

FORESTHILL PUBLIC UTILITY DISTRICT

AGENDA - FINANCE COMMITTEE MEETING

Pursuant to the Governor's Executive Order N-29-20, and given the state of emergency regarding the threat of COVID-19, the meeting will be held via teleconference

www.foresthillpud.com

Monday	November 28, 2022	2:00 PM
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Join Zoom Meeting: <https://us06web.zoom.us/j/82837681166> Meeting ID: 828 3768 1166

Dial in: (408) 638-0968 or find your local number: <https://us06web.zoom.us/u/kcy3Vjg2hB>

A. CALL TO ORDER/ ROLL CALL:

_____ Jane Stahler, Chair
_____ Mark Bell, member

B. PUBLIC COMMENT: Members of the public may address the Finance Committee on any matter not on the agenda that is within the subject matter jurisdiction of the District. Comments shall be limited to three minutes per person, or such other time limit as may be imposed by the Chair.

C. BUSINESS:

1. Discuss recommendation for reserve fund balances and annual funding levels

D. ADJOURNMENT:

In accordance with Government Code Section 54954.2(a) this notice and agenda were posted in the District's front window at the Foresthill Public Utility District office, 24540 Main Street, Foresthill, CA 95631 on or before 5:00 PM, November 18, 2022

Henry N. White, Board Clerk & Ex-Officio Secretary

It should be noted, the revenue at current rates reflects a sustained reduction in water demand of 20% in FY 2022-23, as a result of current drought conditions and potential changes in water demand, as some customers

Page 12 - 5/26/2021 Water Rate Study: "Descriptions and purpose of each reserve fund that is presented in the 2021 Rate Study document"

RESERVE FUNDS

Rates are set to generate sufficient revenue to cover annual expenses. In addition, rates are set to maintain adequate reserves.

Operating Reserve

The District's reserve policy states that the minimum operating reserve balance will equal six months' annual O&M expense plus the debt service reserve. It is essential to not drop below this minimum balance to ensure adequate cash flow is available to the District throughout the year. Maintaining the minimum balance for the operations reserve is recommended as the highest priority for the District.

Debt Service Reserve

The purpose of a debt service reserve is to provide funding to avoid defaulting on any existing loans if the District failed to make a loan payment. We recommend maintaining a full year's loan repayment. As such, the District's target debt service reserve is between \$280,802 and \$338,135 depending on the specific fiscal year.

Capital Reserve

Just as working capital is needed to pay on-going O&M expenses, working capital is also needed to fund construction of water rate-funded (i.e., as opposed to debt-funded, grant-funded, etc.) capital projects. For purposes of this study, we recommend a Capital Reserve target equal to the average annual water-rate-funded capital expenses (\$427,000).³

Emergency Reserve

Should a District asset unexpectedly fail, this reserve will provide funding toward replacement or repair. In light of the District's decision to assume a significant amount of funding for capital projects will need to come from connection fees, grants, and/or revenue from the sale of surplus water, all of which are not guaranteed to materialize, we recommend maintaining an additional reserve amount for emergency repair and replacement purposes. As such, the reserve balance target includes an emergency reserve amount of \$600,000 (in addition to the operating, debt, and capital reserve targets discussed above), which is equal to 2% of the book value of the District's existing assets.

REVENUE CHANGES

The required revenue changes are determined by comparing the revenue from existing rates with the revenue requirements. Rate revenue is then adjusted to reduce or eliminate deficits

**Foresthill Public Utility District
Financial Activity by Fund
As of February 28, 2021**

	<u>7/1/2020</u>	<u>Received</u>	<u>Paid Out</u>	<u>Transfers</u>	<u>Balance</u>
General Fund - unspendable	9,787,609			(249,624)	9,537,985
General Fund - unrestricted	1,275,031	2,159,316	(1,529,600)	249,624	2,154,371
Debt Service Fund	250,293	143,082	(19,815)		373,560
Repair & Replacement Fund	1,115,529	363,440	-		1,478,970
Capital Improvements	207,124	31,602	(23,020)		215,706
General Reserve	421,203	46,840			468,043
Total Fund balances	13,056,790	2,744,280	(1,572,435)	-	14,228,635

Page 13 - 4/14/2021 Board Packet: Reserve funds before the 2021 Rate Study

**Foresthill Public Utility District
Statement of Activity
Budget vs. Actual**

For the Two Months Ended August 31 2022

	<u>8/31/2022</u>	<u>Budget</u>	<u>Variance</u>
Expenditures by Department			
Source of Supply	4,831	7,619	2,788
Pumping	3,128	7,348	4,220
Treatment	51,395	65,785	14,389
Distribution	68,510	61,066	(7,444)
Customer Service	62,632	84,034	21,403
Regulatory compliance	37,518	51,373	13,854
Management and Administration	78,860	53,832	(25,027)
Capital Activities	43,071	250,000	206,929
Debt Service		27,833	27,833
Depreciation	65,020		(65,020)
Water Transfer			-
Total Expense	<u>414,965</u>	<u>608,890</u>	<u>193,924</u>

Fund Balances

	<u>7/1/2022</u>	<u>Received</u>	<u>Paid Out</u>	<u>Transfers</u>	<u>Balance</u>
General Fund - unspendable	9,787,609			(65,020)	9,722,589
General Fund - unrestricted	2,411,216	695,109	(371,894)	65,020	2,799,451
Debt Service Fund	294,149	-	-		294,149
Repair & Replacement Fund	1,649,618	-	(43,071)		1,606,547
Capital Improvements	240,583	-			240,583
General Reserve	421,203	-			421,203
Total Fund balances	<u>14,804,378</u>	<u>695,109</u>	<u>(414,965)</u>	<u>-</u>	<u>15,084,522</u>

7/1/2022 Fund Balances: Reserve fund balances after the 2021 Rate Study
Fund balances remain adequate for district purposes.

The following identifies the funding sources for the proposed 2023 Capital Investment Plan. The first block provides an overview of current fund balance, activity and ending balance. The second block provides a project specific list of funding source.

Block 1: Overview of Fund Balances and Activity

Fund Name	Current Fund Balance	FYE 2023 Capital		FYE 2023 Ending Balance
		Expenses	FYE 2023 Contributions	
Repair & Replacement	\$2,100,000	\$1,800,000		\$300,000
Capital Improvement	\$125,000	\$100,000	\$400,000	\$425,000
General Fund Reserve	\$2,200,000	\$700,000	\$200,000	\$1,700,000
Grant Funding	\$1,300,000	\$1,300,000		\$0
	\$5,725,000	\$3,900,000	\$600,000	\$2,425,000

\$700,000 Revenue for 2020 Water Transfer

Block 2: Project list with funding source identified

Project	Amount	Fund Name
Sierra View Ln Pipeline Replacement	\$1,800,000	Repair & Replace
	\$1,200,000	Grant funds
		Total \$3,000,000
Water right permit extension	\$30,000	Capital Improvement
Sugar Pine deformation survey	\$60,000	
DSOD spillway assessment	\$10,000	
Auxiliary Generators	\$100,000	Grant funds
		Total \$100,000
DSOD Emergency Action Plan	\$5,000	Proceeds from 2020 Water Transfer
Scaffold system for filters	\$20,000	
Control panel replacement	\$100,000	
SCADA/GIS	\$100,000	
Asphalt sealing	\$30,000	
Ditch Witch Vacuum Trailer	\$120,000	
Pressure reducing stations	\$40,000	
Replace hot tap machine	\$5,000	
Computers and software	\$4,000	
Facility repairs	\$15,000	
Vehicle fleet	\$100,000	
Backhoe	\$150,000	

8/8/2022 Finance Committee Report: This is the information regarding funding for capital activities in FYE 6/30/2023. We are booking the expenditures now so it can be updated when we have the information.

Grant Funded Activities from 2013 to 2022

Project Description		Completion Date
2013 Water Service Rate Study	\$4,500	12/31/2013
2014 Backup WTP Analyzers	\$7,000	12/31/2014
2014 Data Logging (Chart Recorders at WTP)	\$4,000	12/31/2014
2014 System Security Study - Automatic gate at WTP	\$5,000	11/3/2015
2014 Vegetation removal with Foresthill Fire	\$100,000	9/4/2014
2015 Water Right Permit Extension EIR/EIS	\$15,000	9/4/2015
2015 Development agreement with Dollar General	\$38,000	12/16/2015
2016 Water Right Permit Extension EIR/EIS	\$32,500	1/27/2017
2017 Water Right Permit Extension EIR/EIS	\$30,000	12/20/2018
2018 Water Right Permit Extension EIR/EIS	\$30,000	4/23/2019
2019 Water Right Permit Extension EIR/EIS	\$30,000	5/29/2019
2020 Watershed Sanitary Survey	\$10,300	11/30/2020
2020 Sugar Pine Dam Piezometer Installation Project	\$65,089	12/31/2021
2021 Public Safety Power Shutdown Emergency Generator Project	\$135,000	6/30/2023
2021 Sierra View Lane Pipeline Replacement Project	\$1,201,900	6/30/2023
2022 CA Water Arrearage Payment Program	\$62,002	1/27/2022
Total Grants:	\$1,770,291	

Grant funded activities 2013 to 2022: Summary of grant funded activities since 2013