

## WATER ENTERPRISE FUND

The Water Enterprise rate structure is functioning as designed and continues to fund all operations, maintain the operating reserve, provide for debt, and accumulate funds for infrastructure upgrades, replacements, and maintenance. The fiscal Year 2021/22 ended with an annual net position increase of \$16.6 million.

Per fiscal policy, the operating reserve is set at 25 percent of the prior year's operating expense, and for the Fiscal year, 2021/22 was set at \$342k. The Enterprise fund also established a recession reserve of \$100k, sufficient for 5 percent of the Fund's operating budget.

The capital reserve increased by \$1.3 million to \$4.7 million. The CIP for the Water Enterprise stood at \$71.4 million in total identified capital projects for the next five years, relying on Grants and Enterprise capital reserves for funding. The Fund is well-positioned to continue working on many projects on page 190 of the FY 22/23 budget.

WATER ENTERPRISE											
	FY 2020/21 Actuals	FY 2021/22 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2022	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Revenue	\$ 3,288,053	\$ 3,005,288	\$ 2,970,342	\$ -	\$ 2,970,342	\$ 1,485,171	\$ 1,747,268	59%	\$ 262,097	\$ 3,036,779	\$ 66,437
Capacity Fees	346,561	44,837	20,000	-	20,000	10,000	46,200	231%	36,200	52,000	32,000
Miscellaneous	92,353	-	82,300	-	82,300	41,150	32,346	39%	(8,804)	91,800	9,500
<b>Total Revenue</b>	<b>3,726,967</b>	<b>3,050,125</b>	<b>3,072,642</b>	<b>-</b>	<b>3,072,642</b>	<b>1,536,321</b>	<b>1,825,814</b>	<b>59%</b>	<b>289,493</b>	<b>3,180,579</b>	<b>107,937</b>
Personnel services	452,486	1,039,332	919,986	11,151	931,137	465,569	426,121	46%	(39,447)	856,897	74,240
Administration	470,943	683,735	457,183	-	457,183	228,592	244,226	53%	15,634	459,314	(2,131)
Repairs & maintenance	36,419	52,440	42,200	-	42,200	21,100	9,588	23%	(11,512)	15,700	26,500
Materials & supplies	149,770	169,998	226,348	-	207,348	103,674	96,191	46%	(7,483)	212,548	(5,200)
Utilities	117,070	147,423	144,000	-	144,000	72,000	89,160	62%	17,160	174,930	(30,930)
Contractual services	56,769	93,135	127,500	46,033	173,533	86,767	47,710	27%	(39,056)	123,000	50,533
Insurance	17,230	31,351	40,442	-	40,442	20,221	14,314	35%	(5,907)	38,628	1,813
Interest/Debt Service *	64,949	55,434	782,993	-	782,993	391,496	383,077	49%	(8,419)	782,993	-
Depreciation **	319,552	364,752	-	-	-	-	-	0%	-	-	-
<b>Total Expenditures</b>	<b>1,687,506</b>	<b>2,672,538</b>	<b>2,751,652</b>	<b>57,184</b>	<b>2,789,836</b>	<b>1,394,918</b>	<b>1,316,797</b>	<b>47%</b>	<b>(78,121)</b>	<b>2,670,419</b>	<b>119,417</b>
<b>Net Revenue/(Expense)</b>	<b>\$ 2,039,461</b>	<b>\$ 377,587</b>	<b>\$ 320,990</b>		<b>\$ 282,806</b>	<b>\$ 141,403</b>	<b>\$ 509,017</b>	<b>180%</b>	<b>\$ 367,614</b>	<b>\$ 510,160</b>	<b>227,353</b>
* Audited results do not include payment of principal which is not an expense in full accrual accounting											
** Depreciation Expense is not budgeted and therefore not included in calculation of budget variance											

## REVENUES

- User fees fully support the revenues for the Water Enterprise Fund. At the end of the second quarter, revenues were \$262k more at 59% of the budget. In FY 20-22, the City implemented water restrictions measures in the summer in response to the reduced flows in the Noyo River, increased high tide events, and the lower-than-usual precipitation that affected the City's water supply. The City Council approved a targeted 30-40% reduction in water consumption in the previous years. Fortunately, in the second quarter, Fort Bragg received a significant amount of needed rainfall.

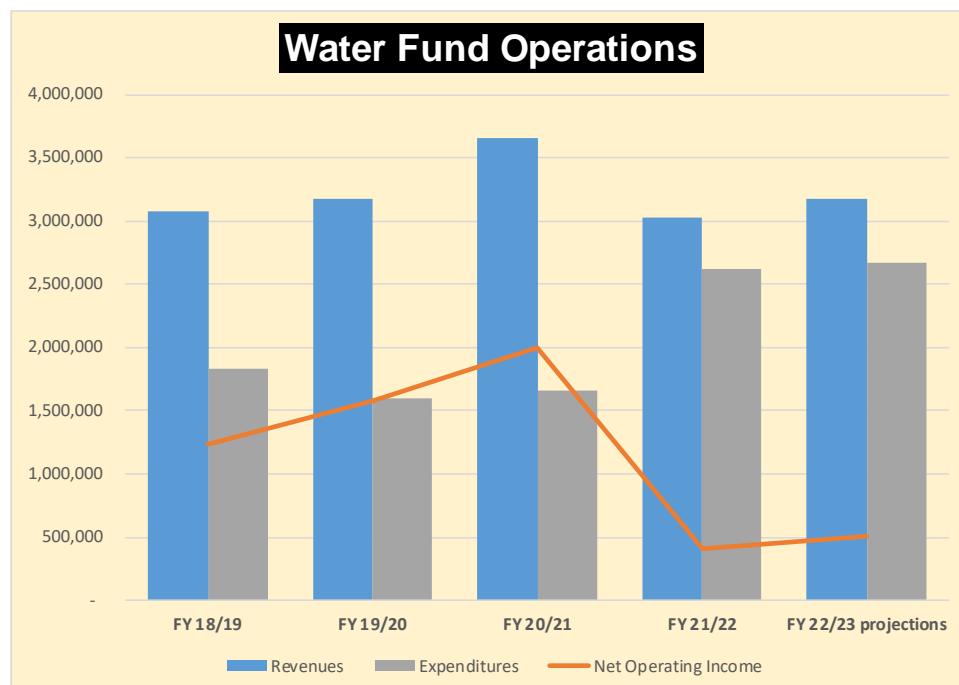
The projected year-end total revenue is \$3.2 million or approximately \$108k more than budget, a 2 percent increase from the prior fiscal year due to an increase in consumption and more in line with the prior year (pre-covid) totals.

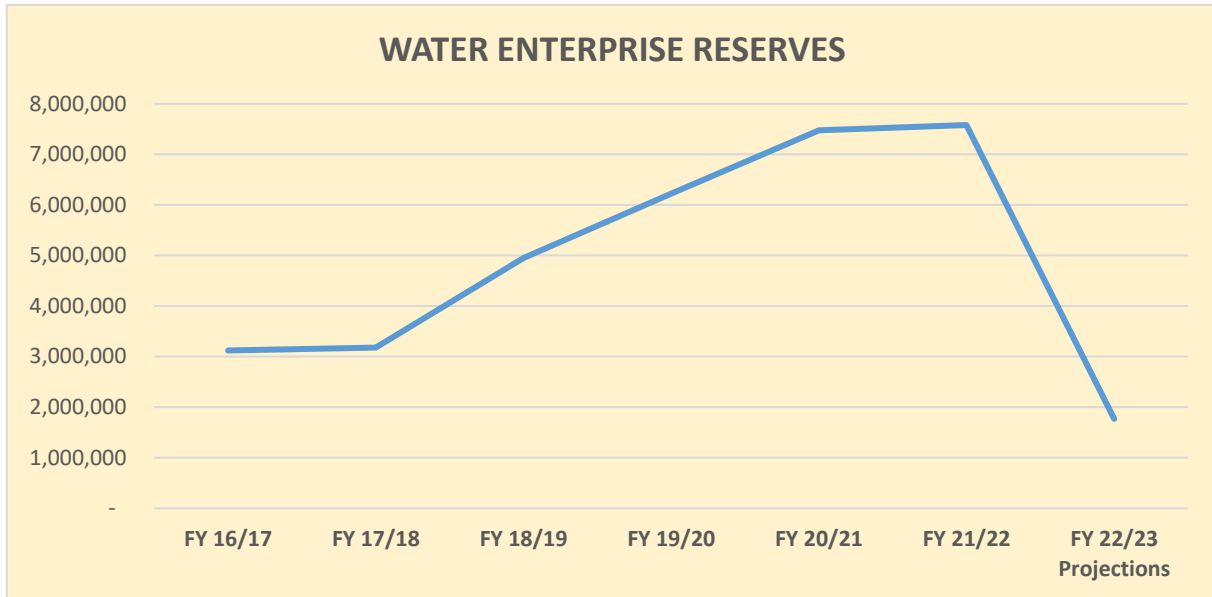
## EXPENDITURES

Water Enterprise's expenses for the first half of FY 2022/23 totaled \$1.3 million, 47% of the amended annual budget. The projected year-end total is \$2.6 million, \$119k under budget.

- At mid-year, Debt Service is 49% of the total annual budget. Principal payments are paid in October and a second smaller interest payment in April. The adopted budget includes the \$785k to pay off the 2007 Department of Water Resource Loan. Once this loan is paid off, Water Enterprise will have only one remaining debt which will be paid off in 2025.
- Utility Costs are 62% of the adopted and are forecasted to end the fiscal year at \$30,930 above budget. Energy costs for electric have risen by 35% per month compared to last year due to rate increases with a slight increase in consumption. This report includes a budget amendment request for additional funds to cover these overages.
- No other significant variances are expected in other enterprise expense category at year-end.

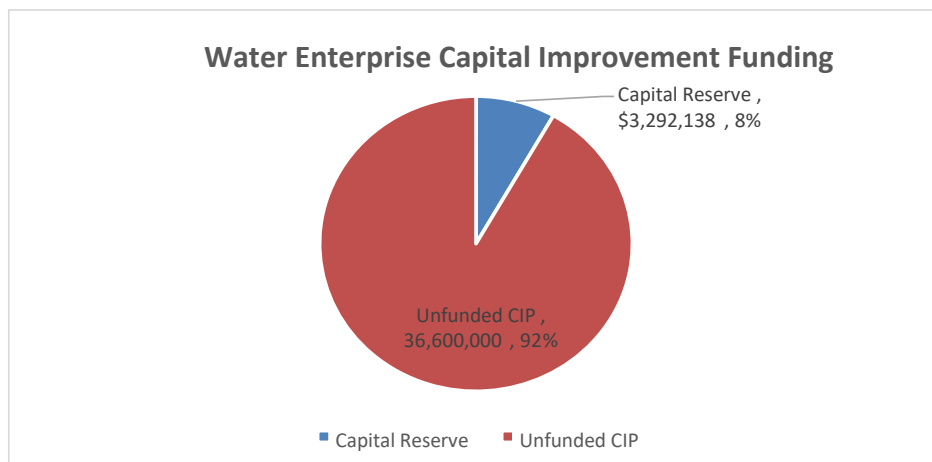
The summer months of 2019-2022 represented water shortage challenges for the City. City Staff actively pursued alternative plans to address these challenges, including the Desalination Unit implemented in 2021 and looking at alternative water sources and storage. Additionally, the new water meter installation funded by the Community Development Block Grant (CDBG) will assist the City in better-detecting leaks and water usage in real-time.





With projected revenues of \$3.1 million, expenses of \$2.6 million, staff projects, the Water Enterprise will end the FY 2022/23 with a net position of \$13.2 million and reserves of \$1.8 million. The Enterprise Capital Reserve budgeted \$3.3 million to be transferred for Capital improvement projects, including the Pudding Creek water main \$812k, the Distribution system \$850k, the raw water reservoir \$500k, the extended water system north \$300k, and the reclamation design \$750k. Additionally, the Enterprise fund is closing on a 582+ acres property purchase from the Mendocino Coast Recreation Park District, \$2,420,579, which the Water reserves will fund. The reserves are projected to be reduced by \$5.8 million altogether. Staff continues actively seeking Grant funds to fund the identified CIP projects and use capital reserves for matching funds.

For a more detailed list of the Capital improvement project scheduled for the Water Enterprise, refer to pages 190-196 of the Adopted Budget.



## WASTEWATER ENTERPRISE FUND

The Wastewater Enterprise rate structure is functioning as designed and continues to fund all operations, maintain the operating reserve, provide for debt, and accumulate funds for infrastructure upgrades, replacements, and maintenance. The fiscal Year 2021/22 ended with an annual net position increase of \$2.04 million to \$24.4 million. Per policy, the operating reserve is set at 25% of the prior year's operating expense, and for the Fiscal year 2022/23 was set at \$625k.

WASTEWATER ENTERPRISE											
	FY 2020/21 Actuals	FY 2021/22 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2022	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Revenue	\$ 3,707,788	\$ 3,570,257	\$3,212,050	\$ -	\$ 3,212,050	\$ 1,606,025	\$ 2,062,592	64%	\$ 456,567	\$3,378,170	\$ 166,120
Capacity Fees	309,446	7,353	15,000		15,000	7,500	39,727	265%	32,227	50,000	35,000
Miscellaneous Revenue	36,823	32,544	34,000		34,000	17,000	9,333	27%	(7,667)	23,500	(10,500)
<b>Total Revenue</b>	<b>4,054,057</b>	<b>3,610,153</b>	<b>3,261,050</b>	<b>-</b>	<b>3,261,050</b>	<b>1,630,525</b>	<b>2,111,653</b>	<b>65%</b>	<b>456,567</b>	<b>3,451,670</b>	<b>166,120</b>
Personnel services	686,110	687,773	576,890	12,651	589,541	294,771	314,532	53%	19,761	563,740	25,801
Administration	693,735	1,225,605	702,284	-	702,284	351,142	346,072	49%	(5,070)	698,890	3,394
Repairs & maintenance	85,697	175,875	128,700	-	128,700	64,350	57,157	44%	(7,193)	82,700	46,000
Materials & supplies	266,418	298,357	273,244	77,209	350,453	175,226	131,540	38%	(43,686)	330,494	19,959
Utilities	198,320	222,967	220,000	-	220,000	110,000	194,328	88%	84,328	306,333	(86,333)
Contractual services	164,551	360,280	260,000	205,495	465,495	232,747	222,518	48%	(10,229)	460,495	5,000
Insurance	53,032	49,798	64,240	-	64,240	32,120	22,660	35%	(9,459)	50,321	13,919
Interest/Debt Service *	97,760	95,650	93,850	-	93,850	46,925	-	0%	(46,925)	93,850	-
Depreciation **	816,300	829,815	-	-	-	-	-	0%	-	-	-
<b>Total Expenditures</b>	<b>3,061,923</b>	<b>3,946,121</b>	<b>2,319,208</b>	<b>295,354</b>	<b>2,614,562</b>	<b>1,307,281</b>	<b>1,288,807</b>	<b>49%</b>	<b>(18,474)</b>	<b>2,586,822</b>	<b>27,740</b>
<b>Net Revenue/(Expense)</b>	<b>\$ 992,134</b>	<b>\$ (335,967)</b>	<b>\$ 941,842</b>	<b>\$ (295,354)</b>		<b>\$ 323,244</b>	<b>\$ 822,846</b>		<b>\$ 475,041</b>	<b>\$ 864,847</b>	<b>864,847</b>

\* Audited results do not include payment of principal which is not an expense in full accrual accounting  
\*\* Depreciation Expense is not budgeted and therefore not included in calculation of budget variance

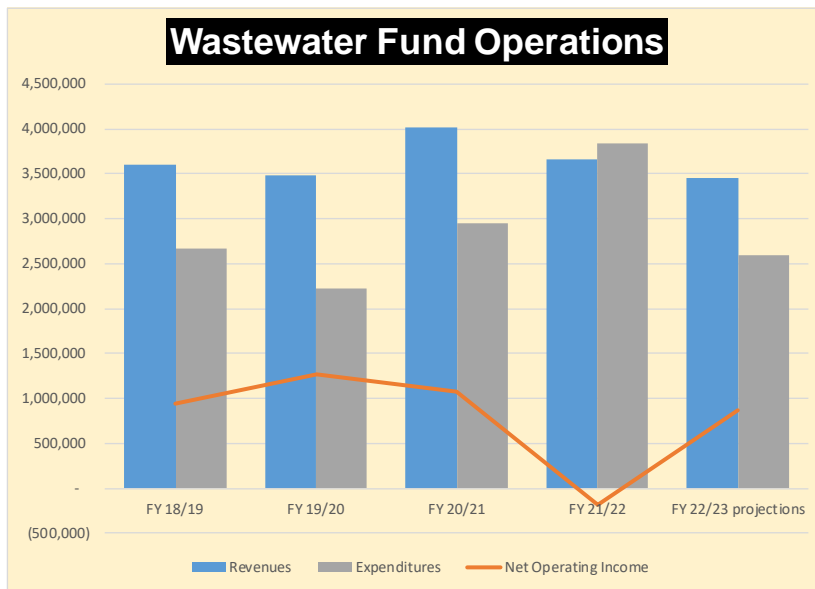
## REVENUES

Like the Water Enterprise fund, the projected year-end revenue for the current fiscal year is estimated to be \$3.4 million or approximately \$166k more than the original adopted budget but down from the prior year by 4% or \$679k. The new septic dumping station recorded a \$40k increase in operating revenues for the Fund.

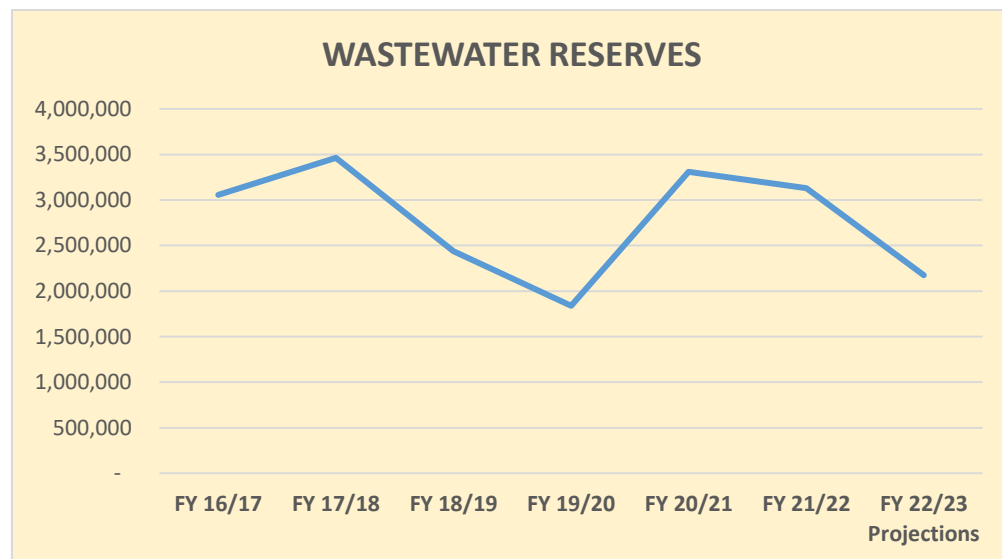
## EXPENDITURES

Wastewater Enterprise expenses totaled \$1.2 million, 49% percent of the amended annual budget. The projected year-end total is \$2.5 million, which is approximately \$27k less than the budget:

- At year-end personnel, services are expected to be approximately \$25k under budget, mainly due to savings in personnel costs from benefits in a couple of positions.
- Utilities are forecasted to be \$55k above budget estimates. Energy costs for electricity have risen by 35% per month compared to last year due to rate increases with a slight increase in consumption. A budget amendment request is requested for the overages.
- At year-end, materials and supplies in the Non-Routine Maintenance division are expected to be under budget by approximately \$46k. Less maintenance is required for the sewer lift stations since a complete overhaul was undertaken.



With projected revenues of \$3.4 million and expenses of \$2.6 million, Staff projects the Wastewater Enterprise to end FY 2022/23 with a net position of \$26.1 million and reserves of \$2.1 million. The decline in reserves in fiscal year FY 17/18 is a result of the Wastewater treatment plant construction in addition to grant funds- seen below.



During the budget development, Staff identified a list of Capital Improvements Program (CIP) of \$16.6 million needed to improve the Fund's infrastructure. A collection system rehab of \$12 million is planned for FY 2024/25, with \$1.5 million of Capital improvements budgeted for this fiscal year.