

FY18 RESERVE BALANCE RECONCILIATION

Board of Directors
January 17, 2019



2

SFID Reserve Policy

- **One Restricted Reserve**
 1. Capacity Fee Fund:
Segregate District capacity fees paid for new or increased customer connections and may only be utilized for capital improvement program expenditures.

- **Three Unrestricted Reserves – Designated by Policy**
 1. Capital Improvement and Replacement Fund:
For capital improvements to meet regulatory requirements, system reliability, facility replacement projects, and future infrastructure upgrades. These capital improvements are identified in the 10 year capital improvement program as established by the Asset Management Master Plan.
 2. Operating Fund:
To maintain working capital for current operations and to meet routine cash flow needs.
 3. Rate Stabilization Fund:
Utilized to avoid unacceptable rate increases and fund unanticipated operating expenditures.

SFID Reserve Policy

Three Unrestricted Reserves

Available resources to dedicate to reserves is FY 2018 year-end cash and cash equivalents balance = \$23,240,621

SANTA FE IRRIGATION DISTRICT	
STATEMENT OF NET POSITION	
June 30, 2018	
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 23,240,621
Accounts receivable - water sales	4,302,575
Accounts receivable - R.E. Badger Filtration Plant	123,369
Accounts receivable - Other	237,582
Property taxes and assessments collectible	22,385
Accrued interest receivable	78,630
Inventory	345,265
Prepaid expenses	45,712
Total Current Assets	28,396,139

SFID Reserve Policy Targets

- Capital Improvement and Replacement Fund:**

Minimum	Maximum
100% of current year PAYGO CIP + 50% of next year PAYGO + 25% of 3 rd year PAYGO	100% of 10-year CIP costs in Asset Management Master Plan
\$9,775,000	\$22,346,300

- Operating Fund:**

Minimum	Maximum
60-day average of current year operating budget	90-day average of current year operating budget
\$3,970,919	\$5,956,379

- Rate Stabilization Fund:**

Minimum	Maximum
8% of current year budget property tax + 10% of current year budget variable water sales revenue + 5% of current year budget wholesale water costs	100% of current year budget property tax + 30% of current year budget variable water sales revenue + 25% of current year budget wholesale water costs
\$2,829,484	\$11,420,407

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Cash balance not designated by Board of Directors to reserve funds would remain as undesignated funds for working capital & **may only be utilized by Board of Director's action**

Staff recommendation to maintain undesignated balance

SFID Reserve Policy Targets

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Proposed reserve funding at minimum Policy level, which provides sufficient funding for the capital program for the foreseeable future based on District and Board of Directors practice to continue funding the capital improvement program in each fiscal year with property tax revenues and depreciation expense.

FY	AMMP Cost	Funding	Total
FY 2019	\$ 5,736,700	100%	\$ 5,736,700
FY 2020	\$ 5,477,400	50%	\$ 2,738,700
FY 2021	\$ 5,198,400	25%	\$ 1,299,600

Proposed Ending Balance for FY18 **\$ 9,775,000**

SFID Reserve Policy Targets

- **Operating Fund:**

Minimum	Maximum
60-day average of current year operating budget	90-day average of current year operating budget
\$3,970,919	\$5,956,379

Propose maintaining maximum Policy level of 90 operating days worth of fund balance

SFID FY 2019 Operating Expenditures - Budgeted	\$	24,156,425
/ 365 operating days	\$	66,182
Proposed 90 Days of Operating Expenditures	\$	5,956,379

Based on GFOA reserve recommendations and District potential for fluctuations in expenditures and revenues from water sales and one-time large expenditures.

SFID Reserve Policy Targets

- **Rate Stabilization Reserve Fund:**

Minimum	Maximum
8% of current year budget property tax + 10% of current year budget variable water sales revenue + 5% of current year budget wholesale water costs	100% of current year budget property tax + 30% of current year budget variable water sales revenue + 25% of current year budget wholesale water costs
\$2,829,484	\$11,420,407

Propose contribution to rate stabilization fund balance above FY18 level to reflect greater than anticipated local water availability = \$1,129,701 contribution to balance

FY 2018 Rate Stabilization Reserve	\$	3,226,855
Proposed Addition Due to Local Water Availability	\$	1,129,701
Proposed Rate Stabilization Reserve Level	\$	4,356,556

SFID Reserve Policy

- **Designated / Undesignated Funds**

- Previous District practice to designate all funds – additional amounts to Capital fund
- Proposal to maintain undesignated fund balance for working capital purposes
 - Undesignated fund balance of \$3,152,686 is approximately 48 days – general GFOA guideline of 45 – 90 days
 - Undesignated balance can only be utilized if appropriated by Board of Directors

FY 2018 Cash Balance	\$ 23,240,621
Capital Improvement Fund Proposed Balance	\$ 9,775,000
Operating Fund Proposed Balance	\$ 5,956,379
Rate Stabilization Fund Proposed Balance	\$ 4,356,556
Total Designated Reserves	\$ 20,087,935
Undesignated Fund Balance / Working Capital	\$ 3,152,686

Questions?



SFID FINANCIAL OUTLOOK

Board of Directors
January 17, 2019



SFID Financial Outlook

- **Financial projection to determine when District would be required to utilize established reserve balances for operations**
 - Revenues for potable and recycle water based on current rates and other factors outlined in cost-of-service projections
 - Expenditures based on assumptions outlined in cost-of-service projections
 - January 1, 2019 and all future San Diego County Water Authority pass-through wholesale water rate increase absorbed in current financial projections (3% estimated future increases)
 - June 2019 and future San Elijo JPA pass through absorbed (3.8% per year)
 - Continuation of capital improvement spending outlined in 10-year program

SFID Outlook Summary w/ Proposed Reserves

- Maintaining current proposed reserve practice of:
 - Operating Reserve: 90 days of operating expenditures
 - Rate Stabilization: Maintain FY 2019 proposed beginning balance of \$4.4M
 - Capital Improvement Fund: Meet minimum policy requirement

	FY 2018	FY 2019	FY 2020
Beginning Total Cash Balance	\$ 17,768,093	\$ 23,240,621	\$ 21,233,315
Total Revenues		36,057,018	37,799,865
Total Expenditures		(38,064,324)	(38,679,464)
Ending Total Cash Balance	\$ 23,240,621	\$ 21,233,315	\$ 20,353,716
Total Reserves	\$ 20,087,935	\$ 20,785,820	\$ 20,943,175
Undesignated Cash Balance	\$ 3,152,686	\$ 447,495	\$ (589,459)

* Beginning in FY 2020, District is estimated to begin to utilize reserves for operations – est. December 2019 *

Questions?

