



NOTICE OF BUDGET & FINANCE COMMITTEE MEETING

Responsible for the review of District finances including: rates, fees, charges and other sources of revenue; budget and reserves; audit; investments; insurance; and other financial matters.

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a meeting of the Budget & Finance Committee to be held on Tuesday, **May 7, 2019 at 9:00 a.m.** at the Operations Building, 13057 Highway 9, Boulder Creek, California.

AGENDA

1. Convene Meeting/Roll Call
2. Oral Communications
This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the District. Normally, presentations must not exceed five (5) minutes in length, and individuals may only speak once during Oral Communications. Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.
3. Old Business:
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
 - A. FY2019/20 BUDGET REVIEW
Discussion by the Committee regarding FY 2019/20 Budget.
4. New Business: None
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
5. Informational Material: None.
6. Adjournment

In compliance with the requirements of Title II of the American Disabilities Act of 1990, the San Lorenzo Valley Water District requires that any person in need of any type of special equipment, assistance or accommodation(s) in order to communicate at the District's Public Meeting can contact the District Office at (831) 338-2153 a minimum of 72 hours prior to the scheduled meeting.

Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on May 3, 2019, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 72 hours in advance of the regular meeting of the Budget & Finance Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on May 3, 2019.

Holly B. Hossack, District Secretary
San Lorenzo Valley Water District

M E M O

TO: Budget & Finance Committee

FROM: Director of Finance

SUBJECT: FY1920 Budget

DATE: May 7, 2019

RECOMMENDATION:

It is recommended that the Budget & Finance Committee review the preliminary budget and discuss.

BACKGROUND:

BUDGET

The previous B&F meeting had the very detailed operating expense budgets. Due to timing of meetings, this was essentially the same packet used to present to the Board. From the Board meeting, staff was tasked with finding additional budget cuts, revenue alternatives and pulling together the remaining pieces of the budget. At this point we have a relatively complete package to review. The next steps will be getting full Board discussion and then pulling into the fully narrated template.

THIS REVIEW

- Statement of Net Position – this will show overall picture of the budget as it currently stands and anticipated ending reserve balances.
- Capital Projects – this will show the current and future projects and types of projected funding.
- 5 Year Forecasting – This is a high level outlook on the next 5 years with two scenarios: one with rate increases, and one without.
- Operating Expenses
 - Listing of changes to expenses in the second review with District Manager and Staff
 - Summary and analysis of items to still review with the Board
 - I plan to have us go through each page and discuss

This is a lot of detailed information that is meant to be fully discussed in the meeting. Sometimes providing this much detail can lead to a lot of questions. Please review, but understand we will be going over all of these in detail at the meeting.

HIGH LEVEL VIEW

Statement of Revenues, Expenses and Changes in Reserves

DISTRICT FUNDS (NO AD's)	FY1920 Budget
<i>Est. Beginning Reserves</i>	
Est. Beginning Cash Reserves	\$ 2,500,000
Total Operating Revenue	\$ 10,792,670
Total Operating Expenses	\$ 8,099,077
Total Non-Operating Revenue	\$ 875,500
<i>Interest Expense</i>	\$ 300,000
<i>Debt Principal Payments</i>	\$ 982,000
Total Capital Funding Needed	\$ (2,168,000)
<i>Increase (Decrease) in Reserves</i>	\$ 119,093
<i>Ending Reserves</i>	\$ 2,619,093

Statement of Revenues, Expenses and Changes in Reserves

DISTRICT FUNDS (NO AD's)	FY1920 Budget
Est. Beginning Reserves	
Est. Beginning Cash Reserves	\$ 2,500,000
Operating Revenue	
Water Basic	\$ 3,163,000
Water Usage	7,395,500
Sewer Fund	132,170
Misc Other	102,000
Total Operating Revenue	\$ 10,792,670
Operating Expenses	
Salaries & Benefits	\$ 5,244,896
Contract/Professional Services	1,252,711
Operating Expenses	591,700
Maintenance	355,670
Facilities	435,250
Gen. & Admin.	218,850
Total Operating Expenses	\$ 8,099,077
Non-operating Revenue	
Property Taxes	\$ 783,750
Misc Other	91,750
Total Non-Operating Revenue	\$ 875,500
Interest Expense	\$ 300,000
Debt Principal Payments	\$ 982,000
Capital Improvement (Expenses) & Funding	
Capital Improvement Projects	\$ (7,788,770)
Funding from Non-Debt Sources	
Funding from Debt Sources	5,620,770
Total Capital Funding Needed	\$ (2,168,000)
Increase (Decrease) in Reserves	\$ 119,093
Ending Reserves	\$ 2,619,093
Estimated Reserve Balances	
Operating Reserve	\$ 2,328,093
Capital Reserve	-
Restricted Reserve - Debt	291,000
	\$ 2,619,093

Operating Reserve @ 3 months \$ 2,024,769
 Operating Reserve @ 6 months \$ 4,049,539

LOMPICO ASSESSMENT DISTRICT	FY1920 Budget
Est. Beginning Reserves	
Est. Beginning Cash Reserves	\$ 400,000
Non-operating Revenue	
Assessment Revenue	295,000
Misc Other	
Total Non-Operating Revenue	\$ 295,000
Interest Expense	
Debt Principal Payments	
Capital Improvement (Expenses) & Funding	
Capital Improvement Projects*	\$ (802,125)
Funding from Non-Debt Sources	
Funding from Debt Sources	
Total Capital Funding Needed	\$ (802,125)
Increase (Decrease) in Reserves	\$ (507,125)
Ending Reserves	\$ (107,125)
Estimated Reserve Balances	
Restricted Reserve - Assessments	\$ (107,125)
	\$ (107,125)

* Debt funding will be needed

need to find out when master plan will be done, to know when reimb. Will occur

Facilities	435,250
Gen. & Admin.	218,850
Operating Expenses	591,700
Maintenance	355,670

OLYMPIA ASSESSMENT DISTRICT	FY1920 Budget
Est. Beginning Reserves	
Est. Beginning Cash Reserves	\$ 58,000
Non-operating Revenue	
Assessment Revenue	51,000
Misc Other	
Total Non-Operating Revenue	\$ 51,000
Interest Expense	
Debt Principal Payments	
Increase (Decrease) in Reserves	\$ 1,000
Ending Reserves	\$ 59,000
Estimated Reserve Balances	
Restricted Reserve - Assessments	\$ 59,000
	\$ 59,000

CAPITAL PROJECTS

#	Project	Funding Type	FY1920 BUDGET REQUEST	Future FY Projection	Total Project Cost	Est. Completion Year
General Water System:						
1	Probation Tank	PRE FUNDED LOAN	1,670,770	-	2,250,000	FY1920
2	Meter Replacement	RESERVES	200,000	1,935,137	2,400,000	Ongoing
3	Glen Arbor Bridge South	RESERVES	75,000	-	85,000	FY1920
4	System Wide Master Plan	RESERVES/GRANT	200,000	-	200,000	FY1920
5	Swim Tank	USDA BRIDGE LOAN	2,000,000	-	2,086,440	FY1920
6	Lyon Zone Pipe	USDA BRIDGE LOAN	1,950,000	1,450,000	3,400,000	FY2021
7	Felton Heights Tank and Booster	RESERVES/ PARTIAL CUST. PAID	300,000	-	300,000	FY1920
8	Fall Creek Fish Ladder	RESERVES	40,000	530,000	1,000,000	FY2021
9	Field CS Vehicle	RESERVES	35,000	-	35,000	FY1920
10	2 Ops Vehicles	RESERVES	80,000	-	80,000	FY1920
11	1 Pooled Vehicle (Eng./Env.)	RESERVES	28,000	-	28,000	FY1920
12	San Lorenzo Bridge Pipeline	RESERVES	15,000	235,000	250,000	FY2021
13	El Solyo Tank	RESERVES	50,000	-	50,000	FY1920
14	Highland Tank	RESERVES	25,000	275,000	300,000	FY2021
15	Brookdale Tank Coating	RESERVES	250,000	-	250,000	FY1920
16	Blair Tank Coating	RESERVES	225,000	-	225,000	FY1920
17	4 Mobile Generators	RESERVES	320,000	-	320,000	FY1920
18	4 Fixed Generators	RESERVES	100,000	-	100,000	FY1920
19	Vactor Truck	RESERVES	25,000			
Lompico Assessment District						
20	PRV's	LOMPICO AD	100,000	-	506,528	FY1920
21	Madrone Tank	LOMPICO AD	267,375	603,875	891,250	FY2021
22	Kaski Tank	LOMPICO AD	206,250	461,250	687,500	FY2021
23	Lewis Tank	LOMPICO AD	228,500	894,000	1,142,500	FY2122
Storm Damage 2017 FEMA						
24	Lyon Slide Repair	FEMA/RESERVES	200,000	1,632,618	2,000,000	FY2021
			8,590,895	8,016,880	18,587,218	

DEBT FUNDED:

PRE-FUNDED 1,670,770
BRIDGE LOAN 3,950,000

TOTAL DEBT FUNDED 5,620,770

LOMPICO AD PROJECTS 802,125

CURRENT RESERVES 2,168,000 *Most grants require you to pay upfront first, and then reimburse after completion*

GRANT FUNDED:

System Wide Master Plan (70,000)

TOTAL GRANT FUNDED (70,000) *verify when we think we will receive*

HIGH LEVEL FORECASTING WITH & WITHOUT RATE INCREASES

OPERATING REVENUE	FY1920	FY2021	FY2122	FY2223	FY2324	
Water Usage Fee	7,395,500	7,806,480	8,197,200	8,455,867	8,624,985	2% rate increase FY2223 on
Water Basic Fee	3,163,000	3,333,897	3,500,315	3,604,104	3,676,186	2% rate increase FY2223 on
Sewer Fee	132,170	158,602	173,020	176,480	180,010	2% rate increase FY2223 on
Sale of Meters	30,000	30,000	30,000	30,000	30,000	
Miscellaneous Fees & Charges	72,000	70,200	68,445	66,734	65,066	
TOTAL OP REVENUE	10,792,670	11,399,179	11,968,979	12,333,186	12,576,246	

OPERATING REVENUE WITH NO WATER RATE INCREASES

TOTAL OP REVENUE	10,423,969	10,448,602	10,461,265	10,463,014	10,464,875	Used in analysis below
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NON-OP REVENUE

Property Taxes	783,750	807,263	831,480	856,425	882,118	
Interest - Investments	91,750	73,750	73,750	73,750	73,750	~2% on \$2.5M in reserves
TOTAL NON-OP REV	875,500	881,013	905,230	930,175	955,868	

CAPITAL CONTRIBUTIONS

Grants						
FEMA Reimbursements		500,000	500,000			
TOTAL CAP. CONTRIB.	-	500,000	500,000	-	-	

OPERATING EXPENSES

						Annual Increases
Salaries & Benefits	5,244,896	5,402,243	5,564,310	5,731,239	5,903,177	3.00%
Contract/Professional Services	1,252,711	1,290,292	1,329,001	1,368,871	1,409,937	3.00%
Operating Expenses	435,250	448,308	461,757	475,609	489,878	3.00%
Maintenance	218,850	225,416	232,178	239,143	246,318	3.00%
Facilities	591,700	609,451	627,735	646,567	665,964	3.00%
Gen. & Admin.	355,670	366,340	377,330	388,650	400,310	3.00%
TOTAL OPERATING EXPENSES	8,099,077	8,342,049	8,592,311	8,850,080	9,115,583	

NON-OPERATING EXPENSES

Interest Expense

Refunding Bond	23,267	12,354	1,345			
Felton Loan	33,582	29,859	26,039	22,129	18,124	
Olympia SRF Loan	37,987	36,273	34,515	32,712	30,862	
Probation Tank Loan	77,146	74,009	70,739	67,333	63,784	
Solar Lease	8,775	7,647	6,477	5,263	4,004	
Vehicle Lease	1,953	1,177	375			
\$6M Bridge/USDA Loan	115,720	111,013	106,109	100,999	95,676	
TOTAL INTEREST PAYMENTS	298,429	272,331	245,600	228,437	212,450	

Debt Principal Payments

Refunding Bond	582,031	494,531	103,454			
Felton Loan	153,215	156,938	160,758	164,668	168,673	
Olympia SRF Loan	66,246	67,960	69,717	71,521	73,371	
Probation Tank Loan	50,716	71,820	74,831	77,969	81,238	
Solar Lease	30,220	31,348	32,518	33,731	34,990	
Vehicle Lease	23,256	24,031	22,732			
\$6M Bridge/USDA Loan	76,074	215,460	224,494	233,908	243,715	
TOTAL DEBT PAYMENTS	981,757	1,062,088	688,505	581,797	601,988	

CAPITAL PROJECTS

Assume at least \$2.5M per year	2,168,000	2,500,000	2,500,000	2,500,000	2,500,000	
Lyon FEMA Match		500,000	500,000			
TOTAL CAPITAL NON DEBT	2,168,000	3,000,000	3,000,000	2,500,000	2,500,000	

WITH SCHEDULED INCREASES & 2% AFTER

OVERALL INCREASE (DECREASE)	120,907	103,723	847,794	1,103,047	1,102,094	
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IF NO WATER RATE INCREASES

OVERALL INCREASE (DECREASE)	(247,794)	(846,854)	(659,920)	(767,125)	(1,009,277)	
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* Assumes a very low 3% Operating Expense increase

* Assumes a very low on-going capital project program

* Does not assume any future debt, which will likely be needed

SUMMARY OF ALL BUDGET CHANGES

CHANGES MADE TO BUDGET:	ACCOUNT	ORIG. PROPOSED	REVISED PROPOSAL	INCREASE/ (REDUCTION)	NOTES
MEDICAL	01-XXX-5140	\$ 615,197	\$ 600,635	\$ (14,562)	See Medical Assumptions Analysis
PROFESSIONAL SERVICES - ENGINEERING	01-300-5200	\$ 45,000	\$ 32,000	\$ (13,000)	See Engineering Dept Analysis
BOD MEETING	01-100-XXXX	\$ 99,000	\$ 71,000	\$ (28,000)	See BOD Meeting Analysis
SMGWA FEES	01-100-5200	\$ 200,000	\$ 140,000	\$ (60,000)	See SMGWA Fees Analysis
TRAINING & CONFERENCES	01-100-5630	\$ 8,000	\$ 4,000	\$ (4,000)	Reduced amount for staff and/or Board.
MEMBERSHIP & DUES	01-100-5631	\$ 30,000	\$ 25,000	\$ (5,000)	Slightly reduced assumptions in what renewal rates and frequency will be.
CONTRACT/PROFESSIONAL SERVICES	01-400-5200	\$ 110,000	\$ 100,000	\$ (10,000)	Tasked with trying to get safely by with less budget.*
OPERATING SUPPLIES	01-400-5300	\$ 170,000	\$ 150,000	\$ (20,000)	Tasked with trying to get safely by with less budget.*
SMALL TOOLS/MAINT & REPAIRS	01-400-5311	\$ 12,000	\$ 10,000	\$ (2,000)	Tasked with trying to get safely by with less budget.*
BUILDING MAINT & SUPPLIES	01-400-5420	\$ 25,000	\$ 20,000	\$ (5,000)	Tasked with trying to get safely by with less budget.*
ROAD MAINTENANCE	01-500-5430	\$ 12,000	\$ 8,000	\$ (4,000)	Will be dependent on if any extraordinary items come up.
TRAINING & CONFERENCES	01-500-5630	\$ 4,000	\$ 2,000	\$ (2,000)	Reduced amount for staff.
OPERATING SUPPLIES	01-800-5300	\$ 75,000	\$ 65,000	\$ (10,000)	Tasked with trying to get safely by with less budget.*
MAINT & OPERATIONS OF VEHICLES	01-400-5410	\$ 25,000	\$ -	\$ (25,000)	Moved Vactor Truck to Capital Expense
SUMMARY OF ALL BUDGET CHANGES FROM PREVIOUSLY PROPOSED BUDGET				\$ (202,562)	

* Will need to come back to Board for potential increased spending if emergency situations arise.

MEDICAL ASSUMPTIONS

CHANGES MADE TO BUDGET:		
MEDICAL	\$ (15,000)	Across multiple departments
TOTAL	\$ (15,000)	

BACKGROUND:
Original assumption was based on a 10% increase.
This revision adjusted down to a hopeful 5% increase. When plans change significantly, majority of employees tend to follow the most advantageous, which in turn benefits the District.

OPTIONS TO STILL REVIEW:
Staff does not see any at this time.

ANALYSIS SUPPORT:
N/A

STAFF RECOMMENDATION:
None at this time.

ENGINEERING DEPT.

CHANGES MADE TO BUDGET:		
SCANNING	\$ (8,000)	01-300-5200 PROF SERVICES
OUTSIDE ENGINEERING	\$ (5,000)	01-300-5200 PROF SERVICES
TOTAL	\$ (13,000)	

BACKGROUND:
The District has a significant amount of maps and older engineering files that need to be scanned. Reduced the scope of the work. Future funds may be requested.
Will attempt to get more done without using outside engineering. A lot of this is dependent on the type of work the engineering department is working on. Tasked with finding reputable, reasonably priced engineers.

OPTIONS TO STILL REVIEW:
GPS Equipment \$ 15,000
<i>Staff is currently looking into cheaper alternatives that may get the job done, with slightly less accuracy.</i>

ANALYSIS SUPPORT:
N/A

STAFF RECOMMENDATION:
Staff recommends the remaining money remains in the budget. After further analysis of the GPS, more savings may be recognized.

BOD MEETINGS

CHANGES MADE TO BUDGET:	ACCOUNT	AMOUNT
LEGAL FEES	01-100-5210	\$ (15,000)
PROF. FEES - CCTV	01-100-5200	\$ (5,000)
DIRECTOR FEES	01-100-5101	\$ (5,000)
ADMIN OVERTIME	01-100-5120	\$ (3,000)
TOTAL		\$ (28,000)

BACKGROUND:

Original budget assumed the 2 meetings per month + 4 special meetings = 28 meetings total

This revision proposes 1 main meeting per month + 4 quarterly workshops + 2 special meetings = 18 meetings total

OPTIONS TO STILL REVIEW:

PROF. FEES - CCTV \$ 7,000 Assumes 14 recorded meetings

Staff recommends the Board analyze the value of recording meetings.

Option 1 - Determine if video recordings are desired.

Option 2 - Direct staff to move forward with internal video capabilities.

Option 3 - Continue with CCTV.

ANALYSIS SUPPORT:

CCTV BOD Meeting Views

4/4/2019	3
3/21/2019	8
3/7/2019	29
2/21/2019	20
2/7/2019	16
1/17/2019	11
12/13/2018	5
11/15/2018	6
10/18/2018	23
9/20/2018	16

STAFF RECOMMENDATION:

Staff feels this is a Board level matter to be determined.

SMGWA FEES

CHANGES MADE TO BUDGET:	ACCOUNT	AMOUNT
SMGWA	01-100-5200	\$ (60,000)
TOTAL		\$ (60,000)

BACKGROUND:

Original contribution estimate was \$200K for the District's share of the Santa Margarita Groundwater Agency.

This revision proposes adjusted down to an anticipated ~\$140K contribution. This is due to anticipated grant reimbursements in FY1920.

OPTIONS TO STILL REVIEW:

Staff does not see any at this time.

ANALYSIS SUPPORT:

N/A

STAFF RECOMMENDATION:

None at this time.

SUMMARY OF ITEMS TO STILL REVIEW

CHANGES MADE TO BUDGET:	ACCOUNT	POTENTIAL CHANGE	NOTES
VIDEO RECORDINGS	01-100-5200	\$ (7,000)	See BOD Meetings Analysis
COMMUNITY INVOLVEMENT	Varies	\$ (2,015)	See Community Involvement Analysis
DEFERRED MAINT & NEW EQUIP	Varies	\$ (47,500)	See Deferred Maint. & Equip. Purchases
PROFESSIONAL FEES	01-100-5200	\$ (20,000)	See Facility Feasibility Study
BANK FEES	01-200-5610	Savings Vary	See Online Payment Analysis
COMMUNICATIONS CAMPAIGN	Varies	\$ (18,400)	See Communications Campaign
PAPER BILL TO E-BILLING	01-200-XXXX	Savings Vary	See Paper Bill Analysis
BANK FEES	01-200-5610	Possible Increase	See Payment Cost Analysis
ENVIRONMENTAL/WATER CONSERVATION	Varies	Varies	See Environmental Dept Item
<i>Not a full representation due to the varying items above</i>		<u>\$ (94,915)</u>	

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** These are all somewhat related. Will need to discuss all before a decision can be made*

COMMUNITY INVOLVEMENT

CHANGES MADE TO BUDGET:

Currently no change, see options to still review below

BACKGROUND:

In light of the recent decision to not participate in the Redwood Mountain Fair (RMF), there are a couple other similar programs the District has been participating in that the Board should make decisions on.

Program 1 - River Clean-Up - occurs once a year and the District offers 2 employees plus the dump truck.

Program 2 - Felton Farmer's Market - District had been attending this past year 2x a month with a booth for people to stop by and ask questions of staff hosting the booth etc.

OPTIONS TO STILL REVIEW:

River Clean-Up	\$	1,087	2 employees, 7hrs OT
Farmer's Market*	\$	928	1 employee, 3hrs OT for 8 times
TOTAL	\$	2,015	

** Note there is more employee time spent at the event, but regular time would be paid out regardless and therefore not included in here.*

ANALYSIS SUPPORT:

N/A

STAFF RECOMMENDATION:

Staff feels this is a Board level matter to be determined.

DEFERRED MAINTENANCE & EQUIPMENT PURCHASES

BACKGROUND:

Deferred maintenance is the practice of postponing maintenance activities such as repairs on both real property (i.e. infrastructure) and personal property (i.e. machinery) in order to save costs, meet budget funding levels, or realign available budget monies. The failure to perform needed repairs could lead to asset deterioration and ultimately asset impairment. [Wikipedia contributors.

"Deferred maintenance." Wikipedia, The Free Encyclopedia. Wikipedia, The Free Encyclopedia, 16 May. 2018. Web. 8 Oct. 2018.]

New equipment or replacing outdated equipment can lead to efficiencies and less future costs. Costs and quality control of certain items for purchasing in-house can outweigh the costs for outsourcing. Also more unique to our industry, there can be state mandates that require us to regardless.

DESCRIPTION	ACCOUNT	ORIG. PROPOSED	CONSIDERED	NOTES
Vehicle repair to lift gate and truck bed	01-800-5410	\$ 14,500	Repair & Maintenance	Lift gate and truck bed are unusable at this point.
Lyon & Kirby WTP Flooring	01-800-5410	\$ 13,000	Repair & Maintenance	Flooring is peeling up and deteriorated needs replacement.
Water processing, analyzing, communication, and testing equipment	01-800-5310	\$ 20,000	New Purchase	This is a must for new sampling implemented by the state, there is no other option.
Converting to vector truck	MOVED TO CAPITAL	\$ 25,000	New Purchase	Savings on backfill material, spoil material, man hours, and paving materials due to less impact in excavation size. See ROI below.
TOTAL		\$ 72,500		

ROI on Vector Truck

Work Orders with spoils	100
Estimated range of hours per job	1-4
Average # employees on job	2
Average fully burden rate	\$ 54.25
Low end of labor	\$ 10,850
High end of labor	\$ 43,400
Backfill and Asphalt purchased	\$ 14,000

Assumes 30% Savings from Vector Truck in backfill material & employee time

	Low	High
Labor Savings	\$ 3,255.00	\$ 13,020.00
Material Savings	\$ 4,200.00	\$ 4,200.00
	\$ 7,455.00	\$ 17,220.00

Return on Investment Expected (years)

	3.35	1.45
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FACILITY FEASIBILITY STUDY

CHANGES MADE TO BUDGET:

Currently no change, see options to still review below

BACKGROUND:

The District had done a Needs Assessment and Staffing Study in the past (2016). This was to help guide direction to a more suitable office environment. In July 2017 the Board directed staff to proceed with declaring the Administrative Building surplus, with intent to sell.

Also from the July 2017, staff was directed to start the facility study to address options. One being if the "Johnson" building/parcel is needed or could also be deemed surplus to sell.

OPTIONS TO STILL REVIEW:

Facility Study	\$	20,000
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ANALYSIS SUPPORT:

N/A

STAFF RECOMMENDATION:

Staff recommends moving forward with starting an RFP for the study. The Admin. Building has previously been deemed unacceptable and a potential liability. There is also potential revenue if other buildings are deemed surplus.

ONLINE PAYMENT ANALYSIS - Based on FY1718 payments

BACKGROUND:

In discussions about the bank fees and getting customer's to go more electronic, it was brought up by at least one Board member to look into passing along some of the charges associated with the convenience of electronic payments. In the past, the District has always covered the fees.

In some cases, the District can charge customers a convenience fee for using certain payment types, but there's a maze of rules, exceptions and even state laws to navigate to ensure you stay compliant with the terms of your merchant processing agreement.

OPTIONS TO STILL REVIEW:

BANK FEES	VARIABLES	See below
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ANALYSIS SUPPORT:

A convenience fee could be easily added to the District's online payment platform. However, in the U.S. Region, except as permitted in "Tax Payment Program – Interchange Reimbursement Fee Qualifications and Fee Amount – U.S. Region," a Convenience Fee must not be added to a Recurring Transaction. Therefore, the fee can only be applied to the one-time electronic payments made on the District's portal.

PAYMENT TYPE	# TRANS.
Credit Card One-Time	11,928
Credit Card Recurring	8,048
EFT One-Time	5,081
EFT Recurring	4,681
TOTAL # ONE-TIME	17,009
TOTAL # RECURRING	12,729

POTENTIAL SAVINGS BASED ON ONE-TIME PAYMENTS:

IF FEE IS AT \$1.50	\$ 25,514
IF FEE IS AT \$2.00	\$ 34,018
IF FEE IS AT \$2.50	\$ 42,523
IF FEE IS AT \$3.00	\$ 51,027
IF FEE IS AT \$3.50	\$ 59,532

STAFF RECOMMENDATION:

Staff feels this is a Board level matter to be determined. Staff does feel that given the multiple payment options the District offers, it appears reasonable to have the fees passed on if the customer so chooses that payment process.

Staff would also like to remind the Board that the bank fees are completely subjective to the customer's preference in payment method. These fees can change greatly depending on the migration to being electronic. There are ways to incentivize customers to use the most cost friendly plan, which can be discussed in the future if a going electric campaign is desired.

COMMUNICATIONS CAMPAIGN

PRIOR CHANGES MADE TO BUDGET:		
HIGHWAY BANNERS	\$	(1,400)
VIDEOS	\$	(1,500)
STATE OF THE DISTRICT SYMPOSIUM	\$	(1,500)
TOTAL*	\$	(4,400)

** These were items the DM cut from the original request. These are not additional cuts to the proposed budget.*

BACKGROUND:
The District has typically done some sort of community communications. Some have been more water conservation based or other District pertinent information. The above \$4.4K was deemed more water conservation based and removed from the initial staff requested budget.
The remaining options below are still in the budget to continue some sort of community communications.

OPTIONS TO STILL REVIEW:		
2 Bill Inserts	\$	3,600
Communications Consultant	\$	10,000
Website Hosting	\$	4,800
TOTAL	\$	18,400

ANALYSIS SUPPORT:
Bill Inserts cost approximately \$1,800 each. Does not include design creation. Direct mailers can cost from \$4,000 to \$8,000 each.
Hosted websites are estimated to be ~\$5,000 per year Reconstructed, self maintained could be \$30K-50K+ Website RFP's will be reviewed in the near future.
Past PR consultant fees have been \$20K-100K per year. The \$10K proposed is for someone to assist with an initial plan the District can then carry out.

STAFF RECOMMENDATION:
Staff recommends the Board give clear direction on the type of communications, if any, for FY1920. Bill inserts are a preferred method for mass distribution compared to direct mailers, due to cost efficiencies. Staff feels a new website will have great benefits, but it is an added cost that should be discussed. <i>This does not include a electronic campaign.</i>

PAPER BILL ANALYSIS

BACKGROUND:

The District does offer electronic billing options. There is a cost savings to the District for the more e-billing participation. This would require customer's to create an account online to select these options.

Alternatively, this typically correlates to online payments as well, which can significantly increase banking fees, please refer to the Payment Cost analysis.

CURRENT BILL BREAKDOWN:

# Accounts	# Mailed	# E-Bill	% E-Bill
7,855	6,887	968	12%

INFOSEND BILL:

Processing Costs	\$ 1,088.79	\$ 0.16
Postage Costs	\$ 2,628.69	\$ 0.38
	<u>\$ 3,717.48</u>	<u>\$ 0.54</u>

POTENTIAL SAVINGS (OF THE 6,887):

OVERALL ENROLLMENT

	Monthly Savings	Annualized Savings	Total %	# E-Bill
10% Adoption	\$ 371.75	\$ 4,461	21%	1,657
15% Adoption	\$ 557.62	\$ 6,691	25%	2,001
20% Adoption	\$ 743.50	\$ 8,922	30%	2,345
25% Adoption	\$ 929.37	\$ 11,152	34%	2,690
30% Adoption	\$ 1,115.24	\$ 13,383	39%	3,034
35% Adoption	\$ 1,301.12	\$ 15,613	43%	3,378
40% Adoption	\$ 1,486.99	\$ 17,844	47%	3,723

STAFF RECOMMENDATION:

Staff recommends coordinating an e-billing/payment promotion to customer's to encourage new participation. This should also be done with preferred payment methods. See Payment Cost analysis to see the impact the different payment methods cost the District. In addition, this should be coordinated with the new website to help get maximum exposure to customer's. *There would be an additional cost to the budget for the way we notify the community.*

PAYMENT COST ANALYSIS

FY1718 Bill Payment Breakdown

PAYMENTS:	TOTALS	% OF		CATEGORY
		REVENUE	# TRANS.	
Check In-house	\$ 4,767,101	49.8%	28,914	In-House-Manually
Credit Cards	\$ 2,162,553	22.6%	19,977	Online
E-Check	\$ 938,435	9.8%	9,762	Online
ACH Check	\$ 812,997	8.5%	9,616	In-House-Manually
E-Box Check	\$ 729,690	7.6%	15,899	In-House-Electronically
Cash	\$ 167,628	1.8%	1,591	In-House-Manually
Totals	\$ 9,578,404			
SUMMARY OF REVENUE				
Online Payments	\$ 3,100,988	32.4%		
In-House Payments	\$ 6,477,415	67.6%		

COSTS:	TOTALS	Ave. Cost	CATEGORY
WF	\$ 11,635		In-House
CC Processor	\$ 56,958		Online
E-check Processor	\$ 7,084		Online
Accela Platform	\$ 29,173		Online
Totals	\$ 104,849		
SUMMARY OF FEES			
Online Payments	\$ 93,215	3.0%	
In-House Payments	\$ 11,635	0.2%	

TAKE-AWAY:

- * In-House forms of payment are the least expensive for the District
- * Online payment shift can have significant impact on fees. For example, \$2M more in online payments will roughly cost \$60K more per year.
- * District could look into passing some of the online fees onto customers wishing to pay that way. See Online Payment Analysis.

ENVIRONMENTAL DEPT BUDGET ITEMS TO DISCUSS

ITEM 1 ORIGINAL CUTS:

These items were originally requested by the Department Manager, but removed by the DM so that the Board could give direction. Given the recent cut to the environmental department, staff wanted Board direction on how to proceed.

ACCOUNT	DESCRIPTION	AMOUNT	VENDOR	PURPOSE	NOTES
01-500-5200	OLYMPIA LAND MANAGEMENT	10,000	Unknown, possible RFP	Invasive Species	
	JUVENILE SALMONID & STREAM HABITAT				SLVWD % of project.
01-500-5200	SAMPLING	25,000	City of Santa Cruz for DW Alley	Stewardship	Based on?
		35,000			
01-500-5620	RESIDENTIAL REBATES	10,000	Posts as credit to UB account	Water Conservation	
01-500-5620	COMMERCIAL REBATES	6,000	Posts as credit to UB account	Water Conservation	
01-500-5620	WATER CONSERVATION DEVICES - GIVEAWAYS	3,000	Misc.	Water Conservation	
01-500-5620	WATER CONSERVATION OUTREACH	1,000	Misc.	Water Conservation	
01-500-5620	WATER CONSERVATION COALITION	5,300	Water Conservation Coalition	Water Conservation	
		25,300			
01-500-5621	WATERSHED GRANTS DATA COLLECT	7,500	Application based	Stewardship	
01-500-5622	EDUCATION PROGRAM	17,500	Application based	Stewardship	
		25,000			
01-500-5631	MEMBERSHIP & DUES	5,000	Water Conservation Coalition	Water Conservation	
TOTAL AMOUNT REMOVED FROM ORIGINAL REQUEST		90,300			

STAFF RECOMMENDATION:
 The Board should discuss the above items that were preliminarily removed and make a decision for leaving removed or to fund. These decisions will help with the additional discussion item 3 below.

ITEM 2 KEY ITEMS REMAINING IN BUDGET:

ACCOUNT	DESCRIPTION	AMOUNT	VENDOR	PURPOSE	NOTES
01-500-5200	Stream Flow Monitoring	55,111	Balance Hydrologics	Water Supply	
01-500-5200	HCP Report District Wide	130,000	Jodi McGraw	Future CIP Planning	
01-500-5200	Hydrogeologist Consulting Services	55,000	RFP 2019	Water Supply	
01-500-5200	CEQA for Intertie	85,000	RFP 2019	Water Supply	100% grant funded
01-500-5200	Fishery Assessment	10,000	Mike Podlech	Stewardship	100% grant funded
	Water Shortage Contingency Plan/ Drought Risk				
01-500-5200	Assessment	20,000	RFP 2020, UWMP Prep	Water Supply	
01-500-5200	Olympia Patrol Service	8,000	Land Trust SCC	Land Management	

STAFF RECOMMENDATION:
 The Board should review the remaining items in the budget. Staff does not recommend making any cuts to these items.

ITEM 3 ADDITIONAL DISCUSSION NEEDED:

The Water Conservation Specialist position was created and filled in Summer of 2017. If the Board does not plan to fund the water conservation or stewardship programs, serious discussion is needed on the viability of this position. Staff sees 3 possible options:

Option 1	No funding of the programs above would likely result in not enough work to support keeping the position at all. (Employee layoff option)	Financial Savings	\$	(100,000)
Option 2	Majority or all programs are funded to keep the position active. (Re-funding of conservation programs)	Financial Increase		X up to \$55,300+
Option 3	Work with staff on creating a hybrid position within Customer Service. 70% CSR and 30% Water Conservation. Other efficiencies within the departments would need to be found to make this work. Recommend starting with a smaller conservation plan.	Financial Savings	\$	(80,000)

STAFF RECOMMENDATION:
 Staff feels any potential talks of a layoff are a Board level discussion. Staff recognizes the current employee's value and does see an option for the migration into the currently open position.