

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
April 1, 2024 270 Elm Road, Bolinas

1. Call to Order.

10:13 a.m.

2. Roll.

Directors Alexander Green and Walker present; General Manager Georgia Woods, Jennifer Blackman and Administrative Assistant Belle Wood also present.

3. Minutes of the March 25, 2024 Finance Committee meeting.

Director Alexander Green noted a typographical error on page two of the minutes; staff corrected the typo.

K. Walker/A. Alexander Green both in favor to approve the minutes of the March 25, 2024 Finance Committee meeting, as corrected.

4. Draft Fiscal Year 2024-25 Budget and related spreadsheets re: status of debt and status of reserves.

Staff presented a revised version of the draft FY 2024-25 budget which is the focus of this meeting. The Committee is scheduled to meet again on April 15, 2024 and will comprehensively review the draft budget and Five-Year Capital Improvement Plan at that meeting. Staff reminded the Committee that if an increase to the annual service charges for water and sewer are proposed in connection with the draft FY 2024-25 budget, the Board of Directors also will need to approve a draft Proposition 218 notice explaining the amounts of and reasons for the proposed service charge increases. The notice will need to be approved at the Board's regularly scheduled meeting on April 17, 2024 in order to be mailed out on or before May 3, 2024; it must be mailed out that day in order to be issued at least 45-days prior to the public hearing on the budget at the June 19, 2024 regular Board meeting.

Staff directed the Committee's attention to the changes made to the previous draft of the budget; the changes are input in red. There are no changes to the employee services section of the budget. In the maintenance and operations section of the budget, staff added \$25,000 in the "building and grounds" account for the first year's annual cost of renting a portable office building for staff in connection with the building replacement project. Staff will confirm with the district's outside CPA, but staff does not believe these costs can be capitalized as part of the project but rather must be expensed. Staff also added \$6,000 to the "office supplies" account, allocating \$4,000 to the water budget and \$2,000 to the sewer budget (this is the only change to the draft sewer budget), for the IT upgrade, as well as \$12,000 to the water "plant" account to pay for twelve new filter membranes. Turning back to the building project, director Alexander Green asked how often the portable wastewater tank would need to be pumped and whether that was included in the budget. Staff said that a pumping schedule and associated costs have not yet been developed, but staff will inquire with the folks working on the Post Office project as they developed a schedule/costs for the portable building at Mesa Park, which likely would have very similar use.

Discussion ensued about the potential scope of the IT upgrade and whether a new account should be created if IT costs are anticipated to be a more regular annual expense. Georgia said the decision ultimately will need to be made by the Board insofar as whether the district will transition to a fully digital record system, in which case records currently maintained only in paper format will need to be scanned, preferably in a searchable format. She noted this could be a significant cost given the volume of materials, but it is too early on in the process to make definitive decisions; it may be preferable to implement a more strategic approach. Outgoing staff plans to organize the district's paper files during the management transition process and incoming administrative staff may be able to digitize the most critical documents, for example.

Staff said there are no changes proposed for the septic/drainage budget and noted Resource Recovery Project "RRP" budget has been updated based on the prior and current fiscal year expenses, but input from the RRP is needed to finalize this budget. Overall, the draft budget includes an 11% increase in proposed operating expenditures (\$159,217) as compared to the 2023-24 fiscal year.

Turning to the debt and capital section of the budget, staff said the capital budget for the water system was revised down by \$40,000 to \$212,000 because staff proposes that the district reallocate the \$40,000 remaining from the funds collected for the overflow pipe slipline project (which are on deposit in reserves now) to the groundwater wells project as part of the \$75,000 needed to cover non-grant funded costs. In response to questions from director Alexander Green, staff said this reserve transfer is proposed in order to lessen the annual service charge increase to customers that otherwise would be needed. Staff said it is a rare occurrence when a capital project comes in under budget and funds are available to repurpose for other projects. Staff told the Committee that a meeting is scheduled next month with a representative from the Rural Community Assistance Corporation ("RCAC") to discuss possible sources of grant and/or loan funding for the district's capital improvement projects. As for the debt and capital section of the sewer system budget, those costs were revised up by \$10,000 to fund a new manhole. Discussion ensued about assets on the sewer system that are the

customer's responsibility (their entire lateral connection from their home to the district's sewer main) and those that are the district's responsibility (everything else), as well as costs that are appropriate to charge all sewer customers versus costs that might apply only to new sewer customers (if and when the district adds new connections to the sewer system).

The Committee then reviewed the reserves section of the budget. Staff has revised this section to include \$10,000 toward a maintenance fund for the solar equipment at the water treatment plant and \$5,000 toward a maintenance fund for the solar equipment at the sewer treatment facility. Staff is in discussions at the present time with a commercial operations and maintenance firm to conduct annual service visits and troubleshooting.

Turning to the revenue side of the budget, staff said it will require a five percent increase (\$85) in the annual water service charge and a five percent increase (\$84) in the sewer service charge to fund the proposed expenditures. Staff also included interest income of \$82,280 based on current interest income of \$43,441 for the first two quarters of the current fiscal year. The expected property tax revenue from the County is budgeted to increase by 9% for total budgeted tax revenue of \$587,701. Staff asked the Committee for feedback on the revised draft budget.

Director Alexander Green commented that the draft five-year capital improvement plan the Committee reviewed at the prior meeting includes a significant step up in expected capital costs for the sewer system in future years and he thinks the Committee should consider smoothing that out by collecting more revenue now. Staff acknowledged the disparity but said she hopes that a significant portion of those future capital costs will be able to be covered by grant and/or loan funding because, given the district's small customer base, even relatively modest increases in the capital budget are quite impactful. Director Alexander Green said he thinks the Committee therefore should acknowledge that this is what it is recommending: the district will need to take on debt (or obtain grants) to cover a large percentage of its future capital improvement costs. Discussion ensued and staff said that outside financing will be necessary to fund the district's foreseeable capital costs; in that way, the costs can be spread over several decades and the customers who will directly benefit from the capital improvements over a long period of time will be paying those costs. The Committee debated the pros and cons of taking on debt vs. raising the annual service charge and/or a combination thereof.

Staff said the Committee can present alternative budgets to the Board if it wishes to do so at the April 17th meeting, but a decision will need to be made at that meeting about what to present to the community in the Proposition 218 notice. Director Walker said she thinks a 5% annual service charge increase for water and for sewer seems to be somewhat low. Staff referenced director Alexander Green's observation that the Committee needs to clearly acknowledge that it believes outside financing is necessary to meet the district's capital needs, and suggested that the draft capital improvement plan can be revised with additional detail about "rough order of magnitude" foreseeable costs to show the Board and community the full extent of what the district is facing – those costs would be very, very difficult if not impossible to meet only via customer service charge increases. Georgia Woods suggested the Committee also can go through the exercise of calculating what those service charge increases would have to be without outside financing. Ultimately, director Walker said it seems the Committee would like to review three alternative draft budgets at the next meeting on April 15th: (1) the budget as is, with 5% service charge increases and outside financing needed to cover future costs, (2) a second version of the budget with more of the anticipated capital costs included (and presumably greater service charge increases), but still planning on outside financing, and (3) a third version of the budget in which the district would not be planning to take on any debt but rather self-finance its capital improvements, with the resulting impact on customers – somewhat of a "straw man" budget. Director Alexander Green concurred.

5. Draft Update of the District's Five-Year Capital Improvement Plan (Fiscal Years 2025-29).

Deferred to the April 15, 2024 Finance Committee meeting.

6. Community Expression.

None.

7. Adjournment.

11:53 a.m.