



To: Board of Directors
From: Gary Belair, Board Director to Finance & Planning Committee
Date: June 16, 2021
Re: Reserve and Capital Obligations

MOTION

I move to approve the carryover for 2020 Utility Capital obligations of \$99,388, approve the designation of \$2,641,145 for General Capital funds, and to authorize the Controller to move a total of \$155,925 into Non-Utility Reserves and \$308,828 into Utility Reserves.

BACKGROUND

Upon completion of the audit each year, this reconciliation is used to analyze amounts needed to 1) be carried over for capital projects started and not completed, 2) be made available for additional reserves, 3) utilize for addressing deferred maintenance, etc. Those details and our recommendations follow.

Reserve Reconciliation & Recommendation – Non-Utility Uses

During 2016 and 2017, assessment funds totaling \$3.5 mil were escrowed. In 2020 \$500k was allocated for culvert repairs, of which \$250k was utilized in 2020 and the remaining \$250k used in the beginning of 2021. After which \$920,969 remains available.

With respect to the funds available for addressing maintenance, additional reserves or debt reductions, staff recommend the following:

- 1) Move \$155,925 into Non-Utility Reserves.
- 2) Approve the proposed capital items as noted on the attached list.
- 3) Approve the request to create a new restricted general capital funds account and consolidate the remaining \$920,969 escrow funds for a total of \$1,500,000
- 4) Await recommendations during the 2021 budget process for additional identified projects that can be addressed with the remaining \$835,696.

Reserve Reconciliation & Recommendation – Utility Uses

2020 resulted in better than projected operation results therefore \$420,537 additional funds are available as well as \$653,796 carryover available funds from 2018 and 2019 combined.

We recommend those funds being utilized as follows:

- 1) Move \$308,808 into Utility Reserves

- 2) Approve the 2020 capital obligations carryover in the amount of \$99,388, as noted on the attached list.
- 3) Approve the requested to create a new restricted Utility capital funds account and move the remaining \$666,117.

These actions fund reserves as budgeted and allocate funds for specific capital requests, both obligated and new.

HOT SPRINGS VILLAGE POA
Reserve and Capital Reconciliation

For the Year Ending December 31, 2020

NON UTILITY

| | 2020 Actual | 2020 budget |
|--|---------------------|------------------|
| 2020 YE available earnings: | \$ 3,478,931 | \$ 501,520 |
| less budgeted non utility reserve | \$ (155,925) | |
| less budgeted rollover streets to 2021 | \$ (250,000) | |
| less Golf reserve | \$ (517,134) | \$ (475,086) |
| Less 2020 capital obligations | | |
| net ending available | <u>\$ 2,555,872</u> | <u>\$ 26,434</u> |
| add remaining escrow fund balance | \$ 920,969 | \$ 920,969 |
| total non utility available | \$ 3,476,841 | |

Proposed Allocations

| | |
|--|-----------------------|
| road repair | \$ (600,000) |
| road striping | \$ (100,000) |
| road forensic mapping | \$ (150,000) |
| balboa club renovation | \$ (291,145) |
| new capital restricted funds - General | <u>\$ (1,500,000)</u> |
| total proposed allocations | \$ (2,641,145) |

Net remaining available \$ 835,696

UTILITY

| | 2020 Actual | 2020 budget |
|--------------------------------------|-------------------|--------------|
| 2020 YE available earnings: | \$ 420,537 | \$ 308,828 |
| Remaining prior year funds available | \$ 653,796 | |
| Less budgeted utility reserve | \$ (308,828) | \$ (308,828) |
| Less 2020 capital obligations | \$ (99,388) | \$ - |
| net ending available | <u>\$ 666,117</u> | <u>\$ -</u> |

Proposed Allocations

new capital restricted funds - Public Utilities \$ (666,117)

Net remaining available \$ -

YE cash balance (includes PPP funds) \$ 7,539,354

less reserves and allocations \$ (3,722,420)

remaining cash balance \$ 3,816,934

2021 YE BUDGET

| | |
|--------------------------------------|-----------------------|
| 2021 budged available: | \$ 4,399,616 |
| PPP forgiveness | \$ 3,089,000 |
| usage of 2020 street funds rollover | \$ 250,000 |
| debt | \$ (976,666) |
| capital | <u>\$ (4,429,098)</u> |
| amount available for reserves | \$ 2,332,852 |

budgeted golf reserve \$ (476,800)

budgeted utility reserve \$ (399,207)

budgeted non utility reserve \$ (298,761)

capital restricted funds - Public Utilities \$ (477,013)

capital restricted funds - General \$ (681,071)

net excess \$ -

HOT SPRINGS VILLAGE POA
Reserve and Capital Rollover Reconciliation
as of December 31, 2020

| Non-Utility Reconciliation | | | |
|--|------------------------|------------------------|--------------------------------|
| | 2020 Actual | 2020 Budget | Over/(Under) Budget |
| Net Revenue | \$ 26,889,206 | \$ 28,518,622 | \$ (1,629,416) |
| Operating Exp | (24,357,037) | (26,097,630) | (1,740,593) |
| Operational Profit | \$ 2,532,169 | \$ 2,420,992 | \$ 111,177 |
| Prior Year Capital Rollover Approved | \$ 1,037,900 | \$ 1,037,900 | |
| Escrowed Funds Approved for use in 2019 Budget | 500,000 | 500,000 | |
| Capital Spent | (1,495,147) | (3,891,730) | (2,396,583) |
| Remaining 2020 Capital Obligations | - | | |
| Debt Service Principle Paid | (600,325) | (580,642) | |
| Public Utility Fleet Allocation | 54,334 | 65,000 | |
| Usage of Prior Year Street Funds | 450,000 | 450,000 | |
| Public Utility Payback | 1,000,000 | 500,000 | 500,000 |
| Available for Non-Utility Reserves/Rollover | \$ 3,478,931 | \$ 501,520 | \$ 2,977,412 |
| Budgeted Non-Utility Reserves | (155,925) | - | (155,925) |
| Rollover Budgeted for 2020 for Streets from Escrow to 2021 | (250,000) | | |
| Golf Reserves | (517,134) | (475,086) | |
| Available for Capital or Additional Reserves Before Rollover | \$ 2,555,872 | \$ 26,434 | \$ 2,529,439 |
| Remaining Escrow | 920,969 | | |
| Requested Capital Rollover * | - | | |
| Available for Capital or Additional Reserves | \$ 3,476,841 | | |
| Non Reserve Capital Funds (consolidate with remaining escrow funds) | (1,500,000) | | |
| road repair | \$ (600,000) | | |
| road striping | \$ (100,000) | | |
| road forensic mapping | \$ (150,000) | | |
| balboa club renovation | \$ (291,145) | | |
| Available | \$ 835,696 | | |

| Public Utility Reconciliation | | | |
|--|------------------------|------------------------|--------------------------------|
| | 2020 Actual | 2020 Budget | Over/(Under) Budget |
| Public Utility Revenue | \$ 7,318,760 | \$ 7,290,338 | \$ 28,422 |
| Expense | (4,011,930) | (4,379,135) | (367,205) |
| Cash generated from Operations | \$ 3,306,830 | \$ 2,911,203 | \$ 395,627 |
| Bond Funds Available | - | - | - |
| Non-Bond Prior Year Rollover Approved | - | - | - |
| Prior Year Capital Rollover Approved | \$ - | \$ 662,736 | |
| Capital | \$ (1,551,959) | \$ (2,420,112) | \$ (868,153) |
| Remaining 2020 Capital Obligations | (99,388) | | (99,388) |
| | \$ 1,754,871 | \$ 1,153,827 | \$ 601,044 |
| Bond Debt Service (<i>Principal Only</i>) | (280,000) | (280,000) | - |
| Fleet Allocation | (54,334) | (65,000) | |
| Annual Payback for Water Treatment Plant | (1,000,000) | (500,000) | 500,000 |
| Available for Capital or Additional Reserves Before Rollover | \$ 420,537 | \$ 308,827 | \$ 111,710 |
| Budgeted Utility Reserves | (308,828) | | |
| Remaining Prior Year Funds Available | \$ 653,796 | | |
| Requested Capital Rollover * | - | - | - |
| Available for Capital or Additional Reserves | \$ 765,505 | \$ 308,827 | \$ 1,074,332 |
| Non Reserve Capital Funds Account | (666,117) | | |
| Available | \$ 99,388 | | |
| * Total Capital Rollover requested | \$ 99,388 | | |

| Capital Carryover Obligations | |
|--|------------------|
| Non- Utility Capital Rollover Requested | \$ - |
| Utility Capital Rollover Requested | |
| Balboa 1 Lift Station Bypass Piping/Valves | \$ 36,949 |
| 2HP Grinder Pumps | \$ 26,439 |
| HVAC Cargo Van (on order) | \$ 36,000 |
| | \$ 99,388 |
| Total Capital Rollover Request | \$ 99,388 |

RESERVES PLAN

PUBLIC UTILITIES RESERVES

| | | | Balance | Target | Difference |
|-----------------------------|----|--------------------|--------------|--------------|-------------|
| 2017 PU Annual Depreciation | \$ | 1,996,035 | | | |
| 2016 | \$ | (100,000) Actual | \$ 100,000 | | |
| 2017 | \$ | (200,000) Actual | \$ 300,000 | \$ 399,207 | \$ 99,207 |
| 2018 | \$ | (576,625) Actual | \$ 876,625 | \$ 798,414 | \$ (78,211) |
| 2019 | \$ | (411,375) Actual | \$ 1,288,000 | \$ 1,197,621 | \$ (90,379) |
| 2020 | \$ | (308,828) Budgeted | \$ 1,596,828 | \$ 1,596,828 | \$ - |
| 2021 | \$ | (399,207) | \$ 1,996,035 | \$ 1,996,035 | \$ - |
| | \$ | - | | | |

NON-UTILITY ASSET REPLACEMENT RESERVE

| | | | Balance | Target | Difference |
|---------------------------------|----|--------------------|--------------|--------------|--------------|
| 2017 NON-PU Annual Depreciation | \$ | 2,388,000 | | | |
| 2016 | \$ | (358,000) Actual | \$ 358,000 | | |
| 2017 | \$ | (584,514) Actual | \$ 942,514 | \$ 477,600 | \$ (464,914) |
| 2018 | \$ | (932,318) Actual | \$ 1,874,832 | \$ 955,200 | \$ (919,632) |
| 2019 | \$ | (58,482) Actual | \$ 1,933,314 | \$ 1,432,800 | \$ (500,514) |
| 2020 | \$ | (155,925) budgeted | \$ 2,089,239 | \$ 1,910,400 | \$ (178,839) |
| 2021 | \$ | (298,761) | \$ 2,388,000 | \$ 2,388,000 | \$ - |
| | \$ | - | | | |

PUBLIC UTILITY REPAYMENT

| | | | Balance | Target | Difference |
|-------------------------|----|------------------|--------------|--------------|------------|
| 1/2 OF WATER PLANT COST | \$ | 3,000,000 | | | |
| 2016 | \$ | (500,000) actual | \$ 500,000 | \$ 500,000 | \$ - |
| 2017 | \$ | (500,000) actual | \$ 1,000,000 | \$ 1,000,000 | \$ - |
| 2018 | \$ | (500,000) Actual | \$ 1,500,000 | \$ 1,500,000 | \$ - |
| 2019 | \$ | (500,000) actual | \$ 2,000,000 | \$ 2,000,000 | \$ - |
| 2020 | \$ | (500,000) actual | \$ 2,500,000 | \$ 2,500,000 | \$ - |
| 2021 | \$ | (500,000) actual | \$ 3,000,000 | \$ 3,000,000 | \$ - |
| | \$ | - | | | |

GOLF SURCHARGE RESERVE

| | | |
|------|----|----------------|
| 2020 | \$ | 517,134 actual |
|------|----|----------------|

CAPTIAL RESTRICTED FUNDS - PUBLIC UTILITIES

| | | |
|------|----|----------------|
| 2020 | \$ | 666,117 actual |
|------|----|----------------|

CAPTIAL RESTRICTED FUNDS - GENERAL

| | | |
|------|----|------------------|
| 2020 | \$ | 1,500,000 actual |
|------|----|------------------|