



RANCHO MURIETA COMMUNITY SERVICES DISTRICT

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FINANCE COMMITTEE

Regular Meeting

May 6, 2015 at 9:00 a.m.

All persons present at District meetings will place their cellular devices in silent and/or vibrate mode (no ringing of any kind). During meetings, these devices will be used only for emergency purposes and, if used, the party called/calling will exit the meeting room for conversation. Other electronic and internet enabled devices are to be used in the “silent” mode. Under no circumstances will recording devices or problems associated with them be permitted to interrupt or delay District meetings.

AGENDA

1. **Call to Order**
2. **Comments from the Public**
3. **Transfers to Reserve Funds**
4. **Directors & Staff Comments/Suggestions [no action]**
5. **Adjournment**

In accordance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item and is distributed less than 72 hours prior to a regular meeting will be made available for public inspection in the District offices during normal business hours. If, however, the document is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting.

Note: This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of this posting is May 2, 2016. Posting locations are: 1) District Office; 2) Plaza Foods; 3) Rancho Murieta Association; 4) Murieta Village Association.

MEMORANDUM

Date: May 2, 2016
 To: Finance Committee
 From: Eric Thompson, Controller
 Subject: Transfers to Reserve Funds

RECOMMENDED ACTION

Approve the transfer of \$150,000 of undesignated cash to Capital Replacement Reserves for the Sewer Fund; approve the transfer of \$50,000 of undesignated cash to Capital Replacement Reserves for the Security Fund; approve the transfer of \$25,000 of undesignated cash to Capital Replacement Reserves for the Drainage Fund; and approve the transfer of \$25,000 of undesignated cash to Admin Replacement Reserves allocated by fund as indicated:

	WATER	SEWER	DRAINAGE	SOLID WASTE	SECURITY
Recommended Reserve Transfer		\$150,000	\$ 25,000		\$ 50,000
Recommended Admin Reserve (by fund)	\$ 9,725	\$ 7,425	\$ 1,525	\$ 1,250	\$ 5,075

BACKGROUND

Every few years, the District reviews the amount of working capital on hand to determine if there is available undesignated cash to be transferred into District Reserves. District Policy 2012-07, District Operating Fund and Reserve Fund Policy, specifies that the target balance for the District Operating Fund is to be a minimum of six (6) months of cash to fund District expenditures. Government Code 53646(b)(3), which requires the District to have sufficient cash flow to meet the next six (6) months of budgeted expenditures, allows the next six (6) months of projected cash revenues to be included as a source of cash flow to meet this requirement.

The chart below shows the analysis of the level of working capital as of June 30, 2015. This chart excludes projected cash revenues, as mentioned above. Since the District's anticipated cash revenues are very consistent and sufficient to cover budgeted expenses, this chart is intended to show Excess Working Capital. Excess Working Capital results when actual expenses incurred are less than budgeted expenses (or actual revenue received is higher than budgeted revenue) in a particular fund. The amount of excess working capital in the Sewer, Drainage, and Security Funds is related to under-runs in wages and related expenses. Wages for Field Operations staff were under budget in Sewer and Drainage due to the Water Treatment Plant Expansion Project; where more employee time was charged to the Water Fund than originally planned/budgeted. And in the Security Department there were under-runs in wages and related expenses due to the Sergeant position vacancy in 2015 and other workers' comp related vacancies.

	WATER	SEWER	DRAINAGE	SOLID WASTE	SECURITY
Cash & Investments	\$ 69,005*	\$ 649,809	\$ 83,087	\$ 239,383	\$ 409,803
AR	\$ 203,917	\$ 168,413	\$ 19,864	\$ 53,624	\$ 140,158
Subtotal Current Cash	\$ 272,922	\$ 818,222	\$ 102,951	\$ 293,007	\$ 549,961
Current Liabilities	\$ (147,612)	\$ (77,122)	\$ (9,651)	\$ (102,924)	\$ (63,888)
OPEB	\$ (26,246)	\$ (18,332)	\$ (3,384)	\$ (879)	\$ (25,850)
Other Liabilities	\$ (480)	\$ -	\$ -	\$ -	\$ -
Subtotal Liabilities	\$ (174,338)	\$ (95,454)	\$ (13,035)	\$ (103,803)	\$ (89,738)
Working Capital before Admin Reserves	\$ 98,584	\$ 722,768	\$ 89,916	\$ 189,204	\$ 460,223
	38.9%	29.7%	6.1%	5.0%	20.3%
Admin Cost Savings	\$ (9,725)	\$ (7,425)	\$ (1,525)	\$ (1,250)	\$ (5,075)
Working Capital after Admin Reserves	\$ 88,859	\$ 715,343	\$ 88,391	\$ 187,954	\$ 455,148
2015-16 Avg Monthly Budget Expenditures	\$ 170,430	\$ 112,700	\$ 15,608	\$ 53,077	\$ 110,235
Working Capital Coverage before transfer (months) =	0.5	6.3	5.7	3.5	4.1
Working Capital Coverage after transfer (months) =	0.5	5.0	4.0	3.5	3.7

Staff feels that maintaining the working capital coverage at 3 to 5 months in each fund is prudent in maintaining adequate cash flow to cover District expenses.

Sewer - Staff is recommending a transfer of \$150,000 in the Sewer Fund, as the excess working capital coverage in this fund was 6.3 months. The Sewer Fund coverage ratio will be 5.0 months after the transfer.

Security - Staff is recommending a transfer of \$50,000 to Capital Replacement Reserves for the Security fund, even though the excess working capital for that fund was less than 6 months as of June 30, 2015. The North Gate Project, which was completed in fiscal year 2014/15, reduced the Security Fund's Capital Replacement Reserves to roughly \$20K. The \$50,000 transfer would be beneficial for funding both anticipated and unforeseen Capital expenditures in this fund. After the transfer, the Excess Working Capital in the Security Fund would be 3.7 months.

Drainage - Staff is recommending a transfer of \$25,000 in the Drainage Fund, as the excess working capital coverage in this fund was 5.7 months. The Drainage Fund coverage ratio will be 4.0 months after the transfer.

Solid Waste - No transfer is being recommended for the Solid Waste Fund.

Water - The Water Fund had 0.5 months of excess Capital as of June 30, 2015 so no reserve transfer is being recommended for this fund.

Admin - Staff is also recommending that \$25,000 of the cost savings achieved in the Administration Department during fiscal year 2014/15 be transferred into Administration Reserves by fund for future Administration Capital Replacement Projects.

***Note:** *Water Fund Cash and Investments, as shown in the FY 2014/15 audit (\$1,467,825), has been adjusted for outstanding CFD#1 and CFD 2014-1 Water Treatment Plant Expansion Project reimbursements. As explained in the April 1, 2016 Finance Committee meeting, payments for WTP project expenses are made through Water Operations accounts and then reimbursed through a non-cash transfer from the WTP Construction LAIF account to the Water Operating LAIF account. When reimbursements for WTP expenses are received, those funds are deposited into Water Operations Cash accounts and offset by non-cash LAIF transfers from Water Operations to the WTP Construction account (i.e. the reverse of the above payment transaction). As of June 30, 2015, outstanding CFD reimbursements totaled \$1,398,821. Removing the effects of outstanding WTP expenditures, working capital coverage in the Water Fund had increased to 0.8 as of February 29, 2016.*