



SCOTTS VALLEY
WATER DISTRICT

FY 2019 Proposed Budget

Board Meeting

6/7/2018



SCOTTS VALLEY
WATER DISTRICT

FY 2019 Budget Summary

	FY 2019	FY 2018	Increase
Budget	\$ 7.5	\$ 7.1	\$ 0.4
YE Carryover	1.3	0.7	0.6
Total	\$ 8.8	\$ 7.8	\$ 1.0
Resources			
Revenue	\$ 8.3	\$ 7.3	\$ 1.0
Notes Receivable	0.2	0.2	-
Fund Balance	0.3	0.3	-
Total	\$ 8.8	\$ 7.8	\$ 1.0



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FY 2019 Strategic Work Plan

- Based on strategic goals of:
 1. Water Resource Management
 2. Infrastructure Integrity
 3. Financial Stewardship
 4. Public Outreach
 5. Organizational Vitality



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Highlights of the FY 2019 Budget

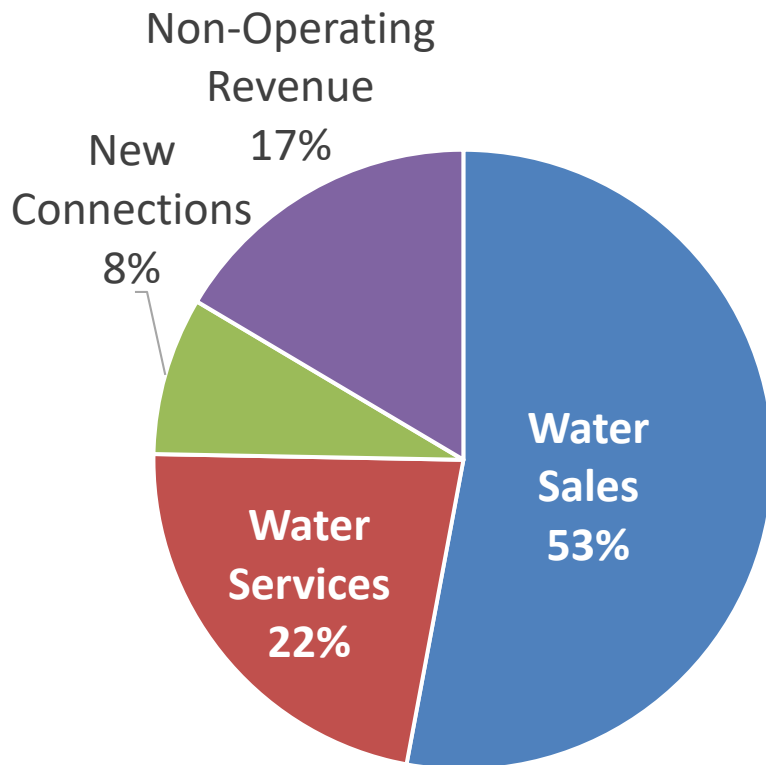
- Cautious optimism on water sales
- Most likely scenario for New Connections (Development) revenue
- Stable operating costs
- Prudent capital improvement program
- Debt Service Coverage Ratio: 4.3/3.1
- \$500,000 budget for SMGWA & conjunctive water supply



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FY 2018 Revenue

(In millions)



	PW (01)	RW (02)	District Total
REVENUE			
Operating Revenue			
Potable water sales	\$ 4.0	\$ -	\$ 4.0
Recycled water sales	-	0.5	0.5
Water Services	1.9	-	1.9
New Connections	0.7	-	0.7
Subtotal	\$ 6.6	\$ 0.5	\$ 7.1
Non-Operating Revenue			
Property Taxes	0.9	-	0.9
3rd Party Reimbursemt.	-	0.3	0.3
Notes Receivable	-	0.2	0.2
Subtotal	\$ 0.9	\$ 0.5	\$ 1.4
Grants	-	-	-
TOTAL REVENUE	\$ 7.5	\$ 1.0	\$ 8.5



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Revenue Parameters

- Water Sales Revenue
 - Baseline consumption based on FY 2018 level
 - Growth from new tenants excluded
 - Growth from new connections excluded
 - Rate increase of 10% in Dec 2018



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Revenue Parameters (continued)

- Water Services Revenue
 - Based on the existing number of meters
 - Connections from Development projects excluded
 - 10% rate increases in Dec 2018
- New Connections (Development) Revenue
 - Meter fee, Capacity fee, will-serve application fee, and Development Project Review fee.
 - Based on the projected meter connections in FY 2019
 - Estimated 32 meters of various sizes and types
 - Connected in June 2019



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Revenue Parameters (continued)

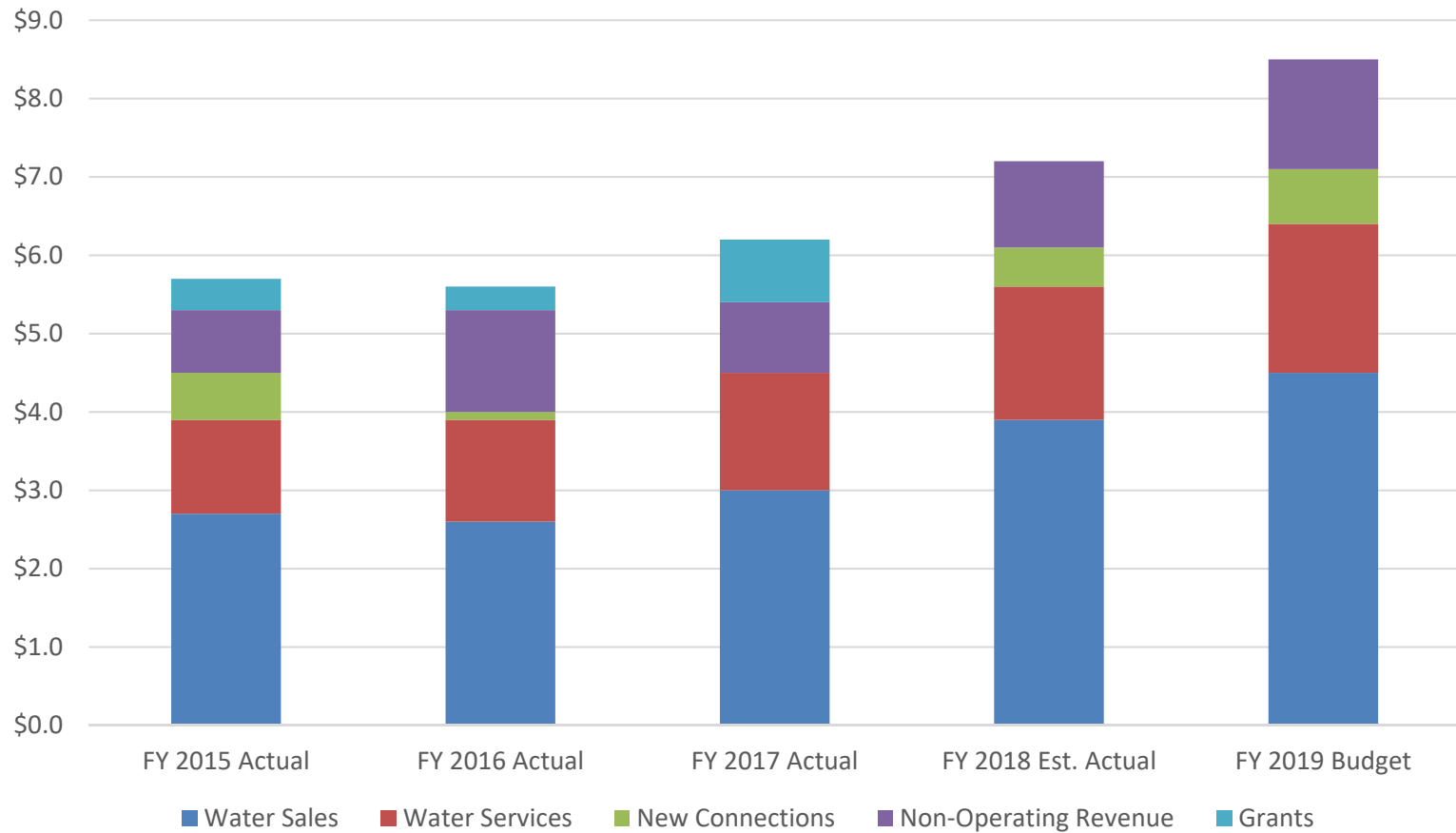
- Non-operating Revenue
 - Property Taxes equal to FY 2018 est. actual + 4%
 - Interest and dividends based on current yields
- Grants
 - None



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Revenue Five-year Comparison

(In millions)



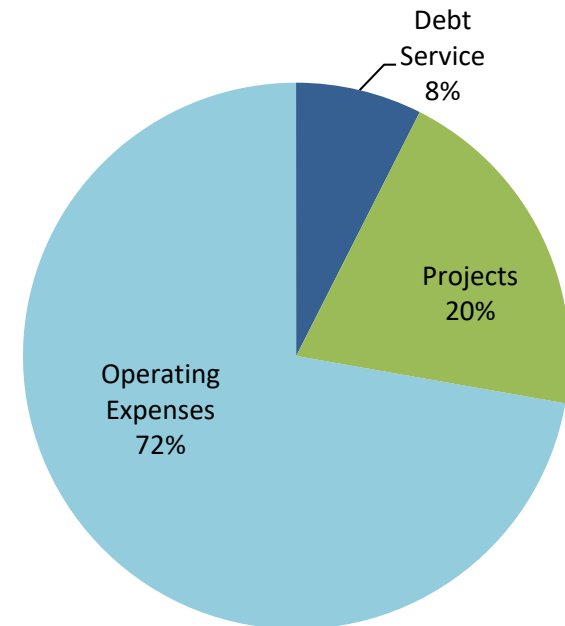


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FY 2019 Expense Budget

(In millions)

EXPENSE	PW (01)	RW (02)	District Total
Operating Expense			
Administration	\$ 1.3	\$ 0.1	\$ 1.4
Finance/CS	0.6	0.1	0.7
Operations	2.5	0.3	2.8
Engineering	0.2	0.0	0.2
Water Use Efficiency	0.2	-	0.2
Board	0.1	0.0	0.1
Operating Expense Total	\$ 4.9	\$ 0.5	\$ 5.4
Debt Service	\$ 0.4	\$ 0.2	\$ 0.6
Projects	\$ 1.2	\$ 0.3	\$ 1.5
TOTAL EXPENSE BUDGET	\$ 6.5	\$ 1.0	\$ 7.5

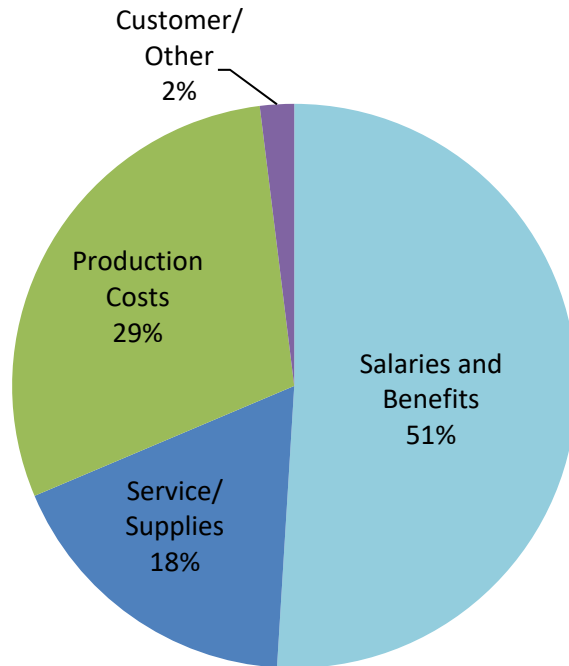




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FY 2019 Operating Expense by Type

(In millions)



Operating Expenses	FY 2019
Salaries and Benefits	\$ 2.75
Service/ Supplies	\$ 0.95
Production Costs	\$ 1.60
Customer/ Other	\$ 0.10
Total	\$ 5.40



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Operating Expenses Parameters

- Salaries and Benefits
 - Increase in Budget of \$113,000 (4%)
 - Hourly employees: scheduled step increases and COLA (3.2%)
 - Exempt employees: scheduled increases
 - Medical premium increase (6%)
 - Employer contribution to 457/HSA: \$2,200 each
 - Unfunded pension liability increase of \$31,000 (39%)
 - Normal pension cost increase of \$13,000 (9%)



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Operating Expense Parameters (continued)

- Services, Supplies and Production Costs
 - Completion of one-time projects and studies
 - Reallocation of resources
 - Increase of \$176,000 (7%)



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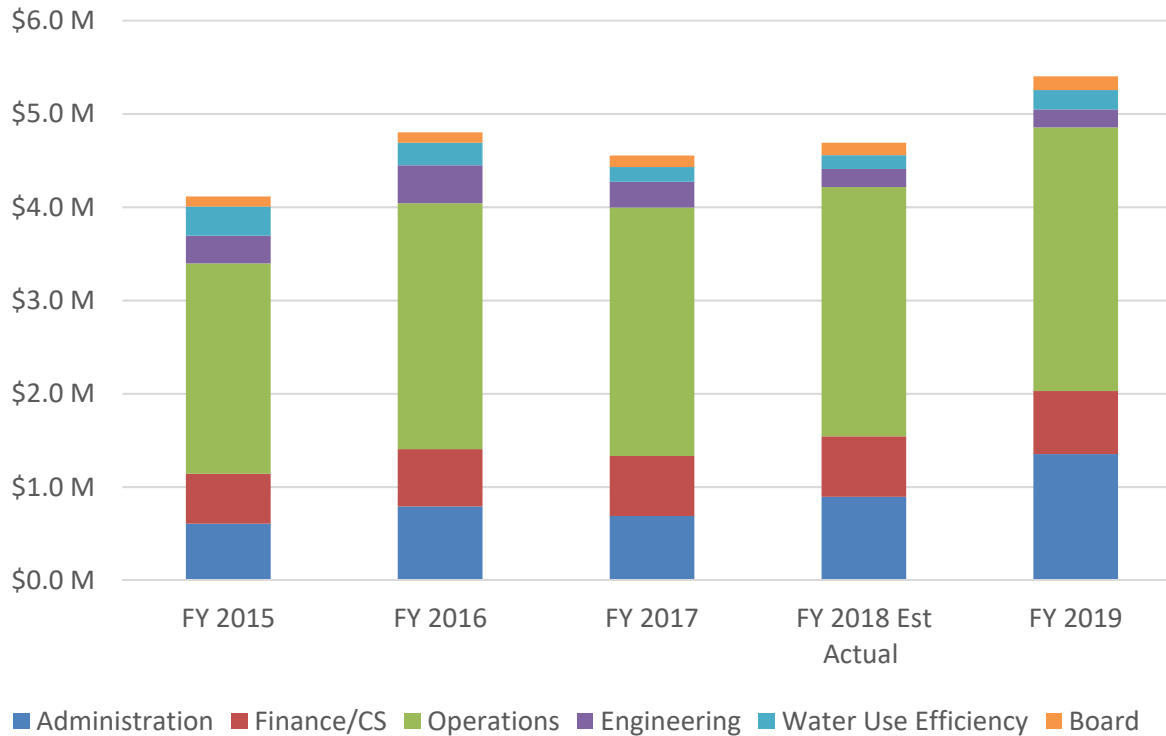
Regional Enhancement

- Budget Enhancement of \$0.5 M for SMGWA and Conjunctive Use Projects
 - Professional and in-kind services of \$498,000
 - 0.5 FTE for a total of \$49,000
- Budgeted in the Administration Division



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Operating Expense by Division Five-year Comparison



FY 2019 – \$400,000 increase in SMGWA and conjunctive water supply initiative and \$180,000 increase in projected payroll costs.



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Operating Purchase Order Carryover

- Committed service agreements
- Not anticipated to be completed by 6/30/2018
- Not included in the FY 2019 Budget
- Carryover amount: not to exceed \$60,000
- FY 2019 Operating Budget + FY 2018 Rollover = \$5,463,000



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Debt Service Budget

JP Morgan Loan – Installment Purchase
Agreement

2019 Total Debt Service: \$559,312

Principal = \$460,030

Interest = \$99,282



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MAJOR PROJECTS

- \$257,000 Recycled Water Main Crossing:
 - Install new main to supply sufficient recycled water flows to area east of Highway 17.
- \$500,000 Orchard Run Water Treatment Plant Water Quality Improvements:
 - Implement taste and odor improvements and replace 40,000 gallon bolted steel back wash tank and install new sewer lateral



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MAJOR PROJECTS

- **\$200,000 Bethany Tank Rehabilitation:**
 - Construct additional tank on-site to allow for roof reconstruction coating replacement of 400,000 gallon tank, extending life and storage.
- **\$650,000 Sequoia Tank Rehabilitation:**
 - Recoat roof, interior and exterior of 1.25 million gallon tank with original 1983 coating.



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MAJOR PROJECTS

- Groundwater Recharge with Recycled Water:
 - Increase groundwater reliability, especially in dry years (could be shifted to SMGWA or replaced with conjunctive use with other suppliers).
- Automated Meter Infrastructure (AMI) and Meter Replacement Program
 - Install AMI transmitters over 3-4 years and replace all meters installed before 2012 at rate of 800-1,000 per year.



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TOTAL PROJECTS

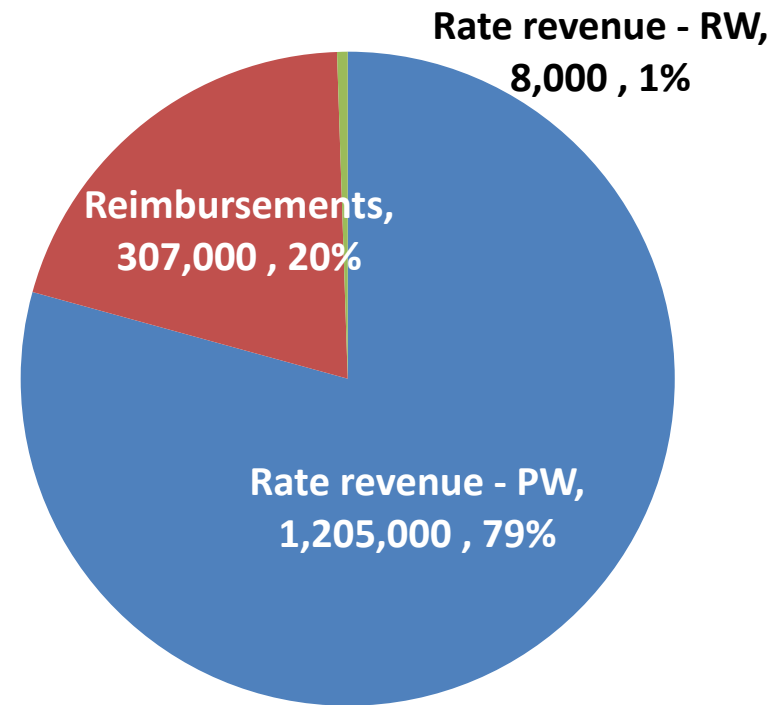
- FY 2019 New Project Appropriation
 - \$1.52 MILLION
- Carryover Project Funding From FY 2018
 - \$1.25 MILLION
- TOTAL PROJECT FUNDING IN FY 2019
 - **\$2.77 MILLION**



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Project Funding

Project Funding:	FY 2019
Rate revenue - PW	\$ 1,205,000
Reimbursements	\$ 307,000
Rate revenue - RW	\$ 8,000
Total	<hr/> \$ 1,520,000





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Fund Balance

(In millions)

FY 2019 Budget	Fund (01)	Fund (02)	District Total
Beginning Fund Balance	\$ 2.8	\$ -	\$ 2.8
Revenue Budget	7.5	1.0	8.5
Operating Expense Budget	(4.9)	(0.5)	(5.4)
Debt Service	(0.4)	(0.2)	(0.6)
Capital Projects	(1.2)	(0.3)	(1.5)
Subtotal:	\$ 3.8	-	\$ 3.8
FY 2018 P O Carryover	(0.1)	-	(0.1)
FY 2018 Project Carryover	(1.2)	-	(1.2)
Transfers	-	-	-
Projected Fund Balance 6/30/2019	\$ 2.5	\$ -	\$ 2.5

The ending balance of \$2.5 million by 6/30/2019 denotes an available balance after the full funding of the FY 2019 Proposed Budget. The Capital Projects budget of \$2.7 million (including carryovers) is a responsible amount to continue investment in capital projects while maintaining a viable fund balance.

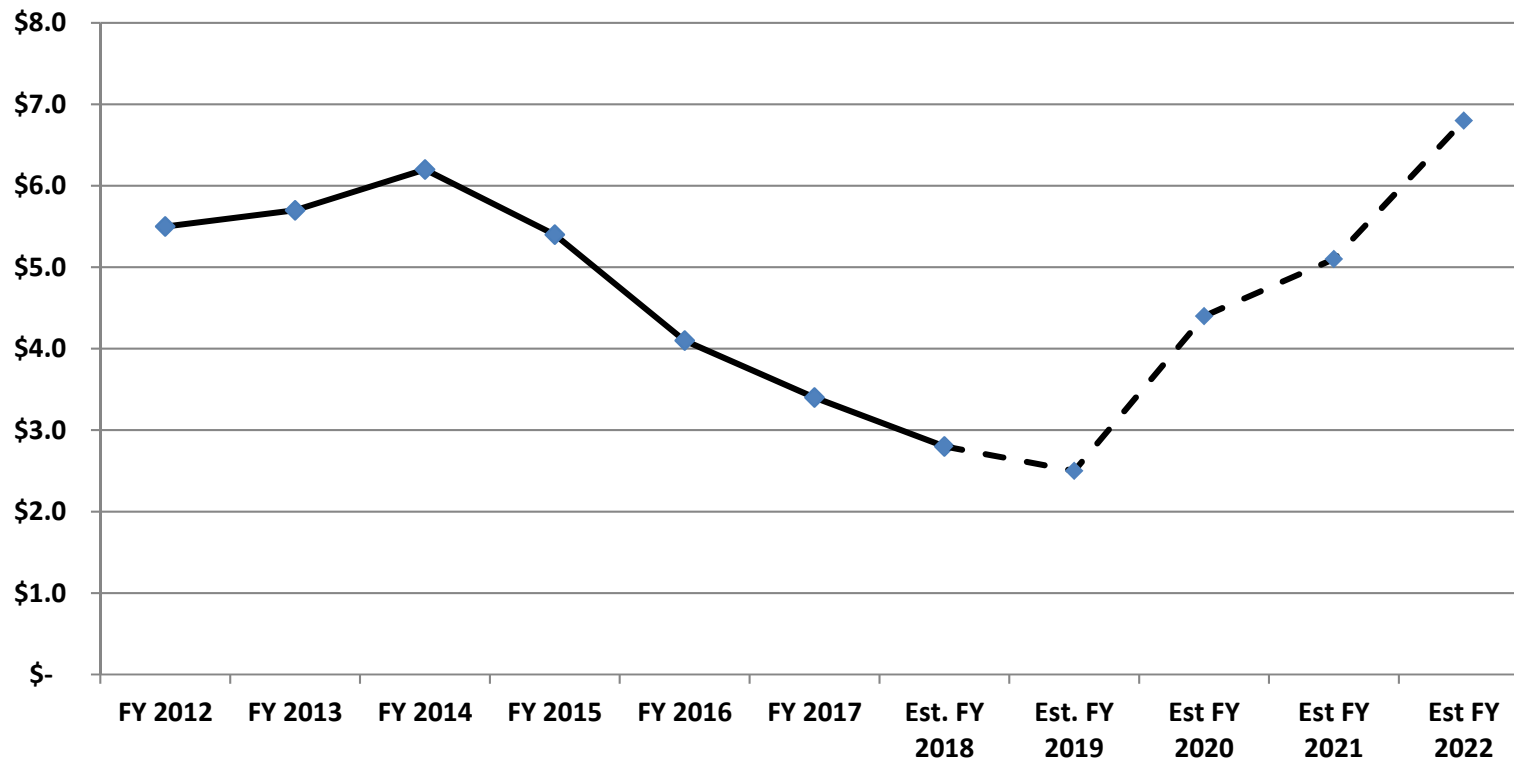


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Fund Balance

(In millions)

Fund Balance definition: working capital, or current assets in excess of current liabilities





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Target Reserve

FY 2019 target: \$4.3 million

Operating Reserve	\$1,350,748
Rate Stabilization Reserve	908,356
Emergency Reserve	519,998
Capital Reserve	937,847
<u>Debt Service Reserve</u>	<u>559,312</u>
Target Reserve:	\$4,276,261



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Acknowledgements

Q&A