



SEWER AUTHORITY MID-COASTSIDE
Finance Committee *Special Meeting* Agenda
11 am to 12 pm on Thursday July 7, 2022

Topic: Finance Committee
Time: Jul 7, 2022 11:00 AM Pacific Time (US and Canada)

Join Zoom Meeting

<https://us02web.zoom.us/j/86144518357?pwd=Vy9OaFEvZ2Urd1ZjK0FOcFIKaDBSUT09>

Meeting ID: 861 4451 8357

Passcode: 195198

One tap mobile

+16699006833,,86144518357#,,,,*195198# US (San Jose)

1. ROLL CALL

Debbie Ruddock (HMB)
Barbara Dye (GCSD)
Kathryn Slater-Carter (MWSD)

2. REGULAR BUSINESS

- A. Approval of Minutes May 20,2022 (**Attachment**)
- B. Discussion on Retaining Excess Funds (**Attachment**)
- C. Update on Audit
- D. Any other issues

3. NEXT REGULAR MEETING

July 21, 2022

SEWER AUTHORITY MID-COASTSIDE
Finance Committee Meeting Minutes - Special Meeting
May 20, 2022

1. CALL TO ORDER 8:32 AM

A. Roll Call – All Present

Barbara Dye (GCSD) – Present

Debbie Ruddock (HMB) – Present

Kathryn Slater-Carter (MWSD) – Present

2. REGULAR BUSINESS

A. Approval of Minutes April 28, 2022 – Approved by All

B. Discuss and Recommend revision of existing Non-Domestic Waste Source Control Program (NDWSCP) fees in adopted Resolutions 2019-05, 1-2014 – Conditional Approval by All

Kishen presented a short overview of the current status that included member agency options. After a discussion, it was decided:

- a) Members will issue permits
- b) An industry standard for accredited testing will be used

C. Discuss and finalize topics for upcoming Finance Workshop

Kishen presented a short overview of what might be included and who might attend. After a discussion, it was decided that these suggestions would be implemented:

- a) A Glossary of Terms will be included
- b) PCT will record the event
- c) SAM will use a Third Party to prepare the itinerary (RVE Accounting – Peter Medina)
- d) Event will be conducted on a Non-Board Meeting Monday evening in June

In regards to the topics covered during the workshop, various additional suggestions were discussed which are in the attached note.

D. Any other Issues

SAM's accounting in regard to the CIP was discussed. George Evans provided an overview of how current Tyler accounting was tied to the CIP Report currently being presented to the FC and the Board. The FC requested that "Unspent Funds" be added to the CIP Report prior to the next Agenda (June).

3. Meeting Adjourned 9:33 AM

NEXT SCHEDULED REGULAR MEETING: June 16, 2022 11:00 am

SEWER AUTHORITY MID-COASTSIDE
Finance Committee Special Meeting
May 20, 2022

Additional Suggestions for the Upcoming Finance Workshop

- a) Finance Committee should review all recommendations and determine final workshop procedures either directly or through their Finance Staff
- b) Should include SAM Staff, Member Agency Managers, District Directors and Members of the Public
- c) A Glossary of Terms will be included
- d) Detailed Walk through Audit Report and Budget describing the process
- e) Examples of how other agencies do the same
- f) Explain SAM Financial Policies and compare to other Agencies
- g) PCT will record the event to end up with a record and educational tool
- h) SAM will use a Third Party to prepare the itinerary (RVE Accounting – Peter Medina)
- i) Event will be conducted on a Non-Board Meeting Monday evening in June (6/20)

Other General Notes

It was noted that this should NOT be the forum for discussing/correcting any specific issues with how SAM currently performs the accounting/finance function. This is a forum for conveying what is currently being done at SAM and at other Agencies. In the FC Meeting, this discussion lead into how “Surplus CIP Funds” were being handled. We specifically want to refrain from devolving into specifics as they relate to current and ongoing discussions. By the nature of the subject matter in this workshop, that will be difficult.

Funds Analysis - FY2019 / FY2020 / FY2021

		June 30, 2019	June 30, 2020	June 30, 2021
Revenue Calculation:				
Total Operating Revenue		5,754,921	6,168,850	6,130,749
Less: Collections Revenue		(881,690)	(822,331)	(672,965)
Total Revenue		4,873,231	5,346,519	5,457,784
Expense Calculation:				
Total Operating Expenses		7,411,819	7,393,535	7,817,206
Less: Depreciation Expense		(1,208,295)	(999,373)	(1,027,980)
Less: Collections Expense		(920,954)	(835,978)	(593,363)
Total Expense		5,282,570	5,558,184	6,195,863
Operating Income (Loss)		(409,339)	(211,665)	(738,079)
Add: Interest Income		54,010	52,410	10,010
Add: Capital Assessments		1,967,500	2,485,000	1,992,799
Less: Capitalized Assets		(1,058,520)	(1,421,247)	(2,710,347)
Total		553,651	904,498	(1,445,617)
Source:	Fiscal Year Ending June 30, 2019 / 2020 / 2021 Audited Financial Statements			
	Statement of Revenues, Expenses and Net position			
	Statement of Cash Flows			
Methodology:	Included all forms in revenue (Operations, Capital assessments & Interest)			
	Reduced total income by Collections Revenue			
	Deducted depreciation expense from calculation as it is a cash neutral expense			
	Deducted Collections expense			
	Included Acquisition of capital assets from Statement of Cash Flows as it represents current year capital expenditures			

MEMO

To: Kishen Prathevadi, members of the Finance Committee
From: Barbara Dye, GCSD
Date: July 3, 2022
Subject: SAM's finances

Attached is a summary of some of the financials presented in the last agenda packet. I had to pull the numbers out and rearrange them but I think this presentation (or something similar) should be provided for the board at the second meeting in July. The numbers will, of course, change once the financials from June are available, but the principles will be the same.

Here is the status of O&M through May:

	Actual	Expected	Balance
Treatment	\$3,889,854	\$3,167,687	-\$722,167
Env.	\$287,052	\$167,927	-\$119,125
Admin	\$1,334,309	\$1,172,769	-\$161,540
TOTAL O & M	\$5,511,215	\$4,508,383	-\$1,002,832

In essence SAM O&M is over by \$1M through May. As a board charged with the responsibility for SAM's spending, there should be a board-level discussion about how the difference will be funded. This is emphatically not an effort to micromanage SAM. The discussion should be based on the assumption that the expenses incurred were justified. The options are at the end of this memo.

This kind of report should also be part of the financials, so that these numbers do not have to be extracted from the reports.

The status of the Infrastructure budget is as follows:

	Actual	Expected	Balance
Infrastructure	\$435,139	\$2,270,885	\$1,835,746

Given the importance of infrastructure improvements at SAM, I think the SAM board should vote at the appropriate meeting in July to carryover the \$1.8M (adjusted for June numbers) in unspent infrastructure funds to next year's budget. The JPA requires that unspent funds be returned to the districts. A vote to have a carryover would be better than ignoring that requirement.

As we start a new fiscal year, it probably makes sense to have a combined status report for infrastructure projects, including the unfinished ones from 21-22 and the new 22-23 list, with a combined funding status. In that case there will be about \$5M available for the list of projects. The decision has been made not to go back to review the

uncompleted infrastructure projects from previous years. Management should have the flexibility to use the combined infrastructure funds for whatever approved projects make sense. Management could also request the board to approve the use of those funds for emergency or higher priority infrastructure projects in the future. The status of that fund should be presented as a separate line-item in the financials.

That leaves the second question which the board should address: how will this year's \$1M of over-budget spending be covered? This is the status of the 21-22 cash reserves:

AP Checking	\$1,433,795
Payroll Checking	\$124,822
Money Market	\$673
LAIF	\$2,942,384
TOTAL	\$4,501,674
required reserves	\$2,483,167
Funds above required reserves	\$2,018,507

If you subtract the infrastructure carryover from the funds above required reserves, it leaves \$182,761.

Infrastructure carryover	Unallocated cash
\$1,835,746	\$182,761

There are three options:

1. SAM could reduce the infrastructure budget for the past year (or cut specific projects) so that the 21-22 budget was balanced including the infrastructure carryover.
2. SAM could continue to operate as it is now and count on cash flow from the agencies and unspent infrastructure funds to cover shortfalls. This masks the situation regarding both O&M spending and limited accomplishment of approved infrastructure projects.
3. The SAM board could vote to cover the shortfall with the unallocated reserves it had at the beginning of this fiscal year and any funds remaining at the end of this year. These are the figures for excess cash at the end of 20-21, largely from uncompleted infrastructure costs. Since the decision has been made not to go back and look at infrastructure funding for 20-21, these funds are available to cover the shortfall.

Cash per 20- 21 Audit	Required Reserve	CASH in Excess of Reserves
\$ 3,704,267	\$ 2,490,820	\$ 1,213,447

In effect these funds have already been used to cover the current O&M shortfall. That seems a reasonable decision, but it is surely one that should be made by the Board of Directors of SAM.

So, in summary, the two issues that should be addressed by the board are:

- ✓ I recommend establishing an infrastructure carryover fund with the remaining funds from 21-22 and continuing to track and report on infrastructure projects and funds.
- ✓ I recommend voting to use the unallocated cash from 20-21 to cover the \$1M shortfall in O&M.