

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
April 4, 2017 270 Elm Road, Bolinas

1. Call to Order.

10:17 a.m.

2. Roll.

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

3. Draft Update of the District's Five-Year Capital Improvement Plan.

Staff presented a revised version of the Five-Year Capital Improvement Plan ("CIP"). Staff endeavored in the most recent revisions to incorporate into Tier 1 four of the highest priority water main replacement projects (which had been in Tier 2 of the CIP), focusing on the steel-wrapped, 2-inch pipes in the Cedar and Fern rights-of-way which have been the most problematic for the district. In addition, staff has removed any further proposed expenditures for the district's chlorine disinfection byproduct reduction project as that project essentially is complete from a capital standpoint (the new treatment process is fully installed and operational); the project now will move to an operations and maintenance phase and will be covered under that section of the district's budget. Staff has included a placeholder for a possible SCADA project for the Woodrat Water Treatment Plant; at this time, there is no estimated cost for such a project, but staff is including it so as not to lose track of evaluating a possible upgrade at the treatment plant.

Discussion turned back to the four water main projects elevated to Tier 1. Staff proposes to collect the funds for each project identified over a two-year timeframe and then install the new mains when the funds are fully collected. Director Comstock said he was pleased to see the addition of the four water main replacement projects to the Tier 1 portion of the CIP, and urged staff to continue to evaluate how critical the other water main replacement projects remaining in Tier 2 are in the next five years. He said this is important to the committee's analysis of whether the district is building sufficient reserves over time. Staff agreed to do so. Staff noted the proposed water service charge increase to customers will be approximately 3% with the current operating expenses, debt repayment and capital projects as proposed.

On the sewer side of the CIP, staff said the Board's Sewer Committee met recently to discuss the district's planned project to upgrade the irrigation pump station at the treatment ponds. The district has received a design proposal of just under \$50,000 from Oswald Green Technologies and Allied Engineers; the committee directed staff to seek a second design proposal from Brelje & Race for the pump upgrade (leaving the related treatment pond upgrades to Oswald/Allied). Staff noted that the design work might actually begin during the current fiscal year and the upgrade might occur during the upcoming fiscal year; as such, the district may be lending itself the funds to get started on this project from reserves, and then collecting funds from customers to repay the reserves, as was done with the lift station project. Director Comstock noted the district can also seek a low-interest loan to pay for the project if necessary. He also asked if staff has yet determined whether grinders will need to be added to the wetwell rehabilitation project (which would increase the estimated cost by about \$50,000). Staff said that has not yet been determined.

On the Building, Office and Vehicles section of the CIP, the immediate project is the design and upgrade of the septic system serving the office building at 270 Elm Road; staff proposes to phase that project over the next two fiscal years.

4. Draft Fiscal Year 2017-18 Budget and related spreadsheets re: status of debt and status of reserves.

Staff presented a revised draft budget for the committee's consideration. No substantive changes were made to the employee services or operations and maintenance sections of the budget for any of the enterprises. The capital section of the budget has been revised to incorporate the revisions to the CIP and the committee reviewed each of the line items. The proposed increase to the water service charge is about 3%, or \$39 per customer. The proposed increase to the sewer service charge is about 6.4% or \$76 per customer. On the revenue side, staff also revised the expected tax revenue based on the prior year's receipts and allocated just under \$15,000 from water reserves to balance the budget, keeping in mind that the district will be contributing an additional \$114,000 to reserves per the draft budget, for a net addition to reserves of just under \$100,000.

Director Comstock said that on the CIP for water projects, the five-year expenditures in Tier 1 projects is about \$600,000; if some of the Tier 2 projects are added, that might increase the total cost by another \$300,000. In addition, the projects to be funded by water customers for the office building is

another \$180,000. As such, the district has over \$1 million in capital costs over the next five years, or \$220,000 per year. At the same time, the district is contributing about \$100,000 to reserves + reducing its annual debt by about \$30,000 per year, so effectively the district is adding \$130,000 annually to reserves whereas closer to \$220,000 (+ \$30,000 for debt repayment) may be needed – this suggests the district should raise rates more significantly to close this gap on annual reserves needed. Director Comstock suggested the rates may need to increase by more like 10% rather than 3% to achieve the needed \$250,000 per year for capital improvement/debt reduction needs. Discussion ensued about how to best approach this goal and staff suggested engaging a financial consultant experienced with local government/special district budgetary processes.

Discussion turned to the sewer CIP projects and director Comstock said the current budget show the district can add about \$37,000 to reserves with the currently proposed rate increase of 6.4%, whereas it needs approximately \$100,000 per year in reserves (annualizing the projected capital project costs expected to arise over the next five years). Staff noted that the fencing projects on the sewer CIP are more akin to the Tier 2 water main replacement projects – although not currently delineated in the same way, the fencing replacement work is far less significant/important than the upgrade of the irrigation pump station. Director Comstock said that even accepting that, the average annual amount needed for sewer projects is about \$80,000, so there is a significant gap between what is projected (\$37,000) and what is needed (\$80,000) for annual capital costs. Again, he suggested that a service charge of 10% is likely necessary to close the gap. Staff said there may be opportunities to shift money currently allocated to the “plant” budget for sewer into building reserves; staff will evaluate this internally and report back at the next meeting.

Overall, director Comstock said that it *seems* that the district’s annual capital cost (on average) is roughly \$300,000, which is not high given the extent of the district’s overall capital infrastructure. He does not think the district will close the gap in funds needed for water and sewer infrastructure improvements with service charge increases of less than 10%. Staff noted that the district has substantially increased its commitment over the last ten years) to capital improvement projects and to funding those projects via increased revenues (rather than taking on additional debt). Director Comstock acknowledged this and said it is clear the district can’t “close the gap” between revenues needed/charged in a single year, but should be setting a goal to do so within the next three to five years.

Discussion ensued about the deadline for sending out a Proposition 218 notice to customers (early May) and the content of that notice. The committee agreed to meet again before the next Board meeting to work further on the budget and refine the amount of the service charge increase to be proposed. The committee agreed to meet on Monday, April 17, 2017.

5. Community Expression

None.

6. Adjournment

12:15 p.m.