



TAHOE CITY PUBLIC UTILITY DISTRICT

MEMORANDUM

TO:	Board of Directors	DATE:	August 12, 2020
FROM:	Sean Barclay General Manager	SUBJ:	Long-Term Financial Planning Process Update and Financial Analysis Discussion

RECOMMENDATION:

The Board receive a presentation on the continuation of the District's Long-Term Financial Planning Process and review and discuss the financial analysis phase.

BACKGROUND:

At the May 2020 meeting of the Board of Directors, staff continued the District's Long-Term Financial Planning (LTFP) process with a presentation focused on a review of updated District Reserve Policies. Subsequently, at the June 2020 meeting, the Board adopted amendments to the District's General Fund Reserve Policy and the Enterprise Funds Unrestricted Net Position and Reserves Policy.

The adoption of these amended financial policies, together with the adoption of several other new and amended financial policies of the course of the past year mark an important transition point in the District's LTFP process. District staff has moved from the Mobilization Phase into the Analysis Phase of its process. The analysis phase of the process is dedicated to producing information that supports the planning and strategizing that will occur in the decision phase. Staff has been gathering information and beginning development of trend projections, including long-term revenue and expenditure trends and long-term debt analysis.

At the August Board meeting, staff will deliver a presentation to the Board that summarizes the results of the mobilization phase and presents an initial look at the trends and projections being developed for Board review and discussion. Any feedback and direction provided by the Board will be incorporated by staff and used to inform strategic decision making sessions with the Board anticipated for later this year.

STRATEGIC GOAL:

6.3A – Complete Long-Term Financial Planning Process and Adopt Strategic Document

FINANCIAL IMPACTS:

No financial impact.

ATTACHMENTS:

- None

REVIEW TRACKING:

Submitted By: _____

Sean Barclay
General Manager

Long-Term Financial Planning Analysis Phase

Financial Analysis

Tahoe City Public Utility District – August 2020



Why Long-Term Financial Planning?

Establish an annual process to ensure the on-going financial sustainability of TCPUD while providing a consistent level of service.

- Acquisition of the Tahoe City Golf Course property
- Acquisition of private water companies
- Capital infrastructure needs
- Annual operating cost increases
- Pension Unfunded Accrued Liability (Pension UAL)
- Other Post Employment Benefits Unfunded Accrued Liability (OPEB UAL)
- Regulatory changes and compliance
- California drought mandates
- Declining access to capital grants
- *Potential Acquisition of 401 W. Lake Blvd. property*



Long-Term Financial Planning Goals

- Ensure the District is financially prepared to:
 - Achieve District Mission
 - Accomplish Strategic Initiatives
 - Ensure Financial Sustainability
- Link annual budgets together into a coherent long-term strategy
- Provide a consistent level of critical services to the community
- Help achieve utility rate stability over a long-term horizon



GFOA Phased Approach to LTFP

Mobilization Phase

- prepare the organization for long-term planning by creating consensus on what the purpose and results of the planning process should be.

Analysis Phase

- produce information that supports planning and strategizing. The analysis phase includes the projections and financial analysis commonly associated with long-term financial planning.

Decision Phase

- decide how to use the information provided.

Execution Phase

- after the plan is officially adopted, strategies must be put into action (e.g. funding required in achieving goals). The execution phase is where the strategies become operational through the budget, financial performance measures, and action plans.



Results of the Mobilization Phase

- Adoption of new updated Financial Policies (7)
- Identified pressing issues and top priorities
- Completed preliminary forecasts
 - need to consider debt financing for capital infrastructure
- Identified/Discussed Service level preferences



Identified Pressing Issues/Priorities

- Develop District Strategy & Policy for Unfunded Pension Liability (6.3C)
- Develop District Strategy & Policy for Unfunded OPEB Liability (6.3D)
- TCGC Clubhouse Replacement/Improvements
- WLTRWTP Construction
- 401 W. Lake Blvd Property Improvements/Master Plan
- Tahoe Cedars/Madden System Reconstruction
- West Shore Storage Augmentation Project
- Admin Facility Master Plan Projects
- Dollar Edgewater Sewer Line Rehabilitation Project



Goals of the Analysis Phase

- Develop Long-Term Projections
 - Trended revenue and expenditures
 - Capital assumptions
 - Borrowing

- Analyze Results of Long-Term Projections for potential challenges to fiscal stability (imbalances)
 - Capital needs and wants
 - Limited funding resources
 - Funding Reserves per policies



Long-Term vs. 2021 Budget Process

- Running on parallel tracks currently, but distinct processes
- 2021 budget is the basis of the LTFP model assumptions
- The LTFP model is a dynamic model that requires updating as better information becomes available and as Board decisions are made
- Decision points such as phasing of capital projects will require borrowing and pay as you go analysis
- LTFP decisions will impact capital plan for 2022-2025 and beyond



Financial Analysis

- Five Year Trends and Reserve Charts
 - Water Fund
 - Sewer Fund
 - General Fund
 - Annual Property Tax Revenue Allocation
 - General Fund – Available Cash



Water Assumptions— Five Year Trend Projections

- Borrowing:
 - SRF Loan \$12.3 million for WLTRWTP
 - SRF Loan(s) \$23.8 million for Tahoe Cedar and Madden Creek system reconstruction

- Property Tax Annual Allocation:
 - Tahoe Cedars and Madden Creek rate transition plan
 - One-half (½) SRF annual debt service payment for WLTRWTP
 - 100% of future SRF debt service payment for Tahoe Cedar and Madden Creek system rebuild

- One-Time Property Tax Transfers From Available Cash:
 - \$1.8 million – Balance 2019 Water Fund negative undesignated amount
 - \$1.7 million – Fund Reserve target for the Water System Acquisition & Infrastructure Improvement Property Tax Reserve
 - \$5.0 million – Investment in water capital (TC/Madden Creek capital projects)

Water Fund – Five Year Trend Projections

	Projected		Trend Projections			
	2020	2021	2022	2023	2024	2025
Net Operating Income (exclude dep)	\$ 2,546,180	\$ 2,778,480	\$ 3,169,992	\$ 3,409,284	\$ 3,645,916	\$ 3,880,266
Other Sources:						
Property tax - rate transition	727,680	566,395	374,730	185,583	-	-
Property tax -debt service existing / WLTRWTP	44,617	7,666	31,089	367,564	367,564	367,564
Property tax -debt service Water Systems		-	-	501,495	819,500	1,137,515
One-time property tax -transfer	1,819,424	5,866,133	866,133	-	-	-
Capital financing - WLTRWTP	-	4,441,296	6,736,894	1,110,574	-	-
Capital financing - Water Systems	-	-	8,200,000	5,200,000	5,200,000	5,200,000
Net Revenue (Deficit)	5,137,901	13,659,970	19,378,838	10,774,500	10,032,980	10,585,345
Cashflow adjustments:						
Less debt service payments	(44,617)	(15,332)	(62,178)	(1,236,622)	(1,554,627)	(1,872,642)
Less capital expenditures	(3,044,001)	(12,597,361)	(18,770,175)	(8,234,789)	(8,793,437)	(8,000,000)
Projected change in cash	2,049,283	1,047,277	546,485	1,303,088	(315,085)	712,703
Beginning of year	3,201,277	5,250,560	6,297,837	6,844,322	8,147,410	7,832,325
Projected cash at year end	\$ 5,250,560	\$ 6,297,837	\$ 6,844,322	\$ 8,147,410	\$ 7,832,325	\$ 8,545,028



Water Fund – Reserve Chart

Water Assumptions:

- Operating Reserves fully funded (90 days of annual budget)
- Fleet & Equipment Replacement Reserves fully funded based on current schedule
- Infrastructure Capital Replacement Reserves set at minimum reserve of \$1.5 million
- Water System Acquisition & Infrastructure Improvement Property Tax Reserve fully funded to \$3.0 million by 2022 from property tax revenue

	Projected	Trend Projections				
	2020	2021	2022	2023	2024	2025
Operating Reserves	\$ 1,137,345	\$ 1,271,158	\$ 1,329,359	\$ 1,413,744	\$ 1,504,107	\$ 1,593,941
Fleet & Equipment Replacement Reserves	218,122	216,517	257,200	289,383	353,567	224,250
Infrastructure Capital Replacement Reserves	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Water System Acquisition & Infrastructure Improvement Property Tax Reserve	1,267,735	2,133,867	3,000,000	3,000,000	3,000,000	3,000,000
Total reserves	4,123,202	5,121,542	6,086,559	6,203,127	6,357,674	6,318,191
Available cash	1,127,358	1,176,295	757,763	1,944,283	1,474,652	2,226,837
Projected cash at year end	\$ 5,250,560	\$ 6,297,837	\$ 6,844,322	\$ 8,147,410	\$ 7,832,325	\$ 8,545,028



Sewer Assumptions— Five Year Trend Projections

- One-Time Property Tax Transfer From Available Cash:
 - \$113,162 – 2020 Commercial Sewer Rate Relief Program

Sewer Fund – Five Year Trend Projection

	Projected	Trend Projections				
	2020	2021	2022	2023	2024	2025
Net Operating Income (exclude dep)	\$ 1,797,323	\$ 1,864,861	\$ 1,904,793	\$ 1,879,007	\$ 1,846,678	\$ 1,862,175
Other Sources:						
One-time property tax -transfer	113,162	-	-	-	-	-
Net Revenue (Deficit)	1,910,485	1,864,861	1,904,793	1,879,007	1,846,678	1,862,175
Cashflow adjustments						
Less capital expenditures	(1,628,094)	(4,510,293)	(3,326,200)	(2,523,333)	(1,680,000)	(1,200,000)
Projected change in cash	282,391	(2,645,432)	(1,421,407)	(644,326)	166,678	662,175
Beginning of year	7,373,580	7,655,971	5,010,539	3,589,132	2,944,806	3,111,484
Projected cash at year end	\$ 7,655,971	\$ 5,010,539	\$ 3,589,132	\$ 2,944,806	\$ 3,111,484	\$ 3,773,659

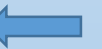


Sewer Fund – Reserve Chart

Sewer Assumptions:

- Operating reserves fully funded (90 days of annual budget)
- Fleet & Equipment Replacement Reserves – fully funded based on current schedule
- Infrastructure Capital Replacement Reserves – Minimum reserve is set at \$1.5 million

	Projected				Trend Projections	
	2020	2021	2022	2023	2024	2025
Operating Reserves	\$ 908,467	\$ 978,758	\$ 1,028,307	\$ 1,097,939	\$ 1,172,830	\$ 1,247,421
Fleet & Equipment Replacement Reserves	315,668	421,684	564,951	699,718	866,484	839,751
Infrastructure Capital Replacement Reserves	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Total reserves	2,724,135	2,900,442	3,093,258	3,297,657	3,539,314	3,587,172
Available cash	4,931,836	2,110,097	495,874	(352,851)	(427,830)	186,487
Projected cash at year end	\$ 7,655,971	\$ 5,010,539	\$ 3,589,132	\$ 2,944,806	\$ 3,111,484	\$ 3,773,659



Property Tax Assumptions— Five Year Trend Projections

➤ Property Tax Annual Allocation:

- Tahoe Cedars and Madden Creek rate transition plan
- Existing debt service for current SRF & Zion Note
- One-half (½) SRF annual debt service payment for WLTRWTP
- 100% of future SRF debt service payment for Tahoe Cedar and Madden Creek system rebuild

➤ One-Time Property Tax Transfers From Available Cash:

- \$1.8 million – Balance 2019 Water Fund negative undesignated amount
- \$1.7 million – Fund Reserve target for the Water System Acquisition & Infrastructure Improvement Property Tax Reserve
- \$5.0 million – Investment in water capital (TC/Madden Creek capital projects)
- \$113,162 – Fund the 2020 Commercial Sewer Rate Relief Program
- \$4.7 million – Fund the 401 West Lake Blvd. property acquisition

Annual Property Tax Revenue Allocation Trend Projections

Annual Property Tax Revenue Allocation	Projected	Trend Projections				
	2020	2021	2022	2023	2024	2025
Parks / Recreation / Golf Operations	\$ 2,934,592	\$ 3,247,694	\$ 3,563,947	\$ 3,777,961	\$ 4,015,002	\$ 4,250,931
Capital Outlay (net grants)	2,200,333	1,593,657	3,928,000	1,322,333	1,196,000	1,500,000
Water Rate Transition	727,680	566,395	374,730	185,583	-	-
Existing Debt Service	184,320	139,703	139,703	139,703	139,703	139,704
Planned SRF Debt Service - WLTRWTP	-	7,666	31,089	367,564	367,564	367,564
Future SRF Debt Service - Water Systems	-	-	-	501,495	819,500	1,137,515
Available	1,936,297	2,827,268	680,209	2,771,747	2,891,273	2,410,489
Total annual property tax revenue allocation	\$ 7,983,222	\$ 8,382,383	\$ 8,717,678	\$ 9,066,385	\$ 9,429,041	\$ 9,806,202

General Fund – Reserve Chart

General Fund Assumptions:

- Operating reserves fully funded (90 days of annual budget)
- Fleet & Equipment Replacement Reserves – fully funded based on current schedule
- Infrastructure Capital Replacement Reserves – increase \$500K each year
- Priority Project Capital Reserves – increase \$500K each year

	Projected		Trend Projections			
	2020	2021	2022	2023	2024	2025
Operating Reserves	\$ 1,153,740	\$ 1,236,176	\$ 1,322,940	\$ 1,384,313	\$ 1,451,614	\$ 1,518,816
Fleet & Equipment Replacement Reserves	300,071	120,163	137,145	228,627	303,609	359,090
Infrastructure Capital Replacement Reserves	1,034,429	1,534,429	2,034,429	2,534,429	3,034,429	3,534,429
Priority Project Capital Reserves	500,000	1,000,000	1,500,000	2,000,000	2,500,000	3,000,000
Total reserves	2,988,240	3,890,768	4,994,514	6,147,369	7,289,652	8,412,335
Available cash	6,335,861	2,499,054	1,312,871	3,034,055	4,884,039	6,271,427
Projected cash at year end	\$ 9,324,101	\$ 6,389,822	\$ 6,307,385	\$ 9,181,424	\$ 12,173,691	\$ 14,683,763



General Fund – Available Property Tax Revenue

Property Tax Revenue & Uses	Projected	Trend Projections					Total Cumulative
	2020	2021	2022	2023	2024	2025	
Property Tax Revenue Placer & El Dorado County	\$ 7,983,222	\$ 8,382,383	\$ 8,717,678	\$ 9,066,385	\$ 9,429,041	\$ 9,806,202	53,384,911
Parks, Rec, Golf, WSP Operational Expense	(2,934,592)	(3,247,694)	(3,563,947)	(3,777,961)	(4,015,002)	(4,250,931)	(21,790,127)
Tahoe Cedars/Madden Creek Rate Transition	(727,680)	(566,395)	(374,730)	(185,583)	-	-	(1,854,388)
Current Debt Service	(184,320)	(139,703)	(139,703)	(139,703)	(139,703)	(139,704)	(882,836)
Planned SRF for WLTRWTP @ 50% of total	-	(7,666)	(31,089)	(367,564)	(367,564)	(367,564)	(1,141,446)
Future Debt Service for water systems	-	-	-	(501,495)	(819,500)	(1,137,515)	(2,458,510)
Subtotal Net Property Tax Revenue Available for other Uses	4,138,650	4,422,946	4,610,231	4,096,103	4,089,297	3,912,514	25,257,605
One-time Property Tax Transfers to Water and Sewer Funds	(1,932,586)	(5,866,133)	(866,133)	-	-	-	(8,664,852)
				General Fund 12/31/2019 Cash Available			14,556,496
				Cumulative amount Available for Capital			31,149,249
Net non-operating	(436,106)	104,586	103,487	102,292	100,995	99,583	74,837
Designated Capital Plans							
**Parks and Recreation Capital Plans and G&AS - Net capital grants	\$ (7,000,333)	\$ (1,593,657)	\$ (3,928,000)	\$ (1,322,333)	\$ (1,196,000)	\$ (1,500,000)	(16,540,323)
							14,683,763
				Less General Fund Reserves			(8,412,335)
				Cumulative Amount Available for Capital			\$ 6,271,427

**2020 Capital includes potential acquisition of 401 W. Lake Blvd. property \$4.7 million



Summary

- Goal to present a financial “snap shot” of what we know today:
 - Based on the Board’s priorities
 - Walk through a financial analysis
 - Show the impacts of the newly adopted reserve policies
 - Show available cash
- Moving forward with the LTFP, we will come back to the Board to:
 - Reaffirm Board priorities
 - Determine how quickly to address priorities
 - Evaluate staff and financial resources
 - Present an updated financial analysis based on most current information



Next Steps

- Continue with the 2021 operating and 2021 capital budget process
- Prepare a five-year capital plan as part of the 2021 budget process (absent finalized master plans recommendations)
- Prepare an updated five-year capital plan for the LTFP upon completion of the master plans
- Continue with the LTFP process and bring back to the Board for direction on path forward (“Decision Phase”)
- Move into the “Execution” Phase to implement Board direction



Thank You!

- Board Feedback?
- Board Questions?
- Public Comment?

