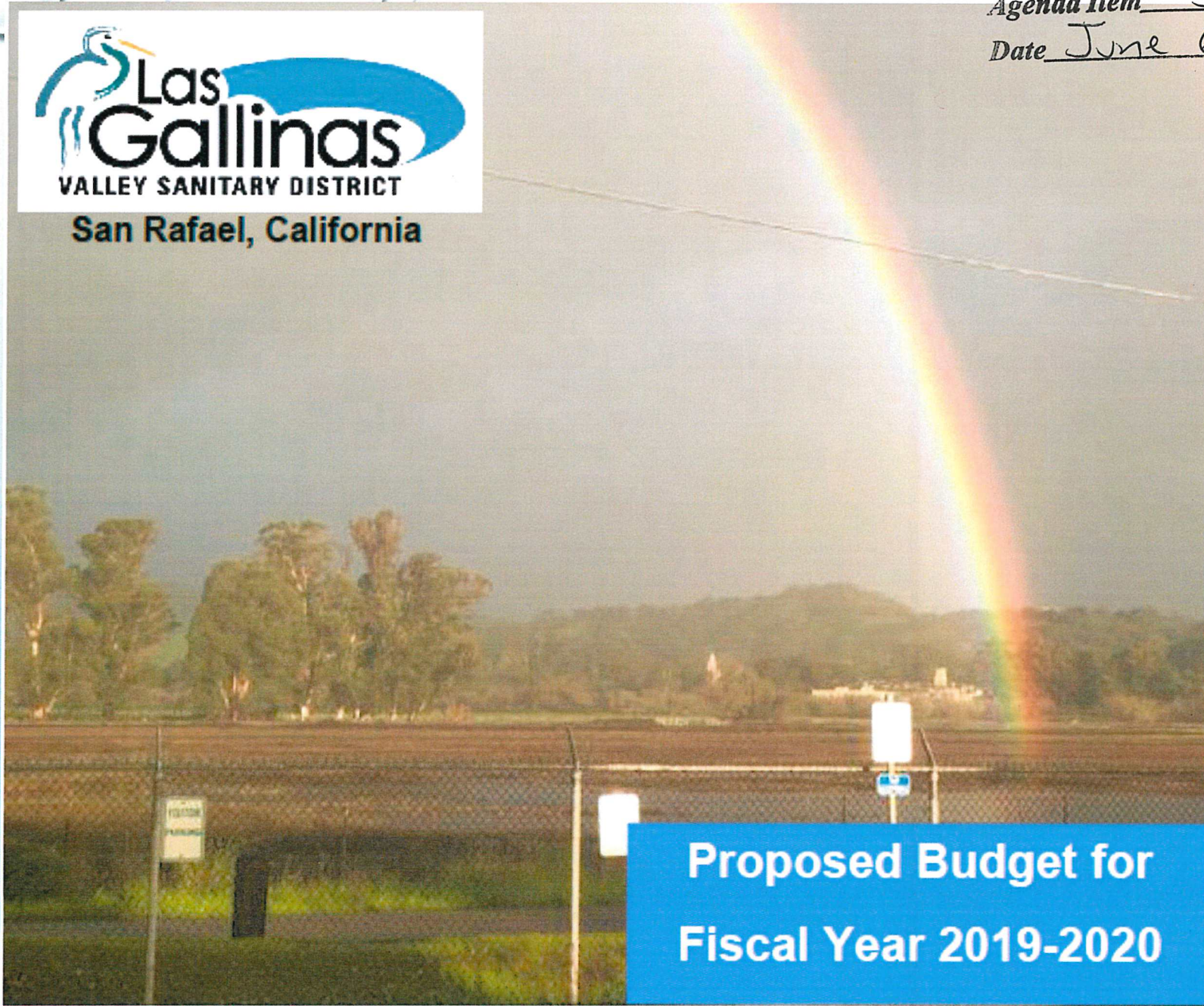




Handout

Agenda Item 5

Date June 6, 2019



**Proposed Budget for
Fiscal Year 2019-2020**

2019-20 NOTEWORTHY BUDGET HIGHLIGHTS

- PROCEEDING WITH THE SECONDARY TREATMENT PLANT UPGRADE AND RECYCLED WATER EXPANSION PROJECTS
- SANITARY SEWER RATE AT \$927 (3.23% INCREASE)
- BUDGETED OPERATING REVENUE INCREASE OF \$462,000
- **OPERATING EXPENSES INCREASE OF \$971,227**
- STAFFING CHANGES – ADD ONE POSITION

2019-20 NOTEWORTHY BUDGET HIGHLIGHTS

- 5 YEAR RATE STUDY, PROP 218
- 2 YEAR MOU EXTENSION
- \$300K TO START INFRASTRUCTURE MASTER PLAN
- \$100K ADMIN BUILDING DESIGN
- INSTALLATION OF FINANCIAL SOFTWARE
- INCREASED R&M DUE TO DEFERRED MAINTENANCE – GROUNDS & EQUIPMENT
- **ADD \$200K (ESTIMATED) FOR RED FLAG FIRE PREVENTION**

2019-20 NOTEWORTHY BUDGET HIGHLIGHTS

- CALPERS RATES INCREASE BY \$13K
- INSURANCE RATES INCREASED 5%
- INCREASE IN OUTREACH BY \$25K
- SAFETY CONTRACT INCREASED BY \$25K
- RECLAMATION EXPENSE UP BY \$65K

ACCOUNTING TERMS

REVENUE AND EXPENSE

- **Occur on an annual basis – Property Taxes**
- **Effect our Net Position (P &L)**

FUNDS AND EXPENDITURES

- **Funds are holding accounts and can extend over years – Includes Revenue and Expenses**
- **Transfers of money**
- **Loan Payments**
- **Expenditures – money going out - can be an expense.**

ACCOUNTING TERMS

RESERVE FUNDS = ALLOCATED

- These are funds set aside by the Board
- Funds for Capital
- Funds for Debt

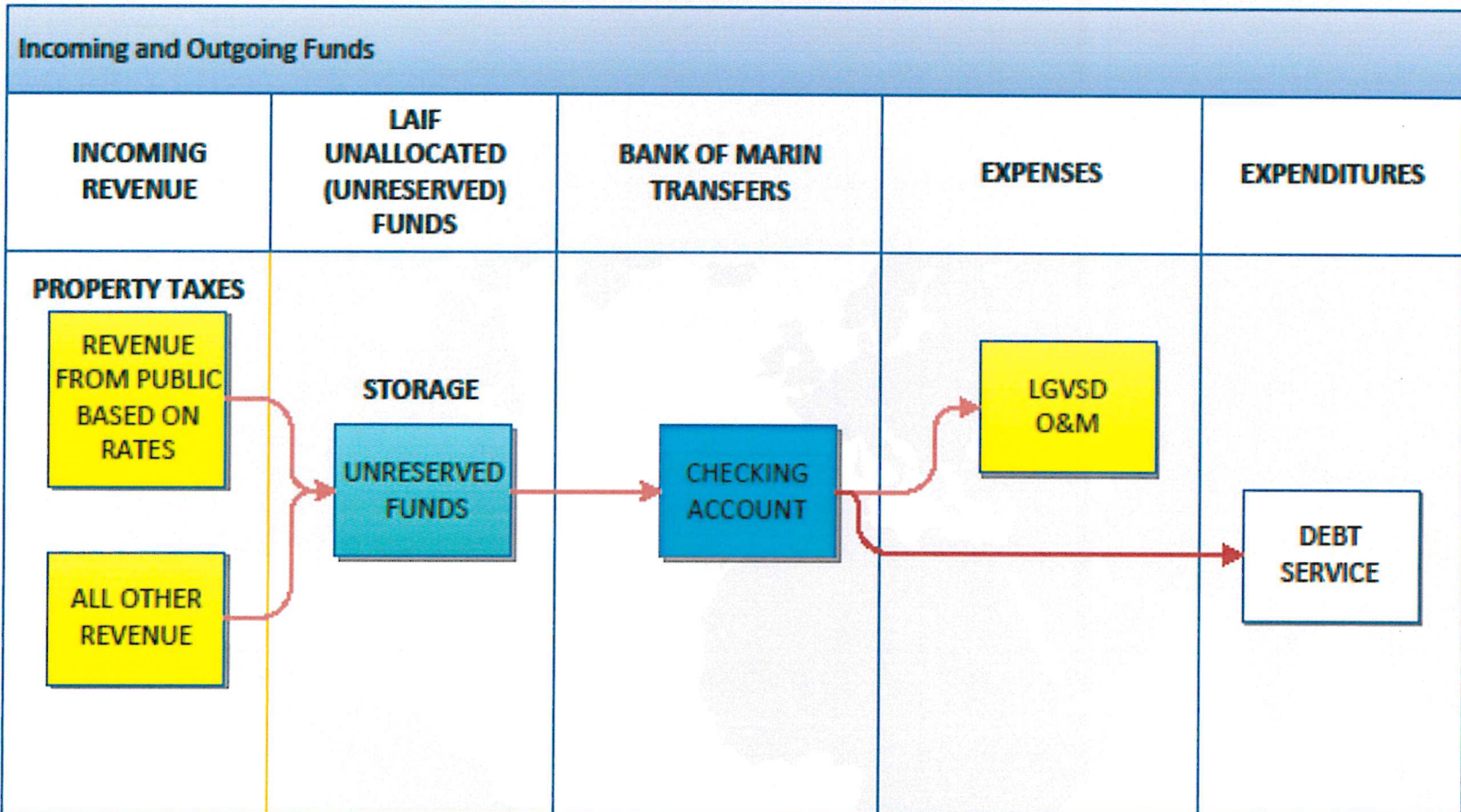
UNRESERVED FUNDS= UNALLOCATED

- These are all other funds.
- Property taxes for general operations

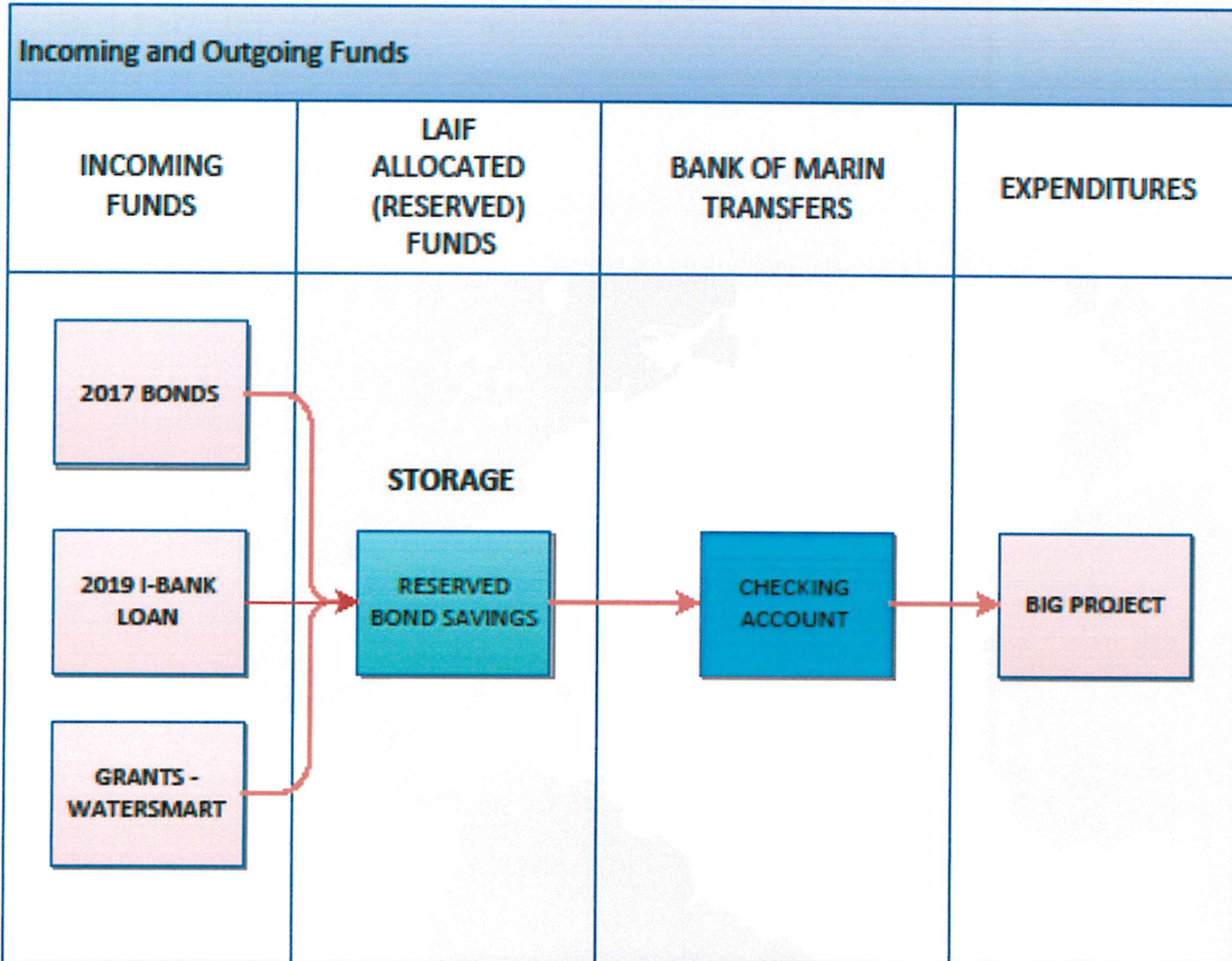
Single-Family Sewer Cost Comparison in Marin County



REVENUE AND EXPENSE

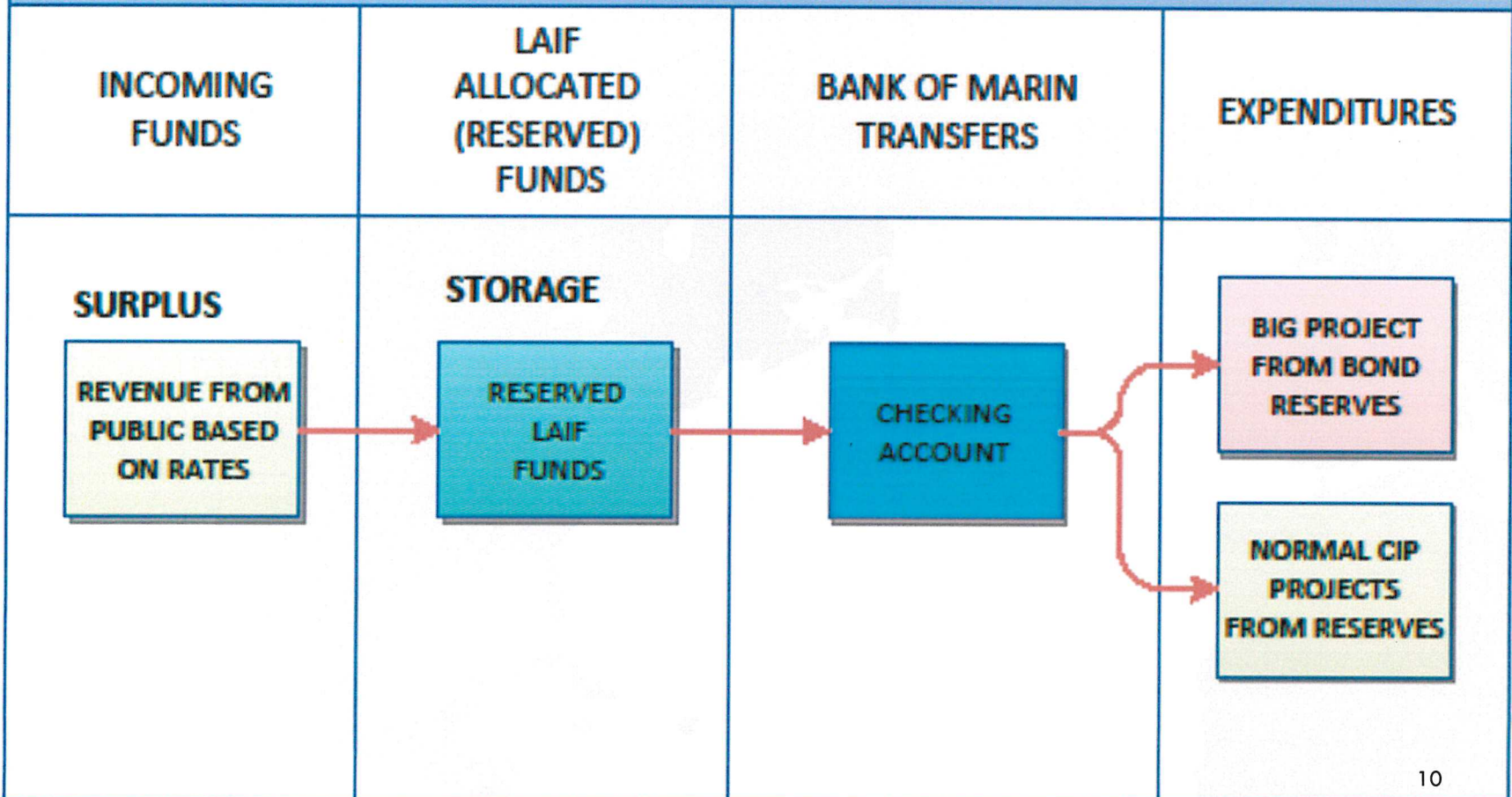


FUNDS AND EXPENDITURES

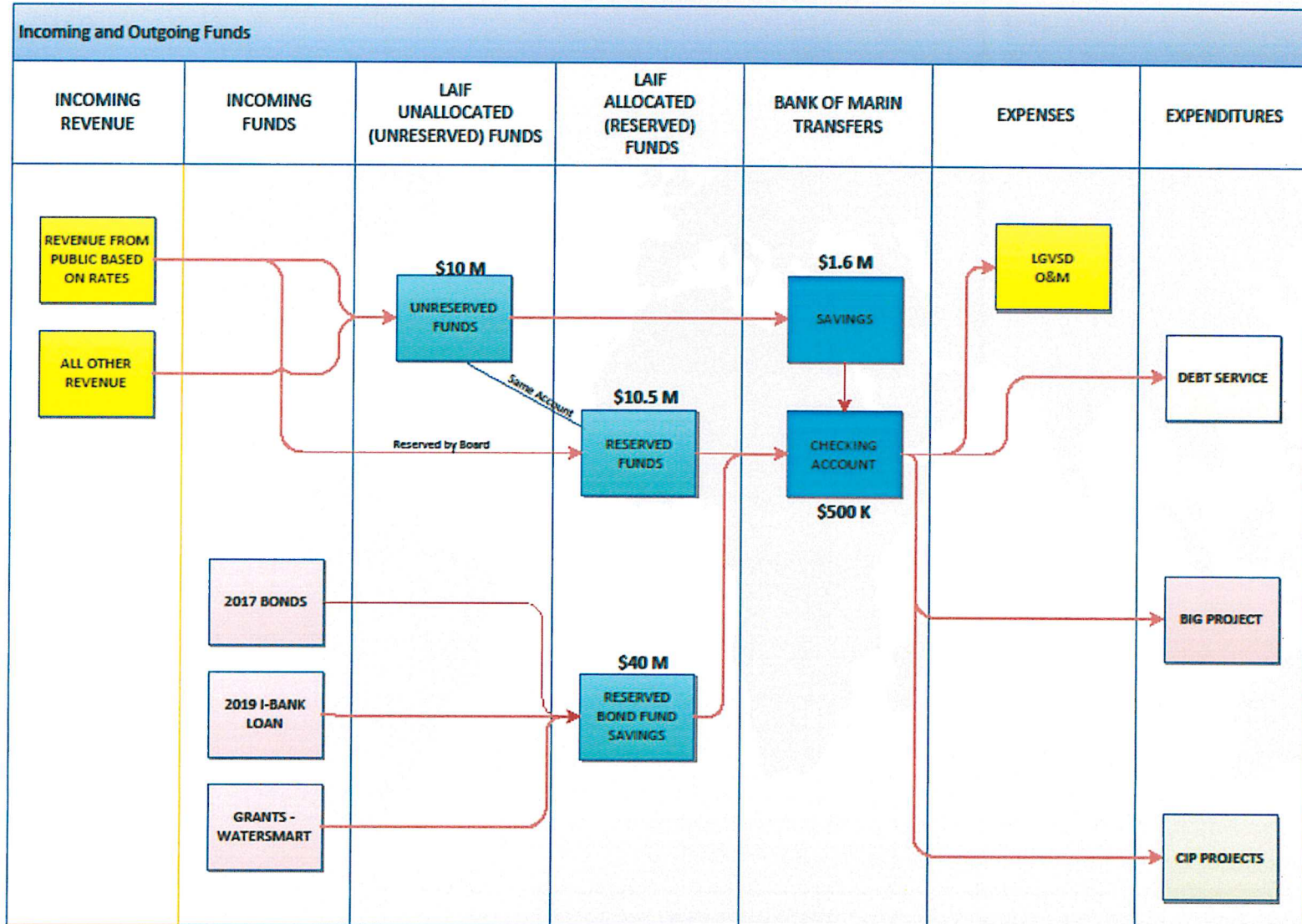


SURPLUS FUNDS AND EXPENDITURES

Incoming and Outgoing Funds



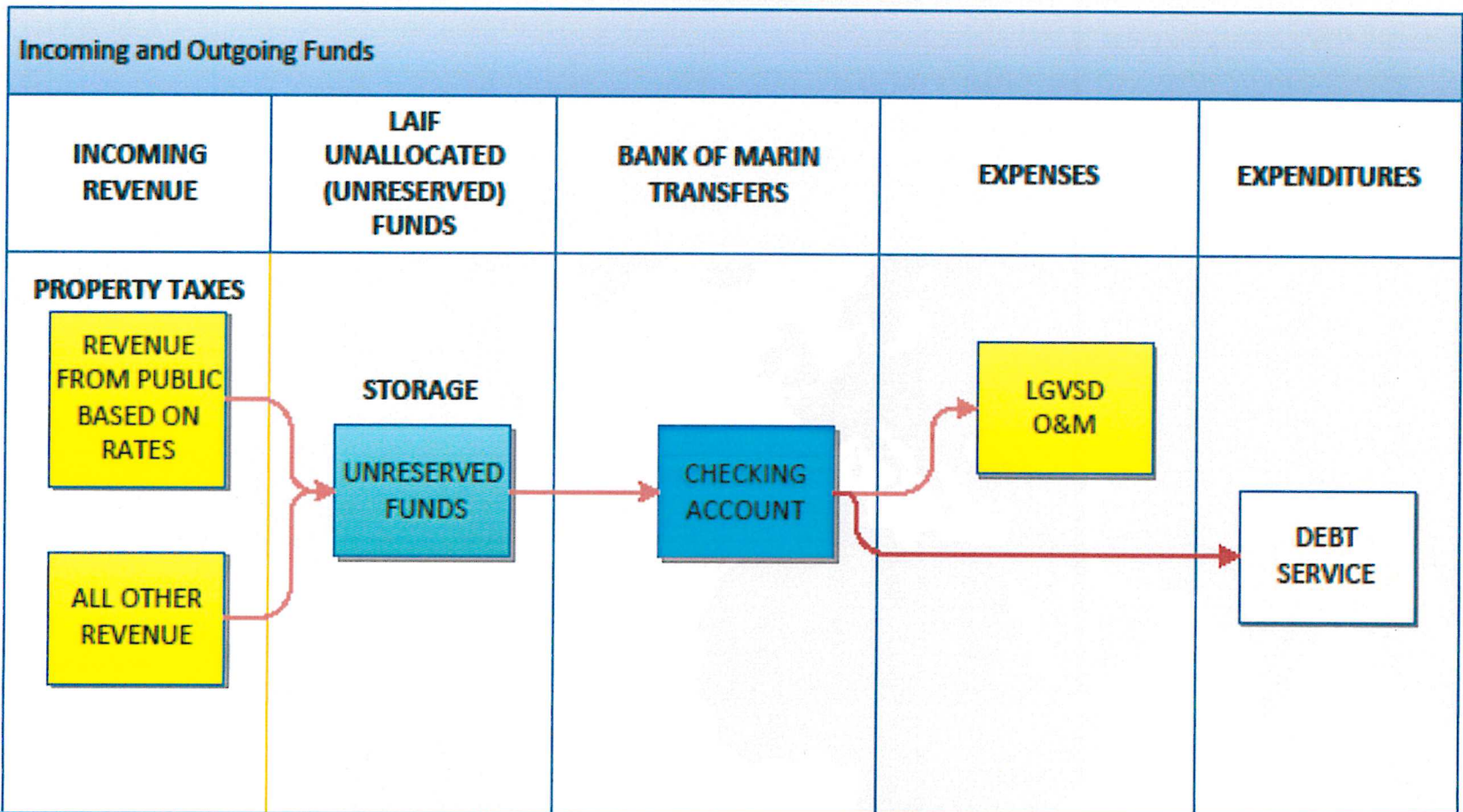
INCOMING AND OUTGOING FUNDS



PROJECTED AND BUDGETED OPERATING REVENUE

Revenue:	2018/19 Projected Budget	2019/20 Proposed Budget
Service charges	\$ 14,220,000	\$ 14,602,912
Property taxes	1,223,795	1,235,300
Recycled water fees	39,000	42,000
Franchise fees	70,000	149,422
Sewer lateral assistance program	87,721	80,000
Interest income	389,321	400,500
Permits, Inspections, Connections	23,688	8,800
Total Operating Revenue	<u>\$ 16,053,524</u>	<u>\$ 16,518,934</u>

REVENUE AND EXPENSE



Projected and Budgeted Capital Funds

2018/19 Projected Budget	2019/20 Proposed Budget
-----------------------------	----------------------------

UTILIZATION OF BOND FUNDS AND RESERVES (LAIF FUNDS)

Construction Funds:

Bond fund in LAIF - Current	\$ -	\$ 28,662,043
Bond fund in LAIF - Carryover	\$ -	\$ 10,930,150
I-Bank Transfer to LAIF	12,000,000	-

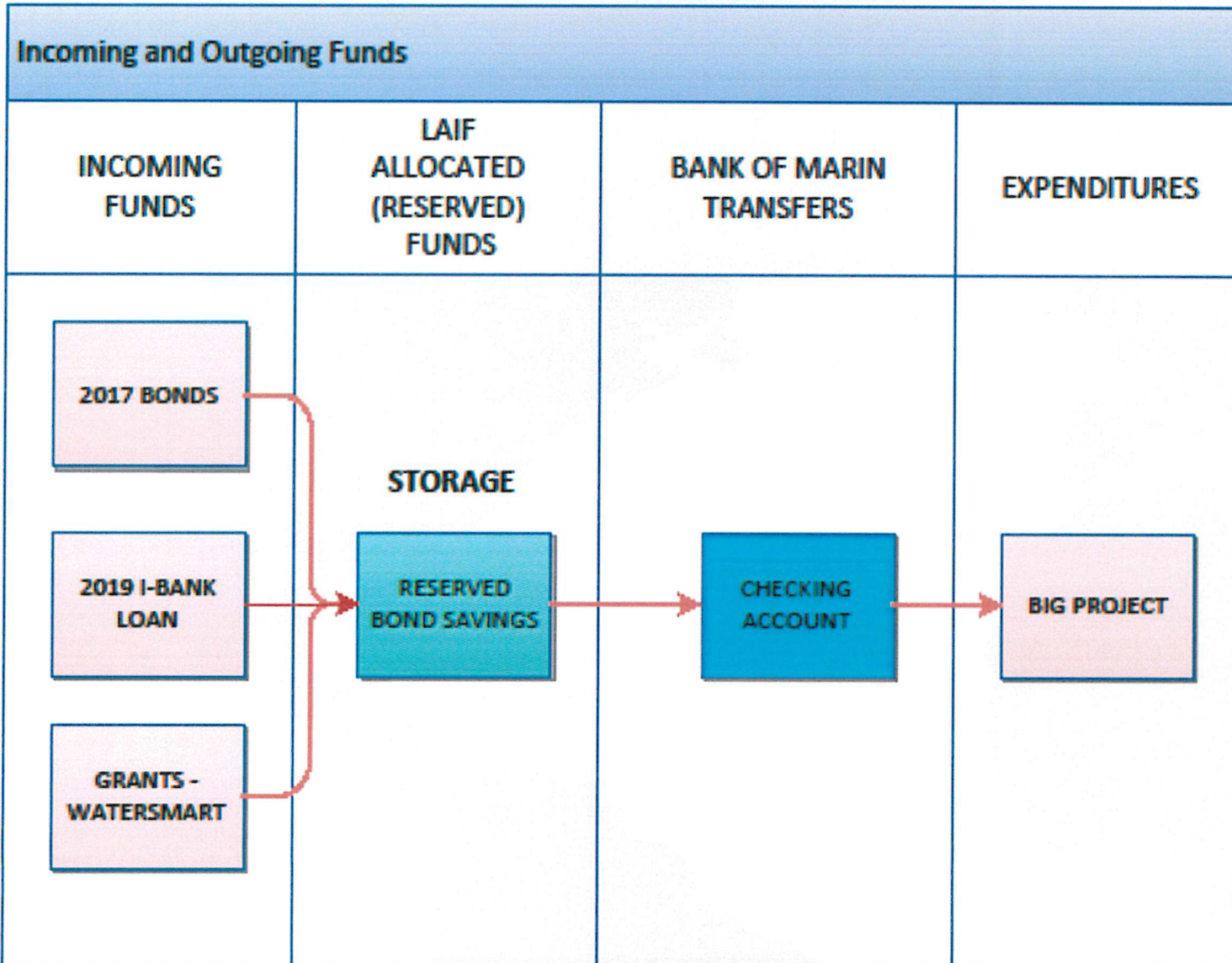
Construction Funds Carryover (Reserves):

Capital Projects from LAIF - Current	-	-
Project carryover from LAIF	-	10,552,150
Interest Income -LAIF	709,744	580,000

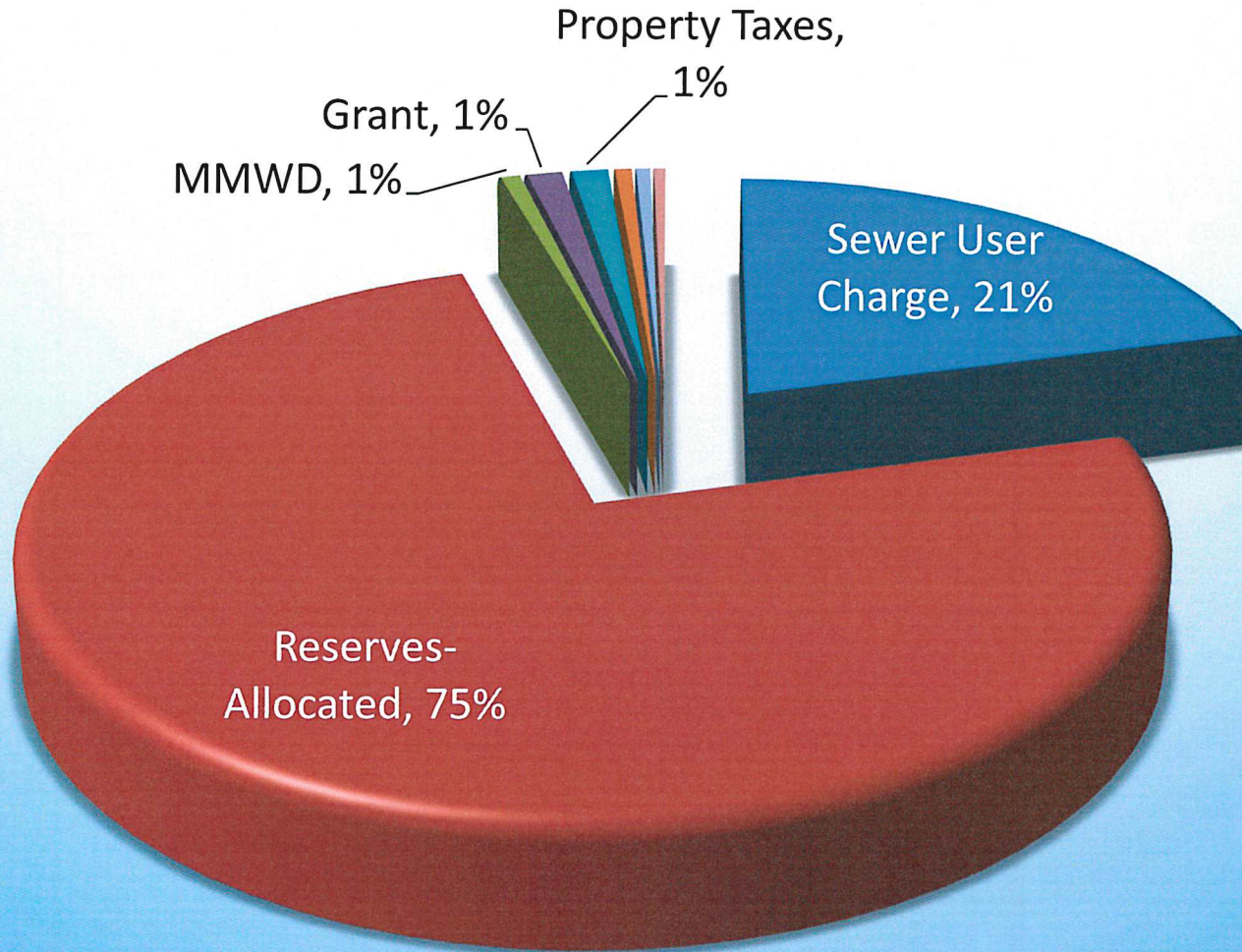
OTHER SOURCES OF FUNDS

Grants	\$ 169,004	\$ 847,150
MMWD Reimbursement	463,145	463,353
Pump Stations-ML & CC	76,695	76,695
	<u> </u>	<u> </u>
Total Transfers	\$ 13,418,587	\$ 52,111,542
TOTAL SOURCES OF ALL FUNDS	<u>\$ 29,472,111</u>	<u>\$ 68,630,476</u>

FUNDS AND EXPENDITURES

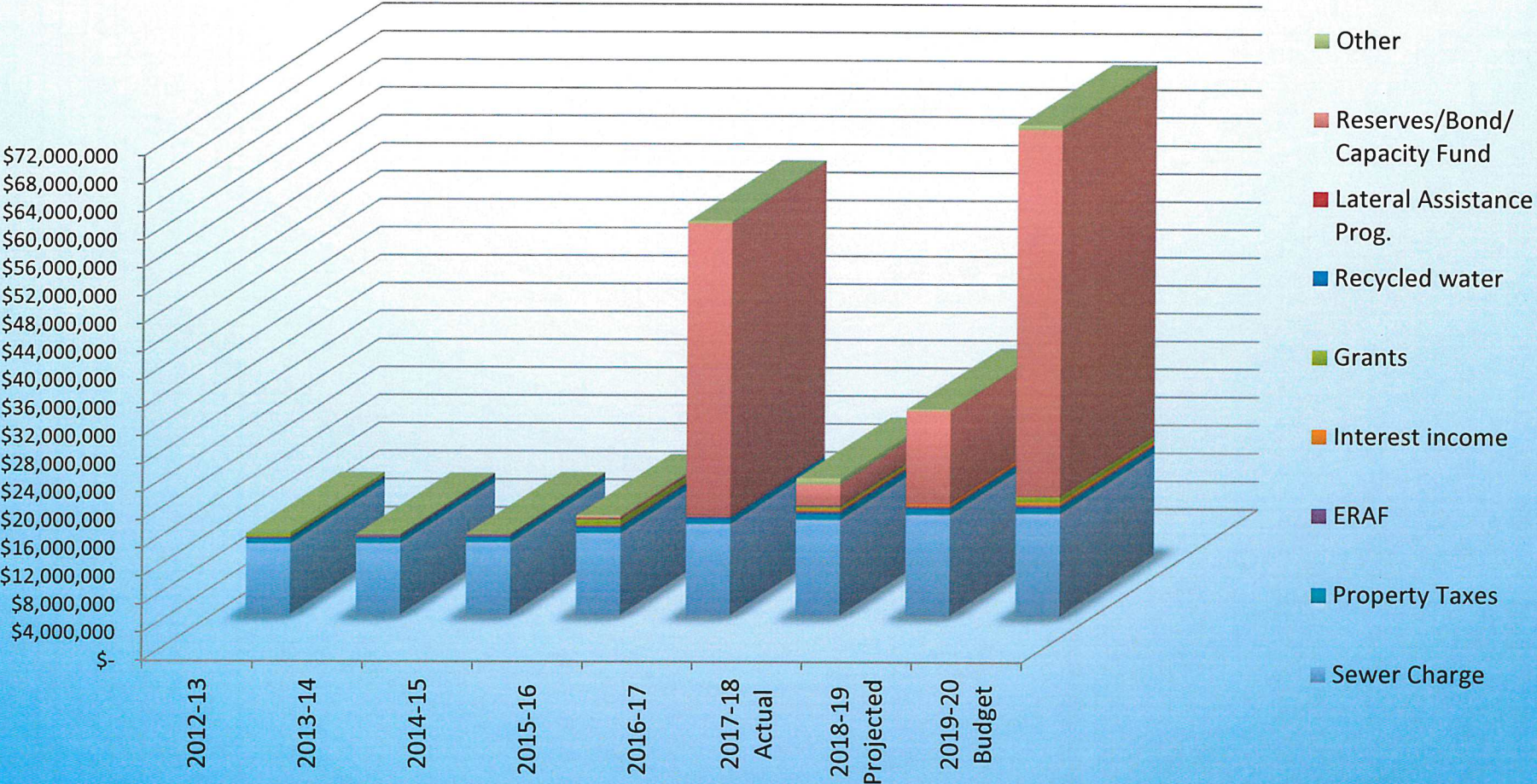


INCOMING FUNDS FOR 2019-2020

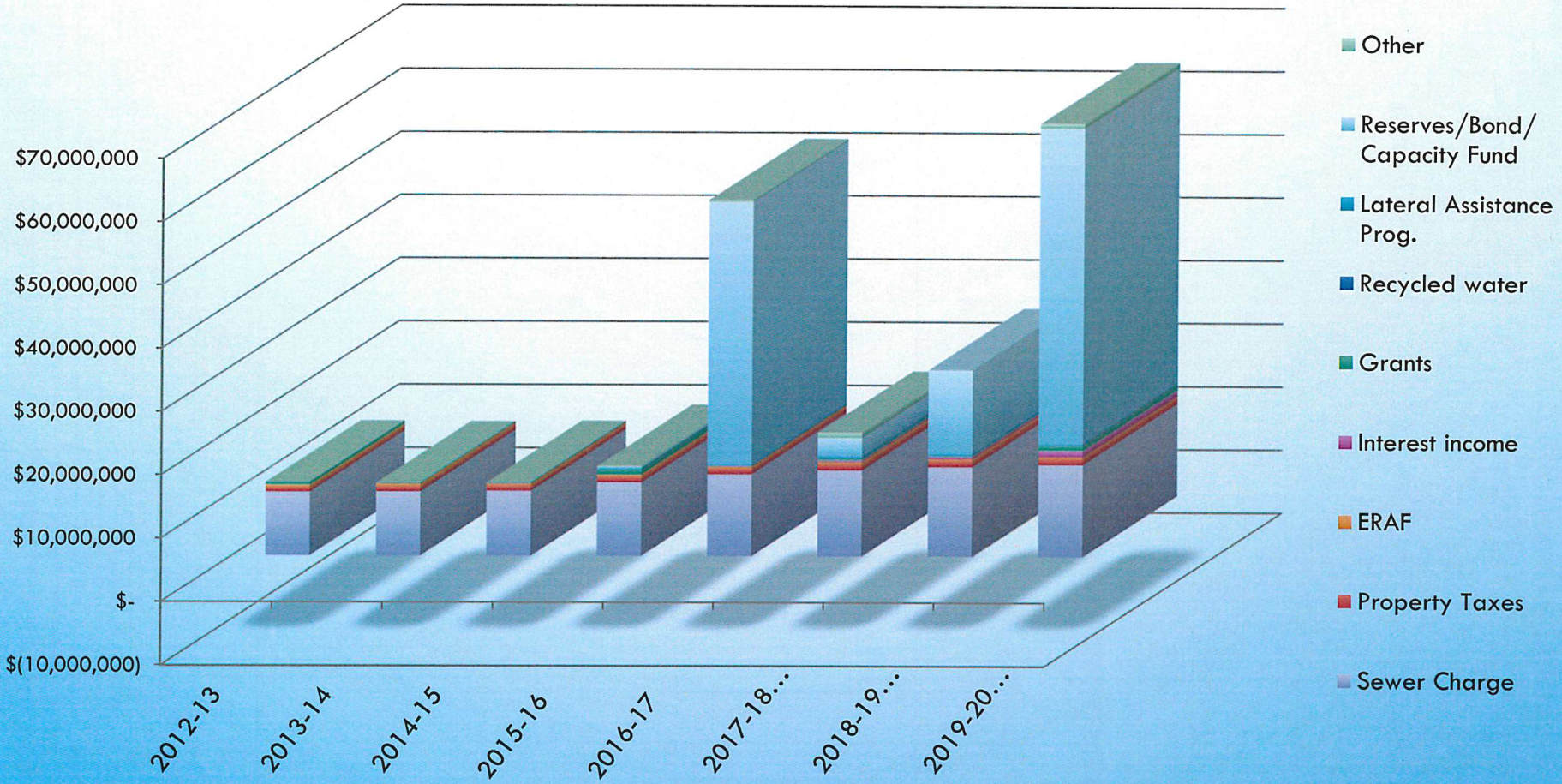


■ Sewer User Charge ■ Reserves-Allocated ■ MMWD ■ Grant ■ Property Taxes ■ Interest ■ ERAF 1% ■ Other

Fund Sources July 2013 to June 2020



Fund Sources July 2013 to June 2020



SUMMARY OF 2019-20 BUDGETED OPERATIONS AND MAINTENANCE EXPENSES

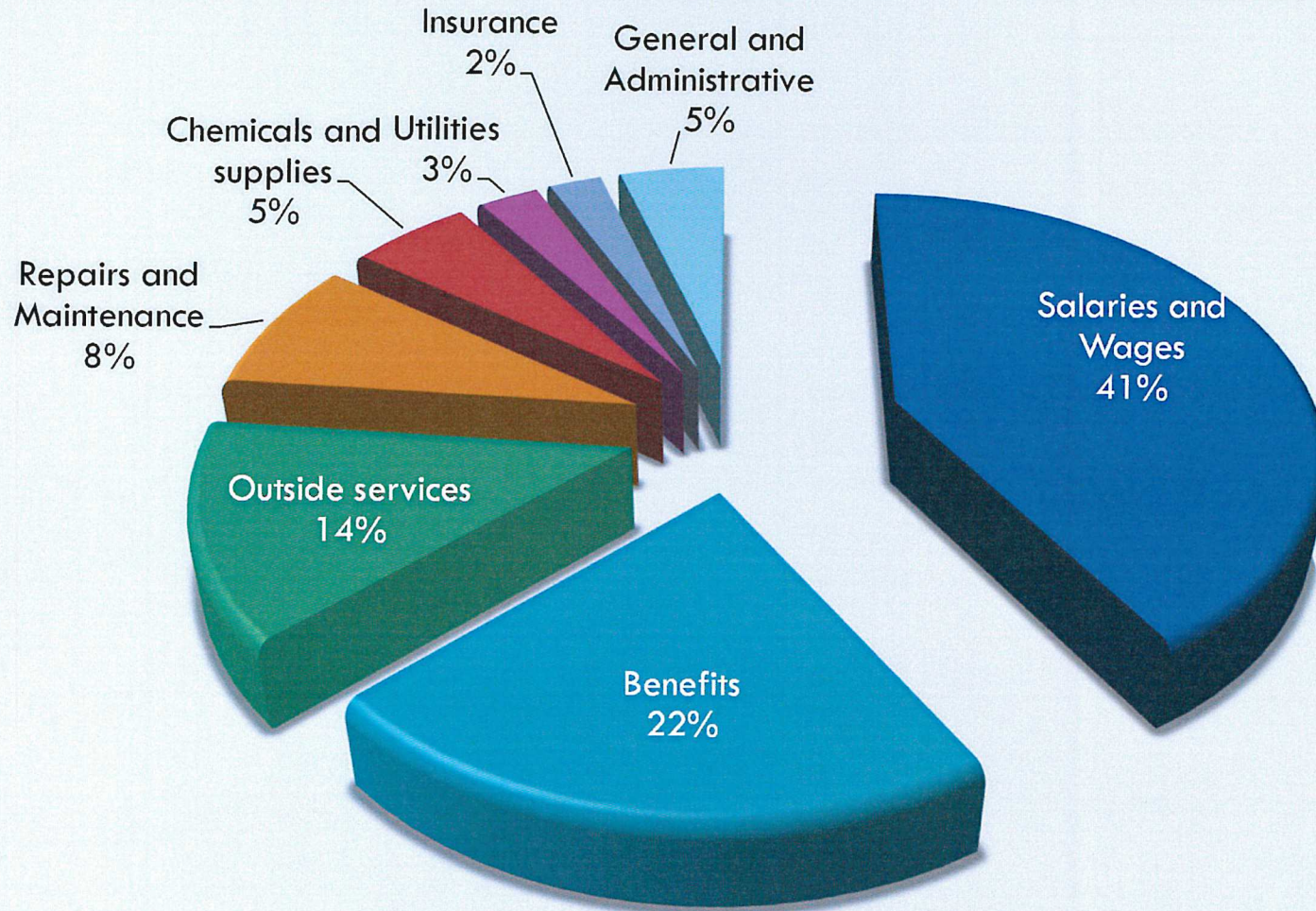
Category	2019-2020 Proposed Budget		\$ Change vs Prior Year	% Change vs Prior Year
Salaries and Wages	\$ 3,037,074	*	\$ 346,545	12.88%
Benefits	1,602,445		3,603	0.23%
Outside services	987,100	**	262,079	8.65%
Repairs and Maintenance	611,000	***	271,300	79.86%
Chemicals and supplies	391,442		45,536	13.16%
Utilities	197,805		(40,206)	-16.89%
Insurance	173,780		13,830	8.65%
General and Administrative	347,370		68,541	24.58%
	<u>\$ 7,348,015</u>		<u>\$ 971,227</u>	15.23%

* The 9.26% increase was caused by a lower payroll in 17-18 due to 2 vacant position and 1 new position plus the 2 vacant position in the budget for 19-20. Once these positions are factored into the payroll equation, the payroll increase adjusts to 3.87%.

** Includes legal, audit, lab services, consultants, regulatory support, sludge injection, safety services, user charge collection fees, janitorial, aquatic review.

*** R & M has been increased due to deferred maintenance on grounds & vehicles. This category also includes Levee Road, solar panel, pump repair & new liner for the sludge lagoon.

2019-20 BUDGETED OPERATIONS EXPENSES



Budgeted Operating Expenses 2019-20 Justifications:

Category	2019-2020 Proposed Budget	2018-2019 Projection	\$ Change vs Prior Year	% Change vs Prior Year
Salaries and Wages	\$ 3,037,074	\$ 2,690,528	\$346,545	12.88%
Less: New Certs	(30,328)			
Less: Admin Vacancy	(76,895)			
Less: Operations Vacancies	<u>(163,218)</u>	<u>-</u>		
Net Salaries	<u>2,766,633</u>	<u>2,690,528</u>	76,105	2.829%
Outside Services	\$ 987,100	\$ 725,021	\$262,079	36.148%
Less:				
5 Year Rate Study	25,000	-		
Red Flag Preparation	200,000			
Koff Comp Study	<u>15,000</u>	<u>-</u>		
Net Outside Services	<u>747,100</u>	<u>725,021</u>	22,079	3.045%

Budgeted Maintenance Expenses 2019-20

Expense Description	2016-17 Total Actual	2017-18 Total Actual	2018/19 Projected Actual	2019/20 Proposed Budget	Increase Over Projection	Percent Change from Prior Year
Vehicle Parts & Maintenance	42,093	52,880	62,426	51,500	\$ (10,926)	-17.50%
Building maintenance	12,117	15,317	6,620	35,000	\$ 28,380	428.70%
Grounds Maintenance	7,161	21,410	25,471	40,000	\$ 14,529	57.04%
Power Generation Maint & Repair	3,748	2,418	70,505	87,000	\$ 16,495	23.40%
Reclamation Maintenance			6,609	25,000	\$ 18,391	278.27%
Equipment Maintenance	50,442	35,848	80,599	115,000	\$ 34,401	42.68%
Equipment Repair	71,465	72,211	31,070	104,500	\$ 73,430	236.34%
Capital Repairs/Replacements	<u>166,782</u>	<u>266,606</u>	<u>56,399</u>	<u>153,000</u>	\$ 96,601	171.28%
Total Repairs and Maintenance	<u>\$ 353,808</u>	<u>\$ 466,690</u>	<u>\$ 339,700</u>	<u>\$ 611,000</u>	\$ 271,300	79.86%

Costs Included in R&M:

53,000 BERS Reporting & Maintenance

40,000 Headworks

38,000 Scum Pump

10,000 Solar Panels

25,000 Liner for Sludge Pond

35,000 Capital Repairs in Pumps

10,000 Lighting and power supply to Carports

25,000 Kubota Tractor, 8" pump, Wacker Generator, Repairs

20,000 Replace/repair forcemain ARV's

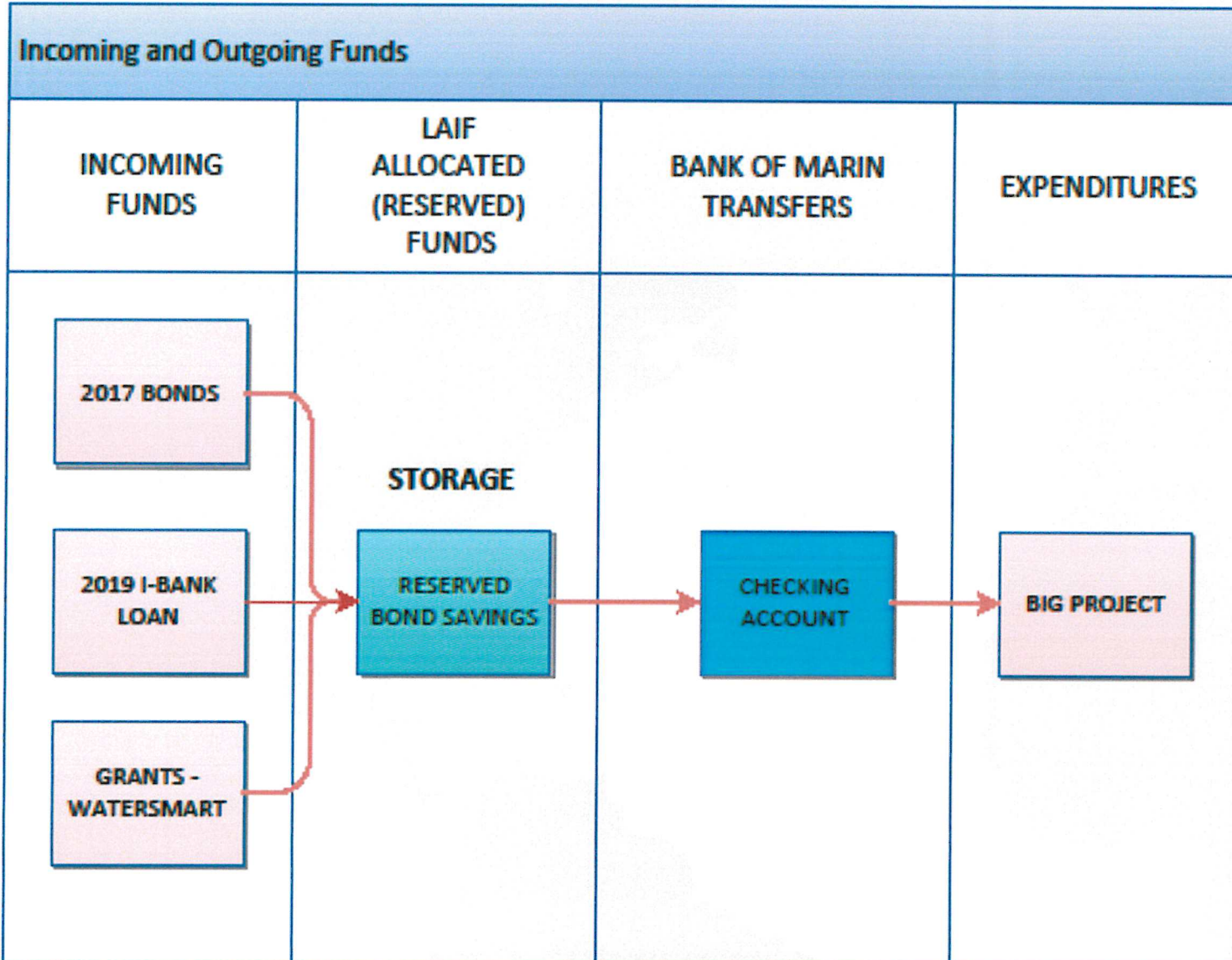
14,000 Building Maintenance for Grounds

270,000

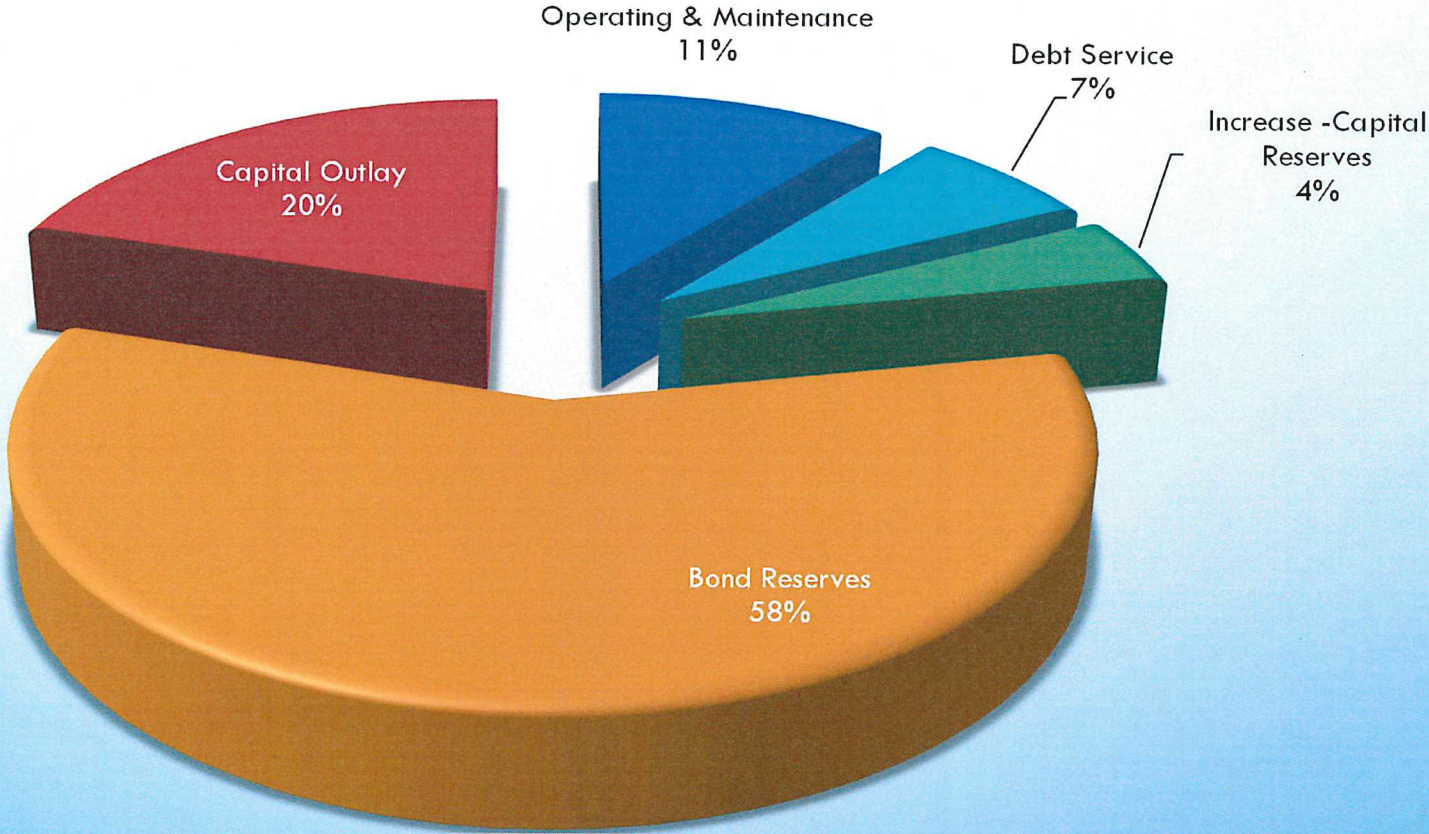
EXPENDITURES

	2016-17	2017-18	2018-19 Projected	2019-20 Proposed
Operating and Maintenance	\$ 5,926,824	\$ 6,127,621	\$ 6,366,788	\$ 7,158,015
Debt Service	1,638,401	3,920,960	3,990,565	4,617,777
Reserves	3,213,107	1,068,519	-	4,498,776
Bond Reserves	39,625,950	-	682,731	39,592,193
Capital Outlay from Reserves	10,390,883	6,165,783	18,507,748	14,048,300
Total	<u><u>\$ 60,795,165</u></u>	<u><u>\$ 17,282,883</u></u>	<u><u>\$ 29,547,832</u></u>	<u><u>\$ 69,915,062</u></u>

FUNDS AND EXPENDITURES

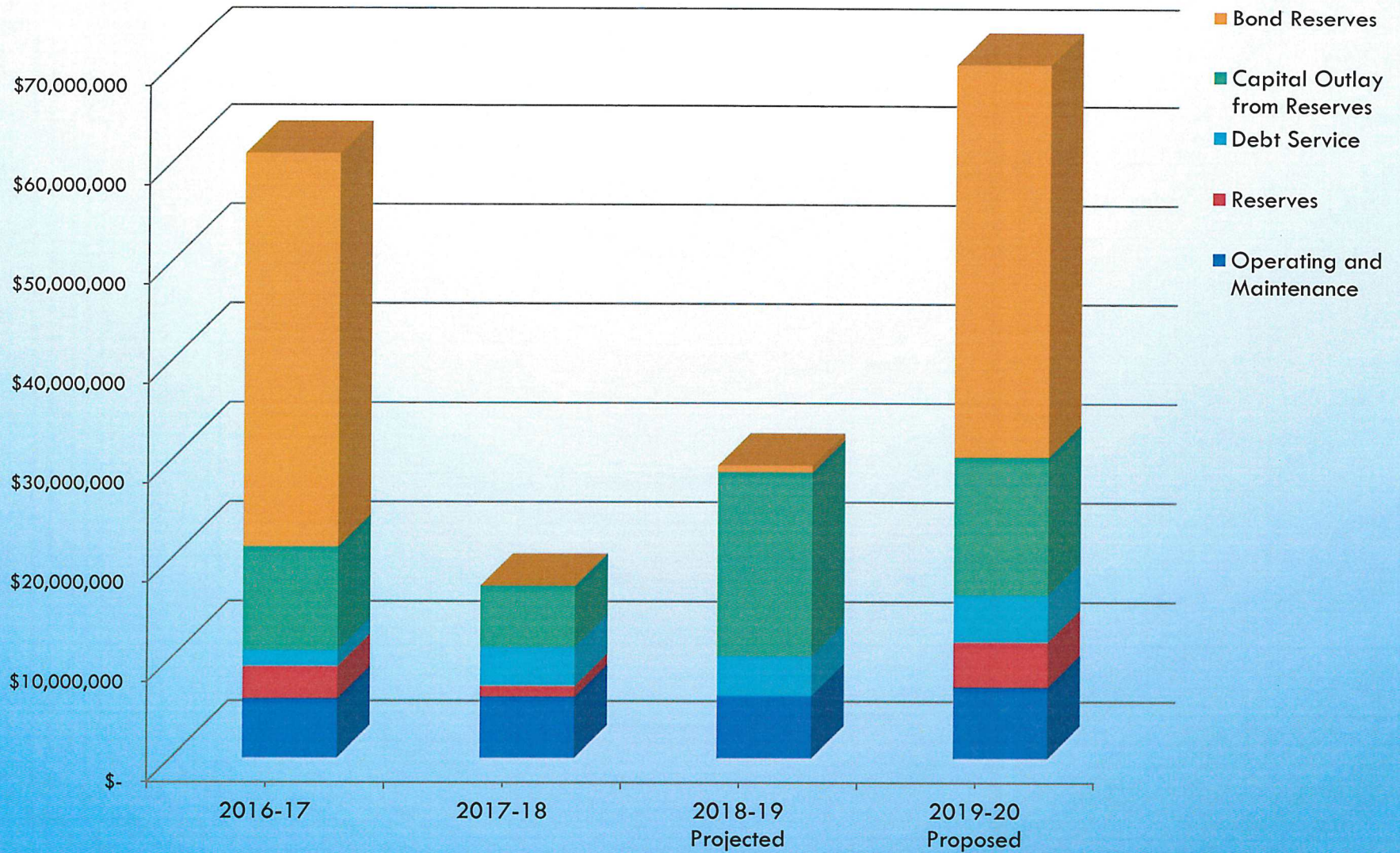


2019-20 Budgeted Expenditures

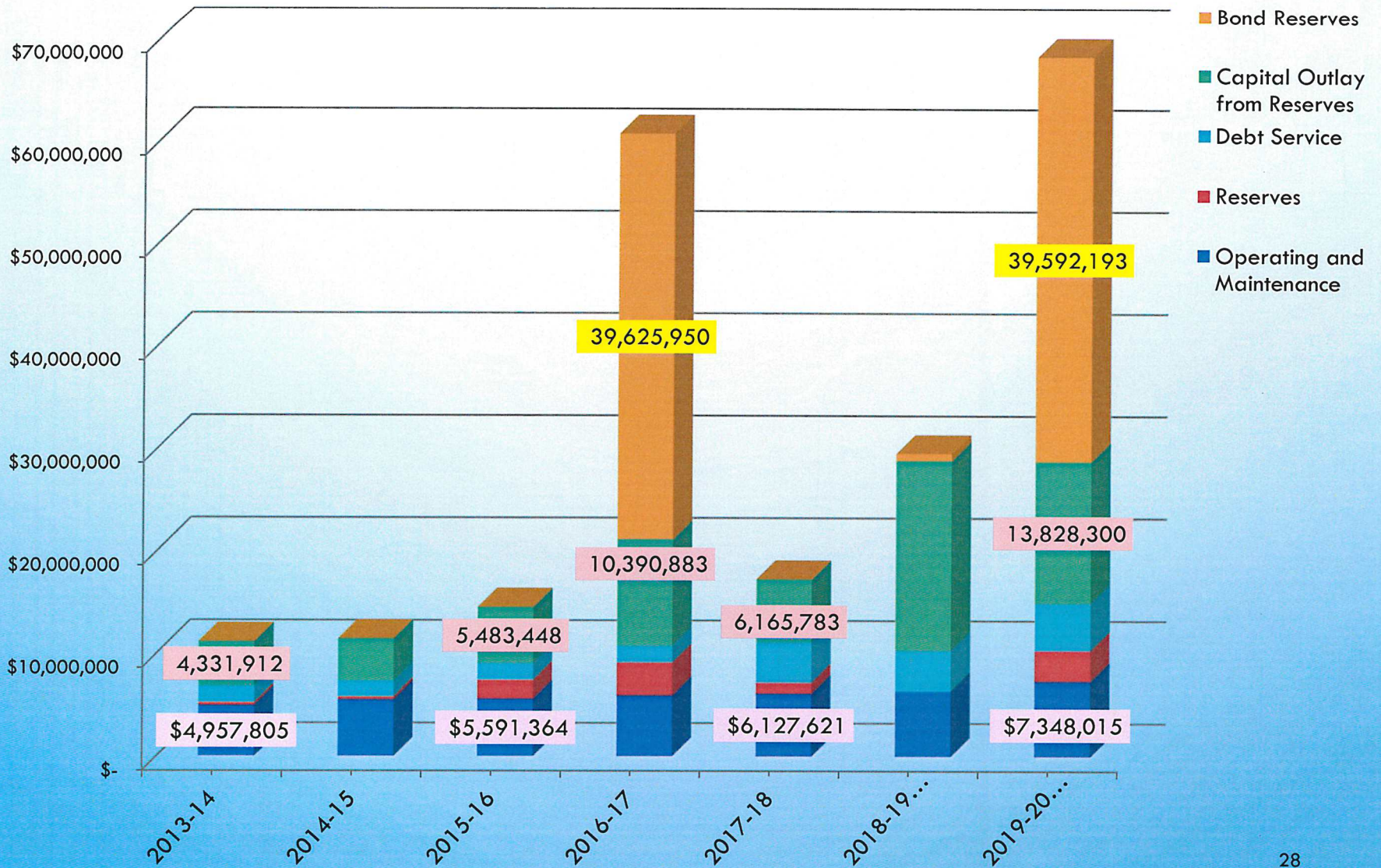


- Operating & Maintenance
- Debt Service
- Increase -Capital Reserves
- Bond Reserves
- Capital Outlay

Expenditures 2017 to 2020



Expenditures 2017 to 2020



Major Capital Priorities for 2019-20



New vactor truck



Treatment plant upgrades

SECONDARY TREATMENT PLANT UPGRADE & RECYCLED WATER EXPANSION PROJECTS

Cost of Project

Redesigned Project	\$ 48,622,939
Construction Management	5,132,767
Aqua Design	4,000,000
SCADA Programming	815,600
PG&E - Move Power Lines Underground	500,000
Construction contingency	2,431,147
Cost of Rebidding	794,185
Materials Testing and Inspection	200,000
Cost of Design to Remove UV	175,000
Change order to remove UV	(2,000,000)
Total Project	<u><u>\$ 60,671,638</u></u>

From: STRWU Project Funding Analysis

SECONDARY TREATMENT PLANT UPGRADE & RECYCLED WATER EXPANSION PROJECTS

Source of Funds

GRANT OR BORROWED FUNDS

Bonds	\$ 40,499,562
I-Bank	12,000,000
WaterSmart Grant	847,150
	53,346,712
SUBTOTAL	53,346,712

OTHER SOURCES OF FUNDS

MMWD buy in	826,196
MMWD debt service	1,026,965
Sewer rate funds ³	879,714
Interest	2,000,000
Reserves from LAIF	2,592,051
	2,592,051
	\$ 60,671,638

SUMMARY OF CAPITAL OUTLAY FOR 2019-20

Administration

INTEGRATED FINANCIAL SOFTWARE	\$	100,000
ADMINISTRATION BUILDING		100,000
REDESIGN OF OFFICES IN ADMIN BUILDING		20,000
MASTER PLAN (2018-19 Funds from Collections 19200-04)		200,000

Engineering

On-Call Construction Contract		100,000
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Collection System

MANHOLE/ROD HOLE R AND M VACTOR		50,000
		40,000
MARINWOOD SEWER TRUNK REPAIR		300,000
EASEMENT EQUIPMENT- (Guide Dog Agmt)		145,000

Pump Stations/Forcemains

RAFAEL MEADOWS PUMP STATION		100,000
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Summary of Capital Outlay for 2019-20

(Continued)

Reclamation

MILLER CREEK REHAB	78,000
PASTURE IRRIGATION PUMP REBUILDS	40,000
STORAGE POND SLUICE GATE REPAIR	30,000
ST. VINCENT DISCHARGE LEVEE REPAIR	50,000
SHARP SOLAR PANEL REPLACEMENT	100,000
MARSH POND VEGETATION REMOVAL	150,000
SPARE 10HP FLYGT SUBMERSIBLE PUMP	10,000
BYPASS PUMP CONNECTION REPLACE	40,000
SMITH RANCH SUMP PUMP INSTALL	15,000

Summary of Capital Outlay for 2019-20

(Continued)

Treatment Plant

PLANT IMPROVEMENTS 2018	71,000
SECONDARY PLANT UPGRADES	24,362,737
INFLUENT SCREEN OVERHAUL - 2	130,000
LAB CABINET REHAB	10,000
CANOPY INSTALLATION - SUMP PUMPS	150,000
FLOW EQUALIZATION BASIN	400,000

Recycled Water

SUPERVISORY CONTROL AND DATA ACQQL	<u>4,299,306</u>
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Total	<u>\$ 31,091,043</u>
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DEBT RATIO

Revenue Description	2017-18 Final Actual	2018-19 Projected Actual	2019-2020 Proposed Budget	Change	% Change from PY
OPERATING REVENUE					
User Charges	\$ 13,634,548	\$ 14,220,000	\$ 14,602,912	\$ 382,912	2.69%
Educational Revenue Augmentation Fund	372,411	319,000	325,000	\$ 6,000	1.88%
Recycled Water	61,080	39,000	42,000	\$ 3,000	7.69%
Franchise Fees	25,000	70,000	149,422	\$ 79,422	113.46%
Inspections/Permits/Application Fee	11,678	22,038	8,500	\$ (13,538)	-61.43%
Interest-Bank	425	531	500	\$ (31)	-5.89%
Interest on All Reserves	269,180	1,112,198	980,300	\$ (131,898)	-11.86%
Suppl. Property Tax Assess.	27,670	13,000	16,000	\$ 3,000	23.08%
Homeowner Property Tax Relief	4,354	3,240	4,300	\$ 1,060	32.70%
Private Sewer Lateral Assistance Program	101,368	87,721	80,000	\$ (7,721)	-8.80%
Reimbursement for Lateral Repairs		0	0	\$ -	0.00%
Miscellaneous Revenue	29,521	1,575	-	\$ (1,575)	-100.00%
Sale of Assets	29,012	75	-	\$ (75)	-100.00%
Operating Transfer In	-	-	-	\$ -	0.00%
TOTAL OPERATING REVENUES	<u>14,566,247</u>	<u>15,888,378</u>	<u>16,208,934</u>	\$ 320,555	2.02%
Property Tax	890,205	888,554	890,000	\$ 1,446	0.16%
Marin Municipal Water District	455,057	463,145	463,353	\$ 208	0.04%
Net Revenues	<u>15,911,509</u>	<u>17,240,078</u>	<u>17,562,287</u>		
TOTAL OPERATING EXPENDITURES	<u>\$ 6,127,621</u>	<u>6,376,788</u>	<u>7,348,015</u>	\$ 971,227	
NET POSITION	<u>\$ 9,783,888</u>	<u>\$ 10,863,290</u>	<u>\$ 10,214,271</u>	<u>\$ (649,018)</u>	
DEBT EXPENDITURES	<u>\$ 3,920,960</u>	<u>\$ 3,990,565</u>	<u>\$ 4,617,777</u>	\$ 627,212	
Convenant Regarding Gross Revenues	<u>250%</u>	<u>272%</u>	<u>221%</u>		
	125% Requirement				

PENSION FUNDING TRENDS

	Classic ⁽²⁾	PEPRA ⁽³⁾	Classic	PEPRA	Total Employer
	Percent of Payroll		Lump Sum ⁽⁴⁾		Cost
2015/16	12.96%	6.24%	\$ 99,510	\$ -	\$ 321,645
2016/17	12.63%	5.81%	\$ 114,472	\$ 30	\$ 350,978
2017/18	11.68%	4.78%	\$ 132,647	\$ 103	\$ 351,267
2018/19 ⁽¹⁾	12.21%	5.09%	\$ 172,087	\$ 483	\$ 403,336
2019/20 ⁽¹⁾	12.80%	5.05%	\$ 212,000	\$ 1,000	\$ 457,739
2020/21 ⁽¹⁾	13.90%	5.35%	\$ 245,000	\$ 2,000	\$ 517,892

(1) Projected rates

(2) Employer rate is increased by Employer Paid share of employee's required contribution. Prior to 2014/15 it was 4%, it was reduced by 1% each year through 2016/17 when it was eliminated.

(3) Employer rate is reduced by employee cost sharing of 0.75% for 2016/17 and 1.75% effective 2017/18 and going forward.

(4) When PEPRA was passed in 2013 it closed the membership of the Classic employees to future hires. CalPERS changed the method of charging employers for the unfunded liability from a percentage of payroll to a lump sum amount.

OTHER POST EMPLOYMENT BENEFIT FUNDING TRENDS

	Employer Payments			Actuarial	Assets to Fund	Unfunded
	To Retirees	To Trust	Total	Accrued Liability	Liability	Liability
2015/16	\$ 98,402	\$113,459	\$211,861	\$2,792,788	\$ 698,909	\$2,093,879
2016/17	\$ 94,678	\$124,995	\$219,673	\$2,910,217	\$ 815,237	\$2,094,980
2017/18	\$ 94,556	\$118,612	\$213,168	\$2,728,562	\$1,010,968	\$1,717,594
2018/19 ⁽¹⁾	\$ 109,558	\$118,710	\$228,268	\$2,863,797	\$1,153,115	\$1,710,682
2019/20 ⁽¹⁾	\$ 122,778	\$127,597	\$250,375	\$3,029,904	\$1,252,754	\$1,777,150
2020/21 ⁽¹⁾	\$ 137,593	\$137,405	\$274,998	\$3,230,073	\$1,384,896	\$1,845,177
2021/22 ⁽¹⁾	\$ 154,195	\$148,385	\$302,580	\$3,447,739	\$1,531,685	\$1,916,054

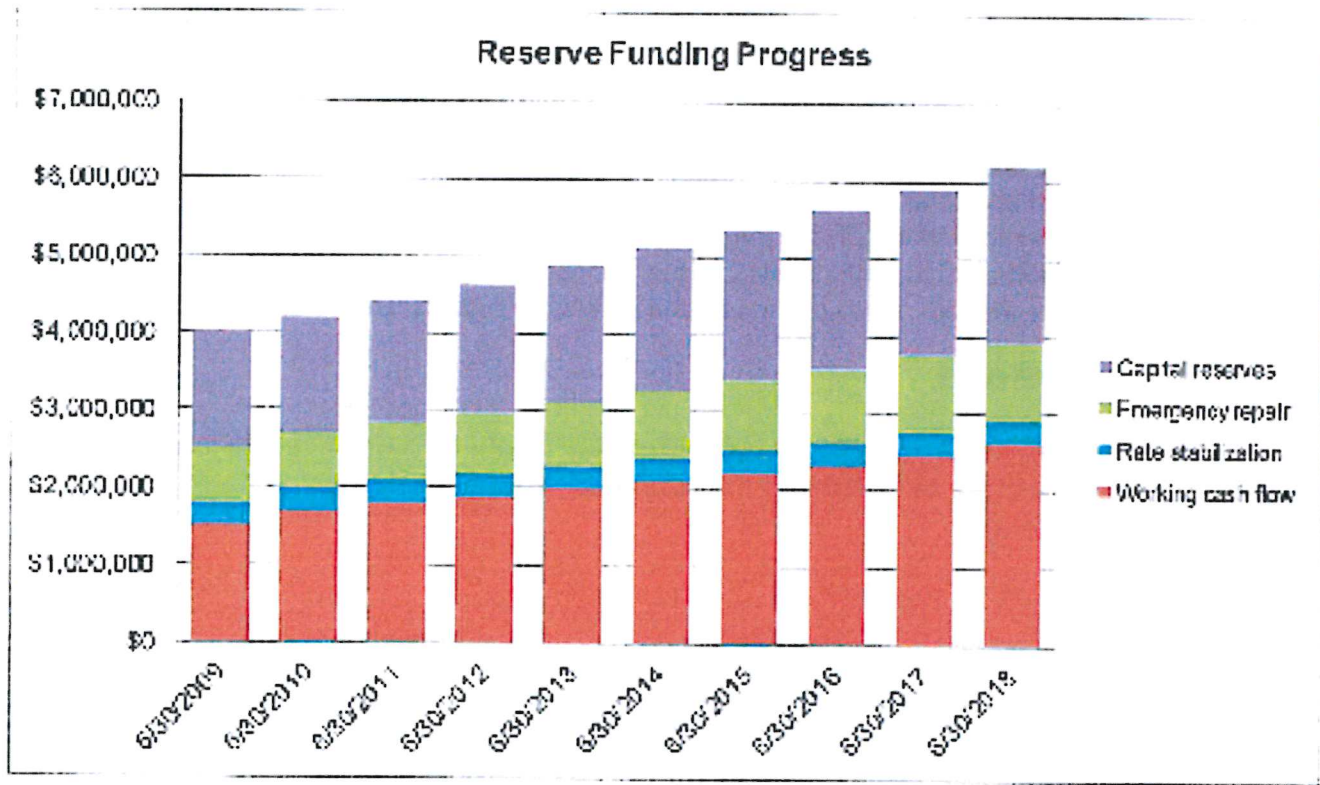
(1) Projected rates

(2) The Actuarial Accrued Liability for 2015/16 and 2016/17 are from the valuation dated January 1, 2015.
The amounts for the years 2017/2018 are from the valuation report dated January 1, 2017.

RESERVES @ JUNE 30, 2018

	Actual June 30, 2018	Current Target	Original Target
Operating reserves:			
Working cash flow	\$ 2,607,084	\$ 6,930,000	\$ 1,500,000
Rate stabilization	300,000	300,000	300,000
Emergency repair	1,000,000	1,000,000	700,000
Total operating reserves	3,907,084	7,230,000	2,500,000
Capital reserves	2,300,367	4,000,000	1,500,000
Total reserves	\$ 6,207,451	\$ 11,230,000	\$ 4,000,000

The following chart illustrates the District's progress on meeting this goal:



FUTURE BUDGET GOALS

- MORE SPECIFIC PROJECT SCOPES AND NAMES
- PRIORITIZE 5 YEAR CIP PER MASTER PLAN
- AGE OF CIP FUNDING ANALYSIS
- INCREASED OUTSOURCING OF PROJECT IMPLEMENTATION
- IMPLEMENTATION OF ORGANIZATIONAL ANALYSIS RESULTS
- START PROP 218 RATE STUDY
- IMPROVED TRACKING FROM FINANCIAL SOFTWARE INSTALLATION
- CARRYOVER REDUCTION
- START FLEET REPLACEMENT FUND

From Mike and the Staff



Pictured from left to right are: Brian Exberger, Norman Rogers, Ralph Loveless, Greg Pease, Chris Gill, Mike Cortez, Rob Fernandez, Bob Buchholz, Chris Campbell, Josh Binder, Kristina Kempf, Teri Lerch, Irene Huang, Manuel Cardenas, Mel Liebmann, Mike Prinz, Robert Rutz, Sahar Golshani. Missing is John Bontrager.

Staff of the Las Gallinas Valley Sanitary District

Mike and Robert



QUESTIONS?