

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT

TVCSD SEWER ENTERPRISE

INCOME AND EXPENSE BUDGET

Fiscal Year 2017-2018

SUBMITTED: MAY 10, 2017

DRAFT APPROVED: May 19, 2017

FINAL APPROVAL: June 14, 2017

Tomales Village Community Services District

P.O. Box 303 Tomales, CA 94971 707-878-2767

DATE: May 10, 2017

TO: Stakeholders

FROM: Board of Directors, TVCSD

SUBJECT: Proposed TVCSD Sewer Budget for 2017-2018

OVERVIEW:

This Fiscal Year 2017-18 Budget Proposal is the outcome of a rigorous year-long effort by Board Members, part-time Staff, standing committees, and our Shoreline Unified School District partners to analyze District expenses, lower daily operational costs, and continue to implement efficiency recommendations from our professional audit in 2015. We have cut expenses dramatically, particularly in the ongoing administration of the District. We have developed an Asset Inventory and Management Plan for the sewer system and a 10-Year Capital Improvement Plan that is necessary for the maintenance and repair of our system as it ages. We have also developed a 10-Year Financial Plan based on our projected income and expenses. We have worked diligently to study the past, examine the present and forecast the future. This process revealed that while our District expenses have increased with sewer improvements made since 2009, our revenues have not kept pace.

Loans to improve the sewer system in 2010-11 were required to upgrade the sewer plant when we obtained it from NMMWD in 1999. Solar bonds were purchased in 2009 to install solar panels to produce electricity at the plant and irrigation ponds. No rate increase has been implemented in 11 years, so the District has been utilizing its cash reserves to pay annual debt amounts. Furthermore, Tomales has not grown with new service fees and connection fees as once envisioned, which would have generated more revenue for the District. The District has reduced its cash balances by \$100,000 to keep up with our annual debt payments. At this rate, we would be insolvent in less than 5 years, and we must maintain a cash reserve for emergencies per industry standards.

A major goal in this proposed budget is to present a balanced cash budget for the annual operation of the district that includes a modest outlay of expenses for the necessary maintenance and repairs required for the sewer system.

A second goal is to recommend a rate increase of \$9.45/month per EU this fiscal year 2017-18 and an additional \$9.45/month per EU in 2018-19. It is the intent of the District to spread this much needed rate increase over two years. If approved, the first increase would be effective July 1, 2017.

It is important to understand that this proposed rate increase is not required for District operations, maintenance or capital improvements. It is required to pay the unfunded debt obligations over the next 9 years of approximately \$297,000 for past improvements until the debts are retired in 2025-26.

Over the coming year, we will continue to develop our TVCSD Policy Manual and renew our Memorandum of Agreement with our partner, SUSD.

SEWER DIVISION: RESTRICTED FUNDS, OPERATING INCOME

Sewer Service Fees

The current service rate is \$63 per month per EU, or \$756 per year. A rate increase is being recommended in this budget of an additional \$9.75/month per EU and an additional \$9.75/month per EU in the next budget year.

California Solar Initiative (CSI) Rebate

This PG&E rebate of approximately \$12,500 ended last year. The solar system generates energy to reduce monthly PG&E costs, and we had received rebates on these costs for the past 5 years. The 2009 rate increase of \$5/month per EU was established to help offset the initial annual costs of the solar system. However, this rate increase does not cover the entire costs of the annual lease payment of \$17,941 for the next 9 years when the debt will be retired.

No capital replacements in the Solar System are 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. The bond payment for this fiscal year will be \$17,941 and the solar administrative fee is \$750.

State Revolving Loan for Sewer Improvements

The District has six years left of annual payments on its low-interest loan for capital improvements made in 2010-11 to upgrade the sewer system. This budget requires a cash outlay of \$20,767 to meet its annual debt payment.

The proposed sewer budget statement for 2017-18 shows the above two payments for the Solar Lease and the State Revolving Loan as Cash outlays of \$38,708 at the bottom of the statement.

SEWER DIVISION: UNRESTRICTED FUNDS, OPERATING INCOME

SUSD Sinking Fund

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

Connection Fees

There are no anticipated connection fees in this budget.

Levy 4

The Levy 4 Unitary Tax from Marin County is anticipated to be about \$8200 for this budget; however, it does vary year to year and may be higher.

NON-OPERATING INCOME

Interest Income

Approximately \$1492 interest on a loan the SUSD is paying back to the District is expected.

EXPENSES

Collection, Treatment and Disposal

Ongoing expenses for the community's wastewater collection, treatment and disposal. Due to new State mandated regulations for increased monitoring and laboratory testing, expenses have increased for wastewater treatment.

Repairs and Maintenance

This budget proposes \$14,000 for projected capital improvements that include plant and building maintenance, computer repairs to our SCADA remote system, general equipment repairs, CCTV video inspection of another section of the collection system, irrigation field maintenance and solar panel maintenance. This is Year 1 of our 10-Year Capital Improvement Plan.

Contracted Management and Administrative Services

Three part-time contractors to perform general management, financial services and secretarial services have increased district transparency while saving the District over \$30,000 in expenses for compensation from prior years.

Operation and Maintenance Services

The current contract is tied to the Consumer Price Index and has slowly risen over the years since 1999. The District has just completed a contract review with NSU in an effort to reduce costs and develop a new contract. This budget reflects a new contract with net savings to the District of \$12,000 per year. The contract with NSU will be for \$49,148. Lab costs, grounds maintenance and plant supplies at an annual cost of \$ 9,058 will be borne by the District.

Board Stipends

This budget proposes \$5000 for Board stipends to acknowledge time and effort for District oversight. Legally, Special District stipends are limited to \$100 per meeting per Board member with a maximum of 6 meetings per month. TVCSD policy states that our Board members are to be paid \$50 per meeting for up to 2 meetings per month as some Board members also sit on standing committees.

Board Training

This budget allocates \$1000 for Board training above state required Ethics and Sexual Harassment training.

District Office Rental

This budget allocates \$1,200 for our Tomales office space above Diekmann's Store.

Insurance

The District's insurance carrier, SDRMA, has increased our rates for Property & Liability and for Workers Compensation.

Office Expenses

Printing, copying and office supplies have been reduced in this budget while sonic web hosting and office equipment have remained the same as last year.

Professional Fees

This budget does not include line items for legal, consulting or grant writing.

Dues and Subscriptions

This budget reflects reduced expenses and emphasizes memberships with organizations who offer technical support services and information to the District.

In order to further contain expenses, this budget, like last year, proposes to decrease our regular Board Meetings by two meetings per year, August and December. This saves Staff time and Board stipends. This budget also continues to limit the General Manager to attendance at

quarterly Board Meetings and the Financial Manager's attendance at two meetings per year to present the Budget and oversee the annual audit. Their monthly Reports are included in the Board Packets for review and action by the Board of Directors. The Financial Manager does oversee the Financial Advisory Committee.

Recommendations:

It is recommended that the Financial Advisory Committee and the Board of Director's take the following action:

- Hold a Public Hearing on June 14, 2017 for Proposed 2017-18 and 2018-19 Sewer Service Rate Increases
- Review and Adopt final Budget following the Public Hearing on June 14, 2017
- Adopt Resolution 17-2 to approve a rate increase of \$9.45/month per EU for 2017-18 and another rate increase of \$9.45/month per EU the following fiscal year
- Adopt Resolution 17-3 at the June 14, 2017 Board of Director's Meeting to keep the standard hook-up fees at \$10,000 and to keep the Ad Valorem tax rate at \$0.02 per \$100 valuation.

Tomales Village Community Services District
Proposed Sewer Program Budget 2017/2018

		17/18 Budget
		With Increase
Income		
301.10	Service Charges - Monthly	756
301.15	Service Charges - Annual Fees	1,512
301.20	Service Charges - SUSD	64,299
301.30	Service Charges - County	
	301.35 - Solar Portion - Debt Serv	7,680
	301.30 - Service Charges - County - Other	82,874
	Proposed \$9.45 Sewer Rate Increase 2017/2018	13,923
	Total 301.00 - Service Charges	171,044
303.00	- Connection Fees	
305.00	-SUSD Debt Serv SRF	8,062
311.00	- Interest Income	1,491
315.50	- Levy 4	8,200
316.00	- CSI Solar Rebate	-
	Total Income	188,797
Expense		
410.00	- Sewage Collection	375
411.00	- Sewage Treatment	8,594
412.00	- Sewage Disposal	336
413.10	- Lab Costs	7,738
413.20	- Grounds Maintenance	2,000
413.30	- Plant Maintenance Supplies	1,320
414.05	- Administrator's Fees	45,750
414.22	- Licenses and Permits	1,346
414.31	- Property & Liability Insurance	6,655
414.33	- Worker's Comp Insurance	720
414.41	- Postage and Delivery	300
414.43	- Office Supplies	150
414.44	- Sonic - Web Hosting	240
414.45	- Equipment Expense	250
414.465	- Board Member Stipend	5,000
414.467	- Board Training	1,000
414.466	-Board Payroll Taxes	550
414.47	- Clerical/Bookkeeping	10,220
414.48	- Office Rent	1,200
414.49	- Secretary	6,856
414.50	- O&M Contractual Services	49,148
414.551	- Legal Fees	-
414.552	- Accounting	5,000
414.553	- Consulting	-
414.61	- Newsletter Expense	710
414.62	- Dues and Subscriptions	1,110
414.67	- Solar Lease Admin Fee	750
414.70	- Repairs and Maintenance	
	414.71 - Plant and Building Maintenance	1,200
	414.72 - Computer Repairs	250
	414.73 - Equipment Repairs	1,150
	414.76 - Collection System Maintenance	5,000
	414.77 - Irrigation Field Maintenance	6,000
	414.78 - Solar Panel Maintenance	400
	Total 414.70 - Repairs and Maintenance	14,000
414.75	- New Equipment	-
414.81	- Travel	450
414.90	- Telephone and Internet Services	2,688
417.20	- Election Expense	300
417.30	- LAFCO Charges	160
415.50	- Depreciation Expense	-
420.20	- Interest Expense - SRF Loan	3,370
	Total Expense	178,286
	Net Income	10,511
	Cash receipt for initial SUSD advance	1,544
	Cash outlay for loan and bond payments	-38,708
	Net Change in Cash Balances	-26,653