

**Bolinas Community Public Utility District**  
**A Meeting Of The Finance Committee of the Board Of Directors**  
**April 3, 2023 270 Elm Road, Bolinas**

**1. Call to Order.**

12:34 p.m.

**2. Roll.**

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

**3. Minutes of the March 24, 2023 Finance Committee Meeting.**

A. Alexander Green/K. Walker both in favor to approve the minutes of the March 24, 2023 Finance Committee meeting.

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

Staff recently held a meeting with the district's outside bookkeepers to review the district's second quarter financial statements for the current fiscal year and noted the district will be making its final payment on the Clean Renewable Energy Bonds ("CREBs") issued to finance the district's solar arrays in August 2023. Staff and the bookkeepers confirmed in this meeting that the district has sufficient funds in its solar project reserve funds to make those final CREBs payments, which means it will not be necessary to collect any additional funds in the 2023-24 fiscal year budget for this purpose. As such, staff has removed those costs from the water and sewer system anticipated debt expenses, which reduces the anticipated expenses for those systems by approximately \$38,000, collectively. On the other hand, staff and the bookkeepers also confirmed that the district's power expenses have been increasing over time due to net metering true-up costs and Marin Clean Energy surcharges; in the past several fiscal years, the district's power expenses have been well over budget and are track to be so again during the current fiscal year. As such, staff has revised the draft 2023-24 budget to increase this operating expense for both the water and the sewer systems. For similar reasons, staff has also increased the anticipated telephone expenses due to escalating AT&T costs; the district no longer has AT&T service at its office building (it is now on a voice-over-internet system), but several other district locations must maintain landlines for the foreseeable future until some sort of reliable internet or wireless alarm system can be installed. With regard to the revenue side of the budget, staff eliminated the planned transfer of \$20,000 from the district's reserve funds on deposit with the Local Agency Investment Fund ("LAIF") as it will not be necessary to do so because the district will be able to make the final CREBs payments without needing this transfer. Staff also slightly revised the anticipated tax revenue to be received from the County by moving \$7,000 into the sewer system revenue in order to balance the projected budget.

Staff commented that the draft budget for the Resource Recovery Project ("RRP") –which is a stand-alone budget independent of the district's operating budget -- will need more work in light of the reduced revenue at the site since January 1, 2022 when SB 1383 went into effect. As a consequence of SB 1383, which mandates that all organic waste (including food scraps) be diverted out of landfill, Recology Sonoma Marin can no longer drop the green waste collected in the district at the RRP, so revenues were down by about 20-25% last fiscal year and continue to be so during the current fiscal year. In response to questions from director Walker, staff explained that the RRP was created in the 1990's by the fire and water districts from Bolinas and Stinson Beach primarily as a fire fuel reduction site to encourage/facilitate local vegetation management activities. Staff said the RRP may be eligible for grant funding for operational purposes from the newly created Marin Wildfire Prevention Authority, particularly insofar as grant funds will be able to incentivize residents to conduct defensible space clearing activities; staff is in discussions with the fire district chiefs and the Stinson Beach water district manager about this possibility.

In response to questions from director Alexander Green concerning the district's reserves, staff explained that the budget contemplates various contributions to specific reserve funds (i.e., revenue to be collected from customers for future capital improvement projects and to bolster general system reserves), as well as some uses of reserves to cover anticipated expenses. As for the amounts in each of the district's reserve accounts, staff said the status of the district's reserves overall is set forth and regularly updated in the "Status of Reserves" spreadsheet (which includes projected reserves for the upcoming fiscal year); staff noted former director Lyndon Comstock was instrumental to the development of the Status of Reserves spreadsheet. In addition, the district's outside bookkeepers update and reconcile all of the district's accounts on a monthly basis and that information is available for directors to review at any time.

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

Staff commented that the Committee extensively reviewed the draft update of the Five-Year Capital Improvement Plan at the most recent meeting on March 24<sup>th</sup>. Staff said no changes have been made to the documents since the last meeting. However, staff reported that Stew Oakander, Chief Operator, is re-considering which water mains he would like to prioritize for placement in the Tier 1 category on the Water

System CIP, so there may be revisions made before the updated plan is finalized for approval by the Board. The Committee therefore moved on to consideration of the draft Proposition 218 notice.

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

Staff explained that Proposition 218 applies to all special districts in California such as the BCPUD and requires them to notify customers about any proposed increases to their utility charges and/or other fees affecting their property in advance of the proposed hearing to consider adoption of such increased fees. The district is required to provide at least 45 days' notice (in writing, via U.S. mail) in advance of the district's annual budget hearing (which this year will be June 21, 2023) of the district's intent to increase its annual service charges and an explanation as to why it is proposing to do so, along with a copy of the proposed draft budget. As such, the district's draft Proposition 218 notice states that the annual water service charge will increase by \$96 (from \$1,600 to \$1,696) and the annual sewer service charge will increase by \$95 (from \$1,584 to \$1,679 for residential customers and from \$1,609 - \$2,034 to \$1,704 - \$2,129 for commercial customers); staff noted the proposed new annual service charge for water, for example, is equivalent to approximately \$141 per month, which is much less than most other utility services such as power, telephone or cable service. In response to a question from director Walker, staff explained that if a majority of the residents receiving the district's Proposition 218 notice submit a written protest against the proposed rate increase, then the district cannot proceed with the rate increase (and the annual water and sewer service charges would remain the same).

Discussion ensued about the possibility of increasing the quarterly metered water charges; director Walker said people often comment to her that their quarterly metered charge is quite low and she believes there is openness in the community to increasing the tiered rates. Staff suggested that the Board consider that in connection with a future budget since the Proposition 218 notice needs to be mailed out next month and a proposed revision of the tiered rates could take quite a bit of time to evaluate and district staff is extremely time-constrained with multiple pending projects at this time. Staff said the incoming Assistant General Manager may be able to undertake a tiered rate evaluation in connection with a review of comparable water district rates and perhaps also with assistance from outside rate consultant.

The Committee reviewed the text of the Proposition 218 notice, which expressly describes the financial impact of adding the new Assistant General Manager position (\$140,000, inclusive of wages and benefits), with 85% of the position dedicated to the water system and 15% allocated to the sewer system, which is very similar to the General Manager dedication of time. In addition, the Proposition 218 notice references the significant cost-of-living increase in the San Francisco Bay Area, which was nearly 5% in 2022, along with the need to bolster reserves depleted by emergency infrastructure repairs in recent years, as well as to finance scheduled capital improvements. Discussion then ensued as to whether a 6% increase in the service charges was enough under the circumstances, with director Walker expressing the view that a larger increase may be warranted in light of the cost-of-living pressures and the on-going need to repair and rehabilitate the district's infrastructure. Staff commented that while the 6% increase may not seem very large relative to the cost-of-living increase, it is still a significant annual increase for both water and sewer services for many of the district's customers and cautioned against a more aggressive increase at this point in time. Ultimately, the committee did not direct staff to evaluate a greater increase this year, but expressed interest in formulating a potential multi-year plan for service charge increases to cover anticipated cost-of living increases for both operating expenses and capital improvement projects. Both directors offered some grammatical corrections to the text of the Proposition 218 notice which staff agreed to incorporate into a revised draft for the full Board's consideration at the next regular Board meeting.

Staff requested that the Committee hold time available during the final week of April in the event the full Board directs revisions to either the draft budget or the draft Proposition 218 notice at the April 19<sup>th</sup> regular Board meeting. The directors agreed to hold April 25<sup>th</sup> at 1:00 pm for a potential committee meeting.

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

None.

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

1:39 p.m.