

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
February 13, 2018 270 Elm Road, Bolinas

1. Call to Order.

10:15 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 draft update of the district's Five-Year Capital Improvement Plan ("CIP"), which is necessarily tentative as the district's chief operator has been on vacation and may have additional input for the committee's consideration. For water operations, staff updated the anticipated costs of both of the water storage tank rehabilitation projects based on the engineer's estimate recently received by the district (the costs of these projects have increased due primarily to the seismic anchoring work needed to stabilize the tanks), moved one of the planned water main upgrade projects (100 block of Birch Road) from Tier 2 to Tier 1, and included a possible SCADA project for the Woodrat Water Treatment Plant. For sewer operations, staff has included the possible purchase of a new generator for the lift station; at present, the existing generator is headed to the shop for repair. If a repair cannot be economically completed, the district will need to purchase a replacement, preferably a smaller generator on a trailer so that it can be more easily moved when necessary (the existing fixed unit must be moved by a crane). Staff also included \$120,000 for the purchase of a new pump station at the sewer ponds, and \$130,000 for the cost of installing the new station, these estimates are based on quotes from the pump manufacturer and engineer's estimate of the construction costs. For buildings and office operations, staff has included an estimated cost of \$60,000 to replace the existing septic system serving the building on Elm Road.

4. Draft Fiscal Year 2018-19 Budget and related spreadsheets re: status of debt and status of reserves.

The committee next reviewed an updated spreadsheet depicting the status of the district's debt as of June 30, 2017 and the projected debt as of June 30, 2018 and June 30, 2019. Staff noted that another one of the district's debt (a USDA loan) was fully repaid as of January 2018. Director Comstock said that the district's original debt was about \$2.3 million and is now less than \$400,000 (exclusive of the district's Clean Renewable Energy Bonds), which is the balance outstanding on the loan to relocate the Terrace Avenue Water Main at Surfer's Overlook. The committee also reviewed a memo from staff documenting that the district was in compliance with its Financial Reserve Policy as of June 30, 2017, a copy of which will be included in the Board books for the February regular meeting. The committee deferred consideration of the spreadsheet concerning the status of the district's reserves until after its review of the draft budget.

Staff presented an overview of the first draft of an operating budget for the 2018-19 fiscal year. Key factors underlying the draft budget are: (1) an assumed wage increase of 3% for all staff; (2) a 7.634/6.842 % percentage-of-payroll employer contribution to CalPERS (specific percentage depends on date of hire), per the latest CalPERS notification on expected payroll percentage contribution requirements; (3) an unfunded liability CalPERS monthly payment of \$3,670 (up from \$2,960 per month during the prior fiscal year); (4) an assumed inflation rate of 2.9% based on CPI increase during 2016 for the SF Bay Area; and (5) inclusion of the Tier 1 capital improvement projects from the district's 5-Year Capital Improvement Plan. In response to a question from director Comstock, staff confirmed that she analyzed the "budget-to-actual" reports from the prior fiscal year for each of the district's enterprises to make adjustments to some of the proposed expenditures.

The Committee reviewed the draft budget on a line-by-line basis to examine proposed expenditures for employee services and maintenance/operations for each of the four district enterprises (water, sewer, septic/drainage and Resource Recovery Project). In addition to rising CalPERS costs, the budget anticipates increased health plan premiums, increased bookkeeping fees per a proposal recently received from Maze & Associates, and increased lab fees based on recent year's expenditures. Staff also proposed to allocate approximately 100 hours per year per shift operator to septic/drainage work (or 5% of operations staff time). In non-operating expenses, the committee reviewed the current debt payments (Terrace Avenue Water Main Relocation loan payment and CREB's repayments) and proposed capital expenditures, including but not limited to an additional \$160,000 for the East Tank Rehabilitation Project, the \$70,000 estimated cost of a new septic system for the office building and \$120,000 to prepurchase an irrigation pump station for the sewer pond treatment facility. Discussion ensued about the proposed capital costs and ultimately staff recommended that the district forego additional contributions to reserves this year and dedicate existing revenue to fund the proposed capital costs rather than further increase service charges to customers. Director Comstock said that as long as staff believes the district will be able to resume its contributions to reserves after it gets through paying for existing large projects (rehabilitation of the water storage tanks and upgrading of the irrigation pump station), he concurs that foregoing additional contributions to reserves this year is acceptable.

On the revenue side of the draft budget, staff preliminarily is recommending a 3.9% (or \$51) increase in the annual water service charge and a 3.5% (\$46) increase in the sewer service charge, which essentially amounts to a cost of living increase. No change is proposed to the septic/drainage annual service charge; the reserves are very healthy and can be applied to fund any unanticipated cost-overruns. Staff anticipates an increased amount of property tax revenue based on last year's revenue. The committee turned to the status of reserves spreadsheet and, after a brief discussion, requested staff to more fully analyze the upcoming, known capital projects and confirm whether the reserves are adequate or whether the a larger-than-cost-of-living increase in annual service charges is warranted/needed.

After further discussion, the Committee agreed to next meet on March 13, 2018, per the anticipated budget schedule approved by the BCPUD Board at the January 2018 regular meeting.

5. Community Expression

None.

6. Adjournment

11:51 a.m.