

FY 2017-18 Preliminary Budget

March 28, 2017



FY 2017-18 Preliminary Budget

- **Board Schedule**
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- **FY 2017-18 Preliminary Budget**
- **Next Steps**



FY 2017-18 Budget Schedule

Board Budget Development Updates:

- ✓ December 13, 2016 – FY18 budget overview
- ➔ • March 28, 2017 – Preliminary Results
- April 26 to 28, 2017 – Board work study sessions

Groundwater Production Charges Board Hearings:

- ✓ January 10, 2017
- ✓ February 14, 2017
- April 11, April 13 for So. County and April 25, 2017

Capital Improvement Plan (CIP) Board Updates:

- ✓ January 10, 2017
- ✓ February 28, 2017

Budget Adoption: (Budget, groundwater charges, and CIP)

- May 9, 2017

FY 2017-18 Budget Assumptions

FY 2017-18 Major Revenue Sources - Preliminary


| | |
|--|-----------------|
| Total Water Charge Revenue <ul style="list-style-type: none">•Increase up to 9.6% in North County•Increase up to 6.4% in South County | \$215.2 million |
| Property Tax (1% Ad-valorem) | \$87.2 million |
| Capital Reimbursements & State Subventions | \$49.8 million |
| Investment Interest Income | \$3.5 million |

FY 2017-18 Budget Assumptions

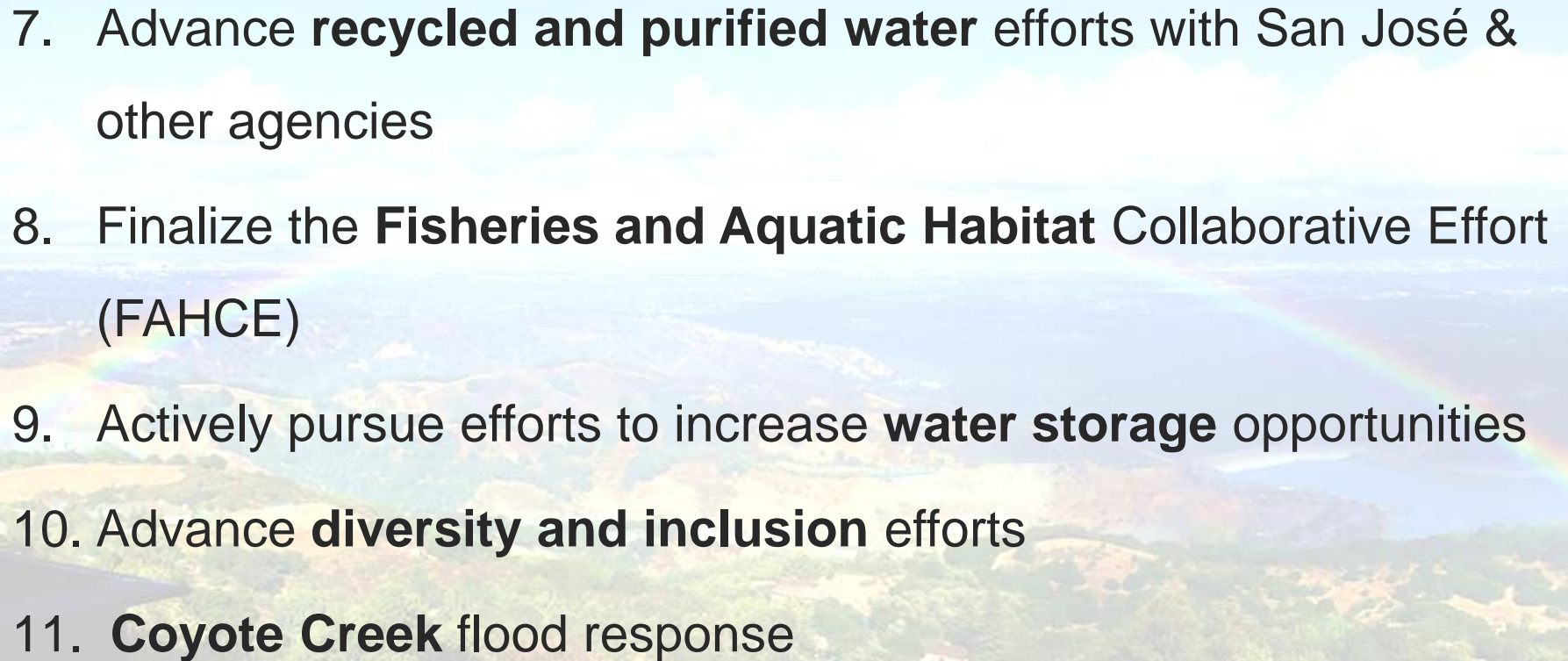
FY 2017-18 Salaries & Benefits - Preliminary

| | | |
|---|----------------|---------------|
| Salaries | \$97 million | 5.3% increase |
| Includes new positions, salary and step increases | | |
| Benefits | \$51.5 million | 5% increase |
| Includes health benefits, CalPERS and retiree obligations | | |

FY 2017-18 Board Urgent Priorities

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1. Make key decisions regarding the **California WaterFix**
 2. Prioritize the care of our **District facilities and assets**
 3. Advance the District's interest in **Countywide storm water** resource planning
 4. Provide for a watershed-wide **regulatory planning and permitting** effort
 5. Foster a coordinated approach to **environmental stewardship** efforts
 6. Advance the **Anderson Dam Seismic Retrofit Project**

FY 2017-18 Board Urgent Priorities

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7. Advance **recycled and purified water** efforts with San José & other agencies
 8. Finalize the **Fisheries and Aquatic Habitat Collaborative Effort (FAHCE)**
 9. Actively pursue efforts to increase **water storage** opportunities
 10. Advance **diversity and inclusion** efforts
 11. **Coyote Creek** flood response

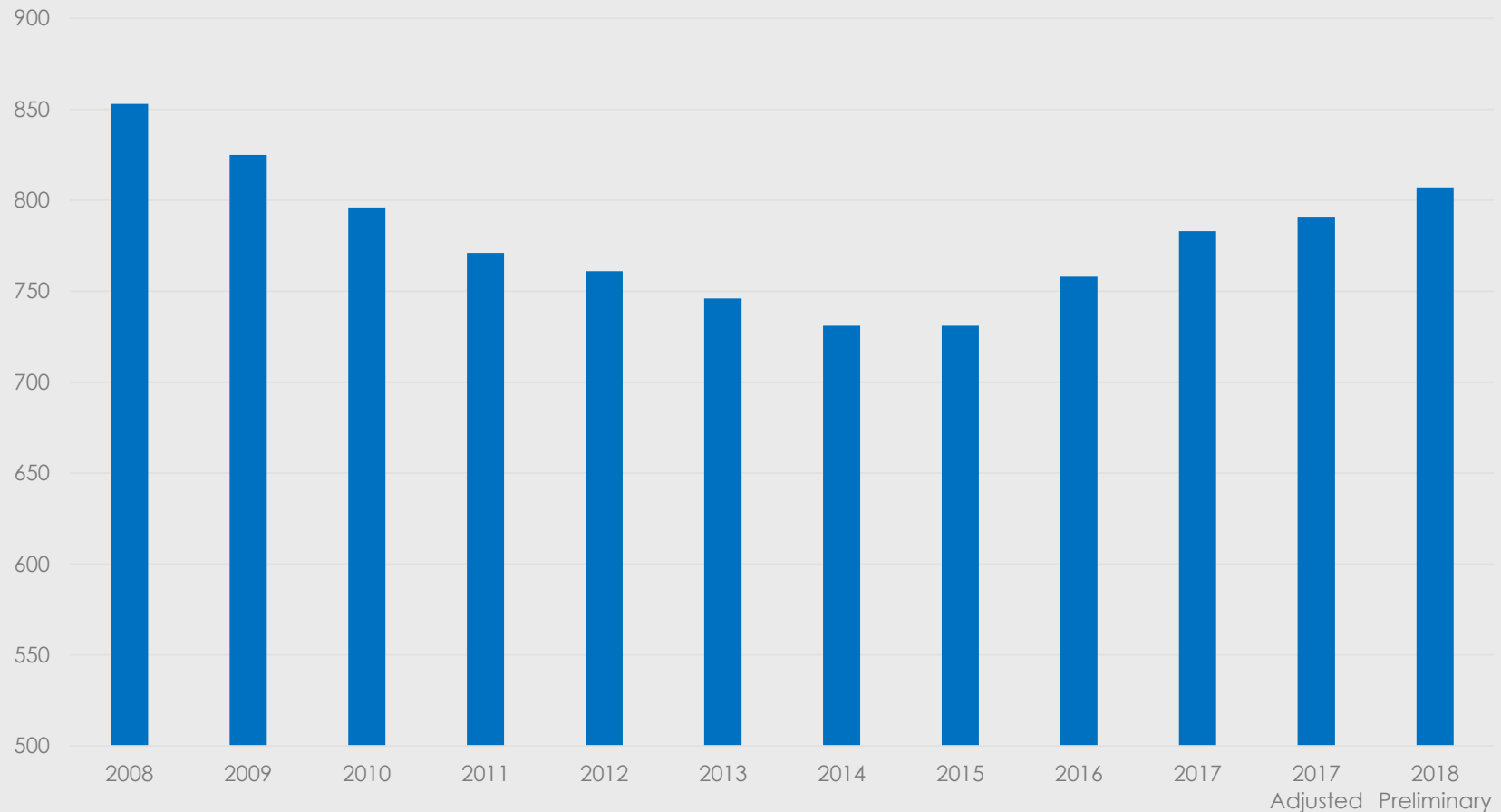
FY 2017-18 Preliminary Operating & Capital Outlays

| Category | FY17 Adopted (\$ in millions) | FY18 Preliminary (\$ in millions) | Over / (Under) FY17 (\$ in millions) | % Change |
|-------------------------------|-------------------------------------|---|---|-------------|
| Operations | \$ 312.2 | \$ 314.2 | \$ 1.8 | 0.6% |
| Debt Service | \$ 39.5 | \$ 49.8 | \$ 10.3 | 26% |
| Subtotal | \$ 351.7 | \$ 364.0 | \$ 12.1 | 3% |
| Capital Projects | \$ 240.7 | \$ 215.9 | \$ (24.8) | (10%) |
| Intra-District Reimbursement* | \$ (68.0) | \$ (81.3) | \$ (13.3) | N/A |
| Total | \$ 524.4 | \$ 498.6 | \$ (25.8) | (5%) |

* Intra-district reimbursements are the amounts needed by the Administration funds to maintain adequate reserves

Ten Year Staffing Trend FY08 – FY18

Regular Staffing
Proposed FY18: 807 Positions



FY 2017-18 Preliminary Results - Operations

| Operations Budget (\$ in millions) | FY17 Adopted | FY18 Preliminary | Over/ (Under) FY17 | % Change |
|---------------------------------------|-----------------|---------------------|--------------------------|-------------|
| Administration Funds | \$ 65.2 | \$ 74.9 | \$ 9.7 | 15% |
| Water Enterprise Funds | \$ 181.4 | \$ 170.9 | \$ (10.5) | (6%) |
| Watershed Fund | \$ 51.6 | \$ 53.1 | \$ 1.5 | 3% |
| Safe, Clean Water Fund | \$ 13.9 | \$ 15.0 | \$ 1.1 | 8% |
| Total Operations | \$ 312.1 | \$ 313.9 | \$ 1.8 | 0.6% |

FY 2017-18 Preliminary Results

| Administration Funds | | | | |
|---------------------------------------|--------------|------------------|---------------------------|----------|
| Operations Budget (\$ in millions) | FY17 Adopted | FY18 Preliminary | Over / (Under) FY17 | % Change |
| Administration Funds | \$ 65.2 | \$ 74.9 | \$ 9.7 | 15% |

2nd Pass

Variance

| | |
|---------------------------------|---------------|
| 6 New Positions & COLA | \$ 3.6 |
| Salary Savings | \$ (0.3) |
| Risk Insurance Charges | \$ 1.1 |
| IT Fund Charges | \$ 1.5 |
| President's Day Flood | \$ 2.4 |
| Sacramento & Santa Teresa Lease | \$ 0.4 |
| Training & Instruction | \$ 0.3 |
| Drought Induced Tree Removal | \$ 0.2 |
| Other Professional Services | \$ 0.5 |
| Total | \$ 9.7 |

Improve Financial Planning

- ▶ 1.0 Engineering Systems Analyst - Software Services
- ▶ 1.0 Sr. Mgmt. Analyst - Financial Planning & Mgmt Div

Engaging with the Community

- ▶ 1.0 Public Info. Rep I - District Communications
- ▶ 1.0 Public Info. Rep II - Civic Engagement Unit
- ▶ 1.0 Executive Asst. - Office of Chief of External Affairs
- ▶ 1.0 Mgmt. Analyst II - Records & Library Services

FY 2017-18 Preliminary Results

| Water Enterprise Funds | | | | |
|---------------------------------------|-----------------|---------------------|--------------------------|-------------|
| Operations Budget (\$ in millions) | FY17 Adopted | FY18 Preliminary | Over/ (Under) FY17 | % Change |
| Water Enterprise Funds | \$ 181.4 | \$ 170.9 | \$ (10.5) | (6%) |

2nd Pass Variance

| | |
|--|------------------|
| 2 mid-year FY17 and 3 FY18 positions, & COLA | \$ 4.5 |
| Risk Insurance Charges | \$ 1.3 |
| IT Fund Charges | \$ 1.6 |
| Cost Sharing in Recycled Water | \$ (3.0) |
| Water Banking | \$ (4.0) |
| Water Purchases | \$ (10.9) |
| Total | \$ (10.5) |

FY 2016-17 Mid-Year Water Enterprise Positions

FY 2016-17 Adjusted Budget

- ▶ 1.0 Assoc. Water Resources Specialist – Water Supply Planning & Conservation: Finalizing FAHCE
- ▶ 1.0 Water Plant Operator – No. Water Treatment Operations: Expanding Educational Outreach for the Silicon Valley Advanced Water Purification Center

FY 2017-18 Water Enterprise Positions

Board Priorities: 1 (California WaterFix) 8 (FAHCE) 9 (Storage Opportunities)

- ▶ 1.0 Assistant Officer – Office of COO Water Utility
- ▶ 1.0 Associate Civil Engineer – Imported Water
- ▶ 1.0 Engineering Systems Analyst – Raw Water Operations

FY 2017-18 Preliminary Results

| Watershed Fund | | | | |
|---------------------------------------|-----------------|---------------------|--------------------------|----|
| Operations Budget (\$ in millions) | FY17 Adopted | FY18 Preliminary | Over/ (Under) FY17 | % |
| Watershed Fund | \$ 51.6 | \$ 53.1 | \$ 1.5 | 3% |

2nd Pass

Variance

| | |
|---|---------------|
| Partial funding for 7 new positions & COLA | \$ 0.9 |
| Risk Insurance Charges | \$ 0.6 |
| IT Fund Charges | \$ 0.7 |
| Equipment Fund Charges | \$ (1.2) |
| Consultant for Guad River Mit. & Monitoring | \$ 0.5 |
| Sediment Removal | \$ 1.5 |
| Erosion Protection | \$ 0.6 |
| Vegetation Services for Tree Removal | \$ 0.4 |
| FEMA grant | \$ (0.8) |
| Maintenance Guideline | \$ (1.7) |
| Total | \$ 1.5 |

FY 2017-18 Preliminary Results

| Safe, Clean Water Fund | | | | |
|---------------------------------------|-----------------|---------------------|--------------------------|-------------|
| Operations Budget (\$ in millions) | FY17 Adopted | FY18 Preliminary | Over/ (Under) FY17 | % Change |
| Safe, Clean Water Fund | \$ 13.9 | \$ 15.0 | \$ 1.1 | 8% |

2nd Pass Variance

| | |
|--|---------------|
| Partial funding for 7 new positions & COLA | \$ 0.4 |
| Sediment Removal | \$ 0.2 |
| Pollution Prevention Grants | \$ 0.5 |
| Total | \$ 1.1 |

Board Priority: 11 (Coyote Creek Flood Response)

- ▶ 1.0 Staff Analyst - Security & Emergency Services

Board Priority: 8 (FAHCE)

- ▶ 1.0 Sr. Water Resources Specialist – Envr. Mitigation & Monitoring

Board Priority: 4 (Regulatory Planning and Permitting)

- ▶ 1.0 Maintenance Worker III - Vegetation Field Operations
- ▶ 1.0 Vegetation Program Spec II - Vegetation Field Operations
- ▶ 1.0 Water Resources Tech - Environmental Planning
- ▶ 1.0 Asst. Engineer - Community Projects
- ▶ 1.0 Assoc. Water Resources Specialist - Stream Maintenance Program

FY 2017-18 Preliminary Results - Capital

| Capital Budget (\$ in millions) | FY17 Adopted | FY18 Preliminary | Over / (Under) FY17 | % Change |
|------------------------------------|-----------------|---------------------|---------------------------|--------------|
| General Fund | \$ 8.1 | \$ 1.7 | \$ (6.4) | (79%) |
| Watershed Fund | \$ 43.4 | \$ 25.4 | \$ (18.0) | (41%) |
| Safe, Clean Water Fund | \$ 49.5 | \$ 54.8 | \$ 5.3 | 11% |
| Water Enterprise Fund | \$ 128.1 | \$ 119.7 | \$ (8.4) | (7%) |
| Fleet Fund | \$ 4.6 | \$ 1.5 | \$ (3.1) | (67%) |
| IT Fund | \$ 6.9 | \$ 12.7 | \$ 5.8 | 84% |
| Total Capital | \$ 240.6 | \$ 215.8 | \$ (24.8) | (10%) |

FY 2016-17 Mid-Year Capital Positions

FY 2016-17 Adjusted Budget

Watershed Design & Construction – Expedite Environmental Projects

- ▶ 1.0 Asst. Engineer II (Civil)
- ▶ 1.0 Sr. Water Resources Specialist
- ▶ 1.0 Assoc. Water Resources Spec

Capital Prog Plan & Analysis – Streamline Contracts

- ▶ 2.0 Mgmt. Analyst II
- ▶ 1.0 Program Administrator

Largest FY18 Capital Project Appropriations

| Largest FY18 Capital Project Appropriations | | |
|---|---|------------------|
| Fund | Project Description | (\$ in millions) |
| 61 | RWTP Reliability Improvement | \$ 48.1 |
| 61 | RWTP FRP Residuals Management | \$ 17.1 |
| 26 | Permanente Ck, Bay-Fthill CSC | \$ 16.9 |
| 61 | 10-Yr PL Inspection and Rehab | \$ 16.0 |
| 26 | Main/Madrone PL Restoration | \$ 14.6 |
| 61 | Anderson Dam Seismic Retrofit | \$ 7.9 |
| 26 | San Francisquito Early Implemt | \$ 7.3 |
| 73 | ERP PeopleSoft Upgrade | \$ 7.3 |
| 12 | Watersheds Asset Rehabilitation Program | \$ 6.8 |
| 26 | Guadalupe Rv-Upr, SPRR-BH 7-12 | \$ 6.5 |
| Total | | \$ 153.3 |

Next Steps

Groundwater Production Charges Board Hearings:

- April 11, April 13 for So. County and April 25, 2017

Board Budget Development Updates:

- April 26 to 28 – Board work study sessions

Budget Adoption: (Budget, GWP and CIP)

- May 9, 2017