

Council Meeting Staff Report

August 17, 2016

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| Agenda No.: | 6.A. |
| Indexes (Council Goals): | BCC - N/A |
| Presenters: | Bob Westervelt |
| Legislative File: | 8455-16 |

Title

Adoption of Board of Public Utilities Financial Policies

Recommended Action

I move that the Board of Public Utilities adopt the Utilities Financial Policies as presented.

Staff Recommendation

Staff recommends adoption of the Financial Policies as presented

Body

At the June Board meeting a near “final” draft of the recommended financial policies was presented and discussed. Discussion with the County Finance Department Staff had been ongoing, and Utilities staff and Finance Department staff were still working on achieving consensus in content and style. The draft presented here represents the culmination of that collaboration. Both departments are now ready to endorse the proposed policies and recommend approval.

The substance of the recommendations, including the delineation of the desired reserves, the “target” balances and “floors”, or minimum balances, and potential or required corrective actions remain as discussed previously and are not reiterated here. They are represented in the attached document. What is accomplished through this current draft is addition of a clear purpose statement, clarification in the background section as to how these policies tie in with the County Charter, the County Code of Ordinances, and previous Board actions and discussion, as represented in the “fundamental considerations” section, and presentment of a clear definition of “cash”.

The recommended policy is included herewith as Attachment A.

Alternatives

The Board could elect not to adopt the recommended policies at this time, in which case the Board and Staff would continue managing cash reserves and rates on the more ad-hoc basis that has been the practice to date. The advantage of this ad-hoc approach is increased flexibility, but also higher risk of unforeseen events negatively impacting operations, financing options, and credit worthiness.

Fiscal and Staff Impact

This would have minimal staff impact, but adoption of sound financial policies would greatly enhance the stability, credit worthiness, and strength of the individual utility sub funds.

Attachments

A - Financial policy considerations and recommendations 7-20-16 draft