



TAHOE CITY PUBLIC UTILITY DISTRICT

MEMORANDUM

TO: Finance Committee **DATE:** November 12, 2020

FROM: Ramona Cruz **SUBJ:** Long-Term Financial Planning – Reserve Level
Chief Financial Officer Analysis Discussion

RECOMMENDATION:

The Board of Directors review and discuss the attached projected year-end cash positions, 2021 reserve level recommendations and 5 year reserve trend projections in consideration of setting reserve levels for the Water Fund, Sewer Fund and General Fund for the 2021 fiscal year.

BACKGROUND:

At the May 2020 meeting of the Board of Directors, staff continued the District's Long-Term Financial Planning (LTFP) process with a presentation focused on a review of updated District Reserve Policies. Subsequently, at the June 2020 meeting, the Board adopted amendments to the District's General Fund Reserve Policy and the Enterprise Funds Unrestricted Net Position and Reserves Policy.

As discussed at the August Board meeting, the District has moved into the Analysis Phase of the LTFP process which is dedicated to producing information that supports the planning and strategizing that will occur in the Decision Phase of the LTFP. As part of the Analysis Phase, and as outlined in the updated Reserve Policies, staff will annually present a reserve analysis in order to evaluate current reserve levels and consider funding levels for the year ahead.

At the November 2020 Finance Committee meeting, the Committee reviewed and discussed this reserve analysis. The numbers listed on the attached reserve charts in the "Recommended 2021" column, represent staff's recommended reserve levels for the 2021 fiscal year for the Board's consideration and discussion. Board feedback and direction will be incorporated and a resolution to set Reserve funding levels for the Water Fund, Sewer Fund and General Fund will be brought for Board approval at the December Board meeting.

STRATEGIC GOAL:

6.1 – Maintain the District's Strong Financial Position

FINANCIAL IMPACTS:

No financial impact.

ATTACHMENTS:

- Water Fund
 - 2020 Projections, 2021 Budget and Trend Projections
 - Water Fund Reserve Chart
- Sewer Fund
 - 2020 Projections, 2021 Budget and Trend Projections
 - Sewer Fund Reserve Chart

REVIEW TRACKING:

Submitted By: Ramona Cruz
Ramona Cruz, Chief Financial Officer

Approved By: Sean Barclay
Sean Barclay
General Manager

- General Fund
 - 2020 Property Tax Projections, 2021 Budget and Trend Projections
 - General Fund Reserve Chart

WATER FUND

Water Fund 2020 Projections & 5-Year Trend Projections	Projected		Budget		Trend Projections		
	2020	2021	2022	2023	2024	2025	
Net Operating Income (exclude dep)	\$ 2,425,021	\$ 2,562,406	\$ 2,975,656	\$ 3,298,866	\$ 3,437,811	\$ 3,660,722	
Other Sources:							
Property tax - rate transition	727,680	555,228	374,730	185,583	-	-	
Property tax -debt service existing / WLTRWTP	22,817	18,249	62,636	367,564	367,564	367,564	
One-time property tax -transfer	3,500,000	1,800,000	2,500,000	-	-	-	
Capital financing - WLTRWTP	-	5,200,000	7,620,000	1,430,000	-	-	
Net Revenue (Deficit)	6,675,518	10,135,883	13,533,022	5,282,013	3,805,375	4,028,286	
Cashflow adjustments:							
Less debt service payments	(43,496)	(36,498)	(125,271)	(735,127)	(735,127)	(735,127)	
Less capital expenditures	(3,294,913)	(9,625,232)	(13,526,341)	(7,555,677)	(5,303,282)	(4,625,458)	
Projected change in cash	3,337,109	474,153	(118,590)	(3,008,791)	(2,233,035)	(1,332,300)	
Beginning Cash - January 1	2,444,724	5,781,833	6,255,986	6,137,396	3,128,605	895,570	
Ending Cash - December 31	\$ 5,781,833	\$ 6,255,986	\$ 6,137,396	\$ 3,128,605	\$ 895,570	\$ (436,729)	

Water Fund 2020 Actuals & 5-Year Reserve Chart Trend Projections	Actual		Recommended		Trend Projections		
	2020	2021	2022	2023	2024	2025	
Operating Reserves	\$ 842,295	\$ 1,282,665	\$ 1,336,071	\$ 1,426,088	\$ 1,522,930	\$ 1,618,132	
Fleet & Equipment Replacement Reserves	140,900	232,182	337,448	438,965	515,981	435,997	
Infrastructure Capital Replacement Reserves	1,689,903	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	
Water System Acquisition & Infrastructure Improvement Property Tax Reserve	1,267,735	2,133,867	3,000,000	3,000,000	3,000,000	3,000,000	
Total reserves	3,940,833	5,148,714	6,173,519	6,365,053	6,538,911	6,554,129	
Available cash	1,841,000	1,107,272	(36,123)	(3,236,448)	(5,643,341)	(6,990,858)	
Ending Cash - December 31	\$ 5,781,833	\$ 6,255,986	\$ 6,137,396	\$ 3,128,605	\$ 895,570	\$ (436,729)	

Projected 2020 and 5-Year Trends Assumptions:

- *Property tax for rate transition
- *Property tax for 1/2 SRF debt service
- *Property tax one-time transfers
- *SRF draws for WLTRWTP
- *Does not include Tahoe Cedars and Madden Creek future TBD distribution improvements

Reserve Chart Assumptions:

- *Operating Reserves fully funded (90 days of annual budget)
- *Fleet & Equipment Replacement Reserves fully funded based on the annualized value of the 15-year fleet and equipment replacement plan
- *Infrastructure Capital Replacement Reserves set at minimum reserve of \$1.5 million
- *Water System Acquisition & Infrastructure Improvement Property Tax Reserve fully funded to \$3.0 million by 2022 from property tax revenue

SEWER FUND

Sewer Fund 2020 Projections & 5-Year Trend Projections	Projected		Budget		Trend Projections		
	2020	2021	2022	2023	2024	2025	
Net Revenue (Deficit)	\$ 2,211,697	\$ 2,029,585	\$ 2,204,872	\$ 2,192,185	\$ 2,173,737	\$ 2,205,788	
Cashflow adjustments							
Less capital expenditures	(1,199,693)	(1,690,224)	(2,411,521)	(6,403,735)	(3,334,700)	(3,012,941)	
Projected change in cash	1,012,004	339,361	(206,649)	(4,211,550)	(1,160,963)	(807,153)	
Beginning Cash - January 1	7,373,580	8,385,584	8,724,945	8,518,295	4,306,746	3,145,782	
Ending Cash - December 31	\$ 8,385,584	\$ 8,724,945	\$ 8,518,295	\$ 4,306,746	\$ 3,145,782	\$ 2,338,629	

Sewer Fund 2020 Actual & 5-Year Reserve Chart Trend Projections	Actual		Recommended		Trend Projections		
	2020	2021	2022	2023	2024	2025	
Operating Reserves	\$ 735,594	\$ 925,942	\$ 956,345	\$ 1,022,347	\$ 1,093,493	\$ 1,163,743	
Fleet & Equipment Replacement Reserves	140,900	427,849	828,948	1,030,298	1,271,147	1,322,997	
Infrastructure Capital Replacement Reserves	1,901,141	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
Total reserves	2,777,635	3,353,791	3,785,293	4,052,645	4,364,640	4,486,740	
Available cash	5,607,949	5,371,154	4,733,002	254,101	(1,218,858)	(2,148,111)	
Ending Cash - December 31	\$ 8,385,584	\$ 8,724,945	\$ 8,518,295	\$ 4,306,746	\$ 3,145,782	\$ 2,338,629	

Projected 2020 and 5-Year Trends Assumptions:

*Does not include future TBD sewer pump station projects

Reserve Chart Assumptions:

*Operating reserves fully funded (90 days of annual budget)

*Fleet & Equipment Replacement Reserves fully funded based on the annualized value of the 15-year fleet and equipment replacement plan

*Infrastructure Capital Replacement Reserves – Minimum reserve is set at \$2.0 million

GENERAL FUND

General Fund 2020 Property Tax Projections and 5-Year Revenue & Uses Trend Projections	Projected		Budget		Trend Projections		
	2020	2021	2022	2023	2024	2025	
Property Tax Revenue Placer & El Dorado County	\$ 8,222,386	\$ 8,628,794	\$ 8,973,946	\$ 9,332,904	\$ 9,706,220	\$ 10,094,469	
Parks, Rec, Golf, WSP Operational Expense	(2,639,015)	(3,261,423)	(3,712,020)	(3,938,210)	(4,189,811)	(4,438,894)	
Tahoe Cedars/Madden Creek Rate Transition	(727,680)	(555,228)	(374,730)	(185,583)	-	-	
Sewer Commercial Rate Relief	(92,597)	-	-	-	-	-	
Current Debt Service	(162,520)	(139,703)	(139,703)	(139,703)	(139,703)	(139,704)	
Planned SRF for WLWTP @ 50% of total	-	(18,249)	(62,636)	(367,564)	(367,564)	(367,564)	
Future Debt Service for	-	-	-	-	-	-	
Subtotal Net Property Tax Revenue Available for other Uses	4,600,574	4,654,191	4,684,858	4,701,845	5,009,143	5,148,308	
One-time Property Tax Transfers to Water and Sewer Funds	(3,500,000)	(1,800,000)	(2,500,000)	-	-	-	
Net non-operating	19,156	(642,804)	(61,676)	(64,760)	(68,136)	(71,823)	
Designated Capital Plans							
Parks and Recreation Capital Plans and G&AS - Net capital grants	(6,800,281)	(1,762,820)	(1,653,829)	(1,967,317)	(1,962,300)	(951,333)	
Misc.							
Net Property Tax	(5,680,551)	448,567	469,353	2,669,768	2,978,707	4,125,152	
Beginning Cash January 1	14,556,109	8,875,558	9,324,125	9,793,477	12,463,245	15,441,951	
Ending Cash December 31	\$ 8,875,558	\$ 9,324,125	\$ 9,793,477	\$ 12,463,245	\$ 15,441,951	\$ 19,567,103	

General Fund 2020 Actual & 5-Year Reserve Chart Trend Projections	Actual		Recommended		Trend Projections		
	2020	2021	2022	2023	2024	2025	
Operating Reserves	\$ 747,637	\$ 1,266,200	\$ 1,383,807	\$ 1,449,099	\$ 1,520,975	\$ 1,592,365	
Fleet & Equipment Replacement Reserves	130,200	229,541	545,962	753,883	918,803	1,102,724	
Infrastructure Capital Replacement Reserves	1,034,429	1,500,000	2,000,000	2,500,000	3,000,000	3,500,000	
Priority Project Capital Reserves	-	1,000,000	1,500,000	2,000,000	2,500,000	3,000,000	
Total reserves	1,912,266	3,995,741	5,429,769	6,702,982	7,939,778	9,195,089	
Available cash	6,963,292	5,328,384	4,363,708	5,760,263	7,502,173	10,372,014	
Ending Cash December 31	\$ 8,875,558	\$ 9,324,125	\$ 9,793,477	\$ 12,463,245	\$ 15,441,951	\$ 19,567,103	

Property Tax & Uses Assumptions:

- *Tahoe Cedars and Madden Creek rate transition plan
- *\$92,597 - property tax for commercial sewer rate relief program
- *Existing debt service for current SRF
- *One-half SRF annual debt service payment for SRF for WLTRWTP
- *One-time property tax transfer to Water Fund

Reserve Chart Assumptions:

- *Operating reserves fully funded (90 days of annual budget)
- *Fleet & Equipment Replacement Reserves – fully funded based on current schedule
- *Infrastructure Capital Replacement Reserves – increases \$500K each year
- *Priority Project Capital Reserves – set aside for Administrative Facilities Improvement Project