

**Bolinas Community Public Utility District**  
**A Meeting Of The Finance Committee of the Board Of Directors**  
**January 27, 2021 270 Elm Road, Bolinas**

**In compliance with local and state shelter-in-place orders, and as allowed by the Brown Act as currently in effect under the State Emergency Services Act, the Governor’s Emergency Declaration related to COVID-19, and the Governor’s Executive Order N-29-20 (March 17, 2020), the BCPUD’s Finance Committee did not offer an in-person meeting location for the public to attend this meeting. The meeting was limited to essential district business items and was conducted by the BCPUD’s Finance Committee, staff and public via teleconference.**

**1. Call to Order.**

10:03 a.m.

**2. Roll.**

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

**3. Draft Update of the District’s Five-Year Capital Improvement Plan.**

**4. Draft Fiscal Year 2021-22 Budget and related spreadsheets re: status of debt and status of reserves.**

Staff presented the draft budget, which assumes a 3% cost of living wage increase for district employees; however, staff cautioned that the Personnel Committee and staff have not yet conferred over the terms and conditions of the Memorandum of Understanding re Compensation and Benefits (“MOU”) for the FY 2021-22. Staff noted that the cost-of-living increase for the Bay Area during 2020 was 2%. Staff commented that there are several uncertainties at the present time with regard to the employee services portion of the budget because the district’s current chief operator is retiring on June 30, 2021 and moving to a consulting role. Staff currently has budgeted 10 hours per week at \$45 per hour for this consulting position; however, this projection is subject to revision based on applicable CalPERS rules pertaining to “retired annuitants”. Overall, employee services expenses are expected to decline during the next fiscal year as a result of the chief operator’s retirement. Maintenance and operations costs are relatively fixed, with cost-of-living increases projected for most of these costs with a few exceptions where adjustments have been made to reflect actual expenses incurred in excess of budgeted expenses during the last complete fiscal year.

As for the debt and capital projects sections of the budget, staff referenced a spreadsheet prepared to reflect the district’s outstanding debt as of June 30, 2020, which was \$558,752.00. There are three outstanding items of debt: the two Clean Renewable Energy Bonds (“CREBs”) that financed the purchase of the district’s solar arrays at its water and wastewater treatment plants and a loan from the State Water Resources Control Board that was used to pay for the Terrace Avenue Water Main Relocation Project. Director Comstock commented that the CREBs are essentially self-financing as the annual payments are very close to what the district otherwise would have had to pay in power costs if not for the arrays. He said that he is very conservative about the amount of debt the district undertakes because it is essentially a “negative” form of reserves and can be very burdensome going forward to serve extensive debt. Staff noted that the Board authorized the early retirement of several former debts several years ago (specifically, debt that carried a higher-than-desired interest rate) when it received a large payment for the sale of its Pine Gulch Creek property to the National Park Service.

Turning to capital projects and reserve funds, staff proposes the district collect \$285,000 for capital improvements on the water side of operations, with \$250,000 to be earmarked in reserves for the West Tank Rehabilitation Project (the first of three such earmarks in this and the next two years) and \$35,000 dedicated to the additional rehabilitation work needed at the Woodrat Reservoirs. On the sewer side of operations, staff proposes the district collect \$135,000 for capital improvements, with \$120,000 to be earmarked in reserves for the completion of the Irrigation Pump Station project and \$15,000 dedicated to the purchase of a replacement generator at the downtown lift station (the second of four such earmarks). Staff proposes to collect an additional \$25,000 toward the purchase of a back-hoe or excavator (to add to \$50,000 collected in prior fiscal years). All of these proposed collections tie to the updated version of the Five Year Capital Improvement Plan. Finally, staff noted that the proposed budget contemplates a contribution of \$17,495 to sewer reserves as there is a projected amount of revenue in excess of current operation, debt and capital spending, primarily due to the fact that the district has collected sufficient funds (on deposit in reserves) to repay the remaining three CREBs payments for the sewer solar array.

A brief discussion ensued about the district’s Financial Reserves Policy and the amounts current available in water and sewer general reserves, as well as an explanation about the district’s internal loan to itself several years ago from its reserves on deposit with LAIF to pay for the Lift Station Pump Replacement Project. Director Comstock said the district has used its reserve accounts much more aggressively in recent years as a management tool and staff has created a detailed spreadsheet to keep track of it all. He noted that the spreadsheet is an important tool to monitor the district’s financial position and its capital expenditures (planned,

in progress and completed). In response to questions from director Walker, staff explained that budgeted costs of projects in the capital improvement plan are revisited at least annually and revised as necessary to reflect and include all project costs such as engineering and permitting, ultimate bid pricing, contingencies and the like.

Turning to budgeted revenue, staff observed that the district collects money directly from its customers for water, sewer and septic/drainage services in the form of annual service charges and quarterly water sales; the Resource Recovery Project essentially functions as a separate entity and is funded by green waste drop-off charges. Water sales are expected to decline during the upcoming fiscal year (and also are projected to be less than budgeted during the current fiscal year) due to anticipated water rationing. At the present time, staff is not proposing to increase annual service charges due to the ongoing pandemic conditions and economic strain many customers are experiencing; anticipated tax revenue (via the district's allocated share of Marin County property tax revenue) is projected to be \$450,935 for the FY 2021-22 year based on last year's receipts. Interest on reserves is projected to be \$35,000, which may be conservative as the district booked \$44,236 in interest earnings during the last fiscal year. Overall, projected revenue is down slightly (1%) when compared to the current year primarily due to the anticipated decline in water sales due to rationing.

Director Walker expressed surprise that water use sales are not climbing due to more people living in Bolinas full-time during the pandemic. Staff explained that water use has not increased overall, apart from when it did during June 2020 after the Memorial Day holiday, which triggered the district's heightened water conservation alert and subsequent requests for voluntary conservation, which the community responded to commendably. Staff said water consumption in the district currently is at historically low levels, particularly when compared to decades ago when water losses in the system were high (since addressed by pipeline replacement) and most people had high-flow appliances. As a result of the mandatory rationing in 2009, many customers upgraded their appliances with low-flow models and that had a significant impact on community water use.

Director Comstock commented that he does not necessarily agree that the district should defer raising service charges again this year. He said that the money the district has available for capital purposes has increased substantially in recent years, but he feels like the district had not set aside sufficient funds for capital projects and infrastructure maintenance for many years prior to that. The district has an extensive amount of infrastructure needed to serve a relatively small customer base due to its rural location, he said. While he recognizes that the costs of improvement fall on the people who live in town, it is important for the district to do things right on their behalf, not just "get by", he said. The district is making good progress, he noted, but he said he is always concerned about what might not be on the capital improvement plan that should be. Director Walker concurred and said it is preferable to be prepared than to be forced to react and she looks forward to working to meet these challenges.

Staff proposed that the Committee defer a discussion of the status of reserves as staff has not yet had sufficient time to update the reserve spreadsheet prior to this meeting.

Director Comstock inquired about the status of the FY 2019-20 audit. Staff explained that the district's outside auditor has provided drafts; staff and the bookkeepers are reviewing the drafts and anticipate the financial statements will be finalized very soon. In response to questions from director Comstock, staff said that in terms of "big picture" items, revenue exceeded projections by approximately \$57,000 largely because the district received more in property tax and more in interest earnings than budgeted. On the expense side, the district exceeded projected operating expenditures by about \$13,400, in this case primarily due to increases in the district's workers compensation insurance premiums. As previously mentioned, staff is in the progress of updating the reserves spreadsheet to reflect that the earmarked accounts tracked the budget and approved capital improvement plan expenditures and contributions.

## **5. Community Expression**

Staff inquired if there is any public comment. Pema inquired about the district's outstanding debt and staff responded that as of June 30, 2020, the district's outstanding debt was \$558,752.00. Pema then asked about the district's reserves and staff responded that the district's overall reserves are approximately \$2 million at this time.

Staff noted that the next scheduled meeting of the Finance Committee per the budget schedule approved by the Board is February 9, 2021 at 10:00 a.m. Directors Comstock and Walker both said that date and time is on their calendars.

## **6. Adjournment**

11:58 a.m.