



SOUTH FEATHER WATER & POWER AGENCY

TO: Board of Directors

FROM: Jennifer Slinkard, Finance Division Manager

DATE: August 17, 2005

**RE: Interfund Borrowing
Agenda Item for 8/23/05 Board of Directors Meeting**

As discussed at last month's board meeting, the Agency will temporarily need to borrow funds from the reserves held in LAIF that are designated for System Capacity expansion. While the Agency's budget for 2007 is sufficient to cover anticipated expenses if they were to come in evenly throughout the year, heavy expenses occur at the first half of the year with 75% of the total debt service payments (\$771,959) due on April 1st.

Although the majority of water division's operating revenues begin being realized in the middle of the year, usually tail-water depression (TWD) proceeds are available in the spring and help with the beginning-of-the-year expenses. Due to the dry conditions this winter and spring, however, no TWD payments have been received this year, with only a little over \$4,000 anticipated in the near future. Revenues from water sales should increase significantly beginning in early summer. Payments from Butte County for property taxes, from PG&E for the semi-annual payment, and from the Bank of New York for the 2004 Sly Creek Re-financing savings, will be received within the next several months. Once they have been received and water sales revenue picks up, the borrowed reserves will begin to be re-paid.

Toward that end, all Water Division staff have been advised that purchase orders will not be approved for anything that is not critical and essential for continued operations at this time. Expenditure authorizations will be withheld until revenues are received. Regardless of whether something has already been approved in the 2007 Water Division budget, it will require a new approval from both Mike and I before it can be purchased.

Reserves are sufficient to bridge this short-term gap in timing until anticipated revenues have been received as mentioned above. However, those reserves are in accounts designated for System Capacity expansion. Permission to "borrow" from the System Capacity Charges fund is needed from the Board, and then the account can be repaid when funds are available. To do so, the attached resolution needs to be adopted, as follows:

"I move adoption of Resolution 07-4-1, authorizing interfund borrowing from the System Capacity Charges account."



SOUTH FEATHER WATER & POWER AGENCY

Resolution No. 07-4-1

WHEREAS, In compliance with Government Code § 66013, the Board of Directors of the South Feather Water and Power Agency has ordered that System Capacity Charges of the Agency be deposited in a separate capital facilities fund to be accounted for in a manner to avoid commingling with other monies of the Agency, and that interest earned on those funds be deposited in the same fund; and,

WHEREAS, the Board of Directors has been advised by its general counsel that an interfund loan can be made from the System Capacity Charges reserve account if specific information about the interfund loan is included in the annual report required by law for the fund.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the South Feather Water and Power Agency that the Treasurer of the Agency is authorized to transfer funds, on an interfund loan basis, from the System Capacity Charges reserve account to the General Fund for operation-and-maintenance expense purposes; and,

BE IT FURTHER RESOLVED that the interfund loan shall be repaid by December 31, 2007 at an interest rate equal to that paid during the loan period by the State of California's Local Agency Investment Fund on Agency reserves; and,

BE IT FURTHER RESOLVED that funds shall not be transferred from the System Capacity Charges reserve account if their transfer would restrict completion of scheduled capital repair programs; and,

BE IT FURTHER RESOLVED that the annual report required by law shall include a description of the interfund loan, including the date in which the loan will be repaid and the rate of interest that the System Capacity Charges reserve account will receive on the loan.

PASSED AND ADOPTED by the Board of Directors of the South Feather Water and Power Agency at the regular meeting of said Board on the 24th day of April 2007 by the following vote:

AYES:

NOES:

ABSTAINED:

ABSENT:

(seal)

James Edwards, President

Michael C. Glaze, Secretary