



RANCHO MURIETA COMMUNITY SERVICES DISTRICT

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FINANCE COMMITTEE

Regular Meeting
April 4, 2017 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. **Budget Update**
4. **Annual Investment Policy Review** - Presentation by Lauren Brant, PFM Asset Management, LLC
5. **Reserve Transfer**
6. **Directors & Staff Comments/Suggestions** [no action]
7. **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 March 31, 2016. Posting locations are: 1) District Office; 2) Rancho Murieta Post Office; 3) Rancho Murieta Association; 4) Murieta Village Association.



March 29, 2017

Memorandum

To: Finance Committee
Rancho Murieta Community Services District ("District")

From: Lauren Brant, Managing Director
PFM Asset Management LLC ("PFMAM")

Re: Investment Policy Review

We have reviewed the District's Investment Policy ("Policy") dated April 20, 2016 and are recommending no changes at this time. However, we want to make the District aware of several statewide and national changes impacting the investment of public funds announced over the last 12 months; these are outlined below:

- Effective January 1, 2016, the State increased the deposit limit for Local Agency Investment Fund ("LAIF") regular accounts to \$65 million from the previous \$50 million limit.
- SB 974, which took effect on January 1, 2017, modifies Code Sections 53601 et seq., to clarify that the Code's rating requirements specify the minimum credit rating category required at purchase, without regard to +, - or 1,2,3 modifiers. This revision does not change the minimum rating allowed by Code, but simply makes explicit the common interpretation of the Code's rating requirements.
- The Securities and Exchange Commission ("SEC") money market reforms took effect in October 2016. As the Code's requirements for money market funds have not changed, there is no need for the District to revise its Policy. However, several of the key reforms are as follows:
 - Institutional prime (non-governmental) money market funds are required to use a floating net-asset-value (NAV). This means that the share price for these money market funds will no longer be fixed at \$1.00 but will fluctuate based on current market values of fund holdings. Government funds, however, will not be required to use a floating net-asset-value (NAV).
 - Institutional prime and government funds may institute liquidity fees and/or redemption gates under certain conditions if the board determines they are in the best interest of the fund.

Please contact me if you have any questions.

MEMORANDUM

Date: April 3, 2017
To: Finance Committee
From: Eric Thompson, Controller
Subject: Transfers to Reserve Funds

RECOMMENDED ACTION

Approve the transfer of \$50,000 of undesignated cash to Capital Replacement Reserves for the Water Fund; approve the transfer of \$200,000 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; and approve the transfer of \$60,000 of undesignated cash to Admin Replacement Reserves allocated by fund as indicated.

	WATER	SEWER	DRAINAGE	SOLID WASTE	SECURITY
Recommended Reserve Transfer	\$ 50,000	\$ 200,000			\$ 50,000
Recommended Admin Reserve (by fund)	\$ 23,340	\$ 17,820	\$ 3,660	\$ 3,000	\$ 12,180

BACKGROUND

Every few years (or as deemed appropriate), 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, 2016. This chart excludes projected cash revenues, as mentioned above. Since the District's anticipated cash revenues are very consistent and generally sufficient to cover anticipated 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 revenues received are higher than budgeted revenues) in a particular fund. The Excess Working Capital in the Water department was the result of savings in various expense categories (chemicals, purchased power, consulting, and conservation). The amount of Excess Working Capital in the Sewer and Security Funds is related primarily to under-runs in wages and related expenses. Wages for Field Operations staff were under budget in Sewer due to the Water Treatment Plant Expansion Project; where more employee time was charged to the Water Fund than originally planned/budgeted. In the Security Department, there were under-runs in wages and related expenses due to various position vacancies during the year.

	WATER	SEWER	DRAINAGE	SOLID WASTE	SECURITY
Cash & Investments	\$ 536,675*	\$ 923,985	\$ 68,169	\$ 250,416	\$ 409,430
AR	\$ 269,611	\$ 146,429	\$ 20,138	\$ 59,844	\$ 157,445
Subtotal Current Cash	\$ 806,286	\$ 1,070,414	\$ 88,307	\$ 310,260	\$ 566,875
Current Liabilities	\$ (137,633)	\$ (125,343)	\$ (23,020)	\$ (121,298)	\$ (64,720)
OPEB	\$ (36,918)	\$ (26,195)	\$ (4,869)	\$ (1,361)	\$ (25,850)
Other Liabilities	\$ (504)	\$ -	\$ -	\$ -	\$ -
Subtotal Liabilities	\$ (175,055)	\$ (151,538)	\$ (27,889)	\$ (122,658)	\$ (90,570)
Working Capital before Admin Reserves	\$ 631,230	\$ 918,876	\$ 60,418	\$ 187,602	\$ 476,305
Admin Cost Savings	38.9% \$ (23,340)	29.7% \$ (17,820)	6.1% \$ (3,660)	5.0% \$ (3,000)	20.3% \$ (12,180)
Working Capital after Admin Reserves	\$ 607,890	\$ 901,056	\$ 56,758	\$ 184,602	\$ 464,125

2015-16 Avg Monthly Budget Expenditures

	\$ 164,217	\$ 109,533	\$ 15,777	\$ 53,357	\$ 111,488
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Working Capital Coverage before transfer (months) =

	3.7	8.2	3.6	3.5	4.2
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Working Capital Coverage after transfer (months) =

	3.4	6.4	3.6	3.5	3.7
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Staff feels that maintaining working capital coverage at 3 to 5 months in each fund is prudent in maintaining adequate cash flow to cover District expenses.

Water - Staff is recommending a transfer of \$50,000 in the Water Fund, even though the excess working capital for that fund was less than 5 months as of June 30, 2016. Funding for the District's portion of the Water Treatment Plant Expansion Project came from Capital Replacement Reserves. 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 Water Fund would be 3.4 months.

Sewer - Staff is recommending a transfer of \$200,000 in the Sewer Fund, as the excess working capital coverage in this fund was 8.2 months. The Sewer Fund coverage ratio will be 6.4 months after the transfer, which is above the 5 months mentioned above but will help maintain overall liquidity across the District as a whole (including Administration).

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 5 months as of June 30, 2016. 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 – No transfer is being recommended for the Drainage Fund.

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

Admin - Staff is also recommending that \$60,000 of the excess property tax revenues received (above budget) in the Administration Department during fiscal year 2015/16 be transferred into Administration Reserves by fund for future Administration Capital Replacement Projects.

***Note:** *Water Fund Cash and Investments, as shown in the FY 2015/16 audit (\$770,338), has been adjusted for accrued Water Treatment Plant Expansion Project expenses. At fiscal year end, \$233,663 of additional project expenses was known and payable. Water Operations recorded a liability due to project contractors and received reimbursement from the WTP Construction Fund for this amount. Since these expenses were due and payable from Water Operations (essentially on behalf of Water Reserves), the total amount of the expense has been removed from the available Cash & Investments amount for the Water Fund.*