

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
FINANCE COMMITTEE MEETING
DATE: May 21, 2020**

Pursuant to the Governor’s Executive Order N-29-20, issued March 17, 2020, the Squaw Valley Public Service District Community Room was not be accessible to the public for this Board meeting. All Directors and attendees participated via video/teleconference only.

Call to order at 3:02 P.M.

Public comment – none

Directors Present: Directors Dale Cox and Victoria Mercer

Attendees: Mike Geary, General Manager; Danielle Grindle, Finance & Administration Manager; Jessica Grunst, Account Clerk II/ HR Specialist; Fabienne Gueissaz, Office Supervisor; Dave Hunt, District Engineer; and Allen Riley, Fire Chief.

Items reviewed by the Committee include the following:

D-1 Operating Account Check Register: Ms. Grunst reviewed the Operating Check Register numbers 47984-48034 and ACH payments. Staff provided an explanation of the payments greater than \$800 and gave a summary of electronic payments (ACH).

Check #	Name	Amount	Description
47984	A1 Radiator Repair, Inc.	2,261.17	Radiator Work and Inspection - Trackless
47985	Andregg Psomas	1,260.00	Construction Survey Progress Payment
47992	Renee Deinken	1,181.25	Website Support
47993	ESO Solutions, Inc	2,995.00	Annual Incident Reporting
47994	Farr West Engineering	7,652.00	Backflow Testing- Reimbursement from the PCWA FAP/ General Services/ Sewer TV Inspection
47996	Granite Peak	1,400.00	14 Toilet Rebates
47998	Independent Technologies	910.00	IT Support
47999	Kansas City Life Group Benefits	2,204.45	Dental Insurance
48001	Liberty Utilities	6,796.33	Electric All Locations
48008	Mountain Valley Roofing, LLC.	30,178.93	1st Progress Payment for 1810 Roofing Project
48009	North Tahoe Fire Protection	1,009.68	Radio Maintenance Cost Share
48012	Placer County Environmental	1,595.00	Annual Permits- Hazmat Fee
48013	Placer County Environmental	1,104.00	Annual Permits- Hazmat Fee
48014	Placer County Environmental	1,104.00	Annual Permits- Hazmat Fee
48025	Thatcher Company, Inc.	1,883.60	Caustic Soda Well #5
48027	Thomas S Archer	3,010.00	Legal Expense
48031	Verizon Wireless	814.84	Cell phone bill (2 months)

Ms. Grindle reviewed exhibits D-2 through D-8:

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

The statement shows 83% of the year has elapsed. Revenue is at 97% of the budget and expenditures are at 83% of the budget. In total, compared to the prior year at this time, the net surplus is \$26,000 higher. Ms. Grindle reviewed and explained each line item of the Operations Enterprise Income Statement and Balance sheet.

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

The statement shows 83% of the year has elapsed. Revenue is at 83% of the budget and expenditures are at 84% of the budget. Compared to the prior year at this time, the net surplus is \$84,000 lower. This is primarily due to not assisting in wildland fires year to date. Ms. Grindle reviewed and explained each line item of the Fire Department Income Statement and Balance sheet.

There is now a line item under revenue labeled "Inspections". This tracks the income the Fire Department receives from Placer County for doing short term rental inspections. So far, the Department has received \$5,539.

D-4 Capital Reserve Fund Balance Sheet/Income Statement

The income statement shows 83% of the year has elapsed. Revenue is at 106%, \$4.1 million, and expenditures are at 83.6%, or \$3.6 million. The total anticipated tax revenue, less any fees from the County, is estimated to be \$3,616,000. This is an increase over the prior year's actual revenue received by \$48,000 or %1.34 and is \$55,000 greater than the budgeted amount.

The District received the second payment of annual property tax revenue from Placer County, which amounted to approximately \$1.5 million. This will be used to fund FARFs, capital projects, and operations.

Revenue from connection fees is higher than budgeted, primarily due to the Palisades Development.

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, including enterprise funds (Operations/Administration Dept.), governmental operations (Fire Dept.), and Capital Reserves. The statement shows 83% of the year has elapsed, revenue is at 101% and expenditures are at 84%.

D-6 Fund Balance Statement

The statement shows the highest yielding funds are Pro Equities Certificate of Deposit #2 at 3.10%. The Pro Equities Certificate of Deposit #3 is at 2.70% and Pro Equities Certificate of Deposit #1 is at 2.40%. Total funds on deposit is approximately \$9.5M.

D-7 Bike Trail Snow Removal, Revenue to Expense

This statement shows 100% of the season has been expended. The District has budgeted \$46,000 for this project and Placer County provided monthly payments split over the contracted winter months.

Approximately \$23,153 will be added to the FARF account, slightly less than budget due to repairs needed on the blower at the end of the season.

D-8 Progress Payment – Springbrook

Mr. Hunt reviewed the following progress payments:

D-9 Progress Payment – Andregg Psomas – Truckee River Siphon

D-10 Progress Payment – Pac Machine Company – Sewer Bypass Pump

D-11 Progress Payment – Mountain Valley Roofing – 1810 Roof Replacement

F-2 CalPERS Unfunded Accrued Liability (UAL).

Ms. Grindle reviewed the staff report. This is a budget amendment request. The more the unfunded liability grows, the more interest the District will have to pay in interest. The District has \$600,000 available from the Sewer FARF to pay towards the UAL. If the liability is reduced now, that means less interest when CalPERS does their valuation on June 30th. Valuations are done every June 30th and that is when CalPERS takes the difference of what their expected returns would be versus what happened. These differences are factored into the District's employer contribution rates and UAL payments to be paid two years down the road. The District recognizes that CalPERS will not be making their target returns this fiscal year and would like to be proactive about avoiding higher contribution rates and higher UAL balances.

Ms. Grindle recommends paying \$600,000 now and \$600,000 in FY2021, which based on the most recent valuation would put the Miscellaneous group at a 90% funded level. The second payment of \$600,000 in FY2021 would come from the Water FARF and is contingent on securing a low interest USDA loan to complete the West Tank Recoat project.

Ms. Grindle clarified that the goal is to pay off the UAL without having to push out capital projects.

Mr. Hunt explained that he will be working to secure a USDA or State Revolving Loan at 2-2.5% for \$600,000 for the West Tank Recoat project. That will offset the \$600,000 payment for the UAL payment, and avoid paying 7% interest to CalPERS.

Director Mercer asked what is happening with the Fire Department pension. Ms. Grindle clarified that the Fire Department is estimated to get to 90% in the next 5 years, by taking loans from the Water and Sewer FARFS. The Fire Department does not have any capital projects in the next year to get a loan and redirect funds towards their UAL.

Mr. Geary shared that the reason the UAL changes so much every year is because:

1. CalPERS investment performance
2. Changes in actuarial assumptions (life expectancy, retirement ages, etc)
3. Change in amortization basis (from 30 years to 20 years, which shortened the term of the liability)
4. Changes in the discount rate (reduced from 7.5% to 7%, could continue to go down)

F-3 Third Draft of FY 2020-2021 Budget and Rates.

Information Only: Review item and accept public comment.

Mr. Geary reviewed the staff report, the final version will be brought to the board in June.

Mr. Geary directed the committee to page 16, which shows the financial summary for budget year 2020-2021. It shows that the District has an \$8.8 million dollar budget.

Ms. Grindle reviewed the rate increases. 4% increase for water, 5% increase for sewer, and 3% increase for garbage are allowed under the Prop 218 notice. However, water will only be increased by 2.43% which covers the Cost of Living Adjustment (COLA), sewer will not be increased, and garbage will be increased 3%, which partially covers the 3.29% increase from TTSD. Total rate revenue is estimated at \$3.7 million.

Mr. Geary noted that the district is authorized to make larger increases, but will only be making increases caused by inflation, in order to be sensitive to the effects of COVID-19.

Mr. Geary stated that property taxes will be increased, by 1.14%. An increase is estimated because property values are taken as of January 1st, and this was pre-pandemic. The District is confident to see revenue increases for FY2021, however; not as confident for FY2022 and FY2023. As such there is a zero percent increase for property taxes in the budget for FY2022 and FY2023.

Ms. Grindle said that this budget does reflect the startup of the ambulance services, but generating revenue starting in FY2022. As soon as the ambulance and staffing are ready, services will begin. The budget accounts for the cost of purchasing an ambulance for \$35,000, \$20,000 in operations, and \$40,000-\$50,000 to put into reserves. Chief Riley said that when the Department starts ambulance service depends on when we get the ambulance from Truckee and fit it to our specifications.

Mr. Geary discussed the plan to borrow \$600,000 from USDA to fund the West Tank Recoat project. Once the loan is obtained in FY2021, there will be a second \$600,000 payment to pay down the UAL coming from the Water FARE.

Mr. Geary discussed the change in staffing at the Fire Department. Seasonal firefighters will work for 8 months during the busy seasons, and will be on a regular schedule, but will work at a part time rate. This additional staff member will allow ambulance service which shows significant financial benefit to the fire department over the next 5 years.

Mr. Geary discussed Ms. Grindle shopping for insurance policy for districts that have Fire Departments with big liabilities. Ms. Grindle contacted 4 large firms to get new quotes for property and liability insurance, because SDRMA is increasing our rates by 35%. None of the agencies she reached out to were able to provide a quote or were able to beat SDRMAs rates.

Mr. Hunt reviewed two grants he has secured. The first is a grant for \$35,000 from the state to replace water meters. The second is a grant from PCWA FAP, to support the pressure zone 1A project. This will require installing valves to reduce the pressure on the east end of the valley. The project will be \$1,000,000 when it is done. The District applied for grant funding from PCWA in the amount \$95,000 for planning; we received \$55,000. That grant money will be added to the final budget in June. Director Cox asked for clarification on the water meter replacement program. Mr. Hunt clarified that most meters in the valley were installed in the 90's. He said the average life of a meter is 15 years, and they've exceeded

their useful life, leading to inaccuracies. The meter reading system is no longer supported, which also is a reason to upgrade.

Ms. Grindle stated that the purchase of a CD has not happened this year. The rates are so low that it doesn't make sense for the District and more money can be earned by keeping funds with Placer County or LAIF. The district has 3 CDs on hand for \$250,000 each, which are FDIC insured, and earn between 2.4%-3.1%.

Mr. Geary presented on the Mutual O&M 5-year contract, with an increase in rates of the COLA. Mr. Geary also stated that the District expects to continue bike trail snow removal for \$46,000 per year paid by Placer County. These funds offset sewer/water operator's wages. Lastly, we expect the Fire Department to participate in strike teams but that is not reflected in the budget.

Director Mercer said that only thing she was looking for clarification coming into this meeting was in regard to rate increases, but after hearing Mike and Danielle, she doesn't have any questions and believes that they are easily explained to the public.

F-4 Introduction to the Rates.

Ms. Grindle reviewed the item. This is an introduction in May and will be adopted in June. The new rates reflect a 2.43% rate increase to water, no changes to sewer, and 3% rate increase to garbage.

F-6 Annual Review of Financial Investment Policy.

Mr. Geary reviewed the staff report. Staff is proposing two changes; the first is to not set a specific amount to maintain as liquid funds, instead set the minimum liquid funds to be the same in our financial reserves policy. The second change relates to the Local Agency Investment Fund (LAIF) which has increased their maximum limit to seventy-five million dollars from any singular local agency. This does not currently affect the District.

No further business coming before the Finance Committee, the meeting was adjourned at 4:45 P.M.

By, FG/DG