



**SCV**  

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**WATER**

Finance & Administration  
Committee Meeting

May 18, 2020

FY 2020/21

Revised Budget

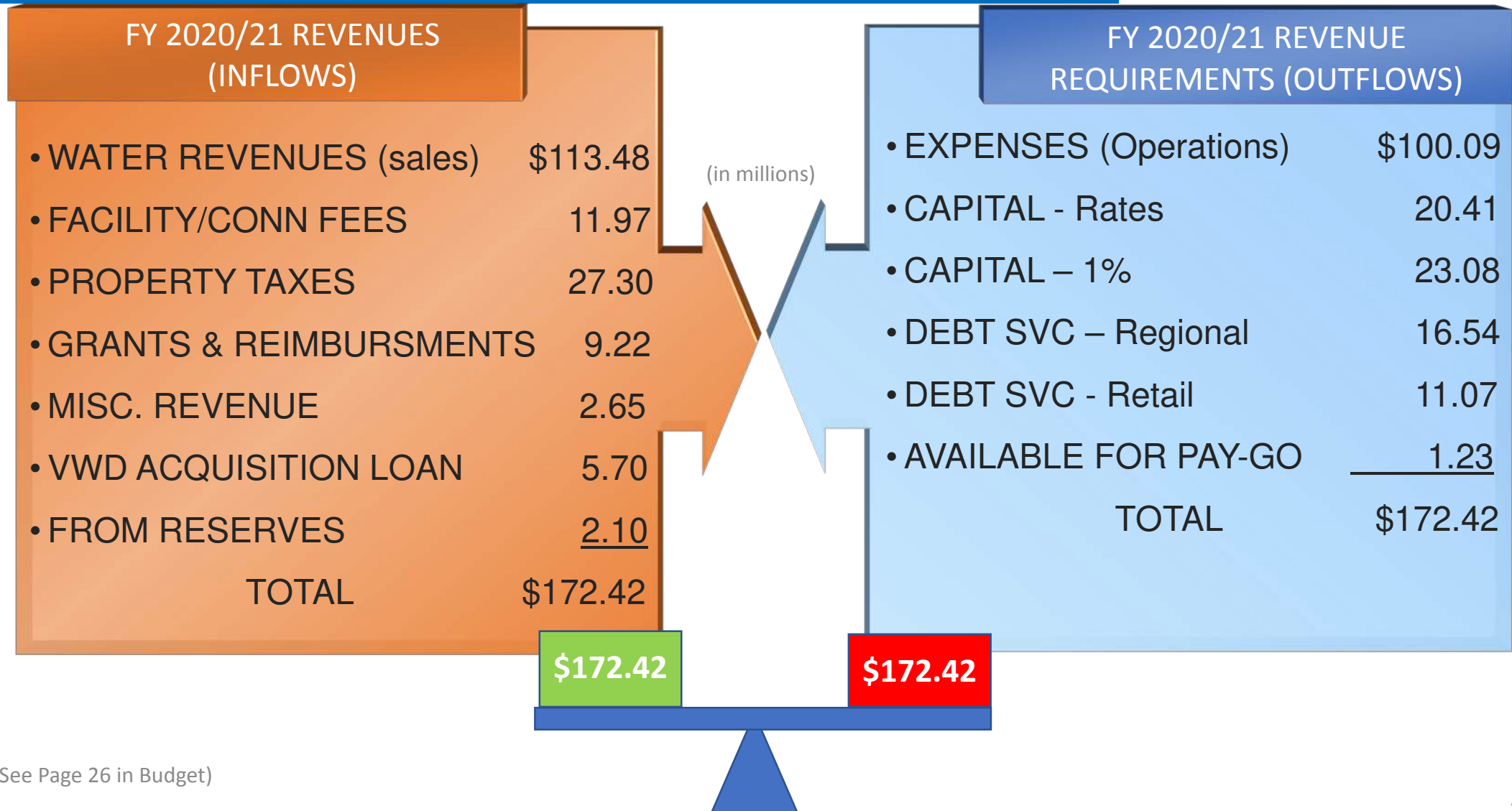
# Amended Budget

- Approval of FY2020-21 revised budget (2.67% increase)
- No impact on existing rate schedules
- Refining cost allocation processes and completing the transition to enterprise fund accounting
- Aggressive capital plan
- Staffing at 220
- Funding for Firming Programs, state mandates and strategic objectives

# Assumptions

- Water demand calculated by using historical data, building in a growth factor and expected conservation
- FY 2020/21 budget projections, updated with current operating conditions
- No change in existing standard of service
- No retail rate increases proposed
- Incorporates proposed financing plan
- Making progress on strategies involving issues related to technology, conservation, and community are additive to normal operations

# A Balanced Budget for FY 2020/21



(See Page 26 in Budget)

# Revenue

<b>Operating Revenue</b>	<b>Approved Budget FY 2020/21</b>	<b>Revised Budget FY 2020/21</b>	<b>Difference</b>	<b>%</b>
Water Sales	\$ 111,291,773	\$ 113,482,001	\$ 2,190,228	1.97% (A)
Property Tax	28,579,070	27,296,070	(1,283,000)	-4.49% (B)
FCF/Connection Fees	11,970,000	11,970,000	-	0.00%
Misc Revenues	2,657,049	2,657,049	0	0.00%
Grants & Reimbursements	11,320,149	14,911,506	3,591,357	31.73% (C)
From Reserves	2,104,629	2,095,879	(8,750)	-0.42%
	<b>\$ 167,922,670</b>	<b>\$ 172,412,505</b>	<b>\$ 4,489,835</b>	<b>2.67%</b>

- (A) Small increase to retail water sales and increased purchased water due to inactive PFAS wells
- (B) Using a 10-year average growth rate, lowered projection
- (C) Beginning construction of Saugus replacement wells that will be reimbursed through the settlement agreement

# Expenses

	Approved Budget FY 2020/21	Revised Budget FY 2020/21	Difference	%
<b>Operating Expenses</b>				
Operating Expenses	\$ 92,722,371	\$ 100,088,223	\$ 7,365,852	7.94% (A)
Debt Service	36,673,698	27,610,418	(9,063,280)	-24.71% (B)
Capital Projects (Pay-go)	30,695,428	43,484,506	12,789,078	41.66% (C)
To Reserves/Pay-go	7,831,173	1,229,358	(6,601,815)	-84.30% (D)
	\$ 167,922,670	\$ 172,412,505	\$ 4,489,835	2.67%

(A) Details on next slide

(B) Prepaid 2008A & 2014A in FY 2019/20

(C) 85% of the increase is associated with retail projects, including recycled pipeline, booster station and pipeline improvements, FMIS project, meter replacements, CIS software upgrade, technology upgrades and general facility replacements.

(D) Contribution to reserves not as projected due to increased capital program

# Expenses - Detail

Operating Expenses	Approved Budget FY 2020/21	Revised Budget FY 2020/21	Difference	%	
Source of Supply	\$ 28,133,868	\$ 28,863,297	\$ 729,429	2.59%	
Pumping Expense	9,317,912	8,912,340	(405,572)	-4.35%	
Water Quality & Treatment	9,227,585	9,754,634	527,049	5.71%	
Transmission & Distribution	10,653,237	12,721,347	2,068,110	19.41%	(A)
Customer Accounts	3,372,024	2,720,547	(651,477)	-19.32%	
Engineering	3,114,621	3,653,231	538,610	17.29%	(B)
General & Administrative	18,071,788	18,592,832	521,044	2.88%	
Water Resources	10,831,336	14,869,996	4,038,660	37.29%	(C)
	\$ 92,722,371	\$ 100,088,223	\$ 7,365,852	7.94%	

- (A) Funds for mainline breaks and reallocation of Field Services labor and benefits from Customer Accounts to Transmission and Distribution
- (B) Reallocation of labor and benefits, increased allocated costs for tech services and additional professional services and consulting
- (C) Increases to the GSA budget, additional professional services and consulting and \$3m for Firming Programs

# Capital - Summary

CATEGORY	Approved Budget FY 2020/21	Revised Budget FY 2020/21
<b>Regional</b>		
Major Capital Projects	\$ 27,034,000	\$ 50,191,753 (A)
Minor Capital Projects	840,000	1,060,000
Capital Planning, Studies & Admin	9,610,298	10,084,178
New Capital Equipment	2,973,154	3,857,654 (B)
Major Repair and Replacement	988,450	1,918,450 (C)
<b>Total Regional CIP</b>	<b>41,445,902</b>	<b>67,112,035</b>
<b>Retail</b>		
Major Capital Projects	5,310,000	33,226,000 (D)
Minor Capital Projects	10,296,026	12,441,021 (E)
<b>Total Retail CIP</b>	<b>15,606,026</b>	<b>45,667,021</b>
<b>Total CIP</b>	<b>\$ 57,051,928</b>	<b>\$ 112,779,056</b>

## Increases Attributable to:

- (A) Includes \$13.72 million for Solar Panel PPA Buy Out, S3 & S4 Replacement Wells, Well Q2 and Well 205
- (B) Office Technology & Equipment, Phone System Replacement, FMIS Project, SCADA
- (C) Recycled Water System Repair & Replacement
- (D) Includes \$17.3 million for PFAS treatment, Deane Pump Station, V-9 Improvements, Recycled Water Phase II 2D, Pipeline Replacements
- (E) Office Technology & Equipment, AMI Project, FMIS Project



# Capital - Funding

<b>Regional</b>	<b>Revised Budget FY 2021</b>	<b>Capital Project Fund</b>	<b>One Percent Property Tax</b>	<b>Reimbursements</b>	
Major Capital Projects	\$ 50,191,753	\$ 37,751,550	\$ 6,157,703	\$ 6,282,500	
Minor Capital Projects	\$ 1,060,000	-	1,060,000	-	
Capital Planning, Studies and Administration	\$ 10,084,178	-	10,084,178	-	
New Capital Equipment	\$ 3,857,654	-	3,857,654	-	
Major Repair and Replacement	\$ 1,918,450	-	1,918,450	-	
<b>Total Regional CIP</b>	<b>67,112,035</b>	<b>37,751,550</b>	<b>23,077,985</b>	<b>6,282,500</b>	
<b>Retail</b>	<b>Revised Budget FY 2021</b>	<b>Capital Project Fund</b>	<b>Water Rates</b>	<b>Reserves</b>	<b>Expansion Fund</b>
Major Capital Projects	33,226,000	17,348,000	7,965,500	4,500,000	3,412,500
Minor Capital Projects	12,441,021	-	12,441,021		
<b>Total Retail CIP</b>	<b>45,667,021</b>	<b>17,348,000</b>	<b>20,406,521</b>	<b>4,500,000</b>	<b>3,412,500</b>
<b>Total CIP Sources of Funding</b>	<b>\$ 112,779,056</b>	<b>\$ 55,099,550</b>	<b>\$ 43,484,506</b>	<b>\$ 10,782,500</b>	<b>\$ 3,412,500</b>

Approximately \$10 million of Regional and Retail Pay-go projects were delayed or deferred from FY 2019/20 to FY 2020/21

# Reserves

Reserves	Approved Budget FY 2020/21	Revised Budget FY 2020/21	% Funded FY 2020/21	Difference	%
Capital Improv & Repl	\$ 28,449,301	\$ 33,354,022	77%	\$ 4,904,721	17.24%
Emergency/Disaster	34,242,313	\$ 36,170,306	93%	1,927,993	5.63%
Capital	26,465,005	\$ 25,197,649	80%	(1,267,356)	-4.79%
Operating	38,376,983	\$ 37,516,216	81%	(860,767)	-2.24%
Revenue Rate Stabilization	10,543,429	\$ 12,673,455	100%	2,130,026	20.20%
Water Supply Reliability	3,000,000	\$ 3,000,000	100%	-	0.00%
	\$ 141,077,031	\$ 147,911,648	84%	\$ 6,834,617	4.84%

	Regional	NWD	SCWD	VWD	
July 1, 2020	\$ 97,070,935	\$ 8,003,364	\$ 28,582,919	\$ 7,419,813	\$ 141,077,031
Increase	10,882,809			2,405,943	13,288,752
Decrease		(521,217)	(1,357,915)		(1,879,132)
Uses		(2,612,127)		(1,962,876)	(4,575,003)
<b>FYE 2020/21</b>	<b>\$ 107,953,744</b>	<b>\$ 4,870,020</b>	<b>\$ 27,225,004</b>	<b>\$ 7,862,880</b>	<b>\$ 147,911,648</b>

+/- based on targets, i.e. Capital Impr based on fluctuations of Pay-go.

Amount needed to complete current year budget

## Summing up

- A Balanced Budget
- Operating budget increase of 2.67%
- Utilization of Retail Reserves to complete capital plan, but still increasing reserve fund balance by 4.84%
- Funding for Strategic Objectives
- Achieving economies of scale and savings goals