

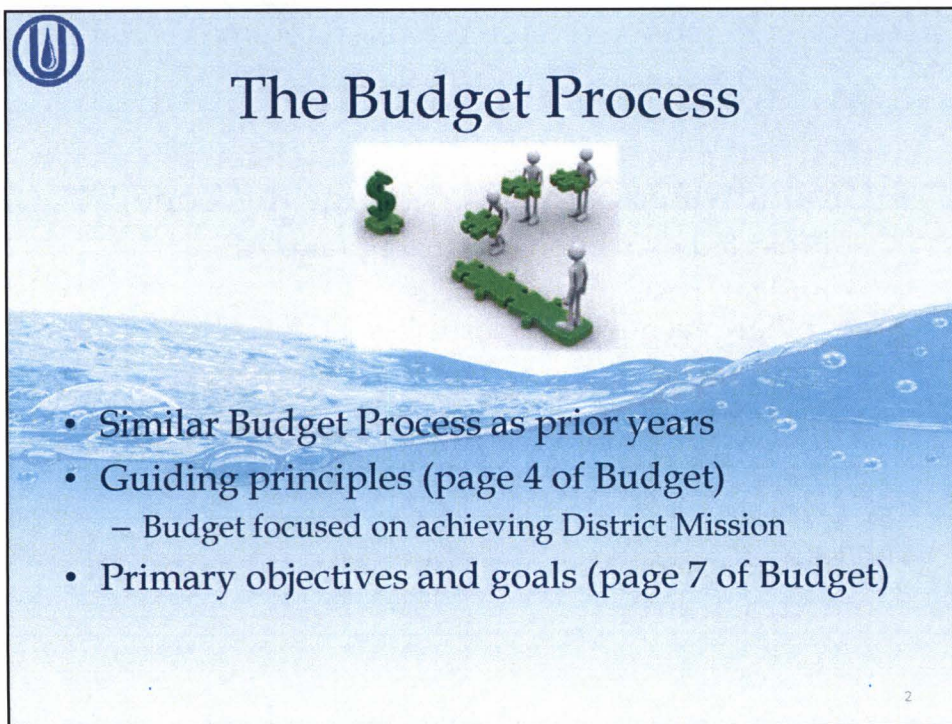
Budget Workshop

United Water Fiscal Year 2018-19


May 22, 2018

Tina Rivera, CFO
Erin Gorospe, Sr. Accountant

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The Budget Process



- Similar Budget Process as prior years
- Guiding principles (page 4 of Budget)
 - Budget focused on achieving District Mission
- Primary objectives and goals (page 7 of Budget)

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Revenue Projections (by Fund)

- Prepared by Finance
 - Independent from budget/expenditure requests (Avoids “putting the costs where there’s money”)
- Groundwater Extractions
 - Historical trends
 - Zone (A or B)
 - Type of use (Ag or M&I)
 - Timing (July - Dec or Jan -June)
- Property Tax
 - Historical trends
 - General/Water Conservation Fund and State Water Fund
 - Categories (i.e. secured, supplemental, unsecured, etc.)


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Revenue Projections

- Groundwater Extraction Charge (by Zone)
 - Projected extractions @ current rate/ AF
 - Budget/costs proposed less other revenues (Property Tax, etc.)
 - Revenue needed based on Budget Proposal
- Apply Algebraic Formula for proportionality of costs for Ag vs M&I usage (per Water Code)
- Charge applied to pipeline deliveries (in lieu of extraction)

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 **FY 2018-19 Zone A (District-Wide)
 GW Extraction Charge at 3:1**

- Zone A Total - \$12.11 M

<u>Direct Extraction</u>		<u>In-Lieu</u>	
Ag	\$ 6.83 M (65%)	Ag	\$0.29 M (18%)
M&I	\$ 3.68 M (35%)	M&I	\$1.31 M (82%)
Total	\$10.51 M	Total	\$1.60 M

- Ag \$7.12 M (59%) M&I \$4.99 M (41%)

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 **FY 2018-19 Zone B (Freeman) GW
 Extraction Charge at 3:1**

- Zone B Total - \$3.44 M

<u>Direct Extraction</u>		<u>In-Lieu</u>	
Ag	\$ 1.75M (62%)	Ag	\$ 0.16M (18%)
M&I	\$ 1.07M (38%)	M&I	\$ 0.72M (82%)
Total	\$2.82M	Total	\$ 0.88M

- Ag \$1.70M (49%) M&I \$1.74M (51%)


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GW Extraction FY 2018-19 Projected Zone A (including in-lieu deliveries)

Ag 147,000 AF (85%) vs 59% Paid
M&I 26,450 AF (15%) vs 41% Paid
173,450 AF


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GW Extraction FY 2018-19 Projected Zone B (including in-lieu deliveries)

Ag 74,730 AF (76%) vs 49% Paid
M&I 23,410 AF (24%) vs 51% Paid
98,140 AF


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Expenditure Projection Distribution

- Allocated reasonably and proportionately to Funds (or Zones) and project/activity
 - Considers all factors
 - Direct benefit to “mission/purpose” of fund/zone
 - Indirect/Partial benefit to “mission/purpose” of fund zone - Management staff reviews and finalizes allocation percentages based on professional judgment - not fund’s “ability to pay”
- Staff time allocation (based on fund/zone & project activity)

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Expenditure Projection Distribution



- CIP Allocated proportionally to funds
 - Example: Lower River Invasive Species Control Project (Next Slide)
- Adhere to Financial Policies of District
 - Environmental Cost Allocation Policy


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 Lower River Invasive Species Control Project									
PROJECT FUNDING									
Project 8006	Funding Split	Approved Allocation thru 6-30-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23 and Beyond	Project Total	
Funding Sources									
General/Water Conservation	30%	120,644	61,826	63,000	100,000	100,000	100,000	100,000	2,743,176
Debt Proceeds	0%	-	-	-	-	-	-	-	-
Freeman	0%	-	-	-	-	-	-	-	-
OH Pipeline	0%	-	-	-	-	-	-	-	-
OH Well Replacement	0%	-	-	-	-	-	-	-	-
PV Pipeline	40%	241,288	103,083	104,200	1,812,000	1,812,000	1,812,000	1,812,000	5,885,341
PT Pipeline	40%	241,288	103,083	104,200	1,812,000	1,812,000	1,812,000	1,812,000	5,885,341
Contributions/Grants	0%	-	-	-	-	-	-	-	-
Total Funding Sources	100%	603,220	267,909	268,200	4,624,000	4,624,000	4,624,000	4,624,000	14,718,862
PROJECT COSTS									
Project Phase/Category	Approved Allocation thru 6-30-18	CURRENT YEAR \$12,000s		FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23 and Beyond	Project Total
Project Administration/Inspection		Est Exp. Yr to End of Year	Est Balance to Carryover						
In-house Salaries	75,345	23,683	51,762	7,632	15,000	30,000	30,000	30,000	187,977
Legal Fees	-	-	-	-	-	-	-	-	-
Total Administration/Inspection	75,345	23,683	51,762	7,632	15,000	30,000	30,000	30,000	187,977
Project Planning & Design									
Design	116,875	86,983	419,830	230,000	250,000	-	-	-	1,016,875
Survey	6,000	4,000	2,000	-	-	-	-	-	6,000
Geotechnical	8,000	-	8,000	-	-	-	-	-	8,000
Total Planning & Design	128,875	90,983	429,830	230,000	250,000	-	-	-	1,030,875
Land Acquisition									
Raw Land Acquisition	-	-	-	-	-	-	-	-	-
DECA Permits	-	-	-	-	-	-	-	-	-
Total Land Acquisition	-	-	-	-	-	-	-	-	-
Construction									
Equipment	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	4,500,000	4,500,000	4,500,000	13,500,000
Total Improvements	-	-	-	-	-	4,500,000	4,500,000	4,500,000	13,500,000
Total Project Costs	603,220	124,666	478,854	267,632	268,000	4,624,000	4,624,000	4,624,000	14,718,862
Special Project Issues & Funding Sources (Other Agency Permits, Grants, Assessment Districts, Coordination with Others, Etc.)									
Water Conservation 55C									
Annual Fiscal Impact - Maintenance & Operations (Current and Future)									



Use of Funds for allocation of costs

- General/Water Conservation Funds (Zone A)
 - Including Rec/Hydro-generation
- Freeman Fund (Zone B)
- OH Pipeline
- PV Pipeline
- PT Pipeline
- State Water
- Overhead Fund



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Then What?



- Management staff reviews each Department budget requests with Department Manager explaining and justifying item/cost/allocation
- Revenue Projections / Expenditure Projections pulled together, by Fund/Zone
- Balance Budget / Revenue needs / Expenditures finalized and Reserve projections / policies
- General Manager determination for “Proposed Budget”
- Final Budget Brief Reports and Reserves Status are pages you see in Proposed Budget

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In Summary

- GM presented budget proposal
 - Mission (Goals/Objectives) of District services only included.
 - Expenditures/services are reasonably and proportionately distributed based on valid, rational methodology using all relevant factors, water code mandates, Board policies and sound professional judgment by staff
 - Rates, charges and other revenues do not exceed the reasonable and necessary costs of operating the District (Board must confirm) – given the District’s unique circumstances and required rates for establishing charges for WCD’s
 - Revenue requirements are legitimate costs for operation of District and its financial stability
 - Reserve levels
 - Depreciation/Replacement Funding

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UWCD Unique Circumstances

- Not a utility or water purveyor
- Mission/Purpose and authorities established in Water Code and State Constitution
- Subject to Governmental Accounting/Financial reporting
- Small District - Staff works across all activities (few assigned specifically to one fund)
- Groundwater basins are hydrologically connected throughout District but one can not account for movement of each molecule
- Long-term benefits not short-term mandate of District


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UWCD Unique Circumstances (cont.)

- Benefits provided by District are more accurately determined by comparing what we do to what would happen over years/decades if UWCD and its facilities didn't exist
- Utilities/water purveyors non-action is seen/felt immediately - impacts can be reversible
- The fees do not exceed the District's reasonable groundwater management costs, and the District allocates these costs in a fair and reasonable relationship to the burdens on the resource


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Other Items of Note

- Quantification Analyses (2) will be presented later to support 3:1 Rate Ratio for FY 2018-19 Zone A and B
 - John Frankopf - HF & F
 - Rod Smith, Ph. D. - Stratecon

* Harmonize WC and State Constitution
WC Section 75594



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Included in Proposed Budget Plan

- Increased rates for Zone A & B to minimize the operational deficit for the upcoming fiscal years
- Rates for the three pipelines remain largely the same as FY 17-18 with the exception of a decrease in the OH Fixed Well Replacement Charge and the PV Monthly Fixed Cost
- Merged the Engineering & Groundwater Departments, to be headed by new Chief Engineer position

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Included in Proposed Budget Plan (cont.)

- Added one full-time Field Technician in Environmental Planning & Conservation Department with a reduction in part-time EPCD staff
- Reclassification of Supervising Instrument & Electrical Technician to Operations & Maintenance Manager

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Changes to Proposed Budget Plan

- General/Water Conservation Fund - \$11,500 revenue for filming fees added
- State Water Reserve Policy - calculation for FAWP reserve component due to increase 2018 SW allocation
- Freeman fund projected ending balance as of June 30, 2018 reduced to \$727,898 due to recent supplemental appropriations. Designations for improvements to total \$5,992,187, all of which will be undesignated during FY 18-19.
- Fox Canyon GMA expense increased by \$750 in the OH Fund and \$3,000 in PTP Fund to match budgeted revenues, as this is a pass-through item
- CIP Project 8030 renamed Alternative Supply Alliance Pipeline Project (previously Santa Paula-Saticoy Conveyance Pipeline)

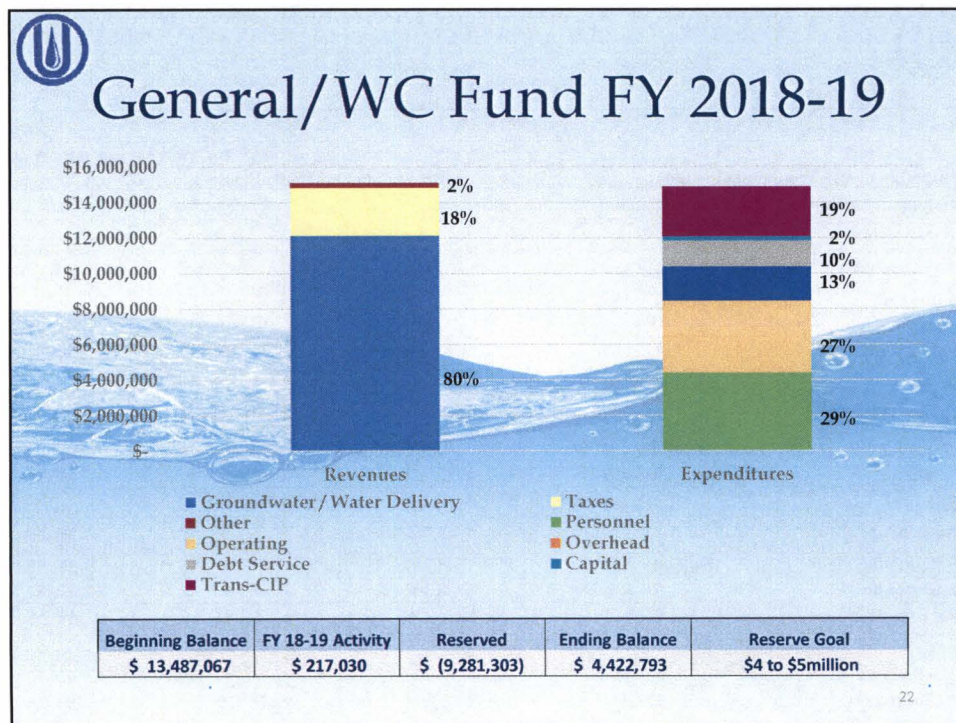
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The Team

	FY 2016-17	FY 2017-18	FY 2018-19	Difference From FY 2017-18	Notes
Administration	15	15	15	0	
Env. Planning & Conservation	7.35	7.48	7.48	0	Add full-time Field Technician, reduce part-time Field Assistants by 1 FTE
Engineering & Groundwater	15	16.5	15.58	(0.92)	Merge Engineering and Groundwater Departments, add Chief Engineer, remove Deputy GM/GW & Water Resources Manager, retirement of Engineering Manager, remove 6-month Water Resources Technician position
Operations & Maint., Recreation	24	24.37	24.37	0	
Total	61.35	63.35	62.43	(0.92)	

Other Personnel Changes:
 3.62% COLA Adjustment effective 7/1/18
 2018 Rates for Retirement
 Retirement Rate 18.859% - PERS Classic plus \$485,400
 Retirement Rate 13.092% - PERS PEPR

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General/WC Fund

- Made up of 3-subfunds
 - Water Conservation Activities
 - Recreation Activities
 - General Operating Activities


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Proposed FY 2018-19	Total	Recreation	General Operating	Water Conservation Zone A
REVENUE				
Property Tax	2,712,000		2,712,000	
Water Deliveries	1,603,072	3,000		1,600,072
Groundwater	10,509,695			10,509,695
Other	293,114	12,900	85,032	195,182
Total Revenue	15,117,881	15,900	2,797,032	12,304,949
EXPENDITURES				
Personnel	4,395,100	495,070		3,900,030
Operating	4,058,259	775,263	437,010	2,845,986
Overhead	1,934,179	116,403		1,817,776
Debt Service	1,445,213	85,065	52	1,360,096
Capital Outlay	250,175	48,240		201,935
Transfers Out	2,817,925	348,398		2,469,527
Total Expenditures	14,900,851	1,868,439	437,062	12,595,350
Net: Surplus / (Shortfall)	217,030	(1,852,539)	2,359,970	(290,401)

 **General/WC- Additional Info**

- Proposed Rates ↑ 3%
 - Extraction charge M&I ↑ \$135.24 to \$139.30 / AF
 - Extraction charge Ag ↑ \$45.08 to \$46.43 / AF
- Groundwater extractions ↑ 5% to 173,450 / AF
- GW pump charge from deliveries via:
 - OH ↑ 0.4% to 10,640 / AF
 - PV = 0 / AF
 - PT ↑ .04% to 5,000 / AF
- Pumping:
 - Ag 85% M&I 15%
 - Zone A 52% Zone B 48%



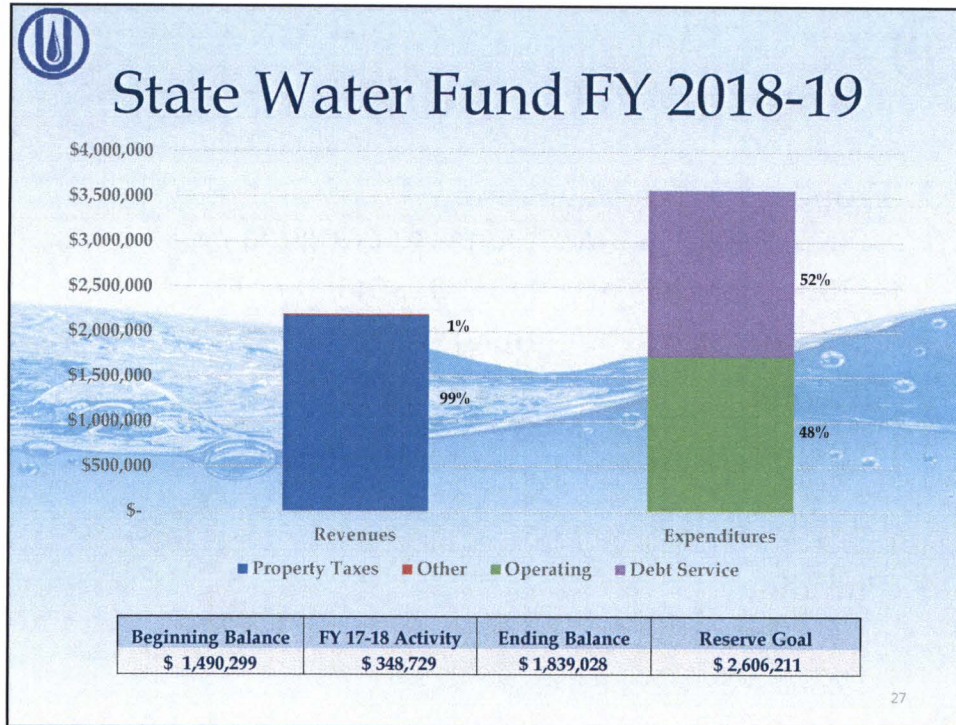
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 **General/WC- Additional Info Continued**

FY 2018-19

- Designations
 - \$7,504,432 for Improvements with \$3,470,129 of that undesignated to date
 - \$3,125,000 for Replacement
 - \$225,000 for Legal Reserve
 - \$1,000,000 for Water Conveyance Infrastructure
 - \$897,000 for required 2009 COP Reserve

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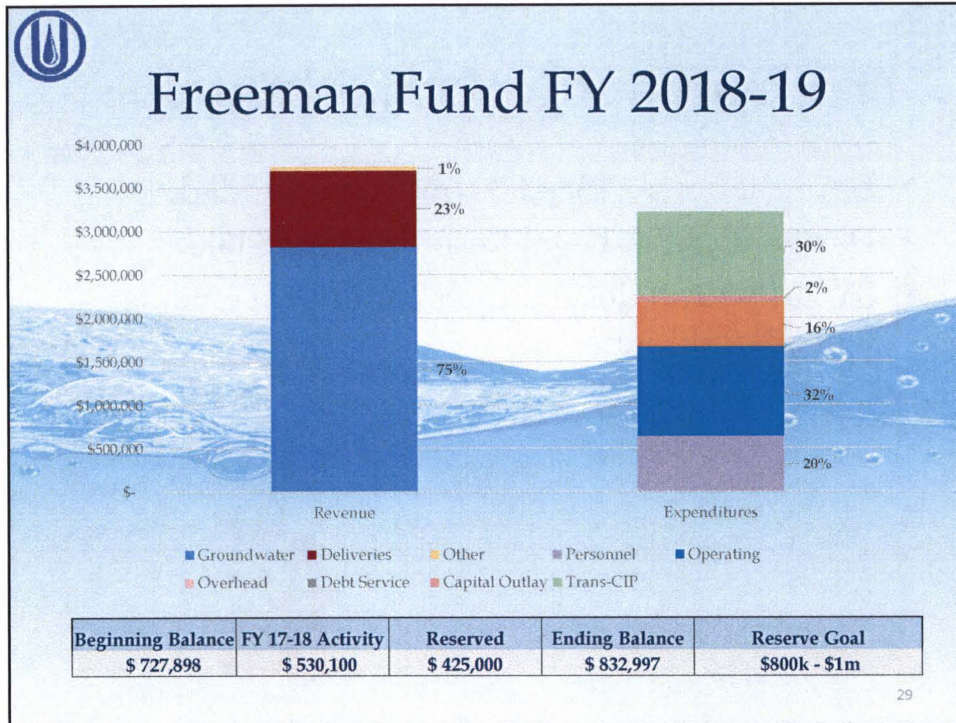


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State Water - Additional Info

- State has indicated that in 2018 35% of allocation will be released.
- State Water project costs are funded 100% by voter approved property tax assessment, not by:
 - General Operating Activities Fund’s property tax receipts
 - Water Conservation Activities Fund (Zone A) or Freeman Diversion (Zone B) extraction charges
- City of Ventura and City of Oxnard residents pay nothing to this fund


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Freeman - Additional Info


- Proposed Rates ↑ 3%
 - Extraction charge M&I ↑ \$74.31 to \$76.54 / AF
 - Extraction charge Ag ↑ \$24.77 to \$25.51 / AF
- Groundwater extractions ↑ 8% to 82,500 / AF
- GW pump charge from deliveries via:
 - OH ↑ 0.4% to 10,590 / AF
 - PV = 0 / AF
 - PT ↑ 0.4% to 5,000 / AF

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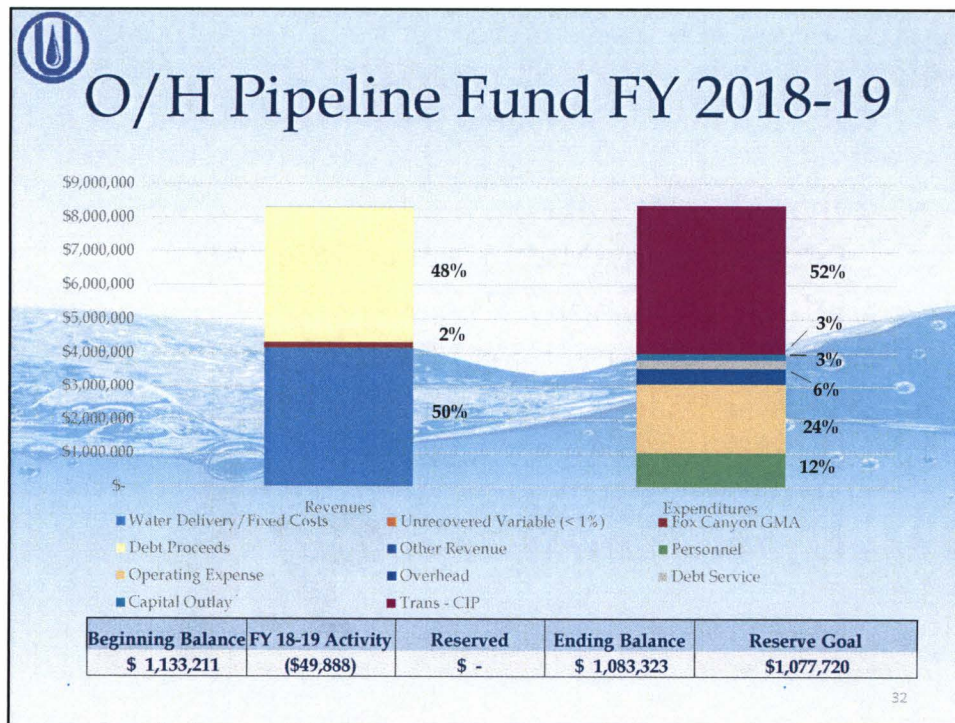


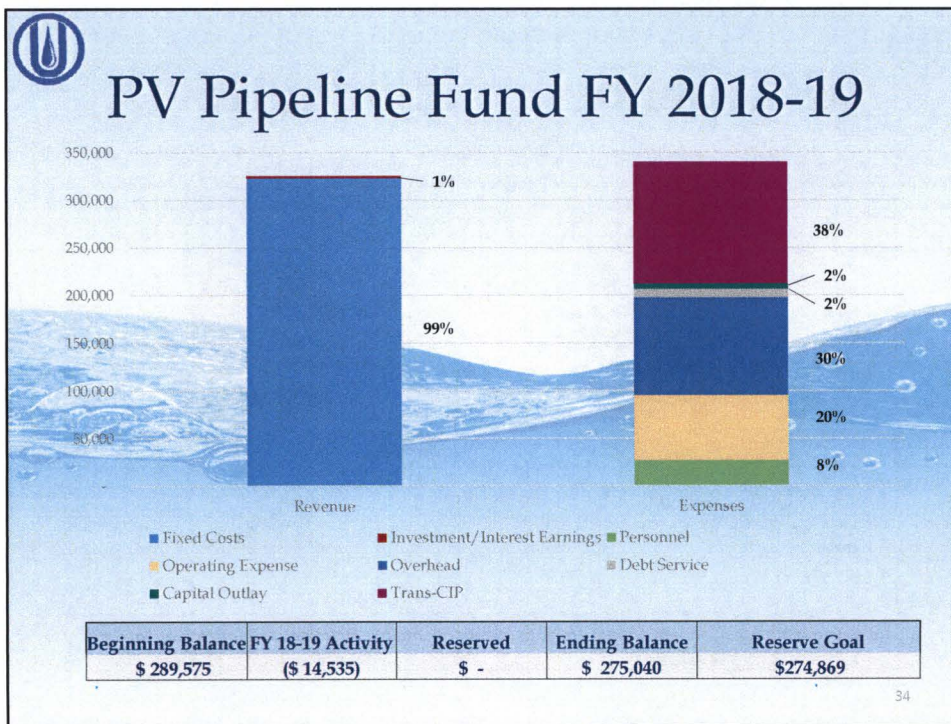
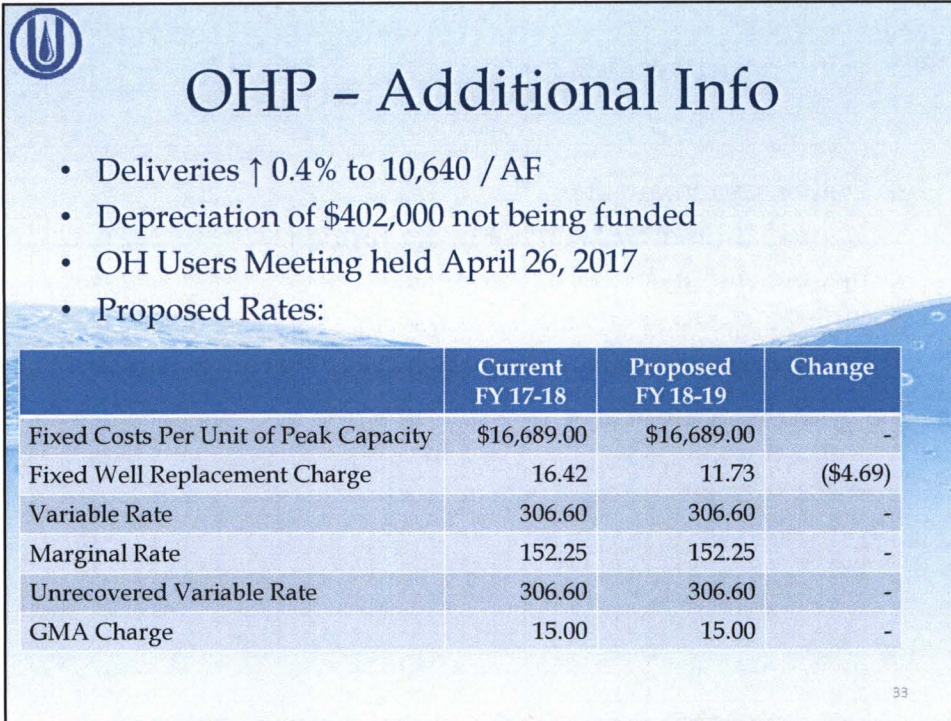
Freeman – Additional Info (cont.)


- Depreciation of \$384,000 not being funded
- Designation for Legal Reserve of \$425,000
- FY 2018-19 all designations for improvements will be undesignated



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PVP - Additional Info

- Deliveries remain at 0 / AF
- Depreciation of \$72,000 not being funded
- Proposed Rates
 - O&M = \$55.00 / AF - no change from FY 17-18
 - Fixed = \$26,850/month - **reduced** by \$1,420/month from FY 17-18

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PT Pipeline Fund FY 2018-19

Category	Item	Percentage
Revenues	Water Delivery/Fixed Costs	60%
	Debt Proceeds	15%
	Operating	2%
	Capital Outlay	22%
Expenditures	Personnel	11%
	Debt Service	3%
	Overhead	13%
	Trans-CIP	10%
	Fox Canyon GMA	34%

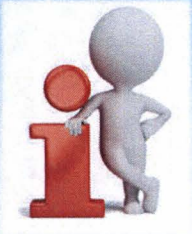
Beginning Balance	FY 18-19 Activity	Reserved	Ending Balance	Reserve Goal
\$ 64,922	\$ 227,154	\$ -	\$ 292,076	\$250k - \$300k

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PTP – Additional Info

- Deliveries ↑ 0.4% to 5,000 / AF
- Depreciation of \$456,000 not being funded
- Proposed rates
 - O&M charge \$235 – no change from FY 17-18
 - Fixed rates:
 - upper \$675 – no change from FY 17-18
 - lower \$950 – no change from FY 17-18



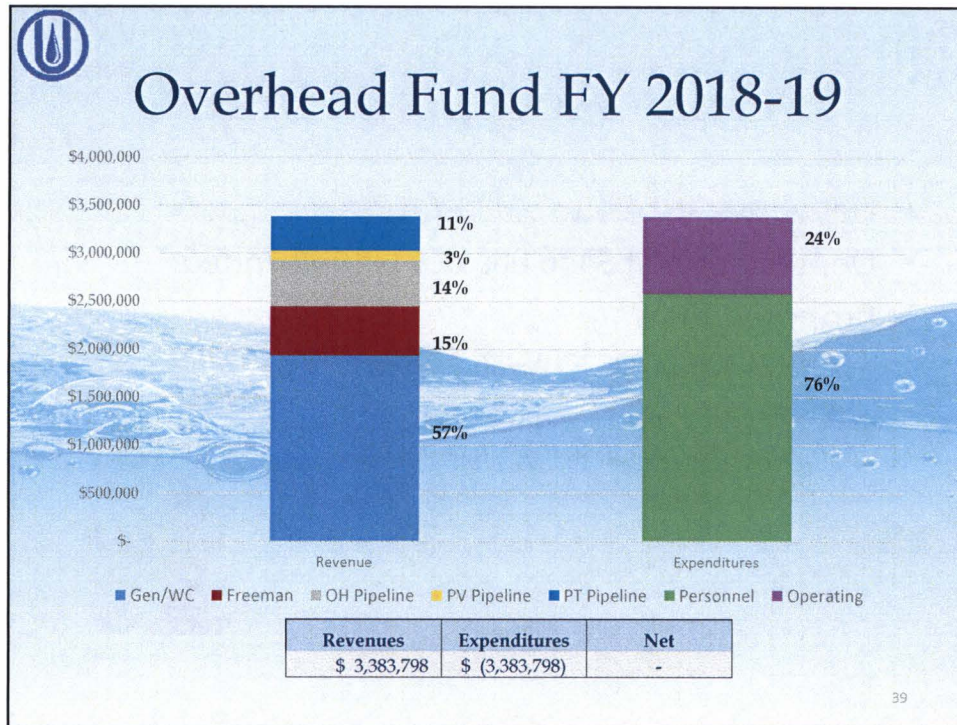
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PTP Fixed Rates Calculation

Fixed Cost Component	Fixed Costs 2018-19	Description
Personnel	\$ 81,448.25	25% of annual
Utilities	\$ 38,448.10	10% of annual
Maintenance	\$ 118,227.45	Required periodic maintenance, 55% of annual
Overhead	\$ 358,682.57	Based on prior FY figures for # of billings, labor hours, payable transactions & revenue
Debt	\$ 84,205.45	100% of annual
TOTAL	\$ 681,011.82	

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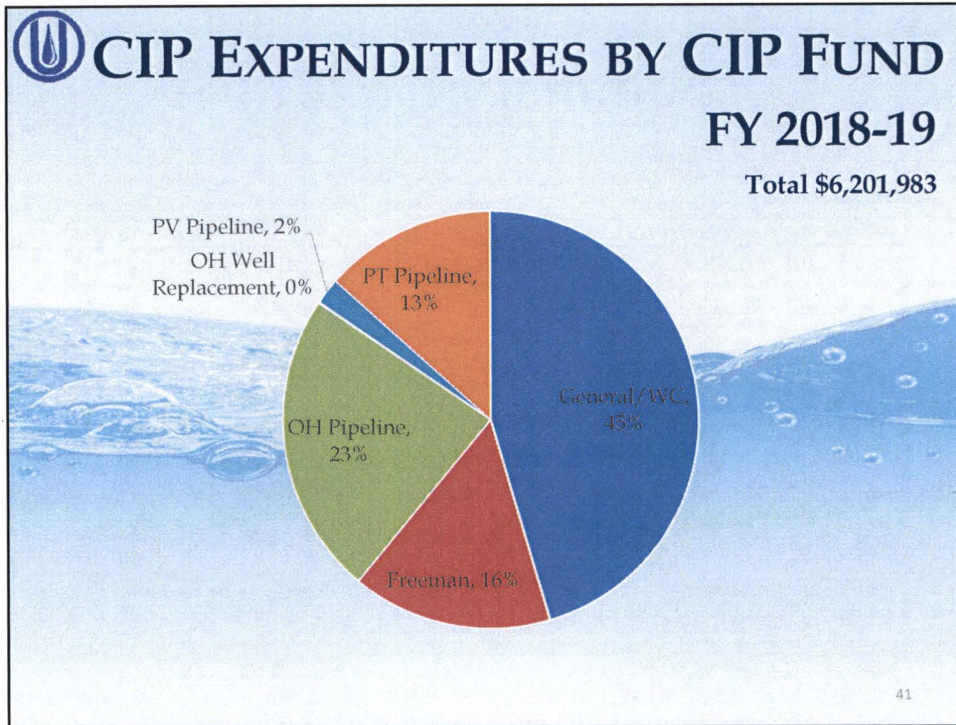


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Overhead - Additional Info

- Allocation based on prior FY figures for # of billings, labor hours, payable transaction, & revenue
- Only actual costs are charged to each fund
- Further details on pages 29-32 of Proposed Budget

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- ### CIP List
- (Proposed Budget Page 59)
- OH Well Replacement
 - Freeman Diversion Rehab
 - SFD Outlet Works Rehab
 - SFD PMF Containment
 - SFD Sediment Management
 - Lower River Invasive Species Control Project
 - OHP Iron and Manganese Treatment Removal
 - Quagga Decontamination Station
 - Park Services Officer Facility Replacement
 - Lake Piru Asphalt
 - Day Use Pavilion Rehab
 - Day Use Restroom Rehab
 - Juan Fernandez Day Use
 - Solar Project - Piru
 - Ferro-Rose Recharge
 - Brackish Water Treatment Plant
 - Recycled Water
 - Rice Avenue Overpass PTP
 - PTP Turnout Metering System
 - Pothole Trailhead
 - New Headquarters
 - State Water Interconnection Project
 - Lower Piru Creek Habitat
 - Replace El Rio Trailer
 - Alternative Supply Alliance Pipeline Project (ASAP)
 - SFD Spillway Floor Repair
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CIP Summary FY 2018-19

Fund	Beginning Balance	Revenues	Expenditures	Ending Balance
General/WC	-	2,817,925	(2,817,925)	-
Freeman	-	966,254	(966,254)	-
OH Pipeline*	-	4,375,546	(1,457,456)	2,918,090
OH Well Replace.	705,421	129,000	(3,979)	830,442
PVP	-	128,117	(128,117)	-
PIP	(138,612)	966,865	(828,253)	-
Total		9,383,707	(6,201,984)	3,748,532

* OH Pipeline balance of \$2,918,090 is due to debt proceeds to be received in FY 18-19 that will be spent in FY 19-20

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- ## CIP - Other
- CIP debt analysis (pg. 60-61) to demonstrate debt impact on rates
 - Assumptions in debt analysis include:
 - Pumping and water delivery activity at 2017-18 level
 - Project cost based on most recent engineering estimates
 - CIP cost only, does not include operational and maintenance cost
 - Assumes no grant funding
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Financial Policy Revisions

- Accounts Receivable and Write-Off - Updated collection procedures as a result of the passage of AB 552
- Budget Amendment - added clarification to contract amendments and budget transfers within a specific project
- Budget Submittal - updated final paragraph to remove reference to a two-year budget
- Environmental Activity Cost Allocation - wording changes for clarity, updated status of Zone B activities
- Expense Policy - removed the word "reimbursement" from title as the policy also relates to expenses paid by the District, clarified mileage reimbursement for Board members


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Financial Policy Revisions, continued

- Groundwater Well Registration - removed reference to Prop. 218, as the CA Supreme Court has ruled that UWCD is not subject to Prop. 218
- Procurement Policy - Updated Purchasing Authority and Purchase Orders sections to reflect procedures with new accounting software, updated credit card approval procedures and list of staff positions that may be eligible for a District credit card
- Reserve Policy - updated State Water reserve maximum to AF not purchased since 2008
- Verification of Groundwater Production Statement - new policy requiring a photograph of well meter to be submitted bi-annually with groundwater statement
- Records Management Policy - Removed duplicate sentence regarding employee education

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Conclusion



- Questions
- Requests for Changes
- Next meeting – June 13, 2018
 - Approval of Budget
 - Adoption Resolution will be based on feedback given today

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