



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Palmdale Water District 2019 Budget Presentation

Michael Williams
Finance Manager/CFO
November 13, 2019

Background

➤ **1st draft** of the 2019 budget presented to Finance Committee
September 20th meeting.

- ✓ Revenue projection based on 4.25% rate adjustment approved on 11/09/2016.
- ✓ Revenue projections based on selling 16,800 acre feet would produce \$24,983,000



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Background

- Departmental expenses were discussed and some highlights were pointed out such as:
 - ✓ Salaries were calculated at full work force for all departments for the year
 - ✓ Merit and non-cumulative merit were included for all positions
 - ✓ Provisions for sell back of sick and vacation were included
 - ✓ Annual COLA calculated at 3.9%
 - ✓ The inclusion of a rate study consultant
 - ✓ CalPERS Unfunded Liability has increased \$120,000
 - ✓ Healthcare increases are relatively flat
 - ✓ Facilities department has significant increase in O&M as the department continues its proactive maintenance program
- ❖ Also noted management waiting on department request for review.



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Background

- **2nd draft** of the 2019 budget produced on October 10th with departmental requests.
- ✓ Expenses were \$26,028,450 which exceeded revenue by \$1,045,450
- ✓ A reduction in cash reserves balance to \$8,481,402 which was below our internal target of \$10,000,000
- ✓ After managements thorough review a request for departments to reduce their budgets was made by management.



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Background

➤ **3rd draft** of the 2019 budget produced on October 16th with departmental reductions.

- ✓ Expenses had been reduced by approximately \$1,233,000
- ✓ Water sales projections increased to 17,250 acre feet
- ✓ Net effect of these adjustments increased projected ending cash balance to \$11,412,930



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Background

- **4th draft** of the 2019 budget presented to Finance Committee on October 25th that included all adjustments over the month, with some additional minor adjustments regarding the meter exchange project.
- The Finance Committee held a special meeting on November 7th to consider the 2019 annual budget.
 - ✓ After a thorough review, the Committee took unanimous action to recommend approval of the 2019 annual budget as a package with the understanding that any additional changes would be to simply reduce expenses, including, but not limited to, Director expenses.



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

The 2019 Annual Budget Presentation



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Operating Revenues

	PROPOSED	BUDGET
	2019	2018
Operating Revenue		
Wholesale Water (AVEK & LCID)	295,000	160,000
Retail Water	24,568,500	22,627,500
Other Operating Revenue	875,000	800,000
	<u>25,738,500</u>	<u>23,587,500</u>

Budgeted Operating Revenues are projected to increase by \$2,151,000, based on sales of 17,250 af with a 4.25% rate adjustment.

2018 projected year end revenue is \$24,252,000 with sales of 16,800 af.



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Personnel Costs

	PROPOSED	BUDGET
	2019	2018
Operating Expenses		
Departmental Salaries (Includes Overtime)	8,263,000	7,787,500
Departmental Taxes & Program Benefits	1,026,250	893,500
Departmental Healthcare	1,472,400	1,404,500
Departmental CalPERS	1,479,750	1,504,250
Departmental Personnel Expenses	12,241,400	11,589,750

➤ Personnel cost are adjusted upwards by \$651,650 due to the following factors:

- ✓ The budget funds 2 new positions for seven months of the year; a Lab Analyst and a Service Worker III.
- ✓ We will fill the three vacant positions beginning the first of the year; a Plant Operator, an Operations Technician, and a Maintenance Worker.
- ✓ Healthcare has been adjusted to match the allowance of \$1,850 per employee. The blended increase in medical was only 0.15% for the District.
- ✓ COLA has been included at 3.93% with 2.67% of that going to PERS classic employee's contribution. Those employees will now pay their full 7% of contribution through payroll deduction.
- ✓ Provisions have been made for one vacation sell back in with a cap of 80 hours.
- ✓ No provisions for merit and salary adjustments for 2019 evaluations.
- ✓ Includes adjustment based on market salary survey



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Operating Expense

	PROPOSED 2019	BUDGET 2018
Operating Expenses		
Departmental Operating Expenses	7,798,100	8,461,757
Water Purchases & Recovery (OAP Included)	1,905,000	2,100,000
Water Quality (GAC Media)	800,000	840,000
Plant Expenditures	212,000	1,144,000
Cash Expenses	22,956,500	24,135,507

- Operating expense will decrease by \$1,179,000 with most of the decreases attributed to depreciating the meter exchange project and departmental adjustments downward as we prepare for the completion of committed projects that are carryover from previous years in the amount of \$2,442,785.
- The budget does include the provision for a new rate study at \$100,000 and for election expense at \$57,000.



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Operating Expense

Plant Expenditures:

Plant expenditures has a significant decrease and only includes regulatory and critical projects:

1. Emergency Action Plan	\$ 25,000
2. LSRP-State Permits	\$ 60,000
3. System Valuation Study	\$ 30,000
4. Palmdale Canal Repairs	\$ 12,000
5. Replace Wifi Access Points	\$ 45,000
6. Enhanced Network Security	\$ 40,000

- We did not include the expense of removing sediment from Littlerock Dam because we will not be ready for this in 2019 but will include the cost in our rate study for 2020-2024 rates.



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Cash Flow and Reserves

	Budget 2019	Projected 2018
Beginning Cash	<u>12,171,171</u>	<u>14,327,027</u>
Operating Activities		
Net Operating Revenues	25,738,500	24,252,000
Net Operating Expenses	<u>22,956,500</u>	<u>23,086,496</u>
Net cash provided by operating activities	2,782,000	1,165,504

- Because of the completion of \$2,798,800 on committed projects in 2018, we will begin the year with cash reserves of \$12.1M. The difference in operating revenue over operating expense will increase that cash balance by \$2.7M.



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Cash Flow and Reserves

Other Sources and Uses of Cash		
Assessments received	7,425,000	7,661,000
Payments for State Water Project	(2,876,953)	(3,096,161)
Capital Improvement Fees Received	75,000	108,000
Water Conservation	(236,500)	(98,000)
Proceeds on Issuance of Long-Term Debt		
Acquisition of Property, Plant & Equip. - Current Yr	(801,000)	(2,798,802)
Acquisition of Property, Plant & Equip. - Carry-over	(1,427,000)	(857,761)
Committed Contract - Upper Amargosa Creek Project	(995,785)	(125,000)
Investments in PRWA	(300,000)	(302,000)
Capital Leasing - Principal & Interest	(178,953)	(178,953)
Principal Paid on Long-Term Debt	(1,706,595)	(1,657,084)
Interest Paid on Long-Term Debt	(2,581,365)	(2,210,599)
State Grants and Other Income	150,000	58,000
Interest on Investments	150,000	176,000
Net Cash Provided by Other Sources and Uses	(3,304,151)	(3,321,360)
Net Increase (Decrease) in Cash	(522,151)	(2,155,856)
Rate Stabilization Fund	-	-
Cash End of Year	11,649,020	12,171,171

- Considering the other sources and uses of cash, completing the carryover projects and contract commitments, we will have \$801,000 available for new capital projects which is the meter replacement project for 2019 and the purchase of tax default properties. Our ending cash reserve balance would be \$11.6M.



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Current Year Acquisitions Property, Plant & Equipment



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Current Year Acquisitions Property, Plant & Equipment

Water Treatment Plant

WTP - Zetasizer Instrumentation	\$ 76,069
WTP Replacement Sodium Hypochlorite Unit	68,290
WTP – Renovation to Office Bldg.	42,602
WTP – 30” Effluent Flow Meter	30,358
WTP – Wash Pump Emergency Repairs	12,785
WTP – Additional Brink Tank (\$84,000 anticipated by year end.)	11,476
WTP - Ferric Tank	8,636
	<u>\$250,216</u>



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Current Year Acquisitions Property, Plant & Equipment

Wells & Boosters

Well 7 – Rehabilitation	\$162,441
6MG Clearwell – Curtain Repairs	85,169
Well 14 Tank – Repair and Renovation	82,800
45th ST Tank – Altitude Valve Replacement	72,141
Well 6 – Emergency Repair and Rehabilitation	50,730
Well 35 – Rehabilitation	50,251
Avenue T8 Booster #2 – Emergency Repairs	36,540
3MG Booster Pump – 850 E Avenue S	23,132
6MG Clearwell – Booster #2 & #3 Replacement	20,215
Well 14 – Rehabilitation	15,962
Well 5 – R&R Site & Booster #3	11,521
	<u>\$610,902</u>



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Current Year Acquisitions Property, Plant & Equipment

Water Mains & Meters

Water Meter Replacement Program	\$401,476
WM Replacement - 13th ST E/Avenue R (Spec 1703)	15,244
WM Replacement - Camares & Avenue S14 (Spec 1502)	10,584
	<u>\$427,304</u>



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Current Year Acquisitions Property, Plant & Equipment

Water Supply, Regulatory & More

Littlerock Sediment Removal Project	\$348,155
PRGRRP - CEQA Permitting, design and pilot	338,999
PRGRRP – Construction of Monitoring Wells/Test Basin	306,363
Replacement Backhoe	85,457
Vault & Meter Rehabilitation Projects (Re-classified)	49,900
Sanitary Survey Update	33,763
Amargosa Creek Project	18,806
	<u>\$1,181,443</u>
Potential Expenditures to projects before year-end listed above	635,300



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

NEEDED PROJECTS 2019

		2019 FUND BREAKDOWN					
		O&M	CF	WS	AR	CON	WQ
Upper Amargosa Recharge Project	(CO)	-	-	1,120,785	-	-	-
Studies and Planning Documents	(CO)	115,000	-	293,500	-	-	-
	(New)	40,000	-	-	-	-	-
Replacement Equipment	(CO)	-	-	-	162,000	-	-
	(New)	45,000	-	-	-	-	-
General Projects	(CO)	12,000	-	-	78,000	-	-
	(New)	-	-	-	51,000	236,500	-
Replacement Capital Projects	(CO)	-	-	-	1,612,000	-	-
	(New)	-	-	-	-	-	-
New Capital Projects (CIF)	(CO)	-	31,500	-	-	-	-
GAC Media Replacement (5 Contactors)	(New)	-	-	-	-	-	800,000
	(CO)	127,000	31,500	293,500	1,852,000	-	-
	(New)	85,000	-	-	51,000	236,500	800,000
	Total	212,000	31,500	1,414,285	1,903,000	236,500	800,000
2019 Total Tie-out:		4,597,285					

Equipment	207,000
Capital Projects - General Fund	2,201,500
Capital Projects - CIF	31,500
Plant Expenditures	(212,000)
	2,228,000
Upper Amargosa Recharge Project	1,120,785
	3,348,785

Abbreviation Explanation	
O&M	= Plant Expensed
CF	= Capital Improvement Fund
WS	= Source Water Supply
AR	= Asset Replacement
CON	= Conservation Program
WQ	= Water Quality Fund
WRB	= 2013A Water Revenue Bond Fund



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

STUDIES

REQ. #	DESCRIPTION	Dept.	2019 FUND SOURCE BREAKDOWN			BUDGETING YEAR AMOUNT		
			O&M	WS	WQ	2019	2020	2021
Studies and Planning Documents								
PL01	Upper Amargosa Recharge Project (CO)	ENG	-	1,120,785	-	1,120,785	50,000	-
PL02	PRGRRP - Construction & Monitor Wells/Test Basin (CO)	ENG	-	20,000	-	20,000	-	-
PL03	PRGRRP - Geo-Technical Service (CO)	ENG	-	48,500	-	48,500	-	-
PL04	PRGRRP - Consulting Services (Kennedy/Jenks) (CO)	ENG	-	225,000	-	225,000	-	-
PL05	Emergency Action Plan (CO)	ENG	25,000	-	-	25,000	-	-
PL06	LSRP-Additional Permitting (CO)	ENG	60,000	-	-	60,000	-	-
PL07	System Valuation Study (CO)	ENG	30,000	-	-	30,000	-	-
PL08	Enhanced network security & analytics	IT	40,000	-	-	-	-	-
			155,000	1,414,285	-	1,529,285	50,000	-
Total Fund Source:			1,569,285					



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

REPLACEMENT EQUIPMENT

REQ. #	DESCRIPTION	Dept.	2019 FUND SOURCE BREAKDOWN			BUDGETING YEAR AMOUNT		
			O&M	AR	WQ	2019	2020	2021
Replacement Equipment								
RE01	Brine tanks @ Well #7 & Well #3 (CO)	FAC	-	84,000	-	84,000	-	-
RE02	PRV Replacements 25th St; 37th St; 40th St (CO)	FAC	-	25,000	-	25,000	-	-
RE03	Altitude Valve - 25th St East (CO)	FAC	-	22,000	-	22,000	-	-
RE04	T-8 Booster Station Pump Skids (CO)	FAC	-	18,000	-	18,000	-	-
RE05	Intellispark @ Well #15 & #11 (CO)	FAC	-	13,000	-	13,000	-	-
RE06	Replace End of Life Wifi Access Points	IT	45,000	-	-	45,000	-	-
RE35			45,000	162,000	-	207,000	-	-
Total Fund Source:			207,000					



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

GENERAL PROJECTS

REQ. #	DESCRIPTION	Dept.	2019 FUND SOURCE BREAKDOWN			BUDGETING YEAR AMOUNT		
			O&M	AR	CON	2021	2020	2021
General Projects								
PRO01	Additional Brine Tank @ WTP (CO)	ENG	-	78,000	-	78,000	-	-
PRO02	Vault Access Issues - WTP	OPS	-	44,000	-	44,000	-	-
PRO03	Sampling Dock at Inlet Structure	OPS	-	7,000	-	7,000	-	-
PRO04	Bentonite blanket for Palmdale Canal Repairs	FAC	12,000	-	-	12,000	-	-
PRO05	2019 Water Rebate Program - Controllers, Turf Replacement, etc.	WC	-	-	236,500	281,000	250,000	250,000
			12,000	129,000	236,500	422,000	250,000	250,000
		Total Fund Source:	377,500					



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

REPLACEMENT CAPITAL

REQ. #	DESCRIPTION	Dept.	2019 FUND SOURCE BREAKDOWN			BUDGETING YEAR AMOUNT		
			O&M	WS	AR	2019	2020	2021
Replacement Capital Projects								
RCP01	Water Main Replacement - Avenue P8 & 20th ST E (CO)	FIN	-	-	410,000	410,000	-	-
RCP02	Avenue V-5 Water Main Replacement (Spec 1504) (CO)	FAC	-	-	60,000	60,000	-	-
RCP03	Water Main Replacement - Avenue P and 25th (Spec 1601) (CO)	FAC	-	-	350,000	350,000	-	-
RCP04	Clearwell #3 Booster (CO)	FAC	-	-	42,000	42,000	-	-
RCP05	Meter Replacement Program (Quantity = 2,700)	FAC	-	-	750,000	750,000	-	-
			-	-	1,612,000	1,612,000	-	-
		Total Fund Source:	1,612,000					



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

NEW CAPITAL

REQ. #	DESCRIPTION	Dept.	2016 FUND SOURCE BREAKDOWN		BUDGETING YEAR AMOUNT		
			OM	CF	2019	2020	2021
New Capital Projects (CIF)							
NCC01	Well No. 34A - Design & Construction (Lanc. Subbasin)	ENG	-	-	-	1,500,000	-
NCC02	Acquisition of Tax Defaulted Properties	ENG	-	31,500	31,500	-	-
			-	31,500	31,500	1,500,000	-
		Total Fund Source:	31,500				



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

DISCUSSION/QUESTIONS



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE