

## **STAFF REPORT**

**To:** Coastside County Water District Board of Directors

**From:** Mary Rogren, General Manager

**Agenda:** May 12, 2020

Report

Date: May 8, 2020

**Subject: Revised Draft Fiscal Year 2020-2021 Operations and Maintenance Budget and CIP/Cash Flow Update**

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### **Recommendation:**

No action required of the Board at this time.

### **Background:**

#### **Revised Draft Fiscal Year 2020-2021 Operations and Maintenance (O&M) Budget:**

At the February 11 and March 10, 2020 Board meetings, Staff introduced a Draft Fiscal Year 2020-2021 Operations and Maintenance Budget. Since the original presentation of the draft budget, two significant events have occurred that will adversely impact the District's draft budget, COVID 19 and the lack of rainfall in the local watershed. These impacts include:

- Given the shelter-in-place rules, commercial and visitor serving revenues have significantly decreased, as evidenced by a 54% year-over-year decline in water use in April (Gross Revenue impact of \$76,000/month, or \$50,000 net.)
- The lack of local rainfall will result in the District shutting down Denniston after June until the next rainfall (November-December 2020.) Flow from Pilarcitos Reservoir will also be substantially limited due to low water levels and the need to "bank" water in case of a PSPS in the fall. Most of the District's water from now until December will come from Crystal Springs and SFPUC.
- The economic impacts of COVID 19 will likely result in higher bad debt for the District and higher billing and collection expenses.

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Staff has prepared a revised Draft 2020-2021 O&M Budget which reflects nearly a \$1M decrease in contribution to CIP and Reserves from the budget prepared in February. The changes include: 1) \$400K net revenue (\$600K gross revenue) reduction or 28 Million Gallons assuming a 30% decrease in commercial/visitor serving revenue; 2) (\$100K) reduction in property tax revenue assumption; 3) (\$350K) purchased water and electricity increases; 4) (\$100K) bad debt expense – added as a placeholder. (Analysts forecast that bad debt could be much higher.); and 5) \$(50K) Billing/collection expenses and other.

A recap of the revised draft budget as compared to the prior year's budget follows below. (See Exhibit A for full version.)

	FY 2020/21 Draft Budget 5/2020 update	FY 2019/20 Approved Budget	\$ Change from Prior Budget	% Change from Prior Budget
<b>REVENUE</b>				
<i>Water Sales in Million Gallons</i>	<b>562 MG</b>	<b>598 MG</b>		
<b>Water Revenue (1)</b>	\$ 11,782,000	\$ 12,300,000	\$ (518,000)	-4.2%
<b>Non-Operating Revenue</b>	\$ 1,507,250	\$ 1,385,570	\$ 121,680	8.8%
<b>Total Revenue</b>	<u>\$ 13,289,250</u>	<u>\$ 13,685,570</u>	<u>\$ (396,320)</u>	<u>-2.9%</u>
<b>OPERATING EXPENSES</b>	\$ 9,333,794	\$ 8,630,824	\$ 702,970	8.1%
<b>DEBT SERVICE</b>	\$ 1,092,748	\$ 1,144,611	\$ (51,863)	-4.5%
<b>CONTRIBUTION TO CIP AND RESERVES</b>	<u>\$ 2,862,708</u>	<u>\$ 3,910,135</u>	<u>\$ (1,047,427)</u>	<u>-26.8%</u>

(1) FY 2020/21 Water Revenue does not include a rate increase - still to be determined

In June 2020, Staff will revisit the impact of water usage decreases on the draft budget after looking at another month of actual water usage during this pandemic.

### **Capital Improvement Program (CIP) and Cash Flow:**

The Capital Improvement Program presented in February 2020 includes \$25M in projects to be completed in the next (5) years including significant improvements to the Nunes Treatment Plant and Tanks. Staff will present an updated plan at the June 2020 Board meeting that will include updates from the District's engineers.

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Given the impact of the budget changes noted above, the District will have \$1M less to spend on capital from the contributions from operating revenue in FY2020/2021.

The impact on cash reserves is shown below:

<b>Unrestricted Cash Reserves Recap *</b>	<b>(\$ in millions)</b>
<b>Cash Reserves at 4.30.2020</b>	<b>\$ 8,885</b>
Open Capital Improvement Projects	\$ (1,200)
Additional Contributions to CIP/Reserves from Operations May-June 2020	\$ -
<b>Projected Cash Reserves 6.30.2020</b>	<b>\$ 7,685</b>
 FY2020/2021 Revised O&M Budget Projected Contributions to CIP/Reserves	 \$ 2,863
CIP Plan (presented March 2020) - average 5 year CIP spend	\$ (5,150)
 <b>Projected Cash Reserves 6.30.2021</b>	 <b>\$ 5,398</b>
Targeted Cash Reserves for 6.30.2021 (per Raftelis Consultants) **	<u>\$ 8,766</u>

\* Does not reflect impact of a rate adjustment

\*\* Targeted Unrestricted Reserves = 25% of Operating Expenses + Average Annual CIP Spend + Following Year's Debt Service Payments

The District is exploring the possibilities of acquiring stimulus money for shovel-ready capital improvement projects, and recently submitted a list of (4) projects to BAWSCA who is working with Silicon Valley Leadership Group to lobby for stimulus money in Washington.

## YEAR 1 Operations &amp; Maintenance Budget - FY 2020-2021

		Updated 5.8.2020 Proposed FY2020/21	Approved FY 2019/20	FY20/21 Budget Vs. FY 19/20 Budget	FY20/21 Budget Vs. FY 19/20 Budget %	Proj Year End FY19/20	FY 20/21 Budget Vs. FY 19/20 Projected Actual	FY 20/21 Budget Vs. FY 19/20 Projected Actual %	YTD Actual FY 19/20 as of April 30, 2020
Account Number	Description	Budget	Budget	\$ Change	% Change		\$ Change	% Change	
<b>OPERATING REVENUE</b>									
4120	Water Sales *	\$11,782,000	\$12,300,000	-\$518,000	-4.2%	\$12,000,000	-\$218,000	-1.8%	\$10,257,003
	Water Sales in MG	562 MG	598 MG						
<b>Total Operating Revenue</b>		<b>\$11,782,000</b>	<b>\$12,300,000</b>	<b>-\$518,000</b>	<b>-4.2%</b>	<b>\$12,000,000</b>	<b>-\$218,000</b>	<b>-1.8%</b>	<b>\$10,257,003</b>
<b>NON-OPERATING REVENUE</b>									
4170	Hydrant Sales	\$50,000	\$50,000	\$0	0.0%	\$50,000	\$0	0.0%	\$47,646
4180	Late Penalty	\$30,000	\$60,000	-\$30,000	-50.0%	\$50,000	-\$20,000	-40.0%	\$52,902
4230	Service Connections	\$10,000	\$10,000	\$0	0.0%	\$10,500	-\$500	-4.8%	\$10,494
4920	Interest Earned	\$56,250	\$6,270	\$49,980	797.1%	\$80,000	-\$23,750	-29.7%	\$87,461
4930	Property Taxes	\$750,000	\$725,000	\$25,000	3.4%	\$860,000	-\$110,000	-12.8%	\$858,365
4950	Miscellaneous	\$7,000	\$25,000	-\$18,000	-72.0%	\$29,000	-\$22,000	-75.9%	\$28,864
4955	Cell Site Lease Income	\$179,000	\$171,300	\$7,700	4.5%	\$171,300	\$7,700	4.5%	\$142,129
4965	ERAF Refund	\$425,000	\$338,000	\$87,000	25.7%	\$501,486	-\$76,486	-15.3%	\$501,486
<b>Total Non-Operating Revenue</b>		<b>\$1,507,250</b>	<b>\$1,385,570</b>	<b>\$121,680</b>	<b>8.8%</b>	<b>\$1,752,286</b>	<b>-\$245,036</b>	<b>-14.0%</b>	<b>\$1,729,347</b>
<b>TOTAL REVENUES</b>		<b>\$13,289,250</b>	<b>\$13,685,570</b>	<b>-\$396,320</b>	<b>-2.9%</b>	<b>\$13,752,286</b>	<b>-\$463,036</b>	<b>-3.4%</b>	<b>\$11,986,350</b>
<b>OPERATING EXPENSES</b>									
5130	Water Purchased	\$ 2,092,360	\$1,771,945	\$320,415	18.1%	\$1,842,720	\$249,640	13.5%	\$1,417,397
5130A	BAWSCA Bond Surcharge	\$226,620	\$170,003	\$56,617	33.3%	\$107,280	\$119,340	111.2%	\$89,400
5230	Electrical Exp. Nunes WTP	\$47,500	\$45,259	\$2,241	5.0%	\$45,259	\$2,241	5.0%	\$31,857
5231	Electrical Expenses, CSP	\$350,000	\$357,305	-\$7,305	-2.0%	\$325,000	\$25,000	7.7%	\$234,930
5232	Electrical Expenses/Trans. & Dist.	\$23,000	\$28,584	-\$5,584	-19.5%	\$22,000	\$1,000	4.5%	\$14,020
5233	Elec Exp/Pilarcitos Cyn	\$43,000	\$42,000	\$1,000	2.4%	\$42,000	\$1,000	2.4%	\$37,085
5234	Electrical Exp., Denn	\$133,000	\$137,800	-\$4,800	-3.5%	\$125,000	\$8,000	6.4%	\$103,671
5242	CSP - Operation	\$16,200	\$11,128	\$5,072	45.6%	\$16,000	\$200	1.3%	\$12,768
5243	CSP - Maintenance	\$42,000	\$37,000	\$5,000	13.5%	\$37,000	\$5,000	13.5%	\$28,133
5246	Nunes WTP Oper	\$80,000	\$80,964	-\$964	-1.2%	\$80,964	-\$964	-1.2%	\$64,963
5247	Nunes WTP Maint	\$132,000	\$122,500	\$9,500	7.8%	\$80,964	\$51,036	63.0%	\$79,434
5248	Denn. WTP Oper.	\$53,500	\$49,000	\$4,500	9.2%	\$60,000	-\$6,500	-10.8%	\$55,179
5249	Denn WTP Maint	\$127,000	\$104,000	\$23,000	22.1%	\$150,000	-\$23,000	-15.3%	\$132,878
5250	Laboratory Expenses	\$75,000	\$75,000	\$0	0.0%	\$75,000	\$0	0.0%	\$47,744
5260	Maintenance Expenses	\$348,000	\$300,000	\$48,000	16.0%	\$330,000	\$18,000	5.5%	\$270,296
5261	Maintenance, Wells	\$25,000	\$40,000	-\$15,000	-37.5%	\$45,000	-\$20,000	-44.4%	\$43,981
5263	Uniforms	\$10,000	\$12,500	-\$2,500	-20.0%	\$12,500	-\$2,500	-20.0%	\$5,230
5318	Studies/Surveys/Consulting	\$150,000	\$160,000	-\$10,000	-6.3%	\$130,000	\$20,000	15.4%	\$74,831
5321	Water Resources	\$26,000	\$26,200	-\$200	-0.8%	\$26,000	\$0	0.0%	\$3,399
5322	Community Outreach	\$58,400	\$56,900	\$1,500	2.6%	\$50,000	\$8,400	16.8%	\$15,934
5381	Legal	\$100,000	\$100,000	\$0	0.0%	\$160,000	-\$60,000	-37.5%	\$119,967
5382	Engineering	\$66,000	\$62,000	\$4,000	6.5%	\$100,000	-\$34,000	-34.0%	\$68,010
5383	Financial Services	\$22,000	\$22,000	\$0	0.0%	\$22,000	\$0	0.0%	\$11,382
5384	Computer Services	\$211,500	\$167,600	\$43,900	26.2%	\$195,000	\$16,500	8.5%	\$144,915
5410	Salaries, Admin.	\$1,223,311	\$1,179,832	\$43,479	3.7%	\$1,000,000	\$223,311	22.3%	\$799,111
5411	Salaries - Field	\$1,501,399	\$1,461,020	\$40,380	2.8%	\$1,375,000	\$126,399	9.2%	\$1,123,191
5420	Payroll Taxes	\$191,701	\$183,582	\$8,119	4.4%	\$183,982	\$7,719	4.2%	\$143,417
5435	Employee Medical Insurance	\$511,400	\$481,419	\$29,982	6.2%	\$455,000	\$56,400	12.4%	\$374,067
5436	Retiree Medical Insurance	\$69,562	\$55,274	\$14,288	25.8%	\$50,000	\$19,562	39.1%	\$40,918
5440	Employee Retirement	\$496,240	\$619,321	-\$123,082	-19.9%	\$500,000	-\$3,760	-0.8%	\$369,586

**YEAR 1 Operations & Maintenance Budget - FY 2020-2021**

		Updated 5.8.2020 Proposed FY2020/21	Approved FY 2019/20	FY20/21 Budget Vs. FY 19/20 Budget	FY20/21 Budget Vs. FY 19/20 Budget %	Proj Year End FY19/20	FY 20/21 Budget Vs. FY 19/20 Projected Actual	FY 20/21 Budget Vs. FY 19/20 Projected Actual %	YTD Actual FY 19/20 as of April 30, 2020	
Account Number	Description	Budget	Budget	\$ Change	% Change		\$ Change	% Change		
5445	SIP 401a Plan	\$35,000	\$35,000	\$0	0.0%	\$35,000	\$0	0.0%	\$0	
5510	Motor Vehicle Exp.	\$65,000	\$63,000	\$2,000	3.2%	\$95,000	-\$30,000	-31.6%	\$83,758	
5620	Office & Facilities Expenses	\$163,500	\$146,219	\$17,281	11.8%	\$155,000	\$8,500	5.5%	\$150,044	
5620A	Credit Card/bank Fees & Billing Expenses	\$150,000	\$107,000	\$43,000	40.2%	\$140,000	\$10,000	7.1%	\$102,980	
5620B	Bad Debt Expense	\$100,000	\$10,000	\$90,000	900.0%	\$10,000	\$90,000	900.0%	\$6,424	
5625	Meetings/Training/Seminars	\$33,000	\$27,000	\$6,000	22.2%	\$30,000	\$3,000	10.0%	\$22,174	
5630	Insurance	\$159,000	\$137,000	\$22,000	16.1%	\$123,000	\$36,000	29.3%	\$97,647	
5687	Memberships & Subscriptions	\$85,100	\$78,970	\$6,130	7.8%	\$78,970	\$6,130	7.8%	\$71,596	
5688	Election Expense	\$25,000	\$0	\$25,000		\$0	\$25,000		\$0	
5689	Labor Relations	\$6,000	\$6,000	\$0	0.0%	\$6,000	\$0	0.0%	\$0	
5700	County Fees	\$24,000	\$24,000	\$0	0.0%	\$24,000	\$0	0.0%	\$17,349	
5705	State Fees	\$36,500	\$36,500	\$0	0.0%	\$36,500	\$0	0.0%	\$32,006	
<b>Total Operating Expenses</b>		<b>\$9,333,794</b>	<b>\$8,630,824</b>	<b>\$702,970</b>	<b>8.1%</b>	<b>\$8,377,139</b>	<b>\$956,655</b>	<b>11.4%</b>	<b>\$6,541,672</b>	
<b>CAPITAL ACCOUNTS</b>										
5712	Existing Bonds - 2006B	\$0	\$484,831	-\$484,831	-100.0%	\$0	\$0		\$0	
5715	Existing Bond-CIEDB 11-099	\$335,825	\$335,977	-\$152	0.0%	\$335,977	-\$152	0.0%	\$335,977	
5716	CIEDB 16-111	\$323,357	\$323,803	-\$446	-0.1%	\$323,803	-\$446		\$323,803	
5717	Chase-2018 Loan	\$433,567		\$433,567		\$433,567	\$0		\$435,951	
<b>Total Capital Accounts</b>		<b>\$1,092,748</b>	<b>\$1,144,611</b>	<b>-\$51,863</b>	<b>-4.5%</b>	<b>\$1,093,347</b>	<b>-\$598</b>	<b>-0.1%</b>	<b>\$1,095,731</b>	
<b>TOTAL REVENUE LESS TOTAL EXPENSE</b>		<b>\$2,862,708</b>	<b>\$3,910,135</b>	<b>-\$1,047,427</b>	<b>-26.8%</b>	<b>\$4,281,800</b>	<b>-\$1,419,092</b>	<b>-33.1%</b>	<b>\$4,348,947</b>	
5713	Cont. to CIP & Reserves	\$2,862,708								

% Budgeted Increase

0%