



NOTICE OF BUDGET & FINANCE COMMITTEE MEETING

Responsible for the review of District finances including: rates, fees, charges and other sources of revenue; budget and reserves; audit; investments; insurance; and other financial matters.

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a meeting of the Budget & Finance Committee to be held on **Wednesday, November 17, 2021, 2:00 pm**, via video/tele conference.

<https://global.gotomeeting.com/join/583768805>

You can also dial in using your phone.

(For supported devices, tap a one-touch number below to join instantly.)

United States (Toll Free): 1 866 899 4679

- One-touch: <tel:+18668994679,,583768805#>

United States: +1 (571) 317-3116

- One-touch: <tel:+15713173116,,583768805#>

Access Code: 583-768-805

1. Convene Meeting/Roll Call

2. Oral Communications

This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication.

No action or discussion may occur on issues outside of those already listed on today's agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the District. Normally, presentations must not exceed five (5) minutes in length, and individuals may only speak once during Oral Communications. Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.

3. Unfinished Business:

Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.

- A. REVENUE STABILIZATION RATES
Discussion and possible action by the Committee regarding the review of revenue stabilization rates.
 - B. UPDATED CZU FIRE RECOVERY SURCHARGE REPORTING
Discussion and possible action by the B & F Committee regarding requested updating to CZU Fire Recovery Surcharge reporting
4. New Business:
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
- A. GOALS AND OBJECTIVES FOR 2021-2022
Discuss and identify the highest priority goals and objectives of the B & F Committee for the District to accomplish next year.
5. Informational Material:
Here is a link <https://www.slvwd.com/node/290/minutes> to previous Budget & Finance Committee meeting minutes.
6. Adjournment

Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on November 12, 2021, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 72 hours in advance of the meeting of the Budget & Finance Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on November 12, 2021.

Holly B. Hossack, District Secretary
San Lorenzo Valley Water District

M E M O

TO: Budget & Finance Committee

FROM: Director of Finance

SUBJECT: Revenue Stabilization Rates

DATE: November 17, 2021

RECOMMENDATION:

It is recommended the Committee members review and discuss the Revenue Stabilization Rates that will be brought to Board level on the 12/02/21 meeting.

BACKGROUND:

As part of the 2017 Rate Study conducted by NBS, revenue rate stabilization rates were developed as part of the study with the intent of stabilizing the District's variable rate revenue that may be affected by low water sales due to conservation or unusual weather patterns. Since adopted through the Prop 218 process, these rates can be implemented by the Board of Directors on an as needed basis. The revenue stabilization rates are reversible; when volumetric revenue losses subside, use of revenue stabilization rates would rescind and the current volumetric rate (\$/CCF) would be used.

If the DM determines that annual water sales (in units) to date is more than 10% below expected year-to-date levels (based on monthly averages over the previous three-years), DM will inform the Board. When informing the Board, DM will include expense reduction measures for consideration by the Board that will match the revenue gap. DM will also update the Board on current reserve levels. DM will also provide staff analysis of why the water sales gap is occurring and a six-month project of anticipated water sales.

This memo is to inform the committee that as of September 2021, usage has dropped below the 10% expected year to date levels, which would trigger the revenue stabilization rates. Staff is in the process of gathering the required analyses per the 2017 Rate Study to bring to Board level. While we do not have all of the information prepared yet, these are the items we are working on and planning to take to the 12/02/21 Board Meeting:

1. Expense Reduction Measures
 - a. Looking at the vacant positions that were Budgeted for the full FY2122
– (Director of Finance, Project Manager, GIS/CAD Specialist)
 - b. Open to committee input on other items they may want to see
2. Current Reserve Levels
3. Analysis of why water sales gap is occurring
4. Six-month projection of anticipated water sales

Attached is the Revenue Stabilization Rate Analysis for FY2122, showing the cumulative % has dropped below the 10%.

Also attached is Appendix B from the 2017 Rate Study which shows more information regarding the triggers and Board notification.

REVENUE STABILIZATION RATE ANALYSIS FY21-22

In accordance with the District's Revenue Stabilization Rates Policy & Procedures, the District Manager shall provide the Board of Directors with the average units of water sales (by month) for the rolling previous three years, which will serve as the baseline against which current annual sales to date will be compared. If the District Manager determines that budget-year water sales (in units) to date, and corresponding revenue, is more than 10% below expected year-to-date levels (based on monthly averages over the previous three years), the District Manager shall notify, at a public meeting, the Board of Directors of this determination at or before the next regularly scheduled Board meeting. For more information, please refer to the District's full Policy & Procedures.

MONTHLY CONSUMPTION IN UNITS BY FISCAL YEAR (BASELINE)

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
FY1819	69,843	76,594	70,487	62,230	58,962	47,684	44,397	37,442	37,870	41,646	52,584	56,456	656,195
FY1920	69,511	70,199	70,935	61,797	58,008	49,614	45,215	40,031	44,903	47,195	56,904	64,133	678,447
FY2021	75,312	78,208	67,686	64,547	55,021	47,697	46,950	37,588	37,065	50,838	60,205	65,232	686,348
3 YR AVERAGE (BASELINE)	71,555	75,000	69,703	62,858	57,330	48,332	45,521	38,354	39,946	46,560	56,564	61,941	673,663

ACTUAL FY2021 CONSUMPTION

FY2122	67,878	69,234	55,672										192,784
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CUMULATIVE ANALYSIS

% Above or Below Average	-5%	-8%	-20%
Cumulative %	-5%	-6%	-11%

NOTES:

As of September 2021 consumption, the cumulative consumption is 11% below the baseline. Per the revenue stabilization rate policy, the District Manager shall notify the Board of Directors at a public meeting this determination. This item will be presented at the 12/02/2021 Board of Directors meeting.

Section 8. APPENDIX B – WATER REVENUE-STABILIZATION RATES & SUMMARY TABLES

DETAILS OF HOW REVENUE STABILIZATION RATES ARE IMPLEMENTED

Revenue-Stabilization Rate Trigger and Board Notification:

1. For background/informational purposes, District Manager (DM) will provide the District Board with the average units of water sales (by month) for the rolling previous three years, which will serve as the “baseline” against which current annual sales to date will be compared. District will include a revenue stabilization rate schedule in each budget year (and Proposition 218 Notices) indicating the volumetric rate for increases of 10%, 15%, and 20%. This information will be provided as a part of the budget package each year.
2. If DM determines that annual water sales (in units) to date is more than 10% below expected year-to-date levels (based on monthly averages over the previous three-years), DM will inform the Board. When informing the Board, DM will include expense reduction measures for consideration by the Board that will match the revenue gap. DM will also update the Board on current reserve levels. DM will also provide staff analysis of why the water sales gap is occurring and a six-month projection of anticipated water sales.

Board Action to Implement: Once so informed by DM, Board may:

- Order DM to implement all or part of the proposed expense reductions,
- Order DM to utilize reserves to meet all or part of the revenue gap,
- Order DM to implement revenue stabilization rates from the revenue-stabilization rate schedule* provided by the DM corresponding to the level of volumetric water sales deficit (10%, 15%, or 20%).

**Technical Note: the Revenue-Stabilization rate schedule will be the current uniform volumetric rate that is 10%, 15%, and 20% higher.*

Board Action to Rescind: Once the Board is informed by DM that volumetric water sales revenue has returned to expected levels*, the rate stabilization rates will be automatically rescinded and return to the previous adopted uniform volumetric rate.

**Technical Note: The expected year-to-date volumetric rate revenue is the three-year rolling average monthly water sales (in units) times the currently adopted uniform volumetric water rate. This monthly revenue schedule should be proportionally adjusted to match your budgeted volumetric revenue number.*

Proposed Revenue Stabilization Rates (Previously Shown in Figure 11):

Water Rate Schedule	Proposed Revenue-Stabilization Volumetric Rates				
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Volumetric Charges for All Water Consumed					
Flat Rate (Uniform Rate)	\$10.12	\$10.83	\$11.48	\$12.06	\$12.66
Revenue Stabilization Rates for All Water Consumed					
10%	\$11.14	\$11.91	\$12.63	\$13.26	\$13.92
15%	\$11.64	\$12.46	\$13.20	\$13.86	\$14.56
20%	\$12.15	\$13.00	\$13.78	\$14.47	\$15.19

M E M O

TO: Budget & Finance Committee

FROM: Director of Finance

SUBJECT: Fire Recovery Surcharge Tracking

DATE: November 17, 2021

RECOMMENDATION:

It is recommended the Committee members review and approve the attached updated Fire Recovery Surcharge revenue & expense tracking to be included in the Finance Status quarterly Board report.

BACKGROUND:

At the October 20th, 2021 Budget & Finance Committee meeting, staff prepared and presented a Fire Recovery Surcharge tracking report to the Committee Members. After discussion between committee & staff, the following changes were implemented to the report:

1. Only report revenue & expenses quarterly
2. For each separate project, include the following:
 - a. Total project cost
 - b. Total submitted to FEMA for each project
 - c. Total reimbursed from FEMA for each project
 - d. Surcharge allocation (amount not covered by FEMA that the surcharge is expected to cover)
3. Calculate total fire recovery surcharge revenues less total expenses not reimbursed by FEMA to show what the net cost the District will need to cover or to show if the surcharge could end earlier if it is determined that the CZU costs will be less than the estimated \$5 million.

The attached updated Fire Recovery Surcharge revenue & expense tracking will be included with the Finance Status quarterly reports, with the first quarter being reported at the 12/02/2021 Board Meeting.

**FIRE RECOVERY SURCHARGE
REVENUE & EXPENSE TRACKING**

	PRIOR YEAR REVENUE THRU 06/30/21	FY2122 Q1 TOTALS	FY2122 Q2 TOTALS	FY2122 Q3 TOTALS	FY2122 Q4 TOTALS	FY21-22 YTD	TOTAL FIRE RECOVERY SURCHARGE RECEIVED TO DATE
REVENUE							
FIRE RECOVERY SURCHARGE	\$ -	\$ 164,140.32	\$ -	\$ -	\$ -	\$ 164,140.32	\$ 164,140.32
TOTAL REVENUE		\$ 164,140.32	\$ -	\$ -	\$ -	\$ 164,140.32	\$ 164,140.32

EXPENSES	PRIOR YEAR EXPENSES THRU 06/30/21	FY2122 Q1 TOTALS	FY2122 Q2 TOTALS	FY2122 Q3 TOTALS	FY2122 Q4 TOTALS	FY21-22 YTD	TOTAL PROJECT COST TO DATE	TOTAL SUBMITTED TO FEMA TO DATE [1]	TOTAL RECEIVED FROM FEMA TO DATE [2]	SURCHARGE ALLOCATION [TOTAL PROJECT COST - TOTAL RECEIVED FROM FEMA]
WO 1960 - CZU_PEAVINE INTAKE	\$ (16,709.45)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,709.45)	\$ 13,048.16	\$ -	\$ (16,709.45)
WO 1924 - CZU_BIG STEEL TANK	\$ (799,569.42)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (799,569.42)	\$ 415,379.62	\$ -	\$ (799,569.42)
WO 1925 - CZU_BIG STEEL BOOSTER	\$ (716,193.28)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (716,193.28)	\$ 201,057.20	\$ -	\$ (716,193.28)
WO 1967 - CZU_LIL LYON TANK CLEANING&COATING	\$ (127,236.68)	\$ (5,056.33)	\$ -	\$ -	\$ -	\$ (5,056.33)	\$ (132,293.01)	\$ -	\$ -	\$ (132,293.01)
WO 1970 - CZU_LITTLE LYON TEMPORARY TANKS	\$ (220,023.54)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (220,023.54)	\$ 231,900.57	\$ -	\$ (220,023.54)
WO 1919 - CZU_BENNETT SPRING RAW WATER LINE	\$ (23,769.67)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (23,769.67)	\$ 9,411.53	\$ -	\$ (23,769.67)
WO 2077 - CZU_5 MILE BOX & TURBIDITY STATION	\$ (40,195.20)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (40,195.20)	\$ 40,195.20	\$ -	\$ (40,195.20)
WO 1923 - CZU_ECKLEY TANK ZONE	\$ (29,049.83)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (29,049.83)	\$ 23,532.47	\$ -	\$ (29,049.83)
WO 1953 - CZU_HARMON STREET 2"	\$ (4,149.03)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,149.03)	\$ 2,193.08	\$ -	\$ (4,149.03)
WO 1962 - CZU_CLEAR CREEK/SWEETWATER INTAKE	\$ (367.33)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (367.33)	\$ -	\$ -	\$ (367.33)
WO 1921 - CZU_ALTA VIA RD 4" HDPE MAIN	\$ (131,033.77)	\$ (6,083.44)	\$ -	\$ -	\$ -	\$ (6,083.44)	\$ (137,117.21)	\$ 90,986.70	\$ -	\$ (137,117.21)
WO 1920 - CZU_SOUTH RESERVOIR 4 HDPE TANKS	\$ (16,048.15)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,048.15)	\$ 16,835.38	\$ -	\$ (16,048.15)
WO 1922 - CZU_BLACKSTONE TANKS	\$ (29,049.83)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (29,049.83)	\$ 6,111.03	\$ -	\$ (29,049.83)
WO 1926 - CZU_LYON TANK	\$ (176,162.78)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (176,162.78)	\$ 21,731.92	\$ -	\$ (176,162.78)
WO 1927 - CZU_FOREMAN CREEK INTAKE/RAW WATER	\$ (680,932.81)	\$ (312.81)	\$ -	\$ -	\$ -	\$ (312.81)	\$ (681,245.62)	\$ 125,292.25	\$ -	\$ (681,245.62)
WO 1928 - CZU_COOL CREEK INTAKE & PIPING	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
WO 1930 - CZU_FIVE MILE PIPELINE	\$ (84,884.49)	\$ (1,955.09)	\$ -	\$ -	\$ -	\$ (1,955.09)	\$ (86,839.58)	\$ -	\$ -	\$ (86,839.58)
WO 1963 - CZU_RIVERSIDE GROVE BOOSTER STATIO	\$ (10,430.83)	\$ (27,897.05)	\$ -	\$ -	\$ -	\$ (27,897.05)	\$ (38,327.88)	\$ 27,349.63	\$ -	\$ (38,327.88)
WO 1964 - CZU_CZU SERVICE METER REPLACEMENT	\$ (151,272.02)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (151,272.02)	\$ -	\$ -	\$ (151,272.02)
WO 1966 - CZU_LYON TANK CLEANING & COATING	\$ (98,679.14)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (98,679.14)	\$ -	\$ -	\$ (98,679.14)
WO 1968 - CZU_WATER QUALITY SAMPLING	\$ (130,974.12)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (130,974.12)	\$ 93,357.98	\$ -	\$ (130,974.12)
WO 2053 - CZU_ALDER TANK	\$ (5,830.71)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,830.71)	\$ 6,561.01	\$ -	\$ (5,830.71)
WO 2068 - CZU_HARMON CREEK DREDGE & EROSION	\$ (97,209.83)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (97,209.83)	\$ 19,246.58	\$ -	\$ (97,209.83)
WO 1946 - CZU_PINE TANK	\$ (696.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (696.00)	\$ 1,501.59	\$ -	\$ (696.00)
WO 1969 - CZU_EMERGENCY RESPONSE MAIN BREAKS	\$ (6,463.05)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,463.05)	\$ 2,398.01	\$ -	\$ (6,463.05)
WO 1939 - CZU_STAFF MEALS	\$ (8,783.55)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8,783.55)	\$ 8,783.55	\$ -	\$ (8,783.55)
TOTAL CZU EXPENSES	\$ (3,647,019.23)	\$ (41,304.72)	\$ -	\$ -	\$ -	\$ (41,304.72)	\$ (3,647,019.23)	\$ 1,356,873.46	\$ -	\$ (3,647,019.23)

NET COST TO DISTRICT \$ (3,482,878.91)
(REVENUES FROM SURCHARGE LESS SURCHARGE ALLOCATION)

[1] AMOUNT SUBMITTED TO FEMA MAY DIFFER FROM TOTAL PROJECT COST DUE TO ELIGIBLE COSTS, DIFFERENCE IN FEMA OVERHEAD RATES, EQUIPMENT COSTS, ETC. ANOTHER REASON IS NOT ALL INVOICES HAVE BEEN SUBMITTED TO FEMA YET
[2] AMOUNT RECEIVED FROM FEMA MAY DIFFER FROM AMOUNT SUBMITTED TO FEMA DUE TO COST SHARE PERCENTAGE COVERED BY FEMA (MOST PROJECTS THEY ONLY COVER 75%)