

WALNUT VALLEY WATER DISTRICT
271 South Brea Canyon Road
Walnut, California 91789

SPECIAL BOARD WORKSHOP
TUESDAY, APRIL 30, 2013, 4:00 P.M.

AGENDA

NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any Board meeting, please contact the General Manager's office at least 48 hours prior to a Board meeting to inform the District of your needs and to determine if accommodation is feasible.

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance, to take action on any item.

1. Flag Salute
2. Roll Call: Ms. Carrera _____ Mr. Ebenkamp _____ Mr. Hilden _____ Ms. Kwong _____ Dr. Wu _____
3. Communications to the Board _____ President Hilden
The President of the Board of Directors may impose reasonable limitations on public comments to assure an orderly and timely meeting.
 - A. **Agenda Items** - Any person desiring to address the Board of Directors on any Agenda item may do so at the time the item is considered on the Agenda by requesting the privilege of doing so at this time and stating the Agenda item to be addressed. At the time the item is discussed, those requesting to speak will be called to do so.
 - B. **Non-Agenda Items** - At this time the public shall have an opportunity to comment on any non-agenda item relevant to the jurisdiction of the District. Reasonable time limits on each topic and on each speaker are imposed in accordance with Board policy.
4. Fiscal Year 2013-14 Draft Budget Overview
 - A. Staff Presentation
 - B. Board Discussion
 - C. Board Direction to Staff

Adjournment

WVWD – Staff Report



TO: Board of Directors
FROM: General Manager
DATE: April 30, 2013
SUBJECT: Fiscal Year 2013-14 Budget Overview

Recommendation

That the Board of Directors review the budget summary and provide direction to staff.

Background Information

The annual budget provides a means that allows the Board to review the ongoing and future objectives of the District and allocate funding based on available resources. The District's priorities and objectives through the proposed expenditures and anticipated revenues are developed prior to the fiscal year. The format will be similar to past budgets in the scope of detail and transparency.

Staff's preparation of the budget is guided by:

A. The following objectives:

- *Are the expenses reasonable and consistent with District policies, initiatives, industry standards, customer expectations, and Board of Director's priorities?*
- *Will the existing and proposed infrastructure investments provide current and future benefit to our customers and utilize our existing funds wisely?*
- *Does the proposed budget remain committed to seeking efficiencies wherever feasible?*

B. Alignment with the priorities of the General Manager's Work Plan.

In addition:

- C. The District's proposed FY 2013-14 budget will continue funding our core mission of providing a high quality and reliable water supply with a continued emphasis on improving customer service.
- D. As we move into FY 2013-14, the District is moving forward on several key water supply projects that will decrease our reliance on imported water; and,
- E. The District's internal cost-controls are evident in this budget as we continue our long-term efforts to maintain efficiencies in all areas.

At the workshop, staff will present an overview of the FY 2013-14 Budget consisting of:

1. Major Expense Categories

- Purchased Water Estimate
- TVMWD's rates and charges
- TVMWD's assessments
- Walnut Valley Water District's Personnel Costs
- Walnut Valley Water District's Operations and Maintenance Costs
- Debt Service

2. FY 2013-14 Revenue Summary

Board Budget Schedule:

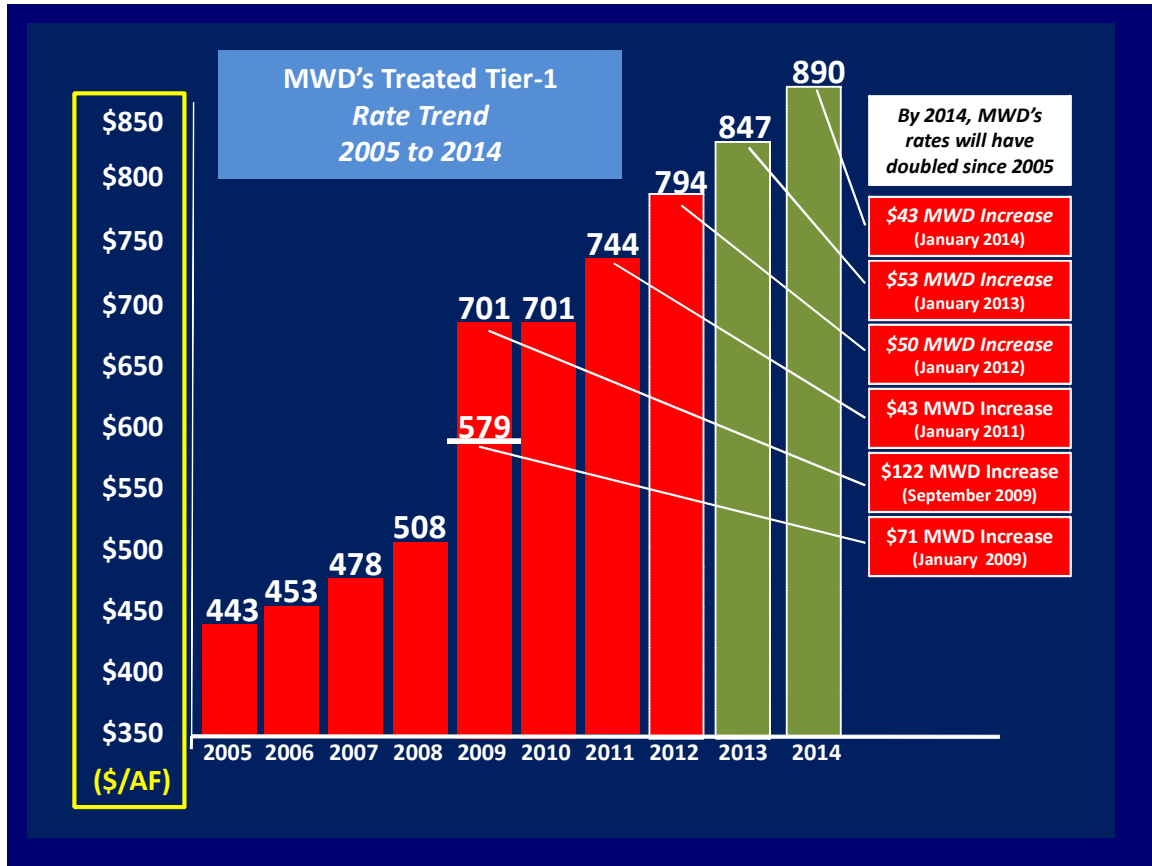
Date	Item
January to April 2013	<ul style="list-style-type: none"> • <u>Staff preparation of DRAFT Budget Summary</u> Review and prepare internal cost projections for FY 2012-13 and FY 2013-14 • <u>Review of Wholesale Expenses</u> MWD / TVMWD rates and assessments
April 30, 2013 Special Board Workshop	<ul style="list-style-type: none"> • <u>Review of the District's DRAFT FY 2013-14 Budget</u> Major Expenses Revenues • Review and discussion of MWD/TVMWD's FY 2013-2014 Rates and charges
(Additional Budget Workshops)	At the Board's determination
Adoption of Final Budget (by June 30, 2013)	

FY 2013-14 Overview

- MWD's rate increase: 5.1% (effective January 2014)**

Given the necessity that the District is 100% dependent on an imported supply for our potable water, rate increases have a significant impact on costs.

For FY 2013-14, we project that 59% of the District's budgeted operating expenses (excluding long-term debt) are related to water purchased from the Metropolitan Water District (MWD) and Three Valleys Municipal Water District (TVMWD). For comparison, the current year budget is 59.3%



- Cost-control Efforts: FY 2012-13**

- ✓ Staff continues to advocate for long-term cost-efficiencies and a more predictable financial (i.e., rates) planning horizon from MWD and TVMWD.
 - ✓ Attempt to hold District-controlled costs as "flat as possible." By comparison our internal costs are projected to increase 3.3%, or **\$388,297** for FY 2013-14 when compared to FY 2012-13 (excludes long-term debt).

- Revenue**

- ✓ Water sales revenues are estimated at \$29,785,004
 - ✓ Other operating revenues are estimated at \$855,000
 - ✓ Non-operating and other revenues are estimated at \$1,547,900
 - ✓ Total revenues: \$32,187,904
 - ✓ Budgeted amounts are based on the current rates approved by the Board

Major Expense Categories

A. FY 2013-14: Estimated Purchased Water from MWD/TVMWD

- ✓ Potable water purchases are estimated at 20,044 acre-feet for FY 2013-14, a decrease of 123 acre-feet from FY 2012-13.
- ✓ The estimated cost for 20,044 acre-feet is **\$17.84 million**.

Purchased Water

FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Actual	FY 12-13 Budget	FY 13-14 Budget
20,528 AF	19,422 AF	20,361 AF	20,167 AF	20,044 AF

B. FY 2012-13 MWD/TVMWD Rates:

MWD/TVMWD Rates All charges per acre-foot						
Item	Jan 2009 to Aug 2009	Sep 2009 to Dec 2010	Effective Jan 1, 2011	Effective Jan 1, 2012	Effective Jan 1, 2013 (7.1%)	Effective Jan 1, 2014 (3.1%)
Tier 1 Supply Rate	\$109	\$101	\$104	\$106	\$140	\$148
Delta Supply Surcharge	n/a	\$69	\$51	\$58	-	
Water Supply Surcharge	\$25	0	0	0	-	
System Access Rate	\$143	\$154	\$204	\$217	\$223	\$243
Water Stewardship Rate	\$25	\$41	\$41	\$43	\$41	\$41
System Power Rate	\$110	\$119	\$127	\$136	\$189	\$161
<i>Tier 1 untreated subtotal:</i>	\$412	\$484	\$527	\$560	\$593	\$593
Treatment Surcharge	\$ 167	\$ 217	\$217	\$234	\$254	\$297
TVMWD Surcharge	\$21	\$21	\$10	<\$1>	\$2	<\$15>
Cost Per AF of Water	\$600	\$692 ¹	\$754	\$793	\$849	\$875

For calendar year 2014, TVMWD has shifted \$599,147 of O&M expenses to the fixed charges resulting in a “discount” on the cost of purchased water of \$15 per acre-foot. Based on the purchase of 20,044 acre-feet the total credit for FY 2013-14 is projected to be \$135,041.

¹ Includes \$30 discount on water received from TVMWD

C. MWD/TVMWD Assessments

- ✓ *MWD's "pass-through" Capacity Charge:* this assessment is levied by MWD based on TVMWD's combined highest peak water use during the previous three completed fiscal years (termed a 'trailing three-year peak').²
 - The total charge for FY 2013-14 is \$304,231 a slight decrease from the FY 2012-13 charge of \$309,858

- ✓ *TVMWD's Fixed Charges*
 TVMWD's long standing practice is to collect revenues consisting of a three-part billing structure which includes charges for (1) *historical water use*, (2) *connected capacity*, and (3) *equivalent small meters*. *The fixed charges are levied regardless of the amount of water sales.*³

TVMWD 'Fixed' Charges	2009-10	2010-11	2011-12	2012-13	2013-14⁴
Total TVMWD Fixed Charges	\$1,396,239	\$690,000	\$689,588	\$1,379,176	\$989,162
WVWD's Obligation	391,418	190,654	192,366	381,201	285,430
District's percentage of total assessment	28%	28%	28%	27.6%	28.9%

² The MWD Capacity Charge ("Charge") will increase to \$8,600 per cubic foot second (cfs) effective January 1, 2014. The District's capacity charge basis will remain at 139.4 based on the District's peak connected capacity during the last three completed fiscal years. The Charge will either increase or decrease only if a new 24-hour peak demand is established during the period of May-September of any year. Subsequently, a revised Charge would become effective on January 1 of the following year. A monthly allocation Charge will apply to each member agency based on their specific non-coincidental peak during the period of 2010 to 2012 (Three Valleys Resolution No.: 13-04-709, April 17, 2013)

³ For FY 2013-14 as provided in TVMWD's draft rate resolution [contained in their April 17, 2013 Board Packet], the required revenue for TVMWD's FY 2013-14 Budget will be met in the following revenue priorities: (a) Miscellaneous revenues (interest, etc.); (b) State subventions; (c) TVMWD's Standby Charge; (d) Water Sales; and (e) Fixed Cost Allocations. The required calendar year Fixed Cost Allocation revenue of \$599,147 [for FY 12-13 the amount was \$1,379,176] shall be obtained through three component allocations in equal amounts. Each allocated cost component will generate revenue of \$199,716 [for FY 12-13 the amount was \$459,725].

⁴ The District's direct assessed portion is approximately \$178,742; the PWR-JWL portion is \$106,688

D. Personnel Costs (see attached)

- Proposed salaries, benefits, and employer costs for FY 2013-14 will increase \$369,756, or 4.95%, when compared to FY 2012-13. For comparison the current fiscal year was projected at a 3.4% increase (\$249,000)
 - ✓ A negotiated COLA of 3.375% (less buy back of 1%) was added to the salary ranges effective January 2013) For 2014 a negotiated COLA of 3.875% (less buy back of 1%) will be added to the salary ranges effective January 2014.
 - ✓ The District's PERS contribution is capped (effective July 1, 2011) at 24.222%. Employees will pick-up future increases up to the statutory limit of either 7% or 8%.
 - ✓ Medical premiums are estimated to increase 11% effective January 2014. Dental premiums are estimated to increase 6%, effective January 2014. The actual cost increases will be less due to the established medical cap on the cost of health benefits provided to employees.

E. Debt Service

- In March 2013, the District issued approximately \$20 million in revenue bonds to fund various capital projects. The annual debt service for FY 2013-14 is \$1,225,191. As part of the bond covenants the District must collect net revenues equal to at least 125% of the annual debt service. Based on the FY 2013-14 Budget Summary the calculated coverage is 177% based on net revenues of \$2,165,140.

Projected Revenues: FY 2013-14

Category	2010-11	2011-12	2012-13	2013-14
Base Rate	6,182,461	6,164,797	6,187,584	6,349,621
Commodity Charge	18,562,719	19,362,730	20,042,350	21,989,358
Pump Zone	948,646	988,960	962,600	960,025
Other Fees	475,750	461,250	487,000	486,000

Subtotal: Water Sales	\$ 26,169,576	\$ 26,977,737	\$ 27,679,534	\$ 29,785,004
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Stand-by	820,000	830,000	825,000	825,000
Hydro-electric	68,000	35,000	35,000	30,000
Other Revenues	323,200	323,200	312,400	300,400
Non-Operating	1,251,141	1,293,678	1,345,421	1,247,500

Subtotal: Other Revenue	\$ 2,462,341	\$ 2,481,878	\$ 2,517,821	\$ 2,402,900
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Grand Total	\$ 28,631,917	\$ 29,459,615	\$ 30,197,355	\$ 32,187,904
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Projected Expenses: FY 2013-14

Expense Category	FY 2010-11 Budget	FY 2011-12 Budget		FY 2012-13 Budget		Proposed FY 2013-14 Budget	
Purchased Water	\$ 15,318,447	\$16,968,584	59.76%	\$17,489,277	60.33%	\$18,136,192	58.05%
Personnel Costs	7,147,917	7,219,971	25.43%	7,468,498	25.76%	7,838,256	25.08%
Power Costs	849,698	826,303	2.91%	758,029	2.62%	784,560	2.51%
O&M Expenses	3,205,775	3,377,698	11.90%	3,271,748	11.29%	3,263,756	10.44%
Debt Payment	0	0		0		1,225,191	3.92%
<i>Subtotals (excluding purchased water)</i>	\$11,203,390	\$11,423,972	40.24%	\$11,498,275	39.67%	\$13,111,763	41.95%
Grand Total	\$26,521,837	\$28,392,556	100%	\$28,987,552	100.00%	\$31,247,955	100.00%

Budget Summary: FY 2013-14

Category	2010-11	2011-12	2012-13	2013-14
Revenues	\$ 28,631,917	\$ 29,459,615	\$ 30,197,355	\$ 32,187,904
Expenses	\$ 26,521,837	\$ 28,392,566	\$ 28,987,552	\$ 30,022,764
Net Revenues	\$ 2,110,080	\$ 1,067,049	\$ 1,209,803	\$ 2,165,140

Debt Service	na	na	na	\$ 1,225,191
Required Coverage	na	na	na	1.25
Calculated Coverage	na	na	na	1.77

Net Revenues Available	\$ 2,110,080	\$ 1,067,049	\$ 1,209,803	\$ 939,949
Reserve Funding Goal	\$ 3,525,000	\$ 3,525,000	\$ 3,525,000	\$ 3,525,000
Reserve Funding Deficit	(\$ 1,414,920)	(\$ 2,457,951)	(\$ 2,315,197)	(\$ 2,585,051)