

SQUAW VALLEY PUBLIC SERVICE DISTRICT
FINANCE COMMITTEE MEETING
DATE: August 27, 2018

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

Attendees: Directors Eric Poulsen and Fred Ilfeld, Mike Geary, General Manager; Kathryn Obayashi-Bartsch, Secretary to the Board; Danielle Grindle, Finance & Administration Manager and Allen Riley, Fire Chief.

Items reviewed by the Committee include the following:

D-1 Operating Account Check Register: Ms. Grindle reviewed the Operating Check Register numbers 46161- 46249 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:

46166 Eric Poulsen – payroll & medical reimbursement
46169 Wesley Beyer – uniform shirts & hats with embroidery
46172 CalPERS – unfunded pension liability payment
46179 Farr West Engineering – general services and projects: PlumpJack Well Phase 2, Sewer Manhole Inspection & Truckee River Interceptor
46181 Hunt & Sons – diesel & unleaded fuel
46184 Mass Mutual Retirement Services – deferred compensation withholding
46190 Purchase Power –quarterly payment for postage meter lease
46191 Allen Riley – reimbursement for software upgrade, iPad replacements, televisions & mounts
46192 Sierra Controls – SCADA repairs & maintenance
46193 Thatcher Company – caustic soda
46197 USA Bluebook – chemical scale & safety supplies
46200 Teichert & Sons – gravel for repairs
46201 Accela – online bill pay fee & transaction fees
46205 Alpine Lock & Key – lock replacement
46216 ESO Solutions – Fire Dept. online training for ESO software & incident reporting
46218 Thomas Archer – general legal & PlumpJack Well
46219 Liberty Utilities – electricity for all facilities, wells & pumps
46222 Managed Health Network – Employee Assistance Program
46223 Mass Mutual Retirement Services – deferred compensation withholding
46225 Palisades Development – refund of remaining security deposit
46230 Standard Insurance Company – dental insurance
46237 Bank Card Center – flag, Microsoft 365 subscription, A2 Web hosting & Parcel Quest
46243 Hunt & Sons – diesel & unleaded fuel
46244 National Meter & Automation – water meters
46247 Thatcher & Company – caustic soda
46248 USA Bluebook – chemical pump & safety supplies

Ms. Grindle reviewed exhibits D-2 through D-6:

D-2 Operations Enterprise Fund, Revenue vs. Expenditure/Balance Sheet

The statement shows 8.3% of the year has elapsed. Revenue is at 88.6% of the budget and expenditures are at 8.1% of the budget. When compared to the prior year at this time, the District's net surplus is \$145,000 greater.

D-3 Fire Government Fund, Revenue vs. Expenditure/Balance Sheet

The statement shows 8.3% of the year has elapsed. Revenue is at 13.5% of the budget and expenditures are at 11% of the budget. Compared to last year at this time, the District's net surplus is \$88,000 greater.

D-4 Capital Reserve Fund Balance Sheet/Income Statement

The income statement shows 8.3% of the year has elapsed. Revenue is at 0% and expenditures are at 8.2%. At the time of publishing this report, the July bank statements from Placer County had not been received.

D-5 Combined Revenues/Expenditures/Balance Sheet

This report is for internal use only as a tool but is not intended to be an audited financial report. The report captures the District's position as a whole including enterprise funds (Operations/Administration Dept.) and governmental operations (Fire Dept.). The statement shows 8.3% of the year has elapsed and expenditures are at 9.5%.

D-6 Fund Balance Statement

The statement shows the highest yielding funds are ProEquities Certificate of Deposit #2 at 3.10% and the ProEquities Certificate of Deposit #1 is at 2.40%. The Placer County Funds (#541-003 and #541-435) are at 2.01% which is the same as last month's rate of 2.01%.

Payments: Mr. Geary reviewed the following payments with the Committee:

D-7 Progress Payment – Farr West Engineering – Truckee River Siphon

D-8 Progress Payment – Farr West Engineering – Sewer Manhole Inspection

D-9 Progress Payment – Farr West Engineering – PlumpJack Well Phase 2

F-1 McClintock Accountancy Contract – Audit Services.

Mr. Geary reviewed the item. The District engaged McClintock Accountancy to audit the District's basic financial statements since Fiscal Year 2013. In April of 2017, The District approved reappointment for an additional three years; however, only a one year engagement letter was signed.

Staff recommends executing a contract to audit the District's Fiscal Year 2018 and 2019 financial statements. The proposal for the remaining two years is as follows:

June 30, 2018 audit and all reports, \$17,400. GASB 68 \$2,700.

June 30, 2019 audit and all reports, \$17,900. GASB 68 \$2,800.

Should single audit reports be required the fee would be \$4,000. These fees are based on the actual time spent, plus out-of-pocket costs. If significant additional time is necessary, this will be discussed with management a new fee estimate will be developed before additional costs are incurred.

F-2 California Tax Allocation.

Mr. Geary reviewed the item. The District Board was requested by a member of the Board of Directors of the Squaw Valley Mutual Water Company (MWC) to consider allocating a portion of the District's property tax revenue used to fund expenses related to the District's water system to customers of the MWC. The basis for the request is that the District receives property tax revenue from all property owners in Olympic Valley which are used to benefit the District's water customers by offsetting their user fees while customers of the MWC do not receive any benefit. As the MWC is not a governmental agency and is a private corporation, it does not receive property tax revenue.

The District uses property tax revenues to fund its water, sewer collection, fire protection and emergency medical services (EMS). Proposition 13, Senate Bill (SB) 154, and Assembly Bill (AB) 8 are the bases for how property taxes in California are set and apportioned. An explanation of the complex system by which the State of California apportions property tax revenue may assist the Board in their consideration of this request.

The information found at the links in the staff report and attachments to the report explain how property tax revenues are apportioned among governmental agencies, none of the material explains why privately-owned Mutual Water Companies do not receive property tax revenue. Since the MWC is a private corporation whose members own shares, the MWC is ineligible to receive tax revenues. In some cases, Mutual Water Companies may be required to pay taxes.

Under SB 154, enacted by the state legislature immediately following passage of Proposition 13 in June 1978, the District's current share of property tax is based on its share of the property tax received by the District prior to passage of Prop. 13. If the District had a higher tax rate prior to Prop. 13, it would receive higher property tax revenues today.

Interestingly, the District would likely have a higher tax rate prior to 1978, and would receive more property tax revenue today, if the MWC did not exist in 1978. However, since the MWC did exist in 1978, the District served up to 281 fewer residential properties than if the MWC did not exist. Consequently, the expense of running a smaller water system was likely less, which resulted in a smaller share of the property tax as determined under SB 154, which persists today.

The District is not required to share its property tax revenues but can do so at its discretion, provided that contributions comply with State and Federal laws. The Board can provide direct financial assistance to the MWC, provide operation and maintenance services at a rate less than currently contracted for, or set aside funds to use for costs related to the consolidation of the two water providers. These costs could include capital expenses to upgrade the MWC system and construct inter-ties between the two entities, or other expenses associated with appraisals and negotiations related to implementing consolidation efforts.

No further business coming before the Finance Committee, the meeting was adjourned at 5:10 P.M.

By, KOB/DG