

CALAVERAS COUNTY WATER DISTRICT FINANCE COMMITTEE MEETING

AGENDA

Tuesday, March 15, 2022
9:00 a.m.

Calaveras County Water District
120 Toma Court
San Andreas, California 95249

This meeting will be virtual only. All members of the public may participate in the meeting via teleconference and will be given the opportunity to provide public comment.

Microsoft Teams meeting

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ORDER OF BUSINESS

CALL TO ORDER / PLEDGE OF ALLEGIANCE

1. **PUBLIC COMMENT:** Comments limited to three minutes per person.
2. **APPROVAL OF MINUTES:** For the meeting of February 15, 2022
3. **NEW BUSINESS**
 - 3a. Report on the Monthly Financial Reports for February 2022
(Jeffrey Meyer, Senior Vice President, Hilltop Securities, Inc.)
 - 3b. CIP Finance Plan presentation
(Jeffrey Meyer, Senior Vice President, Hilltop Securities, Inc.,
Julio Morales, Urban Futures)
4. **EXTERNAL AFFAIRS MANAGER COMMENTS**

5. **GENERAL MANAGER COMMENTS**

6. **DIRECTOR COMMENTS**

7. **FUTURE AGENDA ITEMS**

8. **NEXT COMMITTEE MEETING**

9. **ADJOURNMENT**

MINUTES
FINANCE COMMITTEE MEETING
February 15, 2022

The following Committee Members were present:

Bertha Underhill	Director
Russ Thomas	Director

Staff Present:

Michael Minkler	General Manager
Jeff Meyer	Senior Vice President, Hilltop Securities, Inc.
Catherine Eastburn	Accountant II
Kevin Williams	Engineer

Public Present:

None

ORDER OF BUSINESS

CALL TO ORDER / PLEDGE OF ALLEGIANCE

Meeting called to order at 9:02 am., Director Underhill led the Pledge of Allegiance.

1. Public Comment: None.
2. Approval of Minutes: Approval of the January 21, 2022 minutes was deferred to the March 15 meeting because Director Thomas was not present at the January meeting.
3. New Business:
 - 3a. Report on the Monthly Financial Reports for January 2022:

Mr. Meyer presented the Budget Status Report and stated that he would open up for questions after the presentation. Mr. Meyer said that revenue is currently trending slightly higher than budgeted, however caution is advised due to rising interest rates.

Of note, membership dues have ticked up over the course of the year. The budget document reflects that the budget has been moved to Fund 300/500 vs earlier years the budget was in Fund 101. Budget in 2019-2020 was \$110,238 vs \$128,640 for current year. The increases can be attributed to the increase in Mountain Counties and Groundwater sustainability costs.

There was a discussion regarding the cost of borrowing, and ability to borrow. The District needs to reach out and get a credit presentation to ensure the credit rating is as high as possible when pursuing funding. Important aspects will be the Cybersecurity policy and management policy.

Mr. Minkler met with ACWA and they recommended that a dedicated safety person (at least 50%) could impact rates in a positive way. The number of claims has increased.

Mr. Meyer also presented the CIP report for the month of January, 2022.
 - 3b. Management Letter

There was a discussion regarding the Audit and Management letter. The Audit firm of Richardson & Company, LLP indicated that there were a large number of closing entries to close 2020-2021. Fund 101 will need to be re-split, taking into account which amounts are from restricted funds.

MINUTES
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3c. Board Compensation

There was a discussion regarding Board compensation. The Finance Committee members asked Mr. Minkler to find the specific guidelines regarding the amount of time necessary between increases. The Finance Committee recommended a 5% increase each year.

4. External Affairs Manager Comments:

None.

5. General Manager Comments:

Mr. Minkler updated that Customer Service and Finance are working through the arrearage funding process, beginning with clearing balances for accounts sent to the tax rolls. Mr. Minkler also reported that Customer Service is working on the meter integration with Tyler. Jessica Self will be coordinating the effort. Approximately 75% will be able to read automatically, 20% will need to be manually read, and 5% are still older meters. Mr. Minkler discussed upcoming staffing needs, including a safety coordinator and an IT Technician. Mr. Minkler also discussed the dump truck and bucket truck that will be Action items on the next Board Agenda.

6. Director Comments:

Director Underhill is concerned about the AMI meter true-up – the conversion has been less than satisfactory.

Director Thomas asked if billing for consumption could be deferred and added to the tax rolls sent to the county. Would the county have an issue with non-delinquent Teeter payments?

There was a discussion regarding the bills being in cubic feet vs gallons – will it be possible in the future to update the bills to read in gallons?

7. Future Agenda Items:

- Update on the number of connections
- Presentation by Urban Futures regarding funding options for the Capital Improvement Projects (Julio Morales)
- Tyler Implementation status

8. Next Committee Meeting:

Tuesday, March 15, 2022, at 9:00 am (subject to change)

9. Adjournment:

Meeting adjourned at 12:01 p.m.

Respectfully Submitted,

Catherine Eastburn, Accountant II

Approved:

Michael Minkler/General Manager

February 2021 Budget Status Report (Pre-Audit)

The Budget Status Report represents a standard of analysis to identify material issues with the understanding that line-item variances are normal, and the areas of concern are isolated to **Account Types** that fall short of budget and historical trends or Account Types that are at or significantly over the benchmark.

Analysis has been done to evaluate 4-year trends related to revenues and operating expenses. Most importantly, comparing like periods across multiple fiscal years compares high front cost line items (i.e. memberships, insurance, supply costs, etc. that occur in the first part of the year) and eliminates them as an issue when they trend in line with prior year amounts. Additionally, a comparison of Year-to-Date activity versus budget further identifies if there are any impending issues.

These amounts are subject to change pending the District's annual audit.

All District Revenues

This table includes operating, capital, expansion, and reserve funds:

Period	(Multiple Items) <input type="text"/>				Enter Period	8	
Revenue YTD Totals	Fiscal Year <input type="text"/>				Current	Remaining	Benchmark
Account Type	2019	2020	2021	2022	Budget	Balance	67% Of Budget
⊕ W01-Sales & Charges	11,473,225	11,808,293	12,311,200	12,289,284	14,008,395	1,719,111	87.73%
⊕ W02-Water/Sewer Fees	9,725	16,527	24,091	22,477	30,000	7,523	74.92%
⊕ W03-Misc. Operating Revenue	126,315	79,543	205,641	141,396	113,000	(28,396)	125.13%
⊕ X01-Property Tax/Assmt Rev	1,479,269	1,523,026	1,659,617	1,687,594	2,852,819	1,165,225	59.16%
⊕ X02-Grant Revenue	1,492,871	197,235	211,584	745,299	-	(745,299)	0.00%
⊕ X03-Interest Income	203,347	230,988	44,294	35,807	13,500	(22,307)	265.24%
⊕ X05-Power Sales	473,152	521,879	467,603	431,200	710,655	279,455	60.68%
⊕ X06-Other Revenue	630,976	328,846	576,661	1,007,452	987,476	(19,976)	102.02%
⊕ X30-Transfers In	1,664,596	5,798,062	1,725,909	77,155	1,973,125	1,895,970	3.91%
Grand Total	17,553,475	20,504,398	17,226,600	16,437,665	20,688,970	4,251,305	79.45%

The table above includes all funds, including those without budgeted revenues. This table is not indicative of the District's revenue performance. The District's operating funds contain the majority of the District's budgeted revenue. As a result, budget vs actual analysis is significantly impacted when additional funds are included in the table above. The subsequent table(s) provide a better representation of the District's revenue performance.

District Operating Revenues

These revenues are isolated to operating funds for water, sewer and general:

Revenue YTD Totals	Fiscal Year				Current	Remaining	Benchmark
Account Type	2019	2020	2021	2022	Budget	Balance	67% Of Budget
W01-Sales & Charges	8,432,252	8,770,300	9,187,534	9,174,126	14,008,395	4,834,269	65.49%
W02-Water/Sewer Fees	9,725	16,527	24,091	22,477	30,000	7,523	74.92%
W03-Misc. Operating Revenue	91,499	76,009	192,479	141,396	113,000	(28,396)	125.13%
X01-Property Tax/Assmt Rev	1,479,269	1,523,026	1,659,617	1,687,594	2,852,819	1,165,225	59.16%
X02-Grant Revenue			-	50,014	-	(50,014)	0.00%
X03-Interest Income	102,574	127,205	5,967	22,657	13,500	(9,157)	167.83%
X05-Power Sales	473,152	521,879	467,603	431,200	710,655	279,455	60.68%
X06-Other Revenue	87,123	125,988	(1,869,134)	1,007,452	987,476	(19,976)	102.02%
X30-Transfers In	1,664,596	5,597,264	1,677,099	77,155	1,973,125	1,895,970	3.91%
Grand Total	12,340,190	16,758,198	11,345,257	12,614,072	20,688,970	8,074,898	60.97%

Analysis of District Revenues identifies the following accounts to note:

- Water/Sewer Fees
- Misc. Operating Revenue
- Property Tax/Assmt Rev
- Grant Revenue
- Interest Income
- Power Sales
- Other Revenue
- Transfers In

Water/Sewer Fees

Revenue YTD Totals	Fiscal Year				Current	Remaining	Benchmark
Account Type	2019	2020	2021	2022	Budget	Balance	67% Of Budget
W02-Water/Sewer Fees	9,725	16,527	24,091	22,477	30,000	7,523	74.92%
44300-Install Water Meter	9,725	14,527	24,091	19,984	30,000	10,016	66.61%
48100-Concept Approval Fees		2,000		2,493	-	(2,493)	0.00%

44300: Revenue generated from the installation of new water meters and is dependent on customer activity. This number is skewed due to the zero budget in Concept Approval Fees, which is customer driven.

Misc Operating Revenue:

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	67%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
W03-Misc. Operating Revenue	91,499	76,009	192,479	141,396	113,000	(28,396)	125.13%
42000-Inspection Fees	2,168	3,611	7,762	710	8,000	7,290	8.88%
44200-Backflow Certification Testing	2,700	3,050	2,465	366	4,000	3,634	9.15%
44500-Repair Labor/Materials	23,741	40,267	46,802	37,205	44,000	6,795	84.56%
44510-Misc Operating Revenue	320				-	-	0.00%
44510-Reimbursable Expense	12,843	28,920	34,479	71,810	33,000	(38,810)	217.61%
44900-Other Water/Sewer Charges	(195)	(225)	(145)	(435)	-	435	0.00%
48130-Rental Revenue	49,720				76,957	76,957	0.00%
48190-Miscellaneous Operating Rev	202	386	101,117	25,191	24,000	(1,191)	104.96%
54610-Miscellaneous Income				6,549	-	(6,549)	0.00%

42000: Inspection Fees for utility customers are lower than anticipated, however inspection fees for developer projects have increased.

44200: Backflow Certification Testing is performed by a third party. Work performed is based on the schedule agreed upon by the utility department and the vendor.

44500: Repair Labor/Materials is customer driven and is running above budget at this time.

44510: Reimbursable expense is based on developer project work which has increased substantially this fiscal year.

48190: In October the District received the ACWA/JPIA rebate in the amount of \$21,969.

Property Tax/Assmt Rev:

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	67%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
X01-Property Tax/Assmt Rev	1,479,269	1,523,026	1,659,617	1,687,594	2,852,819	1,165,225	59.16%
52100-Property Taxes	1,474,392	1,518,200	1,654,909	1,672,752	2,852,819	1,180,067	58.64%
53100-HOPTR	4,877	4,825	4,708	14,842	-	(14,842)	0.00%

52100: The first Tax Apportionment was received in January in the amount of \$2,199,100. The first apportionment is 55% of the yearly assessment, thus the revenue is (actually) higher than expected.

Grant Revenue:

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	67%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
X02-Grant Revenue				50,014	-	(50,014)	0.00%
54510-Grant Revenue/Federal Agencies				50,014	-	(50,014)	0.00%
54520-Grant Revenue/State Agencies					-	-	0.00%

54510: The District received a COVID-19 grant to reimburse expenses from 2019-2020 and 2020-2021 that was not budgeted.

Interest Income:

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	67%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
X03-Interest Income	102,574	127,205	5,967	22,657	13,500	(9,157)	167.83%
51100-Interest Income/CCWD Invest	102,574	127,205	5,967	22,657	13,500	(9,157)	167.83%
51700-Net Mark to Market Value				(0)	-	0	0.00%

51100: Chandler Asset Management investments are earning higher than expected interest.

Power Sales

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	67%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
X05-Power Sales	473,152	521,879	467,603	431,200	710,655	279,455	60.68%
54300-Power Sales-North Fork	382,953	390,911	394,834	373,628	589,655	216,027	63.36%
54400-Power Sales-New Hogan	90,199	130,968	72,769	57,572	121,000	63,428	47.58%

54400: The billing for power sales for New Hogan was delayed due to the December Storm and subsequent COVID closure; billing is still one month behind.

Other Revenue

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	67%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
X06-Other Revenue	87,123	125,988	(1,869,134)	1,007,452	987,476	(19,976)	102.02%
48130-Rental Revenue		52,399	51,881	55,969	76,957	20,988	72.73%
52420-Standby Fees	71,430	72,089	72,177	71,924	131,000	59,077	54.90%
54600-Other Non-Op Revenue			5,075		-	-	0.00%
54600-Other Non-Operating Revenue		1,500	(1,998,266)	879,560	779,519	(100,041)	112.83%
54605-Misc Developer Reimbursements	15,693				-	-	0.00%

54600: Revenue is on track with budget. As previously mentioned, if a budget item does not have a current year revenue amount, it will not display – this skews the overall percentage total. The PARS Trust reimbursement claim was deposited to this account. The expenditures for the Retirement Savings Accounts have also been booked.

Transfers In

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	67%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
X30-Transfers In	1,664,596	5,597,264	1,677,099	77,155	1,973,125	1,895,970	3.91%
59100-Transfer In From Funds		5,597,264	1,677,099	77,155	1,973,125	1,895,970	3.91%
59100-Transfers In	411,563				-	-	0.00%
59100-Transfers In From Funds	1,253,033				-	-	0.00%

59100: Transfer In is used for Debt Service Reclassifications, and miscellaneous interfund transfers. A transfer of \$1 million from LAIF is not reflected in the 2022 actual number.

District Operating Expenses

Expenses at the end of February are below the 67% benchmark. Please note that amounts will track low at the start of the year as invoices are accrued into the prior year. This report is pre-audit and amounts are subject to change.

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
Y01-Sal/Wage/Benefits	6,180,862	6,014,935	6,048,391	6,760,403	11,053,562	4,293,159	61.16%	
Y02-Utility Service	655,082	643,070	689,237	770,018	1,186,636	416,618	64.89%	
Y03-Materials/Supplies	742,002	745,177	808,558	811,468	1,257,830	446,362	64.51%	
Y04-Outside Services	279,914	455,443	536,194	517,487	1,075,703	558,216	48.11%	
Y05-Professional Services	8,913	21,580	310,069	330,403	1,003,286	672,883	32.93%	
Y06-Vehicle/Equipment	305,156	439,052	292,069	287,398	376,720	89,322	76.29%	
Y07-Office Expenses	16,110	15,423	139,381	144,599	156,396	11,797	92.46%	
Y08-Travel/Training	23,760	22,071	23,763	15,927	97,458	81,531	16.34%	
Y10-Purchased Water	505	1,489	789	3,766	506,628	502,862	0.74%	
Y11-Retired Employee			389,853	476,776	608,295	131,519	78.38%	
Y12-Bad Debts	35,222	27,199	34,091	17,585	52,000	34,415	33.82%	
Y13-Misc Op Expenses	193,613	296,431	1,038,416	1,013,479	1,499,222	485,743	67.60%	
Y15-Director Costs	65,978	71,700	72,231	79,733	170,327	90,594	46.81%	
Y16-Legal			141,125	125,252	330,000	204,748	37.96%	
Z02-Debt Repayment	1,858,407	2,107,035	2,186,602	718,381	2,103,112	1,384,731	34.16%	
Z03-Capital Equipment	238,949	311,802	495,634	455,564	934,368	478,804	48.76%	
Z04-Misc Non Operating			15,862	15,422	37,720	22,298	40.89%	
Z30-Transfers Out		19,100,335	48,810	2,487	-	(2,487)	0.00%	
Grand Total	10,604,473	30,272,742	13,271,075	12,546,150	22,449,263	9,903,113	55.89%	

The Account Types to note are:

- Vehicle/Equipment
- Office Expenses
- Retired Employee

Vehicle/Equipment

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
Y06-Vehicle/Equipment	305,156	439,052	292,069	304,019	376,720	72,701	80.70%	
60610-Operating Exp Gas and Oil	128,714	204,033	167,907	190,601	231,000	40,399	82.51%	
60620-Repair Exp/Parts and Repairs	108,166	96,922	82,284	68,109	95,000	26,891	71.69%	
60625-Fuel/Repair - Generators	15,283	59,159	16,631	17,500	20,000	2,500	87.50%	
60650-Rental Exp Vehicles and Equip	52,993	15,699			-	-	0.00%	
60660-Vehide Lease & Maintenance		63,239	3,451	27,031	9,520	(17,511)	283.94%	
60650-Rental Exp Vehicles and Equip			21,797	778	21,200	20,422	3.67%	

60610: The cost of fuel has increased, and will continue to monitor.

60625: Several generators have required repairs or batteries during this fiscal year.

60660: All District vehicles are now leased.

Office Expenses

							Benchmark	
Expense YTD Totals	Fiscal Year <input type="text"/>				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
<input checked="" type="checkbox"/> Y07-Office Expenses	16,110	15,423	139,381	144,599	156,396	11,797	92.46%	
60700-Forms and Supplies			657	218	3,350	3,132	6.51%	
60710-Permits and Licenses	10,404	7,253	7,853	9,128	10,800	1,672	84.51%	
60720-Postage			9,164	5,704	15,950	10,246	35.76%	
60730-Publications/Subscriptions			18	659	1,250	591	52.68%	
60732-Memberships and Dues	5,706	8,170	121,645	128,832	124,046	(4,786)	103.86%	
60760-Recording/Title Reports			45	59	-	(59)	0.00%	

60710: Permits and Licenses are renewed throughout the year, but the majority of them are earlier in the year.

60732: Memberships are paid throughout the year, but there are a few larger dues that are expensed in the first months of the year, such as Mountain Counties Water Resources, UMRWA, and the Groundwater Sustainability Plan.

Retired Employee

							Benchmark	
Expense YTD Totals	Fiscal Year <input type="text"/>				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
<input checked="" type="checkbox"/> Y11-Retired Employee			389,853	476,776	608,295	131,519	78.38%	
61200-Retired Employee Costs			389,853	476,776	608,295	131,519	78.38%	

61200: With the recension of the CalPERS Retiree Health Vesting Schedule, the District is issuing payments directly to the retirees for the retiree's share of the medical premium. These payments are issued at the end of the month for the following month's premium.

DEPARTMENTAL EXPENSE REPORTS

Dept 50 – Non-Departmental

							Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	67%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
Y02-Utility Service			11,356	19,163	39,831	20,668	48.11%
Y03-Materials/Supplies			20,213	15,842	45,945	30,103	34.48%
Y04-Outside Services			25,464	55,044	53,100	(1,944)	103.66%
Y11-Retired Employee			389,853	476,776	608,295	131,519	78.38%
Y13-Misc Op Expenses			228,998	280,267	255,163	(25,104)	109.84%
Z02-Debt Repayment	1,858,407	2,107,035	2,186,602	718,381	2,103,112	1,384,731	34.16%
Z04-Misc Non Operating			12,982	13,353	30,220	16,867	44.19%
Grand Total	1,858,407	2,107,035	2,875,469	1,578,826	3,160,666	1,581,840	49.95%

Analysis shows Department 50's expenses are on target to benchmark. Account types to note:

- Outside Services
- Retired Employee
- Misc Operating Expenses

Outside Services

							Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	67%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
Y04-Outside Services			25,464	55,044	53,100	(1,944)	103.66%
60400-Outside Services			7,540	39,780	12,200	(27,580)	326.06%
60402-Spraying - Weeds & Insects				520	-	(520)	0.00%
60410-Service Maintenance Contracts			3,827	2,569	7,680	5,111	33.45%
60426-Building Repairs				826	5,000	4,174	16.52%
60430-Claims/Damages			552	11,350	5,000	(6,350)	226.99%
60440-Janitorial Services			13,545		23,220	23,220	0.00%

60400/60440: Answering service fees were abnormally high during the Tyler implementation timeframe. Janitorial Services are also coded to 60400 but are budgeted in 60440 (\$15,480 to date).

60430: A utility customer's account was hacked due to a fraudulent/phishing email that appeared to be from the District. A claim, in the amount of \$10,951, was paid for the customer's losses related to the fraudulent bank wire.

Retired Employee

							Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	67%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
Y11-Retired Employee			389,853	476,776	608,295	131,519	78.38%
61200-Retired Employee Costs			389,853	476,776	608,295	131,519	78.38%

Retired employee costs are higher than budgeted.

Misc Op Expenses

							Benchmark	
Expense YTD Totals	Fiscal Year <input type="text" value="2022"/>				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
☒ Y13-Misc Op Expenses			228,998	280,267	255,163	(25,104)	109.84%	
61410-Insurance			228,998	280,267	255,163	(25,104)	109.84%	

61410: Insurance costs are higher than expected. The budget was developed prior to receiving the insurance rates. However, the District received a rebate for 2020-2021 \$21,969 in October.

Dept. 54 - Utility Services

							Benchmark	
Expense YTD Totals	Fiscal Year <input type="text" value="2022"/>				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
☒ Y01-Sal/Wage/Benefits	4,262,578	4,167,649	4,389,867	4,686,796	7,336,410	2,649,614	63.88%	
☒ Y02-Utility Service	655,082	643,070	677,881	750,856	1,146,805	395,949	65.47%	
☒ Y03-Materials/Supplies	741,847	745,103	771,002	741,928	1,146,327	404,399	64.72%	
☒ Y04-Outside Services	279,914	455,443	417,635	367,543	791,702	424,159	46.42%	
☒ Y05-Professional Services	8,913	21,580	51,372	3,614	100,710	97,096	3.59%	
☒ Y06-Vehicle/Equipment	305,156	439,052	292,069	287,398	376,720	89,322	76.29%	
☒ Y07-Office Expenses	16,110	15,423	20,152	22,927	24,300	1,373	94.35%	
☒ Y08-Travel/Training	23,448	22,071	18,289	8,958	35,183	26,225	25.46%	
☒ Y10-Purchased Water	505	1,489	789	766	11,000	10,234	6.96%	
☒ Y13-Misc Op Expenses	186,143	213,842	203,223	231,457	218,770	(12,687)	105.80%	
☒ Z03-Capital Equipment	238,949	311,802	495,634	455,564	909,368	453,804	50.10%	
☒ Z04-Misc Non Operating			-	296	-	(296)	0.00%	
Grand Total	6,718,645	7,036,524	7,337,912	7,558,102	12,097,295	4,539,193	62.48%	

Analysis shows Department 54's overall expenses are on target to benchmark. Accounts to note are:

- Vehicle/Equipment
- Office Expenses
- Misc Operating Expenses

Vehicle/Equipment

							Benchmark	
Expense YTD Totals	Fiscal Year <input type="text" value="2022"/>				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
☒ Y06-Vehicle/Equipment	305,156	439,052	292,069	287,398	376,720	89,322	76.29%	
60610-Operating Exp Gas and Oil	128,714	204,033	167,907	190,601	231,000	40,399	82.51%	
60620-Repair Exp/Parts and Repairs	108,166	96,922	82,284	68,109	95,000	26,891	71.69%	
60625-Fuel/Repair - Generators	15,283	59,159	16,631	17,500	20,000	2,500	87.50%	
60650-Rental Exp Vehcides and Equip	52,993	15,699			-	-	0.00%	
60660-Vehide Lease & Maintenance		63,239	3,451	10,410	9,520	(890)	109.35%	
60650-Rental Exp Vehicles and Equip			21,797	778	21,200	20,422	3.67%	

60610 The cost of fuel has increased, and will continue to increase.

60625 Several generators have required repairs or batteries during this fiscal year.

60660: All District vehicles are now leased.

Office Expenses

							Benchmark	
Expense YTD Totals	Fiscal Year <input type="text"/>				Current	Remaining	67%	
Account Type <input type="text"/>	2019	2020	2021	2022	Budget	Balance	Of Budget	
<input type="checkbox"/> Y07-Office Expenses	16,110	15,423	20,152	22,927	24,300	1,373	94.35%	
60710-Permits and Licenses	10,404	7,253	7,103	8,910	10,800	1,890	82.50%	
60730-Publications/Subscriptions				18	500	482	3.50%	
60732-Memberships and Dues	5,706	8,170	13,050	14,000	13,000	(1,000)	107.69%	

60710: Permits and Licenses are renewed throughout the year, the majority of these are earlier in the year.

60732: Memberships and dues are running slightly higher than budgeted, the majority of these are paid earlier in the year.

Misc Op Expenses

							Benchmark	
Expense YTD Totals	Fiscal Year <input type="text"/>				Current	Remaining	67%	
Account Type <input type="text"/>	2019	2020	2021	2022	Budget	Balance	Of Budget	
<input type="checkbox"/> Y13-Misc Op Expenses	186,143	213,842	203,223	231,457	218,770	(12,687)	105.80%	
61420-State Water and Sewer Fees	186,143	213,842	203,223	231,457	218,770	(12,687)	105.80%	

61420 Annual permit fees were paid during January.

Dept 56 – General Management

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊕ Y01-Sal/Wage/Benefits	432,812	424,013	427,128	470,614	702,512	231,898	66.99%	
⊕ Y03-Materials/Supplies			1,066	6,849	6,800	(49)	100.73%	
⊕ Y04-Outside Services			13,400	11,063	15,050	3,987	73.51%	
⊕ Y05-Professional Services			71,440	70,883	84,300	13,417	84.08%	
⊕ Y07-Office Expenses			44,147	45,958	47,695	1,737	96.36%	
⊕ Y08-Travel/Training			1,369	4,548	23,450	18,902	19.39%	
⊕ Y11-Retired Employee				(0)	-	0	0.00%	
⊕ Y13-Misc Op Expenses			-	735	2,000	1,265	36.75%	
⊕ Y16-Legal			66,845	48,749	145,000	96,251	33.62%	
Grand Total	432,812	424,013	625,395	659,399	1,026,807	367,408	64.22%	

Analysis shows Department 56's overall expenses are on target to benchmark. The accounts to note are:

- Materials/Supplies
- Outside Services
- Professional Services
- Office Expenses

Materials/Supplies

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y03-Materials/Supplies			1,066	6,849	6,800	(49)	100.73%	
60310-Materials and Supplies			1,066	6,808	2,800	(4,008)	243.15%	
60320-Safety Material and Supplies				41	4,000	3,959	1.03%	

60310: Materials are running high, but include imprinted supplies for the entire year.

Outside Services

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y04-Outside Services			13,400	11,063	15,050	3,987	73.51%	
60420-Drug and Alcohol Testing			2,408	1,680	2,200	520	76.36%	
60429-Recruiting			10,992	9,383	12,850	3,467	73.02%	

60420: Drug and alcohol testing is running high due to the number of new employees

Professional Services

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y05-Professional Services			71,440	70,883	84,300	13,417	84.08%	
60541-Advertising/Publicity			172	362	1,500	1,138	24.13%	
60590-Professional Services			71,268	70,521	82,800	12,279	85.17%	

60590: Professional Services is running high and will continue to monitor.

Office Expenses

Expense YTD Totals							Benchmark	
Account Type	Fiscal Year				Current	Remaining	67%	
	2019	2020	2021	2022	Budget	Balance	Of Budget	
<input checked="" type="checkbox"/> Y07-Office Expenses			44,147	45,958	47,695	1,737	96.36%	
60730-Publications/Subscriptions			18	641	150	(491)	427.35%	
60732-Memberships and Dues			44,130	45,317	46,745	1,428	96.95%	

60730: A non-budgeted publication was purchased.

60732: Memberships and dues are running slightly higher than budgeted, the majority of these are paid earlier in the year.

Dept 57 – Board of Directors

							Benchmark	
Expense YTD Totals	Fiscal Year <input type="button" value="▼"/>				Current	Remaining	67%	
Account Type <input type="button" value="▼"/>	2019	2020	2021	2022	Budget	Balance	Of Budget	
<input checked="" type="checkbox"/> Y15-Director Costs	65,978	71,700	72,231	79,733	170,327	90,594	46.81%	
Grand Total	65,978	71,700	72,231	79,733	170,327	90,594	46.81%	

Because all Director costs are under account type Y15, below is a table with details:

								Benchmark
Expense YTD Totals	Fiscal Year <input type="button" value="▼"/>				Current	Remaining	67%	
Account Type <input type="button" value="▼"/>	2019	2020	2021	2022	Budget	Balance	Of Budget	
<input checked="" type="checkbox"/> Y15-Director Costs	65,978	71,700	72,231	79,733	170,327	90,594	46.81%	
60000-Salaries/Wages	17,640	18,120	17,880	17,040	43,200	26,160	39.44%	
60100-Benefits	48,338	53,580	52,072	54,348	101,577	47,229	53.50%	
60102-Medical Reimbursements			561	400	1,800	1,400	22.22%	
60310-Materials and Supplies			31	127	3,750	3,624	3.37%	
60810-Training Conf and Travel			672	5,205	17,500	12,295	29.74%	
60820-Other Travel Costs			1,015	2,614	2,500	(114)	104.55%	
Grand Total	65,978	71,700	72,231	79,733	170,327	90,594	46.81%	

- 60820: Travel costs are high for the year, but all other costs are in line. Will continue to monitor.

Dept 58 – Engineering

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊕ Y01-Sal/Wage/Benefits	457,651	521,871	354,783	544,914	1,335,479	790,566	40.80%	
⊕ Y03-Materials/Supplies	155	74	21	6,163	7,800	1,637	79.01%	
⊕ Y04-Outside Services			16,351	18,338	13,000	(5,338)	141.06%	
⊕ Y05-Professional Services			35,603	5,343	210,000	204,658	2.54%	
⊕ Y07-Office Expenses			795	277	1,800	1,523	15.38%	
⊕ Y08-Travel/Training	312			216	28,275	28,059	0.76%	
Grand Total	458,118	521,944	407,553	575,249	1,596,354	1,021,105	36.04%	

Analysis shows Department 58’s overall expenses are on target to benchmark. Accounts to note are:

- Materials/Supplies
- Outside Services

Materials/Supplies

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y03-Materials/Supplies	155	74	21	6,163	7,800	1,637	79.01%	
60310-Materials and Supplies	155	74	21	5,179	7,000	1,821	73.99%	
60390-Admin. Technologies/Comm.				983	-	(983)	0.00%	

60310: An engineering laptop was purchased early in the year, which skews the year’s total. The laptop purchase was budgeted in 60310.

Outside Services

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y04-Outside Services			16,351	18,338	13,000	(5,338)	141.06%	
60400-Outside Services				11,874	-	(11,874)	0.00%	
60410-Service Maintenance Contracts			16,351	6,464	13,000	6,536	49.72%	

60400: This expense will be reimbursed by a developer.

Dept 59 – Administrative Services

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊕ Y01-Sal/Wage/Benefits	803,319	768,474	751,242	935,957	1,493,747	557,790	62.66%	
⊕ Y03-Materials/Supplies			16,255	40,372	50,458	10,086	80.01%	
⊕ Y04-Outside Services			63,344	65,499	202,851	137,352	32.29%	
⊕ Y05-Professional Services			111,858	202,668	305,371	102,703	66.37%	
⊕ Y07-Office Expenses			10,281	5,922	19,395	13,473	30.53%	
⊕ Y08-Travel/Training			3,380	1,435	5,800	4,365	24.74%	
⊕ Y12-Bad Debts	35,222	27,199	34,091	17,585	52,000	34,415	33.82%	
⊕ Y13-Misc Op Expenses	7,470	82,588	93,046	115,836	147,989	32,153	78.27%	
⊕ Z04-Misc Non Operating			2,881	1,773	7,500	5,727	23.64%	
⊕ Z30-Transfers Out		19,100,335	48,810	2,487	-	(2,487)	0.00%	
Grand Total	846,011	19,978,597	1,135,187	1,389,535	2,285,111	895,576	60.81%	

Analysis shows Department 59’s expenses are on target to benchmark. Accounts to note are:

- Materials/Supplies
- Misc Operating Expenses

Materials/Supplies

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊕ Y03-Materials/Supplies			16,255	40,372	50,458	10,086	80.01%	
60310-Materials and Supplies			(0)	259	4,250	3,991	6.09%	
60353-Computers/peripherals				13,186	13,104	(82)	100.62%	
60390-Admin. Technologies/Comm.			16,256	26,928	33,104	6,176	81.34%	

60353 & 60390: New equipment, software and phone system purchases required a budget adjustment of \$13,104, which was approved at mid-year (January 26).

Misc Operating Expenses

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊕ Y13-Misc Op Expenses	7,470	82,588	93,046	115,836	147,989	32,153	78.27%	
61315-Rate Assistance Program	7,470	33,274	34,193	37,528	60,000	22,472	62.55%	
61455-Water Conservation			2,000	4,038	4,000	(38)	100.95%	
61485-Third Party Payment Processing		49,314	56,853	74,271	83,989	9,718	88.43%	

61455: Signs for water conservation were purchased for the entire year.

Dept 60 – Water Resources

								Benchmark
Expense YTD Totals	Fiscal Year <input type="text"/>				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊕ Y01-Sal/Wage/Benefits	224,502	132,928	125,371	122,123	185,414	63,291	65.86%	
⊕ Y03-Materials/Supplies				314	500	186	62.76%	
⊕ Y05-Professional Services			39,797	47,896	302,905	255,009	15.81%	
⊕ Y07-Office Expenses			64,006	69,515	63,206	(6,309)	109.98%	
⊕ Y08-Travel/Training			725	770	4,750	3,980	16.21%	
⊕ Y10-Purchased Water				3,000	495,628	492,628	0.61%	
⊕ Y13-Misc Op Expenses			513,150	385,185	875,300	490,115	44.01%	
⊕ Y16-Legal			74,279	76,504	185,000	108,496	41.35%	
Grand Total	224,502	132,928	817,329	705,306	2,112,703	1,407,397	33.38%	

A mid-year budget increase of \$20,000 was approved for Legal Services on January 26. Although Water Resources in total is under budget there is one account to note:

- Office Expenses

Office Expenses

								Benchmark
Expense YTD Totals	Fiscal Year <input type="text"/>				Current	Remaining	67%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y07-Office Expenses			64,006	69,515	63,206	(6,309)	109.98%	
60732-Memberships and Dues			64,006	69,515	63,206	(6,309)	109.98%	

60732: As mentioned previously, several memberships are paid at the beginning of the year, and these include the Groundwater Sustainability Plan, and UMRWA for this department.

Summary Revenue and Expenditures
Year -to-Date through 02/28/2022

	CURRENT YEAR		JULY 2013 - JUNE 2021	
	Water Fund 125	Sewer Fund 135	Water Fund 125	Sewer Fund 135
Revenue:				
Capital R&R Rates	1,582,413	537,202	23,948,037	8,688,505
Interest Income	4,806	2,854	599,216	204,785
Grant Revenues	40,503	-	4,203,602	187,817
Other/Misc Revenue	-	-	1,841,425	-
Loan Proceeds	-	-	6,622,000	2,300,001
	<u>1,627,722</u>	<u>540,056</u>	<u>37,214,280</u>	<u>11,381,108</u>
Expenditures:				
Project Costs	1,858,327	763,195	27,105,418	3,994,719
Loan Payments	-	-	4,847,565	2,581,714
	<u>1,858,327</u>	<u>763,195</u>	<u>31,952,983</u>	<u>6,576,433</u>
Operating Loss/(Gain)	<u>230,605</u>	<u>223,139</u>	<u>(5,261,297)</u>	<u>(4,804,675)</u>

CALAVERAS COUNTY WATER DISTRICT
Capital Improvement Program
Expenditure Report - Water Projects
Year-to-Date through 02/28/2022

Project No.	Description	Estimated Cost	FY 21-22 Cash Flow	Prior Years Expenditures	FY 21-22 Expenditures	FY 21-22 Remaining Balance
10029	Slurry Line Improvements	80,000	80,000	31,564	-	80,000
11083C	Clearwell & Tank B / Repair & Paint	1,159,804	500,000	11,196	5,074	494,926
11083J	Clearwell #2 / Repair & Paint	199,471	-	16,625	-	-
11083L	Larkspur Tank / Repair & Paint	576,522	-	23,478	-	-
11083S	Sawmill/Hunter's Tanks / Repair & Paint	1,799,345	-	10,751	-	-
11083W	Wallace Tanks / Repair & Paint	1,493,076	-	7,020	-	-
11088	Jenny Lind Tank A-B Trans Line	6,678,690	-	31,407	7,341	(7,341)
11095	EP Redwood Tanks Replacement	3,307,527	1,500,000	877,762	518,735	981,265
11096	WP AMR/AMI Meter Program	4,742,570	5,000,000	1,193,172	172,253	4,827,747
11099	Meadowmont P/S Improvement	204,121	100,000	84,169	71,938	28,062
11100	Wallace SCADA System Improvements	64,763	-	-	-	-
11101	District Corp Yard	1,121,391	900,000	292,665	375,751	524,249
11103	Hunter's Raw Water Pumps Renovation	2,071,548	210,000	10,136	18,750	191,250
11104	Lake Tulloch Submerged Water Line Cross	6,250,000	-	-	-	-
11106	West Point Backup Water Filter	2,194,922	1,200,000	37,728	221,995	978,005
11107	WP SCADA Improvements	109,566	-	434	-	-
11108	Big Trees Pump Stations 1, 4 & 5 Repl	1,499,893	-	203	-	-
11109	White Pines Tule Removal/Spillway	100,000	100,000	-	3,285	96,715
11110	Reeds Turnpike Pump Station Repl	494,784	25,000	5,311	-	25,000
11111	Copper Cove Tank B Pump Station Renov	1,264,893	-	107	206	(206)
11112	White Pines Dam/Blanket Drain Rehab	35,918	35,918	29,082	1,209	34,709
11115	EP Larkspur Pump Station Rehab	750,000	-	-	-	-
11116	EP Pinebrook Tank Rehab	400,000	-	-	-	-
11118	JL Filters 3/4/5 Rehab/Coating	658,487	450,000	408,282	216,927	233,073
11119	JL Tanks A,B,E,F Rehab	2,000,000	-	-	-	-
11120	JL Raw Water Intake Structure	4,000,000	-	-	-	-
11121	JL Tank C Replacement	1,000,000	-	-	-	-
11122	CC Zone B-C Trans Pipeline & Pump Stn	9,000,000	-	-	-	-
11123	West Point Acorn Pump Station/Trans Ppln	2,010,000	-	-	-	-
11124	West Point Middle Fork Pump Station	1,610,000	-	-	-	-
11125	Sheep Ranch Water Plant Replacement	800,000	-	-	3,500	(3,500)
11126	Sheep Ranch Distribution System Replacement	6,000,000	200,000	-	33,173	166,827

11127	Sheep Ranch Clearwell Rehab/ Repair and Paint	350,000	-	1,760	178,279	(178,279)
various	Misc Road Repairs / CalOES	16,499	60,000	-	29,911	30,089
	West Point Regulator Reapir/Tule Removal	100,000	-	-	-	-
	EP Hunters WTP Clearwell Rehab/Coating	-	-	-	-	-
	Copper Cove O'Byrnes Water Line Extension	110,000	110,000	-	-	110,000
TOTALS		64,253,790	10,470,918	3,072,853	1,858,327	8,612,591

CALAVERAS COUNTY WATER DISTRICT
Capital Improvement Program
Expenditure Report - Wastewater Projects
Year-to-Date through 02/28/2022

Project No.	Description	Estimated Cost	FY 21-22 Cash Flow	Prior Years Expenditures	FY 21-22 Expenditures	FY 21-22 Remaining Balance
15076	CC L/S #6, 8 & Force Main Bypass	4,239,755	250,000	292,244	7,112	242,888
15080	CC L/S #15 & 18 Renovations	3,230,407	250,000	305,980	8,129	241,871
15087	Wallace Treatment Plant Renovations	189,207	175,000	111,155	96,437	78,563
15091	West Point/Wilseyville Consol Constr	5,471,126	500,000	173,557	304,904	195,096
15094	CC Secondary/Tertiary/UV Improvements	14,970,625	150,000	29,567	16,766	133,234
15095	Arnold Secondary Clarifier	3,417,172	550,000	98,992	156,559	393,441
15097	LC Biolac, Clarifier & UV Improvements	3,999,046	250,000	1,146	-	250,000
15099	Vallecito/Douglas Flat Headworks Screen	250,000			845	
15101	LaContenta Spray Fields	989,350	-	13,100	91,229	(91,229)
15102	Arnold Tertiary Filter Rehab	250,000	-	-	-	-
15103	Arnold Effluent Storage Tank Rehab	250,000	-	-	-	-
15104	Arnold L/S 2&3 Improvements	2,000,000	-	-	-	-
15106	FM UV Disinfection System Replacement	300,000	300,000	-	1,134	298,866
15107	Sludge Tank & Belt Press Improvements				758	
15108	Regional Biosolids/Sludge Handling	1,500,000	-	-	-	-
15109	Collection System Rehab and I&I Mitigation	150,000	50,000	-	4,457	45,543
15110	Sequoia Woods Leach Field Rehab	150,000	-	-	-	-
15111	Vallecito WWTP System Improvements	130,000	130,000	10,800	-	130,000
15112	Copper Cove Pond 6	TBD	200,000		8,463	
15113	LaContenta Sand Filter Rehab	-	50,000	-	50,000	-
	CCWWTP Tertiary Filter	1,400,000	-	-	-	-
15098	Indian Rock East Sand Filter Reh	-	-	-	16,403	(16,403)
	CC Lift Station Rehab - General	5,000,000	-	-	-	-
TOTALS		47,886,688	2,855,000	1,036,541	763,195	1,901,871

Agenda Item

DATE: March 11, 2022
TO: Finance Committee
FROM: Michael Minkler, General Manager
SUBJECT: Provide Direction to Proceed with Tax-Exempt Bond Financing of Various Water & Sewer Capital Projects and Authorize Engagement of Financing Team.

RECOMMENDED ACTION

It is recommended that the Finance Committee recommend that the Board of Directors authorize the District to finance various water and sewer capital improvements through the issuance of tax-exempt bonds and authorize the engagement of the Financing Team relating to the issuance of such bonds and approving additional actions related thereto.

SUMMARY

The District has a significant amount of capital improvements planned over the next several years to catch up with deferred maintenance, increasing capacity, and required infrastructure upgrades for environmental compliance. In late 2020, the District issued an RFP to solicit a financial advisor to assist the District in developing a capital financing plan. Julio Morales of Urban Futures, Inc. was selected via a competitive RFP process. UFI has worked with staff over the past year to develop a comprehensive financing strategy. This presents a unique opportunity to address a backlog of critical infrastructure projects and set the District up for long-term success.

On March 1, 2022, District staff presented a draft 5-year Capital Improvement Plan (CIP) for Fiscal Years (FY) 2022-23 through FY2026-27 to the Engineering Committee and received direction to bring the draft CIP to the full Board. With the exception of the addition of two new projects, the projects in the draft CIP have not changed significantly from the Board-approved CIP for the current fiscal year; however, staff continue to refine project details and financing options. The proposed CIP includes only critically needed projects, many of which have been deferred for several years, that total approximately \$95.5 million: \$37.3 million in water projects and \$58.2 million in sewer projects. The complete CIP totals \$116.8 million

Traditionally, the District has financed its capital projects through the use of its R&R funds, which are a fixed component of the District's water and wastewater rates. Annual R&R revenue is approximately \$3.3 million for Water and \$1.3 million for Sewer, which is inadequate to implement the CIP without financing certain projects.

Based on current capital R&R revenue, the District has the capacity to borrow up to \$25-\$30 million in tax-exempt bonds under the current interest rate environment. After extensive prioritization of critical projects, and in consultation with finance experts, staff recommend borrowing \$15-20 million for water fund and \$12-\$15 million sewer fund. Below we have listed sample projects that we are contemplating for the bond proceeds:

Water Projects	Sewer Projects
<ul style="list-style-type: none"> • Jenny Lind Tank A to Tank B Transmission Line - \$7.3 Million 	<ul style="list-style-type: none"> • Copper Cove Lift Stations - \$7.5 Million
<ul style="list-style-type: none"> • Copper Cove Zone B-C Transmission Pipeline & Pump Stations - \$9.0 million 	<ul style="list-style-type: none"> • Arnold Secondary Clarifier & WWTP Improvements - \$4.5 million
<ul style="list-style-type: none"> • Copper Cove Tank B - \$4.5 Million 	<ul style="list-style-type: none"> • Copper Cove Tertiary DAF & UV - \$3.5 Million

Note: Loan documents will provide the District the flexibility to swap out projects, should we encounter delays or re-prioritization.

The expected borrowing amounts will be based on project readiness, priority of need, and staff's ability to spend the proceeds within 3 years (IRS requirement).

In addition to immediately taking advantage of the favorable borrowing environment, the District would continue to implement several ongoing grant-funded projects (including Redwood Tank Replacement, West Point/Wilseyville Wastewater Consolidation, West Point Water Filter, and Hunters Raw Water Pumps, among others) and pursue additional grant funds to the extent possible. The District currently has over \$30 million in pending grant applications from State and Federal agencies. The District also received over \$1 million for the Copper Cove Tertiary Filter in the recently adopted federal budget and is aggressively pursuing another \$10 million in federal funding for the Copper Cove Pond 6 Expansion. Upon completion of the three-year bond-financed projects, the District would assess whether available capital reserves and other sources of funding are sufficient to complete the remaining CIP projects without additional financing.

Public Offering vs. Private Placement

Tax-exempt Bonds can be sold through two methods: a traditional public offering or a private placement loan. In a public offering, the District's underwriter sells the bonds to sophisticated institutional investors, including corporations, pension funds, and insurance companies and to bond funds such as Fidelity and Blackrock. A public sale requires that the District obtain a bond rating, develop an offering document, and provide on-going continuing disclosure, which requires a significant commitment of staff time. This method of sale often provides a lower cost of borrowing for issues sized \$10-\$15 million and above.

In comparison, a private placement loan is sold directly to a bank or single investors. Although these types of loans often carry a higher interest rate (20-30 basis points), the increased borrowing cost is often offset by the lower cost of issuance (\$50,000 to \$75,000 less).

In addition, private placement can be executed faster, does not require a public offering document, has limited continuing disclosure requirements, and less staff time. Private placement loans are often executed in a 30 to 45-day timeframe, while a public offering typically takes 90 days or more.

Private placements also have two additional advantages over a traditional bond sale:

1. Rate Lock – banks offer rate locks in which the District can secure a rate lock up front. In comparison, the interest rate on a traditional bond is not known until the day of pricing.

Given current market volatility and the expectation that interest rates will rise by the end of the year, we feel more comfortable with the ability to "lock-in" rates up-front with private placement loan.

2. Draw Down Provision – Some loan providers offer a unique draw down feature in which the borrower is not charged interest on the bonds until loans proceeds have been drawn. Under a traditional public offering the District would pay the cost of carry on the full amount of the bonds.

Illustration: \$10 million loan @ 2.5% in which only \$5 million are spend in Year 1. Under a traditional public offering, the District would pay \$250,000 in interest costs in year 1. In comparison, under a private placement with a drawn down feature, the District would only pay interest on \$5 million or \$125,000.

Given the ability to lock-in an interest rate up front (in a volatile and rising interest rate environment) and to eliminate the cost of carry of a traditional loan, staff would recommend that we finance the current round of capital improvements via a private placement loan. The District has implemented a similar strategy in the past with positive results.

Financing Team

The financing team consists of a Municipal Advisor, a Bond Underwriter (Placement Agent) and Bond and Disclosure Counsel. Staff recommend the following financing team to guide the District through this process:

- Julio Morales of UFI has served the District as its Municipal Advisor and has been a key member of the District's team in developing its CIP funding plan. Mr. Morales would serve as Municipal Advisor for this debt issuance.
- The other recommended team members, Cameron Weist of Weist Law and Todd Smith of Hilltop Securities, have previously assisted the District in a number of successful debt transactions. Cameron Weist has been the District's Bond Counsel for over fifteen years, and Todd Smith worked on the District's 2014 Capital R&R loans, the 2019 CalPERS UAL refinancing, and the refinancing of a District bond.

This team of expert bond finance professionals can move this transaction quickly to market, as reaching the market as soon as possible is tantamount given the future interest rate outlook and volatility in the current market caused by current world events.

Project Implementation Capacity

In past years, staff completed \$3-\$9 million in capital projects annually. Staff will not be able to implement \$95 million in CIP projects over the next five years under its current staffing patterns and therefore have developed recommendations to increase internal capacity to deliver the District's CIP projects.

In addition to the District's CIP projects, several developer-funded external projects will require significant District oversight and inspection over the next several years. In particular, the Jenny Lind Elementary force main (\$8 Million total project cost, which includes all engineering, District Capacity Fees, and construction expenses), the Copper Town Center force main (estimated construction cost of \$4.5 million), the Reed's Turnpike pump station (estimated construction cost of \$900k), and the development of multiple subdivisions in the Jenny Lind/La Contenta and Copperopolis service areas are all imminent. The District will be reimbursed by the project proponents for District services in those cases, but the District currently lacks the bandwidth to adequately staff those projects. Inadequate oversight and inspection of major infrastructure projects that the District will eventually own could set the District up for unnecessary O&M costs or significant costs to prematurely repair or replace infrastructure.

Staff projects that the District needs to increase its construction management bandwidth by adding two new staff in the near-term (beginning of FY 22/23) and a third staff member once the external projects increase construction activity. The external projects will likely fund one full-time position over the next three years, which leaves two additional positions that will be funded through CIP funds and, to a lesser extent, the operating budget. These new hires will increase the District's internal capacity to complete \$10-\$20 million in capital projects per year while ensuring the District's construction standards and expectations are met for both internal and external projects.

Adding additional employees is always a challenge. The District recently added three new positions to staff an underground utility crew based on the fact that the in-house crew will deliver several projects at a significant cost savings to the District compared to the alternatives. The District also recently added a Customer Service Supervisor, although the overall number of customer service staff is scheduled to return to the previous level in December. While not related to CIP financing, staff have also identified an immediate need for an additional IT technician and possibly a safety coordinator position, although staff are reviewing possible part-time options to assist HR with safety coordination. To put this into context, however, the District's current staffing level is 72 full-time employees. That is still fewer staff than the District had at its peak of 79 back in FY2008/09, despite the fact that since then the District has expanded, infrastructure has deteriorated, and it deals with increasing regulatory burdens and IT demands.

The District has managed to maintain low staffing levels through constant efforts to keep costs low and increase efficiency, but there is no way to implement the CIP without increasing in-house construction management capacity. It may be possible to reduce staffing levels after successful implementation of the projects in the CIP, which can be done through attrition and reassignment, but there is an immediate need for these new positions that will remain for the foreseeable future.

CONCLUSION

The cost to replace infrastructure will only go up over time. This financing plan represents a cost-effective new direction for CCWD that will significantly improve the condition of our infrastructure. Staff recommends approval of the private placement option along with the associated actions that will enable the District to increase its capacity to implement projects.

FINANCIAL CONSIDERATIONS

The cost of issuance associated with this refinancing would be paid from the proceeds of the private placement loan. The proposed cost of issuance is approximately \$115,000 to \$125,000 for each transaction, which is in line with the fees for the majority of private placement financings. Each firm has provided a price confession if both transactions are done with the same bank. Since the cost of issuance will be incorporated into the bond structure, these financings will not have a direct impact on the District's current year budget.

Rank	Reason	Project #	CIP Projects Project Description	W/ S	Amount Grant Funded	FY2021-22 Rollover	Year 1 (FY 22-23)	Year 2 (FY 23-24)	Year 3 (FY 24-25)	Year 4 (FY 25-26)	Year 5 (FY 26-27)	TOTAL
0	Operations	11099	Ebbetts Pass Meadowmont Pump Station / Rehab.	W		100,000	104,121 C					204,121
0	Operations	TBDWP	WP Tule Removal/Spillway	W		100,000	100,000 C					200,000
0	Operations	TBDWPT	West Point Regulator Repair/Tule Removal	W			100,000 C					100,000
1	Reg/Legal	11096	AMR/AMI Radio Read Meter Program* USDA Loan	W			500,000 C					500,000
2a	Prevent ND	11095	Ebbetts Pass Redwood Tanks HMGP	W	3,000,000		1,197,227 C					1,197,227
2b	R & R	11083L	Larkspur Tank / Replacement	W			276,122 C					276,122
4	H & S	11106	West Point Backup Water Filter / MAC IRWMP	W	540,000	200,000	1,500,000 C	250,000 C				1,950,000
6	H & S	11103	Hunters Raw Water Pumps (Hazard Mitigation)	W	250,000	166,743	877,403 C	877,403 C				1,921,549
7	Internal	11101	District Corp Yard	W			895,000 C					895,000
9	R & R	11083J	Jenny Lind Clearwell #2 / Repair & Paint-TANKS PROJECT	W			199,471 C					199,471
14	Developer	TBDCC	O'Byrne's Ferry Water Line Extension (Tri-Dam)	W		108,000						108,000
15a	R & R	11083C	Copper Cove Tank B / Clearwell (11079/11080)	W		100,000	1,971,000 C					2,071,000
15b	H & S	11111	Copper Cove Tank B Pump Station Renovation	W			400,000 D	2,100,000 C				2,500,000
16	H & S	11088	Jenny Lind Tank A-B Transmission Line	W		390,000	1,763,690 C	5,500,000 C				7,653,690
17	Developer	11110	Reeds Turnpike Pump Station Replacement	W	Developer Project							0
18	H & S	11104	Lake Tulloch Submerged Water Line Crossing	W			1,000,000 D	3,000,000 C	3,000,000 C			7,000,000
20	Capacity	11122	Copper Cove Zone B-C Trans Pipeline & Pump Stations	W				500,000 D	4,000,000 C	4,500,000 C		9,000,000
22	R & R	11115	Ebbetts Pass Larkspur Pump Station Rehab / Electrical	W				250,000 D	1,250,000 C			1,500,000
						1,164,743	10,884,034	12,477,403	8,250,000	4,500,000	0	37,276,180
0	Operations	15109	Collection System Rehab and I&I Mitigation	S			50,000 C	50,000 C				100,000
0	Operations	15111	Vallecito WWWT System Improvements	S		130,000						130,000
0	Operations	15106	FM UV Disinfection System Replacement	S			120,000					120,000
3	Consolidation	15091	West Point / Wilseyville Consolidation Project	S	4,750,000		3,500,000 C	1,500,000 C				5,000,000
5a	R & R	15080	CC Lift Station 15 & 18 Rehab/Replacement	S		1,307,602	2,422,805 C					3,730,407
5b	R & R	15076	CC Lift Station 6, 8 & Force Main Bypass	S		1,059,939	3,179,816 C					4,239,755
8	R & R &	15095	Arnold Secondary Clarifier & WWTP Improvements	S		200,000	2,000,000 C	2,450,000 C				4,650,000
10	Capacity	15101	La Contenta Spray Fields	S			200,000 D	500,000 C	500,000 C			1,200,000
11	Developer	?	Jenny Lind Elementary School Sewer Force Main	S	Developer Project							0
13	Capacity	15097	LC Biolac, Clarifier & UV Improvements	S			1,000,000 D	2,000,000 C	2,000,000 C			5,000,000
14a	R & R &	15112	CC Pond 6 Dam Raise	S		200,000	2,500,000 C	5,000,000 C	2,300,000 C			10,000,000
14b	R & R &	15094-T	CC Tertiary, DAF & UV Improvements	S		500,000	3,000,000 C	500,000 C				4,000,000
14c	R & R &	15094-S	CC Secondary Bio., Clarification and Solids Handling	S		200,000	200,000 D	600,000 D	7,000,000 C	7,000,000 C		15,000,000
21	Capacity	?	CC Lower & Upper X-Country Gravity Sewer & Force Main	S					500,000 D	2,250,000 C	2,250,000 C	5,000,000
23	Developer	?	Town Square / Little John Sewer Force Main & Lift Station	S	Developer Project							0
						3,597,541	18,172,621	12,600,000	12,300,000	9,250,000	2,250,000	58,170,162
	TOTAL					4,762,284	29,056,655	25,077,403	20,550,000	13,750,000	2,250,000	95,446,342