



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Palmdale Water District 2020 Budget Presentation

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Background

- The annual budget for calendar year 2020 is based upon the 2019 Water Rate Study completed October 8, 2019.
- ✓ This was a six-month process utilizing the consulting services of economic firm RDN
- ✓ Analyzing 5 years of financial and billing data and determining the needs of the District for the next 5-year period.
- ✓ By way of Resolution 19-15 adopted by the Board on October 28, 2019 the rates for calendar years 2020 through 2024 were set.



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The 2020 Annual Budget Presentation



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Operating Revenues

	PROPOSED	BUDGET
	2020	2019
Operating Revenue		
Wholesale Water (AVEK & LCID)	295,000	295,000
Retail Water	26,122,953	24,568,500
Other Operating Revenue	877,625	875,000
	<u>27,295,578</u>	<u>25,738,500</u>

- ❖ Budgeted Retail Water sales are projected to increase by \$1,554,000, based on sales of 16,341 af with an 8.1% rate adjustment.
- ❖ Wholesale and Other Operating Revenue are expected to stay relatively stable.
- ❖ Total Cash Operating Revenue is budgeted at \$27,295,578



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Operating Expense

	PROPOSED 2020	BUDGET 2019
Operating Expenses		
Departmental Salaries (Includes Overtime)	8,735,500	8,263,000
Departmental Taxes & Program Benefits	1,063,400	1,026,250
Departmental Healthcare	1,305,750	1,472,400
Departmental CalPERS	<u>1,585,000</u>	<u>1,479,750</u>
Departmental Personnel Expenses	12,689,650	12,241,400
Departmental Operating Expenses	7,693,436	7,798,100
Water Purchases & Recovery (OAP Included)	2,321,476	1,905,000
Water Quality (GAC Media)	783,015	800,000
Plant Expenditures	<u>610,556</u>	<u>212,000</u>
Cash Expenses	24,098,133	22,956,500

- The cash operating expenses are presented in two categories, personnel costs and operating costs. Total personnel costs are \$12,689,650, consisting of salaries and benefits. Total operating costs are \$11,408,483, consisting of operational costs, water purchases, water quality, and plant expenditures. Total cash operating expenses are \$24,098,133.



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Operating Expense

	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Total O&M Expense	\$21.8	\$23.1	\$23.8	\$24.6	\$25.3	\$26.1
% Annual Increase		5.8%	3.1%	3.1%	3.1%	3.2%

Expense Escalation Factors	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Overall Inflation Rate:	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Utility/Chemical Inflation Rate:	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Treatment Inflation Rate:	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Purchased Water Inflation Rate	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Employee Expenses Inflation Rate:	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Equipment Inflation Rate:	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Fuels and Automobile Inflation Rate:	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Construction Inflation Rate:	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
No Escalation:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

- ❖ Operating expense increase is a result of the water rate study using the adopted 2019 budget as the base line, then applying inflationary escalation for eight different categories resulting in approximately a 5.8% increase from 2019.



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Personnel Costs

	PROPOSED 2020	BUDGET 2019
Operating Expenses		
Departmental Salaries (Includes Overtime)	8,735,500	8,263,000
Departmental Taxes & Program Benefits	1,063,400	1,026,250
Departmental Healthcare	1,305,750	1,472,400
Departmental CalPERS	<u>1,585,000</u>	<u>1,479,750</u>
Departmental Personnel Expenses	12,689,650	12,241,400

- Personnel cost are adjusted upwards by \$448,250 due to the following factors:
- ✓ The budget funds a 2.99% COLA adjustment.
 - ✓ The budget funds potential merit and step increase.
 - ✓ There is an increase in PERS contributions for both classic and PEPRAs employees.
 - ✓ Healthcare has been adjusted to match the allowance of \$1,875 per employee.
 - ✓ Provisions have been made for vacation and sick sell back.



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Operating Expense

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Operating Expenses		
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Water Quality (GAC Media)	783,015	800,000
Plant Expenditures	<u>610,556</u>	<u>212,000</u>
Cash Expenses	24,098,133	22,956,500

- Departmental Operating Expenses are slightly lower by approximately \$100,000.
- Water purchases are increased in anticipation of using more surface water by approximately \$400,000
- Plant Expenditures is increased by approximately \$400,000 as well.
- Total of these Cash Operating Expenses is \$11,408,483
- Grand Total Cash Operating Expenses is \$24,098,133



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Operating Expense

	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Replacement/New Equipment	\$440,217	\$608,922	\$375,113	\$373,115	\$483,704
Studies and Planning	\$604,985	\$125,000	\$200,000	\$125,000	\$125,000
Water Supply	\$512,177	\$786,976	\$806,143	\$1,101,034	\$0
Replacement Capital Projects	\$3,056,808	\$3,985,035	\$4,469,925	\$5,758,578	\$2,554,233
New Capital Projects	\$578,810	\$0	\$529,664	\$0	\$3,120,913
Total CIP Expense	\$5,192,998	\$5,505,934	\$6,380,845	\$7,357,728	\$6,283,850

- ❖ \$605,000 of Plant Expenditures come from the rate study table for studies and planning. These items are NOT depreciable.
- ❖ The balance of Total CIP Expense is accounted for in the cash flow.



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Operating Expense

Plant Expenditures

Total CIP Expense

CES	Arc Flash Study
CES	Citrix - Seamless apps across multiple platforms
CES	Data Center UPS System (Symmetra)
CES	Emergency Action Plan
CES	Ergonomic Retrofit of CC workstation w/Expert Evaluation
CES	Gig to desktop/Infrastructure Refresh (4 years roll-out)
CES	GIS enhancement (5-years Conversion)
CES	Hazard Mitigation Plan
CES	Human Resources Information System
CES	Intranet Redesign
CES	Littlerock Sediment Removal - Permitting
CES	Personnel Emergency Notification System
CES	PRGRRP - Construction & Monitor Wells/Test Basin
CES	PRGRRP - Consulting Services (Kennedy/Jenks)
CES	Public Web Site Redesign
CES	System Valuation Study



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Cash Flow and Reserves

	<u>Budget 2020</u>	<u>Projected 2019</u>
Beginning Cash	<u>10,783,207</u>	<u>11,785,007</u>
Operating Activities		
Net Operating Revenues	27,295,578	25,738,500
Net Operating Expenses	<u>24,098,133</u>	<u>23,729,069</u>
Net cash provided by operating activities	3,197,445	2,009,431

- With the completion of \$2,401,800 on committed projects in 2019, we will begin the year with cash reserves of \$10.7M. The difference in operating revenue over operating expense will increase that cash balance by \$3.2M.



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Cash Flow and Reserves

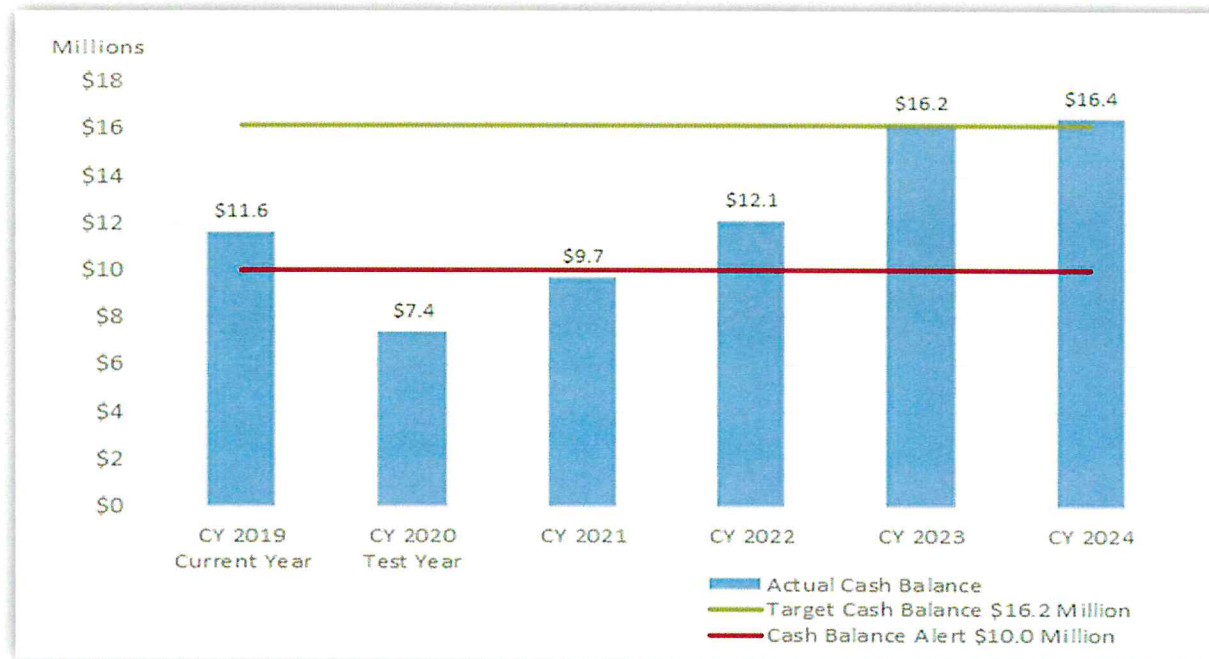
	Budget 2020	Projected 2019
Other Sources and Uses of Cash		
Assessments received	7,271,250	7,329,360
Payments for State Water Project	(3,593,204)	(4,279,042)
Capital Improvement Fees Received	75,000	755,810
Water Conservation	(236,500)	(46,386)
Proceeds on Issuance of Long-Term Debt		
Acquisition of Property, Plant & Equip. - Current Yr	(4,582,442)	(1,781,000)
Acquisition of Property, Plant & Equip. - Carry-over	(447,000)	-
Committed Contract - Upper Amargosa Creek Project	(500,000)	(620,785)
Investments in PRWA	(300,000)	(306,656)
Capital Leasing - Principal & Interest	(178,953)	(178,953)
Principal Paid on Long-Term Debt	(1,759,583)	(1,706,595)
Interest Paid on Long-Term Debt	(2,528,688)	(2,581,365)
State Grants and Other Income	150,000	35,685
Interest on Investments	150,000	368,696
Net Cash Provided by Other Sources and Uses	(6,480,121)	(3,011,231)
Net Increase (Decrease) in Cash	(3,282,676)	(1,001,800)
Rate Stabilization Fund	-	-
Cash End of Year	7,500,531	10,783,207
Less Restricted Cash	-	-
Acquisition of Property, Plant & Equip. - Carry-over	-	(447,000)
Committed Contract - Upper Amargosa Creek Project	-	(500,000)
Available Operating Cash	7,500,531	9,836,207

- We will invest \$4.95M in new capital projects and complete the commitment to Upper Amargosa Creek project.
- Ending cash reserve balance would be \$7.5M as determined by the 2019 water rate study if all the projects are completed in 2020.



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Cash Flow and Reserves



✓ Option 1 from the 2019 Water Rate Study.



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Current Year Acquisitions Property, Plant & Equipment



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Current Year Acquisitions Property, Plant & Equipment

Year	Project Budget Requests (Not Committed)	Priority	Category	Project Type	Estimation
Asset/Infrastructure Related Expense					
Pipeline Projects					
2020	WELL 17 YARD PIPING		RCP	Replacement Cap.	63,000
2020	Pipeline Design		NCP	New Capital	100,000
2020	Pipeline with Velocity Deficiency (23 feet of 20" diameter 2800 Zone)		RCP	Replacement Cap.	11,246
2020	Sierra Hwy. Tie-In and Abandonment (Harold Streets)		RCP	Replacement Cap.	142,000
				Subtotal:	316,246
Water Supply Projects					
2020	Recharge Project Design (PRGRRP) (3 years)		WS	New Capital	500,000
2020	Annual Sediment Removal of 38,000 cubic yards (note potential grant cost share of \$9			O&M Funds	600,000
				Subtotal:	1,100,000
Well Projects					
2020	Well 23 Rehabilitation		RCP	Replacement Cap.	180,000
2020	CL2 Monitoring @ Well Sites		RCP	Regulatory	110,000
2020	Well 3 Rehabilitation		RCP	Replacement Cap.	190,000
2020	NaOCL Generator Replacement - (4 Wells) (1 each year)		RCP	Replacement Cap.	66,250
2020	Well 16 Rehabilitation		RCP	Replacement Cap.	120,000
2020	Brine Storage Tanks - Well Sites (Qty. 8) (2 each year)		RCP	Replacement Cap.	32,500
				Subtotal:	698,750



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Current Year Acquisitions Property, Plant & Equipment

Year	Project Budget Requests (Not Committed)	Priority	Category	Project Type	Estimation
Asset/Infrastructure Related Expense					
Booster Projects					
2020	Booster Building Rehab (5-years schedule)		RCP	Replacement Cap.	35,000
2020	45th St. Booster #3 Zone 3000		RCP	Replacement Cap.	25,000
2020	25th St. Booster #3		RCP	Replacement Cap.	18,000
2020	45th St. Booster #3 Zone 2800		RCP	Replacement Cap.	23,000
				Subtotal:	101,000
Water Treatment Plant Projects					
2020	Turbidimeter		RCP	Replacement Cap.	100,000
2020	AC Unit		NCP	New Capital	15,000
2020	Entry Buildings @ Filter and GAC Pipe Gallery Entrance		NCP	Safety	50,000
	Effluent Vault Stair			New Capital	
				Subtotal:	165,000



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Current Year Acquisitions Property, Plant & Equipment

Year	Project Budget Requests (Not Committed)	Priority	Category	Project Type	Estimation
Asset/Infrastructure Related Expense					
Facility Projects					
2020	Vault/Large Meter (~ 15/yr @ \$7500/setup for 5 years)		RCP	Replacement Cap.	112,500
2020	District Office - Stucco Repair & Painting		RCP	Replacement Cap.	215,000
2020	Parking Lot Resurfacing (Main Office)		RCP	Replacement Cap.	42,000
2020	Palmdale Ditch Improvements (5-years schedule)		RCP	Replacement Cap.	15,000
2020	District Office Fire System upgrade w/control panel changeout		RCP	Replacement Cap.	42,000
2020	Meter Replacement Program		RCP	Replacement Cap.	700,000
				Subtotal:	1,126,500
Equipment					
2020	Replacement Diaphragm Pump (4 pumps) (1/yr.)		NRE	Replacement Cap.	8,000
2020	Soft Starts (22 well & 11 booster) (5-years schedule)		RCP	Replacement Cap.	32,000
2020	Replacement Wackers - J Tamps (4-years schedule)		NRE	Replacement Equip.	4,000
2020	Truck mounted welder for truck 115		NRE	New Equipment	5,000
2020	Radio System Upgrades for District		RCP	Replacement Cap.	81,000
2020	Hydraulic Concrete Breaker w/attachment for skidsteer		NRE	New Equipment	7,000
2020	Trailer mounted vac/pressure washer		NRE	Replacement Cap.	145,000
				Subtotal:	282,000



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Current Year Acquisitions Property, Plant & Equipment

Year	Project Budget Requests (Not Committed)	Priority	Category	Project Type	Estimation
Asset/Infrastructure Related Expense					
Vehicle Replacements					
2020	V-7 Replacement		NRE	Replacement Cap.	23,000
2020	V-84 Replacement		NRE	Replacement Cap.	23,000
2020	V-82 2004 PU - Traffic Control - Overload		NRE	Replacement Cap.	55,000
				Subtotal:	101,000
Safety					
2020	Emergency Supplies		NRE	New Equipment	1,500
2020	Arc Flash Study		CES	New Equipment	120,000
2020	Ergonomic Retrofit of CC workstation w/Expert Evaluation		CES		75,000
2020	Hazard Mitigation Plan		CES	New Equipment	100,000
				Subtotal:	296,500



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Current Year Acquisitions Property, Plant & Equipment

Year	Project Budget Requests (Not Committed)	Priority	Category	Project Type	Estimation
<i>Asset/Infrastructure Related Expense</i>					
<i>Information Technology</i>					
2020	Public Web Site Redesign		CES	New Equipment	75,000
2020	Intranet Redesign		CES	Replacement Equip.	50,000
2020	Human Resources Information System		CES		60,000
2020	Personnel Emergency Notification System		CES		40,000
2020	Replace EOL Oasis recorder		NRE	Replacement Equip.	25,000
2020	GIS enhancement (5-years Conversion)		CES	Replacement Equip.	75,000
	Smart Meter Deployment			Reporting	
				Subtotal:	325,000

Total Asset/Infrastructure Project Requests 4,511,996



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DISCUSSION/QUESTIONS?



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