

**Bolinas Community Public Utility District**  
**A Meeting Of The Finance Committee of the Board Of Directors**  
**April 19, 2022 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.**

9:07 a.m.

**2. Roll.**

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

**3. Minutes of the March 8, 2022 Finance Committee meeting.**

L. Comstock/K. Walker all in favor to approve the minutes of the March 8, 2022 Finance Committee meeting.

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

Director Comstock suggested that unless there are changes to to the draft update of the Five-Year Capital Improvement Plan (“CIP”) since the last Committee meeting, the committee should move on to item 5. He proposed to begin with a review of the updated Status of Reserves spreadsheet, which he and staff revised during a recent working session. Staff said the only change to the draft CIP is in the water plan, which now lists the cost of a proposal from Stetson Engineers (approximately \$30,000) for engineering services to plan and design the replacement of some of the valves and piping at the district’s water storage tank site.

**5. Draft Fiscal Year 2022-23 Budget and related spreadsheets re: status of debt and status of reserves.**

Director Comstock said the Status of Reserves spreadsheet presents a summary of the district’s overall reserve position. First, the spreadsheet details the district’s unallocated (general) water reserves, followed by a listing of the reserves collected and allocated to specific water system projects. Next, the spreadsheet depicts the unallocated (general) sewer reserves, followed by a listing of the reserves collected and allocated to specific sewer system projects. He noted that both the water and sewer general reserves have a “minimum” amount specified per the district’s financial reserve policy. The district’s LAIF reserves also are included, which are the funds remaining from the sale of the district’s Pine Gulch Creek property years ago to the National Park Service, and which are available for capital improvement projects. The district’s operating reserves also are shown, which is the amount on deposit at the district’s operating account (in its accounts either at the County of Marin or the Bank of Marin) to fund operational expenses. A discussion ensued about the specific water and sewer projects listed on the spreadsheet and the process of tracking inflow and outflows of reserves on a successive fiscal year basis, including unplanned emergency expenditures.

Director Comstock noted staff created the reserves spreadsheet in recent years to better track to the district’s planned capital projects and enhance the districts’ overall capital improvement planning. Director Walker said she uses a very similar approach to her construction management projects. She inquired how staff tracks the sources of the revenue for each project; staff explained that relates back to the budget each year (generally either the annual service charges or property tax revenue allocation from the County, unless any grant income is involved). Staff underscored the unusual nature of the numerous emergency unplanned expenditures during the last two fiscal years – some of which were drought-related (i.e., costs of developing the groundwater well emergency water sources, costs relating to water supply analyses and base flow recession modeling of the creek) and some of which were incurred as a result of emergency failures on either the water or sewer system. Staff suggested that the \$31,000 noted in the LAIF reserves for “water supply study” could be used to reimburse the district’s operating fund for the \$28,850 in costs incurred for consulting hydrogeologist services; the Committee agreed. Director Comstock noted that the \$45,000 approved by the Board as “match” for the bicycle path hard-surfacing project will need to come from the funds on deposit with the LAIF; director Walker said that perhaps local fundraising could be conducted toward the bike path project to help replenish the district’s reserves in this regard.

Director Comstock observed that the district has not been able to keep its general water and sewer reserves at the level he would like to have them. He noted, for example, the foreseeable (and significant) costs of the water main replacement projects and the office building project, which are far in excess of the district’s current unallocated reserves. He said he regards the Status of Reserves spreadsheet and the district’s capital planning process as “works in progress” and stated the district needs to continue its work to accumulate a more robust set of reserves. In response to a comment from staff, director Comstock said it may be that grants and/or federal funding may become available for utility infrastructure projects, but absent such developments, the district will

need to develop additional sources of revenue to pay for these (and other) foreseeable projects. Discussion ensued about the office building improvement project; director Walker said that the district soon will need to expend funds toward the “soft costs” of this project. Staff noted that \$100,000 is available at the present time for this purpose; director Comstock noted that while this is good news, it is far less money than the project will require. Director Walker said the building will require ongoing maintenance even after it is rehabilitated or replaced so there should be a recurring line item on the Status of Reserve (and CIP) spreadsheets for the building going forward. Staff suggested allocating an additional \$25,000 (from the reserves to be transferred from the LAIF water supply study fund) toward the office building project; the committee agreed. Staff also noted that the funds on deposit in the LAIF are unallocated and the Board could decide to dedicate it to the office building replacement if the Board should chose to do so.

The committee then turned to the proposed engineering and consulting expenditures in the draft budget on water (\$50,000) and sewer (\$25,000) side of operations. Staff said the Committee’s willingness to recommend these expenditures is much appreciated and should be of tremendous help to staff in pressing forward with capital projects; too often, these projects are stalled by the need for staff to focus available time on pending operational and/or regulatory issues. With funds to compensate the district’s engineers and consultants to move projects along, the pace of the projects should pick up. Staff noted that these planned expenditures are part of the reason why there are fewer funds available in the draft budget for the projects themselves, but staff views the FY 2022-23 as a rebuilding year during which the district will recalibrate from the last two years of emergencies and staffing shortages, with a restructured budget that better reflect the operational costs needed to run the district. A brief discussion then ensued relating to possible improvements to the status of reserves spreadsheet and the tracking of anticipated capital expenditures and depreciation of existing assets; staff agreed to evaluate potential revisions to the spreadsheet.

Director Walker commented that there are many core infrastructure projects to be done, which are critical to the district’s central mission of providing water and sewer services; she said that the full Board may need to revisit whether/how much the district can afford to engage in projects outside of its central mission. Staff suggested that perhaps the Board could schedule one or more working sessions in the Fall (not during a regular Board meeting) to discuss and debate the current slate of foreseeable capital projects, as well as reexamine the existing quarterly metered water rate structure. (The last time the Board approved changes to the quarterly metered water rate schedule, the full Board was involved in the effort over an extended timeframe.) Directors Comstock and Walker expressed immediate support for this suggestion, with director Comstock emphasizing again the need to dedicate more revenue to capital projects. Staff did not disagree, but suggested it may take a few budget cycles to do so, noting the \$100,000 swing in this year’s budget toward operations expenses – namely, the engineering and consulting fees and to increased health insurance costs to cover employee dependents’ health care. Director Comstock said he does not expect the district can close the budget gap in one year, but that he is very aware of it and feels it is critical for the full Board to be aware of this gap, as well.

Director Walker asked staff to identify any major revisions to the draft budget since the Committee last reviewed it on March 8, 2022. Staff said that the draft operating budget for all four enterprises is unchanged from the prior draft; overall, the budget anticipates an increase of 14% in total operating expenditures (largely due to the previously mentioned engineering and consulting fees and dependent health care costs). As for capital projects and reserves, the revised draft uses the increased revenue to be derived from the proposed 9% increase to water and sewer annual service charges directed by the Committee at the last meeting (plus a budgeted increase in projected tax revenue based on an updated analysis by staff) – which together increase anticipated water revenues by approximately \$56,000 and anticipated sewer revenues by approximately \$20,000 -- to bolster spending on specific capital projects and replenish reserves. Staff noted that while the district did increase water and sewer annual service charges by 3% last year (FY 2021-22), there were no increases to these charges in either of the two previous fiscal years; as such, by proposing to increase these charges by 9% during the upcoming fiscal year, the district is making up for two years during which these service charges were not increased. Finally, staff noted that the draft budget proposes to lower the septic/drainage annual service charge by \$5 (from \$40 annually to \$35) as the district has healthy reserves which can be used to cover expenses in excess of revenue.

#### **6. Draft Proposition 218 Notice re: Proposed Increases to Annual Water and Sewer Service Charges.**

Staff presented a draft Proposition 218 notice to be sent to all property owners to explain the proposed increases in the water and sewer annual charges and the reasons for the proposed increases; a full copy of the draft budget also is included with the notice. Staff will delete the language noted in purple on the draft notice relating to potential increases to the quarterly metered water rate charges as the Committee has decided to defer this topic to the full Board. The draft Proposition 218 notice is on the agenda for consideration at the April 20<sup>th</sup> regular Board meeting as it must be mailed out no later than April 29, 2022. Director Comstock said he is prepared to support the draft budget and the associated Proposition 218 notice.

#### **7. Community Expression.**

None.

#### **8. Adjournment.**

11:00 a.m.