

BEAR VALLEY COMMUNITY SERVICES DISTRICT

Overview of District Financial Operations

Fund Accounting

- Governmental accounting systems should be organized and operated on a fund basis.
- A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances
- Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

FUND ACCOUNTING

- What types of funds are there?
 - Governmental funds
 - General Fund
 - Special Revenue Funds
 - Capital Projects Funds
 - Debt Service Funds
 - Permanent Funds

FUND ACCOUNTING

- Proprietary Funds (business type activity)
 - Enterprise Funds
 - Internal Service Funds
- Fiduciary Funds
 - Agency Funds
 - Pension Trust Funds
 - Private-Purpose Trust Funds
 - Investment Trust Funds

BEAR VALLEY CSD FUNDS

- Governmental Funds
 - General Fund - acts as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
 - Streets and Roads Fund - used to account for the revenues received from special assessments for road maintenance and operations.
 - Bond Redemption / Debt Service Fund - used to account for the receipts received from the voter-approved tax levied on the property parcels within the District's service area to provide principal and interest payments on the general obligation bonds issued in 2002 and refinanced in 2016.
 - Supplemental Law Enforcement - used to account for specific funds appropriated to the District by the State of California under the *Citizens Option for Public Safety (COPS)* program.

BEAR VALLEY CSD FUNDS

- Proprietary Funds (business type activity)
 - Water Enterprise Fund - accounts for the water transmission and distribution operations of the District.
 - Wastewater Enterprise Fund - accounts for the wastewater service operations of the District.
 - Solid Waste Enterprise Fund - accounts for the solid waste collection and disposal operations of the District.

GENERAL FUND

- General Fund Department Budgets
 - Administration
 - General Services
 - Police
 - Gate
 - Parks & Recreation
- Primarily funded by Property Tax, Police Tax, and Gate Tax

GENERAL FUND

- **Property Tax**
 - Based on Assessed Value of property
 - District receives approximately 20% of the 1% property tax
- **Police Tax**
 - \$80 per parcel annually fixed with no inflation escalator
 - Unchanged since 1995
 - Covers about 15% of police expenditures
- **Gate Tax**
 - \$75 per parcel fixed annually with no inflation escalator
 - Unchanged since 2006
 - Covers about 42% of gate expenditures

GENERAL FUND

- **Fiscal Status**
 - Balanced operating budget
 - Contingency Reserve of 50% of next Fiscal Year's expenditure budget is satisfied
- **Challenges**
 - Revenues mostly flat
 - Primarily dependent on property taxes
 - Increasing pension costs
 - Increasing healthcare costs

STREETS AND ROADS FUND

- Primarily funded by Roads Assessment Revenue
 - \$340 per parcel annually fixed with no inflation escalator
 - Unchanged since 1996
 - \$1.2 million annually
- Includes a Roads Reserve Fund
 - Used to pay \$196,905 annually towards debt service on Road Rehabilitation Loan
- Debt Service of \$426,000 annually for Road Rehabilitation Loan
 - Last Payment due in FY 21-22

STREETS AND ROADS FUND

- Fiscal Status
 - Operating Deficit
 - Contingency Reserve of 40% of next Fiscal Year's expenditure budget is not satisfied
- Challenges
 - Revenues flat
 - Increasing pension costs
 - Increasing healthcare costs
 - Aging infrastructure
 - Aging equipment

ENTERPRISE FUNDS

- Self-supporting funds that provide goods and services to the public for a fee.
- Pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs
- Enterprise funds generally are segregated as to purpose and use from other funds and accounts of the governmental entity with the intent that revenues generated by the enterprise activity and deposited to the enterprise fund will be devoted principally to funding all operations of the enterprise activity, including payment of debt service issued to finance such activity.

ENTERPRISE FUNDS

- Water (Water Enterprise, Water Development, and Water Reserve Funds)
 - Costs of providing water should be sustained by water rates and fees
- Wastewater (Wastewater Enterprise, Wastewater Development, Wastewater Reserve, and Assessment District 95-1 Funds)
 - Costs of providing wastewater service should be sustained by wastewater fees
- Solid Waste (Solid Waste Enterprise and Solid Waste Reserve Funds)
 - Costs of providing solid waste service should be sustained by solid waste fees

WATER ENTERPRISE FUNDS

- Primarily funded by water utility rates
 - Rate Study completed in 2019
 - 5 Year rate increase approved and begun in 2019
 - \$4.4 million in revenues annually
- \$750K in Capital Outlay planned per year
- Debt Service
 - \$162,000 annually for water system improvement loan
 - \$102,000 annually for generator loan

WATER FUNDS

- Fiscal Status
 - Operating Surplus
 - Contingency Reserve of 25% of next Fiscal Year's expenditure budget is satisfied
 - Debt Service Coverage satisfied
- Challenges
 - Increasing pension costs
 - Increasing healthcare costs
 - Aging infrastructure
 - Aging equipment

WASTEWATER FUNDS

- Primarily funded by wastewater utility rates
 - Rate Study completed in 2020
 - 5 Year rate increase approved and begun in 2020
- \$160K in Capital Outlay planned per year
- Debt Service
 - \$33,000 annually for wastewater system improvement loan

WASTEWATER FUNDS

- **Fiscal Status**
 - Large Operating Deficit should shift to Operating Surplus over next few years
 - Contingency Reserve of 20% of next Fiscal Year's expenditure budget should be satisfied over next few years
 - Debt Service Coverage should be satisfied over next few years
- **Challenges**
 - Increasing pension costs
 - Increasing healthcare costs
 - Aging infrastructure
 - Aging equipment

SOLID WASTE FUNDS

- Primarily funded by solid waste utility rates
 - Rates have not changed since 2007
 - Rate Study currently in progress
 - 5 Year rate increase to be proposed soon
- Capital Outlay needs being assessed as part of rate study
- No Debt Service

SOLID WASTE FUNDS

- Fiscal Status
 - Large Operating Deficit
 - Contingency Reserve of 20% of next Fiscal Year's expenditure budget is not satisfied
 - Will run out of funds in FY 21-22 at current projections
- Challenges
 - Inadequate, flat revenues
 - Increasing pension costs
 - Increasing healthcare costs
 - Aging infrastructure
 - Aging equipment

Budget Process Overview

- Revenues
 - be conservative on projections and meet or exceed annual operating expenses
- Expenditures
 - establish normal, recurring annual operating costs and set aside capital / one-time expenditure requests for review
- Fund Balance
 - project fund balances based on normal operating revenues and expenses
 - Maintain required fund balance levels in accordance with District's budget and fiscal policies
 - Use surplus to fund one-time costs and/or capital

Budget Process Overview

- Capital Outlay
 - Review separately from normal operating costs, prioritize needs, and fund from excess revenues or surplus fund balance
- Allocations
 - Apply cost allocation methodology with appropriate criteria
 - Update Cost Allocation Plan
 - Full costs of Administration & General Services shown with allocation details to show support costs to other funds

Budget Preparation Goals

- Transparency & Readability by public
 - Beginning and Ending Fund Balances shown for each fund summary
 - Funding Source summary to bottom of fund summaries
 - Separate Fund Balance schedule showing estimated fund balances for each fund
 - Separate Interfund Transfer schedule showing descriptions for all transfers
 - Development of Cost Allocation Plan

Budget Preparation Goals

- Adhere to District Budget & Fiscal Policies
 - Identification of Contingency Funds
 - General Fund: 50% of FY Expense Budget
 - Roads Fund: 40% of FY Expense Budget
 - Water Enterprise Fund: 25% of FY Expense Budget
 - Wastewater Enterprise Fund: 20% of FY Expense Budget
 - Solid Waste Enterprise Fund: 20% of FY Expense Budget

Budget Preparation Goals

- Assess fiscal status of Funds
 - Operational and Capital budgets separated for identification of true operating costs
 - Budgets reviewed and adjusted to reflect actual expenditures; thereby not inflating expenses nor precluding some expenditures due to lack of budget
 - Several funds have structural deficiencies, meaning their normal operating revenues are insufficient to support their normal operating costs

Budget Preparation Goals

- Capital Improvements & One-Time Purchases
 - Separated from Operating budgets and funded if:
 - There are excess annual revenues over expenditures in the fund; and/or
 - There are excess funds after applying fund balance policies on retention of funds; or
 - The expense is vital, despite other criteria
- Adopt Final Budget by July 1st

Questions / Discussion