

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
March 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 revised draft of the district's Five-Year Capital Improvement Plan ("CIP"), based on input from the Finance Committee at the February 13th meeting. On the "water system" section of the CIP, Staff added the additional \$160,000 needed for the estimated cost of the East Tank Rehabilitation Project (to be collected during the FY 2018-19) to cover the seismic upgrade recommended by the district's engineers per the AWWA standards. Staff also revised the costs for the West Tank Rehabilitation Project to \$320,000, with \$160,000 collected over the course of two fiscal years. The district's engineers have recommended that the district commence the West Tank project two years after completion of the East Tank project to allow sufficient time to assess the quality of the work performed on the East Tank and for the one-year re-inspection (at which time the East Tank will need to be drained again). Discussion ensued about the scheduling of various planned capital projects; in FY 2018-19, staff plans to implement the East Tank Rehabilitation project, the Irrigation Pump Station upgrade project (at the sewer ponds) and the grant-funded fire fuel reduction project. Director Comstock urged staff to keep up the pace of necessary projects to ensure the district is not falling behind on its capital improvements, particularly given the long lead time needed for the design and engineering of these projects. Staff noted that a SCADA project for the water treatment plant and the replacement of the generators at the water treatment plant and the lift station also have been scheduled on to the CIP, and a few of the water main replacement projects have been moved from Tier 2 into Tier 1. Staff has talked with the district's engineers about preparing a "master" set of specifications for water main replacement projects on the Bolinas Mesa, subject to field verification and updated drawings for each particular section of pipe to be replaced per the CIP and will ask for a cost proposal for the Board to consider.

Director Comstock said there are clear differences in the status of the water and sewer systems. On the water side of operations, there are many projects lined up and others needed to upgrade the district's infrastructure. On the sewer side of operations, there are a discrete number of projects needed and, once they are completed, the pace of capital improvements is forecast to slow. Director Comstock said he would like to evaluate the level of reserves currently available (and forecast to be available over the next few years) relative to the planned capital expenditures; his suspicion is that the water revenues are not going to keep up with capital requirements.

On the Bulding, Offices and Vehicles portion of the Five-Year CIP, staff added \$20,000 for the estimated cost of removing a fire suppression system that was installed underneath the office building for some reason unknown to current staff. The Bolinas Fire Protection District has never seen a system installed in this manner, and the piping is sweating and creating mold/dry rot/insect habitat. Staff also added a line item of \$50,000 to this section of the CIP for the purchase of a new excavator to replace the backhoe.

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

The Committee next reviewed an updated version of the draft FY 2018-19 budget. Staff explained that updates start on page 6 of the draft budget, where the capital costs are revised to match up with the changes made to the Five-Year CIP discussed above. Staff reminded the Board that the district will not make additional contributions to reserves this year as the funds collected instead will go directly to fund current capital projects. On the water and sewer revenue side of the budget, staff broke out the revenues to be received from customers via the property tax bill vs. the revenue collected directly from the owners of tax-exempt properties. Staff proposes to use \$45,768 from water reserves to fund a portion of the increased cost of the East Tank project.

Director Comstock noted that for the water enterprise, the budget proposes \$245,000 in capital projects, \$30,400 in debt repayment, \$70,000 for office building improvements, for a total of \$345,400 in costs other than employee services and maintenance costs. The revenues available under this budget are approximately \$300,000, hence the need to supplement with roughly \$45,000 in reserve spending. Director Comstock said that is a crucial number: he asked, is the \$300,000 in revenue to be collected for these purposes, on average, sufficient? He noted that the answer depends on how the Tier 2 projects are regarded. The Tier 1 project total for water is just under \$1,000,000, or \$200,000 per year; Tier 2 sets out another \$885,000 in projects. In addition, the projects scheduled for the Office/Building/Vehicles also are funded by water revenues. So, how should the district analyze the Tier 2 projects from a reserve adequacy perspective? If the district assumes all of the Tier 2 projects will or should be installed in the next five years, then the district reserves/capital revenues are inadequate. Director Comstock therefore asked what more (if anything) should the district do with regard to its annual service charge for water over and above the rate of inflation? If the total Tier 1 and Tier 2 projects

funded by water revenues are taken into consideration, the revenue currently collected for this purpose is not sufficient. Director Comstock said the current budget proposes a 3.9% increase in water rates, which is only 1 percentage point above the rate of inflation.

Discussion ensued about the Tier 2 projects and how many of them should be installed within the next five years, if at all possible. Director Comstock said if the Committee assumes that an additional \$40,000 is needed per year, then a higher increase in water rates is required this year (i.e., an increase greater than 3.9%). Staff said that an additional \$69 increase (over an above the \$51 currently proposed in the draft budget) to the annual water service charge would be needed to generate \$40,000 more in revenue. Director Comstock acknowledged that such an increase likely is too aggressive and suggested the district consider an overall annual water service charge increase of 4.9%, or 2 points over the current rate of inflation, rather than 3.9% to move the district in the necessary direction from a revenue perspective. Staff said the additional 1% increase in the annual service charge of water would result in just under \$7,000 additional revenue collected and would translate to a \$63 increase in the service charge, rather than the \$51 proposed in the draft budget.

Discussion continued with regard to the sewer enterprise. Director Comstock said that the FY 2018-19 budget anticipates \$120,000 in capital projects planned for the sewer system, \$0 in debt repayment (the system is debt-free at this point in time), and no contributions to reserves. The Five-Year CIP for sewer is \$382,000 in Tier 1 capital expenditures over the next five years (just over \$70,000 on average over the next 5 years) and \$132,000 in Tier 2 capital expenditures -- if just half of the Tier 2 are assumed needed in next five years, then the average annual revenue needed is \$90,000 (current reserves are below this level). Director Amoroso observed that the Tier 2 projects for sewer are all fence replacement projects and he would not favor increasing rates over and above the currently contemplated cost-of-living increase in the draft budget for those projects, which are not urgent. Director Comstock agreed, based on the assumption that the Tier 2 projects are not urgently needed within the next five years. After a brief further discussion, staff offered to present to the Board the decision about raising the annual service charge for water by 4.9% (\$63), rather than 3.9% (\$51), as advocated by director Comstock, to collect just under \$7,000 in additional revenue, resulting in a \$38,000 draw-down of reserves next year, rather than \$45,000.

5. Community Expression

None.

6. Adjournment

12:15 p.m.