

**TOMALES VILLAGE COMMUNITY SERVICES
DISTRICT**

TVCS D PARK

APPROVED

**INCOME AND EXPENSE BUDGET
Fiscal Year 2014-2015**

Submitted

4-9-14

5-14-14

Approved

5-28-14

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT

P.O. Box 303 Tomales, CA 94971 707/878-2767 Fax 707/575-4306

DATE: May 28, 2014

TO: Board of Directors, TVCSD
Financial Advisory Committee

FROM: Karl Drexel, Administrator

SUBJECT: TVCSD Budget for Fiscal Year 2014-15

I reviewed the Operating Income and Expense reports of previous years, along with previous budgets to develop this fiscal year's budget. Although there has been talk about splitting up the Administrative duties with local part-time people and possibly changing the Operation and Maintenance contract, the Board has not taken action on these items so it is unknown if in fact those expenses will change. This budget does not anticipate any change other than regular inflation. Also, even though the Rural Community Assistance Corporation has undertaken a Financial Analysis of the District, that study has been put on hold at the request of the Financial Advisory Committee. The last rate increase the District instituted was in 2009 approved by the community for \$5/mo to be restricted for the debt servicing account for the solar project. That income is restricted to paying down the debt on the solar and cannot be used for operations and maintenance. The last previous rate increase for operations was a \$7/month increase in 2006. Although the last several District auditors, and the preliminary findings of the RCAC, have recommended additional rate increases, this budget does not propose a rate increase. However, with the State Controller's accounting and State Water Resources Control Board regulations, which determines profitability of operations only using Operating Income (service charges) and Operating Expenses, the District is still unable to cover its operating costs with service charges alone when the non-cash depreciation expense is included. Therefore, this budget does not include depreciation, but uses a portion of the Net Income at the end of each year to fund various Reserve Accounts. Future years will still require additional rate increases to cover depreciation and increased costs due to inflation, as well as developing a replacement account for Capital Improvements; but this proposed budget does not address those issues. The Board is advised to complete the rate study being developed and provided free of charge by the RCAC, to determine the amount the District should be charging for service fees and building reserves over the next five to ten years. When the District was formed in 1999, the sewer rates were among the highest in the State. However, Tomales is competitive statewide with populations under 1,000 providing secondary treatment, and continues to remain in the lower half of the local sewer system rate structure. Rates for the community do not increase with this budget and the operating service fees for the District's major partner, the Shoreline Unified School District, actually go down 6%.

Cost of living increases of sewer service fees on an annual basis need to be considered in the future in order to meet the State requirements of meeting operating costs, however that should be determined by a qualified third party consultant.

The following descriptions indicate the changes in expenses and revenues for the upcoming fiscal year:

PARK DIVISION

Following the District's auditor's suggestions, the Park budget and balance sheet has been separated from the combined District budgets of the past. The Park budget will follow in its own format in the near future.

SEWER DIVISION

RESTRICTED FUNDS

OPERATING INCOME

Sewer Service Fees

The rate increase in 2009 of \$5/EU per month was designated for the repayment of the Bond issue for the Solar Project. This fee is restricted for that use and is separate from other operating income. This account, in addition to the solar rebate projected for this year, will cover the Bond payment in December of 2014. Over the next three years, the solar rebate will be enough to fund a reserve fund for payments in the first year or two after the rebate is over. This budget does not include any additional rate increases of restricted funds this year.

CSI Solar Rebate

As mentioned earlier, the California Solar Initiative rebate will help offset the repayment of the Bond issue. The Solar System generates enough energy to not only reduce the monthly PGE costs, but with the CSI program, we receive rebates from PGE based on these costs. With the CSI and the approved rate increase in 2009, the costs of the solar project are covered with a portion going to future payments.

NON-OPERATING INCOME

Transfer In

As has been discussed in previous Board meetings, the equipment and software from the plant upgrades are getting old and we have been advised to replace some things and have discussed upgrading other things. Any emergency repairs or replacement to equipment would be transferred from Reserves; however, without a board approved CIP, no Transfers from Reserves are projected in this budget. Any new equipment, software, consultations or Capital Expenditures not budgeted for will have to be discussed for Reserve funds. This Budget does, however, allocate a transfer of \$10,000 from Operations Reserve Fund for an Efficiency Study.

EXPENSES

Solar Lease Agreement

The Solar System was purchased with the sale of Clean Renewable Energy Bonds and the Bond agreement sets up the sale as a lease until the bonds are paid off. This lease payment and Admin Fee amounts to \$18,691.18 each year. The Bond sale will be paid back in another 12 years. The cash from the CSI and the 2009 rate increase more than cover the cash outlay. This is the only budgeted expense in Restricted Funds.

SEWER DIVISION

UNRESTRICTED FUNDS

OPERATING INCOME

Sewer Service Fees

The current rate for sewer service is \$63 per month per equivalent unit, or \$756 per year. However, as mentioned earlier, \$5/month per EU is projected to help offset the initial annual costs of the solar system, and is set aside in a separate account to be used for paying down the CREBS bond. This portion of the sewer fee is not part of operating income and has no influence on the operating expenses. Service Fees from SUSD amount to about 1/3 of the operating costs for the year, based on the current budget. Additionally, SUSD is responsible for their portion of District loans and the pay back of a loan to them during the initial construction. This year's budget reflects a decrease in the sewer service charges for the SUSD by approximately 6%; however, due to the auditor's and State Controller's insistence that the District report depreciation, that expense is usually adjusted for at year end with a JE. This year the auditor instituted a monthly expense for depreciation, but again this budget does not include that. Since depreciation has been a year end adjustment in the past, the SUSD has not been billed for their share of the depreciation expense. Since it is not reasonable to go back and collect these expenses, we will address it going forward starting with this fiscal year. Even though the SUSD overall expenses will increase over the last two years, it is still 5% less than the average over the last 7 years. It is still anticipated that additional hookups and new customers in future years will help close the operating deficit after depreciation expenses are considered, but future rate increases will still be required. Future depreciation expense and capital project revenues will need to be addressed in subsequent budgets; however, a rate increase is not recommended for this budget.

SUSD Sinking Fund

This Budget item is the SUSD's debt service requirement for their portion of the State Revolving Fund loan.

Connection Fees

There have not been any hook-up fees for the last few years even though they had been anticipated and budgeted for in the past. However, given the time involved for annexation and development, it is not anticipated that any of the Kitts' properties or the bank owned properties on Second St. will be ready this fiscal year, and therefore no connection fees or annexation fees are being budgeted for this year.

Levy 4

The Levy 4 Unitary Tax from the County was reduced from its historic levels a few years ago and it was unknown what it would be. We budgeted \$8,000 the first year and the actual came in at about \$10,000. Although the amount varies from year to year there is no indication that the amount will change noticeably this year, so the Levy 4 budget item is projected conservatively at \$9,388.

NON OPERATING INCOME

Interest Income

The District's cash position has improved over the years, with the replenishment of the Reserve Funds and Net Income. Interest is a factor of the economy and varies from year to year based on the current interest rates, the amount of cash balances and continual research on various bank offers. One large interest item is the interest on a loan the SUSD is paying the District back. This amounts to approximately \$1,300 this year.

Transfer In

Several years ago the Board approved loans to the Park from the sewer division for the completion of the Park project, over and above what was repaid by grants. The Board approved loans up to \$20,000 and with the completion of the Park project those loans are in the process of being paid back. The Park has an outstanding balance at the time of this Draft Budget of \$9,211. There is no repayment budgeted for this year, so the balance will remain at \$9,211 going into the Fiscal 2014-2015. This Budget does not address a repayment, which will have to be a Board decision. A Transfer In, however, is not actually income, but it does increase the on-hand cash position.

EXPENSES

Collection, Treatment and Disposal

With the installation of the Solar system, the PGE rates that would have been, are reduced to minimal levels. However, there are other ongoing expenses in the collection, treatment and disposal of the community's wastewater. This Budget reflects the reduced monthly PGE costs as well as the quarterly expense of cleaning the FOG separator.

Administrator

The Administrator's contract is tied to the Consumer Price Index (CPI) The CPI increase was waived in 2009 and 2011. This year's COLI is not budgeted at this time. In past years, a portion of the Administrator's fees have been reimbursed by grant contracts under the category of construction management, and therefore do not show up as expenses on the District's financials since they are not paid out of operating income. However, this fiscal year does not project any new grants that will offset some of the Administrator's time so the budget reflects the full amount of the Administrator's fees for the year.

Licenses and Permits

Permit expenses will be roughly the same as in the past. Permits are for the District's Waste Discharge Requirement (WDR) permit and the County Hazardous Material Handling permit for the liquid chlorine at the Irrigation Field.

Insurance

The District's insurance carrier has voted to keep rates the same as last year for Property and Liability; however they raised the Worker's Comp rate 10% across the board. The Health Insurance stipend for the Administrator was reduced by \$2400 (or 33%) per year last year to more accurately reflect the cost of the Administrator's current health insurance expense. That remains the same this year.

Other Office Expense

Copying, postage, office supplies, equipment and other office expenses (dues and subscriptions and publications) have been budgeted approximately the same as was actually spent this year.

Last year's Budget included a line item for minimal meeting stipends for Board members. Since the Board has not acted on that issue, this Budget does not include a stipend expense.

Last year's Budget also included a line item for the part-time services of a qualified bookkeeper. Since that issue was never acted on, this budget does not include a part-time bookkeeper.

Contractual Services

Phillips & Associates' Operation and Maintenance contract is also tied to the CPI. Phillips waived their CPI increase in 2010, but took it in 2011 thru 2014. This budget reflects a 3.0% increase which will be determined after the September Invoice. The actual COLI for the Contract Operators will be determined by the October CPI and the budget will be adjusted accordingly.

Professional Fees

Budgeted Professional Fees reflect the actual costs for this year, with a little more for Legal Fees anticipating legal consultations. Additional Legal Fees are budgeted for the vetting of RFPs and Contracts anticipated. The total Legal budget is increased to \$5,000. The Board also chose to bring back the Efficiency Study which is budgeted for in this Budget under Consulting. It was included in last year's budget but had been tabled.

Publications and Notices

The Newsletter and other publications and Notices have been reduced from previous budget levels to more accurately reflect the actual costs of these items.

Dues and Subscriptions

This budget item is slightly higher than previous budgets to better reflect the actual costs. Some of the more important costs in this field are annual memberships in important organizations such as CSDA, CRWA, CWEA, and USA North. This also includes the annual costs for several software subscriptions.

Repairs and Maintenance

This year's Budget for Repairs and Maintenance represents a reduction over this year's actual expense. No major repairs are anticipated, and the main maintenance item is the continued maintenance of the Irrigation Field vegetation and a cushion for equipment repairs. The irrigation field gorse project is ongoing and includes spraying the new shoots and mowing in the spring, and some cushion for computer and office equipment repairs. Any other unexpected large repair costs will have to be designated from Operational or Capital Reserves.

Transportation/Meetings

Transportation, Meetings and Seminars is budgeted more than this year's actual costs, because it has been discussed that the District Board would like to pursue additional training and education through CSDA, CWEA and CRWA seminars. Although the Administrator has attended several workshops and webinars at his own expense, this year's budget includes courses and workshops that could be attended by Board members.

Amortization & Depreciation

This year's budget includes an expense line for the continued amortization of the District's cost for the Bond sale. This budget, however, does not include an expense for the non-cash depreciation of Sewer equipment. This is usually addressed during the annual audit and a Journal entry is made to adjust the General Journal.

OTHER OPERATING EXPENSES

The District's LAFCO costs are a factor of the LAFCO budget, so it also varies from year to year. I have budgeted the same amount as last year, or \$104.

Long Term Debt

The State Revolving Loan was the District's portion of the Sewer Improvement Project undertaken over the last ten years. For this year's Budget purposes, the Interest Payment is shown as an expense under Unrestricted Funds and the Principal Payment is treated as a Balance Sheet transaction per the Auditor's accounting methods.

Park Loan Repayment

<u>Date</u>	<u>Amount</u>	<u>Balance</u>	
7/30/2004	4,500	4,500	
8/8/2007	7,000	11,500	
9/14/2007	16,000	27,500	
11/3/2007	7,000	34,500	
12/29/2007	(35,000)	(500)	Repay from Grants
5/27/2008	6,000	5,500	
6/1/2008	7,000	12,500	
6/26/2007	20,000	32,500	
6/28/2008	7,000	39,500	
7/11/2008	15,000	54,500	
9/9/2008	6,000	60,500	
9/29/2008	10,000	70,500	
11/3/2008	(35,000)	35,500	Repay from Grants
5/2/2009	10,000	45,500	
6/30/2009	(22,950)	22,550	Repay from Park Reserve
7/10/2009	7,000	29,550	
7/17/2009	10,000	39,550	
8/23/2010	1,100	40,650	
9/11/2010	6,000	46,650	
4/23/2011	(5,000)	41,650	Repay from Park Account
6/17/2011	(18,800)	22,850	Repay from Grants
6/21/2011	(8,639)	14,211	Repay from Grants
4/30/2012	(5,000)	9,211	Repay from Park Account

Recommendations

I recommend that the Board of Directors take the following actions:

- Review the attached Draft budget and provide questions, discussion and suggestions at the April 9, 2014 Board meeting. - Board Tabled
- Review changes from the Financial Advisory Committee at the May 14, 2014 Board meeting with any additions and corrections. - Board Tabled
- Review and Adopt Preliminary Budget at May 28, 2014 meeting with a first vote
- Review and Adopt Final Budget at the June 11, 2014 Board meeting with a second vote.
- Adopt Resolution 14-01 continuing the existing rate at the May 28, 2014 Board meeting.
- Adopt Resolution 14-02 to keep the standard hook-up fees at \$10,000 and keep the Ad Valorum tax rate at \$0.02 per \$100 valuation at the May 28, 2014 Board meeting.

Respectfully submitted,



Karl W. Drexel, SDA
Administrator

Tomales Village Community Services District
Profit & Loss Budget Overview
 July 2014 through June 2015

	TOTAL
	Jul '14 - Jun 15
Ordinary Income/Expense	
Income	
301.00 - Service Charges	
301.10 - Service Charges - Monthly	1,512.00
301.15 - Service Charges - Annual Fees	756.00
301.20 - Service Charges - SUSD	
301.25 - Solar Portion	6,120.00
301.20 - Service Charges - SUSD - Other	62,798.00
Total 301.20 - Service Charges - SUSD	68,918.00
301.30 - Services Charges - County	
301.35 - Solar Portion	7,680.00
301.30 - Services Charges - County - Other	96,000.00
Total 301.30 - Services Charges - County	103,680.00
301.40 - Capital Improvement Component-R	17,234.00
Total 301.00 - Service Charges	192,100.00
305.00 - SUSD Sinking Fund Revenue	6,241.00
311.00 - Interest Revenues	1,584.00
315.00 - Intergovernmental Revenues	
315.50 - Levy 4	9,388.23
Total 315.00 - Intergovernmental Revenues	9,388.23
316.00 - CSI Solar Rebate	14,400.00
318.00 - Other Nonoperating Revenue	
318.30 - Transfer In	10,000.00
Total 318.00 - Other Nonoperating Revenue	10,000.00
Total Income	233,713.23
Gross Profit	233,713.23
Expense	
410.00 - Sewage Collection	385.80
411.00 - Sewage Treatment	1,732.95
412.00 - Sewage Disposal	313.60
414.00 - Administration and General	
414.05 - Administrator's Fees	81,048.00
414.22 - Licenses and Permits	1,300.00
414.30 - Insurance	
414.31 - Property & Liability Insurance	5,329.33
414.33 - Worker's Comp Insurance	704.00
414.35 - Health Insurance Allowance	4,800.00
Total 414.30 - Insurance	10,833.33
414.40 - Office Expense	
414.41 - Postage and Delivery	180.00
414.42 - Printing and Copies	180.00
414.43 - Office Supplies	300.00
414.44 - Sonic - Web Hosting	239.40
414.46 - Board Meeting Exp	1,068.00
Total 414.40 - Office Expense	1,967.40

Tomales Village Community Services District
Profit & Loss Budget Overview
 July 2014 through June 2015

	TOTAL
	Jul '14 - Jun 15
414.50 · Contractual Services	63,734.00
414.55 · Professional Fees	
414.56 · Legal Fees	5,000.00
414.57 · Accounting	4,500.00
414.58 · Consulting	10,000.00
Total 414.55 · Professional Fees	19,500.00
414.60 · Publication and Notices	
414.61 · Newsletter Expense	210.00
414.60 · Publication and Notices - Other	300.00
Total 414.60 · Publication and Notices	510.00
414.62 · Dues and Subscriptions	1,470.00
414.65 · Rents and Leases	
414.68 · Solar Lease Agreement	17,941.18
414.67 · Solar Lease Admin Fee	750.00
Total 414.65 · Rents and Leases	18,691.18
414.70 · Repairs and Maintenance	
414.77 · Irrigation Field Maintenance	1,250.00
414.71 · Plant and Building Maintenance	250.00
414.72 · Computer Repairs	250.00
414.73 · Equipment Repairs	2,000.00
Total 414.70 · Repairs and Maintenance	3,750.00
414.80 · Travel and Meetings	
414.81 · Travel	720.00
414.83 · Meetings and Seminars	2,000.00
Total 414.80 · Travel and Meetings	2,720.00
414.90 · Telephone & Internet Servcie	1,116.60
Total 414.00 · Administration and General	206,640.51
417.00 · Other Operating Expenses	
417.30 · LAFCO Charges	104.00
Total 417.00 · Other Operating Expenses	104.00
420.00 · Interest Expense-Long-Term Debt	
420.20 · Interest Payment - SRF Loan	5,782.38
Total 420.00 · Interest Expense-Long-Term Debt	5,782.38
Total Expense	214,959.24
Net Ordinary Income	18,753.99
Net Income	18,753.99