

## **WATER ENTERPRISE**

### **PURPOSE**

The Water Enterprise is responsible for ensuring the provision of safe, clean water at adequate pressures and volumes to serve residents, businesses and public facilities in the City of Fort Bragg.

### **SUMMARY OF SERVICES**

The services provided by the Water Enterprise include raw water collection, transmission, water treatment, and distribution of treated water for domestic and commercial use for Fort Bragg. The Water Enterprise meets and reports water treatment levels of regulatory agencies, provides for water conservation, provides for maintenance and construction of capital improvements, reviews new development projects, assists with public education, and engages in data collection and analysis.

### **GOALS AND OBJECTIVES**

- Ensure an adequate supply of high quality drinking water to meet existing and future customer needs.
- Manage the City's water sources in a manner that is protective of both environmental and human health.
- Improve the reliability of the City's water supply, treatment and distribution system through on-going maintenance and replacement of aging infrastructure.
- Seek grant funding and other low-cost financing for capital projects.
- Operate the City's water system in an efficient and cost-effective manner and establish fair and reasonable utility rates.

### **FY 2015/16 TOP ACCOMPLISHMENTS**

- Kept the City's water supply system operational during Stage 3 Water Emergency.
- Continued to expand monitoring, reporting and testing procedures to meet the State Water Resources Control Board Division of Drinking Water requirements.
- Cleared the property for Summers Lane Reservoir.
- Received amended water rights license allowing storage of water in Summers Lane Reservoir.
- Began construction of Summers Lane Reservoir.
- Installed turbidimeters in the waste troughs of the filter units saving thousands of gallons of finished water per month.

### **FY 2016/17 TOP PRIORITIES**

- Continue to improve the water plant's efficiencies in order to conserve water.
- Complete construction of Summers Lane Reservoir.
- Drill test wells to provide groundwater as a supplemental water source.
- Identify funding for a new 1.5 million gallon finished water tank.
- Continue to seek funding for replacement of key segments of the raw water line between the Waterfall Gulch water source and the Water Treatment Plant.
- Identify funding for implementation of the East Fort Bragg Pressure Zone improvement projects.
- Continue to replace valves in the distribution system.
- Chemically clean the filter media and underdrain system of the water treatment units to extend the life of the filter media and improve efficiency.

## BUDGET SUMMARY

### OVERVIEW

The fiscal year (FY) 2016/17 Water Enterprise Fund operating budget is \$2.2 million. Revenues for the Water Enterprise Fund are primarily received in the form of rates charged to customers. In 2006, the California Supreme Court ruled that utility rates charged by governmental entities are considered property-related fees and therefore are subject to the procedural requirements of Proposition 218, Article 130 of the California Constitution. Prop 218 requires governmental agencies that charge for utility services to conduct a majority protest hearing prior to adopting any changes in utility rates. The legislation provided for future rate increases within prescribed limits to be approved without holding a hearing each year for up to an additional four years. In June 2013, the City Council adopted a five-year schedule of rate increases based on a Utility Rate Study. In FY 2016/17, the adopted rate schedule establishes a water rate increase of 10% which is scheduled to take effect on July 1, 2016. Due to the City's new Cost Allocation Plan, the Water Enterprise will receive a lower allocation of administrative shared costs and staff therefore recommends suspension of the July 1 rate increase. A new utility rate study will be prepared in FY 2016/17.

### NET POSITION (FUND BALANCE)

In an Enterprise Fund, fund balance is presented as Net Position, and a year to year analysis of Net Position can help to identify current or potential future problems that could impact the fiscal health of the Enterprise Fund. The FY 2015/16 projected year-end Net Position for the Water Enterprise is expected to be \$1.8 million and the FY 2016/17 Net Position is budgeted at \$3 million.

The following table includes the operating fund as well as the capacity fees fund and the capital reserve.

	<b>Audited</b>	<b>Projected</b>	<b>Adopted</b>
	<b>FY 2014/15</b>	<b>FY 2015/16</b>	<b>FY 2016/17</b>
Water Operating Fund Unrestricted Net Position	\$ 2,295,569	\$ 1,769,945	\$ 2,978,090

As shown above, the Net Position of the Water Enterprise operating fund declined by approximately \$526k between FY 2014/15 and FY 2015/16. This is primary attributable to capital expenditures on the Summers Lane Reservoir project (\$1.1 million) offset by grant funds received for the Brush Creek Road Water Line Replacement project. At the May 25<sup>th</sup> Budget Workshop, Council directed staff to reimburse the Water and Wastewater Enterprise funds for prior year over-allocations with a transfer from fund balance (including reserves) in the General Fund. The Water Enterprise will receive a transfer of \$871k in FY2016/17.

### WATER ENTERPRISE FUND RESERVES

The Water Enterprise Fund Capital Reserve is established in accordance with the City's Fund Balance & Reserve Policy which is intended to plan for future capital projects and unanticipated emergencies. Each year, all unrestricted fund balance in the Water Enterprise Fund in excess of 25% of the prior year's operating expenditures is transferred to the Capital Reserve. The City Council periodically reviews and updates its reserve policies and budgeted reserve amounts to ensure that the Water Enterprise has sufficient resources to adequately provide for emergencies and capital projects. In FY2016/17 the threshold is projected to be \$621k. Excess fund balance in the amount of \$1 million is expected to be transferred to the capital reserve.

In FY 2015/16, \$365k in capital reserves are budgeted to be used for construction of the Summers Lane Reservoir. This expense accounts for the decline in net position from FY 2014/15 to FY 2015/16.

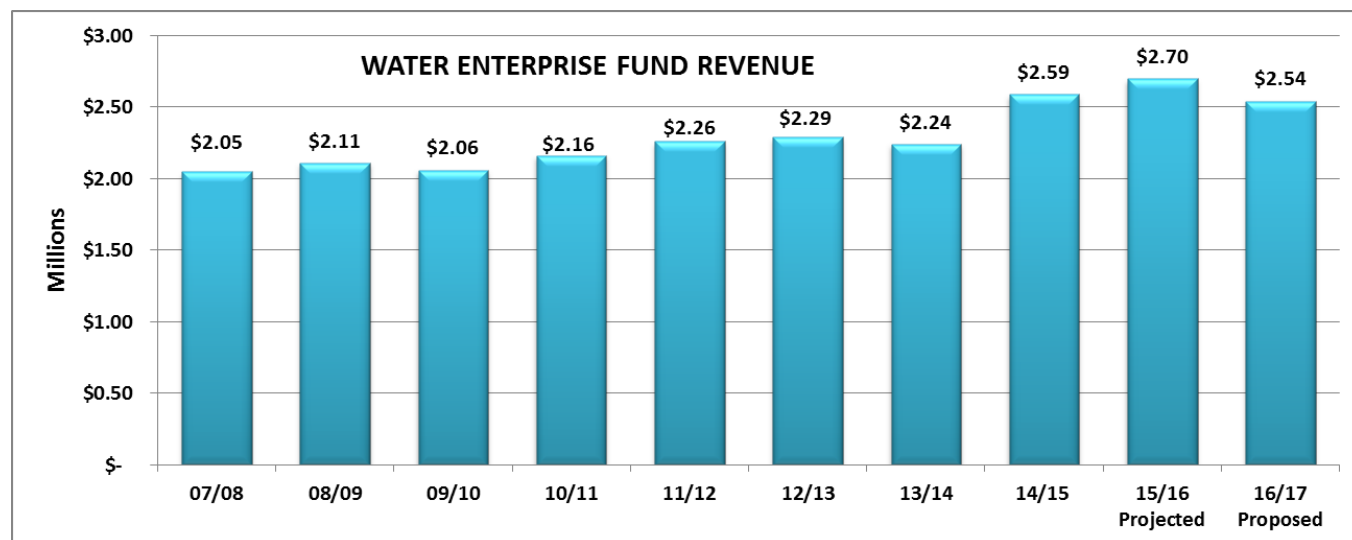
The City collects water capacity charges for new water connections. These fees are committed for improvements to facilities in existence at the time the charge is imposed or for new facilities to be constructed in the future.

These fees are accounted for in the Water Enterprise Capacity Fees Fund. In FY 2015/16, \$800k in capacity fees is budgeted to be used for construction of the Summers Lane Reservoir. This expense additionally accounts for the decline in net position from FY 2014/15 to FY 2015/16.

	<b>Audited FY 2014/15</b>	<b>Projected FY 2015/16</b>	<b>Adopted FY 2016/17</b>
Water Enterprise Capacity Fees Fund	\$ 809,043	\$ 121,510	\$ 131,510
Water Enterprise Capital Reserve	1,140,393	1,197,678	2,225,717
Unrestricted Balance	346,133	450,757	620,863
	<u>\$ 2,295,569</u>	<u>\$ 1,769,945</u>	<u>\$ 2,978,090</u>

## DISCUSSION OF WATER ENTERPRISE FUND REVENUE TRENDS

FY 2016/17 Water Enterprise Fund revenues (before transfers in) are projected to total \$2.54 million, a decrease of 6% from the \$2.7 million projected in FY 2015/16. Substantially all of the Fund's revenue is from the charges for services. Since Council has directed staff to suspend the FY 2016/17 rate increases, revenue forecasts have been set equal to the FY 2015/16 budget forecasts. Other Revenue in FY 2015/16 included \$27k in reimbursements received from the State of California to cover costs incurred by the City in connection with the declaration of a Stage 3 water emergency in the fall of 2015. This was a one-time revenue and no similar amount is anticipated in FY 2016/17. A 10-year comparison of the Water Enterprise Fund's revenue follows.



## DISCUSSION OF WATER ENTERPRISE FUND EXPENDITURE TRENDS

Water Enterprise Fund expenditures are expected to decrease from \$2.5 million in FY 2015/16 to \$2.2 million in FY 2016/17 which equates to a 13% decrease (\$334k). The decrease is related to the City's new Cost Allocation Plan which produced \$374k less in administrative allocation to the Water Enterprise over the prior year.

Salary and Benefit allocations of \$685k (paid to the General Fund and the Wastewater Enterprise Fund) are the Fund's largest expense representing 32% of total expenses in FY 2016/17, followed by Debt Service (23%) and Materials & Services (16%).

	<b>Audited</b>	<b>Projected</b>	<b>Adopted</b>
	<b>FY 2014/15</b>	<b>FY 2015/16</b>	<b>FY 2016/17</b>
Salary/Benefit Allocation	\$ 669,320	\$ 647,846	\$ 684,929
Facilities, Fleet, and Administration Allocations	757,535	755,747	311,619
Materials and Services	347,602	471,489	422,124
Miscellaneous	3,708	5,476	5,500
Capital Expenditures	31,891	21,059	210,000
Debt Service	527,102	581,836	581,512
	<u>\$ 2,337,159</u>	<u>\$ 2,483,454</u>	<u>\$ 2,215,683</u>

The Salary/Benefit Allocation includes wages and the City's contributions to health benefits and retirement costs for those employees who perform services on behalf of the Water Enterprise Fund. This allocation increased 5.7% in FY 2016/17 when compared to FY 2015/16 due to increased benefits costs coupled with cost of living adjustments for employees.

#### **Non-Personnel Services**

Water Enterprise Fund Materials and Services are budgeted to decrease \$49k. While legal costs are budgeted at \$25k to provide legal and technical support in preparing and processing LSAA Notifications/Agreements for the City's three water diversions, decreases are budgeted in other areas. General supplies are budgeted \$17k lower than the prior year, while allocations to Internal Service Funds are budgeted \$70k lower. Internal Service allocations are set according to long-term plans which detail future maintenance and capital replacement needs. Based on improved long-term plans in the Internal Service Funds, allocations for FY2016/17 were set lower than the previous year.

**WATER ENTERPRISE BUDGET SUMMARY**

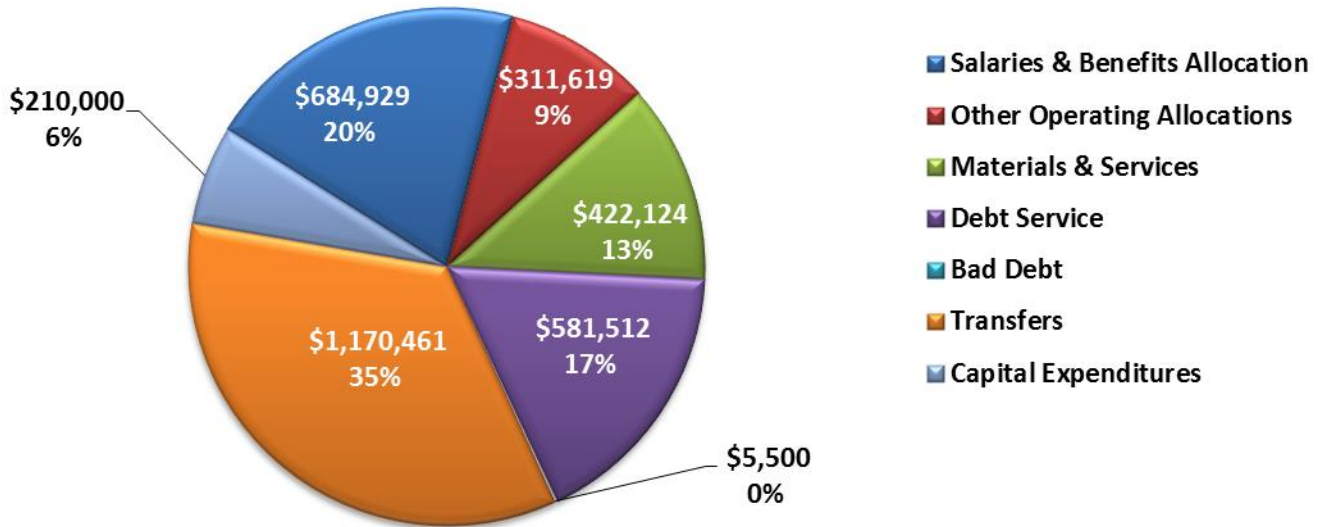
**Fund 610**

**Department: 4610,4611 AND 4612**

Description	FY 2014/15	FY 2015/16	FY 2015/16	FY 2016/17	% + / -
	Audited	YTD Budget	Projected	Adopted Budget	
Salary/Benefit Allocation	\$ 669,320	\$ 647,846	\$ 647,846	\$ 684,929	5.72%
Other Operating Allocations	757,535	755,747	755,747	311,619	-59%
Non-Personnel Services	910,304	1,064,975	1,079,861	1,219,136	13%
Total Expenditures	2,337,159	2,468,568	2,483,454	2,215,683	-11%
Charges for Services	2,528,450	2,538,807	2,644,865	2,528,355	-4%
Other Revenue	58,070	20,000	53,016	13,530	-74%
Total Operating Revenue	2,586,520	2,558,807	2,697,881	2,541,885	-6%
NET EXCESS/(DEFICIENCY) OF REVENUES					
OVER/(UNDER) EXPENDITURES	249,361	90,239	214,427	326,201	52%
Transfers In	1,809,025	48,100	479,421	2,052,405	328%
Transfers Out	(1,710,009)	(1,214,050)	(1,218,702)	(1,170,461)	-4%
CHANGE IN NET POSITION	\$ 348,377	\$ (1,075,711)	\$ (524,854)	\$ 1,208,145	-330%

\* To arrive at audited change in net position on the full accrual basis subtract depreciation expense and add back loan principle paid.  
\$348,377 less \$332,729 (depreciation) plus \$383,740 (loan principle) equals \$399,388 (as published in the FY2014/15 CAFR)

**FY 2016/17 EXPENDITURES BY CATEGORY**



**BUDGET DETAIL:**

**Fund #610**

**Department: 4610, 4611, 4612**

Object	Description	FY 2014/15	FY 2015/16	FY 2015/16	FY 2016/17	% + /-
		Audited	YTD Budget	Projected	Adopted Budget	
0801	Salary/Benefits Allocation	669,320	647,846	647,846	684,929	6%
	<b>Personnel Services</b>	<b>669,320</b>	<b>647,846</b>	<b>647,846</b>	<b>684,929</b>	6%
0310	Engineering	4,000	-	-	-	
0311	Legal	3,180	2,000	6,285	25,000	298%
0312	Auditing & Accounting	6,264	5,625	7,800	6,624	-15%
0313	Laboratory	5,921	9,700	11,237	15,000	33%
0319	Professional Services	51,473	67,832	65,922	75,400	14%
0320	Dues & Memberships	1,494	2,800	1,505	800	-47%
0342	Laboratory Supplies	9,681	12,050	10,473	12,000	15%
0343	Chemicals	35,500	33,000	33,000	37,000	12%
0350	Vehicle Repair & Maint	3,516	28,866	28,866	-	
0351	Equipment Repair & Maint	28,534	37,700	28,000	37,500	34%
0352	Vehicle Repair & Maint	147	-	-	-	
0353	Building Repair & Maint	5,061	6,000	1,500	6,000	300%
0354	Laundry/Cleaning/Janitorial	554	550	550	500	-9%
0355	Equipment Leases	-	1,700	-	-	
0360	Property Premium	17,781	17,000	17,000	17,000	0%
0362	Telephone & Communication	2,224	2,200	2,200	2,200	0%
0364	Legal Notices	367	-	-	-	
0366	Training/Travel Reimbursement	7,886	11,000	5,821	9,000	55%
0372	Postage	11,262	10,000	9,000	9,400	4%
0373	Licenses & Permits	18,749	20,500	20,500	20,000	-2%
0375	General Supplies	10,311	46,508	45,828	28,500	-38%
0376	Medical/Safety Supplies	792	2,000	661	2,000	202%
0380	Finance Charges	16	-	-	-	
0381	Small Tools & Equipment	4,527	7,000	8,168	8,000	-2%
0382	Fuels & Lubricants	84	600	-	-	
0383	Utilities	106,887	115,000	112,164	110,000	-2%
0384	Books & Subscriptions	153	200	-	200	
0619	Miscellaneous	11,240	16,250	22,356	-	
0619/0630	Stage Three Water Emergency	-	-	32,653	-	
	<b>Materials &amp; Services</b>	<b>347,602</b>	<b>456,081</b>	<b>471,489</b>	<b>422,124</b>	-10%
0911	Principle	383,740	448,285	448,285	464,495	4%
0912	Interest	142,593	130,150	130,151	113,617	-13%
0913	Fees	769	3,400	3,400	3,400	0%
	<b>Debt Service</b>	<b>527,102</b>	<b>581,835</b>	<b>581,836</b>	<b>581,512</b>	0%
0606	Bad Debt Sent to Collection	3,708	6,000	5,476	5,500	0%
	<b>Bad Debt</b>	<b>3,708</b>	<b>6,000</b>	<b>5,476</b>	<b>5,500</b>	0%
0731	Construction	-	-	-	66,000	
0741	Machinery & Equipment	31,891	21,059	21,059	144,000	
	<b>Capital Expenditures</b>	<b>31,891</b>	<b>21,059</b>	<b>21,059</b>	<b>210,000</b>	897%
	<b>Total Non-Personnel Services</b>	<b>910,304</b>	<b>1,064,975</b>	<b>1,079,861</b>	<b>1,219,136</b>	13%
0322	Fleet Services	120,698	101,415	101,415	41,696	-59%
0396	Allocation to IT Int Serv Fund	82,875	109,492	109,492	68,655	-37%
0397	Alloc to Facilities Maint	68,300	50,241	50,241	81,025	61%
0399	Admin Costs Allocation	485,662	494,599	494,599	120,243	-76%
	<b>Other Operating Allocations</b>	<b>757,535</b>	<b>755,747</b>	<b>755,747</b>	<b>311,619</b>	-59%
0799	Transfer to Other Funds	1,710,009	1,214,050	1,218,702	1,170,461	-4%
<b>Total Water Enterprise</b>		<b>\$ 4,047,168</b>	<b>\$ 3,682,618</b>	<b>\$ 3,702,156</b>	<b>\$ 3,386,144</b>	<b>-9%</b>

**Water Enterprise Administration Division**  
**Line Item Detail**

Fund #610		Account	Category	FY 2016/17
Department: 4610		Detail	Detail	Adopted Budget
<b>Materials &amp; Services</b>				
610-4610-0311	Legal		\$ 25,000	
610-4610-0312	Auditing & Accounting		6,624	
610-4610-0319	Professional Services		47,500	
	Bank fees - Lockbox	\$ 11,000		
	General account services	8,580		
	ACH & credit card fees	8,200		
	Print services	6,790		
	48 Hour phone calls	430		
		35,000		
610-4610-0360	Property Insurance		17,000	
610-4610-0362	Telephone & Communication		2,200	
610-4610-0372	Postage		9,400	
<b>Total Material &amp; Services</b>				<b>\$ 107,724</b>
<b>Other Expenditures</b>				
610-4610-0606	Bad Debts Sent to Collection		5,500	
<b>Total Other Expenditures</b>				<b>5,500</b>
<b>Allocations</b>				
610-4610-0396	IT Internal Service Fund		68,655	
610-4610-0399	Admin Costs		120,243	
610-4610-0801	Salary/Benefits		684,929	
<b>Total Allocations</b>				<b>873,826</b>
<b>Total - Water Enterprise Administration Division</b>				<b>\$ 987,050</b>

**Water Enterprise Maintenance Division**  
**Line Item Detail**

				FY 2016/17
Fund #610		Account	Category	Adopted
Department: 4611		Detail	Detail	Budget
<b>Materials &amp; Services</b>				
	610-4611-0366 Training/Travel Reimbursement		\$ 2,000	
	610-4611-0375 General Supplies		25,000	
	610-4611-0381 Small Tools & Equipment		5,000	
	<b>Total Material &amp; Services</b>			<b>\$ 32,000</b>
<b>Allocations</b>				
	610-4611-0397 Facilities Maintenance		81,025	
	<b>Total Allocations</b>			<b>81,025</b>
	<b>Total - Water Enterprise Maintenance Division</b>			<b>\$ 113,025</b>



**Water Enterprise Treatment Division**  
**Line Item Detail**

Fund #610		Account	Category	FY 2016/17
Department: 4612		Detail	Detail	Adopted Budget
<b>Materials &amp; Services</b>				
610-4612-0313	Laboratory		\$	15,000
	Analysis	\$ 8,200		
	License	1,600		
	Supplies	2,900		
	Well testing	2,300		
		<u>15,000</u>		
610-4612-0319	Professional Services			27,900
	Backwash sludge removal (roll over)	10,000		
	PLC support	10,000		
	Backflow services	4,000		
	Tank cathodic protection	3,500		
	Fire extinguisher service	400		
		<u>27,900</u>		
610-4612-0320	Dues & Memberships			800
	Operator/lab certification	800		
		<u>800</u>		
610-4612-0342	Laboratory Supplies			12,000
	Analytical equip parts/service	4,500		
	Lab supplies	4,000		
	Reagents and buffers	3,500		
		<u>12,000</u>		
610-4612-0343	Chemicals			37,000
610-4612-0351	Equipment Repair & Maintenance			37,500
	Pumps and controls	15,000		
	Equipment replacement	10,000		
	Treatment unit parts	7,500		
	Electrical parts	5,000		
		<u>37,500</u>		
610-4612-0353	Building Repair & Maintenance			6,000
610-4612-0354	Laundry/Cleaning/Janitorial			500
610-4612-0366	Training/Travel Reimbursement			7,000
	Safety training	4,000		
	Technical training	3,000		
		<u>7,000</u>		
610-4612-0373	Licenses & Permits			20,000
	SWRCB fees	18,000		
	County haz mat	1,000		
	AQMD	1,000		
		<u>20,000</u>		
610-4612-0375	General Supplies			3,500
610-4612-0376	Medical/Safety Supplies			2,000
610-4612-0381	Small Tools & Equipment			3,000
610-4612-0383	Utilities			110,000
610-4612-0384	Books & Subscriptions			200
<b>Total Material &amp; Services</b>				<b>\$ 282,400</b>
(continued on next page)				

Fund #610		Account	Category	FY 2016/17
Department: 4612: Continued		Detail	Detail	Adopted
Routine Repair and Maintenance				Budget
	<b>Total Routine Repair and Maintenance</b>			-
<b>Allocations</b>				
610-4612-0322 Fleet Services			41,696	
	<b>Total Allocations</b>			41,696
<b>Debt Service</b>				
610-4612-0911 Principal			464,495	
610-4612-0912 Interest			113,617	
610-4612-0913 Fees			3,400	
	<b>Total Debt Service</b>			581,512
<b>Transfers Out</b>				
610-7999-0799			1,236,461	
To 615 Capital Project, Groundwater Production Wells		66,000		
To 614, Non-routine maintenance		142,422		
To 651, Sweep Excess Fund Balance to Capital Reserve		1,028,039		
		<b>1,236,461</b>		<b>1,236,461</b>
	<b>Total - Water Enterprise Treatment Division</b>			<b>\$ 2,142,069</b>

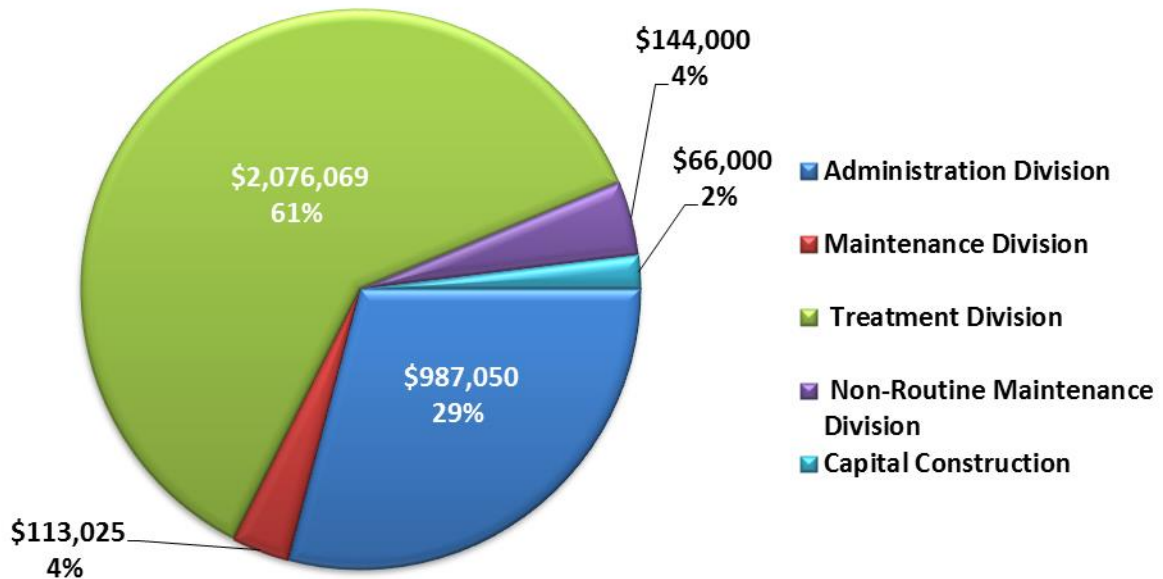
**Water Enterprise Non-Routine Maintenance**  
Line Item Detail

Fund #614		Account	Category	FY 2016/17
Department: 4614		Detail	Detail	Proposed
Materials & Services				Budget
614-4614-0741 Machinery & Equipment			\$ 144,000	
Wireless connection - plant to Madson Hole and Pressure Zone		44,000		
Chem clean filters - extend life and improve efficiency		40,000		
Waterfall Gulch Fence/flow meter/power drop		45,000		
Silt removal (roll over)		10,000		
Chlorine analyzer		5,000		
	<b>Total Material &amp; Services</b>			144,000
	<b>Total - Water Enterprise Non-Routine Maintenance</b>			<b>\$ 144,000</b>

**Water Enterprise Capital Expenditures**  
Line Item Detail

		Account Detail	Category Detail	FY 2016/17 Adopted Budget
Fund #615				
Department: 6004				
<b>Construction</b>				
	615-6004-0731 Construction		\$ 66,000	
Total Construction				66,000
Total - Water Enterprise Capital Construction				<u>\$ 66,000</u>

**FY 2016/17 EXPENDITURES BY DIVISION**





## **WASTEWATER ENTERPRISE**

### **PURPOSE**

The Wastewater Enterprise is operated by the Municipal Improvement District No. 1 and is responsible for ensuring the provision of a safe and effective sanitary sewer system to serve residents, businesses and public facilities in the City of Fort Bragg. It also is responsible for operation of a wastewater treatment facility in compliance with State and federal regulations.

### **SUMMARY OF SERVICES**

Services provided by the Wastewater Enterprise include coordinating operations, monitoring, maintenance and related activities of the wastewater treatment plant and sanitary pumping stations. The Enterprise provides primary and secondary treatment of sanitary wastewater as well as treatment and conditioning of the solids removed at the treatment plant facility resulting in a high quality effluent that can be discharged into the ocean.

### **GOALS AND OBJECTIVES**

- Operate, maintain, and upgrade the City's wastewater collection system and treatment facilities.
- Ensure compliance with all regulatory requirements, including discharge limitations, monitoring and reporting, and safety procedures.
- Seek grant funding and other low-cost financing for capital projects.
- Manage the City's wastewater system in a cost-effective and efficient manner and establish fair and reasonable utility rates.

### **FY 2015/16 TOP ACCOMPLISHMENTS**

- HDR has nearly completed the design and engineering for the Wastewater Treatment Plant Upgrade project/
- Installed fencing on west side of plant.
- Sludge hauled to Redwood Landfill in Novato.
- Installed concrete containment for hypochlorite and bisulfite tanks.
- Sodium hypochlorite and bisulfite project completed and online December 1, 2015.
- Installed sulfite and Hypochlorite analyzers.
- Installed diesel generator at Pudding Creek lift station.
- Purchased new Wemco grit pump assemblies.
- Purchased new mobile emergency generator.

### **FY 2016/17 TOP PRIORITIES**

- Complete engineering and design of new activated sludge components at Wastewater Treatment Facility.
- Identify inflow and infiltration projects that require immediate attention and complete slip-lining projects as funding allows for repair of deficiencies at specific locations.
- Install backup generator at Elm Street Lift Station.
- Add wireless communications to lift stations.
- Install influent flow meter.
- Install Jetta New Jetta Drive for grit removal system.
- Install Wemco grit pump assemblies.

**BUDGET SUMMARY****OVERVIEW**

The fiscal year (FY) 2016/17 Wastewater Enterprise Fund operating budget is \$2.4 million, a decrease of 35% or \$1.3 million over the previous fiscal year.

The Wastewater Enterprise's primary revenue source is user fees charged to customers. In 2006, the California Supreme Court ruled that utility rates charged by governmental entities are considered property-related fees and are subject to the procedural requirements of Proposition 218, Article 130 of the California Constitution. Proposition 218 requires governmental agencies that charge for utility services to conduct a majority protest hearing prior to adopting any changes in utility rates. The legislation provided for future rate increases within prescribed limits to be approved without holding a hearing each year for up to an additional four years. In FY 2016/17, the adopted rate schedule establishes a water rate increase of 6% which is scheduled to take effect on July 1, 2016. Due to the City's new Cost Allocation Plan, the Water Enterprise will receive a lower allocation of administrative shared costs and staff recommends suspension of the July 1 rate increase. An updated utility rate study will be prepared in FY 2016/17.

**NET POSITION (FUND BALANCE)**

In an Enterprise Fund, fund balance is presented as Net Position. Over time, net position trends can help identify current and potential future problems that could undermine the fiscal health of an enterprise fund. The FY 2015/16 projected year-end Net Position is expected to be \$1.3 million and the FY 2016/17 year-end Net Position is budgeted at \$3.3 million.

The following table includes the operating fund as well as the capacity fees fund and the capital reserve:

	<b>Audited</b>	<b>Projected</b>	<b>Adopted</b>
	<b>FY 2014/15</b>	<b>FY 2015/16</b>	<b>FY 2016/17</b>
Wastewater Operating Fund Net Position	\$ 847,312	\$ 1,258,487	\$ 3,332,701

At the May 25th Budget Workshop, Council directed staff to reimburse the Water and Wastewater Enterprise funds for prior year over-allocations with a transfer from fund balance (including reserves) in the General Fund. The Wastewater Enterprise will receive a transfer of \$871k in FY2016/17. Net Position is growing at a strong year over year rate which will bode well in the years to come as multiple capital improvement projects are undertaken.

**WASTEWATER ENTERPRISE RESERVES**

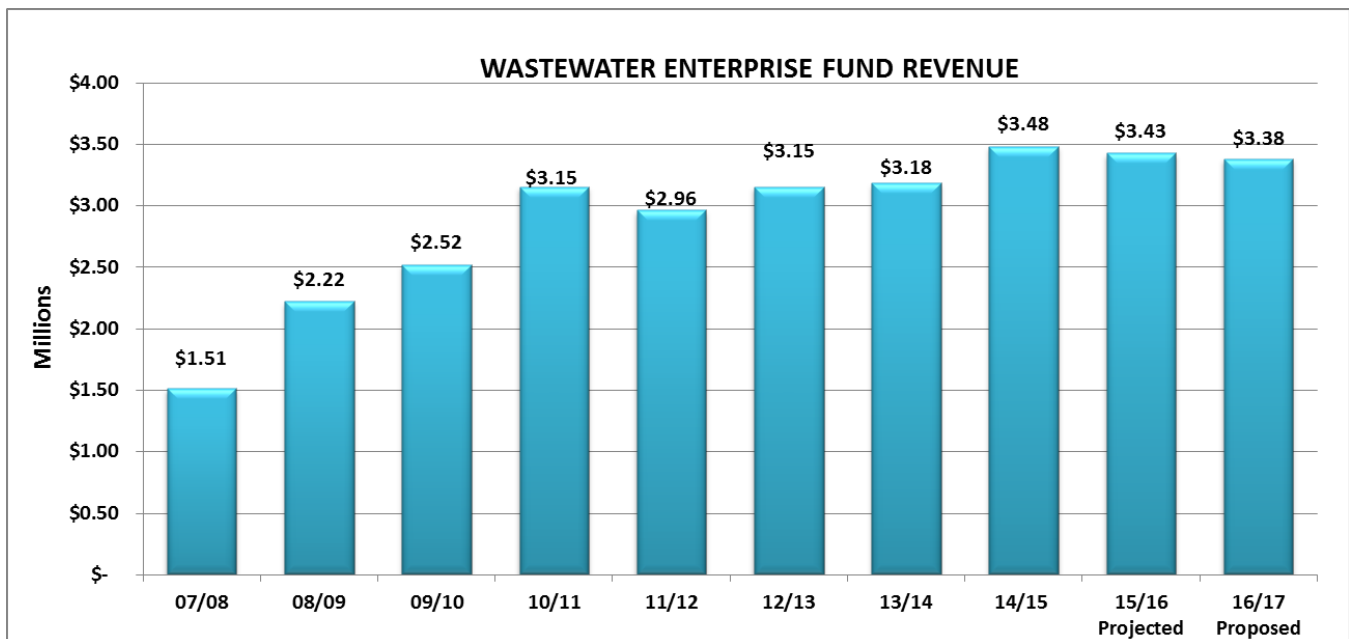
The Wastewater Enterprise Fund Capital Reserve is established in accordance with the Fund Balance & Reserve Policy which is intended to ensure the continued financial well-being of the City by planning for unanticipated emergency and contingency needs as well as future capital projects. Each year, all unrestricted fund balance in the Wastewater Enterprise Fund in excess of 25% of the prior year's operating expenditures is transferred to the Capital Reserve. The Improvement District Board periodically reviews and updates its reserve policy and budgeted reserve amounts to ensure that the Wastewater Enterprise has sufficient resources to adequately provide for capital projects and unforeseen emergencies. In FY 2016/17, the threshold is projected to be \$745k. Excess fund balance in the amount of \$2 million is expected to be transferred to the capital reserve. At the May 25<sup>th</sup> Budget Workshop, Council directed staff to reimburse the Water and Wastewater Enterprise funds for prior year over-allocations with a transfer from fund balance (including reserves) in the General Fund. The Wastewater Enterprise will receive a transfer of \$1.1 million in FY2016/17.

The City collects capacity charges for new wastewater connections. These fees are committed for improvements to facilities in existence at the time the charge is imposed or for new facilities to be constructed in the future. These fees are accounted for in the Wastewater Enterprise Capacity Fees Fund. The balance of the capacity fees fund has grown steadily over the years and is expected to reach \$291k in FY 2016/17.

	<b>Audited</b>	<b>Projected</b>	<b>Adopted</b>
	<b>FY 2014/15</b>	<b>FY 2015/16</b>	<b>FY 2016/17</b>
Wastewater Capacity Fees Fund (committed)	\$ 219,014	\$ 274,025	\$ 290,766
Wastewater Education Fund (committed)	5,289	5,329	5,375
Wastewater Enterprise Capital Reserve (committed)	15,156	232,724	2,262,670
Unrestricted Balance	607,852	746,409	773,890
	<u>\$ 847,312</u>	<u>\$ 1,258,487</u>	<u>\$ 3,332,701</u>

### DISCUSSION OF WASTEWATER ENTERPRISE FUND REVENUE TRENDS

FY 2016/17 Wastewater Enterprise Fund revenues (before transfers in) are projected to total \$3.38 million, a decrease of 1% from the \$3.43 million projected in FY 2015/16. Substantially all of the Fund's revenue is from the charges for services. Since Council has directed staff to suspend the FY 2016/17 rate increases, revenue forecasts have been set equal to the FY 2015/16 budget forecasts. Other Revenue in FY 2015/16 included \$30k in installation fees. Installation fees are hard to predict as to timing and amount and therefore are generally not budgeted. A 10-year comparison of the Wastewater Enterprise Fund's revenue follows.



### DISCUSSION OF WASTEWATER ENTERPRISE FUND EXPENDITURE TRENDS

Wastewater Enterprise Fund expenditures (including transfers-out) are budgeted for FY 2015/16 at \$2.4 million, a decrease of 35% or \$500k from FY 2014/15. The decrease is related to the City's new Cost Allocation Plan which produced \$535k less in administrative allocation to the Wastewater Enterprise over the prior year. Additionally, less capital project work is scheduled in FY2016/17 compared to FY2015/16 (\$872k)

	<b>Audited</b>	<b>Projected</b>	<b>Adopted</b>
	<b>FY 2014/15</b>	<b>FY 2015/16</b>	<b>FY 2016/17</b>
Salaries/Wages/Benefits	\$ 800,413	\$ 800,921	\$ 855,140
Salary/Benefit Allocation	327,585	296,830	351,313
Fleet, IT and Administration Allocations	944,418	1,002,203	394,700
Materials and Services	390,980	453,396	502,700
Miscellaneous	1,716	3,107	3,000
Capital Expenditures	4,917	1,140,050	268,500
Debt Service	61,456	62,005	59,355
Net Transfers	9,650	5,336	-
	<u>\$ 2,541,134</u>	<u>\$ 3,763,848</u>	<u>\$ 2,434,709</u>

**Personnel Services**

Salaries/Wages/Benefits increased \$54k or 7% primarily due to increased benefits costs with healthcare alone increasing by 8%. The Salary/Benefit Allocation to the General Fund includes wages and the City's contributions to health benefits and retirement costs for those General Fund employees who perform services on behalf of the Wastewater Enterprise Fund. This allocation increased \$54k (18%) in FY 2016/17 when compared to FY 2015/16. The Wastewater Enterprise Fund is in the beginning stages of an upgrade to the City's aging Wastewater treatment facility and, therefore, adjustments in the staffing percentages were made to better reflect the anticipated work flow.

**Non-Personnel Services**

Wastewater Enterprise Fund Materials and Services are budgeted to decrease approximately 50%. The decrease is the result of fluctuating capital project costs. FY 2015/16 included initial engineering and design services (\$750k) for the wastewater treatment facility. Additional planning and financing activities will continue in FY2016/17 while construction is not slated to begin until FY2017/18. Capital Machinery & Equipment also shows a budgeted decrease over FY 2015/16 (\$103k). It is not unusual for machinery & equipment costs to fluctuate from year to year since machinery and equipment is replaced as needed.

**Other Operating Allocations**

Allocations to Internal Service Funds are budgeted \$72k lower in FY 2016/17 than in the previous year. Internal Service allocations are set according to long term plans which detail future maintenance and capital replacement needs. Based on improved long term plans in the Internal Service Funds, allocations for FY 2016/17 were set lower than the previous year.

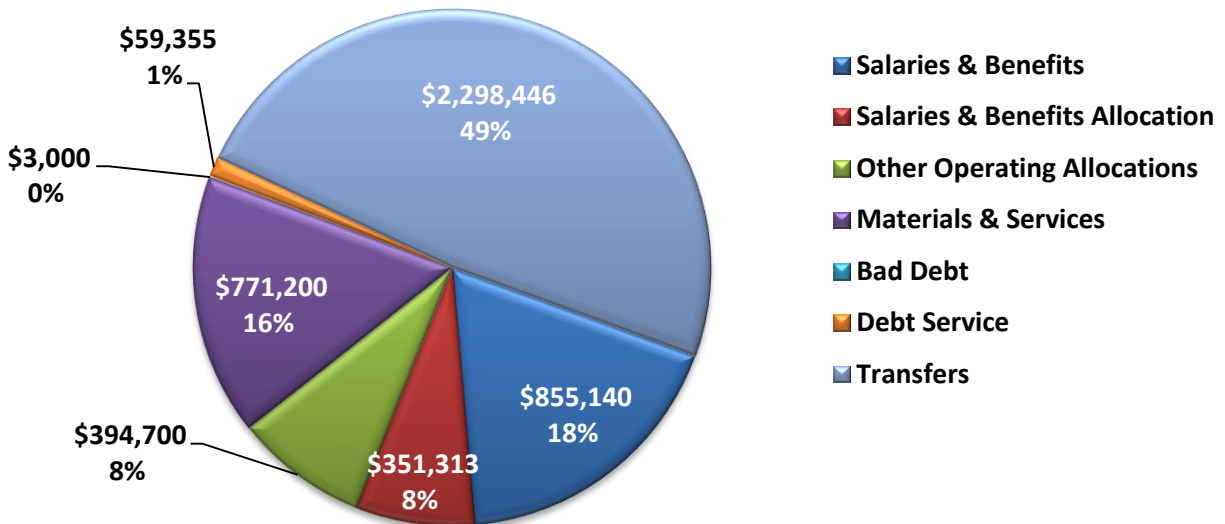


**Municipal Improvement District #1; Wastewater Enterprise****Fund 710****Department: 4710, 4711 & 4712**

Appropriations &amp; Revenue

Description	FY 2014/15	FY 2015/16	15/16	FY 2016/17	% + / -
	Audited	YTD Budget	Projected	Adopted Budget	
Salaries & Benefits	\$ 800,413	\$ 810,692	\$ 800,921	\$ 855,140	7%
Salary/Benefit Allocation	327,585	296,830	296,830	351,313	18%
Other Operating Allocations	944,418	1,002,203	1,002,203	394,700	-61%
Non-Personnel Services	459,068	1,685,669	1,658,558	833,555	-50%
Total Appropriations	2,531,484	3,795,394	3,758,512	2,434,709	-35%
Charges for Services	3,194,150	3,332,215	3,306,098	3,298,438	0%
Other Revenue	64,467	80,540	119,050	81,429	-32%
Total Operating Revenue	3,258,617	3,412,755	3,425,148	3,379,867	-1%
NET EXCESS/(DEFICIENCY) OF REVENUES					
OVER/(UNDER) EXPENSES	727,132	(382,639)	(333,364)	945,159	-384%
Transfers In	933,394	333,000	578,712	3,427,502	492%
Transfers Out	(943,044)	(359,350)	(584,048)	(2,298,446)	294%
NET CHANGE IN FUND BALANCE	\$ 717,482	\$ (408,989)	\$ (338,700)	\$ 2,074,215	-712%

\* To arrive at audited change in net position on the full accrual basis subtract depreciation expense and add back loan principle paid. \$717,482 less \$314,016 (depreciation) plus \$45,000 (loan principle) equals \$448,466 (as published in the FY2014/15 CAFR)

**FY 2016/17 EXPENDITURES BY CATEGORY**

**BUDGET DETAIL:**

**Municipal Improvement District #1; Wastewater Enterprise**

**Fund #710**

**Department: 4710,4711,4712**

Object	Description	FY 2014/15	FY 2015/16	FY15/16	FY 2016/17	% + /-
		Audited	YTD Budget	Projected	Adopted Budget	
0100	Salaries & Wages	\$ 505,807	\$ 506,368	\$ 515,360	\$ 537,668	4%
0200	Employee Benefits	294,606	304,324	285,562	317,473	11%
	<b>Salaries &amp; Benefits</b>	<b>800,413</b>	<b>810,692</b>	<b>800,921</b>	<b>855,140</b>	7%
0801	Salary/Benefits Allocation	327,585	296,830	296,830	351,313	18%
	<b>Salary/Benefits Allocation</b>	<b>327,585</b>	<b>296,830</b>	<b>296,830</b>	<b>351,313</b>	18%
	<b>Personnel Services</b>	<b>1,127,998</b>	<b>1,107,522</b>	<b>1,097,751</b>	<b>1,206,454</b>	10%
0312	Auditing & Accounting	7,243	8,025	7,122	9,450	33%
0313	Laboratory	15,172	25,340	12,153	28,400	134%
0319	Professional Services	61,529	63,050	87,525	121,000	38%
0320	Dues & Memberships	3,025	2,200	2,200	2,300	5%
0342	Laboratory Supplies	6,016	8,300	8,539	-	-100%
0343	Chemicals	31,171	68,800	50,887	60,000	18%
0351	Equipment Repair & Maint	59,790	84,264	78,264	73,000	-7%
0353	Building Repair & Maint	4,113	5,300	3,354	5,000	49%
0354	Laundry/Cleaning/Janitorial	1,467	2,000	1,456	2,000	37%
0359	Liability Deductible	6,453	1,000	172	1,000	482%
0360	Property Premium	17,368	18,000	18,000	18,000	0%
0361	Property Deductible	-	1,000	-	1,000	
0362	Telephone & Communication	756	750	750	750	0%
0365	Copying/Printing	-	300	-	-	
0366	Training/Travel Reimbursement	5,249	9,500	1,924	7,500	290%
0372	Postage	11,264	10,000	10,000	10,000	0%
0375	General Supplies	7,911	6,000	4,715	10,500	123%
0376	Medical/Safety Supplies	10,603	10,800	6,173	5,500	-11%
0377	Boot Expense	1,455	1,800	1,274	1,800	41%
0381	Small Tools & Equipment	10,145	10,300	8,624	10,500	22%
0383	Utilities	119,030	125,000	121,526	120,000	-1%
0384	Books & Subscriptions	-	300	-	300	
0619	Miscellaneous	-	16,250	14,233	-	
	<b>Materials &amp; Services</b>	<b>390,980</b>	<b>509,029</b>	<b>453,396</b>	<b>502,700</b>	11%
0606	Bad Debt Sent to Collection	1,716	3,000	3,107	3,000	
	<b>Bad Debt</b>	<b>1,716</b>	<b>3,000</b>	<b>3,107</b>	<b>3,000</b>	-3%
0310	Engineering	125	749,875	749,875	-	
0319	Professional Services	1,710	-	-	-	
0630	Grant Activity	1,361	-	-	-	
0731	Construction in Progress	-	-	28,143	-	
0741	Machinery & Equipment	1,721	241,760	241,760	138,500	
0741	Machinery & Equipment	-	-	272	-	
0741	Machinery & Equipment	1,721	241,760	242,031	138,500	
0751	Infrastructure	-	120,000	120,000	130,000	
	<b>Capital Expenditures</b>	<b>4,917</b>	<b>1,111,635</b>	<b>1,140,050</b>	<b>268,500</b>	-76%
0911	Principal	45,000	50,000	50,000	50,000	0%
0912	Interest	11,726	9,805	9,805	7,155	
0913	Fees	4,730	2,200	2,200	2,200	0%
	<b>Debt Service</b>	<b>61,456</b>	<b>62,005</b>	<b>62,005</b>	<b>59,355</b>	-4%
	<b>Non-Personnel Services</b>	<b>459,068</b>	<b>1,685,669</b>	<b>1,658,558</b>	<b>833,555</b>	-50%
0322	Fleet Services	90,324	104,991	104,991	43,166	-59%
0396	Allocation to IT Int Serv Fund	82,875	109,492	109,492	68,655	-37%
0397	Alloc to Facilities Maint	68,300	50,241	50,241	81,025	61%
0399	Admin Costs Allocation	702,919	737,479	737,479	201,854	-73%
	<b>Other Operating Allocations</b>	<b>944,418</b>	<b>1,002,203</b>	<b>1,002,203</b>	<b>394,700</b>	-61%
0799	Transfer to Other Funds	943,044	359,350	584,048	2,298,446	294%
	<b>Total Wastewater Enterprise</b>	<b>\$ 3,474,528</b>	<b>\$ 4,154,744</b>	<b>\$ 4,342,560</b>	<b>\$ 4,733,155</b>	9%

**Municipal Improvement District #1**  
**Wastewater Enterprise Administration Division**  
**Line Item Detail**

Fund #710		Account	Category	FY 2016/17
Department: 4710		Detail	Detail	Adopted Budget
<b>Materials &amp; Services</b>				
710-4710-0312	Auditing & Accounting		\$ 9,450	
710-4710-0319	Professional Services		40,500	
	Bank fees - lockbox	\$ 8,830		
	General account services	6,870		
	ACH & credit card fees	6,570		
	Print services	5,390		
	48 Hour phone calls	340		
		28,000		
710-4710-0359	Liability Deductible		1,000	
710-4710-0360	Property Premium		18,000	
710-4710-0361	Property Deductible		1,000	
710-4710-0362	Telephone & Communication		750	
710-4710-0372	Postage		10,000	
<b>Total Material &amp; Services</b>			<b>\$ 80,700</b>	
<b>Other Expenditures</b>				
710-4710-0606	Bad Debts Sent to Collection		3,000	
<b>Total Other Expenditures</b>				<b>3,000</b>
<b>Allocations</b>				
710-4710-0396	IT Internal Service Fund		68,655	
710-4710-0399	Admin Costs		201,854	
710-4710-0801	Salary/Benefits		351,313	
<b>Total Allocations</b>				<b>621,822</b>
<b>Operating Transfers</b>				
710-4710-0799	Transfers to Other Funds		-	
	To 714 - Non Routine Maintenance	268,500		
	To 715, Sweep Excess Fund Balance to Capital Reserve	2,029,946		
		2,298,446		
<b>Total Operating Transfers</b>				<b>2,298,446</b>
<b>Total - Wastewater Enterprise Administration Division</b>			<b>\$ 3,003,968</b>	

**Municipal Improvement District #1**  
**Wastewater Enterprise Maintenance Division**  
**Line Item Detail**

Fund #710		Account	Category	FY 2016/17
Department: 4711		Detail	Detail	Adopted Budget
<b>Materials &amp; Services</b>				
710-4711-0366	Training/Travel Reimbursement		\$ 1,000	
710-4711-0375	General Supplies		6,000	
710-4711-0381	Small Tools & Equipment		6,000	
	All materials locator 1/2 share	\$ 3,000		
	Tool replacement	3,000		
		<u>6,000</u>		
<b>Total Material &amp; Services</b>				<b>\$ 13,000</b>
<b>Allocations</b>				
710-4711-0397	Facilities Maintenance Allocation		<u>81,025</u>	
<b>Total Allocations</b>				<b>81,025</b>
<b>Total - Wastewater Enterprise Maintenance Division</b>				<b><u>\$ 94,025</u></b>

**Municipal Improvement District #1**  
**Wastewater Enterprise Treatment Division**  
**Line Item Detail**

Fund #710		Account	Category	FY 2016/17
Department: 4712		Detail	Detail	Adopted Budget
<b>Personnel Costs</b>				
	Salaries & Wages		\$ 537,668	
	Employee Benefits		317,473	
	<b>Total Personnel Costs</b>			<b>\$ 855,140</b>
<b>Materials &amp; Services</b>				
710-4712-0313	Laboratory		28,400	
710-4712-0319	Professional Services		80,500	
	Receiving water monitoring	40,000		
	Annual sludge hauling	35,000		
	Annual flow meter calibration	2,500		
	Backflow testing	1,500		
	Fire extinguisher maintenance	1,500		
		80,500		
710-4712-0320	Dues & Memberships		2,300	
710-4712-0343	Chemicals		60,000	
710-4712-0351	Equipment Repair & Maintenance		73,000	
	Pump repair	20,000		
	Electric motors and controls	12,000		
	Lift station replacement fittings	10,000		
	Electrical hardware	6,000		
	Boiler annual maintenance	1,500		
	Stainless steel/PVC Hardware	1,500		
	Replacement press belts	2,000		
	Small projects and improvements	20,000		
		73,000		
710-4712-0353	Building Repair & Maintenance		5,000	
	Roof and door maintenance	1,400		
	Lift stations	1,800		
	Fencing and gates	1,000		
	SWPPP BMPs	800		
		5,000		
710-4712-0354	Laundry/Cleaning/Janitorial		2,000	
710-4712-0366	Training/Travel Reimbursement		6,500	

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**WASTEWATER ENTERPRISE**

Fund #710			Account	Category	FY 2016/17
Department: 4712			Detail	Detail	Adopted Budget
<b>Materials &amp; Services, Continued</b>					
710-4712-0373	Licenses & Permits			\$ 14,700	
	Annual fee		\$ 11,000		
	County haz mat		1,700		
	AQMD		2,000		
			<u>14,700</u>		
710-4712-0375	General Supplies			4,500	
710-4712-0376	Medical/Safety Supplies			5,500	
	Safety supplies		4,500		
	Confined space		500		
	Respirator maintenance		500		
			<u>5,500</u>		
710-4712-0377	Boot Expense			1,800	
710-4712-0381	Small Tools & Equipment			4,500	
710-4712-0383	Utilities			120,000	
710-4712-0384	Books & Subscriptions			300	
	<b>Total Material &amp; Services</b>			<u>\$ 409,000</u>	
<b>Allocations</b>					
710-4712-0322	Fleet Services			43,166	
	<b>Total Allocations</b>			<u>43,166</u>	
<b>Debt Service</b>					
710-4712-0911	Principal			50,000	
710-4712-0912	Interest			7,155	
710-4712-0913	Fees			2,200	
	<b>Total Debt Service</b>			<u>59,355</u>	
	<b>Total - Wastewater Enterprise Treatment Division</b>			<u><u>\$ 1,366,662</u></u>	

**Municipal Improvement District #1  
Wastewater Enterprise Non-Routine Maintenance**

**Line Item Detail**

Fund # 714

Department: 4713

		Account Detail	Category Detail	Proposed Budget
<b>Materials &amp; Services</b>				
714-4713-0741	Machinery & Equipment		\$	138,500
	Influent flow meter (roll over)	45,000		
	SCADA	30,000		
	2nd Sulfite tank and parts	26,000		
	Native American lift station rehab (roll over)	20,000		
	Sulfit analyzer	8,500		
	Garage door for Cl2 storage building	5,000		
	Chlorine analyzer	4,000		
		<u>138,500</u>		
714-4713-0751	Infrastructure		\$	130,000
	Slip line	60,000		
	Outfall rehab	70,000		
		<u>130,000</u>		
<b>Total Material &amp; Services</b>				<b>268,500</b>
<b>Total - Water Enterprise Non-Routine Maintenance</b>				<b><u>\$ 268,500</u></b>

**FY 2016/17 EXPENDITURES BY DIVISION**

