

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
February 28, 2017 270 Elm Road, Bolinas

1. Call to Order.

10:07 a.m.

2. Roll.

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

3. Minutes of the February 14, 2017 Finance Committee meeting.

This item was deferred to the next committee meeting scheduled for March 14, 2017.

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

The committee briefly reviewed the updated "status of debt" spreadsheets and asked staff to include copies in the Board books for the March 15, 2017 regular meeting.

Staff presented an update of the district's Five-Year Capital Improvement Plan, which continues to flag (in red) the projects planned and where funds have been collected, even though the projects have not yet been completed. After a brief discussion, the committee turned first to the Water Projects identified on the Plan. Projects planned but not yet completed have been "rolled forward" on the Plan. For example, staff noted that the slipline of the Woodrat Reservoir Overflow Pipe (\$70,000) and the Rehabilitation of the East Tank (\$160,000) projects remain on the Plan and funds have been earmarked in the district's reserves for these projects – both are Tier 1 projects. For the FY 2017-18, the Water projects on the Plan are Replace Intake Piping and Valves at Woodrat 1 (\$33,000 estimate) and the Chlorine Disinfection Byproduct Project (\$25,000 estimate). The Tier 2 water main replacement projects all have been rolled forward. As for Sewer Projects, the Wetwell Rehabilitation project (\$70,000 estimate) remains on the Plan and funds have been earmarked in the district's reserves for this project. For the FY 2017-18, staff has scheduled the \$49,400 estimated design cost for the upgrade of the irrigation pump station at the wastewater treatment plant and related improvements. For the Building/Office/Vehicles page of the Plan, staff has scheduled \$10,000 for the design of a septic system upgrade at the district's office building.

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

Staff presented an overview of the updated Status of Reserves spreadsheet. The spreadsheet identified each of the district's reserve funds – those on deposit at County of Marin, those on deposit with Bank of Marin, and those on reserve at the Local Agency Investment Fund ("LAIF"). Staff noted that the amounts shown in the columns for the FY 2015 and FY 2016 year-end (June 30) are confirmed and tie to the district's audited financial statement. Similarly, the amounts shown in the columns for FY 2015-16 and FY 2016-17 as "budgeted contributions to reserves" also have been made and tie to the bank statements for each of the specified funds. The spreadsheet includes columns for "budgeted expenditures from reserves" and "unbudgeted expenditures from reserves". Staff has depicted the amounts budgeted to be expended but not yet spent in green – these funds remain in the reserve accounts and are segregated so that they are available when the district is ready to install the projects for which these reserves were budgeted. The unbudgeted expenditures from reserves column for FY 2015-16 also reflects the \$38,585 to remove hazardous trees along Olema-Bolinas Road, the \$100,000 from sewer reserves to partially fund the Wharf Road Lift Station Project, the \$16,940 from sewer reserves to pay for the removal of hazardous trees over the sewer force main, the \$200,000 "loan" from the Capital Improvement Fund at the LAIF to fund the remainder of the Wharf Road Lift Station Project, \$150,000 from the Community Benefit Fund at the LAIF to pay off the balance of one of the district's outstanding loans, and \$15,245 in general hazardous tree removal costs. For the FY 2016-17, the spreadsheet similarly depicts the budgeted contributions to reserves (which have been made, except for the \$75,000 transfer still to be made from the operating fund to the septic/drainage reserve fund in April 2017 and the \$63,458 to contribute to the Capital Improvement Fund at the LAIF to partially repay the \$200,000 "loan"), the budgeted expenditures from reserves (\$126,396 to partially fund the East Tank Rehabilitation Project and the two CREBs payments of \$37,812 and \$14,125) and the \$16,090 in unbudgeted hazardous tree removal costs incurred thus far this year.

Director Comstock inquired about the basic differences between budgeted expenses and income for the water and sewer enterprises in FY 2015-16. He noted that any net income or net loss should be identified, with any net income being transferred to the appropriate reserve account and any net loss being

paid for from the appropriate reserve account. Staff agreed and will provide the requested information for the committee's consideration at the next Finance Committee meeting.

The committee then turned to the draft FY 2017-18 budget. Staff said that the main changes made to the draft budget since the last Finance Committee meeting are not in the employee services or operations/maintenance sections (which remain the same as proposed at the prior meeting), but rather are in the debt/capital projects and reserves sections. Specifically, the draft proposes that the district continue to paydown existing debt (i.e., the Terrace Avenue Water Main Relocation Project loan and the two CREBs payments for the solar arrays), and spend \$58,000 on the capital projects scheduled on the five-year plan (the Woodrat intake piping (\$33,000), chlorine disinfection byproduct (\$25,000), septic system improvement design (\$10,000), and irrigation pump station design (\$49,400) projects. The draft also proposes to continue the district's robust contributions to reserves, including \$36,542 to further repay the \$200,000 the district loaned itself for the sewer lift station project, bringing the balance down to \$100,000. At the same time, the district will expend some of its reserves to fund the balance of its capital or other projects: \$9,972 for water projects and \$47,043 for septic/drainage projects. There is a decline in overall spending of 4% as compared to the FY 2016-17 budget.

On the revenue side, the committee reviewed staff's assumptions of \$100,000 in water sales revenue and unchanged annual water service revenue of \$713,000. Staff is proposing a 6.44% increase in the annual sewer service charge revenue (which amounts to a \$75 increase in the service charge per customer, from \$1,180 to \$1,205 annually) to fund the repayment of the lift station project costs. Staff is not proposing any change to the annual septic/drainage service charge. Director Comstock said he is concerned about whether the district should forego an increase in the annual water service charge this year, even a cost of living increase of 3% or so, given the capital projects contemplated – particularly the Tier 2 projects (i.e., water main replacement projects), which have not been budgeted at all. He noted that the estimated cost of all of the Tier 2 pipeline replacement projects is quite high, and the district is not adequately reserving for them right now, given the focus on Tier 1 projects. Staff suggested that \$75,000 of reserves collected this year be allocated specifically to pipeline replacement, which is possible without raising the service charge because of the district's recent retirement of debt (hence the \$54,232 additional in contributions to reserves). Discussion ensued about how realistic the scheduled pipeline replacement projects are over a five-year time period and the anticipated cost; staff said the plan is overly-inclusive at present in that it identifies all possible pipeline replacement (not just what the district can/should do over the next five years). Director Comstock suggested staff reassess the pipeline projects scheduled out on the five year plan and flag those that truly *should* be done in the next five years, and then "footnote" the remainder, or place in a Tier 3 category so that the plan genuinely reflects considered decisions.

Director Comstock said staff also should evaluate the sewer capital improvement plan and whether (1) the district needs to include grinders as part of the wetwell rehabilitation project (thereby increasing the cost) and (2) what the actual estimated cost of the irrigation pump station project – the answers to both will better inform the amount of sewer reserves the district needs to have on deposit.

6. Community Expression

None.

7. Adjournment

11:57 a.m.