



Reference Financial Services Manager	Type of Action Approve Operating Budget Adjustments	Board Meeting of May 5, 2014
Subject Approve Operating Budget Adjustments for Fiscal Years Ending 2014 and 2015		
<input type="checkbox"/> Motion	<input type="checkbox"/> Minute Order	<input checked="" type="checkbox"/> Resolution
<input type="checkbox"/> Ordinance	<input type="checkbox"/> Informational	<input type="checkbox"/> Other
REPORT:	<input type="checkbox"/> Verbal	<input type="checkbox"/> Presentation
	<input checked="" type="checkbox"/> Staff	J. Archer
		<input type="checkbox"/> Board Member

Recommendation:

The Financial Services Manager recommends the Board of Directors approve, by Resolution, budget adjustments for Fiscal Years Ending 2014 and 2015 (FYE 2014 and FYE 2015).

Summary:

At the end of the first year in the District’s two-year budget cycle, staff reviews the budget to determine if any material changes are needed. Staff has completed the review process. The budget adjustments and detailed outline of the impacts on individual funds is included in the Staff Report.

For FYE 2014, expense reductions of \$534,942 are proposed with \$529,500 of that amount being “carry-forwards” to FYE 2015. For FYE 2015 expenses increases of \$611,200 are proposed with \$529,500 of that amount being “carry-forwards” from FYE 2014. In FYE 2015 net operating expenses are proposed to increase by \$30,200 and net Capital Outlay expenditures by \$51,500 after accounting for the “carry-forwards”. No expense or revenue adjustments related to the drought are included herein; those adjustments will be subject to separate Board action.

FYE 2015 proposed revenue decreases (all related to Capacity Reserve Fees) total \$5,211,252 as follows:

- Water has been reduced \$1,200,459 due to recent Code revisions delaying receipt of fees until building permits are issued;
- Local Sewer has been reduced \$181,662 to reflect the recent Code revisions;
- Regional Sewer from the District’s service area has been reduced \$1,496,442 to reflect the recent Code revisions; and
- Regional Sewer from the City of Pleasanton has been reduced by \$2,334,689 in consultation with City staff to better reflect current development activity in Pleasanton.

In FYE 2015, each operating fund except Local Sewer Operations is projected to have a net gain for the year. In addition, at both the beginning and the end of FYE 2015, each operating fund is projected to be above its working capital target except Local Sewer Operation. Regarding Local Sewer Operations, there is no change to the budget proposed for that fund. The projected net loss and working capital are essentially in accordance with Board approvals for that fund made at the time the FYE 2015 operating budget was approved last year. The slight changes are due to the difference between actual vs. projected fund balances on June 30, 2014 and slight changes in allocation of administrative overhead due to the “carry-overs” to FYE 2015. Even with the revenue reductions, all of the replacement and expansion funds are projected to remain above their reserve targets throughout FYE 2015 except for the Water Replacement fund, which is projected to begin and end the year at about 85% of its target. The projected reserve level in that fund is essentially in accordance with Board approvals for that fund made at the time that the FYE 2015 operating budget was approved last year and were the result of expenditures for the Central Dublin Recycled Water Project. The fund’s position is projected to improve by about \$1.0M during FYE 2015.

Overall, the financial position of the District remains strong, stable and sustainable.

Committee Review			Legal Review	Staff Review		
COMMITTEE Finance	DATE 4/16/14	RECOMMENDATION Approve		ORIGINATOR J. Archer	DEPARTMENT Fin Serv	REVIEWED BY
ATTACHMENTS <input type="checkbox"/> None						
<input checked="" type="checkbox"/> Resolution	<input type="checkbox"/> Minute Order	<input type="checkbox"/> Task Order	<input checked="" type="checkbox"/> Staff Report	<input type="checkbox"/> Ordinance		
<input checked="" type="checkbox"/> Cost Expenses FYE14: (\$534,942) FYE15: \$611,200	<input type="checkbox"/> Funding Source A. Various B.	Attachments to S&R 1. 2. 3.				

RESOLUTION NO. _____

RESOLUTION OF THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT APPROVING OPERATING BUDGET ADJUSTMENTS FOR FISCAL YEARS ENDING 2014 AND 2015

WHEREAS, the District prepares a two-year budget that is reviewed after one year to determine if any substantive changes are needed; and

WHEREAS, staff has performed a mid-cycle review of the budget and is recommending substantive changes not anticipated when the budget was originally adopted in June 2013; and

WHEREAS, the proposed revised budget is supported by the Finance Committee.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT, a public agency located in the Counties of Alameda and Contra Costa, California that:

The Budget Adjustments shown on Exhibit "A" for Fiscal Years Ending 2014 and 2015 are hereby approved and adopted.

ADOPTED by the Board of Directors of Dublin San Ramon Services District, a public agency in the State of California, Counties of Alameda and Contra Costa, at its special meeting held on the 5th day of May 2014, and passed by the following vote:

AYES:

NOES:

ABSENT:

Georgan M. Vonheeder Leopold, President

ATTEST: _____
Nancy G. Hatfield, District Secretary

FYE 2014 EXPENSE ADJUSTMENTS

Fiscal Year	Expense Account						Description	\$ Increase (Decrease)	Comment / Carry-Forward = ✓
2014	200	40	43	000	1	140	Training Costs	(300.00)	✓
2014	300	40	43	000	1	140	Training Costs	(750.00)	✓
2014	600	40	43	000	1	140	Training Costs	(450.00)	✓
2014	310	50	53	000	2	210	Equipment under \$10,000	9,558.00	Aeration Mixer
2014	200	30	31	000	3	312	Professional Services	(10,000.00)	✓
2014	300	30	31	000	3	312	Professional Services	(39,000.00)	✓
2014	320	30	31	000	3	312	Professional Services	(35,000.00)	✓
2014	200	30	33	330	3	325	Maintenance Contracts	(600.00)	✓
2014	200	40	43	000	3	325	Maintenance Contracts	(3,000.00)	✓
2014	300	30	33	330	3	325	Maintenance Contracts	(600.00)	✓
2014	300	40	43	000	3	325	Maintenance Contracts	(7,500.00)	✓
2014	600	30	33	330	3	325	Maintenance Contracts	(4,800.00)	✓
2014	600	40	43	000	3	325	Maintenance Contracts	(4,500.00)	✓
2014	200	30	31	000	3	350	Printing Services	(7,000.00)	✓
2014	300	30	31	000	3	350	Printing Services	(7,000.00)	✓
2014	210	70	51	050	5	555	Capital Outlay - Identified	(350,000.00)	✓
2014	310	70	53	050	5	555	Capital Outlay - Identified	(15,000.00)	Aeration Mixer
2014	610	70	51	050	5	555	Capital Outlay - Identified	(59,000.00)	✓
Total								(534,942.00)	

FYE 2015 REVENUE ADJUSTMENTS

Fiscal Year	Revenue Account				Description	\$ Increase (Decrease)
2015	210	2	220	10	Sewer Capacity Reserve Fees Dublin	(92,107.00)
2015	220	2	220	10	Sewer Capacity Reserve Fees Dublin	(89,555.00)
2015	310	2	220	10	Sewer Capacity Reserve Fees Dublin	(204,430.00)
2015	320	2	220	10	Sewer Capacity Reserve Fees Dublin	(1,292,012.00)
2015	310	2	220	15	Sewer Capacity Reserve Fees Pleasanton	(318,670.00)
2015	320	2	220	15	Sewer Capacity Reserve Fees Pleasanton	(2,014,019.00)
2015	610	2	210	00	Water Capacity Reserve Fees	(282,318.00)
2015	620	2	210	00	Water Capacity Reserve Fees	(918,141.00)
Total						(5,211,252.00)

FYE 2015 EXPENSE ADJUSTMENTS

Fiscal Year	Expense Account						Description	\$ Increase (Decrease)	Comment / Carry-Forward = ✓
2015	200	40	43	000	1	140	Training Costs	300.00	✓
2015	300	40	43	000	1	140	Training Costs	750.00	✓
2015	600	40	43	000	1	140	Training Costs	450.00	✓
2015	300	50	53	000	2	250	General Supplies	20,000.00	Cogen Engine spare parts
2015	200	30	31	000	3	312	Professional Services	10,000.00	✓
2015	300	30	31	000	3	312	Professional Services	39,000.00	✓
2015	320	30	31	000	3	312	Professional Services	35,000.00	✓
2015	200	30	33	330	3	325	Maintenance Contracts	600.00	✓
2015	200	40	43	000	3	325	Maintenance Contracts	3,000.00	✓
2015	300	30	33	330	3	325	Maintenance Contracts	600.00	✓
2015	300	40	43	000	3	325	Maintenance Contracts	7,500.00	✓
2015	600	30	33	330	3	325	Maintenance Contracts	4,800.00	✓
2015	600	40	43	000	3	325	Maintenance Contracts	4,500.00	✓
2015	300	50	55	552	3	330	Monitoring & Testing	10,200.00	Nutrient study
2015	200	30	31	000	3	350	Printing Services	7,000.00	✓
2015	300	30	31	000	3	350	Printing Services	7,000.00	✓
2015	210	70	51	050	5	555	Capital Outlay - Identified	350,000.00	✓
2015	210	70	51	050	5	555	Capital Outlay - Identified	10,600.00	Work Order software module (spit funded)
2015	610	70	42	050	5	555	Capital Outlay - Identified	25,000.00	Backflow software
2015	610	70	51	050	5	555	Capital Outlay - Identified	15,900.00	Work Order software module (spit funded)
2015	610	70	51	050	5	555	Capital Outlay - Identified	59,000.00	✓
Total								611,200.00	

In accordance with the General Manager Staff Travel Directive, any conference attendance outside California is limited to those specifically identified as a line item in the detail accompanying the approved District budget (if not listed in the budget must be separately approved by the Board). The following items do not require additional monetary funding but in compliance with the Directive are identified herein as part of the budget detail for FYE 2015.

- R. Biagtan & S. Delight: CASA/ACWA conferences (Washington DC); and
- S. Olson & F. Khaw: ABPA Western Regional Backflow Conference 2014 (Las Vegas).

Proposed FYE 2014-15 Operating Budget Mid-Cycle Adjustments

Background

The District is currently in the midst of a two year budget cycle. The budget cycle includes a mid-cycle review and recommendation for budget adjustments. The adjustments proposed herein do not include any adjustments for the impact of the current drought. All drought-related expenses will be presented for separate Board action, as needed, or in conjunction with adoption of drought rates or emergency actions (tentatively estimated to be \$150,000-\$200,000).

Discussion

Overview

The proposed expense adjustments to the budget are minimal. A majority of the operating expense adjustments (\$120,500) are simply requests to carryover previously adopted items from FYE 2014 to FYE 2015. Additional operating expense requests totaling \$30,200 is requested for FYE 2015. Capital outlays are items in excess of \$10,000, which require specific Board authorization. Of the \$460,500 in capital outlay adjustments, only \$51,500 are new requests. The remainder (\$409,000) is comprised of capital outlay deferred from FYE 2014 to FYE 2015. Additional detail is provided below.

Operating Expenses "Carry-Overs" from FYE 2014 to FYE 2015

The net impact of the above adjustments reduces budgeted operating expenses by \$120,500 in FYE 2014 with a corresponding increase in FYE 2015.

- Local Wastewater Collection System Rate Study (\$10,000);
- Regional Wastewater Treatment System Rate Study (\$39,000);
- Regional Wastewater Treatment System Capacity Reserve Fee Study (\$35,000);
- Proposition 218 notification costs for above studies (\$14,000);
- AMI Maintenance Fees (\$6,000);
- Emergency Radio Startup Fees (\$15,000); and
- ESRI Conference Training (\$1,500).

New Operating Expenses in FYE 2015

- \$20,000 for cogeneration engine spare parts for three critical engines. Expense is necessary due to long lead times on replacement parts; and
- \$10,200 for nutrients testing required for new Nutrient Watershed Permit.

“Carry-Over” Capital Outlay

Several capital outlay items have been carried over from FYE 2014 to FYE 2015. The FYE 2014 budget for capital outlay will be reduced by \$414,442. The projects will be added to the approved project list for FYE 2015.

- Vac Con Jetter/Combo Truck (\$350,000)
- F-350 Truck for Field Operations Division (\$59,000)

A capital outlay project for an aeration tank spare mixer was previously approved for \$15,000 in FYE 2014. The mixer will not cost as much as originally anticipated (\$9,558) and because it is below the District’s \$10,000 capitalization policy it will be purchased as part of operating expenses in FYE 2014 instead.

New Capital Outlay in FYE 2015

- \$26,500 for Software for mobile work order management for Field Operations staff (Lucity); this is split funded between water and local sewer operations so it shows up as two lines in the budget approval resolution; and
- \$25,000 for Backflow Prevention Program System (Tokay) used to manage billing and compliance. Cost of the new system will be full covered by program fees. Backflow Prevention Fees were recently adopted as part of the Miscellaneous Fee update.

Training Authorization (No budget impact)

In accordance with the General Manager Staff Travel Directive, any conference attendance outside California is limited to those specifically identified as a line item in the detail accompanying the approved District budget (if not listed in the budget, it must be separately approved by the Board). The following items do not require additional monetary funding, but in compliance with the Directive, are identified herein as part of the budget detail for FYE 2015.

- R. Biagtan & S. Delight: CASA/ACWA conferences (Washington DC); and
- S. Olson & F. Khaw: ABPA Western Regional Backflow Conference 2014 (Las Vegas).

Proposed Revenue Adjustments

FYE15 proposed revenue decreases (all related to Capacity Reserve Fees) total \$5,211,252 as follows:

Water Expansion

Water expansion fund revenue has been reduced \$918,141 due to recent Code revisions delaying receipt of fees until building permits are issued (Sections 3.10-3.20, 3.50-3.70) and in accordance with the recent adoption of the Water Expansion Fund Management policy.

Water Replacement

Water replacement fund revenue has been reduced \$282,318 due to the recent Code revisions and policy adoption.

Local Expansion

Local expansion fund revenue has been reduced \$89,555 due to the recent Code revisions and policy adoption.

Local Replacement

Local replacement fund revenue has been reduced \$92,107 due to the recent Code revisions and policy adoption.

Regional Expansion DSRSD Service Area

Regional expansion revenue from the DSRSD service area has been reduced \$1,292,012 due to the recent Code revisions and policy adoption.

Regional Replacement DSRSD Service Area

Regional replacement revenue from the DSRSD service area has been reduced \$204,430 due to the recent Code revisions and policy adoption.

Regional Expansion Pleasanton Service Area

Regional expansion revenue from the Pleasanton service area has been reduced \$2,014,019 based on discussions with City to better reflect current development activity in Pleasanton. The FYE 2015 budget originally anticipated that Pleasanton would add 409 new dwelling unit equivalents (DUE). Pleasanton staff has advised that 250 DUEs would be a better estimate for FYE 2015. Pleasanton has sold 134 connections through February of 2014.

Regional Replacement Pleasanton Service Area

Regional replacement revenue from the Pleasanton service area has been commensurately reduced by \$318,670.

Capital Improvement Program Fund Limits

The Proposed Operating Budget (Fund Balance Report) includes Fund Limit changes proposed by the CIP Two Year Budget Adjustments, which will be considered as a separate Board action.

Summary

In FYE 2015, each operating fund except Local Sewer Operations is projected to have a net gain for the year. In addition, at both the beginning and the end of FYE 2015 each operating fund is projected to be above its working capital target except Local Sewer Operation.

Regarding Local Sewer Operations, there is no change to budget proposed for that fund. The projected net loss and working capital are essentially in accordance with Board approvals for that fund made at the time the FYE 2015 operating budget was approved last year. The slight changes are due to the difference between actual vs. projected fund balances on June 30, 2014 and slight changes in allocation of administrative overhead due to the "carry-overs" to FYE 2015.

Even with the reductions to budgeted revenue, all of the replacement and expansion funds are projected to remain above their reserve targets throughout FYE 2015 except for the Water Replacement fund, which is projected to begin and end the year at about 85% of its target. The projected reserve level in that fund is essentially in accordance with Board approvals for that fund made at the time that the FYE 2015 operating budget was approved last year and were the result of expenditures for the Central Dublin Recycled Water Project. The fund's position is projected to improve by about \$1.0M during FYE 2015.

Overall, the financial position of the District remains strong, stable and sustainable.

Attachments:

- FYE 2015 Fund Balance Spreadsheet Based on Proposed Operating Budget Spreadsheet

Estimated Change in Net Assets

FYE 2015 PROPOSED BUDGET	Local Sewer Operations 200	Local Sewer RSF 205	Local Sewer Replacement 210	Local Sewer Expansion 220	Regional Sewer Operations 300	Regional Sewer RSF 305	Regional Sewer Replacement 310	Regional Sewer Expansion 320	Water Operations 600	Water Operations RSF 605	Water Replacement 610	Water Expansion 620	Admin. Cost Center 900	OPEB 965	DV Standby District 995	Total Total
Working Capital July 1, 2014 (estimate from projected FYE14)	725,293	573,256	9,557,299	5,055,236	8,079,610	6,711,549	13,013,335	41,543,598	9,797,088	8,386,876	7,897,045	13,447,206	-	225,723	718,648	125,731,761
Payment of Internal Receivable				8,474				133,030				(269,421)	127,917			-
Adjusted Working Capital	725,293	573,256	9,557,299	5,063,710	8,079,610	6,711,549	13,013,335	41,676,628	9,797,088	8,386,876	7,897,045	13,177,785	127,917	225,723	718,648	125,731,761
Revenues:																
Zone 7 Revenue (600.1.150.10)									9,853,600							
DSRSD Fixed Charge (600.1.150.10)									5,878,288							
DSRSD Potable Revenue (600.1.150.10)									4,268,940							
DSRSD Recycled Revenue (600.1.150.30)									3,152,731							
Power Charge Revenue (600.1.150.35)									712,126							
Dublin Sewer Service Charge (1.110.10)	1,743,882				7,544,402											
San Ramon Sewer Service Charge (1.110.30)	394,629				1,785,167											
Pleasanton Sewer Service Charge (1.110.20)					9,718,489											
Miscellaneous Revenues																
Pretreatment/Lab Tests- DSRSD (1.110.40)					126,707											
Pretreatment/Lab Tests- Pleasanton (1.110.45)					200,000											
Total Service Charges	2,138,511				19,374,765				23,865,685							45,378,961
Capacity Reserve Fees			523,747	509,233			1,663,500	10,846,202			2,063,803	5,656,349				21,262,833
Other Revenues	9,000	-	-	381,000	498,119	-	-	43,063	416,500	492,539	3,636	1,179,699	1,179,647	764,050	1,429,211	6,396,464
Grants																
0.50% Interest (as adjusted/proposed)	1,788	2,901	44,349	26,336	44,510	31,783	69,159	225,810	54,608	32,119	35,243	79,874		11,263		659,744
Total Revenues	2,149,299	2,901	568,096	916,570	19,917,394	31,783	1,732,659	11,115,075	24,336,793	524,658	2,102,682	6,915,922	1,179,647	775,313	1,429,211	73,698,003
Transfers In:																
Replacement Allocations			287,000				2,574,461				2,501,000					5,362,461
Debt Service												675,000				675,000
Other																
Total Transfers In	-	-	287,000	-	-	-	2,574,461	-	-	-	2,501,000	675,000	-	-	-	6,037,461
Total Revenue	2,149,299	2,901	855,096	916,570	19,917,394	31,783	4,307,120	11,115,075	24,336,793	524,658	4,603,682	7,590,922	1,179,647	775,313	1,429,211	79,735,464
Operating Expenses:																
Operating																
Wages and Benefits	1,386,187			262,118	7,473,510		77,654	77,654	4,898,952			508,580	5,388,298			19,995,299
Staff Time Charged to Projects/JPAs	(72,174)			(23,173)	(694,886)		(3,500)	(3,500)	(305,342)			(35,841)	(31,797)			(1,166,712)
Other Personnel Costs	69,180			6,560	429,263		6,000	6,000	272,012			17,970	163,489	764,050		1,728,524
Chemicals, Gas & Electric	3,130				1,238,184				723,227				66,563			2,031,104
Other Materials	52,149		5,400	1,000	742,710		25,650		157,227		121,950	157,395	109,292			1,372,773
Water Purchase									9,451,037							9,451,037
Contracts	206,872		800	18,841	613,968		700	5,101	992,802		1,528	30,941	1,258,472		1,429,211	4,559,236
Other	17,096			145,774					106,320	50,000		300	47,898			367,388
Contribution to JPA					2,115,991			337,098	1,469,192		47,310	111,940				4,081,531
Debt Service					1,464,277		6,613,538					3,069,536				11,147,351
Proposed Budget Adjustments (Carryforwards)	20,900				54,850		35,000		9,750							120,500
Proposed Budget Adjustments (O&M)					30,200											30,200
Proposed Budget Adjustments (Capital Outlay)			360,600								99,900					460,500
Capital Outlay			482,100				117,000				118,900					718,000
Projected O&M Cost Increases																
Allocated Costs (as adjusted/proposed)	540,415			102,189	2,913,605			30,274	1,909,894			198,274	(5,694,651)			
Total Operating Expenses	2,223,755	-	848,900	513,309	16,381,673	-	143,350	7,101,165	19,685,071	50,000	389,588	4,059,095	1,307,564	764,050	1,429,211	54,896,731
Capital Projects - Proposed Fund Limits			786,000	101,000			3,666,000	865,000			3,205,000	1,411,000				10,034,000
Transfers Out:																
Replacement Allocations	287,000				2,574,461				2,501,000							5,362,461
Debt Service									675,000							675,000
Other																
Total Transfers Out	287,000	-	-	-	2,574,461	-	-	-	3,176,000	-	-	-	-	-	-	6,037,461
Total Expenses	2,510,755	-	1,634,900	614,309	18,956,134	-	3,809,350	7,966,165	22,861,071	50,000	3,594,588	5,470,095	1,307,564	764,050	1,429,211	70,968,192
Net increase (decrease) pre RSF	(361,456)	2,901			961,260	31,783			1,475,722	474,658			(127,917)			8,767,272
Ending Working Capital pre RSF	363,836	576,157			9,040,870	6,743,332			11,272,810	8,861,534						
RSF Transfer In (Out)	144,039	(144,039)			(850,034)	850,034			(1,430,275)	1,430,275						
Net increase (decrease) post RSF	(217,417)	(141,138)	(779,804)	302,260	111,226	881,817	497,770	3,148,910	45,448	1,904,933	1,009,094	2,120,827	(127,917)	11,263		8,767,272
Ending Working Capital June 30, 2015	\$ 507,875	\$ 432,118	\$ 8,777,495	\$ 5,365,970	\$ 8,190,836	\$ 7,593,366	\$ 13,511,105	\$ 44,825,538	\$ 9,842,536	\$ 10,291,809	\$ 8,906,139	\$ 15,298,612	\$ -	\$ 236,986	\$ 718,648	\$ 134,499,034

