

O&M and CIP Budget Review

BPU Budget Subcommittee

February 20, 2018



OUR FUTURE IN EVERY DROP



Our mission:

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



Overview

- 2018/19 Budget Changes Overview
- Restructure of Division
- Staffing Changes
- 2018/19 O&M Budgets
- Reserves Overview
- CIP Funding Scenarios

Budget Changes

- IT Cost Allocation
 - Increase 17.9%
- Second year of two year budget
 - Budgeting to 2017/18 or less in all areas possible
- Electricity costs up 10% city-wide
- City general overhead
 - Estimated 10% increase
 - Actuals likely not available until March
- Increased Salary and Benefits

Department Wide Salary and Benefits

- Base salaries \$22,444,650
 - Up 2%
- Miscellaneous salaries \$1,973,348
 - Down -1%
- Benefits \$12,857,015
 - Up 15%
 - Health insurance
 - Retirement liability
 - Short term disability

New Division Engineering Resources

- Infrastructure Planning
 - New Deputy Director
 - Move Right of Way Agent and Associate
 - Move Engineer
 - Move 2 divisions
 - Asset Management
 - Engineering Services
- Housed in Administration Fund
 - Ability to split costs between other department funds

New Positions Requested

- Senior Buyer
 - \$108,000
- Deputy Director Engineering Resources
 - \$150,000
- Administrative Technician Limited Term
 - Extension – Utility Billing
 - \$113,000
- Offset by deleted positions to be determined

Senior Buyer

- Water's responsibility for operation and maintenance of Water and Wastewater systems requires large volumes of purchases
- Water requires daily procurement services
- Delays could result in safety issues and fines

Deputy Director Engineering Resources

- Manage Engineering Resources
 - Division developed to address growing infrastructure needs
 - Will assume current development review, right of way and asset management

Limited Term Administrative Technician

- Funded By
 - Help 2 Others (H2O) Program
 - Meter Upgrade Project
- Created for H2O Pilot to become permanent if successful
- State working on legislation for low income programs
 - May require changes

Reclassification

- Currently Sustainability Technician
- Proposed Sustainability Representative
- Removing 1 additional Sustainability Technician

2018/19 Operating Budget

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

Administration & Water Resources

- Total Increase 7%
- Salaries and Benefits
 - Increase \$590,593 or 5%
 - New Deputy Director
 - Employees moved in for new division
 - Decreasing other funds

Purchase of Water

- Volume of water up 0.3%; increasing acre feet budget 290 acre feet
- Assuming estimated 4% increase in wholesale cost
 - Only estimated
 - Results in a 1.7% pass through usage charge increase
- Not budgeting for contingency
 - \$2.7m

Water O&M

Wastewater O& M

- Water Overall down 4.3%
 - Base Salaries up \$88,572 & Benefits up \$330,501
 - Short term disability implemented this year
 - Utility Billing up \$99,007 or 4%
- Wastewater Overall up 0.8%
 - Base Salaries down \$36,813 and Benefits up \$153,419
 - Utility Billing up \$91,389 or 4%
- Electricity up 10%
- City Overhead up estimated 10%
- IT up 17.9%

Subregional O&M

- Overall up 1.7%
- Salaries up \$94,241
- Electricity up 10%
- City Overhead up estimated 10%
- IT up 17.9%

Subregional Partner Contributions

- Handout



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Budget vs. Revenue

	Projected Revenue	Budgeted Expenditures	Rate Funded CIP Budget	Budgeted Expenditures	\$ Difference	% Difference
Water	\$46,151,470	\$31,900,474	\$13,000,000	\$44,900,474	\$1,250,996	3%
Wastewater	\$71,452,570	\$47,216,638	\$17,080,000	* \$64,296,638	\$7,155,932	11%

*	Local	\$12,268,385	\$12,000,000	\$24,268,385
	Subregional	\$34,948,253	\$5,080,000	\$40,028,253

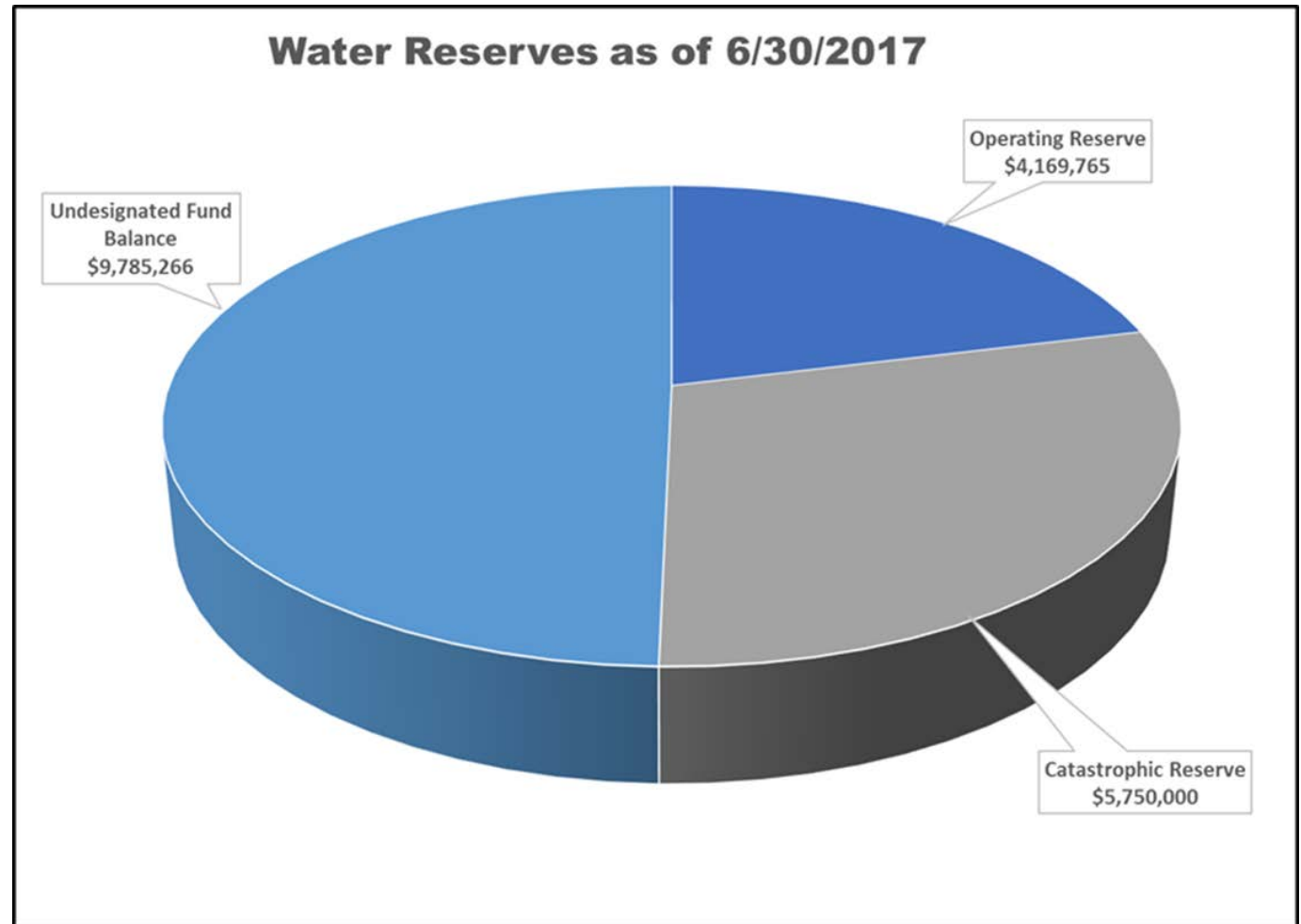
Note: Revenues include reduced fixed charges only – no usage reductions



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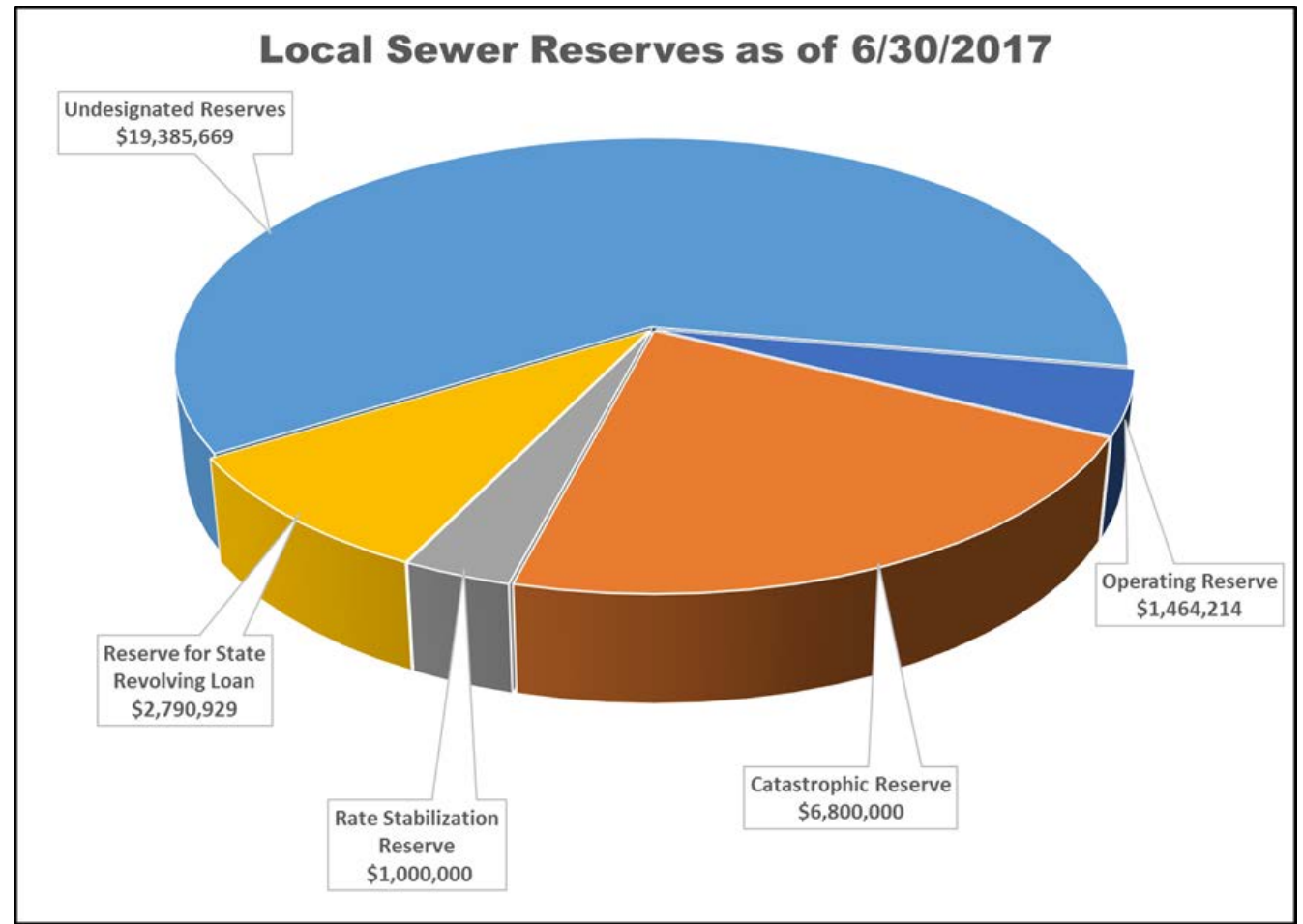
Water Reserves

- **Operating**
 - \$4,169,765
- **Catastrophic**
 - \$5,750,000
- **Undesignated**
 - \$9,785,266
 - 6/30/2017



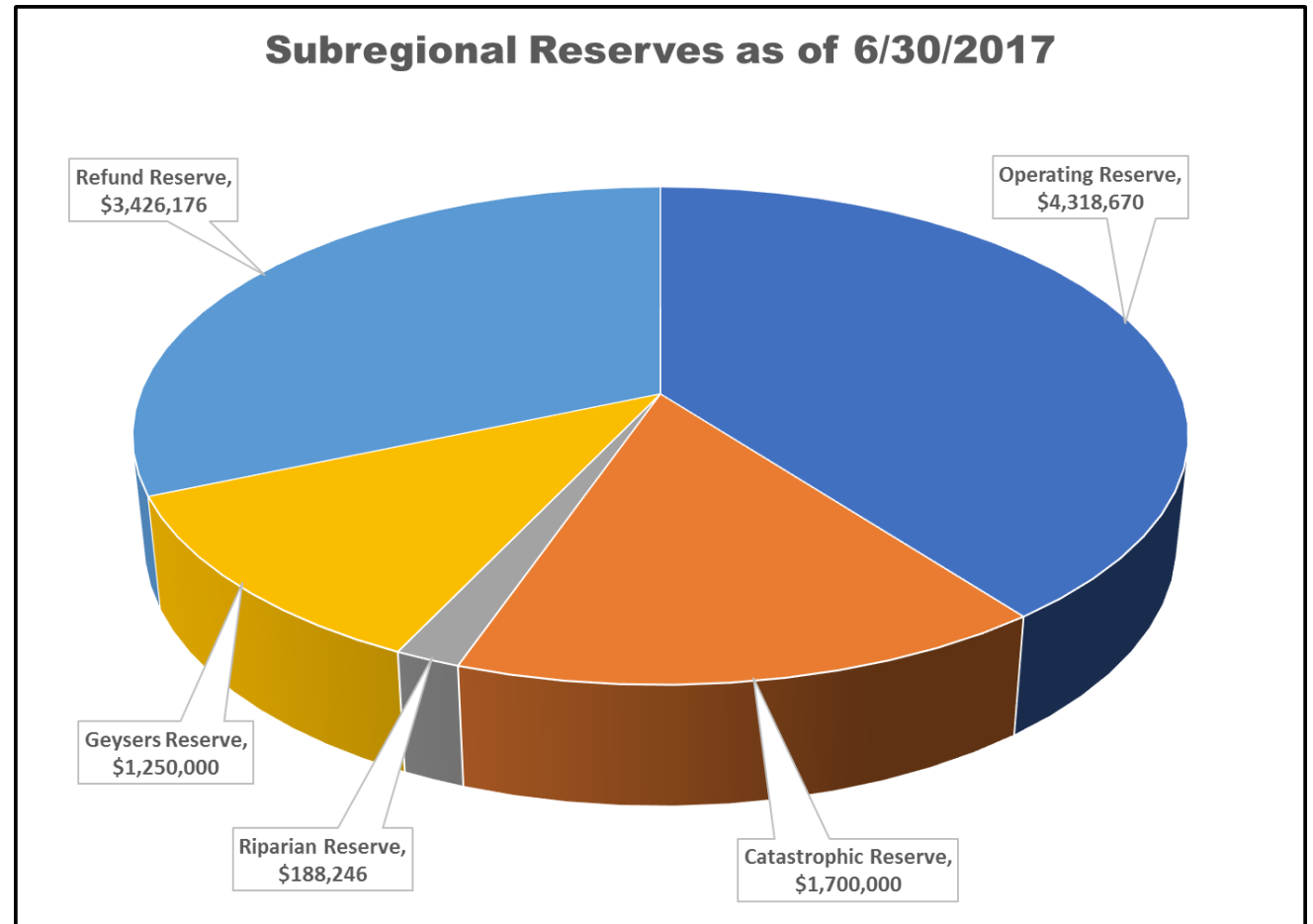
Wastewater Reserves

- **Operating**
 - \$1,464,214
- **Rate Stabilization**
 - \$1,000,000
- **Catastrophic**
 - \$6,800,000
- **State Loan**
 - \$2,790,929
- **Undesignated**
 - \$19,385,669
 - 6/30/2017



Subregional Reserves

- **Operating**
 - \$4,318,670
- **Riparian**
 - \$188,246
- **Catastrophic**
 - \$1,700,000
- **Geysers**
 - \$1,250,000
- **Refund**
 - \$3,426,176



Subregional Refund Reserve

	Retained Reserves through 2017	2017/18 Applied to Contribution	Estimated Refund 2017/18	Estimated Remaining Reserves
Santa Rosa	\$2,516,051	\$0	\$781,821	\$3,297,872
Rohnert Park	\$1,128,978	\$624,906	\$949,069	\$1,453,141
Sebastopol	\$272,484	\$85,538	\$190,659	\$377,605
Cotati	\$74,426	\$62,078	\$180,711	\$193,059
SPCSD	\$295,126	\$88,369	\$166,708	\$373,465
	\$4,287,065	\$860,891	\$2,268,968	\$5,695,142

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 Scenarios

- Preparing for funding fire related damages
 - Use of reserves
 - Transfers from existing projects
- Increasing projects based on reserves appropriations

CIP Funding

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

Project CIP Funding Needs

	<u>Water</u>	<u>Wastewater</u>	<u>Subregional</u>
10 Year	\$170m	\$240m	\$150m
Year 1	\$13m	\$22m	\$5m
Years 2-5	\$52m	\$48m	\$30m

Water

No Main Replacement

- Total Proposed Project Funding
 - \$14.3m
- Funded By
 - Previously planned funding
 - CIP water contingency

Water

Main Replacement Scenario 1

- Total Proposed Funding
 - 34m
 - \$30m estimated water main replacement
- Funded By
 - Previously planned
 - CIP water contingency
 - Undesignated fund balance
 - Catastrophic reserves

Water

Main Replacement Scenario 2

- Total Proposed Funding
 - \$25m
 - \$30m estimated water main replacement
- Funded By
 - Early FEMA Funding
 - Previously planned
 - CIP water contingency
 - Undesignated fund balance
 - Transfer funding from projects with previous year funding

Local Wastewater

Including Fire Damage Repairs

- Total Proposed Funding
 - \$21.3m
- Funded By
 - Previously planned
 - Undesignated fund balance

Subregional Previously Planned Property Purchase

- Total Proposed Funding
 - \$7.1m
 - \$2.5m property purchase
- Funded By
 - Previously planned
 - Refund reserves

Local Wastewater

Including Fire Damage Repairs

Appropriation to Subregional

- Total Proposed Funding
 - \$31.5m
 - \$10,000,000 appropriated to Subregional
- Funded By
 - Previously planned
 - Undesignated fund balance
 - Transfer funding from projects with previous year funding

Subregional Property Purchase Phase 1 Disinfection

- Total Proposed Funding
 - \$20.7m
 - \$2,500,000 property purchase
 - \$13,600,000 phase 1 disinfection
- Funded By
 - Previously planned
 - Refund reserves
 - Appropriation from wastewater undesignated fund balance
 - Additional funding needed

Budget Subcommittee & BPU Schedule

- 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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