

**Bolinas Community Public Utility District**  
**A Meeting Of The Finance Committee of the Board Of Directors**  
**February 14, 2023 270 Elm Road, Bolinas**

**1. Call to Order.**

10:26 a.m.

**2. Roll.**

Directors Alexander Green and Walker present; General Manager Jennifer Blackman also present.

**3. Draft Fiscal Year 2023-24 Budget and related spreadsheets re: status of debt and status of reserves.**

Staff said the draft FY 2023-24 budget reflects several priorities: adding a new administrative position in the office to better allocate work load across three full-time positions; rebuilding the district's financial resilience after drawing upon reserves to pay for a series of unprecedented emergency repairs during the last 12 to 18 months; and paying increased operating expenses, including but not limited to employee services and maintenance costs, while maintaining momentum on the district's capital improvement projects.

In response to questions from director Walker about the proposed new administrative position, staff explained that the proposal is for a full-time administrative position; the General Manager currently is working at least a net 40 hours a month of overtime (inclusive of time off for vacation or illness), which is equivalent to an additional three months of work a year and which is not sufficient to keep up with the workload, nor is it sustainable. Staff noted that the number of full-time operators has increased from two to four in the last fifteen years, but the number of administrative positions has not increased despite a clear increase in workload. Staff envisions that this will be a high-level non-clerical position performing project management duties, among other things, and reporting directly to the General Manager; proposed compensation for the position very tentatively is set at \$45/hour (a placeholder amount for budget purposes that may be adjusted downward dependent upon the final position description) with full benefits worth an additional \$40,000 in value. Discussion ensued about whether the proposed compensation is competitive and director Walker asked if the Stinson Beach water district has a comparable position and, if so, how much it pays; staff will inquire.

Former director Lyndon Comstock, who was in attendance, commented that project management duties for the district are remarkably extensive, particularly for the General Manager to perform in addition to all of the other district management responsibilities; he said this is one of the limitations the district faces when trying to move projects forward, it simply does not have sufficient project management capacity from an administrative standpoint. Staff agreed, noting that project management involves extensive meetings with the Chief Operator and engineer at the outset to design and schedule a project, then time to bid out the project and prepare the required documentation, then time dedicated to project oversight, including but not limited to issuing change orders and/or negotiating the terms and conditions of extra work, as well as managing contractor payments, and so forth. Directors Alexander Green and Walker agreed that the proposed new position is needed; director Walker said that project management is extremely time consuming and noted that in the private sector a project management position bills out at a considerably higher rate than staff is proposing for the position; she questioned whether the proposed compensation is adequate. Staff said it is proposed as the second-highest paid position in the district, second only to the General Manager and that small special districts like the BCPUD are not able to match private sector compensation packages, but staff believes the proposed position will be competitive on a local level. Director Alexander Green concurred, noting that the position description will be an important factor in attracting qualified candidates.

Staff said the cost of living increase for calendar year 2022 for the San Francisco Bay Area was an unusual 4.9%; staff is proposing a 4% wage increase for all employees in the draft budget except the Administrative Assistant. Staff noted that as a result of wage increases earned from attaining certifications during the last year, the draft budget shows the operations staff will experience an overall increase in wages of 9% as compared to the prior fiscal year. The operations staff has requested that the district conduct a compensation study this calendar year to evaluate how the district's pay structure compares to other comparable districts and staff has agreed to do so. Staff is proposing a 6% wage increase for the Administrative Assistant position to reflect her increased suite of responsibilities and excellent performance – unlike the operators, the Administrative Assistant does not have the opportunity to earn wage increases via certifications.

The Committee turned to a line-by-line consideration of the draft budget. Staff explained that the "factors" built into the budget include the proposed employee wage increase (4%), the district's required CalPERS contribution (pension, 10.1% for "classic" employees and 7.68% for "pepra" employees) and the district required ICMA-RC contribution (deferred compensation) for FY 2023-24 (3.5%), and the Bay Area CPI (4.9%). The draft budget also includes the CalPERS required annual unfunded liability payment, which is the district's percentage share of CalPERS' overall unfunded liability as actuarially determined by CalPERS; for the 2023-24 fiscal year, this annual payment will be \$61,510. The Committee briefly discussed recent pension reform legislation and the GASB 68 Direquirement for the district to reflect its unfunded liability position (determined pursuant to specific requirements and under specific assumptions mandated by CalPERS) as of June 30<sup>th</sup> each year on its annual financial statements.

The Committee then reviewed the draft budget's proposed employee services expenditures and the proposed maintenance and operations costs for the water, sewer and septic/drainage enterprises. Director Walker noted the biggest increase in proposed employee services is for the new position; she inquired about the line-item in the prior year budget for additional operator wages. Staff explained this was for Bill Pierce's anticipated consulting work following his retirement; however, for family reasons Bill did not undertake any consulting work. Staff provided detailed explanations of each line item of employee wages and benefits expenditures; in response to questions from director Walker, staff explained that each employee's wages are paid from income derived from each of the district's enterprises. Overall, employee services expenditures are projected to increase by 20% over the FY 2022-23 budget as a result of the proposed new administrative position and the recent change in district policy approved by the Board whereby the district fully pays all employee and dependent health care premiums.

With regard to maintenance and operations costs, staff proposes a new category of anticipated expenses for "emergency repairs" – approximately \$25,000 is proposed for water system emergency repairs and approximately \$15,000 is proposed for sewer system repairs. Director Walker asked if staff time will be paid from this account; staff said no, this account is proposed to pay for outside contractor services. Staff noted there is considerable uncertainty right now about the district's power expenses – notwithstanding the district's solar arrays, PG&E's power cost increases over the years have exceeded the district's ability to sell sufficient power to cover its costs and it is challenging to project those costs going forward. That said, the district will make its final payment for the Clean Renewable Energy Bonds that financed the arrays in August 2023 so that debt will be fully retired within the next six months. The district's AT&T telephone expenses also continue to increase despite moving all phone lines at 270 Elm Road to voice-over-internet; as soon as it is technologically and reliably possible to do so, staff will transition all district phones lines to voice-over-internet. In response to a question from director Walker, staff explained that voice-over-internet is reliability available only via Horizon Cable, which is available at 270 Elm Road, but not at the Woodrat Water Treatment Plant. Director Alexander Green inquired about the line item for legal expenses; staff explained this is for general on-going legal advice that the district needs from time-to-time in the ordinary course of business.

Lyndon Comstock commented that the operating portion of the budget – employee services, maintenance and operations costs – is relatively stable and predictable whereas the capital projects section of the budget generally presents more challenges in terms of swings in costs on a year-to-year basis and in terms of where the funds will come from to fund capital improvement projects. Staff explained the various sources of the district's revenues: the annual service charges for water, sewer and septic/drainage services, water sales, interest income and a share of the property tax collected by the County of Marin within the jurisdictional boundaries of the district; these sources are independent of any grant or loan sources of funding. Staff explained that the County collects the district's annual service charges paid by customers via the property tax billing system per a long-standing agreement with the district; as a result, the bulk of this revenue hits the district's books in April and in December each year when property taxes are due. The district budget also includes a stand-alone sub-budget for the Resource Recovery Project ("RRP"), which is a joint powers entity of the Bolinas Fire Protection District, Stinson Fire Department, Stinson Beach County Water District and the BCPUD; it is funded by customer drop-off fees and pays an administrative and bookkeeping services fee to the BCPUD for the work the district performs on its behalf. Staff said that the RRP revenue is down considerably as a result of SB 1383, a new law that took effect on January 1, 2022 and requires food waste to be diverted out of landfill and into the green waste stream; as a result, green waste collected by Recology in Bolinas can no longer be taken to the RRP (which is not permitted for food waste), hence the drop in revenue. Staff noted that water sales and interest income both have been well-below normal in recent years; taken together, the district is receiving approximately \$100,000 less annually in water sales and interest income than it has in the recent past.

The Committee next reviewed the status of the district's debt, which consists of the Terrace Avenue Water Main Relocation Project loan (which matures in 2033), and the Clean Renewable Energy Bonds (which, as noted, mature in August 2023). Lyndon Comstock said the district has improved its financial position considerably by retiring most of the district's debt in recent years via strategically utilizing the funds it received from the sale of a piece of district property on Pine Gulch Creek years ago to the National Park Service for inclusion in the Point Reyes National Seashore. Lyndon noted that staff maintains a "status of reserves" spreadsheet to track the district's progress in setting aside revenue into dedicated reserves to pay for needed capital projects without resorting to burdening the district's customers with additional debt. Lyndon said most of the needed capital projects are costly and cannot be paid for within a single fiscal year, but the district plans for these projects over a five-year time period and then implements each project when sufficient funds are set aside. Staff commented that debt financing can be appropriate where needed to spread the costs of a particular project out into the future and onto the customers that will benefit from the improvements – i.e., if a pipeline improvement project has an estimated fifty-year life, then it can make sense to take on debt to install it and the customers served by the new project will then be the source of the debt repayment funds.

As for the capital expenditures proposed in the draft budget, staff has included \$200,000 for water projects (\$150,000 toward the West Tank Rehabilitation Project and \$50,000 toward the Tank Pipeline Replacement Project), \$25,000 toward the purchase of a new backhoe, and \$125,000 in sewer projects (\$50,000 toward the rehabilitation of the wetwell/grinder installation and \$75,000 toward the replacement of the clean-out assembly in Olema-Bolinas Road). In addition, the budget includes approximately \$85,000 to replenish sewer reserves. Staff noted the current draft budget does not anticipate collecting additional revenues for the 270 Elm Road building project; at present, \$125,000 is set aside in reserves for this project, much of which will be expended on

the various site assessment tasks (topographic and boundary survey, geotechnical assessment and septic design services) during the next six months. Staff acknowledged this project and its funding needs will need to be revisited in upcoming years. Staff directed the Committee's attention to the updated Status of Reserves spreadsheet, which details all of the various capital projects in progress and the funds available at each recent fiscal year end – the district's capital reserves are on deposit in a Designated Fund at the County of Marin and in an account with the Local Agency Investment Fund ("LAIF") – as well as the operational reserves on deposit at the district's operating account with the Bank of Marin. Discussion then ensued about the amounts in each of the reserve sub-accounts and the specific projects planned.

Staff summarized the presentation of the draft budget by saying that the goal is to keep pace with the district's historical capital improvement planning, fund a new administrative position for the district, and replenish reserves expended on recent emergency repair projects, notwithstanding reduced water sales and a loss of interest income. To meet this revenue gap, staff proposes in the draft budget to utilize \$95,000 of reserve funds on deposit in with the LAIF *and* to raise water and sewer annual service charges by 6%. Staff said there is reason to be optimistic that some of the federal infrastructure funds will be released in the next year and, if the district is able to pursue and receive some of this funding, it may be able to implement some of its scheduled capital improvement projects much more quickly.

**4. Draft Update of the District's Five-Year Capital Improvement Plan (Fiscal Years 2023-28).**

This item was deferred for discussion at the next meeting of the Finance Committee.

**5. Community Expression.**

None.

**6. Adjournment.**

12:44 p.m.