

**TOMALES VILLAGE COMMUNITY SERVICES
DISTRICT**

TVCSD SEWER ENTERPRISE

ADOPTED

**INCOME AND EXPENSE BUDGET
Fiscal Year 2015-2016**

Submitted

4-8-15

5-18-15

6-10-15 Draft Approved

7-8-15 Final Approval

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT

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DATE: June 22, 2015

TO: Stakeholders

FROM: Board of Directors, TVCSD

SUBJECT: Proposed TVCSD Budget for Fiscal Year 2015-16

OVERVIEW:

Many important new factors affect the Fiscal Year 2015-16 Budget Proposal. With much board training, hard work and analysis in 2014-15, the Board is in process of implementing changes to the future structure of the District. *Ratepayer participation is encouraged and welcomed.*

This budget takes into consideration separate contracts for District Management, Financial Services, and Plant Operation and Maintenance Services. A competitive bidding process has begun for three new contract positions. Requests for Proposals are being received and evaluated in the near future. Among other things, the Board is developing a Capital Improvement Plan, a Reserve Policy, and plans to complete a comprehensive Policy Manual. There are several new budget items.

- The Matrix Group Independent Management Study was finalized in May. It provides major insights and many strong recommendations for improvement, as well as reduction in expense, for the District's long-term financial sustainability.
- Rural Community Assistance Corporation (RCAC) is developing, at no cost, a Rate Analysis of the District regarding the fees required to build future reserves. Their initial report focused solely on Revenue, with no Expense analysis, so the final report was re-prioritized by the Board to follow the Matrix Report, incorporating its findings.

Numerous items are targeted below for review or change in expense and revenue estimates for the upcoming fiscal year:

MAJOR ISSUE FOR 2015-16: Shoreline Unified School District (SUSD)

We are in agreement with our partner, SUSD, the Memorandum of Agreement needs to be reviewed and discussed by both Boards. Originally about 50%, current contract is now 1/3 of TVCSD annual operating costs, based on the current budget. SUSD is also responsible for their portion of District loans and a loan to them during initial construction. The District is proceeding cautiously, with legal advice, in clarifying the agreement with Shoreline. Cost of test metering of actual off-season and on-season usage has been researched, for proposed data analysis of usage.

Last year, for the first time, the CSD auditor instituted a monthly expense for depreciation. The Administrator billed SUSD for the corresponding increase. SUSD objected and withheld the additional payment until the question was resolved. In April, the Board voted to waive this new expense. Therefore, this budget does not include the depreciation, nor the Reserve contribution element as part of SUSD's fees for this year.

PARK DIVISION

Following the District's Auditor's recommendation, the Park budget and balance sheet has been separated from the combined District budget. The Park Advisory Committee will produce a proposed Work Plan for Measure A funds for the final draft budget.

SEWER DIVISION: RESTRICTED FUNDS, OPERATING INCOME

Sewer Service Fees

The current sewer service rate is \$63 per month per equivalent unit, or \$756 per year. *A rate increase is not recommended for this budget.*

California Solar Initiative (CSI) Rebate

The Solar System generates energy to reduce monthly PGE costs, and we receive PGE rebates based on these costs. The CSI Rebate will end after the '15-'16 Fiscal Year, however there will be a reserve of 75% of the following year's solar payment. This budget does not include any additional rate increases of restricted funds.

NOTE: The 2009 rate increase of \$5/month per EU was established to help offset the initial annual costs of the solar system, is set aside in a separate account for the repayment of the Bond issue for the Solar Project, and is separate from other operating income. This account and the solar rebate projected for this year will cover the Bond payment in December 2015.

NON-OPERATING INCOME

Transfer In: No major Capital replacements in the Solar system anticipated.

EXPENSES

Solar Lease Agreement

The Solar System was purchased with the sale of Clean Renewable Energy Bonds. The Bond agreement sets up the sale as a lease until the bonds are paid off in 10 years. This lease payment and Admin Fee is \$18,691.18 each year.

SEWER DIVISION: UNRESTRICTED FUNDS, OPERATING INCOME

SOLAR SYSTEM: includes maintenance budget item, since the system is now five years old.

SUSD Sinking Fund

This is SUSD's debt service requirement for their portion of the State Revolving Fund loan.

Capital Improvement Component

Per SUSD Agreement: will help offset the needed Capital Improvements presented in this Budget. It is still anticipated that additional hookups and new customers in future years will help close the operating deficit after depreciation expenses are considered.

Connection Fees

No connection fees or annexation fees are being budgeted for this year.

Levy 4

The Levy 4 Unitary Tax from the County was reduced from its historic levels a few years ago. \$8,000 budgeted the first year; actual came in at about \$10,000. The amount varies from year to year but there is no indication that the amount will change noticeably this year.

NON OPERATING INCOME

Interest Income

The District's cash position has improved over the years, with the replenishment of the Reserve Funds and Net Income. Interest rates are a factor of the economy and vary from year to year. Of note is the approximately \$1,300 interest on a loan the SUSD is paying back to the District.

NON-OPERATING INCOME: Transfer In

Several years ago the Board approved loans up to \$20,000 to the Park from the sewer division for completion of Park improvements, beyond what was covered by grants. The Board has approved payment in full of outstanding balance of \$3,211 this fiscal year.

New equipment and maintenance costs recommended by Phillips & Assoc and Matrix Group:

- CCTV collection lines, videoing one half of the collection system this year for approximately \$5,500
- Replacing three of the seven irrigation guns at approximately \$9,000
- Replacing one of two irrigation motors for about \$4,000.

The funds for these are transferred in from Capital & Operating Reserves and Unrestricted Cash, and are partially offset by the Capital Component of the Shoreline Agreement.

EXPENSES

Collection, Treatment and Disposal

Ongoing expenses in the collection, treatment and disposal of the community's wastewater and quarterly expense of cleaning the FOG separator.

CONTRACTED SERVICES

For the first time, this past year the Board implemented a competitive bidding policy and procedure as a framework to develop RFP for all contract providers to insure transparency.

- **Administrative Management Services**

Overall estimated hours are scaled back to the original part-time definition. Major Improvements to the District's infrastructure by previous Boards, the District's Administrator and the District's Operators came to conclusion in 2011. Installation of new ponds and Park renovation had allowed the Administrator job to expand to full time; contracted hours were not renegotiated when those jobs were completed. *Additional reduction:* With removal of daily financial services from the Administrators scope of work, expense decreased to 20 hours per week at the presumed rate of \$43/hour. The current contract is tied to the Consumer Price Index (CPI) The CPI increase was waived in 2009, 2011, 2014 and 2015.

- **Financial Management Services**

Previous discussion and budgets included a line item for part-time financial management, to address the lack of separation of duties, a necessary financial control. Matrix Group and Finance Committee surveys of similar districts indicate a range between \$2,500 - \$8,000 annually is appropriate. This fiscal year the budget allows for 10 hours per month.

- **Operation and Maintenance Services**

This budget is based upon the existing agreement with current Plant Operator Phillips & Assoc. Major repairs to system were completed many years ago, and there was no adjustment of fees at that time. In Phillips & Assoc. own words, the treatment plant is a simple system, in excellent condition, and requires minimum maintenance. Current agreement is tied to the CPI. Phillips waived their CPI increase in 2010, but took it in 2011 thru 2014. This budget reflects a **3.0% COLI** increase.

NEW BUDGET ITEMS/CATEGORIES:

The Board approved a nominal amount for Board Member stipends, in acknowledgement of the time required to provide oversight. Legally, CSD stipends are limited to \$100 per meeting per Board member with a maximum of six meetings per month. Given current attendance, a stipend of

\$50 per meeting would be \$600 per year per member (\$1,200 per member sitting on a committee) or roughly \$4,200 per year.

- Board Member training expenses, above state required Ethics & Harassment training.
- Tomales District Office rental expense
- Telephone and Internet services at the Tomales Office.

Insurance

The District's insurance carrier, SDRMA, has voted to keep rates the same as last year for Property & Liability, and Worker's Compensation. This year they are changing the payment method for Worker's Comp from Quarterly to annually.

Licenses and Permits

Expenses will be roughly the same as in the past.

Permits: Waste Discharge Requirement (WDR), California Integrated Water Quality System Project (CIWQS), and County Hazardous Material Handling for liquid chlorine at Irrigation Field.

Office Expense

Copying, postage, office supplies, equipment and other office expenses have been reduced.

Professional Fees

Budgeted Professional Fees reflect an increase of the actual costs for this year due to increased legal work for proposed contracts and additional consultations for Board organization.

Publications and Notices

The Newsletter and other publications and Notices have been reduced from previous budget levels to more accurately reflect actual costs.

Dues and Subscriptions

This includes the annual costs for several software subscriptions, and annual memberships in organizations such as CSDA, CRWA, CWEA, and USA North.

Repairs and Maintenance

There will be an increase in expenses related to the RWQCB waste discharge Order for integration of new equipment into the SCADA system, as well as rewriting report software. The Operational or Capital Reserves budget will be amended at such time these costs are determined, along with any other unexpected large repair costs.

Transportation/Meetings

Transportation, Meetings more accurately reflect actual costs. 2014-15 budget included training for Board members, now its own line item.

OTHER OPERATING EXPENSES

Election year costs are determined by how many seats are open, number of candidates and number of voters. Same costs as 2013 election estimated.

Long Term Debt

The State Revolving Loan was the District's portion of the Sewer Improvement Project undertaken over the last ten years. Interest Payment is shown as an expense under Unrestricted Funds and the Principal Payment is treated as a Balance Sheet transaction per the Auditor's accounting methods.

Park Loan Repayment

<u>Date</u>	<u>Amount</u>	<u>Balance</u>	
7/30/2004	4,500	4,500	
8/8/2007	7,000	11,500	
9/14/2007	16,000	27,500	
11/3/2007	7,000	34,500	
12/29/2007	(35,000)	(500)	Repay from Grants
5/27/2008	6,000	5,500	
6/1/2008	7,000	12,500	
6/26/2007	20,000	32,500	
6/28/2008	7,000	39,500	
7/11/2008	15,000	54,500	
9/9/2008	6,000	60,500	
9/29/2008	10,000	70,500	
11/3/2008	(35,000)	35,500	Repay from Grants
5/2/2009	10,000	45,500	
6/30/2009	(22,950)	22,550	Repay from Park Reserve
7/10/2009	7,000	29,550	
7/17/2009	10,000	39,550	
8/23/2010	1,100	40,650	
9/11/2010	6,000	46,650	
4/23/2011	(5,000)	41,650	Repay from Park Account
6/17/2011	(18,800)	22,850	Repay from Grants
6/21/2011	(8,639)	14,211	Repay from Grants
4/30/2012	(5,000)	9,211	Repay from Park Account
6/30/2014	(6,000)	3,211	Repay from Park Account
6/15/2015	(3,211)	-0-	Repay from Park Account



	<u>Sewer Unrestricted</u>	<u>Solar System</u>	<u>TOTAL</u>
	<u>Jul '15 - Jun 16</u>	<u>Jul '15 - Jun 16</u>	<u>Jul '15 - Jun 16</u>
Income			
301.00 · Service Charges			
301.10 · Service Charges - Monthly	756.00		756.00
301.15 · Service Charges - Annual Fees	1,512.00		1,512.00
301.20 · Service Charges - SUSD	69,613.00		69,613.00
301.30 · Service Charges - County			
301.35 · Solar Portion - County		7,680.00	7,680.00
301.30 · Service Charges - County - Other	90,191.43		90,191.43
Total 301.30 · Service Charges - County	<u>90,191.43</u>	<u>7,680.00</u>	<u>97,871.43</u>
301.40 · Capital Improvement Component	4,420.00		4,420.00
Total 301.00 · Service Charges	<u>166,492.43</u>	<u>7,680.00</u>	<u>174,172.43</u>
305.00 · SUSD Sinking Fund	8,062.00		8,062.00
311.00 · Interest Income	1,422.00	0.00	1,422.00
315.00 · Intergovernmental Revenues			
315.50 · Levy 4	8,200.00		8,200.00
315.00 · Intergovernmental Revenues - Other		0.00	0.00
Total 315.00 · Intergovernmental Revenues	<u>8,200.00</u>	<u>0.00</u>	<u>8,200.00</u>
316.00 · CSI Solar Rebate		12,750.00	12,750.00
318.00 · Other Nonoperating Income			
318.30 · Transfer In	18,500.00		18,500.00
Total 318.00 · Other Nonoperating Income	<u>18,500.00</u>		<u>18,500.00</u>
Total Income	<u>202,676.43</u>	<u>20,430.00</u>	<u>223,106.43</u>
Gross Profit	202,676.43	20,430.00	223,106.43
Expense			
410.00 · Sewage Collection	375.00		375.00
411.00 · Sewage Treatment	1,686.00		1,686.00
412.00 · Sewage Disposal	336.00		336.00
414.00 · Administration and General			
414.05 · Administrator's Fees	45,000.00		45,000.00
414.22 · Licenses and Permits	1,346.00		1,346.00
414.30 · Insurance			
414.31 · Property & Liability Insurance	5,312.00		5,312.00
414.33 · Worker's Comp Insurance	738.00		738.00
414.35 · Health Insurance Allowance	0.00		0.00
Total 414.30 · Insurance	<u>6050.00</u>		<u>6,050.00</u>
414.40 · Office Expense			
414.41 · Postage and Delivery	211.00		211.00
414.42 · Printing and Copies	50.00		50.00
414.43 · Office Supplies	380.00		380.00
414.44 · Sonic - Web Hosting	1,739.40		1,739.40
414.45 · Equipment Expense	0.00		0.00
414.46 · Board Meeting Expense			
414.465 · Board Member Stipend	4,200.00		4,200.00
414.467 · Board Training	1,920.00		1,920.00
414.468 · Board Meeting Expense - Other	1,000.00		1,000.00
Total 414.46 · Board Meeting Expense	<u>7,120.00</u>		<u>7,120.00</u>

	<u>Sewer Unrestricted</u>	<u>Solar System</u>	<u>TOTAL</u>
	<u>Jul '15 - Jun 16</u>	<u>Jul '15 - Jun 16</u>	<u>Jul '15 - Jun 16</u>
414.47 · Clerical/Bookkeeping	4,200.00		4,200.00
414.48 · Office Rent	1,200.00		1,200.00
414.49 · Secretary	7,800.00		7,800.00
414.495 · Recruiting	1,000.00		1,000.00
Total 414.40 · Office Expense	23,700.40		23,700.40
414.50 · O&M Contractual Services	67,831.92		67,831.92
414.55 · Professional Fees			
414.551 · Legal Fees	5,000.00		5,000.00
414.552 · Accounting	5,000.00		5,000.00
414.553 · Consulting	2,000.00		2,000.00
414.555 · Grant Writer	5,000.00		5,000.00
Total 414.55 · Professional Fees	17,000.00		17,000.00
414.60 · Publication and Notices			
414.61 · Newsletter Expense	360.00		360.00
414.60 · Publication and Notices - Other	0.00		0.00
Total 414.60 · Publication and Notices	360.00		360.00
414.62 · Dues and Subscriptions	1,510.00		1,510.00
414.65 · Rents and Leases			
414.67 · Solar Lease Admin Fee	0.00	750.00	750.00
414.68 · Solar Lease Agreement		17,941.18	17,941.18
Total 414.65 · Rents and Leases	0.00	18,691.18	18,691.18
414.70 · Repairs and Maintenance			
414.71 · Plant and Building Maintenance	1,000.00		1,000.00
414.72 · Computer Repairs	250.00		250.00
414.73 · Equipment Repairs	1,150.00		1,150.00
414.76 · Collection System Maintenance	5,500.00		5,500.00
414.77 · Irrigation Field Maintenance	2,000.00		2,000.00
414.78 · Solar Panel Maintenance	400.00		400.00
Total 414.70 · Repairs and Maintenance	10,300.00		10,300.00
414.75 · New Equipment	13,000.00		13,000.00
414.80 · Travel and Meetings			
414.81 · Travel	1,200.00		1,200.00
414.83 · Meetings and Seminars	320.00		320.00
Total 414.80 · Travel and Meetings	1,520.00		1,520.00
414.90 · Telephone and Internet Services	2,640.00		2,640.00
414.95 · Miscellaneous Expenses	0.00	0.00	0.00
Total 414.00 · Administration and General	190,258.32	18,691.18	208,949.50
417.00 · Other Operating Expenses			
417.10 · Bank Service Charges	0.00		0.00
417.20 · Election Expense	428.31		428.00
417.30 · LAFCO Charges	124.00		124.00
Total 417.00 · Other Operating Expenses	552.31		552.00

	<u>Sewer Unrestricted</u>	<u>Solar System</u>	<u>TOTAL</u>
	<u>Jul '15 - Jun 16</u>	<u>Jul '15 - Jun 16</u>	<u>Jul '15 - Jun 16</u>
415.00 · Amortization Expense		0.00	0.00
415.50 · Depreciation Expense	0.00		0.00
420.20 · Interest Expense - SRF Loan	4,371.00		4,371.00
423.00 · Other Nonoperating Expenses			
423.20 · Awards and Gifts	175.00		175.00
Total 423.00 · Other Nonoperating Expenses	<u>175.00</u>		<u>175.00</u>
Total Expense	<u>197,753.63</u>	<u>18,691.18</u>	<u>216,444.81</u>
Net Income	<u><u>4,922.80</u></u>	<u><u>1,738.82</u></u>	<u><u>6,661.62</u></u>