

STAFF REPORT

To: Coastside County Water District Board of Directors

From: Mary Rogren, General Manager

Agenda: May 9, 2023

Report

Date: May 5, 2023

Agenda Title: Overview of Draft Fiscal Year 2023-2024 Operations and Maintenance Budget and Draft Fiscal Year 2023/2024 to Fiscal Year 2032/2033 Capital Improvement Program

Recommendation/Motion:

Information Only.

Background:

At the June 13, Board of Directors meeting, the Board will be asked to approve the draft Fiscal Year 2023-2024 Operations and Maintenance (O&M) Budget and the draft Fiscal Year 2023/2024 to Fiscal Year 2032/33 Capital Improvement Program (CIP). These plans are used for measuring financial performance on an ongoing basis during the fiscal year and are also used in the development of the District's Financial Plan.

Staff met with the Facilities Committee on April 25, 2023 and the Finance Committee on May 2, 2023 and introduced the drafts. Staff will present a brief overview of the details of the draft FY 2023-2024 O&M Budget and draft FY 2023/2024 to FY 2032/33 CIP at the May 9, 2023 Board meeting.

Draft Fiscal Year 2023-2024 O&M Budget:

A summary of the Draft Fiscal Year 2023-2024 O&M Budget as compared to the prior year's budget follows below.

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	FY 2023/24 Draft Budget	FY 2022/23 Approved Budget	\$ Change from Prior Budget	% Change from Prior Budget
REVENUE				
<i>Water Sales in Million Gallons</i>	506 MG	550 MG		
Water Revenue (1)	\$ 12,963,614	\$ 13,102,800	\$ (139,186)	-1.1%
Non-Operating Revenue	\$ 1,962,000	\$ 1,792,000	\$ 170,000	9.5%
Total Revenue	<u>\$ 14,925,614</u>	<u>\$ 14,894,800</u>	<u>\$ 30,814</u>	<u>0.2%</u>
OPERATING EXPENSES	\$ 10,600,648	\$ 10,197,168	\$ 403,479	4.0%
DEBT SERVICE	\$ 1,512,000	\$ 1,589,462	\$ (77,462)	-4.9%
CONTRIBUTION TO CIP AND RESERVES	<u>\$ 2,812,966</u>	<u>\$ 3,108,169</u>	<u>\$ (295,203)</u>	<u>-9.5%</u>

The **revenue** budget reflects water sales of 506 million gallons (MG), down from the prior year's budget of 550 MG, but increased from 470 MG projected actual for FY 2022-2023. The (\$139,000) water revenue shortfall is partially offset by \$170,000 of additional County and ERAF budgeted tax receipts.

Budgeted **operating expenses** are \$403,000 higher than the prior year's budget primarily due to inflationary increases. **Debt service** reflects lower loan payments than the prior year.

The resulting contribution to CIP and Reserves is \$295,000 lower than the prior year's budget.

See Exhibit A for the Draft FY 2023-2024 O&M Budget and detailed explanations of the variances.

Draft 2023/2024 to Fiscal Year 2032/2033 Capital Improvement Program:

- Draft 5 Year CIP - \$33,315,000 (includes \$2,200,000 of carryover projects from prior year including delays in the Nunes Water Treatment Plant Improvement Project, pipeline and well projects.)
- Draft 10 Year CIP - \$72,930,000
- Prior Year's Approved 10 Year CIP - \$68,315,000

The Draft 2023/2024 to Fiscal Year 2032/33 is \$4,615,000 higher than the prior year's approved CIP primarily due to 1) \$2,200,000 of carryover projects from Fiscal Year 2022/2023 to Fiscal Year 2023/2024; and 2) \$2,415,000 higher costs primarily related to the Highway 92 emergency pipeline replacement project.

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The changes from the prior year 10 Year CIP approved in June 2022 are shown below:

Draft FY 23/24 to FY 32/33 CIP vs. Approved (June 2022) FY 22/23 to FY 31/32 CIP				
Category:	(New) Draft 10 Year CIP FY 23/24 to FY 32/33	Approved CIP (June 2022) FY 22/23 to FY31/32	Budget Changes	Difference
Equipment Purchase & Replacement	\$ 1,500,000	\$ 1,400,000	\$100,000	
Facilities and Maintenance	\$ 1,540,000	\$ 1,540,000	\$0	
Pipeline Projects	\$ 27,925,000	\$ 21,100,000	\$6,825,000	Reflects increase spend for Highway 92 pipeline replacement plus \$4M placeholder for projects in FY2033
Tanks/Pump Stations/Wells	\$ 26,440,000	\$ 26,700,000	(\$260,000)	
Water Supply Development	\$ 9,450,000	\$ 8,350,000	\$1,100,000	Includes increased investment for San Vicente/Denniston Water Supply investment
Water Treatment Plants	\$ 6,075,000	\$ 9,225,000	(\$3,150,000)	Reflects Nunes WTP Improvement Project completed in FY2024
Total	\$ 72,930,000	\$ 68,315,000	\$4,615,000	

COASTSIDE COUNTY WATER DISTRICT
Operations & Maintenance Budget - FY 2023-2024

EXHIBIT A

		Draft FY 2023/2024 Budget	Approved FY 2022/2023 Budget	FY23/24 Budget Vs. FY 22/23 Budget	FY23/24 Budget Vs. FY 22/23 Budget %	
Account Number	Description			\$ Changed	% Change	
OPERATING REVENUE						
4120	Water Sales *	\$ 12,963,614	\$13,102,800	(139,186)	-1.0%	FY2023 will end at 470 MG sales; FY 2023/24 projections reflect slow recovery from drought; reflects 6% approved rate increase 1/2024
Water Sales in MG		506 MG	550 MG			
Total Operating Revenue		\$ 12,963,614	\$13,102,800	(139,186)	-1.0%	
NON-OPERATING REVENUE						
4170	Hydrant Sales	\$52,000	\$48,000	4,000	7.7%	
4180	Late Penalty	\$65,000	\$50,000	15,000	30.0%	
4230	Service Connections	\$10,000	\$10,000	0	0.0%	
4920	Interest Earned	\$90,000	\$32,000	58,000	103.1%	Reflects higher LAIF interest earnings
4930	Property Taxes	\$995,000	\$950,000	45,000	5.8%	
4950	Miscellaneous	\$5,000	\$10,000	(5,000)	-71.4%	Reflects higher tax revenue due to recent historical tax receipts
4955	Cell Site Lease Income	\$195,000	\$192,000	3,000	1.6%	
4965	ERAF Refund	\$550,000	\$500,000	50,000	12.5%	Reflects higher ERAF due to recent historical tax receipts
Total Non-Operating Revenue		\$1,962,000	\$1,792,000	170,000	11.0%	
TOTAL REVENUES		\$14,925,614	\$14,894,800	30,814	0.2%	
OPERATING EXPENSES						
5130	Water Purchased	\$2,260,502	\$2,187,719	72,783	3.3%	Includes 9.6% rate increase; increased use of local sources
5130A	BAWSCA Bond Surcharge	\$200,844	\$279,784	(78,940)	-54.2%	reflects reduction due to BAWSCA refinancing of bond issue
5230	Electrical Exp. Nunes WTP	\$57,000	\$48,000	9,000	20.1%	
5231	Electrical Expenses, CSP	\$350,000	\$366,000	(16,000)	-4.7%	reflects projected lower electricity usage at Crystal Springs due to lower sales & ability to use Denniston
5232	Electrical Expenses/Trans. & Dist.	\$27,000	\$25,000	2,000	8.7%	
5233	Elec Exp/Pilarcitos Cyn	\$69,000	\$64,000	5,000	13.9%	
5234	Electrical Exp., Denn	\$83,000	\$77,000	6,000	9.4%	
5242	CSP - Operation	\$12,000	\$12,000	0	0.0%	
5243	CSP - Maintenance	\$35,000	\$35,000	0	0.0%	
5246	Nunes WTP Oper	\$102,000	\$97,000	5,000	5.4%	
5247	Nunes WTP Maint	\$125,000	\$119,000	6,000	4.7%	
5248	Denn. WTP Oper.	\$54,000	\$64,000	(10,000)	-17.7%	Reflects timing of chemical purchases (every other year)
5249	Denn WTP Maint	\$150,000	\$140,000	10,000	7.4%	
5250	Laboratory Expenses	\$77,000	\$77,000	0	0.0%	
5260	Maintenance Expenses	\$395,000	\$380,000	15,000	4.2%	
5261	Maintenance, Wells	\$50,000	\$50,000	0	0.0%	
5263	Uniforms	\$14,000	\$12,000	2,000	19.4%	
5318	Studies/Surveys/Consulting	\$160,000	\$157,000	3,000	1.9%	
5321	Water Resources	\$21,500	\$26,700	(5,200)	-19.5%	
5322	Community Outreach	\$68,000	\$68,000	0	0.0%	
5325	Water Shortage Program	\$0	\$50,000	(50,000)		reflects recovery from drought
5381	Legal	\$110,000	\$110,000	0	0.0%	
5382	Engineering	\$86,000	\$76,000	10,000	14.7%	
5383	Financial Services	\$23,000	\$23,000	0	0.0%	
5384	Computer Services	\$339,974	\$309,025	30,949	14.2%	additional software licenses over prior year (for WIMS Hach software, Accela planning software)
5410	Salaries, Admin.	\$1,381,887	\$1,267,717	114,170	9.7%	includes 4.9% COLA; prior years budget reflects AGM position for only partial year

Operations & Maintenance Budget - FY 2023-2024

EXHIBIT A

Account Number	Description	Draft FY 2023/2024 Budget	Approved FY 2022/2023 Budget	FY23/24 Budget Vs. FY 22/23 Budget \$ Changed	FY23/24 Budget Vs. FY 22/23 Budget %	
5411	Salaries - Field	\$1,931,847	\$1,764,505	167,342	10.0%	includes 4.9% COLA + 2.5% step/promotion and cert pay increases; also includes placeholder for 1/2 year for additional maintenance worker hire (given potential retirements)
5420	Payroll Taxes	\$235,945	\$224,338	11,607	5.6%	
5435	Employee Medical Insurance	\$509,000	\$505,000	4,000	0.7%	
5436	Retiree Medical Insurance	\$46,000	\$52,000	(6,000)	-9.4%	
5440	Employee Retirement	\$642,924	\$600,506	42,418	8.2%	reflects 2% increase in employer contribution for Classic PERS due to plan actuarial changes
5445	SIP 401a Plan	\$38,000	\$36,000	2,000	5.7%	
5510	Motor Vehicle Exp.	\$90,000	\$80,000	10,000	13.0%	reflects higher fuel costs for emergency generators (fuel for generators included in this category)
5620	Office, Billing & Facilities Expenses	\$404,000	\$392,500	11,500	6.8%	
5620B	Bad Debt Expense	\$20,000	\$20,000	0	0.0%	
5625	Meetings/Training/Seminars	\$45,000	\$41,000	4,000	12.1%	reflects increase in staff training (post COVID)
5630	Insurance	\$182,000	\$161,000	21,000	12.9%	reflects JPIA increases
5687	Memberships & Subscriptions	\$118,825	\$99,975	18,850	21.6%	addition of California Data Cooperative membership
5688	Election Expense	\$0	\$20,000	(20,000)		
5689	Labor Relations	\$6,000	\$6,000	0	0.0%	
5700	County Fees	\$31,400	\$31,400	0	0.0%	
5705	State Fees	\$48,000	\$42,000	6,000	16.0%	
Total Operating Expenses		\$10,600,648	\$10,197,168	403,479	4.4%	
CAPITAL ACCOUNTS						
5715	Existing Bond-CIEDB 11-099	\$335,343	\$335,508	(165)	0.0%	
5716	CIEDB 16-111	\$321,923	\$322,417	(494)	-0.2%	
5717	Chase-2018 Loan	\$437,233	\$436,027	1,206	0.3%	
5718	First Foundation Bank - 2022	\$417,501	\$495,510	(78,009)		reflects loan payment schedule
Total Capital Accounts		\$1,512,000	\$1,589,462	(77,462)	-7.1%	
TOTAL REVENUE LESS TOTAL EXPENSE		\$2,812,966	\$3,108,169	(295,203)	-6.4%	
5713	Cont. to CIP & Reserves	\$ 2,812,966	\$3,108,169			

Project #	Project Name	Projected FY 23/24 to FY 32/33 Total (Adjusted 4.2023)	FY 23/24	FY 24/25	FY 25/26	FY26/27	FY27/28	FY28/29	FY 29/30	FY 30/31	FY 31/32	FY 32/33
Equipment Purchase & Replacement												
06-03	SCADA/Telemetry/Electric Controls Replacement	\$ 500,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
15-04	Vactor Truck/Trailer	\$ 500,000						\$ 500,000				
99-02	Vehicle Fleet Replacement	\$ 500,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
	Equipment Purchase & Replacement Totals	\$ 1,500,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 600,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Facilities & Maintenance												
09-09	Fire Hydrant Replacement	\$ 1,400,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000
NN-00	Pilarcitos Canyon Culvert Replacement	\$ 40,000	\$ 40,000									
99-01	Meter Change Program	\$ 100,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
	Facilities and Maintenance Totals	\$ 1,540,000	\$ 190,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Pipeline Projects												
14-01	Highway 92 - Emergency Pipeline Restoration and Replacement of Welded Steel Line	\$ 7,900,000	\$ 3,500,000	\$ 200,000	\$ 200,000	\$ 3,000,000	\$ 1,000,000					
14-33	Miramar Cast Iron Pipeline Replacement	\$ 2,500,000							\$ 1,000,000	\$ 1,500,000		
16-09	Magellan at Hwy 1/Miramar Dead Ends	\$ 1,400,000		\$ 1,400,000								
22-07	Alameda Ave Crossing at Medio Creek	\$ 275,000		\$ 275,000								
18-01	Pine Willow Oak Pipeline Replacement	\$ 2,500,000					\$ 2,500,000					
21-01	Redondo Beach Loop to St Andrews Road	\$ 150,000	\$ 150,000									
21-09	Miramar Tank/Pipeline Replacement (600 ft)	\$ 500,000				\$ 500,000						
22-01	Miramontes Point Road Water Main Replacement	\$ 3,800,000						\$ 2,300,000	\$ 1,500,000			
23-01	Seahaven/Spindrift Neighborhood Pipeline Replacement	\$ 2,000,000								\$ 2,000,000		
23-02	Poplar Avenue Pipeline Replacement	\$ 2,000,000	\$ 400,000								\$ 1,600,000	
NN-00	Unscheduled CIP	\$ 4,900,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 4,000,000
	Pipeline Projects Totals	\$ 27,925,000	\$ 4,150,000	\$ 1,975,000	\$ 300,000	\$ 3,600,000	\$ 3,600,000	\$ 2,400,000	\$ 2,600,000	\$ 3,600,000	\$ 1,700,000	\$ 4,000,000
Pump Stations/Tanks/Wells												
21-07	Carter Hill Tank Improvement Project	\$ 19,700,000	\$ 300,000	\$ 4,000,000	\$ 5,400,000				\$ 500,000	\$ 5,000,000	\$ 4,500,000	
08-14	Alves Tank Rehabilitation/Replacement	\$ 3,000,000						\$ 3,000,000				
19-01	EG#1 Tank Improvement Project/New Pump Station	\$ 1,150,000		\$ 150,000			\$ 1,000,000					
14-33	Miramar Tank Rehabilitation	\$ 200,000					\$ 200,000					
08-16	Cahill Tank Rehabilitation	\$ 125,000				\$ 125,000						
20-16	Denniston Tank Rehabilitation	\$ 125,000				\$ 125,000						

Project #	Project Name	Projected FY 23/24 to FY 32/33 Total (Adjusted 4.2023)	FY 23/24	FY 24/25	FY 25/26	FY26/27	FY27/28	FY28/29	FY 29/30	FY 30/31	FY 31/32	FY 32/33
09-18	Upper Pilarcitos Well Field Replacements	\$ 500,000		\$ 500,000								
16-08	Denniston Well Field Replacements	\$ 1,000,000	\$ 500,000					\$ 500,000				
20-01	CSP Pump #1/2 Spare	\$ 90,000	\$ 90,000									
21-03	CSP Pump #3 Replacement	\$ 250,000			\$ 250,000							
	CSP Screens - Valves	\$ 250,000	\$ 250,000									
19-05	Tanks - THM Control	\$ 50,000	\$ 50,000									
	Pump Stations/Tanks/Wells Totals	\$ 26,440,000	\$ 1,190,000	\$ 4,650,000	\$ 5,650,000	\$ 250,000	\$ 1,200,000	\$ 3,500,000	\$ 500,000	\$ 5,000,000	\$ 4,500,000	\$ -
Water Supply Development												
12-12	San Vicente/Denniston Water Supply Project	\$ 5,200,000	\$ 500,000	\$ 2,000,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 1,000,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
13-04	Denniston Reservoir Restoration	\$ 1,000,000						\$ 1,000,000				
23-04	Lower Pilarcitos Well Development	\$ 2,850,000	\$ 100,000	\$ 250,000	\$ 250,000	\$ 250,000			\$ 1,000,000	\$ 1,000,000		
17-12	Recycled Water Project Development	\$ 400,000	\$ 400,000									
	Water Supply Development Totals	\$ 9,450,000	\$ 1,000,000	\$ 2,250,000	\$ 550,000	\$ 550,000	\$ 300,000	\$ 2,000,000	\$ 1,200,000	\$ 1,200,000	\$ 200,000	\$ 200,000
Water Treatment Plants												
20-14	Nunes Water Treatment Plant Improvement Project	\$ 1,500,000	\$ 1,500,000									
23-05	Sodium Hypochlorite Generator Replacement (Nunes)	\$ 200,000	\$ 200,000									
23-06	Existing Sedimentation Basin Rehabilitation	\$ 300,000	\$ 300,000									
23-07	Denniston Contact Clarifier Hatch Replacements	\$ 75,000	\$ 75,000									
NN-00	Denniston Water Treatment Plant Improvement Project	\$ 4,000,000							\$ 4,000,000			
21-06	Nunes Magnetic Meter	\$ -										
	Water Treatment Plants Totals	\$ 6,075,000	\$ 2,075,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000,000	\$ -	\$ -	\$ -
GRAND TOTAL		\$ 72,930,000	\$ 8,705,000	\$ 9,125,000	\$ 6,750,000	\$ 4,650,000	\$ 5,350,000	\$ 8,650,000	\$ 8,550,000	\$ 10,050,000	\$ 6,650,000	\$ 4,450,000

		Prior Year budget					
		FY22/23	FY 23/24	FY 24/25	FY 25/26	FY26/27	FY 27/28
shift from FY 22/23 to FY 23/24	\$	8,205,000	\$ 5,090,000	\$ 7,940,000	\$ 6,390,000	\$ 5,690,000	\$ 6,640,000
	\$	(2,200,000)	\$ 2,200,000				
Years 1-5		\$	34,580,000				
Years 6-10		\$	38,350,000				