

## M E M O

TO: Budget & Finance Committee

FROM: Director of Finance

SUBJECT: Biennial Draft Budget FY2021-2023

DATE: April 21, 2021

### RECOMMENDATION:

It is recommended that the Budget & Finance Committee review the preliminary budget.

### BACKGROUND:

#### **BUDGET**

This package will include the main components to show the financial flows of the biennial FY2021-2023 budget. The prior review went into detail for the expenses and revenue. This package highlights the capital project piece.

#### **Summary of Revenue, Expenses, Capital and Changes in Reserves**

	<b>FY21/22</b>	<b>FY22/23</b>
Operating Revenue [1]	\$ 12,994,008	\$ 13,070,552
Operating Expenses	(8,881,093)	(9,311,906)
<b>Operating Income (Expense)</b>	<b>\$ 4,112,915</b>	<b>\$ 3,758,646</b>
Non-Operating Revenue	\$ 1,437,098	\$ 1,361,477
Non-Operating Expense	(2,322,635)	(2,186,103)
<b>Non-Operating Income (Expense)</b>	<b>\$ (885,537)</b>	<b>\$ (824,626)</b>
Capital Project Expenses	\$ (21,097,371)	\$ (13,600,000)
Funded by Debt	\$ 14,522,371	\$ 7,810,000
Funded by FEMA[2]	3,955,313	2,063,438
<b>Capital Funding Needed</b>	<b>\$ (2,619,688)</b>	<b>\$ (3,726,563)</b>
<b>Increase (Decrease) in Reserves</b>	<b>\$ 607,691</b>	<b>\$ (792,543)</b>

[1] Includes \$1M in fire recovery surcharge

[2] Assumes FY20/21 FEMA received in FY21/22, and a 75/25 split thereafter

## **HIGH LEVEL POINTS**

### **REVENUE**

- Consumption revenue needs to be reviewed pending the Boards drought discussion.
  - This could have significant impact on the budget.
- No further rate increases are applied, outside of the last year 5 from the 2017 study.
  - There is \$100K in the expenses for a rate study, if future rate increases are approved, we would do a budget amendment.
- The proposed \$1M per year fire recovery surcharge is included as an operating revenue.

### **EXPENSES**

- 1 new hire – title changed to be more in line with a Special Project Manager (\$160K net)
- 3 promotions –
  - Water Treatment Supervisor to Water Treatment Manager
  - Environmental Planner to Environmental Programs Manager
  - Accountant to Accountant/Office Supervisor
- \$100K in FY2021-22 for rate study
- \$40K in FY2021-22 for going digital campaign

### **CAPITAL**

- High volume of capital projects, with the majority being funded by prior secured debt, with an additional portion being reimbursed through FEMA

## **DISCUSSION POINTS**

- Discuss the projected impact on reserves
- Discuss unfunded employee liability funding, none have been factored in yet
- Potential impacts on drought restrictions
- Capital projects

## **ATTACHMENTS**

- Capital project costs, funding sources and descriptions
  - 1<sup>st</sup> page covers the project cost and funding source
  - 2<sup>nd</sup> page follows the same order for describing the projects
- Changes in operating expenses since the last review
- Operating expenses in the two views – these are the same amounts, just broken out in one view of category and one view of department.

## FY2021-2023 CIP PLANNING

PROJECT NAME	FY21/22	FY22/23	FUNDING
	CONSTRUC./ PROCUREMENT	CONSTRUC./ PROCUREMENT	
Redwood Park (Swim) Tank	\$ 625,000		\$14.5M COP
Lyon Zone Pipe	\$ 3,435,840		\$14.5M COP
Sequoia Pipeline	\$ 166,120		\$14.5M COP
Quail Hollow Pipeline	\$ 4,945,411		\$14.5M COP
Redwood Park Tank Pipeline (Country Club)	\$ 200,000		\$14.5M COP
Orman Road Water Main Replacement	\$ 175,000	\$ 990,000	\$15M Loan
Hermosa Oak Fernwood Water Main Replacement	\$ 200,000	\$ 1,485,000	\$15M Loan
Juanita Woods Water Main Replacement	\$ 200,000	\$ 1,485,000	\$15M Loan
Zayante Drive Water Main Replacement	\$ 75,000	\$ 770,000	\$15M Loan
Blue Ridge Tank Replacement	\$ 95,000	\$ 880,000	\$15M Loan
Bennett Spring Supply /Transmission main	\$ 380,000		\$15M Loan / FEMA
South Zone Distribution Piping	\$ 150,000	\$ 450,000	\$15M Loan / FEMA
Alta Via Distribution System Piping	\$ 50,000	\$ 750,000	\$15M Loan / FEMA
Eckley Pumping Station	\$ 120,000		\$15M Loan / FEMA
Big Steel Tank/Piping	\$ 675,000		\$15M Loan / FEMA
Peavine Supply	\$ 1,500,000		\$15M Loan / FEMA
Five Mile Box & Turbidity Station	\$ 225,000		\$15M Loan / FEMA
Sweetwater Supply Line	\$ 675,000	\$ 1,000,000	\$15M Loan / FEMA
Harmon Street 2"	\$ 75,000		\$15M Loan / FEMA
Big Steel Zone Piping	\$ 555,000		\$15M Loan / FEMA
Lyon WTP Accessory Building	\$ 70,000		FEMA
Foreman Creek Diversion	\$ 800,000		FEMA
Eckley Distribution Mainline	\$ 400,000		FEMA
Clear Creek 5 Mile supply liine	\$ 50,000	\$ 3,200,000	FEMA
CZU Services & Water Meter Replacement	\$ 75,000	\$ 75,000	FEMA
Lyon Slide Repair	\$ 40,000	\$ 1,000,000	FEMA
1,000 Meter Replacement Program (15/day)	\$ 384,000	\$ 395,000	RESERVES
Felton Heights Tank (1)	\$ 400,000		RESERVES
Glen Arbor Bridge South	\$ 200,000		RESERVES
Fall Creek Fish Ladder	\$ 1,300,000		RESERVES
Highland Tank	\$ 300,000		RESERVES
Vehicle - Eng./Env.	\$ 30,000		RESERVES
Brookdale Tank Coating	\$ 300,000		RESERVES
Blair Tank Coating	\$ 325,000		RESERVES
SCADA Tone Cards	\$ 80,000		RESERVES
Vehicle - 2 WT Trucks	\$ 96,000		RESERVES
Excavator	\$ 50,000		RESERVES
Dump Truck	\$ 65,000		RESERVES
Bear Creek Tank Coating	\$ 300,000		RESERVES
Riverside Grove Tank Coating	\$ 300,000		RESERVES
McCloud Tank Coating	\$ 300,000		RESERVES
Charlie Bolted Steel Replacement		\$ 200,000	RESERVES
Brookdale TRTU SCADA Upgrades	\$ 160,000		RESERVES
Lost Acres Booster Pump Station		\$ 60,000	RESERVES
El Solyo Boster Pump Station		\$ 60,000	RESERVES

	FY21/22	FY22/23	
PROJECT NAME	CONSTRUC./ PROCUREMENT	CONSTRUC./ PROCUREMENT	FUNDING
Madrone Booster Pump Station	\$ 100,000		RESERVES
Spring Tank Rehab Bolted Steel Tank		\$ 200,000	RESERVES
Charlie Hydro Station Replacement	\$ 60,000		RESERVES
Waste Water Generator	\$ 60,000		RESERVES
Loch Lomond Feasibility Study		\$ 100,000	RESERVES
Kings Creek Bridge		\$ 250,000	RESERVES
Monaco Ln. Bridge		\$ 250,000	RESERVES
Fork Lift Quail 5	\$ 30,000		RESERVES
Brookdale Viaduct	\$ 300,000		RESERVES
<b>TOTAL PROJECTS</b>	<b>\$ 21,097,371</b>	<b>\$ 13,600,000</b>	

**BREAKDOWN BY FUNDING SOURCE**

\$15M Loan	\$ 745,000	\$ 5,610,000
\$14.5M COP	\$ 9,372,371	\$ -
\$15M Loan / FEMA	\$ 4,405,000	\$ 2,200,000
FEMA	\$ 1,076,250	\$ 3,206,250
RESERVES	\$ 5,498,750	\$ 2,583,750
	<u>\$ 21,097,371</u>	<u>\$ 13,600,000</u>
	<i>TRUE</i>	<i>TRUE</i>

**INFLOWS FROM CAPITAL CONTRIBUTIONS**

Financed FEMA Reimbursement	\$ 3,303,750	\$ 1,650,000
	<u>\$ 3,303,750</u>	<u>\$ 1,650,000</u>

## FY2021-2023 CIP PLANNING

PROJECT NAME	PROJECT DESCRIPTION
Redwood Park (Swim) Tank	Construction of a new 120,000 gallon bolted steel water tank. The project includes, but is not limited to, construction of a new bolted steel water tank, SCADA control, fencing, retaining walls and a new pump station.
Lyon Zone Pipe	Construction of approximately 3,000 lineal feet of new 12-inch water main and appurtenances thereto.
Sequoia Pipeline	Construction involves approximately 800 feet of 8-inch water main and appurtenances thereto.
Quail Hollow Pipeline	Construction of approximately 7,500 feet of 12-inch water main and appurtenances thereto.
Redwood Park Tank Pipeline (Country Club)	The Country Club Pipeline Project is required as a result of the relocation of the Redwood Park Tank. The pipeline will be designed and constructed with the replacement of the Redwood Park Tank.
Orman Road Water Main Replacement	Replace 2,000 LF with new 8" water main and apparatuses. The project will replace the existing 2-inch and 1 ½-inch water main along Orman Road. Undersized water mains are the source of intermittent low water pressure, interruption of water service, and inadequate fire flow.
Hermosa Oak Fernwood Water Main Replacement	Replace 3,000 LF of 8" main, due to current leaking water main. Project will include new water service runs and fire hydrants, including isolation valving.
Juanita Woods Water Main Replacement	Replace 3,000 LF with new 8" water main and apparatuses for proper fire flow. The project will replace existing 2-inch water mains.
Zayante Drive Water Main Replacement	Replace 1,500 LF with new 8" DIP. This improvement will remove a piping restriction to the Lompico Booster increasing fire flow into the Lompico Canyon.
Blue Ridge Tank Replacement	Construction of a new 64,000 gallon bolted steel tank in the Blue Ridge Zone. This project will replace the existing redwood storage tank which has reached its service life. Project includes, but not limited to site improvements, tank construction, SCADA control, and appurtenances.
Bennett Spring Supply /Transmission main	Replace temporary piping and install underground to AWWA/District Standards approximately 1500 lineal Feet
South Zone Distribution Piping	Replace 4,000 LF temporary water distribution piping, 26 water services and meters and install underground to AWWA/District standards along Forest and Western Ave.
Alta Via Distribution System Piping	Replace 5,000 LF temporary with permanent piping to AWWA/District standards in roadway, including 38 water meter service sets and 6 fire hydrants. Requires plans & Specifications for bidding.
Eckley Pumping Station	Replace pumping station, power drop, SCADA control, Communications wire. Including engineering plans and specifications.
Big Steel Tank/Piping	Replace temporary 8" HDPE water main in accordance AWWA/District Standards,
Peavine Supply	Fire destroyed 8,000 LF of 8" HDPE above ground raw water pipeline and support structures, intake and flow/metering monitoring equipment. Replace pipeline, monitoring equipment constructability study Harding for future fire.
Five Mile Box & Turbidity Station	Replace Turbidity station building and settling chamber, replace turbidity, SCADA equipment and automatic valves.
Sweetwater Supply Line	Fire damaged intake structure and destroyed 1.5 MI of 8" HDPE pipeline and metering and monitoring equipment, replace supply line, constructability study Harding for future fire.
Harmon Street 2"	Replace 1,000 LF temporary piping in accordance AWWA/District Standards
Big Steel Zone Piping	Replace damaged piping , change location from cross-country to public right-away roadway. Install to AWWA/District Standards.
Lyon WTP Accessory Building	Replace Building Container and equipment, replaced burned flyght pump, water quality sampling stations, and lawn mowers.

Foreman Creek Diversion	Install new piping, support structure, repair intake
Eckley Distribution Mainline	Replace 750 lineal feet of temp piping with permanent piping in roadway to AWWA/District Standards, including 9 water services and 2 fire hydrants, Engineering , plans & specifications.
Clear Creek 5 Mile supply liine	Fire damaged intake structure and destroyed 5.5 MI of 8" HDPE pipeline and metering and monitoring equipment. replace supply line, constructability study Harding for future fire.
CZU Services & Water Meter Replacement	Replace 150 water meters, meter valves, house valve, meter check coupling, and service lines.
Lyon Slide Repair	Lyon Slide project may be able to have a access road put in for a significant cost reduction than originally planned.
1,000 Meter Replacement Program (15/day)	Replace approximately 1,000 meters in the District.
Felton Heights Tank (1)	The project includes but is not limited to property acquisition by easement, engineering, and 60,000 gallon water tank construction.
Glen Arbor Bridge South	Repair/Replacement of the waterline crossing the bridge
Fall Creek Fish Ladder	Upgrades will include reducing the jump height between the pools for fish travel, as required by State and Federal regulations and improvements to the intakes.
Highland Tank	Replace the existing 64,000 gallon redwood tank.
Vehicle - Eng./Env.	Pushed out from FY20-21 budget. (possible to come back into FY20-21
Brookdale Tank Coating	Pushed out from FY20-21 budget.
Blair Tank Coating	Pushed out from FY20-21 budget.
SCADA Tone Cards	Purchase and install Emerson Controlwave RTU's at the tank and booster site, coordinating an internet connection at each site, integration with existing SCADA network and programming of the RTU's with staff from Emerson.
Vehicle - 2 WT Trucks	Replacing VE-249 & VE-280
Excavator	Purchase smaller used excavator.
Dump Truck	Used purchase with low miles.
Bear Creek Tank Coating	Tank quality inspection and retrofit.
Riverside Grove Tank Coating	Retrofit stairs, piping and vent. Painting & coating. Hazmat testing.
McCloud Tank Coating	Tank quality inspection and retrofit.
Charlie Bolted Steel Replacement	Site unknown for stability. Replace with bolted steel.
Brookdale TRTU SCADA Upgrades	Upgrade Brookdale RTU and 4 legacy communication sites
Lost Acres Booster Pump Station	Replace deteriorated wood building, fire harden.
El Solyo Boster Pump Station	Replace deteriorated wood building, fire harden.
Madrone Booster Pump Station	Replace deteriorated wood building, floods and pumps need redesign. Plus fire harden.
Spring Tank Rehab Bolted Steel Tank	Tank needs to be replaced and possibly upgraded.
Charlie Hydro Station Replacement	Replace deteriorated wood building, fire harden.
Waste Water Generator	Generator obsolete, parts unavailable. Important generator.
Loch Lomond Feasibility Study	
Kings Creek Bridge	
Monaco Ln. Bridge	
Fork Lift Quail 5	
Brookdale Viaduct	

## CHANGES IN OPERATING EXPENSES

	<b>FY21/22</b>	<b>FY21/22</b>	<b>\$</b>		<b>FY22/23</b>	<b>FY22/23</b>	<b>\$</b>	
	<b>Original</b>	<b>New</b>	<b>Change</b>		<b>Original</b>	<b>New</b>	<b>Change</b>	
Salaries & Benefits	\$ 5,936,406	\$ 6,018,567	\$ 82,162	[1]	\$ 6,374,381	\$ 6,462,578	\$ 88,198	[1]
Contract/Professional Services	\$ 1,074,555	\$ 1,074,555	\$ -		\$ 967,189	\$ 997,189	\$ 30,000	[2]
Operating Expenses	\$ 441,700	\$ 446,700	\$ 5,000	[3]	\$ 455,450	\$ 455,450	\$ -	
Maintenance	\$ 198,300	\$ 198,300	\$ -		\$ 202,700	\$ 202,700	\$ -	
Facilities	\$ 685,050	\$ 685,050	\$ -		\$ 725,795	\$ 725,795	\$ -	
Gen. & Admin.	\$ 427,710	\$ 457,920	\$ 30,210	[4]	\$ 435,210	\$ 468,194	\$ 32,984	[4]
	\$ 8,763,721	\$ 8,881,093	\$ 117,372		\$ 9,160,725	\$ 9,311,906	\$ 151,182	

[1] ~\$60K+ for new hire Special Project Manager (net \$160K), plus ~\$21K new promotion for supervisor in Finance Dept

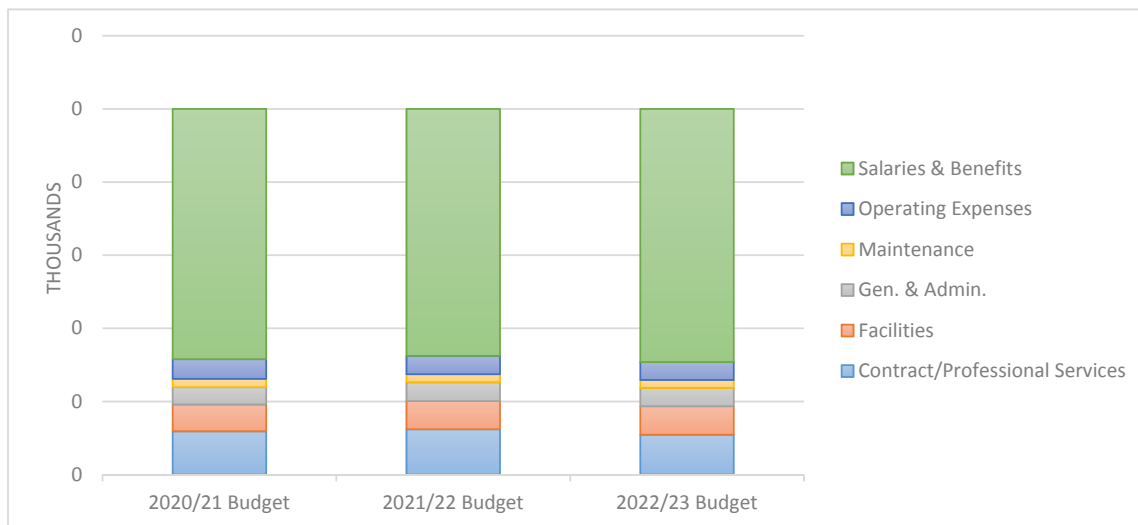
[2] Estimated election fees for 2022

[3] New biennial ELAP lab fees

[4] Increase in insurances, prior was an estimate, actual invoice for FY21/22 came in much higher

## Operating Expense Budget by Expense Category

	2020/21 Estimated Actuals	2020/21 Adopted Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2020/21 Budget Compared to 2021/22 Proposed Budget	2021/22 Budget Compared to 2022/23 Proposed Budget
Salaries & Benefits	\$ 5,621,404	\$ 5,547,687	\$ 6,018,567	\$ 6,462,578	\$ 470,880	\$ 444,011
Contract/Professional Services	1,188,981	959,000	1,104,555	1,017,189	145,555	(87,366)
Operating Expenses	445,128	435,150	446,700	455,450	11,550	8,750
Maintenance	188,176	185,750	198,300	202,700	12,550	4,400
Facilities	643,326	595,300	685,050	725,795	89,750	40,745
Gen. & Admin.	439,033	381,600	457,920	468,194	76,320	10,274
<b>Total Operating by Category</b>	<b>\$ 8,526,048</b>	<b>\$ 8,104,487</b>	<b>\$ 8,911,093</b>	<b>\$ 9,331,906</b>	<b>\$ 806,606</b>	<b>\$ 420,814</b>
				<i>% Change</i>	<i>10.0%</i>	<i>4.7%</i>





## Operating Expense Budget by Department

		2020/21 Budget	2021/22 Budget		2020/21 Budget Compared to 2021/22 Proposed Budget	2021/22 Budget Compared to 2022/23 Proposed Budget
	2020/21 Estimated Actuals	2020/21 Adopted Budget	2021/22 Proposed Budget	2022/23 Proposed Budget		
Administrative	\$ 1,197,730	\$ 1,004,924	\$ 1,467,195	\$ 1,429,188	\$ 462,272	\$ (38,007)
Finance & Business Services	1,569,315	1,505,443	1,560,274	1,636,632	54,831	76,358
Engineering	356,138	488,970	433,076	453,401	(55,893)	20,324
Operations & Distribution	2,390,560	2,252,817	2,408,577	2,552,241	155,760	143,664
Environmental	447,239	363,300	326,416	333,723	(36,884)	7,308
Supply & Treatment	2,487,679	2,374,533	2,631,554	2,839,721	257,021	208,167
Sewer Fund	77,387	114,500	84,000	87,000	(30,500)	3,000
<b>Total Operating by Category</b>	<b>\$ 8,526,048</b>	<b>\$ 8,104,487</b>	<b>\$ 8,911,093</b>	<b>\$ 9,331,906</b>	<b>\$ 806,606</b>	<b>\$ 420,814</b>
				<i>% Change</i>	<i>10.0%</i>	<i>4.7%</i>

