



Rancho Murieta CSD

Reserve Contribution and Fund Balance Discussion

Paula O'Keefe, Director of Administration





Order of Discussion

- Reserve Contribution Analysis
- FY 2021-22 Capital Improvement Plan
- Reserve Policy
- Questions



Reserve Contribution Analysis

- Administration - General Fund
- Water
- Sewer
- Drainage
- Solid Waste
- Security



Restricted vs. Unrestricted

- Restricted
 - Working Capital
 - Reserve contributions collected through customer utility bills, restricted to capital improvement projects
 - Development Impact Fees
 - Fees collected through development restricted to capital improvement projects
- Unrestricted Revenues
 - General Fund
 - Excess property tax revenues not used to subsidize enterprise funds
 - Enterprise Funds
 - Excess revenues from rate collection in excess of expenditures



Reserve Contributions vs Connection Fees

- Reserve Contributions are restricted to capital improvement projects and cannot be used for other purposes.
- \$6 Charge to repay interfund loans for Water Treatment Plant expansion
- Connection Fees
 - Water Augmentation Fee – used for future development of NEW water supply facilities needed to ensure reliability of water transmission and delivery
 - Capital Improvement Fee – acquire and/or construct various capital facilities, plant and equipment for the provision of water, wastewater, drainage and security



Administration Fund

- Property Taxes are unrestricted revenues that can be used for District operational needs
- At the end of every fiscal year, all excess property tax revenues have been allocated out to the Enterprise Funds under the following allocations:

200	250	260	400	500
Water	Sewer	Drainage	Solid Waste	Security
38.9%	29.7%	6.1%	5.0%	20.3%



Water Fund

As of June 30, 2020:

- Water Fund Total Fund Balance - \$4,680,301
 - Comprised of seven (7) restricted and unrestricted accounts
 - Two Restricted Accounts with negative balance
 - WTP incurred approximately \$376k in projects costs that is under review for potential movement into appropriate funds/reserve accounts
 - Administration Allocation from Property Tax excess revenues at 38.9%



Water Fund – June 30, 2020

Water Fund

	<u>June 30, 2020</u>
Unrestricted Reserves	
Unrestricted Fund Balance	1,668,738
Capital Improvement Reserve Admin Allocation	210,003
Capital Replacement Reserve Admin Allocation	39,990
<i>Subtotal</i>	<u>1,918,731</u>
Restricted Fund Balance	
WTP Construction Reserves	(786,776)
Capital Improvement Reserve Fees	(134,808)
Water Augmentation Fees	1,886,846
Capital Replacement Reserve	1,796,308
<i>Subtotal</i>	<u>2,761,570</u>
TOTAL	4,680,301



Sewer Fund

- As of June 30, 2020:
 - Sewer Fund Total Fund Balance - \$4,854,154
 - Comprised of six (6) restricted and unrestricted accounts
 - \$3.1m in restricted fund balance to be used for capital projects
 - Capital Improvement Connection Fee no longer collected
 - Remaining balance of \$4,324 should be closed out and moved to unrestricted fund balance
 - Administration Allocation from Property Tax excess revenues at 29.7%



Sewer Fund – June 30, 2020


Sewer Fund

	<u>June 30, 2020</u>
Unrestricted Reserves	
Unrestricted Fund Balance	1,449,454
Capital Improvement Reserve Admin Allocation	159,077
Capital Improvement Connection Reserve	4,324
Capital Replacement Reserve Admin Allocation	29,236
<i>Subtotal</i>	<u>1,642,091</u>
Restricted Fund Balance	
Capital Improvement Reserve Fees	59,252
Capital Replacement Reserve	3,152,811
<i>Subtotal</i>	<u>3,212,063</u>
TOTAL	4,854,154



Drainage Fund

- As of June 30, 2020:
 - Drainage Fund Total Fund Balance - \$560,045
 - Comprised of two (2) unrestricted accounts
 - Administration Allocation from Property Tax excess revenues at 6.1%



Drainage Fund – June 30, 2020

Drainage Fund

	<u>June 30, 2020</u>
Unrestricted Reserves	
Unrestricted Fund Balance	102,142
Capital Improvement Reserve Admin Allocation	35,262
Capital Replacement Reserve	78,469
Capital Replacement Reserve Admin Allocation	3,866
<i>Subtotal</i>	<u>219,739</u>
Restricted Fund Balance	
Capital Improvement Reserve Fees	340,310
<i>Subtotal</i>	<u>340,310</u>
TOTAL	560,049



Solid Waste Fund

- As of June 30, 2020:
 - Solid Waste Fund Total Fund Balance - \$250,894
 - Comprised of two (2) unrestricted accounts
 - Fund balance is comprised of franchise fees collected through rates
 - Administration Allocation from Property Tax excess revenues at 5%



Solid Waste Fund


Solid Waste Fund

	<u>June 30, 2020</u>
Unrestricted Reserves	
Unrestricted Fund Balance	244,476
Capital Replacement Reserve Admin Allocation	<u>6,418</u>
<i>Subtotal</i>	<i>250,894</i>
TOTAL	250,894



Security Fund

- As of June 30, 2020:
 - Security Services Fund Total Fund Balance - \$636,280
 - Comprised of six (6) restricted and unrestricted accounts
 - Capital Improvement Reserve reflects a deficit of (\$56,999)
 - Administration Allocation from Property Tax excess revenues at 20.3%



Security Fund – June 30, 2020

Security Fund

	<u>June 30, 2020</u>
Unrestricted Reserves	
Unrestricted Fund Balance	328,440
Capital Improvement Reserve Admin Allocation	135,466
Capital Replacement Reserve Admin Allocation	7,701
Capital Replacement Reserve	<u>183,647</u>
<i>Subtotal</i>	<i>655,254</i>
Restricted Fund Balance	
Capital Impact Reserve Fees	38,025
Capital Improvement Reserve	<u>(56,999)</u>
<i>Subtotal</i>	<i>(18,974)</i>
TOTAL	636,280



All Funds - Unrestricted

All Funds

As of 6/30/2020

Unrestricted Reserves*

Water Fund	1,918,731
Sewer Fund	1,642,091
Drainage Fund	141,270
Solid Waste	250,894
Security	655,254
TOTAL	4,608,240

* Includes excess property tax revenues allocated from Administration



Questions?



Capital Improvement Plan



Capital Improvement Explained

- Capital Improvement is defined as
 - Creating an addition, physical enlargement or expansion
 - Rebuilding property after the end of its economic useful life
 - Replacing a major component of a capital asset or structural part of the property
 - Adapting property to a new or different use
 - Acquisition of land or easements



Capital Replacement Explained

- Capital Replacement is defined as:
 - Replacement of Furniture, Fixtures and Equipment (FF&E) that are **capitalized** under Generally Accepted Accounting Principles (GAAP)
 - Refers to movable items that are not permanently connected or attached to the structure of a building or property
 - Examples of these items are desks, computer equipment and vehicles



Capital Improvement Plan

- Five Year Plan
 - Policy document
 - Includes all proposed, in progress and approved prior year projects
 - All projects in progress include the project balance remaining for carryover budget
 - Projects total cost for reserves over five years
 - Provides detailed project information



Prior Year Approved Projects

- Water Fund - \$1,889,940
- Sewer Fund - \$716,140
- Drainage Fund - \$32,000
- Water/Sewer split - \$30,000

Proposed FY 2021-21 Capital Improvement Projects



RANCHO MURIETA COMMUNITY SERVICES DISTRICT
FY 2021-22 Proposed Budget
New Capital Improvement Projects

Project Number	Project Description	Total Budget	Funding Source
Water			
22-01-1	Replace Truck #214	\$ 50,000	Replacement Reserves - Water
22-02-1	Replacement Vehciel# 218	\$ 40,000	Replacement Reserves - Water
22-03-1	Rio Oso Pump Replacement	\$ 100,000	Capital Improvement Reserves - Water
22-04-1	Water Treatment Plant Back Left Drying Bed	\$ 90,000	Replacement Reserves - Water
	Water Total	\$ 280,000	
Wastewater			
22-05-2	Replace Wastewater Jetter	\$ 80,000	Replacement Reserves - Wastewater
22-06-2	Fix Reynosa 6" Wastewater line	\$ 232,000	Replacement Reserves - Wastewater
22-07-2	Automate East & West DAF sludge valves	\$ 35,000	Replacement Reserves - Wastewater
	Wastewater Total	\$ 347,000	
Drainage			
	No New Projects		
Security			
22-08-4	Replace Jeep Patrol vehicle	\$ 35,000	Replacement Reserves - Security
2021-22 Grand Totals		\$ 662,000	

FY 2021-22 Proposed Projects Combined

FY 2021-2026 Capital Improvement Plan Project List by Category

	Fund Number	Remaining Balance as of 6/30/21	FY 2020-21 Adopted	FY 2021-22 Proposed	FY 2022-23 Projected	FY 2023-24 Projected	FY 2024-25 Projected	FY 2025-26 Projected
Administration - General Fund	100	-	-	150,000	-	7,002	158,445	-
Water	200	1,904,940	1,904,940	1,375,700	225,055	364,950	142,601	20,203
Wastewater	250	731,140	731,140	2,294,150	131,428	107,257	632,525	199,778
Drainage	260	32,000	32,000	1,570,000	-	-	-	21,947
Security	500	-	-	28,500	58,710	23,870	29,668	83,119
Total All Funds		2,668,080	2,668,080	5,418,350	415,193	503,079	963,239	325,047



Impact to Reserves

All Funds
As of 6/30/2020

	Unrestricted Reserves*	Rate Stabilization**	Restricted Reserves	PY CIP Obligations	Available to Commit to CIP
Water Fund	1,918,731	1,048,650	2,761,570	1,904,940	1,726,711
Sewer Fund	1,642,091	588,930	3,212,063	731,140	3,534,084
Drainage Fund	141,270	82,896	418,779	32,000	445,153
Solid Waste	250,894	-	-	-	250,894
Security	655,254	737,040	(18,974)	-	(100,760)
TOTAL	4,608,240	2,457,516	6,373,438	2,668,080	5,856,082

* Includes excess property tax revenues allocated from Administration

** 6 months operating expenses required to remain in reserves



Questions?



Reserve Policy



Reserve Policy Updates

- Must redefine Development Impact Fees
 - Water Augmentation Development Impact Fee
 - Capital Improvement Fee to be retitled District Improvement Development Impact Fees
- Must distinguish between Unrestricted fund balance that can be used for capital projects (including replacement) and restricted fund balance that can only be used for new CIP
- Remove reserve policy sections that no longer apply
- Reestablish Administration – General Fund reserve policy for excess Property Tax revenues, allowing more flexibility for use of funds and eliminate Admin allocation to Enterprise funds as separate unrestricted replacement and improvement accounts
- Establish Rate Stabilization fund to restrict 6 months of cash to meet cash flow requirements as designated in Government Code Section 53646(b)(3)



Enterprise Funds – Next Steps

- Close out unused accounts
- Retitle accounts as needed
- Create appropriate revenue and expenditure accounts to budget capital improvement projects accurately
- Identify reserve contributions within the budget development process
- Identify resolutions for negative fund balance



Recommendations

- Administration – General Fund
 - To fund Administration (General Fund) capital improvement projects, District staff recommend the Board approve the elimination of the allocation of all General Fund unrestricted revenues in current FY 2020-21
 - At close of each Fiscal Year, Board can elect to move excess fund balance from Administration to other Enterprise funds based on operational or capital needs
 - All prior year excess property tax revenues will remain within their respective funds fund balance



Recommendations

- Solid Waste – Utility Franchise Fees
 - Utility Franchise Fees can be used to
 - At close of each Fiscal Year, Board can elect to move excess fund balance from Solid Waste to other Enterprise funds based on operational or capital needs
- Enterprise Funds – Unrestricted
 - Required to maintain 6 months of operational cash flow
 - Excess can be moved from unrestricted to designated restricted reserve accounts at Board's discretion



Questions?