

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
April 14, 2016 270 Elm Road, Bolinas

1. Call to Order.

10:34 a.m.

2. Roll.

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

3. Recommendation to Board re: Financing of Wharf Road Lift Station Pump Replacement Project.

Staff noted that the Finance Committee previously discussed paying the \$300,000 estimated cost of the project as follows: \$100,000 from sewer reserves on deposit at the County of Marin and \$200,000 “loaned” from the district’s General Capital Improvement Project Fund on deposit with the Local Agency Investment Fund (“LAIF”), to be repaid by collection of revenue from sewer customers in upcoming years. In this manner, sewer reserves would be maintained at a level in compliance with the district’s financial reserve policy. Director Comstock requested clarification as to the projected status of the district’s sewer reserves as of 6/30/16 and inquired whether those funds will be adequate given additional planned projects. Staff explained that the district has set aside \$70,000 for the wetwell rehabilitation project already and it will be reflected in a “subaccount” in the sewer reserve spreadsheet, in addition to the \$65,000 remaining in reserves after payment of the \$100,000 for the lift station pump project. Discussion ensued about the possibility of cost-overruns on the lift station project and staff said that current operating revenue should be sufficient to cover cost overruns, as well as costs incurred during the prior fiscal year for rental of the temporary pump at the lift station. The Committee ultimately agreed to recommend to the full Board that the district pay for the lift station project with \$100,000 from sewer reserves and \$200,000 to be loaned from the General Capital Improvement Project Fund, with both sources of revenue to be repaid over time (3 – 5 years) with funds collected from sewer customers.

The committee raised the topic of the source of funds to pay for the removal of the hazardous trees adjacent to Olema-Bolinas Road and over the sewer force main. After a brief discussion, the committee agreed to recommend to the Board that the trees removed from over the force main (at a cost of \$16,940) should be paid for from sewer reserves, and the trees removed from the area adjacent to Olema-Bolinas Road (at a cost of \$38,585) will be paid from general water reserves (i.e, funds collected from all customers as this work was done for the benefit of all district customers).

The committee then reviewed the “status of reserves” spreadsheet and director Comstock offered clarifying revisions for presentation of the information to ensure the district is tracking funds collected and on deposit for specific projects, as distinct from funds sitting in reserves that are not committed to any particular project. Discussion then turned to possible revisions to the district’s budget format to include balance sheet items (such as change in accounts receivable and/or payable), in addition to income statement items, to be able to make a more complete set of expenditure projections, including an anticipated cash position at year-end. Staff agree to discuss the suggested revisions with the district’s bookkeeper.

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

Staff presented an updated version of the Five-Year Capital Plan, including a new estimate of \$125,000 for the cost of the planned upgrade of the irrigation pump station at the sewer treatment ponds based on information provided by Bailey Green and Bob Dawyot. This cost is for the equipment only and does not include any of the related installation costs. Staff is expecting more information from the engineers in the next month and any additional known costs will be added to the CIP when known.

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

Staff noted the committee already has discussed many components of the status of reserves earlier in the meeting. As for the Status of the district's debt, at this point the outstanding debt is quite limited and simply presented. Staff said there are no changes to the status of debt spreadsheet since the last time it was reviewed by the committee.

Turning to the draft fiscal year 2016-17 budget, the primary change made by staff to the previous draft budget reviewed by the committee is a proposed reduction in the annual service charge for the "septic/drainage" enterprise. For several years, the annual charge has been \$140 and the funds collected have been expended to prepare a Mesa-wide drainage improvement plan, to install specific drainage improvement projects, and to provide consulting services to customers subject to this charge (those within the study zone designated many years ago in connection with the Todd Plan) via a Drainage Project Manager. At this point in time, the district has collected more than it has expended (because customer request for consulting and other drainage services have declined over time) and the excess funds will be deposited in reserves and available as needed. Staff recommends a reduction in the service charge to \$70 per parcel as adequate to fund the existing level of services. This will allow for 3 hours of consulting services per week (rather than 8 as is currently budgeted, but under-utilized) over the course of the year.

All other previously discussed budget items are the same as the committee reviewed during prior meetings. On the revenue side, the budget proposes a 10% increase to both water and sewer service charges and a 50% decrease to the septic/drainage service charge. A small increase in property tax allocations from the County is projected, as well. Staff noted that the contributions to reserves will need to be edited per earlier discussions to reflect a \$17,000 contribution to sewer reserves and a \$63,458 special contribution to repay the General Capital Improvement Project Fund, as well as a few additional small clean-up revisions. The revised version of the budget will then be included with a Proposition 218.

6. Proposition 218 Notice to Customer re: Proposed Increase to Water and Sewer Service Charges.

Staff presented a draft Proposition 218 notice to customers which explains that the district is proposing to increase water and sewer service charges and why the increases are proposed. On the water side, the notice describes among other things the specific projects to be installed (including but not limited to the rehabilitation of the East Tank), the need to bolster reserves to pay for planned projects set out in the Capital Improvement Plan, and general increases to operating costs. On the sewer side, the notice highlights the need to reestablish reserves which will be severely depleted by the cost of the lift station pump replacement project. With regard to the proposed reduction in the septic/drainage service charge, the notice explains that the high priority areas for targeted drainage improvement projects have been addressed in recent years and the district will focus on fulfilling its commitment to maintain these projects with a reduced annual budget, plus the existing reserves. The committee reviewed the notice and directed staff to include it on the agenda for the BCPUD Board to approve at the April 20th regular meeting so that the notice can be mailed out to customers at the end of the month as required by Proposition 218.

7. Community Expression

None.

8. Adjournment

12:15 p.m.