

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

SPECIAL MEETING OF THE BOARD OF DIRECTORS

Tuesday, June 7, 2011 – 2:00 p.m.

AGENDA

1) ROLL CALL

2) PUBLIC COMMENT

Members of the public may address the Board of Directors on the items on the agenda for this special meeting. The Chair requests that each person addressing the Board complete and submit a speaker slip, and limit their comments to three (3) minutes.

3) CLOSED SESSION – 2:00 p.m.

A. Conference with Labor Negotiator

Pursuant to California Government Code §54957.6

Agency Designated Representatives: General Manager

Employee Organization: Teamsters Union, Local 856

4) RECONVENE TO OPEN SESSION

Public report of closed session action.

5) BUDGET WORKSHOP – 2:30 p.m. ([attachment](#))

A. Draft Fiscal Year 2011-2012 Budget and Draft Fiscal Year 2011-2012 to 2020-2021 Capital Improvement Program

B. District Financing Plan Update

6) ADJOURNMENT

***Accessible Public Meetings** - Upon request, the Coastside County Water District will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, telephone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service at least two (2) days before the meeting. Requests should be sent to: Coastside County Water District, Attn: Alternative Agenda Request, 766 Main Street, Half Moon Bay, CA 94019.*

STAFF REPORT

To: Coastside County Water District Board of Directors

From: David Dickson, General Manager

Agenda: June 7, 2011

Report

Date: June 6, 2011

Subject: Budget Workshop

Recommendation:

No Board action required.

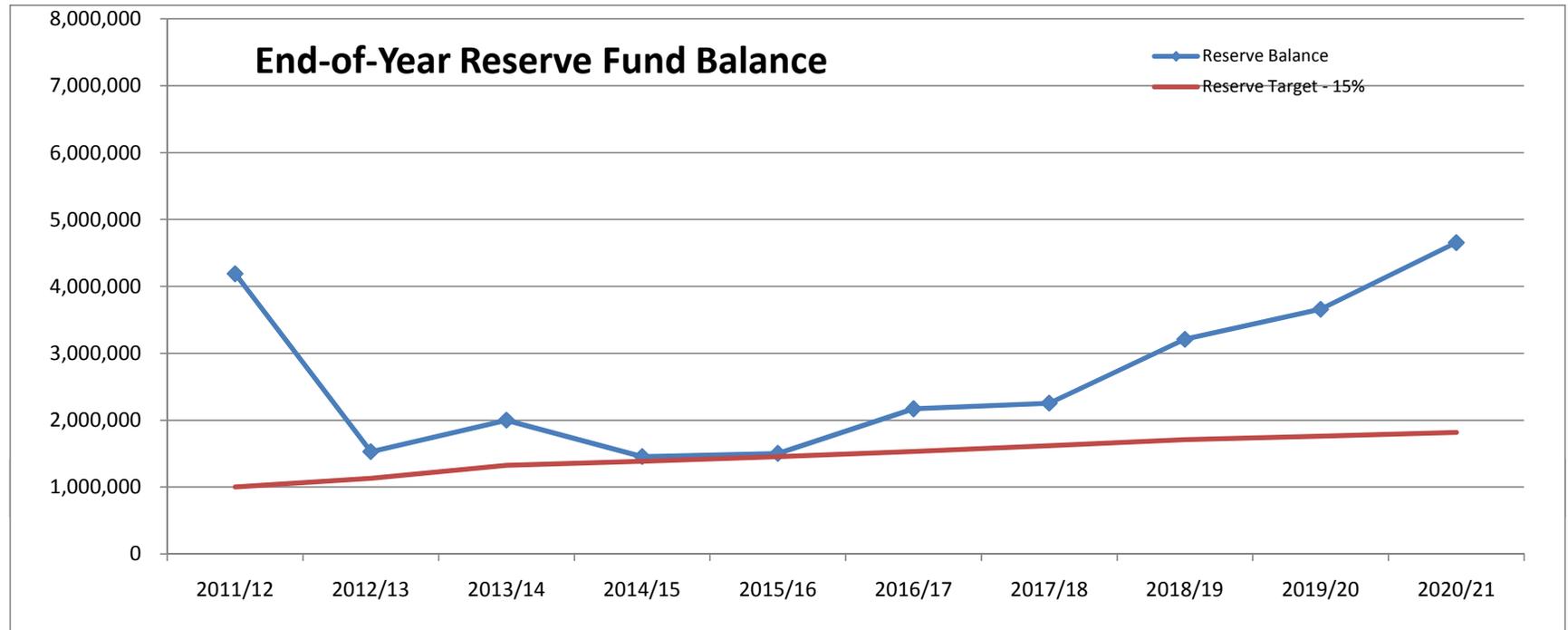
Background:

At the Board's request, staff will present a Budget Workshop focusing on the District's Financing Plan and the recommended rate increase for Fiscal Year 2011-2012. The attached sheets summarizing the Financing Plan update material presented to the Board on May 10, 2011.

Reed Schmidt and Catherine Tseng of Bartle Wells will make a presentation on the Financing Plan update. A copy of their slide presentation is attached.

CCWD Rate Increases Needed to Meet Revenue Requirements - FY12 Budget

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
% Rate Increase	14	13	12	3	3	3	3	3	3	3
Cumulative Increase	1.14	1.29	1.44	1.49	1.53	1.58	1.62	1.67	1.72	1.77
Loan 1	6700000									
Loan 2			3000000							
Loan 3										



Operations & Maintenance Budget - FY 2011/2012

Account Number	Description	Proposed Budget FY 11/12	FY 11/12 Budget		FY 11/12 Budget Vs.		Proj Year End Actual	FY 11/12 Budget Vs. FY 10/11 Actual	YTD Actual FY 10/11 as of January 31, 2011
			Approved FY 10/11 Budget	\$ Change	% Change	FY 11/12 Budget			
OPERATING REVENUE									
4120	Water Sales (1) *	\$6,726,300	\$6,182,885	\$543,415	8.8%	\$5,848,940	\$877,360	15.0%	\$3,572,467
Total Operating Revenue		\$6,726,300	\$6,182,885	\$543,415	8.8%	\$5,848,940	\$877,360	15.0%	\$3,572,467
NON-OPERATING REVENUE									
4170	Hydrant Sales	\$25,000	\$25,000	\$0	0.0%	\$19,683	\$5,317	27.0%	\$12,183
4180	Late Penalty	\$50,000	\$50,000	\$0	0.0%	\$53,584	-\$3,584	-6.7%	\$33,584
4230	Service Connections	\$8,000	\$8,000	\$0	0.0%	\$7,506	\$494	6.6%	\$5,006
4920	Interest Earned	\$7,423	\$26,418	-\$18,995	-71.9%	\$7,913	-\$490	-6.2%	\$5,413
4930	Property Taxes	\$600,000	\$600,000	\$0	0.0%	\$639,843	-\$39,843	-6.2%	\$364,843
4950	Miscellaneous	\$37,000	\$37,000	\$0	0.0%	\$54,677	-\$17,677	-32.3%	\$44,677
4955	Cell Site Lease Income	\$113,892	\$111,312	\$2,580	2.3%	\$111,136	\$2,756	2.5%	\$66,136
4965	ERAF Refund	\$100,000	\$100,000	\$0	0.0%	\$250,000	-\$150,000	-60.0%	\$0
Total Non-Operating Revenue		\$941,315	\$957,730	-\$16,415	-1.7%	\$1,144,342	-\$203,028	-17.7%	\$531,842
TOTAL REVENUES		\$7,667,615	\$7,140,615	\$527,000	7.4%	\$6,993,282	\$674,332	9.6%	\$4,104,309
OPERATING EXPENSES									
5130	Water Purchased	\$2,059,548	\$1,671,874	\$387,674	23.2%	\$1,516,645	\$542,903	35.8%	\$1,032,745
5230	Electrical Exp. Nunes WTP	\$25,000	\$19,000	\$6,000	31.6%	\$23,889	\$1,111	4.7%	\$11,890
5231	Electrical Expenses, CSP	\$127,434	\$243,836	-\$116,402	-47.7%	\$102,157	\$25,278	24.7%	\$94,882
5232	Electrical Expenses/Trans. & Dist.	\$14,000	\$15,000	-\$1,000	-6.7%	\$11,923	\$2,077	17.4%	\$6,624
5233	Elec Exp/Pilarcitos Cyn	\$16,162	\$10,016	\$6,146	61.4%	\$14,517	\$1,645	11.3%	\$6,326
5234	Electrical Exp., Denn	\$5,940	\$53,176	-\$47,236	-88.8%	\$30,996	-\$25,056	-80.8%	\$16,629
5235	Denn. WTP Oper.	\$3,000	\$25,600	-\$22,600	-88.3%	\$12,292	-\$9,292	-75.6%	\$6,383
5236	Denn WTP Maint	\$5,000	\$38,000	-\$33,000	-86.8%	\$38,086	-\$33,086	-86.9%	\$24,078
5240	Nunes WTP Oper	\$70,908	\$64,820	\$6,088	9.4%	\$80,306	-\$9,398	-11.7%	\$54,024
5241	Nunes WTP Maint	\$38,000	\$38,000	\$0	0.0%	\$37,057	\$943	2.5%	\$19,564
5242	CSP - Operation	\$8,500	\$8,500	\$0	0.0%	\$7,640	\$860	11.3%	\$4,219
5243	CSP - Maintenance	\$50,000	\$53,500	-\$3,500	-6.5%	\$50,958	-\$958	-1.9%	\$40,654
5250	Laboratory Expenses	\$35,000	\$60,000	-\$25,000	-41.7%	\$31,448	\$3,552	11.3%	\$15,427
5318	Studies/Surveys/Consulting	\$45,000	\$22,000	\$23,000	104.5%	\$24,171	\$20,829	86.2%	\$19,171
5321	Water Conservation	\$62,350	\$92,500	-\$30,150	-32.6%	\$88,515	-\$26,165	-29.6%	\$40,515
5322	Community Outreach	\$26,200	\$26,200	\$0	0.0%	\$22,900	\$3,300	14.4%	\$5,900
5411	Salaries - Field	\$958,326	\$930,278	\$28,048	3.0%	\$944,144	\$14,182	1.5%	\$544,144
5412	Maintenance Expenses	\$192,500	\$192,500	\$0	0.0%	\$193,563	-\$1,063	-0.5%	\$85,805
5414	Motor Vehicle Exp.	\$44,500	\$44,500	\$0	0.0%	\$44,500	\$0	0.0%	\$30,043
5415	Maintenance, Wells	\$6,000	\$6,000	\$0	0.0%	\$4,000	\$2,000	50.0%	\$0
5610	Salaries, Admin.	\$644,904	\$640,368	\$4,536	0.7%	\$621,994	\$22,910	3.7%	\$356,994
5620	Office Expenses	\$119,375	\$118,875	\$500	0.4%	\$121,820	-\$2,445	-2.0%	\$71,820
5621	Computer Services	\$67,650	\$62,650	\$5,000	8.0%	\$57,816	\$9,834	17.0%	\$27,816
5625	Meetings/Training/Seminars	\$18,000	\$20,000	-\$2,000	-10.0%	\$16,752	\$1,248	7.5%	\$9,752
5630	Insurance	\$125,000	\$125,000	\$0	0.0%	\$119,586	\$5,414	4.5%	\$91,336
5635	Ee/Ret. Medical Insurance	\$438,607	\$403,890	\$34,717	8.6%	\$408,046	\$30,561	7.5%	\$231,296
5640	Employee Retirement	\$462,627	\$437,789	\$24,838	5.7%	\$410,240	\$52,386	12.8%	\$223,240
5645	SIP 401a Plan	\$30,000	\$30,000	\$0	0.0%	\$58,752	-\$28,752	0.0%	\$0
5681	Legal	\$60,000	\$57,000	\$3,000	5.3%	\$62,921	-\$2,921	-4.6%	\$32,921
5682	Engineering	\$14,000	\$14,000	\$0	0.0%	\$6,254	\$7,747	123.9%	\$3,254
5683	Financial Services	\$31,000	\$31,000	\$0	0.0%	\$26,531	\$4,469	16.8%	\$15,531
5684	Payroll Taxes	\$114,658	\$111,951	\$2,707	2.4%	\$107,087	\$7,570	7.1%	\$62,087
5687	Memberships & Subscriptions	\$57,950	\$56,950	\$1,000	1.8%	\$60,317	-\$2,367	-3.9%	\$36,317
5688	Election Expense	\$25,000	\$0	\$25,000	0.0%	\$0	\$25,000	0.0%	\$0
5689	Union Expenses	\$6,000	\$12,000	-\$6,000	-50.0%	\$2,040	\$3,960	194.1%	\$2,040
5700	County Fees	\$16,200	\$10,800	\$5,400	50.0%	\$10,805	\$5,395	49.9%	\$10,805
5705	State Fees	\$19,400	\$10,500	\$8,900	84.8%	\$19,078	\$322	1.7%	\$18,078
Total Operating Expenses		\$6,043,738	\$5,758,073	\$285,665	4.7%	\$5,389,748	\$653,990	12.1%	\$3,252,312
CAPITAL ACCOUNTS									
5711	Existing Bonds - 1998A	\$267,993	\$269,845	-\$1,853	-0.7%	\$269,235	-\$1,242	-0.5%	\$250,235
5712	Existing Bonds - 2006B	\$483,281	\$484,966	-\$1,685	-0.3%	\$487,431	-\$4,150	-0.9%	\$337,431
Total Capital Accounts		\$751,274	\$754,811	-\$3,537	-0.5%	\$756,666	-\$5,392	-0.7%	\$587,666
TOTAL REVENUE - TOTAL EXPENSE		\$872,603	\$627,731	\$244,872	39.0%	\$846,869	\$25,734	3.0%	\$264,332
5713	Cont. to CIP & Reserves	\$872,603							

Notes:

(1) Water sales revenue calculated by applying rate increase to projected year-end sales.

* Assumes 15% rate increase

Table 3
Coastside County Water District - Financing Plan
Operating Expenses

Table 3. Projected Future Operating Expenses											
	Budget	Inflation	Estimated								
	2011/12	Factor	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Operating Expenses											
Water Purchased (1)	\$2,059,555	varies	\$1,951,972	\$2,053,175	\$2,140,074	\$2,373,496	\$2,557,052	\$2,747,560	\$2,741,010	\$2,786,865	\$2,924,566
Electricity	188,536	5%	198,000	218,000	232,000	249,000	267,000	288,000	310,000	326,000	342,000
Denniston WTP Maint./Oper.	8,000	5%	80,000	84,000	125,000	185,000	194,000	204,000	214,000	225,000	236,000
Nunes WTP Maint./Oper.	108,908	5%	114,000	125,000	133,000	143,000	153,000	165,000	178,000	187,000	196,000
CSP WTP Maint./Oper.	47,000	5%	49,000	54,000	58,000	62,000	66,000	71,000	77,000	81,000	85,000
Salaries & Payroll Taxes	1,717,888	5%	1,804,000	1,894,000	1,989,000	2,088,000	2,192,000	2,302,000	2,417,000	2,538,000	2,665,000
Insurance	563,607	5%	592,000	622,000	653,000	686,000	720,000	756,000	794,000	834,000	876,000
Employee Retirement	462,627	5%	486,000	510,000	536,000	563,000	591,000	621,000	652,000	685,000	719,000
Other Expenses	<u>887,625</u>	5%	<u>932,000</u>	<u>979,000</u>	<u>1,028,000</u>	<u>1,079,000</u>	<u>1,133,000</u>	<u>1,190,000</u>	<u>1,250,000</u>	<u>1,313,000</u>	<u>1,379,000</u>
Total Operating Expenses	6,043,746		6,206,972	6,539,175	6,894,074	7,428,496	7,873,052	8,344,560	8,633,010	8,975,865	9,422,566
Increase from prior fiscal year			163,226	332,203	354,898	534,422	444,556	471,508	288,449	342,856	446,701
Percent increase from prior fiscal year			2.7%	5.4%	5.4%	7.8%	6.0%	6.0%	3.5%	4.0%	5.0%

Water Production and Purchase Costs

	Projected Future Water Production and Purchases										
	Projected 2010/11	Budget 2011/12	Estimated								
			2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Total CCWD Water Demand	669	669	700	710	725	740	760	780	780	780	800
Year-year change		0.0%	4.7%	1.4%	2.1%	2.1%	2.7%	2.6%	0.0%	0.0%	2.6%
CCWD Pilarcitos Wells	48	52	50	50	50	50	50	50	50	50	50
Denniston Wells	12	0	20	20	40	40	40	40	40	40	40
Denniston Surface Water	60	0	100	150	200	200	200	200	200	200	200
Total Denniston	72	0	120	170	240	240	240	240	240	240	240
Denniston year-year change		-100.0%	0.0%	41.7%	41.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total CCWD Sources	120	52.36	170	220	290	290	290	290	290	290	290
Total SFPUC (max 794 MG)	593	617	530	490	435	450	470	490	490	490	510
SFPUC year-year change		4.0%	-14.0%	-7.5%	-11.2%	3.4%	4.4%	4.3%	0.0%	0.0%	4.1%
SFPUC Water Cost											
Base Charge	\$81,384	\$81,384	\$81,384	\$81,384	\$81,384	\$81,384	\$81,384	\$81,384	\$81,384	\$81,384	\$81,384
Consumption Charge	\$1,506,283	\$1,978,171	\$1,870,588	\$1,971,791	\$2,058,690	\$2,292,112	\$2,475,668	\$2,666,176	\$2,659,626	\$2,705,481	\$2,843,182
Surcharge for use over ISA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total SFPUC Water Purchase	\$1,587,667	\$2,059,555	\$1,951,972	\$2,053,175	\$2,140,074	\$2,373,496	\$2,557,052	\$2,747,560	\$2,741,010	\$2,786,865	\$2,924,566
% SFPUC Water	89%	92%	76%	69%	60%	61%	62%	63%	63%	63%	64%
SFPUC Rate Increase	15.2%	41.2%	8.5%	7.1%	6.6%	14.0%	6.6%	6.6%	0.0%	1.7%	1.2%
SFPUC Unit Charge (\$/hcf)	\$1.90	\$2.63	\$2.88	\$3.26	\$3.81	\$4.11	\$4.25	\$4.40	\$4.40	\$4.48	\$4.53
Untreated Water Discount		0.23	0.24	0.25	0.27	0.30	0.31	0.33	0.34	0.35	0.36
Net SFPUC Rate		\$2.40	\$2.64	\$3.01	\$3.54	\$3.81	\$3.94	\$4.07	\$4.06	\$4.13	\$4.17
Interim Supply Allocation (MG)	794										
SFPUC Surcharge Over ISA	50%										
<u>Denniston Supply Benefit:</u>											
Avoided SFPUC Cost		\$0	\$462,033	\$740,910	\$1,222,461	\$1,318,718	\$1,363,638	\$1,411,766	\$1,411,766	\$1,437,435	\$1,453,478
Cumulative Avoided Cost		\$0	\$462,033	\$1,202,943	\$2,425,404	\$3,744,122	\$5,107,760	\$6,519,527	\$7,931,293	\$9,368,728	\$10,822,206

Coastside County Water District

Financing Plan Update

June 7, 2011

Reed Schmidt, Principal Consultant
Catherine Tseng, Financial Analyst



Bartle Wells Associates
Independent Public Finance Advisors
1889 Alcatraz Ave.
Berkeley, CA 94703
www.bartlewells.com



Reasons for Update

- **BWA developed a 2009 Financing Plan**
 - Finance District's capital improvement plan
 - Ten-Year Cash Flow Analysis of Sources and Uses of Funds
- **CCWD requested an update of the financing plan**
 - California Infrastructure and Economic Development Bank (I-Bank) loan
 - Updated capital improvement plan
 - Forecast of future rate increases



Current Outstanding Long-Term Debt

- **1998A ABAG Water and Wastewater Revenue Refunding Bonds**
 - Original issue amount: \$2,855,000
 - Principal balance as of June 30, 2010: \$965,000
 - 2011/12 Total debt service: \$267,993
 - Purpose: refinance original financing of construction of Nunes Water Treatment Plant and new water transmission pipelines
 - Final payment in October 2013

- **2006B California Statewide Communities Development Authority Water Revenue Bonds**
 - Original issue amount: \$7,295,000
 - Principal balance as of June 30, 2010: \$6,795,000
 - 2011/12 Total debt service: \$483,281
 - Purpose: finance improvements to water treatment and distribution systems
 - Final payment in October 2032

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Future CCWD Operating Costs

- **2011/12 Budget operating expenses total \$6.04 million**
- **2011/12 Budget operating revenues from the sale of water is \$6.73 million**
- **Expected increases in San Francisco water costs**
- **Expected increases in CCWD's operation and maintenance costs**
- **Expected increases in administrative and general costs**

4





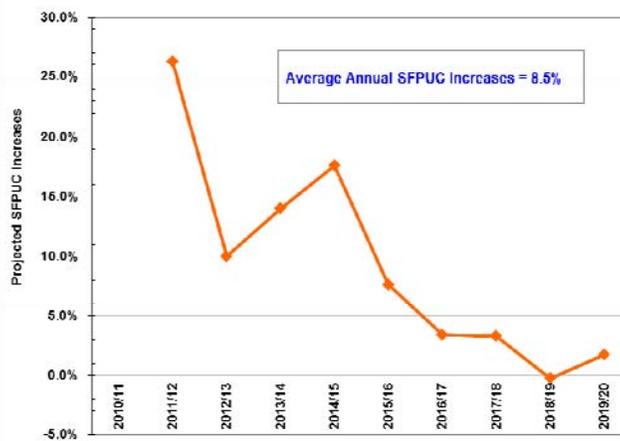
SFPUC Water Purchase Costs 10-year Forecast

FY	Annual SFPUC Increase
2011/12	26.3%
2012/13	10.0%
2013/14	14.0%
2014/15	17.6%
2015/16	7.6%
2016/17	3.4%
2017/18	3.3%
2018/19	-0.2%
2019/20	1.7%
2020/21	1.0%
Average	8.5%

5



SFPUC Water Purchase Costs 10-year Forecast



6





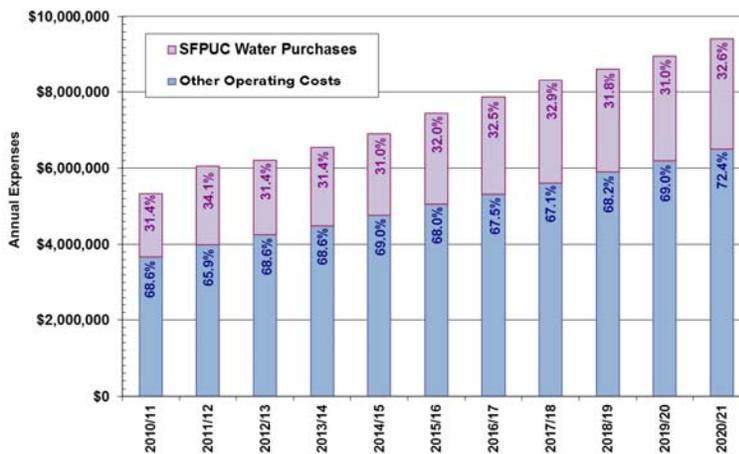
CCWD Operating Costs 10-Year Forecast

FY	Annual Operating Expenses	Percent Change
2010/11	\$5,330,996	
2011/12	\$6,043,746	13.4%
2012/13	\$6,206,972	2.7%
2013/14	\$6,539,175	5.4%
2014/15	\$6,894,074	5.4%
2015/16	\$7,428,496	7.8%
2016/17	\$7,873,052	6.0%
2017/18	\$8,344,560	6.0%
2018/19	\$8,633,010	3.5%
2019/20	\$8,975,865	4.0%
2020/21	\$9,422,566	5.0%

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CCWD Operating Costs 10-year Forecast



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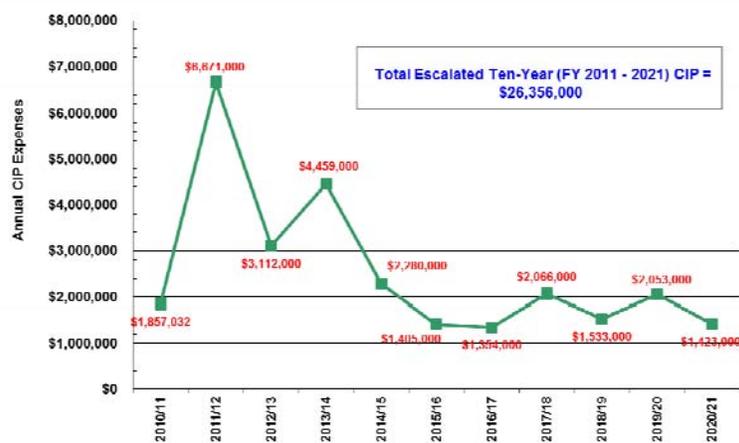
Approved District CIP

FY	Escalated Planned Capital Projects	Percent Change
2010/11	\$1,857,032	
2011/12	\$6,671,000	259.2%
2012/13	\$3,112,000	-53.4%
2013/14	\$4,459,000	43.3%
2014/15	\$2,280,000	-48.9%
2015/16	\$1,405,000	-38.4%
2016/17	\$1,354,000	-3.6%
2017/18	\$2,066,000	52.6%
2018/19	\$1,533,000	-25.8%
2019/20	\$2,053,000	33.9%
2020/21	\$1,423,000	-30.7%

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Approved District CIP



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Available Cash

- **Total available cash, as of July 1, 2010, is \$4,315,000**
- **Ten years of non-operating revenues \$9,130,000**
- **Ten years of existing debt service \$5,900,000**
- **Ten year CIP capital needs of \$26,360,000**
- **Insufficient cash to pay for all future capital projects; need to borrow money and raise water rates**

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Financing Methods

- **Pay-as-you-go (Cash)**
 - **Use of fund reserves**
 - **Non-operating revenues**
 - **Revenues from sale of water (operating revenue)**
- **Long-term borrowing**
 - **I-Bank loan**
 - **Safe Drinking Water – State Revolving Fund Loans**
 - **Commercial bank loan**
 - **Revenue-supported financing**

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Prudent Financial Standards

- **Operating revenues cover operating expenses**
- **Maintain minimum reserve target (15% of operating revenue)**
- **Establish rate stabilization fund as promised in 2006 pooled borrowing (Section 5.4 of CSCDA Water Revenue Bonds, Series 2006B) equal to \$250,000**
- **Net revenues are at least 120% of annual debt service (Section 6.8.b)**
 - Net revenues = total revenues less O&M expenses
 - Annual debt service = existing and new debt

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Updated Financing Plan

- **I-Bank loan for \$6.7 million in 2011**
- **Use cash fund reserves**
- **Use non-operating revenues**
- **Borrow \$3.0 million in 2013/14 using a commercial bank loan**
- **Maintain debt service coverage requirement for all borrowing so that net revenues are greater than 1.2 times total annual debt service**

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I-Bank Loan Process

- District submitted an preliminary application on January 24, 2011 for a \$6,737,500 loan amount for the Denniston Creek Water Treatment Plant Improvements Project
- I-Bank accepted CCWD's application on _____ and requested submittal of the financing application
- District staff is preparing the financing application and requested BWA to update the financing plan to be attached to the financing application
- Expect review of financing application to take ___ months
- Expect loan approval in _____
- Expect funding of loan in _____

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I-Bank Financing Terms

- Loan amount up to \$10 million
- Amortization period up to 30 years
- Interest rate fixed at 67% of tax-exempt "A" rate bond with a weighted average life similar to the I-Bank financing
- Fees
 - One-time origination fee up to \$10,000
 - Annual fee of 0.3% of outstanding principal balance
- No required matching funds from borrower
- Flexible financing structure depending upon revenues pledged to repay loan
- Debt service coverage requirement of net revenues 1.1 times total parity debt service

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CCWD's Financing Application to I-Bank

- Amount of loan: \$6.7 million
- Term: 20 years
- Expected interest rate: 3.5 – 4.0%
- Estimated annual principal and interest payments: \$493,000 (based on 4.0% interest)

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Projected Future Rate Increases



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Discussion & Questions



B
W **BARTLE WELLS ASSOCIATES**
Independent Public Finance Advisors