

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
FINANCE COMMITTEE MEETING**

DATE: March 28, 2016

Call to order at 3:30 P.M.
Public comment – none

Attendees: Director Eric Poulsen; Director Bill Hudson; Mike Geary, General Manager; Kathy Obayashi-Bartsch, Secretary to the Board; Pete Bansen, Fire Chief , Brandon Burks, Operations Superintendent, Elizabeth Hobstetter, Office Supervisor and Danielle Grindle, Finance & Administration Manager.

D-1 Operating Account Check Register: Ms. Grindle reviewed the Operating Check Register numbers 43454 – 43565 and ACH payments. Staff reviewed payments of more than \$800 and provided an explanation of the following payments and a summary of electronic payments (ACH). There was also discussion of some payments less than \$800 that were of interest to the Committee members.

Check Payments:

- 43469 Mass Mutual Retirement – deferred compensation withholding
- 43463 All Star Fire Equipment – calibration gas for detector, assemblies for fire helmets
- 43470 LN Curtis & Sons – Hurst combi tool, step chock, bracket, crossfire nozzle
- 43473 Pape Machinery Exchange – door repair
- 43475 Allen Riley – reimbursement for fire inspector IC & ID registration, lodging & meals
- 43480 Thomas Archer – legal service including Board meeting work & reimbursable work for Palisades, Resort @ Squaw Creek & SVRE well
- 43482 AT&T – phone for utility operations
- 43483 Atomic Printing – winter newsletter
- 43489 Farr West Engineering – SVRE well easement & development agreement support
- 43491 Grainger Inc. – fuel pump, toilet vacuum breaker
- 43494 National Meter & Automation – meters & valves
- 43495 Office Depot – office chair, file cabinets & thumb drives
- 43500 Standard Insurance – dental insurance
- 43501 State Water Resources Control Board – annual fees
- 43503 Stanley Trumbull – IT service
- 43505 US Bluebook – ice melt for facility & bike trail, dechlorinating tabs, chemical pump parts
- 43509 Mass Mutual Retirement – deferred compensation withholding
- 43412 Bank Card Center – tamper, backhoe mirrors, tools, vehicle decals, battery box
- 43514 Liberty Utilities –electricity for buildings & wells
- 43520 Mass Mutual Retirement – deferred compensation withholding
- 43523 Allen Riley – reimbursement for Fire Inspector 2B & 2C registration, lodging, meals & transportation
- 43525 Truckee Tahoe Propane – heating fuel for 305 Squaw Valley Road
- 43527 Auerbach Engineering – revise Beyer easement exhibit
- 43528 Board of Equalization – annual sales & use tax
- 43536 Hunt & Sons – diesel & unleaded fuel
- 43537 HydroMetrics WRI – OVGMP Quinquennial Review & Report, Palisades project & PlumpJack project
- 43545 Accela Inc. – accounting software training for Finance & Administration Manager

- 43546 Tahoe City Electric – fuel pump installation on diesel tank, sump pump repair & emergency light repair at 305 Squaw Valley Road
- 43547 Truckee River Glass – window repair at Well 5
- 43548 Stanley Trumbull – IT services
- 43549 Truckee Tahoe Propane – heating fuel
- 43550 Tahoe Truckee Sierra Disposal – quarterly garbage service
- 43551 USA Bluebook – parts for main Well 5 chemical pump

Ms. Grindle reviewed exhibits D-2 through D-11.

D-2 Operations Enterprise Fund

The statement shows 67% of the year has elapsed. Expenditures are running at 67.2% of the annualized budget. In future months we will begin to give a breakdown of different revenue sources as well as billable salaries. We also will continue to develop the highlights sections.

D-3 Fire Government Fund

Higher than budgeted revenues are due to unanticipated tax revenue and strike team payments. The statement shows 67% of the year has elapsed. Expenditures are running at 72.2% of the annualized budget. Director Poulsen said the wildland staffing and benefits expenses are reflected in the report and suggested that revenues from this work are reflected in the next report.

D-4 Fund Balance Statement

The statement shows the highest yielding funds are Placer County Funds (#541-003, #541-435 and Investment Fund 375-150) at 1.48%. This is an increase from the prior month.

D-5 Capital Reserve Fund Balance Sheet/Income Statement

The statement shows 67% of the year has elapsed. Expenditures are running at 68.1% or 1.1% unfavorable.

D-6 Bike Trail Snow Removal Expenditure vs. Revenue

The statement shows that 64% of the budget year has elapsed. Total expenditures are at 37% which includes the snow blower payment for the year. An additional \$5,000 was donated by Squaw Valley Resort which is not reflected on this report and was deposited into the reserve account. We have spent approximately \$37,872 year to date which is more than was spent in total for last season. We anticipate seeing an increase to the reserves at the end of the season due to budgeted items not being needed. The season will be over at the end of April.

Payments: Ms. Grindle reviewed the following payments with the Committee:

- D-7 Tahoe Truckee Sierra Disposal Payment – 3rd Quarter
- D-8 Progress Payment – HydroMetrics – Village On-Call
- D-9 Progress Payment – HydroMetrics – PlumpJack Project Well EIR Impacts
- D-10 Progress Payment – HydroMetrics – Palisades Project Maximum Supply Analysis
- D-11 Progress Payment – HydroMetrics – OVGMP Quinquennial Review & Report

Other items reviewed by the Committee included:

F-5 Annual Review of Investment Policy

Ms. Grindle reviewed the item. The current investment policy is based on conservative principles with an emphasis of earning maximum returns while mitigating any loss of principal. Staff is proposing one change to the policy. We propose the "Savings, Checking, and Certificate of Participation" language be removed from the policy. These accounts are established as a means for operations and do not earn interest. These accounts do not meet the definition of an investment. Also in order to comply with the policy of keeping a balance that is under the maximum insurable amount would mean opening multiple bank accounts and managing an increased number of transfers to meet our operations need; something that we current do not have enough staff to perform.

F-6 First Review of 2016-17 Fiscal Year Budget and Rate Structures

Ms. Grindle reviewed the item. The State of California, via Proposition 218, mandates each special district to issue a notice of any proposed rate increases. In preparation for this mandate, staff has generated a draft 2016-17 budget to determine the maximum potential rates necessary to maintain a consistent and quality level of service to its customers, in addition to contributions to the fixed asset replacement funds for capital replacements.

The District has endured some trying times over the last several years; which fortunately, we are starting to see a turnaround. We saw an increase in our Ad Valorem tax revenue for FY2016 that has been much needed. We are not at our peak level from 2009, but a slow increase to property values and increased tourism this winter leaves us optimistic for the future. However, the combined impact of the past several years with the recession and low snow pack has required the District to make challenging decisions; including increases to water and sewer rates and decreasing expenditures. After taking these measures, the District's Fixed Asset Replacement Funds (FARF) are still inadequately funded, which are our capital reserves dedicated to replacing aging assets and infrastructure.

Suggested methodologies to forecast adequate funding to the FARF accounts include creation of a capital replacement plan or the utilization of a depreciation figure. In its simplest form, and not including the inflation and/or technology variable, the FARF accounts should be funded at a ratio of no less than a one to one comparison to depreciation. Our ratio from last year was one to two, meaning our assets were depreciating faster than we were replacing them.

Utilizing a Capital Replacement Plan (CRP) is a more precise method to determine the timing and replacement cost of aging assets. Moving forward in FY2017, staff is updating the Capital Replacement Plan and conducting a Cost of Service Analysis with HDR Engineering, Inc. The end result of this study will be cost-based rates and connection fees that will sufficiently cover our funding of operating and capital needs over the next ten years. However, in lieu of a comprehensive updated Capital Replacement Plan for the upcoming rate setting, staff suggests determining rates utilizing the present capital replacement needs, while funding the FARF accounts in excess of the capital needs. This will require a rate increase range of eight to ten percent. Staff will continue to scrutinize the upcoming 2016-17 budget for expense savings and synergies, but recommends approving the rate increase notice based on a prudent ten percent of existing capital needs with minor funding into the FARF accounts.

G-7 Directors Comments

Ms. Grindle said at the last Board meeting, staff was instructed to research Board member compensation, specifically offering health insurance benefits. Offering this benefit will cost \$133,000 or \$26,000 per Board member (assuming a mid-40s adult with spouse and 2 children). In order to cover this cost, increased rates would be required including an increase of 6% to the water rate and 6% to the sewer rate.

No further business coming before the Finance Committee, the meeting was adjourned at 5:45 P.M.
By, K.O. Bartsch

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