

Budget Review and Preparation

BPU Budget Subcommittee

February 5, 2018



OUR FUTURE IN EVERY DRÖP



Our mission:

Protecting public health
by sustaining water
resources, infrastructure
and the environment



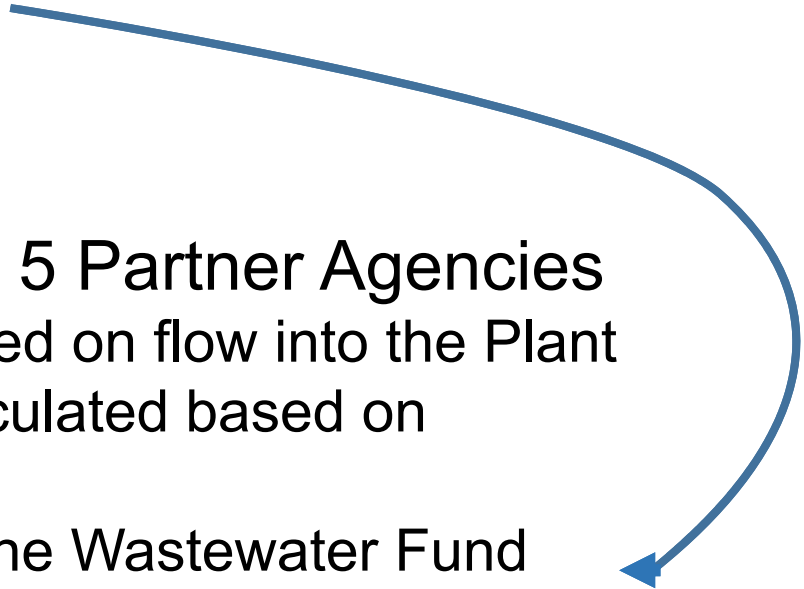
Overview

- Funding
- 2017/18 Budget Recap
- 2017/18 Subregional Recap
- Fire Related Expenses
- 2018/19 Budget Goals
- Capital Improvement Program
- Rate Study / Long Term Financial Planning

Key Issues

- Operating Budget Deficit
- Infrastructure Needs
- Fire Related Fiscal Impacts
- Long Range Planning
- Utilization of Undesignated Fund Balance

Background

- Water Enterprise
 - Funded by Fees and Rates
 - Wastewater Enterprise
 - Funded by Fees and Rates
 - Subregional Enterprise
 - Funded by Contributions from 5 Partner Agencies
 - Operating costs distributed based on flow into the Plant
 - Debt Service payments are calculated based on Subregional Agreement
 - Santa Rosa's share is paid by the Wastewater Fund
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Budget Review

2017/18

- Current year budget vs. expenditures

	Projected Revenue	Budgeted Expenditures	CIP Budget	Total Budgeted Expenditures	\$ Budget Deficit	% Budget Deficit 2017/18
Water	\$44,457,750	\$32,724,971	\$13,000,000	\$45,724,971	-\$1,267,221	-3%
Sewer	\$70,860,288	\$57,033,579	\$16,080,000	* \$73,113,579	-\$2,253,291	-3%

*	Local Sewer	\$17,807,371	\$12,000,000	\$29,807,371
	Subregional	\$39,668,895	\$4,080,000	\$43,748,895



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Subregional

2017/18

	O&M Contribution	Debt Service	Total	Applied Retained Refund	Total Less Applied Refund	% Covered by Excess Funds
Santa Rosa	\$26,571,169	\$17,177,726	\$43,748,895	0	\$43,748,895	
Rohnert Park	\$6,751,242	\$3,485,166	\$10,236,408	\$624,906	\$9,611,502	-6.5%
Sebastopol	\$1,024,352	\$655,866	\$1,680,218	\$85,538	\$1,594,680	-5.4%
Cotati	\$907,699	\$836,028	\$1,743,727	\$62,078	\$1,681,649	-3.7%
SPCSD	\$1,199,330	\$489,146	\$1,688,476	\$88,369	\$1,600,107	-5.5%
	\$36,453,792	\$22,643,932	\$59,097,724	\$860,891	\$58,236,833	

Note: 13.5 % increase in Operating Budget

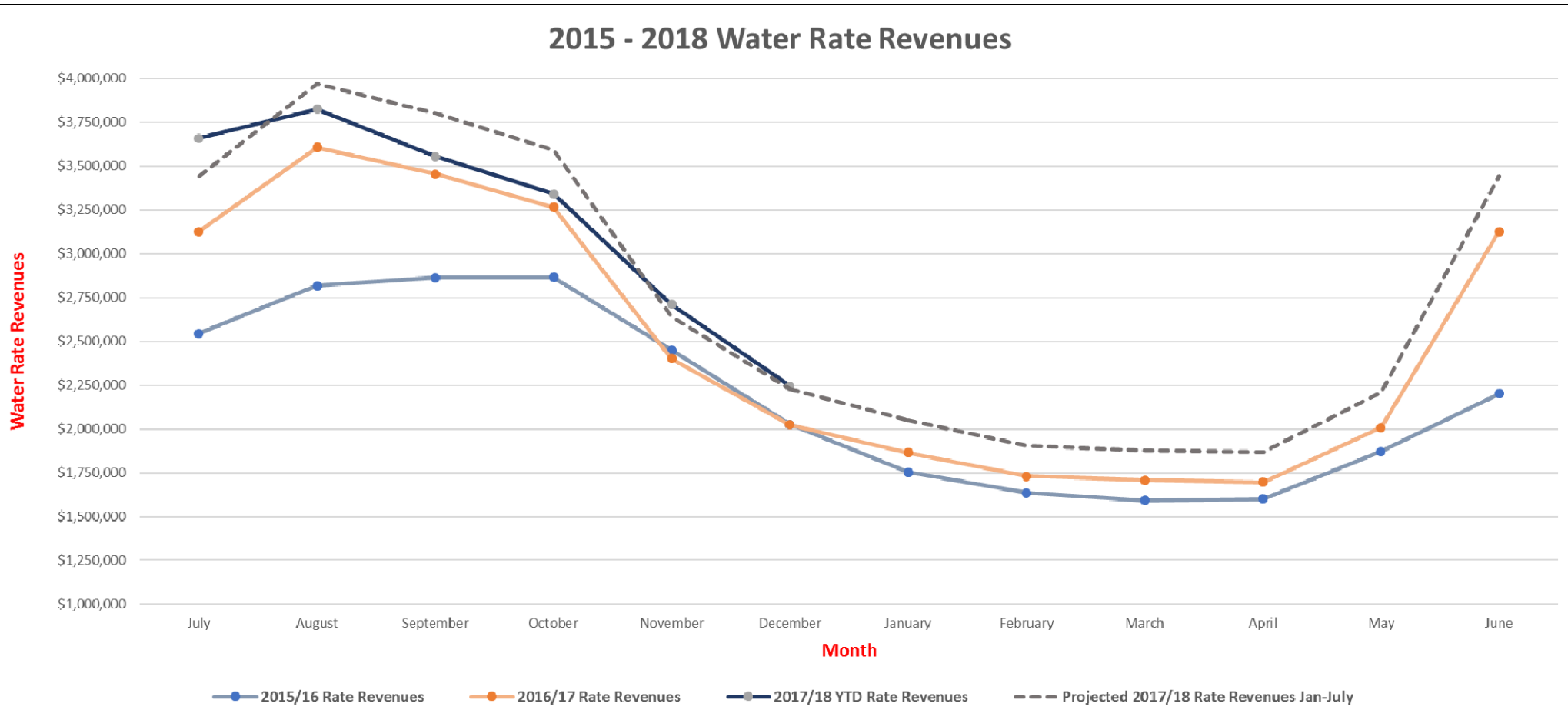
Debt service increase varies

Rate smoothing applied to keep increases for user agencies at 5%

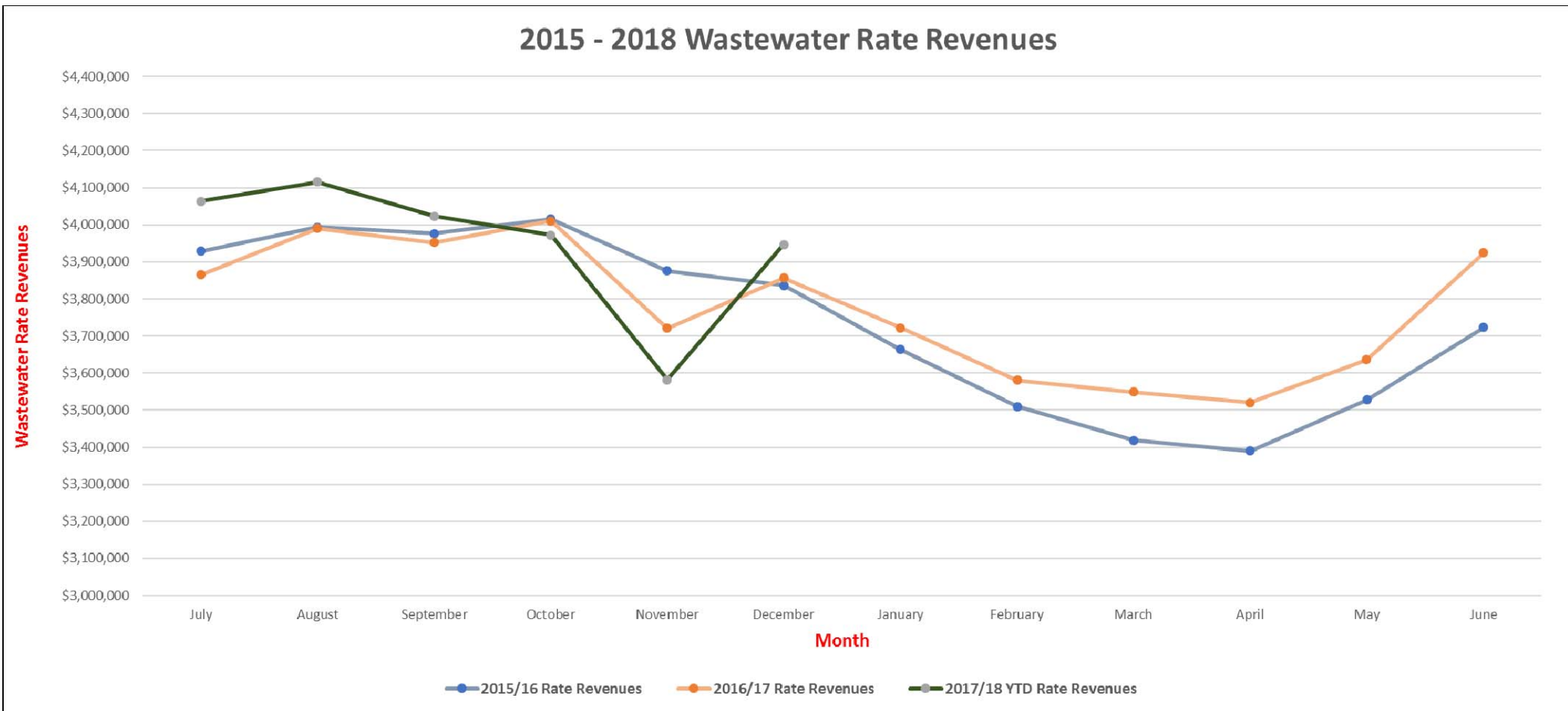


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Revenue Trend Water



Revenue Trend Sewer



Fire Related Revenue Losses 2017/18

- Projected Revenue Loss
 - Water – \$1.4m (-3%)
 - Sewer – \$1.8m (-2.5%)
- Estimated Based On
 - Actual Charges of Destroyed Properties
 - Based on 16/17 + 3% increase
 - 8 month calculation

Note: 2018/19 projected higher (12 month calculation)

Fire Related Expenses

- Labor and Supplies
 - \$1,060,162
 - Significant portion budgeted
 - Continue to be incurred
- Infrastructure Replacement Costs (preliminary estimate)
 - \$12,710,000
- Non Revenue Water – Being evaluated
- Water Main Replacement – Contaminated Area
 - Up to \$20m
- Sewer Lateral Capping
 - Up to \$400k for proposed area

2018/19 Operating Budget

- Goals
 - Reduce or eliminate deficit budget
 - Manage fire losses
 - Evaluate all vacancies
 - Explore efficiencies/reductions in levels of service

Undesignated Fund Balance

- June 2017
 - Water
 - \$9.7m
 - Sewer
 - \$19.3m
- Considerations
 - Appropriate to CIP to cover Fire Losses
 - Covering Revenue Loss
 - Balance any operations deficit

CIP Funding

- Actual 2017/18
 - Water - \$13m
 - Sewer - \$12m
 - Subregional - \$4.08m
- Previously Planned 2018/19
 - Water - \$13m
 - Sewer - \$12m
 - Subregional - \$5.08m

Planning for Future

- Big Picture Approach
 - Project prioritization of all known projects
 - Based on Asset Management evaluation
 - Approval will remain for year 1
 - Funding will remain the same for 2018/19
 - Long term work with consultant on funding plan
 - CIP funding plan will evolve with this process

CIP Funding Development

- Total CIP cost estimate / project list
 - best available project data
 - cumulative costs for projects
 - years 1, 2-5 and future (roughly 10 years)
- Planning projects will increase funding needs
 - example: Subregional Master Plan studies will generate significant construction projects

Project CIP Funding Needs

	<u>Water</u>	<u>Wastewater</u>	<u>Subregional</u>
	\$170m	\$240m	\$150m
Year 1	\$13m	\$22m	\$5m
Years 2-5	\$45m	\$48m	\$65m

CIP Handouts

- Prioritized Projects
- Charts



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Rate Study / Long Range Financial Plan (The Reed Group)

- Three Separate Components
 - Current Budget Support
 - 10 Year Financial Modeling
 - Agricultural Rate Development

Budget Subcommittee & BPU Schedule

- Subcommittee - Tuesday, February 20th
 - Review Preliminary 2018/19 O&M and CIP
 - Review Preliminary Subregional
- Subcommittee - Wednesday, March 14th
 - Review 2018/19 Subregional, O&M and CIP
 - Prepare Recommendation for full Board
- Subcommittee - Wednesday, March 28th
 - Additional Meeting (if necessary)
- BPU - Thursday, April 5th
 - Budget Study Session Full Board
- BPU - Thursday, April 19th
 - Budget Recommendation to City Council

Questions



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CONNECT WITH US!

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