

San Miguel Community Services District

Financial Status and
Management
Special Board Meeting
May 2nd 2019

What we will discuss.....

This presentation will cover....

- Which accounts the Department funds are held in
- Actual funds available to each department as of March 31st 2019
- Reserve goals for operational funds as well as capital (restricted) funds (Per the District Reserve Policy)
- Long term liabilities and funds planning
- Investments

Accounts.....

The District funds are maintained in several accounts;

- **Operating Account**
 - Used for funding daily operations
- **Payroll Account**
 - ONLY used to pay employees and employment liabilities
- **Operating Reserve/ Sustainability Reserve**
 - Reserve funds for the Operating Account.
- **Capital Reserve**
 - Restricted funds from Connection fees, Fire Impact fees, and Out of County Reimbursements
- **Long Term Maintenance**
 - Funds from Restricted and Unrestricted funds held specifically for long term maintenance and replacements
- **Investments**
 - Funds from Restricted or Unrestricted funds invested for individual Departments based on medium and long term needs

Operating cash

What is Operating Cash??

- Operating Cash is revenue collected through property tax, user fees, and reimbursements (**unrestricted funds**)
- It is used to fund the daily operations of the District.
- Use of these funds is appropriated through the annual operation and maintenance budget process.

Where is the Money??

- Operating Cash for all Departments is managed in the 'Operating Account'.
- Each Departments Operating funds are tracked with Black Mountain within the Operating Account.

Payroll...

The Payroll account is solely for payment of payroll, and payroll related expenses and liabilities.

Funds are transferred from the relevant departments to this account based on the actual payroll costs for a specific pay period.

Operating Reserve...

What is Operating Reserve??

- Operating reserves are revenues that are held in reserve,
 - For use in such time that a Department has a shortfall in revenue
 - For large unforeseen expense
 - For a planned operational need exceeding the annual revenue of the Department.

Where is the Money??

- Operating Reserves for all Departments is managed in the 'Operating reserve Account'.
- Each Departments Operating Reserve funds are tracked with Black Mountain within the Operating Reserve Account.

Capital Reserves...

What is Capital Reserve??

- Capital reserves are “**Restricted Funds**” that are restricted to capital improvements or purchases. Such as vehicles, facilities, equipment etc.
- These funds are only used by Board Resolution.

Where is the Money??

- Capital Reserves for all Departments are managed in the ‘Capital Reserve Account’.
- Each Departments Capital funds are tracked with Black Mountain within the Capital Reserve Account.

Long Term Maintenance...

What is Long Term Maintenance?

This account is for the accumulation of funds to facilitate the planned replacement of Membranes and other equipment or facilities.

For example:

On average, every 10 years the Membranes at the Wastewater Treatment Facility will need to be replaced.

- The Wastewater Department will, at a minimum, budget and transfer 1/10th of the cost of the proposed replacement annually through the Budget process.

As other projected replacements and associated costs are identified they will be budgeted and transfers made to ensure adequate funding for long term replacements and maintenance.

Investments...

Based on the District Investment Policy the General Manager may elect to invest funds from the Capital Reserve.

Funds should only be invested after the goals for other reserves are met (based on the District Reserve Policy) to ensure that enough reserve is available to enable the District to meet its operating obligations.

Funds will be invested from each Department individually, this will enable each fund to add to or remove funds from investment without disrupting other Departments investments.

District Reserve Policy

- The District Reserve Policy was revised at the March 28th 2019 (Resolution 2019-14)
- This policy outlines reserve targets for
 - Operating Reserves
 - Stabilization Funds
 - Debt Service Reserves
 - Post-Employment Benefit Reserves
 - Capital Reserves
 - Investments

Un-restricted funds Carryover

- As un-restricted funds carryover from year to year they will be transferred as outlined below. Funds will stay within their department, unless used to repay another department.
- Operational funds (un-restricted funds) that carry over from the prior year will be transferred in the following order.
- Operational Reserve should have met its reserve targets prior to transferring to other levels.
 - Operational Reserve
 - Stabilization Reserve
 - Debt Service
 - Post Employment Benefit Liabilities
 - Capital Reserves
 - Investments

Operating reserve goals

- Each Departments' goal for Operating Reserve is to maintain 50% (6 months worth) of their annual budget in reserve.
- Any excess revenue, *or funds that were budgeted but not spent*, for a specific Department will be maintained within that Departments reserve account.
- At the discretion of the General Manager these excess funds will be either held in the Operating Account for that Department, transferred to the Operating Reserve or Restricted Reserve for that Department (assuming that the Operating Reserve goals have been met).

Stabilization Funds

- The Water and Wastewater departments goal for Stabilization Reserve is 33% of their annual budget. (Per District Reserve Policy)
- Excess revenue, or funds that were budgeted but not spent, for the Water or Wastewater Department will be transferred to their Stabilization Reserves respectively.

Debt Service Reserve

- Currently the only Debt Service Reserve requirement that the District maintains is for the Debt service on the 650,000 gallon water tank USDA loan.
- All reserve requirements will be determined by the Loan Agreement and budgeted through the annual budget process.
- Prior to June 30th each Fiscal Year the General Manager will ensure that any funding requirements for the Debt Service Reserve Account is met.

Post- Employment Benefit Reserve

- Through the annual operation and maintenance budget process, each Department will budget sufficient funds to fund any Post-Employment benefit liabilities
- Through this funding the District will ensure that it meets its future retirement and health obligations for retirees and prevent the development of unfunded liabilities
- Based on the last GASB report the Districts annual liability for Post Employment benefits was \$17,127 for FY 17-18
- The District continues to pay all invoices as they are received for Post Employment benefits

Capital reserve goals

- Each departments goal for Capital Reserve is based on their potential future need.
- **Capital Reserves are restricted. These funds can only be used with Board approval and by appropriate resolution.**
- Reserve goals (based on 2019 District Reserve Policy)
 - Fire Department \$200,000
 - Lighting \$50,000
 - Wastewater \$500,000
 - Water \$500,000

Current Balances

Total funds held by the District (as of March 31st 2019)

• Cash	\$1,326,214.08
• <u>Investments</u>	<u>\$ 142,320.07</u>
Total	\$1,468,534.15

Current Balances

Current **Operating** account balances

- Fire \$ 212,912.50
- Lighting \$ 200,409.24
- Wastewater \$ -80,343.95
- Water \$-439,744.99
- Solid Waste \$ 86,969.27

Current Balances

Current Operating Reserve/ Stabilization account balances

- Operating reserve goal for each department is to have an amount equal to 6 months operating cash in reserve.
- Stabilization reserve goal for Water and Wastewater is to have an additional 33% of the annual expense budget in reserve in addition to the Operating reserve

Below are the current fund amounts in the Operating / Stabilization Reserve Verses the Goals as outlined in the District Reserve Policy

	<u>Operating reserve/ goal</u>	<u>Stabilization reserve/ goal</u>
• Fire	\$188,375 / \$188,375	
• Lighting	\$39,624 / \$39,624	
• Wastewater	\$0 / \$313,287	\$0 / \$208,858
• Water	\$0 / \$345,466	\$0 / \$230,310
• Solid Waste	\$11,702 / \$11,702	

Current Balances

Current **Debt service reserve** account balances

- Currently the District only has one Loan requiring a reserve account. This is for the 650,000 gallon water tank.
- The current reserve account for the debt service is funded to \$66,917. This meets current obligations but in coming years the reserve amount will increase to match future payments. The additional money will be budgeted and transferred as needed.

Current Balances

Current **Capital** Reserve account balances

- Each departments Capital Reserve goal is based on its potential future need, these reserve goals are minimums and additional funds can be held in this account for future needs.

Below is the amount current funds in the Capital Reserve Verses the Goal as outlined in the District Reserve Policy

	<u>Capital reserve/ goal</u>
• Fire	\$241,342.87/ \$200,000
• Lighting	\$70,116.31/ \$50,000
• Wastewater	\$395,699.64 / \$500,000
• Water	\$-279,268.62/ \$500,000
• Solid Waste	\$0/ \$0

Current Balances

Current **Investment** account balance

- Currently the District only has one investment account.
- The current investment was bought by Lighting from the other departments to create an investment for each department per our Reserve Policy.
- Currently the Lighting Investment is worth \$142,320.

Questions???

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