SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-B**

FROM: Ed Fortner, General Manager

Meeting Date: May 2, 2019

SUBJECT: DRAFT FY 2019-2020 BUDGET REPORT

RECOMMENDED ACTION: Receive the draft Budget Report and discuss any outstanding issues regarding the Draft District FY 2019-2020 Budget, including the District's proposed water rates based on a 3% increase, and provide direction to staff and the *ad hoc* Budget subcommittee.

FISCAL IMPACT: Provides financial direction for FY 2019-2020.

DISCUSSION:

The draft FY 2019-2020 (FY20) Budget was presented at the April meeting. At the meeting we discussed budget issues, the proposed water rate increases, and the line item details of the proposed FY20 Budget. During the discussion several items were highlighted, among them was the 3% rate increase and the Net Capital Funding definition. Highlights of the FY20 Budget include:

- A 3% increase in the Water Usage, Base Rate and Capital Debt Reduction Charges. This is the ninth year of the nine-year plan to increase capital funding to a sustainable level.

- Water sales are projected to be flat.

- There is no major Capital project for FY20.

- Net Capital Funding will be approximately $260,000. Net Capital Funding is the term used for estimating the amount of funding developed in the Operating and Capital Improvement Budget for funding capital projects. It is the sum of the operating budget surplus, annual assessments, CDRC, and capital interest minus total debt payments. We believe that Net Capital Funding should be near $500,000 for a sustainable capital improvement program for the District.

The Proposition 218 notices were mailed by April 19. 3,356 notices were mailed. As of April 26, 2 protests have been received.

Exhibit A is the draft FY20 Budget Report. It includes a summary of the budget detail, the revenues and expense pie charts and discussion of notable budget items. This document plus information on the proposed 3% water rates increase will be on the District website. Please review the report and provide comments to staff either at the meeting or via email.

Table 1. FY 2019-2020 Budget Preparation	
Reviewed/Approved Capital Improvement Program	December 2018, January 2019
Introduce Budget Process	January 3, 2019
Budget Committee meetings	January - March 2019
New GM, Ed Fortner, Jr. on board	March 7, 2019
Draft Budget to Board for Discussion/Action, Including Direction on Water Rates	April 4, 2019
Prop 218 Mailing for Water Rate Increase, if necessary	April 19, 2019
• Draft Budget to Board for Discussion/Action	May 2, 2019
Approve Budget Prop 218 Public Hearing on Rates	June 6, 2019

Attachment A						Sweetwater Springs Water District FY 2019-2020 Draft Operating and Capital Budget					
						FY 17-18 FINAL (CASH)*	FY18-19 BUDGET	FY 18-19 Projected	FY 19-20 BUDGET	Difference FY20-FY19 Budgets	FY 2019-20
REVENUE											
	OPERATING REVENUE										
		4031 · Water Bill Revenue									
			4031.1. · Capital Debt Reduction Charge			279,369	288,172	287,750	296,383	8,211	3% rate increase based on projected
			4031.1. · Water Sales - Base Rate			1,550,404	1,557,162	1,596,916	1,644,824	87,662	3% rate increase based on projected
			4031.1. · Water Sales - Usage Charges + Other			597,461	638,176	615,385	633,846	(4,330)	Flat sales, 3% increase based on projected
			4031.1. · Total Water Sales			2,147,865	2,195,338	2,212,301	2,278,670	83,332	
	Total OPERATING REVENUE					2,427,234	2,483,510	2,500,051	2,575,053	91,543	
	NON-OPERATING REVENUE										
		4445 · Grant Proceeds				36,424	0	0	-	-	
		1700 · Interest				8,161	8,000	8,000	8,000	-	
		3600 · Construction New Services				8,235	7,000	6,700	7,000		
		3601 · Construction Service Upgrades				11,506	4,000	3,000	3,000		
		4032 · Rent				96,470	98,600	110,000	105,000	6,400	Crystal $1361/mo = $16,322 AT&T $7400/mo = $88,800
		4040 · Miscellaneous Income				2,384	1,500	3,000	1,500	-	USBank CC refunds So. Cty Credit
		4117 · SCWA Reimbursement				0	2,500	2,745	-	(2,500)	CALWEP dues reimbursed thru 2019. Sonoma Water Contract under negotiation.
	Total NON-OPERATING REVENUE					163,180	121,600	133,445	124,500	2,900	
Total Income						2,590,414	2,605,110	2,633,496	2,699,553	94,443	
EXPENSES											
	OPERATING EXPENSES										
		SALARY & BENEFITS									
			Salary								
				5910 · Wages		777,596	811,200	825,000	903,046	91,846	GM & AC full time.
				5912 · Overtime		28,256	34,120	33,900	34,307	187	
				5916 · On-Call Pay		34,590	34,950	35,000	34,950	-	
				5918 · Extra help - Contract		36,931	34,100	36,900	34,100	-	
				Total Salary		877,373	914,370	930,800	1,006,400	92,030	
			Benefits								
				5500 · Flex Spending		820	0	0	0	-	
				5920 · Retirement net EE share		64,100	75,281	70,000	95,927	20,646	Employees pay employee share; Unfunded L = $37000; ER Rate 8.418% JK: ER Rate for FY 2019-20 is 9.680% for 2%@55; 6.985 for 2%@62
				5920 · Retirement UL		112,003	105,000	125,450	120,000	15,000	JK: Mandatory UL $57000 + Suggested Extra pymnt $63000 = $120,000
				5922 · Payroll Taxes - Employer Paid		15,062	15,646	15,646	16,761	1,115	
				5930 · Health/Dental/Vision/AFLAC		186,420	190,000	190,000	237,000	47,000	
				5931 · Retiree health		7,698	7,680	7,900	7,680	-	CERBT of $3000; Per JK cost per retiree 2019 $136; 2020 $139.75
				5940 · Workers Comp Insurance		47,222	25,605	28,000	37,000	11,395	Increased from 103% to 131%. Projected premiums will now be around $37,000 projecting for estimated wage increases.
				Total Benefits		433,325	419,212	436,996	514,368	95,156	
		Total SALARY & BENEFITS				1,310,698	1,333,582	1,367,796	1,520,768	187,186	
		SERVICES & SUPPLIES									
			Communications								
				6040-I · Internet service		2,016	2,350	2,350	2,350	-	Comcast -$86.13/month: $1034 GotoMyPC $47.90/mo = $575 Sonic.net $47.90/mo (A) = $575
				6040-C · Cell Phones		4,076	4,050	4,200	4,900	850	Verizon $65/mo: $780, GM-$600 Misc parts/holders: $200 Cell phone reimburse $275/mo - $3300
				6040-P · Pagers & Radios		470	680	620	680	-	American Messaging $40/mo: $480 Misc. parts/batteries: $200
				6040-T · Telephones		16,671	18,000	18,000	22,900	4,900	Ans. Service: $2500 AT&T Phones: $1,400/mo: $16,800 Mitel Phones: $300/mo=$3,600
				Total Communications		23,233	25,080	25,170	30,830	5,750	

			Insurances						
				6101 · Liability & Auto Ins.	36,181	33,000	42,000	44,000	11,000	
				Total Insurances	36,181	33,000	42,000	44,000	11,000	
			Maint/Rep - Office & Vehicles							
				6140 · Vehicle Maintenance	11,743	14,000	15,500	21,000	7,000	GM-$6,000
				6151 · Office Maintenance	7,148	7,300	5,000	6,000	(1,300)	Alarm System - $130/qtr.=$520 SR Computers - $195/mo = $2340/year Copy mach. maint - 1400/yr Call One - $1000/yr Landscaping - $300/yr Misc / Other - $250
			Total Maint/Rep - Office & Vehicles		18,891	21,300	20,500	27,000	5,700	
			Maint/Repair - Facilities						-	
				6085 · Janitorial Services	6,373	9,445	8,800	8,800	(645)	Maria Reyes (office Janitorial): $125/mo = $1500 United Site Svces (port-o-lets): $305/mo = $3660 Recology Garbage $2000 Sewer - GVTP ($1600)
				6100 · SCADA System	3,201	5,000	6,000	5,000	-	
				6180 · Distribution System Repairs	25,369	40,000	50,000	50,000	10,000	
				6235 · Treatment Sys/Well Repairs	31,594	45,000	70,000	50,000	5,000	Well # 6 El Bonita rehab $18,000.
				6143 · Generator Maintenance	6,836	1,000	1,000	1,000	-	Not a planned major maintenance year.
				Total Maint/Repair - Facilities	73,373	100,445	135,800	114,800	14,355	
			Miscellaneous Expenses							
				6280 · Memberships	11,082	11,500	12,000	12,020	520	USA $700 AWWA $420 CSDA $6800 CalWEP $2600 MR Chamber -$50 RR Chamber - $150 Cal Rural $1100 WCWW $200
				6303 · Claims	16,070	1,500	500	1,500	-	
				6593 · Governmental Fees	4,700	22,000	18,000	15,000	(7,000)	Elections costs: $0 Notice of Determination $230 Parcel List $270 LAFCO $6,700 Hazmat $1300 Operator license fees $400 System fees $9000
				Total Miscellaneous Expenses	31,852	35,000	30,500	28,520	(6,480)	
			Office Expense						-	
				6410 · Postage	15,744	16,000	16,000	17,000	1,000	Billing (2000 pieces @ $.50 X 12 months) = $12,000 Prop 218 mailing: 4000 X .50 = $2,000 1 extra mailing: 3600 X .50 = $1,800 Other mail
				6430 · Printing Expense	7,752	7,500	7,500	7,500	-	Window Envelopes $1100 Return Envelopes $800 Water Bills + Autopay $1500 Doorhangers $400 Turn Off Notices $600 Letterhead $250 Misc. Inserts/folding (CCR, Flood, Rate Incr. $700) Prop 218 notice: $700 Checkblanks $200 Tagbooks/Receipt books $700
				6461 · Office Supplies	4,111	5,000	5,500	6,000	1,000	Supplies $4000 Plants/Landscaping $150 Christmas Tree $80 Christmas party $400 Business lunches $75 Paper products/coffee $250 Furniture $500
				6800 · Subscriptions/Legal Notices	553	1,100	1,100	1,100	-	Press Democrat $475 Legal Notices $400 Sonoma West $70 Safety Meeting Outlines $85
				6890 · Computers/Software	1,560	2,500	1,700	2,500	-	Antivirus softsware $60 Cloud software $70 Misc $400
				6579 · Furniture	844	500	500	-	(500)	
				Total Office Expense	30,564	32,600	32,300	34,100	1,500	

			Operating Supplies							
				6300 · Chemicals	11,979	20,000	18,500	20,000	-	
				6880 · Tools and Equipment	5,676	5,000	5,000	$7,000.00	2,000	Leak listener $3000 Mini Jack hammer $450. Chain saw $400.
				6881 · Safety Equipment	1,262	1,200	2,200	1,200	-	
				Total Operating Supplies	18,917	26,200	25,700	28,200	2,000	
			Professional Services							
				6083 · Laundry Service	1,283	-	-	-	-	
				6514 · Lab/Testing Fees	11,611	12,500	13,500	12,500	-	
				6570 · Consultant Fees	17,000	18,000	45,000	18,000	-	IEDA $12,500 Open Spatial (Mapping): $4,200 SR Computers/Chris Meyers (non-maintenance work) $1000
				6610 · Legal	11,565	20,000	10,000	20,000	-	
				6630 · Audit/Accounting	38,832	39,000	42,000	42,000	3,000	ADP $65/2 weeks = $1300 W-2s = $80 Authorize.net $600 Auditor $8,500 Harbortouch $25,000 E-check fees = $2100 West America fees $230/mo = $2760 1099 = $175 County Accounting Fees = $1200
				Total Professional Services	80,291	89,500	110,500	92,500	3,000	
			Rents & Leases							
				6820 · Equipment	1,409	3,300	3,300	3,300	-	Postage machine $1300 Action rents: $2000
				6840 · Building & Warehouse	29,672	29,790	29,790	29,790	-	Rent: $2,482.50/mo = $29,790
				Total Rents & Leases	31,081	33,090	33,090	33,090	-	
			Transportation & Travel							
				7120 · Seminars & related travel	473	2,650	2,650	3,650	1,000	JK - $250, EF-$1,000 LK and CMH - $400 Field: $1500, GM - $500
				7201 · Vehicle Gas	18,367	20,000	18,000	20,000	-	
				7300 · Travel Reimbursements	5,428	6,400	6,400	7,400	1,000	GM-$1,000 KG $400/mo = $4800 (F) CMH/NK/JK $80/mo = $960
				Total Transportation & Travel	24,268	29,050	27,050	31,050	2,000	
			Uniforms							
				6021.1 · Boots	1,320	1,500	1,500	1,500	-	$225 X 7 = $1450
				6021.3 · T-shirts	1,694	1,800	1,700	1,800	-	
				6021.4 · Jackets	0	240	240	240	-	2 jackets
				Total Uniforms	3,014	3,540	3,440	3,540	-	
			Utilities							
				7320 · Electricity	97,850	100,000	107,000	110,000	10,000	
				7321 · Propane	2,820	3,000	3,000	3,000	-	
				Total Utilities	100,670	103,000	110,000	113,000	10,000	
		Total SERVICES & SUPPLIES			472,335	531,805	596,050	580,630	48,825	
	Total OPERATING EXPENSES				1,783,033	1,865,387	1,963,846	2,101,398	236,011	
OPERATING SURPLUS/DEFICIT					$807,381	$739,723	$669,650	$598,155	$ (141,568)	
	FIXED ASSET EXPENDITURES									
		8517 · Field/Office equipment			500	-	0	-		
		8573 · Vehicles			0	50,000	47,000	47,000	(3,000)	New truck
		8511.1 · Tank/Facilities Sites			60,723	-	0	24,000	195,000	Harrison Rd reinforcement $12,000. Park Ave roof $12,000.
		8511.6 · Leasehold Improvements			0	0	0	-	-	
	Total FIXED ASSET EXPENDITURES				61,223	50,000	47,000	71,000	21,000	
	TRANSFERS TO OTHER FUNDS									
		8620.7 · Tfers to CIRF for CDR Revenue			278,615	288,172	288,172	296,383	8,211	
		8620.3 · Tfers to CIRF - PY Surplus			0	0	0	-	-	
		8620.3 · Tfers to CIRF			320,000	360,000	290,000	190,000	(170,000)	
		8620.5 · Tfers to Building Fund			15,000	15,000	15,000	15,000	-	
		8620.2 · Tfers to In-House Constr			25,000	25,000	25,000	25,000	-	
	Total TRANSFERS TO OTHER FUNDS				638,615	688,172	618,172	526,383	(161,789)	
SURPLUS/DEFICIT					107,543	1,551	4,478	772	(779)	
CAPITAL BUDGET										
REVENUE/SOURCES OF FUNDS										
	Annual Assessment - New Services				15,764	27,000	27,000	27,000	-	
	Annual Assessment (County)				726,080	710,000	710,000	710,000	-	
	Prior Year Assessment				22,709	40,000	40,000	40,000	-	
	Capital Debt Reduction Charge				278,615	288,172	288,172	296,383	8,211	
	Interest				17,075	15,000	25,000	25,000	10,000	
	Guernewood Park Modeling Funds				41,800	-	-	-	-	
	Transfer from Reserves				435,000					
	USDA 2018 Bond						1,535,000	0		Bond closed in Spring
	Transfers to CIRF from Operations				320,000	360,000	290,000	190,000	(170,000)	
	Transfers to In-House Constr. from Operations				25,000	25,000	25,000	25,000	-	
	TOTAL REVENUE				1,882,043	1,465,172	2,940,172	1,313,383	(151,789)	

EXPENSES									
	DEBT PAYMENTS								
	Gen. Obligation Bonds Payments	65,783	64,284	79,752	98,821	34,537	2015 GO Bond Refi: $64284.91 2018 GO Bond: $34,535.70
	Cap One Revenue Bond	564,344	563,194	563,194	566,558	3,364	
	State Loan Payments	146,618	146,619	146,619	146,619	-	
	Private Placement Loan	234,013	225,045	225,045	216,062	(8,983)	
	TOTAL DEBT PAYMENTS	1,010,758	999,142	1,014,610	1,028,060	28,918	
	2017 CIP Design and Construction Mgmt	104,917	-				
	2017 CIP Construction	659,940	-				
	2018 CIP Design and Construction Mgmt	36,823		100,692			
	2018 CIP Construction	0		932,519			
	2019 CIP		250,000				
	Guernewood Park Modeling Expense	39,284				-	
	In-House Construction Projects	25,775	25,000	25,000	25,000	25,000	
	Total Capital Expenses	866,739	275,000	1,058,210	25,000	(250,000)	
	TOTAL EXPENSES	1,877,497	1,274,142	2,072,820	1,053,060	(221,082)	
	End of FY17 Accrual Expenses						Total Expenses = Accrual Expenses because no FY18 Obligation in FY17
	SURPLUS/DEFICIT	4,546	191,030	867,352	260,323	69,293	
	Net Capital Funding	477,028	442,581	370,040	261,095		Sum of the operating budget surplus, annual assessments, CIRF, CDRC, and capital interest minus total debt payments.
FUND AND LOAN BALANCES (EOY)							
DISTRICT RESERVES AND FUND AND LOAN BALANCES							
	Operating Budget Cash Reserve	123,508	279,808	279,808	315,210	35,402	
	Operating Budget Reserve (10%+15% of Operating Exp)	96,475	466,347	466,347	525,350	59,003	
	Debt Repayment Reserve (25% of Debt pmt)	102,315	249,786	249,786	257,015	7,230	
	Capital Reserve	250,000	250,000	250,000	250,000	-	
Total District Policy		773,243	1,245,940	1,245,940	1,347,574	101,634	
TOTAL Reserves EOY		2,314,663	2,410,774	3,186,493	3,447,587	1,036,813	
Reserves Above (below) Policy		1,541,419	1,164,834	1,940,552	2,100,013	935,179	
DISTRICT FUNDS							
	CIRF (7106-0600)	266,474	100,000	886,837	1,031,298	931,298	
	OPERATING RESERVE (0300)	123,508	279,808	466,347	315,210	35,402	
	OPERATIONS (0100)	96,475	274,995	279,808	525,350	250,355	
	CAPITAL AND DEBT POLICY RESERVE (1100)	102,315	475,027	499,786	507,015	31,989	
	IN HOUSE CONSTRUCTION (0500)	75,982	79,315	79,315	79,315	-	
	BUILDING (0200)	10,850	25,850	25,850	40,850	15,000	
	CAP ONE AND CITIZENS BANK LOAN (1200)	791,250	802,112	802,112	802,112	-	
	FEDERAL LOANS AND BONDS (0400)	500,000	-	-	-	-	
	STATE LOANS (0700,0900)	146,863	146,438	146,438	146,438	-	
	STATE LOANS RESERVES (0800&1000)	-	-	-	-	-	
	PARS*	200,945	200,000	200,000	208,000	8,000	4% return

2,299,655 2,416,289