

**MEETING OF THE FINANCE COMMITTEE OF THE  
FLORIN RESOURCE CONSERVATION DISTRICT BOARD OF DIRECTORS**

**Wednesday, May 1, 2019**

**NOTE THE MEETING WILL BEGIN AT 6:00 PM**

**9257 Elk Grove Blvd.  
Elk Grove, CA 95624**

**CALL TO ORDER, ROLL CALL AND PLEDGE OF ALLEGIANCE**

Public Comment – Please complete a Request to Speak Form if you wish to address the Board. Members of the audience may comment on matters that are not included on the agenda. Each person will be allowed three (3) minutes, or less if a large number of requests are received on a particular subject. No action may be taken on a matter raised under "Public Comment" until the matter has been specifically included on an agenda as an action item. Items listed on the agenda will be opened for public comment as they are considered by the Board of Directors.

**1. Draft Elk Grove Water District Fiscal Year 2019-20 Operating Budget**  
(Patrick Lee, Finance Manager/Treasurer)

Associate Director Comment

Public Comment

Adjourn to the Regular Board Meeting: Wednesday, May 15, 2019.

May 1, 2019

TO: Chairperson and Directors of the Florin Resource Conservation District

FROM: Patrick Lee, Finance Manager/Treasurer

SUBJECT: **DRAFT ELK GROVE WATER DISTRICT FISCAL YEAR 2019-20 OPERATING BUDGET**

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### **RECOMMENDATION**

Review and discuss the draft budget worksheet for the Elk Grove Water District Fiscal Year 2019-20 Operating Budget and provide direction to staff.

### **SUMMARY**

Each year staff develops the draft operating budget of estimated revenues and expenditures and presents the document to the Finance Committee and Florin Resource Conservation District (FRCD) Board of Directors (Board). Attached to this report is the detailed budget development worksheet for Fiscal Year (FY) 2019-20 for discussion and comment. Following the presentation and discussions, staff generally makes revisions and brings the revised document back before the Finance Committee and Board at a subsequent meeting(s) for further discussion prior to advancing to the Board for adoption.

### **DISCUSSION**

#### **Background**

The Elk Grove Water District (EGWD) is a department of the FRCD and has a FY that runs from July 1 to June 30. Staff has initiated the preparation of the EGWD FY 2019-20 operating budget and this budget should be adopted by June 30, 2019. This preparation also incorporates a process that involves multiple Finance Committee and Board reviews with public participation being encouraged.

#### **Present Situation**

Staff is presenting the attached budget worksheet for FY 2019-20 to the Finance Committee for review and comment. Comments and changes recommended by the Finance Committee will be incorporated into a final draft to be presented at the next regular Board meeting on May 15, 2019.

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**ENVIRONMENTAL CONSIDERATIONS**

There are no direct environmental considerations associated with this report.

**STRATEGIC PLAN CONFORMITY**

This item, and all other budget related activities, conforms to the FRCD/EGWD's 2012-2017 Strategic Plan. Adoption of an annual EGWD budget is specifically identified as a goal in the financial stability challenge section of the Strategic Plan.

**FINANCIAL SUMMARY**

The EGWD budget for FY 2019-20 projects total operating revenues of approximately \$15.172 million and total expenditures of approximately \$15.477 million including Capital Improvement and Capital Repair & Replacement Reserve contributions of approximately \$1.838 million. The projected expenditures in excess of revenues are approximately \$304,764 which will be funded from operating reserves carried over from prior years. This budget reflects no revenue rate adjustment for FY 2019-20 as recommended by the 2018 Water Rate Study adopted by the Board on July 18, 2018.

Despite many non-discretionary cost increases, staff undertook efforts to find cost reductions as well as minimize increases and these are reflected in the proposed FY 2019-20 budget. The proposed budget has an increase in total expenditures of \$664,191 (4.48%) from the adopted budget for FY 2018-19. The major highlights are listed below and comparisons made are against the budgeted amounts for FY 2018-19:

- This budget reflects no revenue rate adjustment for FY 2019-20, as recommended by the 2018 Water Rate Study adopted by the Board on July 18, 2018.
- The Total Salaries and Benefit budgeted costs will increase by \$231,655 (5.56%) mainly due to:
  - Non-Exempt salaries will increase by \$101,728 (7.08%) due to the addition of a Customer Service Representative II position, as well as merit increases for eligible employees.
  - Total salaries will increase by an estimated 2.77% cost of living adjustment (COLA). The final COLA will not be released by the Bureau of Labor

## **DRAFT ELK GROVE WATER DISTRICT FISCAL YEAR 2019-20 OPERATING BUDGET**

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Statistics until May 10<sup>th</sup>, 2019, at which time the budget will be updated to reflect the actual COLA to be effective July 1, 2019. While this year's budget includes \$124,826 for Holiday Pay, \$127,488 for vacation pay and \$99,860 for personal time off pay, these reductions are being made to reflect the Exempt and Non-Exempt Salaries by like amounts.

- Total benefits costs will increase \$130,134 (8.66%). Medical Benefits are increasing by \$49,696 (6.84%) based on an estimated 8% medical premium increase, Dental/Vision/Life Insurance is increasing by \$3,167 (5.04%), Retirement Benefit costs are increasing by \$47,690 (12.70%), OPEB costs are increasing by \$7,560 (4.72%) and Worker's Compensation costs is increasing by \$14,117 (14.03%).
- Seminars, Conventions and Travel will increase by \$59 (0.12%).
- Total Office and Operational Costs will increase by \$70,637 (6.21%) mainly due to:
  - Repair and Maintenance – Building is increasing by \$19,900 (58.53%) primarily due to estimated costs for repairs to the Districts administrative building.
  - Meter Repairs is increasing by \$34,500 (115.00%) due to the anticipated meter change outs occurring in FY 2019-20.
  - Software Program and Updates is increasing \$38,208 (28.67%) due to the anticipated update to certain operational software to the most current versions.
- Purchased Water will decrease by \$42,639 (1.34%). The FY 2018-19 budget was based on an estimated rate of \$1.32 per hundred cubic feet (CCF) and the FY 2019-20 budget is based on an estimated rate of \$1.21 per CCF. Even with consumption projected to increase by 3.0% in FY 2019-20, the total purchased water cost is expected to decrease overall. In addition, the Sacramento County Water Agency (SCWA) base charge is anticipated to remain the same at \$28.80 per account, per month.
- Outside Services for the proposed budget are being increased by \$185,395 (19.01%) mainly due to:
  - Banking charges will increase by \$40,000 (28.82%) due to an anticipated increase in credit card fees for customers who pay with credit cards.

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- Contracted Services will increase \$54,845 (15.16%) primarily due to anticipated consulting services related to the update of Board Policies, a needs assessment for Well 3 and an Information Technology (IT) systems review.
- Engineering costs will increase by \$84,000 (84.00%) based on costs related to the unidirectional flushing program to be completed in FY 2019-20 and the possible implementation of a ground water recharge program.
- Financial Consultants will decrease by \$15,000 (60.00%) due to no anticipated need for consulting services related to financial operations.
- Equipment Rent, Taxes and Utility costs will decrease \$22,700 (5.17%) as a result of an anticipated decrease in electricity usage.
- Capital Improvement Funding includes contributions to the Repair & Replacement Reserve, as well as the Long-Term Capital Improvement Reserve for a total of \$1,838,000, which matches the total Capital Improvement Program (CIP) budget for FY 2019-20.
- Bond interest expenses will decrease by \$92,170 (5.26%) while bond principal retirements will increase by \$95,000 (4.59%).
- There is a decrease of \$150,000 in the budget for election costs as there will be no elections taking place in FY 2019-20.
- This budget anticipates capitalizing \$457,164 of Salaries and Benefits for capital improvements constructed by the Distribution and Utility Divisions, which are funded in the Five-Year CIP.
- The budget, as recommended, will meet bond covenant requirements as follows:
  - Covenant – 1.37 (1.15 required)
- The Board will adopt a Five-Year CIP which will only appropriate funding for the CIP projects scheduled in FY 2019-20.
- Staff has determined that no grants or special funding are available for the EGWD and therefore no revenues from those income sources are included in this budget document.

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BUDGET**

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Staff is requesting any comments or changes from the Finance Committee and Board of Directors. Any comments and recommendations will be incorporated into a final draft and presented at the next regular Board meeting to take place on May 15, 2019.

Respectfully submitted,



PATRICK LEE  
FINANCE MANAGER/TREASURER

Attachment

Elk Grove Water District -- FY 2019-20 Budget

Table with columns: Description, FY 15-16 Actual, FY 16-17 Actual, FY 17-18 Actual, FY 18-19 Budget, FY 18-19 Y-T-D - 3-31-19, FY 18-19 Projected, Ops 500, Tech Services 560, GM 610, HR 620, PM 640, Finance 650, Admin 700, FY 2019-20 Budget, Difference Dollars, Percentage.

TOTAL GROSS REVENUES table showing summary of revenues with columns for FY 15-16 Actual, FY 17-18 Actual, FY 18-19 Budget, FY 18-19 Y-T-D - 3-31-19, FY 18-19 Projected, and Total Gross Revenue (13,475,169).

Expenditures

Table listing various expenditure categories under Salaries & Benefits, with columns for Account, Description, FY 15-16 Actual, FY 16-17 Actual, FY 17-18 Actual, FY 18-19 Budget, FY 18-19 Y-T-D - 3-31-19, FY 18-19 Projected, and various departmental budgets (Ops 500, Tech Services 560, GM 610, HR 620, PM 640, Finance 650, Admin 700).

Table listing Seminars, Conventions and Travel expenditures with columns for Account, Description, FY 15-16 Actual, FY 16-17 Actual, FY 17-18 Actual, FY 18-19 Budget, FY 18-19 Y-T-D - 3-31-19, FY 18-19 Projected, and various departmental budgets.

Account	Description	FY 15-16		FY 16-17		FY 17-18		FY 18-19		FY 18-19		FY 18-19		FY 19-20		Difference	
		Actual	Actual	Actual	Y-T-D - 3-31-19	Projected	Ops	Tech Services	GM	HR	PM	Finance	Admin	Budget	Dollars	Percentage	
<b>Office &amp; Operational</b>																	
5410	Advertising	\$ 8,129	\$ 6,420	\$ 10,615	\$ 3,520	\$ 4,693	-21.78%		\$ 2,000	\$ -		\$ 1,500	\$ 3,500	\$ (2,500)	-41.67%		
5415	Association Dues	66,881	77,585	79,874	118,146	118,146	-5.14%					117,664	122,013	(2,531)	-2.03%		
5420	Insurance	74,280	125,199	86,006	50,132	50,132	-42.07%					88,450	88,450	1,917	2.22%		
5425	Licenses, Certifications, Fees	3,305	3,147	2,154	2,104	2,805	-11.92%						6,140	2,955	2,955	92.78%	
5430	Repairs & Maintenance - Automotive	32,122	48,093	38,236	23,513	31,351	-34.00%						46,500	(1,000)	-2.11%		
5432	Repairs & Maintenance - Building	10,963	25,902	29,902	14,449	19,265	-43.34%						53,900	19,900	58.53%		
5434	Repairs & Maintenance - Computers	25,235	33,518	21,208	26,233	34,977	-16.59%						22,630	(7,370)	-24.57%		
5435	Repairs & Maintenance - Equipment	58,482	51,231	97,388	60,344	80,459	-29.42%					500	119,500	5,500	4.82%		
5438	Fuel	33,684	34,033	40,128	26,771	35,695	-30.01%						51,000	-	0.00%		
5440	Materials	63,612	157,244	122,500	53,342	71,123	-43.10%						125,000	-	0.00%		
5445	Chemicals	13,886	19,507	42,494	26,193	34,924	-41.79%						52,000	(8,000)	-13.33%		
5450	Meter Repairs	7,870	6,563	27,055	54,111	72,148	140.49%						64,500	34,500	115.00%		
5453	Permits	35,250	93,895	83,498	47,486	47,486	-13.74%						55,050	-	0.00%		
5455	Postage	64,104	65,102	76,355	32,587	43,449	-43.35%					58,000	70,200	(6,500)	-8.47%		
5460	Printing	7,909	6,686	10,514	7,354	9,805	-42.66%						24,600	7,500	43.86%		
5465	Safety Equipment	4,149	13,164	7,633	4,528	6,037	-80.80%						27,200	(4,250)	-13.51%		
5470	Software Programs & Updates	99,326	103,776	105,785	87,759	87,759	-34.15%						171,469	38,208	28.67%		
5475	Supplies	28,580	22,191	32,351	17,207	22,943	-30.48%						31,000	(2,000)	-6.05%		
5480	Telephone	39,976	36,395	39,030	24,798	33,064	-19.36%						37,704	(3,300)	-8.05%		
5485	Tools	6,802	22,877	5,370	13,909	18,545	85.45%						10,000	-	0.00%		
5490	Clothing Allowance	9,440	9,691	8,206	5,358	7,144	-22.35%						7,700	(1,500)	-16.30%		
5491	EGWD Other Clothing	9,188	6,998	6,223	4,328	5,771	-35.88%						13,108	4,108	45.64%		
5493	Water Conservation Materials	3,869	-	12,289	239	319	-96.81%						5,000	(5,000)	-50.00%		
	<b>Category Subtotal</b>	<b>\$707,042</b>	<b>\$969,217</b>	<b>\$984,814</b>	<b>\$704,411</b>	<b>\$838,040</b>	<b>-26.33%</b>		<b>\$ 3,200</b>	<b>\$ 38,000</b>	<b>\$ 79,787</b>	<b>\$ 286,664</b>	<b>\$ 1,208,164</b>	<b>\$ 70,637</b>	<b>6.21%</b>		
5495	<b>Purchased Water</b>	<b>2,417,349</b>	<b>2,732,016</b>	<b>2,873,292</b>	<b>2,160,750</b>	<b>2,881,000</b>	<b>-9.35%</b>						<b>\$ 3,135,689</b>	<b>(42,639)</b>	<b>-1.34%</b>		
<b>Outside Services</b>																	
5505	Administration Services	\$ 5,357	\$ 1,480	\$ 3,200	\$ 2,988	\$ 3,984	10.97%		\$ 3,590	\$ -			\$ 3,590	\$ -	0.00%		
5510	Bank Charges	82,979	106,873	132,426	121,539	162,052	16.75%						178,808	40,000	28.82%		
5515	Billing Services	26,329	24,694	23,597	15,370	20,493	-28.84%						31,800	3,000	10.42%		
5520	Contracted Services	271,147	266,148	297,891	222,781	297,041	-17.89%						416,625	54,845	15.16%		
5523	Water Conservation Services	38,921	-	-	-	-	-						-	-	0.00%		
5525	Accounting Services	34,428	24,553	25,536	22,260	33,240	-5.03%						35,000	-	0.00%		
5530	Engineering	53,266	10,188	21,858	58,163	77,551	-22.45%						184,000	84,000	84.00%		
5535	Legal Services	113,798	76,958	192,023	97,331	129,775	-25.84%						175,000	-	0.00%		
5540	Financial Consultants	-	13,427	112,879	10,421	13,895	-44.42%						10,000	(15,000)	-60.00%		
5545	Community Relations	15,410	15,894	8,679	3,103	4,137	-74.46%						21,200	5,000	30.86%		
5552	Misc. Medical	1,516	475	2,548	2,335	3,113	107.56%						2,500	1,000	66.67%		
5550	Pre-employment	493	343	425	-	-	-100.00%						1,000	-	0.00%		
5555	Janitorial	6,180	6,685	7,015	5,750	7,666.67	-22.95%						16,000	6,050	60.80%		
5560	Bond Administration	12,042	6,782	4,220	3,800	3,800	-46.10%						7,050	-	0.00%		
5570	Security	7,857	12,444	51,049	17,095	22,793.33	3.61%						28,500	6,500	29.55%		
5575	Sampling	18,549	43,275	39,230	25,476	33,968	-31.38%						49,500	-	0.00%		
5580	Board Secretary/Treasurer	1,800	-	-	-	-	0.00%						-	-	0.00%		
	<b>Category Subtotal</b>	<b>\$690,072</b>	<b>\$610,219</b>	<b>\$922,576</b>	<b>\$608,412</b>	<b>\$813,509</b>	<b>-16.58%</b>		<b>\$37,090</b>	<b>\$36,500</b>	<b>\$255,608</b>	<b>\$338,290</b>	<b>1,160,573</b>	<b>185,595</b>	<b>19.01%</b>		



Account	Description	FY 15-16		FY 16-17		FY 17-18		FY 18-19		FY 18-19		FY 18-19		FY 19-20		Difference		
		Actual	Actual	Actual	Actual	Y-T-D - 3-31-19	Budget	Projected	Ops	Tech Services	GM	HR	PM	Finance	Admin	Budget	Dollars	Percentage
<b>Equipment Rent, Taxes and Utilities</b>																		
5620	Equipment Rental	\$13,493	\$20,771	\$23,266	\$19,800	\$11,491	\$15,321	\$5,000						\$12,800	\$17,800	\$ (2,000)	-10.10%	
5710	Property Taxes	1,328	1,299	959	1,500	1,116	1,116							1,500	1,500	-	0.00%	
5720	Water	-	-	-	-	-	-							-	-	-	0.00%	
5740	Electricity	284,865	314,161	320,004	384,000	223,087	316,039.92	355,000						7,000	362,000	(22,000)	-5.73%	
5750	Natural Gas	425	601	517	600	689	919							900	900	300	50.12%	
5760	Sewer & Garbage	17,368	21,226	29,532	33,000	16,685	22,247	25,000						9,000	34,000	1,000	3.03%	
	<b>Category Subtotal</b>	<b>\$317,479</b>	<b>\$358,058</b>	<b>\$374,278</b>	<b>\$438,900</b>	<b>\$253,068</b>	<b>\$355,643</b>	<b>\$385,000</b>						<b>\$31,200</b>	<b>\$416,200</b>	<b>\$ (22,700)</b>	<b>-5.17%</b>	
	<b>Gross O&amp;M Expenses</b>	<b>\$7,358,131</b>	<b>\$8,264,368</b>	<b>\$9,106,617</b>	<b>\$9,947,025</b>	<b>\$6,733,619</b>	<b>\$9,033,503</b>	<b>\$6,498,572</b>	<b>\$720,688</b>	<b>\$471,441</b>	<b>\$319,737</b>	<b>\$227,937</b>	<b>\$1,307,233</b>	<b>\$823,824</b>	<b>\$10,369,432</b>	<b>\$422,407</b>	<b>4.25%</b>	
	<b>Less: Capitalized Labor</b>	<b>(509,238)</b>	<b>(528,352)</b>	<b>(279,633)</b>	<b>(453,517)</b>	<b>(150,506)</b>	<b>(200,675)</b>	<b>(457,164)</b>							<b>(457,164)</b>	<b>(3,646)</b>	<b>0.80%</b>	
	<b>Net O&amp;M Expenses</b>	<b>\$6,848,893</b>	<b>\$7,736,016</b>	<b>\$8,826,984</b>	<b>\$9,493,508</b>	<b>\$6,583,113</b>	<b>\$8,832,828</b>	<b>\$6,041,408</b>	<b>\$720,688</b>	<b>\$471,441</b>	<b>\$319,737</b>	<b>\$227,937</b>	<b>\$1,307,233</b>	<b>\$823,824</b>	<b>\$9,912,268</b>	<b>\$418,761</b>	<b>4.41%</b>	
	<b>Net Revenues</b>	<b>\$6,626,276</b>	<b>\$6,474,955</b>	<b>\$6,516,141</b>	<b>\$5,327,745</b>	<b>\$4,474,643</b>	<b>\$6,434,471</b>	<b>20.77%</b>							<b>\$5,259,975</b>	<b>(67,770)</b>	<b>-1.27%</b>	

### 2. Capital Improvement Funding

3560	Repair & Replacement Reserve																	
3565	Long-Term Capital Improvement Reserve Contribution to Reserves	851,472	700,000	626,000	429,000	429,000	429,000	429,000							1,408,000	1,408,000	979,000	228.21%
		698,528	1,000,000	1,130,000	1,016,400	1,016,400	1,016,400	1,016,400							430,000	430,000	(586,400)	-57.69%
	<b>TOTAL CAPITALIZED EXPENSES</b>	<b>\$1,550,000</b>	<b>\$1,700,000</b>	<b>\$1,756,000</b>	<b>\$1,445,400</b>	<b>\$1,445,400</b>	<b>\$1,445,400</b>	<b>\$1,445,400</b>							<b>\$1,838,000</b>	<b>\$1,838,000</b>	<b>\$392,600</b>	<b>27.16%</b>

### 3. Nonoperating (Revenue) / Expenses

6440	Depreciation	\$0	-	-	-	-	-	-										
6450	Amortization	-	-	-	-	-	-	-										
7300	Debt Service (Bond Interest Expense)	2,225,240	1,868,979	1,807,502	1,753,909	1,753,909	1,753,909	1,753,909							1,661,739	1,661,739	(92,170)	0.00%
7320	Offering Expense - Deferred Charges	-	-	-	-	-	-	-							-	-	-	-5.26%
2500	Bond Retirement	1,430,000	1,440,000	1,990,000	2,070,000	2,070,000	2,070,000	2,070,000							2,165,000	2,165,000	95,000	4.59%
9910	Interest Earned	(20,000)	(46,228)	(105,884)	(100,000)	(111,157)	(148,210)	(148,210)							(100,000)	(100,000)	-	0.00%
9911	Unrealized Gains/Losses	-	-	67,877	-	(132,972)	(177,295)	(177,295)							-	-	-	#DIV/0!
9920	Other (Income)/Expenses	-	(54,451)	91,661	-	(24,682)	(24,682)	(24,682)							-	-	-	0.00%
3500	Contribution from Operating Reserves	(74,671)	-	-	-	-	-	-							-	-	-	0.00%
9920-73	Other Expenses (Toilet Program Costs, Other Income)	-	12,036	-	-	-	-	-							-	-	-	0.00%
9950	Election Costs	-	126,527	-	150,000	2,008	2,008	2,008							-	-	(150,000)	100.00%
9970	Rebate Program	-	-	-	-	-	-	-							-	-	-	0.00%
	<b>TOTAL OTHER EXPENSES</b>	<b>\$3,560,569</b>	<b>\$3,346,863</b>	<b>\$3,851,156</b>	<b>\$3,873,909</b>	<b>\$3,557,106</b>	<b>\$3,475,730</b>	<b>\$3,475,730</b>							<b>\$3,726,739</b>	<b>\$3,726,739</b>	<b>(147,170)</b>	<b>-3.80%</b>

	<b>TOTAL EXPENDITURES</b>	<b>\$11,959,462</b>	<b>\$12,782,879</b>	<b>\$14,434,140</b>	<b>\$14,812,816</b>	<b>\$11,585,619</b>	<b>\$13,753,958</b>	<b>\$6,041,408</b>	<b>\$720,688</b>	<b>\$471,441</b>	<b>\$319,737</b>	<b>\$227,937</b>	<b>\$1,307,233</b>	<b>\$6,388,563</b>	<b>\$15,477,007</b>	<b>\$664,191</b>	<b>4.48%</b>
	<b>DISTRICT REVENUES IN EXCESS OF EXPENDITURE</b>	<b>\$1,515,707</b>	<b>\$1,428,092</b>	<b>\$908,985</b>	<b>\$8,436</b>	<b>(527,863)</b>	<b>1,513,341</b>								<b>(304,764)</b>	<b>(313,200)</b>	<b>3712.64%</b>
	<b>CHECK</b>	<b>\$1,515,707</b>	<b>\$1,428,092</b>	<b>\$908,985</b>	<b>\$8,436</b>	<b>(527,863)</b>	<b>1,513,341</b>								<b>(304,764)</b>	<b>(313,200)</b>	<b>3712.64%</b>