

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
March 8, 2016 270 Elm Road, Bolinas

1. Call to Order.

10:06 a.m.

2. Roll.

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

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

Staff reported that there are no changes proposed for discussion at this meeting for the district's Five-Year Capital Improvement Plan ("CIP").

4. Draft Fiscal Year 2016-17 Budget.

Staff said that based on the committee's feedback at the last meeting, a revised draft version of the budget has been prepared with a strategy to close the \$212,000 deficit in the initial version; specifically, a 10% increase in the annual service charges for both water and sewer have been included in the revised draft budget, plus an expenditure of reserves to close the deficit spending needed for the capital improvement projects identified for the water enterprise. Staff noted that the planned capital improvement projects for the water side of district operations total \$230,000 for the FY 2016-17 fiscal year (primarily the rehabilitation of the East Tank (\$160,000) and the on-going chlorine disinfection byproduct project (\$50,000)), whereas the planned capital improvement projects for the sewer side of operations are \$0 as the district will be paying for the Wharf Road Lift Station Pump Replacement Project during this fiscal year (which is an unbudgeted project that must be paid from reserves), so the next fiscal year will be focused on beginning the rebuilding of the sewer reserves. With regard to reserves, staff proposes to bolster general water reserves by \$60,000 and special water reserves by \$54,232 (for a total of \$114,232); in addition, the hazardous tree reserve will need to be replenished with \$18,000 to bring it up to the Board-approved level. On the sewer side of operations, staff proposes to direct as much sewer revenue as possible to rebuild sewer reserves (\$84,500). Staff noted that anticipated revenues for water operations (as derived from the annual service charges (including a 10% proposed increase) and water sales receipts) are expected to be approximately \$803,200 and revenue for sewer operations (as derived from the annual service charge (including a 10% proposed increase)) are expected to be approximately \$192,400. In addition, revenue from the district's allocation of Marin County property taxes is expected to total \$322,259, with \$243,172 going to water operations and \$79,088 going to sewer operations. Staff said that the amount needed to be expended from reserves to pay for identified capital improvement projects on the water side of operations is approximately \$126,400 – however, given that the district will deposit \$114,232 into water reserves, there will be a net draw-down of water reserves of only about \$12,170 for the FY 2016-17.

Focus turned to the actual and projected reserves spreadsheet and discussion ensued about the level of projected reserves and actual vs. unbudgeted expenditures from reserves. Director Comstock suggested specific revisions to the spreadsheet and staff agreed to make changes for the next committee meeting. Director Comstock also raised the topic of the district's financial reserve policy and the need to be sure that the district is in compliance with that policy. For example, he said, the district may need to "loan" money from the Endowment Fund to the sewer reserves after the lift station pump replacement project is paid for to ensure compliance with the reserve policy. Staff said this is possible, but cautioned that it is not merely a bookkeeping entry as the Endowment Fund and the sewer reserve fund are at different banks. Director Comstock said that would not be necessary to actually transfer funds (unless there is a regulatory reason to do so) if the bookkeeper can create a new subaccount for sewer projects under the Endowment fund (to track the expenditures), or some

other kind of internal step from an accounting standpoint to ensure the district tracks expenditures and maintains sewer system reserve adequacy.

Discussion then turned to the hazardous tree budget and the unusual expenditures during the current fiscal year. The district had unbudgeted expenditures this year of \$55,000 for the removal of hazardous trees along Olema-Bolinas Road and over the sewer force main. While the bulk of the tree removal was general property maintenance/hazard removal (\$38,585 for the trees on Olema-Bolinas Road), approximately \$16,940 of the total cost was for trees over the sewer force main, so that cost should be borne by the sewer enterprise. After some discussion, the committee concurred. Staff noted the district also expended \$10,920 for the removal of hazardous trees in the Dogwood right-of-way. Overall, it has been a highly unusual year as compared to past years with regard to funds expended on hazardous trees.

Discussion turned back to the draft budget and staff asked for the committee's input about the proposed 10% increase to the water and sewer annual service charges. Director Amoroso said it will be very important to implement an increase on the sewer charge so that the district can build its sewer reserves back up and repay itself for the lift station pump replacement project. Discussion then reverted again to the status of sewer reserves and how much will need to be charge customers now, or over the next five-ten years, to replenish reserves while still moving forward with identified capital improvement projects. Director Amoroso agreed that sewer customers likely will not be surprised by a rate increase now and for the next several years as there is a high awareness of the magnitude of the cost of the project. Director Comstock said the same concept – the need to keep reserves at adequate levels while still paying for capital improvement projects -- applies on the water side of operations, as well.

Director Comstock noted that the district's reserve policy contemplates that the Board will conduct an analysis of the status of its three categories of reserves (water, sewer and general) – actual vs. policy requirements -- within 90 days of the close of the fiscal year, but that was not done last September. Staff said she would re-visit the reserve policy and endeavor to prepare this analysis for the next Finance Committee meeting. Director Comstock said a budget-to-actual review also should be done (for the just-completed fiscal year) and an update about the status of the capital improvement plan, at the same time. Staff said she will make her best efforts to do so and noted that the next scheduled meeting of the Finance Committee is April 12th. Staff inquired if the committee would like to have an interim meeting prior to that date and suggested March 22, 2016 in order to keep the process moving forward; the committee members concurred.

5. Community Expression

None.

6. Adjournment

12:05 p.m.