



**CENTRAL MARIN
SANITATION AGENCY**

Draft FY17-18 Budget Presentation

May 9, 2017 Board Meeting

Presentation Outline

- ◆ Draft FY 18 Budget
 - Budget Summary/Overview
 - Proposed Projected Revenues
 - Proposed Operating Expenses
- ◆ Updated Capital Improvement Program
 - Revised 10-yr CIP
 - FY 18 Capital Expenses – by category
 - Major FY 18 Capital Projects
- ◆ Updated 10-year Financial Forecast
- ◆ Next – updates and final budget presentation on June 13

FY18 Budget Overview

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FY 18 Budget Overview

- ◆ Finance Committee met on April 27 to review the draft FY18 budget.
 - Accepted FY18 revenue, expense, and capital improvement program budgets
 - Agreed with budgeting nominal amount for capacity charges (5 connections)
- ◆ Received about \$185K to date in capacity charges (connection fees).
- ◆ Additional projected FY17 Operating surplus of \$xK funds capital reserves.
- ◆ Projected FY18 operating revenues cover operating expenses (balanced budget).
- ◆ 10-year CIP is approximately \$36.23 million. (x funded)
- ◆ Committee to begin meeting in Fall 2017 to prepare new multi-year revenue program – to Board in early 2018

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4

Proposed FY18 Projected Revenues

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FY18 Projected Revenues

- ◆ Year 5 of the Agency's 5-year Revenue Program:
 - 4% revenue increase for operations
 - \$100K increase in capital fee
- ◆ Regional charge allocated using 36 month flow/36 month strength method
- ◆ Assume about \$29K in capacity charge revenue
- ◆ Investment earnings increasing but assumed to remain low (0.6%)
- ◆ SQ wastewater treatment fee decreased
 - 5.16% flow/str in FY17 to 3.6% flow/str in FY18
- ◆ Debt service now allocated based on 10-yr average EDU counts

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6

FY18 Projected Revenues

Funding Source	FY17 Budget	FY17 Projection	FY18 Proposed Budget	% difference FY16–FY17
JPA Charges	\$10.4M	\$10.4M	\$10.9M	4.6%
Debt Service	\$4.96M	\$4.96M	\$4.95M	-0.2%
Contract Services	\$1.43M	\$1.45K	\$1.29M	-13.8%
Program Services	\$129K	\$133K	\$123K	-5.2%
Interest	\$56.5K	\$66.0K	\$113.5K	100.9%
Permits & Haulers	\$211K	\$244K	\$226K	7.1%
Other	\$20K	\$28.5K	\$20K	0.0%
Total	\$17.2M	\$17.5M	\$17.6M	2.3%

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7

Proposed FY17 Operating Expenses

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FY 18 Operating Expenses

- ◆ Operating expense - down 2.2%
 - Negotiated employee compensation increase of 2%
 - 21 employees eligible for 5% compensation step increases
 - Several new employees at beginning of compensation ranges
 - Minor decrease in total benefit costs – medical, OPEB
 - Decrease in chemical costs and natural gas procurement
 - Electricity purchase reduction and water procurement cost increase
 - Reduced consulting services
 - Many contract expenses have annual CPI adjustment – 2.5% in CY16
- ◆ Funding the annual GASB 45 contribution for retiree medical liabilities

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9

FY 18 Operating Expenses

Expense	FY17 Budget	FY17 Projection		FY 18 Budget	% difference FY17-FY18
Salaries	\$5.28M	\$5.18M		\$5.28M	-0.1%
Benefits	\$2.57M	\$2.40M		\$2.55M	-0.9%
Chemicals	\$1.15M	\$1.07M		\$1.07M	-6.7%
Biosolids	\$374K	\$334K		\$388K	3.7%
Maintenance	\$382K	\$387K		\$382K	0.0%
NPDES tests	\$169K	\$127K		\$180K	6.3%
Insurance	\$276K	\$204K		\$261K	-5.3%
Utilities	\$395K	\$379K		\$381K	-3.7%
General	\$1.00M	\$737K		\$866K	-13.4%
Total	\$11.6M	\$10.7M		\$11.3M	-2.2%

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10

Updated 10-Yr Capital Improvement Plan (CIP)

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10-Year CIP

- ◆ CIP team - engineering, operations, maintenance, and electrical staff
 - Update CIP and determine project delivery method
 - Schedule project implementation
 - Prepare monthly status report & quarterly Board report
- ◆ 10-year CIP revised
 - cost estimates updated
 - projects prioritized based on several factors – regulatory drivers, energy savings, condition assessments
 - Replacement/rehabilitation schedules and descriptions updated;
 - FY 17 version was \$33.7M and FY18 version is \$36.2M

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12

FY 18 CIP Expenses

Category	FY 18 Budget	# Activities
Staff Salary/Benefits	\$185,200	
Facility Improvements	\$1,824,600	7
General Equipment	\$527,100	10
Liquid Treatment Systems	\$620,700	11
Solids Treatment Systems	\$671,800	5
Total	\$3,829,400	33

- ◆ CIP projects are funded by capacity charges, restricted capital reserves, then unrestricted capital reserves.
- ◆ Staff labor expenses will be charged to four projects in FY17.

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FY 18 CIP Projects

- ◆ Maintenance Facility Modifications – complete construction
- ◆ Solids Handling Bldg Ventilation Improvements – complete construction
- ◆ Agency Masterplan – tech memos on sea level rise, solar facilities, nutrient removal, biogas utilization, and OWRF expansion.
- ◆ PG&E Interconnection Agreement Activities – PG&E system improvements, CMSA cogeneration system improvements, and funding for SRF Loan Plan of Study work.
- ◆ Andersen Drive Hillside Stabilization – design and construct hillside stabilization measures. See FEMA funds.

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14

Updated 10-Yr Financial Forecast

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Updated 10-Yr Financial Forecast

- ◆ Operating and capital revenue increases planned through FY18
- ◆ Minor capacity charge revenues and low interest earnings
- ◆ Employee compensation adjustments reflect remaining 3-years of contracts
- ◆ Minor Organic Waste Program benefits; no power delivery
- ◆ Minor expense increases in most accounts (3%)
- ◆ Costs associated with two NPDES permit renewal cycles
- ◆ CIP funding reduction due to refinancing revenue bonds – less coverage revenue (\$1.8 M over 10 years)

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16

Next-Up

- ◆ Make Board directed adjustments
- ◆ Update 10-yr Financial Forecast and present in June
- ◆ Make any minor expense estimate adjustments
- ◆ Bring Final FY18 Budget to June Board meeting for adoption
- ◆ Prepare GFOA version of adopted FY18 budget

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17

FY 18 Budget 10-Yr Financial Forecast

Category	Projected FY 17	Proposed FY 18	Forecast FY 20	Forecast FY 21
Operating Revenue	\$11.38M	\$11.68M	\$12.11M	\$11.97M
Operating Expenses	\$10.44M	\$11.58M	\$13.06M	\$12.01M
Surplus/(shortfall)	\$940K	\$93.5K	(\$945K)	(\$1.2M)
Operating Reserve Balance – end of FY	\$2.61M	\$2.70M	\$1.38M	-\$48K
Unres. Capital Reserve Balance – end of FY	\$9.09M	\$6.48M	\$2.26M	-\$1.8M

- ◆ Operating shortfall begins in FY19 and reserve depletion end of FY21/beginning FY22.
- ◆ Capital reserve depletion in mid-FY 21 – CIP currently 74.5% funded.

Questions/ Comments

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