290; in fact, the district had \$210,910 on deposit in its Water Reserves on June 30, 2015. As for the Sewer Reserves, the Committee calculated the required amount to have on deposit as \$56,800; in fact, the district had \$193,673 on deposit in its Sewer Reserves on June 30, 2015.

Director Comstock noted that the Committee already knows the district will have to borrow from its "Endowment/Capital Improvement Fund" to supplement the Sewer Reserves and pay for the Lift Station Pump Replacement Project; the question is: how much? Importantly, the district needs to keep in mind that it also must be in compliance with the minimum on deposit requirement of the Financial Reserve Policy as of June 30, 2016; staff agreed to calculate that amount for the next committee meeting. Finally, he observed that the district must also have the \$70,000 planned to be spent on the wetwell in reserves, as well. Staff said that the district budgeted to pay the estimated \$70,000 cost of the wetwell project by using \$31,596 in operating revenue collected during the FY 2015-16 year, plus \$38,404 from Sewer Reserves. However, the district did not expressly book those funds into a subaccount last year. Accordingly, after speaking with the district's bookkeeper, staff recommends creating a "sub-reserve" within the Sewer Reserves now to segregate the \$38,404 from reserves and deposit \$31,596 from the general sewer fund with it, so that the district properly tracks these project funds. In addition, staff noted that the district paid approximately \$40,000 in costs related to the Lift Station Pump Replacement project (i.e., extraction of the failed pumps, rental of an emergency pump, engineering costs, etc.) during the latter half of the FY 2015-16, and it should "pay back" these funds to the sewer operating fund. The Sewer Reserves currently have approximately \$220,673 on deposit, or \$180,673 once the \$40,000 is transferred back to the general fund. After an extended discussion, the Committee agreed.

Discussion ensued about how the estimated \$300,000 cost of the Lift Station Pump Replacement Project will be paid. This cost was unbudgeted and therefore must come from reserves, with the reserves to be replenished by sewer revenue collected from district customers. After an extended discussion, staff proposed

that the district use \$100,000 from the Sewer Reserves and borrow \$200,000 from the Endowment/Capital Improvement Fund. This project should be completed by June 30, 2016, barring unforeseen delays. The FY 2016-17 draft budget currently proposed to collect \$80,458 from sewer customers to deposit and replenish reserves. The Committee concurred that this \$80,458 then should be slotted to “pay back” that much of the \$200,000 borrowed from the Endowment/Capital Improvement Fund, reducing that “debt” to approximately \$120,000.

Director Comstock said that the district is making significant progress toward improving its financial position. In the last couple of years, the district has adopted a Capital Improvement Plan, a Financial Reserve Policy, and systems to better track its capital projects, reserve status and levels of outstanding debt. The district has increased the amounts dedicated to its reserves (anticipating future projects) and reduced its overall debt level by using Endowment Funds to pay off debt that was costing the district unnecessary interest. He noted that a next step will be to create subaccounts for all of its specific anticipated projects, so that by the time the project is scheduled to be done, the district will have the required amounts set aside. He acknowledged that this has taken a lot of time, but should make things easier for the district going forward to have its financial planning better organized.

Director Comstock inquired about the current status of the FY 2015-16 budget vs. the actual amounts expended thus far (nearly $\frac{3}{4}$ of the way through the fiscal year). Staff agreed to prepare a report for the Committee’s consideration at the next meeting. Staff asked for the Committee’s thoughts about how to account for the funds expended for the recent hazardous tree removal along Olema-Bolinas Road, which cost \$55,525. Approximately \$17,000 of that should be charged to the sewer enterprise as the trees removed at that cost were directly over (and a threat to) the sewer force main; the balance (approximately \$38,000) expended was for the large trees directly adjacent to the road and posing a safety risk. In addition to this, the district contributed approximately \$10,000 toward the Dogwood right-of-way tree removal project last Fall. Staff’s understanding based on discussions during the Board meetings is that the Dogwood project should be paid directly out of the hazardous tree reserve fund, and the Olema-Bolinas Road project is a one-time project to be paid \$17,000 from sewer and \$38,000 from either the water revenues, or the Endowment Fund. The Committee concurred. Staff noted that \$15,000 is budgeted toward hazardous tree removal in the draft FY 2016-17 budget on the condition that the district receives the grant of \$100,000 it applied for from CalFIRE; \$15,000 is the district’s matching contribution. The district should be notified soon whether or not it will receive this grant.

Director Amoroso said that since the district likely will be seeking a 10% increase in water and sewer service charges, a Proposition 218 notice will need to be issued. Staff will draft one for the next Committee meeting, which is scheduled for April 12, 2016. Director Comstock said this should be on the agenda of the April Board meeting, as well. Director Amoroso asked that staff include this as a separate agenda item and not as part of the Board committee agenda item.

The Committee agreed that the next meeting will focus on an in-depth review of the draft FY 2016-17 budget. Staff also will prepare updated versions of the 2016-2021 Five Year Capital Improvement Plan, as well as the revised reserves and debt spreadsheets, for the next meeting. Director Comstock also would like to review a year-to-date budget to actual report for the current fiscal year (i.e., FY 2015-16). Finally, director Comstock said that at the next committee meeting, the Committee should craft a specific recommendation for the Board to consider at the regular April meeting about exactly how the Wharf Road Lift Station Pump Replacement Project will be financed (i.e., the precise amount to be “loaned” from the Endowment/Capital Improvement Fund, once the bid amount for the installation is known).

5. Community Expression

None.

6. Adjournment

11:51 a.m.