

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
April 15, 2024 270 Elm Road, Bolinas

1. Call to Order.

10:30 a.m.

2. Roll.

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

3. Minutes of the April 1, 2024 Finance Committee meeting.

A. Alexander Green/K. Walker both in favor to approve the minutes of the April 1, 2024 Finance Committee meeting.

4. Draft Fiscal Year 2024-25 Budget and related spreadsheets re: status of debt and status of reserves; Draft Proposition 218 Notice re: Proposed Increases to Annual Water and Sewer Service Charges.

At the most recent committee meeting, the directors asked staff to prepare three alternative draft FY 2024-25 budgets for its consideration. Staff presented an updated “Option A” version; this option is very similar to the draft discussed at the previous committee meeting, but revised to reflect additional anticipated costs staff identified since the last meeting (i.e., higher employee wages due to certifications attained, increases to the budgeted fuel, tools and supplies costs based on current year expenses, and increases to the anticipated manhole rehabilitation costs based on a recent meeting with the district’s engineer). As a result of the revisions, the service charge increases for water and sewer in the Option A draft budget are 6% rather than 5%; staff proposes to expend \$10,000 in reserve funds on deposit with the LAIF as an additional revenue source for the manhole rehabilitation project in order to keep the increase at no more than 6% for the sewer service charges in this version of the draft budget. Director Walker commented that a 6% increase in service charges seems “light” when considered in connection with the rising costs of general operations and the district’s capital improvement plans; director Alexander Green concurred.

The committee next reviewed “Option B” and “Option C” versions of the draft FY 2024-25 budget. Per the committee’s direction at the prior meeting, the Option B draft budget is a version with more robust self-funding of identified capital improvement projects -- capital expenditures would be over \$1 million for the fiscal year rather than the \$474,000 proposed in the Option A budget. This approach would require a 41% increase in the annual water service charge (or \$695, increasing the annual water service charge from \$1,696 to \$2,391) and a 75% increase to the annual sewer service charge (or \$1,259, increasing the annual sewer service charge from \$1,679 to \$2,938). The Option C draft budget envisions that the district will self-finance *all* of the Tier 1 and Tier 2 projects scheduled on its capital improvement plans -- capital expenditures would be over \$2.4 million for the fiscal year rather than the \$474,000 proposed in the Option A budget. The Option C draft of the budget would require a 130% increase in the annual water service charge (or \$2,205, increasing the annual water service charge from \$1,696 to \$3,901) and a 277% increase in the annual sewer service charge (or \$4,650, increasing the annual sewer service charge from \$1,679 to \$6,329).

Discussion ensued and the directors expressed appreciation to staff for preparing the alternative budget scenarios; this exercise was very helpful and reveals the challenges the district (and its customers) would face if the district were to try and pay for all of its needed capital improvements without outside funding. Staff commented that during a recent webinar on capital improvement planning, the presenters said agencies should be budgeting a minimum of 75% (and up to 90%) of their capital costs to be paid via outside funding (i.e., loans or grants), but cautioned that agencies should not count on grants due to the time, expense and difficulty of obtaining them. Staff told the committee a follow-up meeting has been scheduled next month with the Rural Community Assistance Corporation (“RCAC”) representative during which the district will discuss with RCAC potential technical assistance for certain capital improvement project funding. The committee briefly discussed

the possibility of collaborating with other districts to hire a grant writer; staff commented that most grants now are reserved for disadvantaged and severely disadvantaged communities, so the district may not be eligible for many of the grants currently available.

Following additional discussion, the directors concluded the Option B and Option C draft budgets are overly aggressive in terms of the capital component of the budget and asked staff to develop a fourth alternative budget for the Board to consider at the upcoming regular meeting with lower capital costs than budget Options B or C, but higher capital costs than budget Option A. The directors further directed staff to prepare a memorandum for the full Board to explain budget Option A and the fourth budget option in detail for the Board's consideration, and the development of Options B and C is explained for the Board's background information (and to make clear why the committee has pursued less aggressive budgets).

The Committee then turned to the draft Proposition 218 notice. Staff provided an overview of the text of the notice, which is required to be sent to the public at least 45 days in advance of the Board's public hearing on the budget if the district proposes an increase in its charges in the upcoming fiscal year budget; the public hearing on the draft FY 2024-25 budget will be at the June 19th regular meeting so the Board needs to approve the Proposition 218 notice at the April 17, 2024 regular meeting. The draft notice includes a copy of the draft budget, explains the amounts of and reasons for each of the proposed service charge increases, identifies the customers affected by each of the proposed increases, explains how to participate in the public hearing on the budget and how to submit a written protest about the proposed increased charges, and advises that the public has 120 days to challenge the new rates. In response to questions raised by director Walker and Georgia Woods, the committee briefly discussed possible increases to the tiered rate quarterly metered charges in connection with the FY 2025-26 budget and also discussed addressing potential inequities in the current process of how operators earn their certifications and accompanying wage increases. Following further clarification of the draft Proposition 218 notice, staff agreed to prepare two version of the notice for the Board's consideration (i.e., one for each of the draft budgets to be presented) at the April 17th regular meeting.

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

No discussion.

6. Community Expression.

None.

7. Adjournment.

11:57 a.m.