

CAMBRIA COMMUNITY SERVICES DISTRICT

TO: Board of Directors

AGENDA NO. **8.B.**

FROM: Jerry Gruber, General Manager
Patrick O'Reilly, Finance Manager

Meeting Date: April 27, 2017 Subject: DISCUSSION AND CONSIDERATION OF ADOPTION OF RESOLUTION 15-2017 APPROVING AMENDMENTS TO CCSD BUDGET FOR FY 2016/2017

RECOMMENDATIONS:

Staff recommends that the Board of Directors receive a staff presentation on proposed amendments to the Fiscal Year 2016/2017 Budget, discuss and consider the proposed amendments to the Fiscal Year 2016/2017 Budget, and adopt Resolution 15-2017 approving amendments to the CCSD Budget for FY 2016/2017.

FISCAL IMPACT:

The proposed amendments to the Fiscal Year 2016/2017 Budget would authorize total Revenue Projections, Expenditure Authorities, and changes to the General Fund, Water Fund, Wastewater Fund, and Emergency Water Supply Project Balances as follows.

CCSD FY 16-17 MID-YEAR BUDGET REVIEW			CHANGES TO FUND BALANCE
PROPOSED FISCAL YEAR 2016/17 BUDGET	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>BALANCE</u>
<u>ANNUAL OPERATING BUDGETS</u>			
GENERAL FUND: FIRE DEPARTMENT	\$2,087,048	\$1,976,332	\$110,716
GENERAL FUND: FACILITIES & RESOURCES DEPT	602,652	626,626	(\$23,974)
GENERAL FUND: PARKS & RECREATION DEPT	161,602	25,100	\$136,502
GENERAL FUND: ADMINISTRATION DEPARTMENT	1,796,285	1,685,507	\$110,778
WASTEWATER FUND	2,531,050	2,757,305	(\$226,255)
WATER FUND: WATER DEPT OPERATIONS	2,508,916	2,716,507	(\$207,591)
WATER FUND: SWF OPERATIONS (NOTE 1)	114,825	278,761	(\$163,936)
WATER FUND: SWF CAPITAL COST RECOVERY (NOTE 1)	865,512	885,918	(\$20,406)
TOTAL ANNUAL OPERATING BUDGET	\$10,667,890	\$10,952,056	(\$284,166)
CAPITAL PROJECTS			
WATER FUND: SANTA ROSA CREEK CAPITAL PROJECT	\$268,617	\$354,916	(\$86,299)
WATER FUND: SWF CAPITAL PROJECT (NOTE 1)	13,321,255	13,139,389	\$181,866
TOTAL CAPITAL PROJECTS	\$13,589,872	\$13,494,305	\$95,567
NOTE 1: SWF: SUSTAINABLE WATER FACILITY			

DISCUSSION:

Proposed mid-year amendments were presented to the Board in March. The Board approved the recommended amendments for the Wastewater Fund, but directed staff to review the proposed amendments for the General Fund and Water Fund and bring revised proposals back to the Board at a later date. Attached are the revised proposed amended Fiscal Year 2016/2017 Budgets for review and consideration. The following chart shows the differences between what was proposed in March and what is being proposed in April.

CCSD FY 16-17 MID-YEAR BUDGET REVIEW			PROPOSED	PROPOSED	
			CHANGES	CHANGES	
			TO FUND	TO FUND	
			BALANCE	BALANCE	
PROPOSED FISCAL YEAR 2016/17 BUDGET	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>IN APRIL</u>	<u>IN MARCH</u>	<u>DIFFERENCE</u>
<u>ANNUAL OPERATING BUDGETS</u>					
GENERAL FUND: FIRE DEPARTMENT	\$2,087,048	\$1,976,332	\$110,716	(60,795)	171,511
GENERAL FUND: FACILITIES & RES DEPT	602,652	626,626	(\$23,974)	(21,925)	(2,049)
GENERAL FUND: PARKS & REC DEPT	161,602	25,100	\$136,502	-	136,502
GENERAL FUND: ADMIN DEPARTMENT	1,796,285	1,685,507	\$110,778	156,270	(45,492)
WASTEWATER FUND	2,531,050	2,757,305	(\$226,255)	(232,071)	5,816
WATER FUND: WATER DEPT OPERATIONS	2,508,916	2,716,507	(\$207,591)	(415,348)	207,757
WATER FUND: SWF OPERATIONS	114,825	278,761	(\$163,936)	(4,300)	(159,636)
WATER FUND: SWF CAPITAL COST RECOVERY	865,512	885,918	(\$20,406)	(210,000)	189,594
TOTAL ANNUAL OPERATING BUDGET	\$10,667,890	\$10,952,056	(\$284,166)	(\$788,169)	\$504,003
<u>CAPITAL PROJECTS</u>					
WATER FUND: SANTA ROSA CREEK CAP PR	\$268,617	\$354,916	(\$86,299)	-86299	-
WATER FUND: SWF CAPITAL PROJECT	13,321,255	13,127,574	\$193,681	193681	(11,815)
TOTAL CAPITAL PROJECTS	\$13,589,872	\$13,482,490	\$107,382	\$107,382	(\$11,815)

GENERAL FUND

Fire Department (Attachment A). Staff recommends increasing total budgeted revenues for the Fire Department by \$59,990 and decreasing budgeted expenditures by \$50,727, which will result in changing a balanced budget to a budget which has a surplus of \$110,716.

Revenues. The increase in revenues is due to anticipated reimbursement for mutual aid for the Sherpa and Chimney fires.

Expenditures. The change in expenditures occurs mostly in the following areas:

- Overtime is projected to be \$51,419 more than budgeted due to the factors discussed in the analysis prepared by Fire Chief Hollingsworth in January 2017, which is included as part of Attachment A;
- Legal services are expected to be under budget by about \$23,275; and
- Operating supplies are expected to exceed budget by about \$14,000. This includes about \$10,000 for actual supplies and about \$7,000 for small tools and equipment.

- The first annual payment on the new fire truck has been removed from this budget since the truck will not be received until next fiscal year. That reduces projected expenditures by \$134,340.

Facilities and Resources Department (Attachment B). Staff recommends decreasing total budgeted revenues for the Facilities and Resources Department by \$14,296 and increasing total budgeted expenditures by \$4,865, which will result in changing a balanced budget to a budget which has a deficit of \$19,160.

Revenues. Revenues are less than originally budgeted because more fee waivers are being granted this year than last year for Veterans Hall rentals.

Expenditures. Expenditures for utilities for internet and phone have been increased by \$6,705. These funds were originally budgeted in the Admin Department but have been transferred from that department to Facilities and Resources where the costs are being incurred.

Parks and Recreation Department (Attachment C). Most of the expenditures budgeted for park improvements in the East Ranch will not be completed this year because the bids for the work exceeded what the District has available to do the work. The funds set aside from the Proposition 1A reserves (approximately \$133,436) will be carried forward to the next fiscal year.

Administration Department (Attachment D). Staff recommends increasing total budgeted revenues for the Administration Department by \$9,595 and decreasing budgeted expenditures by \$101,183, which creates a surplus in the department of \$110,778.

Revenues. Revenues for public record requests are expected to be about \$900 more than budgeted and \$7,800 was received as a miscellaneous receipt that was not budgeted as a result of the worker's comp audit for last fiscal year.

Expenditures. The change in expenditures occurs mostly in the following areas:

- Personnel costs are expected to be about \$21,500 less than budgeted due to salary increases for MCE personnel being less than budgeted and because some employees were hired later in the year than budgeted.
- Utility expenses for internet and telephone will be reduced about \$24,000 because those costs should have been budgeted to other departments.
- Other costs under professional services are expected to be \$21,000 less than budget mainly due to a reduction in legal costs.
- Capital Projects will be \$35,000 less than budgeted because the admin servers will not be replaced this fiscal year. Those servers will need to be replaced during the next fiscal year.

WASTEWATER FUND

The proposed Wastewater Fund budget is shown on Attachment E. Staff recommends decreasing the total budgeted revenue for the Wastewater Fund by \$950 and increasing

expenditures by \$180,305, which will result in a deficit of \$181,255. The budget was previously balanced.

Revenues. Revenues from service sales will be higher than originally budgeted because water consumption has been and is expected to continue to be 84% of 2013-2014 consumption. Only 70% was budgeted. However, only \$485,687 will need to be borrowed from the general fund to finance capital projects so revenue from the loan will be \$65,313 less than budgeted.

Expenditures. The change in expenditures occurs mostly in the following areas:

- Maintenance and Repair of the collection system is expected to be \$44,500 less than currently budgeted because no communications equipment needs to be repaired at this time and CCTV and hydro-cleaning of the system is being deferred.
- Treatment plant repairs are projected to cost about \$75,000 instead of the \$40,000 currently budgeted. The District has already spent \$31,276 to upgrade the SCADA system and \$34,000 for other system repairs.
- Maintenance and Repair of grounds has already incurred costs of \$30,631 for the removal of dead trees on the wastewater treatment plant property and in numerous valleys throughout the District where trees were prohibiting access to manholes for emergency and routine maintenance of the wastewater system.
- Utilities costs for electricity has already cost \$159,854 through February and is expected to cost about \$240,000 for the entire year – which is about \$76,600 more than budgeted. On/off switches have been installed on the sludge compactor and the aeration basin so those areas can be shut off when not needed.
- Utilities costs for water have also been substantially higher than budgeted since sludge is being processed year-round instead of just once a year.

WATER FUND

There are three operating budgets within the Water Fund: the Water Department Operations Budget, the Sustainable Water Facility (SWF) Capital Cost Recovery Budget, and the SWF Operations Budget. There are also two capital projects within the Water Fund: the Lower Santa Rosa Aquifer Optimization Project and the Sustainable Water Facility Project.

Water Department Operations Budget (Attachment F). This department has a budgeted surplus of \$34,247 for the fiscal year. Through February 28, 2017, expenditures have exceeded revenues by \$293,969. Staff projects that there will be a deficit of \$207,591 in this budget at the end of the fiscal year, which will reduce the fund balance in the Water Fund. The deficit is mostly due to the following.

Revenues.

1. Water sales are expected to be \$203,000 higher than budgeted revenues. This increase in revenues is due to the fact that actual water sales have been 84% of sales in fiscal year 2013-2014 compared to budgeted sales which were 70% of sales in fiscal year 2013-2014.
2. There will be a decrease of \$660,000 for the commercial loan which was budgeted to finance the replacement of the Fiscalini Water Tank. A loan cannot be obtained

and the cost of the tank replacement must be made using available Water Fund balance or by obtaining a loan from the General Fund.

Expenditures.

1. Plant Repairs are expected to be \$31,815 less than budgeted since no work is anticipated in this area for the remainder of the year.
2. Professional Services "Other" are expected to be \$40,000 less than budgeted because some of the expenses to produce the Urban Water Management Plan were accomplished in house.
3. Capital Projects: The Fiscalini Tank Project is expected to cost about \$635,000 instead of the \$660,000 budgeted.
4. The debt service of \$45,707 to make the first year payment on the loan for the Fiscalini Water Tank has been deleted since no loan was obtained.
5. The cost for voluntary lot mergers has been reduced from \$50,000 to \$10,000 which is a more realistic amount.

SWF Capital Cost Recovery Budget (Attachment G). This department has a budgeted surplus of \$16,644 for the fiscal year. Through February 28, 2017, expenditures have exceeded revenues by \$92,622 principally due to a debt service payment in September of \$329,714. Staff projects there will be a deficit of \$20,406 in this budget at the end of the fiscal year due mainly to higher than anticipated licensing fees.

SWF Operations Budget (Attachment H). This department has a budgeted deficit of \$229,148 for the fiscal year. Through February 28, 2017, expenditures have exceeded revenues by \$99,546. Staff projects there will be a deficit of \$163,936 in this budget at the end of the fiscal year. Revenues during the operating period from September through December were \$9,800 more than budgeted while lab costs are projected to be about \$36,600 less than budgeted.

Lower Santa Rosa Aquifer Optimization Project (Attachment I). This project is completed. The actual cost for the project was \$354,916, which is \$45,906 less than budgeted. \$268,617 was received from a State of California Drinking Water Drought Grant. This will result in a decrease in Water Fund reserves of only \$86,299 for this project. Once the expenditures have been audited, the project will be added to District capital assets and removed from further financial reporting.

Sustainable Water Facility Project. (Attachment J). This project anticipates \$13,321,255 in revenues from loans and grants. \$13,102,142 has already been received and another \$219,113 in retention from the Proposition 84 Grant is expected to be received in early 2017. \$13,127,574 in expenditures has been authorized, leaving \$193,682 in anticipated revenues which have not been committed. Through March 31, 2017, the District has actually spent \$11,859,223 on this project. Staff recommends that expenditures authorized under this budget be increased by \$11,816 to accommodate the small changes shown.

The amendments to the SWF budget recommended above will result in total authorized expenditures of \$13,321,255, which leaves \$181,866 in loans and grants which have not been committed.

- Attachments: Resolution 15-2017
Attachment "A" Fire Department Budget
Attachment "B" Facilities & Resources Department Budget
Attachment "C" Park & Recreation Department Budget
Attachment "D" Admin Department Budget
Attachment "E" Wastewater Fund Budget
Attachment "F" Water Operations Department Budget
Attachment "G" SWF Capital Cost Recovery Budget
Attachment "H" SWF Operations Department Budget
Attachment "I" Santa Rosa Creek Capital Project Budget
Attachment "J" Sustainable Water Facility Capital Project Budget

BOARD ACTION: Date _____ Approved: _____ Denied: _____

UNANIMOUS: ___ RICE ___ SANDERS ___ THOMPSON ___ BAHRINGER ___ FARMER ___