

**NOTICE OF A REGULAR MEETING
OF THE OLIVENHAIN MUNICIPAL WATER
DISTRICT'S FINANCE COMMITTEE
1966 Olivenhain Road, Encinitas, CA 92024
Tel: (760) 753-6466 • Fax: (760) 753-1578**

Pursuant to AB 3035, effective January 1, 2003, any person who requires a disability related modification or accommodation in order to participate in a public meeting shall make such a request in writing to the District for immediate consideration.

DATE: MONDAY, FEBRUARY 3, 2020

TIME: 12:30 P.M.

PLACE: DISTRICT OFFICE

Note: Items On The Agenda May Be Taken Out Of Sequential Order As Their Priority Is Determined By The Committee

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA
4. PUBLIC COMMENTS
5. CONSIDER APPROVAL OF THE MINUTES OF THE NOVEMBER 20, 2019 REGULAR FINANCE COMMITTEE MEETING
6. QUARTERLY INVESTMENTS AND CASH REPORTS (Q4 2019)
7. REVIEW OF STAFF PROPOSED MID-YEAR ADJUSTMENTS TO FISCAL YEAR 2019/20 OPERATING AND CAPITAL BUDGET
8. CONSIDER FUTURE AGENDA ITEMS
9. ADJOURNMENT

**MINUTES OF A REGULAR MEETING
OF THE FINANCE COMMITTEE
OF OLIVENHAIN MUNICIPAL WATER DISTRICT**

November 20, 2019

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Wednesday, November 20, 2019, at the District office, 1966 Olivenhain Road, Encinitas, California.

The meeting was called to order at 3:03 p.m. In attendance were Edmund K. Sprague, Board President and Division 5 Director; Lawrence A. Watt, Treasurer and Division 2 Director; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst; Kenneth H. Pun from The Pun Group LLP, the District's independent auditors, and Skylar Stephens, Management Analyst with San Diego County Water Authority. Also in attendance were Jack Bebee, General Manager of Fallbrook Public Utility District and Tom Kennedy, General Manager of Rainbow Municipal Water District whom joined the meeting around 4:00 p.m. to present on agenda item 9.

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA

Director Watt moved to adopt the agenda, seconded by Director Sprague and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE AUGUST 15, 2019 REGULAR FINANCE COMMITTEE MEETING

Director Watt moved to approve the August 15, 2019 meeting minutes, seconded by Director Sprague and carried unanimously.

6. REVIEW AND DISCUSS FISCAL YEAR 2018-19 AUDITED FINANCIAL STATEMENTS AND RESULTS

Mr. Pun reviewed and discussed the District's audited financial statements with the

Finance Committee. Mr. Pun stated that there were no material findings during the audit and his team did not encounter any difficulties in performing their audit. He also stated that the District received a clean audit and no material weaknesses or significant deficiencies in internal controls were noted.

Mr. Pun reported that Governmental Accounting Standards Board No. 83, Certain Asset Retirement Obligations (AROs), and No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, went into effect during the fiscal year and that they do not apply to the District because the District does not have any AROs or debt that fall under the guidelines of these new standards.

Mr. Pun also reported on certain financial highlights of the District during the audit to the Finance Committee, including fluctuations in the District's cash and investment accounts, receivables, payables, and net pension liability. Director Sprague inquired as to how appropriately funded the District is with regards to the pension liability. Mr. Pun stated the District is in a healthy position at about 75% funded for the total pension liability, which is above the average of approximately 70% funded he has seen across his other clients.

7. QUARTERLY REVIEW OF INVESTMENTS AND FUND BALANCES (Q3 2019)

Finance Manager Selamat reviewed the investment report as of September 30, 2019 with the committee. Cash and investments were discussed. Finance Manager Selamat reported that recent reductions in interest rates by the Federal Reserve has led to decreased yields in the bond market and recommended the District continue to invest in short-term investments to take advantage of higher yields, and continue to monitor and invest in bonds when favorable yields become available. Director Watt and Director Sprague agreed.

Finance Manager Selamat reported that the District's investments are in compliance with the investment policy and that the District has sufficient funds to meet its financial obligations for the next 120 days. Finance Manager Selamat also reported on fund balances as of June 30, 2019 through September 30, 2019.

8. ANNUAL REVIEW OF INVESTMENT POLICY AND RESERVES POLICY

Finance Manager Selamat reviewed and discussed staff-proposed changes to the District's investment and reserve policies for consideration. Director Watt asked if the District received outside counsel on the proposed changes. Finance Manager Selamat confirmed Richard Babbe with PFM Assets Management completed the annual review of the District's investment policy and recommended no changes because the policy is in compliance with California Government Code sections that govern the investment of public funds. Finance Manager Selamat added that the proposed changes to the

investment policy are only minor in order to update the effective date of the policy and to provide clarification in one paragraph.

Finance Manager Selamat stated the proposed changes to the reserve policy are to provide clarification on how the District's fund balance targets would be estimated at the end of each fiscal year in a multi-year budget, and that the staff is not proposing any changes to the fund balance minimum and maximum set by the Board. The proposed changes to both policies were approved by the committee to be presented to the full board at its December 2019 meeting.

9. RECEIVE PRESENTATIONS BY FALLBROOK PUBLIC UTILITY DISTRICT AND RAINBOW MUNICIPAL WATER DISTRICT AND DISCUSS THEIR POTENTIAL DETACHMENTS FROM SAN DIEGO COUNTY WATER AUTHORITY

Mr. Jack Bebee, General Manager of Fallbrook Public Utility District (FPUD) and Mr. Tom Kennedy, General Manager of Rainbow Municipal Water District (RMWD) presented on their intention to detach from the San Diego County Water Authority (SDCWA) and join the Eastern Municipal Water District (EMWD), and the impact it would have on other districts that remain within the SDCWA system.

Mr. Bebee stated the close proximity of both FPUD and RMWD to EMWD and a reduction in the cost of purchased water are the driving forces behind wanting to detach from SDCWA. Mr. Bebee reported that close proximity to EMWD would save their district in capital infrastructure expenditures, and a reduction in purchased water would mean significant savings for their rate payers. Mr. Bebee provided preliminary calculations on the impact their detachment would have on the districts that would continue to purchase water from SDCWA, noting the impact would be minimal by their calculations.

Director Watt inquired if there would be any capital infrastructure required for their districts to attach to the EMWD system. Mr. Bebee stated FPUD would require no additional infrastructure. Mr. Kennedy stated RMWD would require some new infrastructure to detach but the required additions are already part of their existing capital plan under the SDCWA system.

10. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

11. ADJOURNMENT

The meeting was adjourned at 4:43 p.m.

Memo

Date: February 3, 2020
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: QUARTERLY INVESTMENT AND CASH REPORTS (INFORMATION ONLY)

Purpose

The purpose of this agenda is to provide fourth quarter (Q3) 2019 investment and cash information to the Finance Committee per the District's Investment Policy.

Recommendation

It is recommended that the Committee review and receive the attached report as presented.

Background

The attached reports are presented to provide information to the Finance Committee as required by the District's Annual Investment Policy, which was adopted by the Board at the December 2019 board meeting.

The purpose of the District's Investment Policy is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of the policy is to enhance the economic position of the District while protecting its funds. These policies have been followed in making all investment decisions on behalf of the District.

The Annual Investment Policy also states that at least once each quarter, the District's Finance Manager shall provide an oral report on the District's investments for review and discussion.

Discussion

Staff will be available for discussion with the Committee during the meeting.

Attachment: Monthly Cash and Investment Summary as of December 31, 2019

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of December 31, 2019

<u>Active Deposits</u>	<u>Book Value</u>
Checking Accounts	\$ 9,379,531
Cash Restricted for Specific Use	999,854
Petty Cash/Disaster Preparedness	1,476
Total Active Deposits	\$ 10,380,861

Deposits Not Covered by Investment Policy

Cash with Fiscal Agents	2,377,358
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<u>Investments</u>	<u>Face Value</u>	<u>Market Value</u>	<u>Current Yield</u>	<u>Book Value</u>
LAIF	\$ 19,555,682	19,587,808	2.04%	\$ 19,555,682
CAMP	18,866,778	18,866,778	1.80%	18,866,778
Money Market Funds	2,221,929	2,221,929	1.24%	2,221,929
Commercial Paper	1,000,000	992,730	1.84%	990,849
Municipal Bonds	2,722,342	2,744,935	2.48%	2,761,392
U.S. Treasury Securities	8,009,000	7,994,228	1.98%	7,831,353
U.S. Agency Securities	18,964,286	18,969,089	1.93%	18,964,286
Total Investments	\$ 71,340,016	\$ 71,377,497	1.93%	\$ 71,192,269

Total - All Deposits/Investments

\$ 83,950,488

Maturity Analysis of Investments

	<u>Percent</u>	<u>Balance</u>
Demand Deposits	57.1%	\$ 40,644,389
Maturity within the next two months	8.3%	5,939,548
Maturity within three months and one year	7.2%	5,142,771
Maturity beyond one year	27.3%	19,465,561
Total Investments	100.0%	\$ 71,192,269

Weighted Average Days to Maturity **249**

Other Required Disclosures:

Accrued interest receivable as of 12/31/2019 \$ 286,887

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2019.

The District has sufficient funds on hand to meet the next 30 days' obligations.

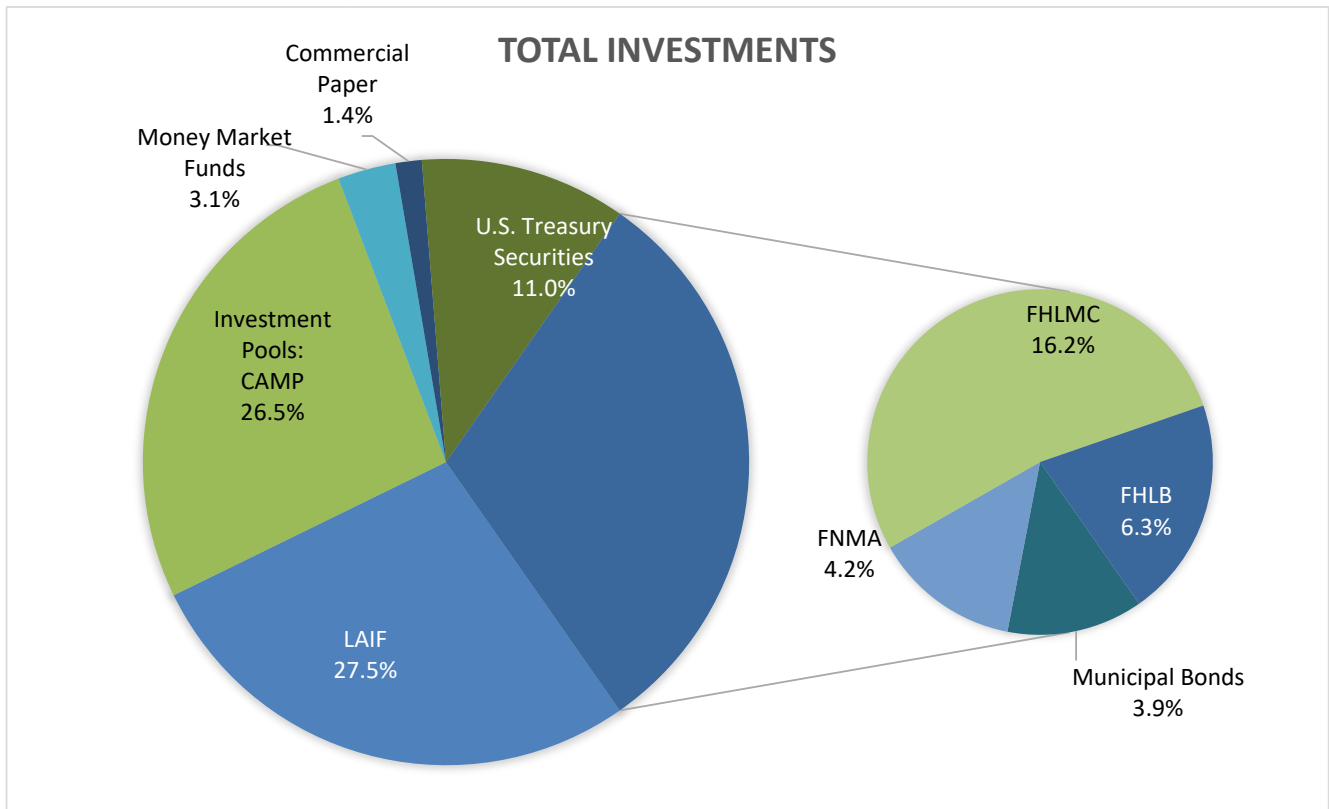
Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
December 31, 2019

	<u>Book Value</u>	<u>Percent</u>	<u>Permitted Percent</u>	<u>In Compliance?</u>
LAIF	\$ 19,555,682	27.5%	30.0% (1)	Yes
Investment Pools: CAMP	18,866,778	26.5%	30.0%	Yes
Money Market Funds	2,221,929	3.1%	20.0% (2)	Yes
Commercial Paper	990,849	1.4%	20.0% (4)	Yes
U.S. Treasury Securities	7,831,353	11.0%	100.0% (3)	Yes
Municipal Bonds	2,761,392	3.9%	30.0%	Yes
U.S. Agency Securities	18,964,286	26.7%	50.0%	Yes
<i>FNMA Fannie Mae</i>	<i>3,000,000</i>	<i>4.2%</i>		
<i>FHLMC Freddie Mac</i>	<i>11,500,000</i>	<i>16.2%</i>		
<i>FHLB Federal Home Loan Bank</i>	<i>4,464,286</i>	<i>6.3%</i>		

Total Investments **\$ 71,192,269** **100%**

Note:

- (1) No more than 30% of the total value of all District Investments or \$20 million.
- (2) May not exceed 5% in any money market fund.
- (3) No limit
- (4) No more than \$1 million per issuer



* Total may not add up to 100% due to rounding.

**Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
December 31, 2019**

ACTIVE DEPOSIT

	Book Value
Checking A/C California Bank and Trust for General Purpose	9,379,531.27
California Bank and Trust for Specific Purpose	999,853.93
Petty Cash/Disaster Preparedness	1,475.91
Total - Active Deposits	10,380,861.11

DEPOSITS NOT COVERED BY INVESTMENT POLICY

Cash with Fiscal Agents:

Union Bank - AD 96-1 Refunding Bond	73,995.75
Union Bank - 2015A Refunding Bond	1,020,646.06
SRF Loan	643,198.77
Union Bank - 2016A Refunding Bond	327,874.59
Union Bank - 2018 Revenue Bond	311,642.58

Total Deposits Not Covered by Investment Policy

2,377,357.75

RATING	DATE					Weighted Average Days to Maturity	Call	Stated Coupon	Current Yield	Market Value	Face Value	Book Value
	Moody's	S&P	Purchase	Maturity	Next Call							

INVESTMENTS

Invest. Pools: Calif. Asset Mgmt Prgm (CAMP)				Demand		1		1.80%	\$ 18,866,778	\$ 18,866,778	18,866,778
State Local Agency Investment Fund (LAIF)				Demand		1		2.04%	19,587,808	19,555,682	19,555,682
JP Morgan US Gov't Money Market Fund Premier Class SHS				Demand		1		1.24%	2,221,929	2,221,929	2,221,929

U.S. Treasury Notes/Bills

912828V31	U.S.Treasury Notes	Aaa	--	01/23/18	01/15/20	16		1.38%	1.38%	999,900	1,000,000	987,831
912796RY7	U.S.Treasury Bill	--	--	02/12/19	01/30/20	31		2.50%	2.45%	998,870	1,000,000	976,338
912796SD2	U.S.Treasury Bill	--	--	02/28/19	02/27/20	59		2.52%	2.53%	997,650	1,000,000	975,379
912833LA6	US Treasury Strips	--	--	08/23/18	08/15/20	229		2.57%	2.60%	989,890	1,000,000	950,990
912828L99	U.S.Treasury Notes	Aaa	--	10/17/18	10/31/20	306		1.38%	1.38%	1,995,400	2,000,000	1,942,216
912828A83	U.S.Treasury Notes	Aaa	--	02/12/19	12/31/20	367		2.47%	2.36%	1,007,070	1,000,000	998,196
912796SH3	U.S.Treasury Bill	--	--	10/01/19	03/26/20	87		1.78%	1.75%	1,005,448	1,009,000	1,000,403
						175		1.97%	1.98%	\$ 7,994,228	\$ 8,009,000	\$ 7,831,353

U.S. Agency Securities

3136G3A96	FNMA Callable	Aaa	AA+	07/27/16	01/27/20	28		1.13%	1.13%	1,999,320	2,000,000	2,000,000	
3136G3V85	FNMA Callable	Aaa	AA+	08/24/16	02/24/20	56		1.25%	1.25%	999,480	1,000,000	1,000,000	
3134G92L0	FHLMC Step-Up Callable	Aaa	AA+	08/17/16	08/17/21	02/17/20	596	49	1.75%	1.76%	995,610	1,000,000	1,000,000
3130AHFC2	FHLB Callable	Aaa	AA+	10/28/19	10/28/21	04/28/20	668	120	1.80%	1.80%	999,470	1,000,000	1,000,000
3134GUNH9	FHLMC Callable	Aaa	AA+	11/08/19	11/08/21	05/08/20	679	130	1.82%	1.82%	2,000,200	2,000,000	2,000,000
3134GUSU5	FHLMC Callable	Aaa	AA+	11/22/19	11/22/21	05/22/20	693	144	1.70%	1.70%	1,000,080	1,000,000	1,000,000
3134GTG72	FHLMC Callable	Aaa	AA+	07/24/19	01/24/22	01/24/20	756	25	2.13%	2.12%	1,500,120	1,500,000	1,500,000
3134GTL50	FHLMC Callable	Aaa	AA+	07/29/19	01/28/22	01/28/20	760	29	2.16%	2.16%	1,000,220	1,000,000	1,000,000
3130A52Q1	FHLB	Aaa	AA+	04/20/18	04/20/22	Anytime	842	1	1.70%	1.70%	464,289	464,286	464,286
3134GUJM3	FHLMC Callable	Aaa	AA+	10/17/19	10/17/22	01/17/20	1,022	18	2.00%	2.00%	998,460	1,000,000	1,000,000
3134GTL55	FHLMC	Aaa	AA+	05/10/19	11/10/22		1,046		2.52%	2.52%	1,000,590	1,000,000	1,000,000
3134GSTH8	FHLMC Callable	Aaa	AA+	07/30/18	01/30/23	07/30/20	1,127	213	3.00%	2.99%	1,004,430	1,000,000	1,000,000
3130AEQC7	FHLB	Aaa	AA+	08/24/18	08/24/23	08/24/20	1,333	238	3.13%	3.10%	1,007,380	1,000,000	1,000,000
3134GUPX2	FHLMC Callable	Aaa	AA+	11/15/19	05/15/24	05/15/20	1,598	137	2.00%	2.00%	1,000,080	1,000,000	1,000,000
3130AHSG9	FHLB Callable	Aaa	AA+	12/30/19	06/30/22	05/30/20	913	152	1.73%	1.73%	1,999,360	2,000,000	2,000,000
3134GUK58	FHLMC Callable	Aaa	AA+	12/30/19	06/30/23	05/30/20	1,278	152	1.90%	1.90%	1,000,000	1,000,000	1,000,000
						788	142	1.93%	1.93%	\$ 18,969,089	\$ 18,964,286	\$ 18,964,286	

Commercial Paper

62479LEM3	MUFG BANK LTD NY	P-1	A-1	11/21/19	05/21/20	143		1.83%	1.84%	992,730	1,000,000	990,849
						7		1.83%	1.84%	\$ 992,730	\$ 1,000,000	\$ 990,849

Municipal Bonds

675371AW8	OCEANSIDE CA PEN REV	-	AA	10/16/17	08/15/20	229		3.27%	3.24%	252,223	250,000	258,313
13063DAC2	CALIFORNIA ST GO	AA3	AA-	04/09/18	04/01/21	458		2.63%	2.60%	1,010,820	1,000,000	999,620
13066YTY5	CALIF ST DEPT REV	AA1	AA	12/02/16	05/01/21	488		1.71%	1.71%	472,153	472,342	467,000
052476N79	AUSTIN TEX WTR REV	AA2	AA	11/15/16	05/15/21	502		2.54%	2.52%	1,009,740	1,000,000	1,036,460
						458		2.50%	2.48%	\$ 2,744,935	\$ 2,722,342	\$ 2,761,392
Total Investments						249		1.93%	1.93%	\$ 71,377,497	\$ 71,340,016	\$ 71,192,269

TOTAL - ALL DEPOSITS AND INVESTMENTS

\$ 83,950,488

**Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
December 31, 2019**

PURCHASED

DATE				Investment Description	<i>Stated</i>	<i>Current</i>	Face Value	Book Value
Purchase	Maturity	Call	Step-Up		Coupon	Yield		
12/30/19	06/30/22	05/30/20		FHLB Callable	1.730%	1.731%	\$ 2,000,000	\$ 2,000,000
12/30/19	06/30/23	05/30/20		FHLMC Callable	1.900%	1.900%	\$ 1,000,000	\$ 1,000,000

MATURED / REDEEMED / CALLED

DATE				Investment Description	<i>Stated</i>	<i>Current</i>	Face Value	Book Value
Redemption	Maturity	Call	Step-Up		Coupon	Yield		
12/30/19	03/30/20	12/30/19		FNMA Callable	1.650%	1.650%	1,000,000	1,000,000
12/30/19	06/30/20	12/30/19		FHLMC Step-Up Callable	1.500%	1.500%	1,000,000	1,001,000
12/31/19	06/30/21	12/31/19	12/31/19	FHLMC Step-Up Callable	1.600%	1.600%	1,000,000	1,002,000
12/27/19	09/27/21	12/27/19		FHLMC Callable	2.000%	2.000%	2,000,000	2,000,000

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of December 31, 2019

<u>Water Funds (Potable & Recycled)</u>		<u>Balance</u>
10050-100	Cash - Petty Cash Fund	\$ 1,475.91
10030-100	Cash - Capital and Equipment Fund	29,884,499
10010-100	Cash - Operating Fund	5,390,923
10060-100	Cash - Deposit Work for Other	722,071
10040-100	Cash - Rate Stabilization	8,336,669
10010-120	Cash - Recycled Fund	9,312,370
10030-120	Cash - Capital Replacement Fund	4,909,223
Total Water Funds (Potable & Recycled)		<u>\$ 58,557,230</u>
<u>Wastewater Funds</u>		
10010-110	4S Ranch Sanitation District - Operating Fund	550,133
10030-110	4S Ranch Sanitation District - Capital Replacement Fund	11,408,916
10040-110	Wastewater - Rate Stabilization Fund	2,566,009
10010-111	Rancho Cielo Sanitation District - Operating Fund	274,055
Total Wastewater Funds		<u>\$ 14,799,113</u>
<u>Capacity Fee Funds</u>		
10030-400	Expansion Fund - Recycled Water	623,386
14000-500	Capacity Fee Fund - Treated Water	6,593,548
Total Capacity Fee Funds		<u>\$ 7,216,934</u>
<u>Non Fiscal Agent Debt Service Cash</u>		
14020-570	Cash non-agent - RAD 96-1	356,451
10070-561	Cash non-agent - Bond 2015A	621
10070-581	Cash non-agent - Bond 2016A	10,580
14140-512	Cash non-agent - Bond 2018	632,202
Total Non Fiscal Agent Debt Service Cash		<u>\$ 999,854</u>
<u>Debt Service Funds</u>		
14030-510	SRF Loan - Fiscal Agent	643,199
14100-570	Redemption fund - RAD 96-1	25,580
14110-570	Reserve fund - RAD 96-1	48,416
14100-561	Redemption fund - Bond 2015A	1,020,646
14100-581	Redemption fund - Bond 2016A	327,875
14100-512	Redemption fund - CB&T 2018	311,643
Total Debt Service Funds		<u>\$ 2,377,358</u>
TOTAL FUND BALANCES		<u>\$ 83,950,488</u>



Memo

Date: February 3, 2020
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **REVIEW OF STAFF PROPOSED ADJUSTMENTS TO FISCAL YEAR 2019/20
OPERATING AND CAPITAL BUDGET**

Staff has prepared the attached presentation for discussion with the Committee during the meeting.

If approved by the Committee at the meeting, proposed budget adjustments will be presented to the Board at its February 12, 2020 meeting for review and consideration.

Mid-Year Budget Review

Operating and Capital Budget FY 19-20

OMWD Finance Committee Meeting
February 3, 2020

Process

- Fiscal year 2019/20: July 1, 2019 through June 30, 2020.
- Compared original budget adopted by the Board to actuals through 12/31/19.
- Reviewed departmental operating budgets with each manager and capital expenditures with each project manager for proposed changes based on actuals (July 2019 through December 2019).
- Reviewed proposed budget adjustments with the Finance Committee.
- Review the proposed budget adjustments with the Board for consideration.

Fiscal Year 2019/20

Operating Budget –Highlights

Operating Revenues:

- Decrease in water sales and purchases to match actuals (July – December 2019).
- Decrease to water sales partially offset by 4 months of increased water commodity rates from the board approved 3.7% increase effective 3/1/2020.
- Decrease in selling of water treatment service to match actuals (July – December 2019)

Operating Expenses:

- Decrease in budgeted employee benefits to match actuals through December 2019
- True-up interdepartmental support allocation costs based on 2019 cost allocation plan
- Increase capitalized costs (labor and benefits)
- Decrease projected PAYGO transfers for fiscal year 2019/20 by \$500K to reflect actual water sales

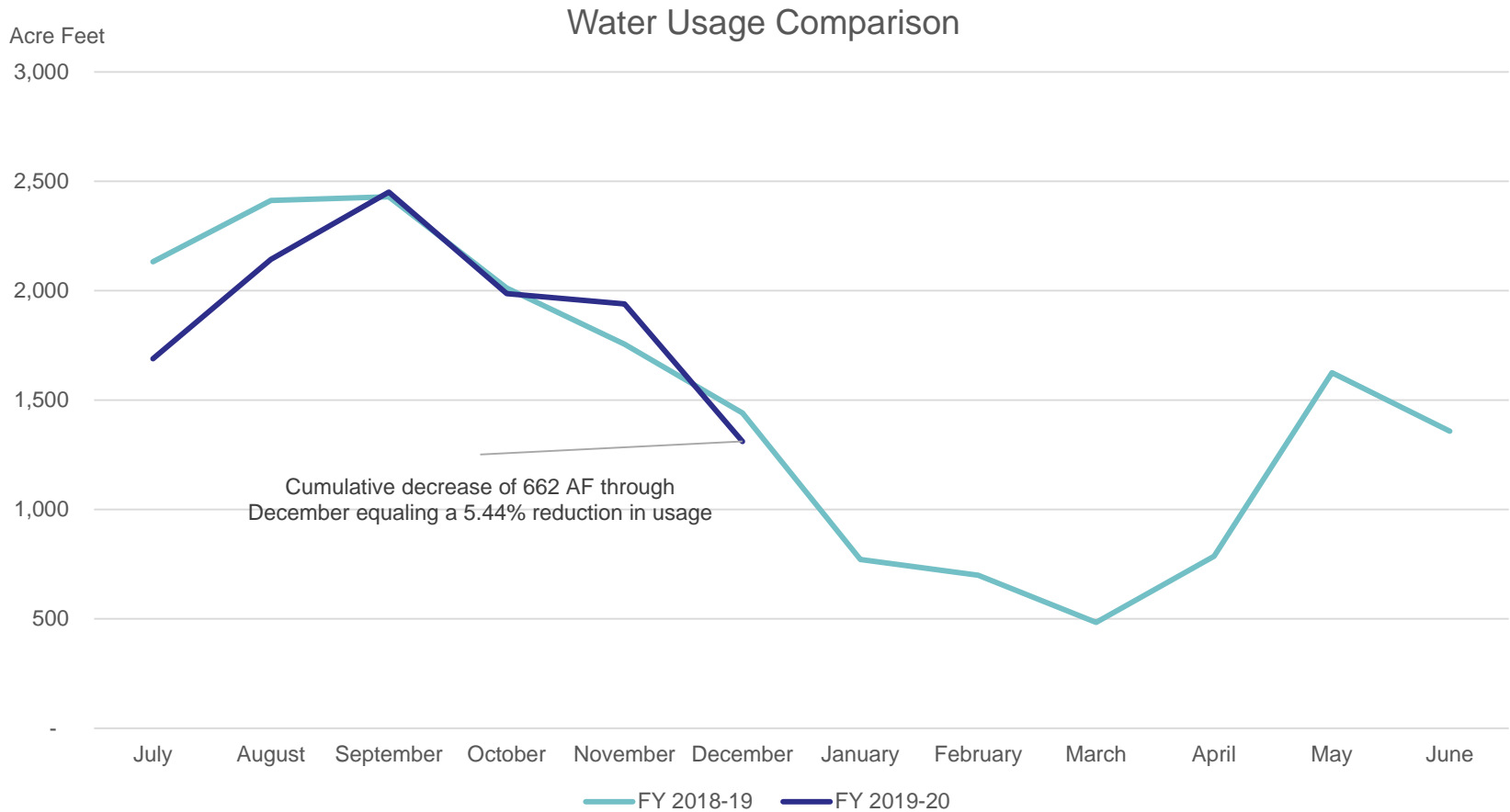
Non-operating Revenues

- Increase in capacity fees collected

Non-operating Expenditures

- Decrease in RAD 96-1 interest expense due to refinance of debt, partially offset by cost of issuance related to refinance

Water Usage Comparison FY 2018-19 vs FY 2019-20



Comparative Detailed Schedule of Actual Operating Expenses vs Budget Fiscal Year 2019/20

Description	"A"	"B"	"C"	"B+C"	"(B+C)/A"	Proposed Adjustments	FY 19-20 Revised Budget
	Budget FY 19-20	Actual 07/19-12/19	Projected 01/20-06/20	Projected 07/19-06/20	Projected as a % of Budget		
Operating Revenue							
Water Sales:							
Water Sales - Domestic/Irrigation	35,504,000	19,526,700	13,856,000	33,382,700	94.0%	(2,121,000)	33,383,000
Water Sales - Agriculture	1,172,000	454,063	467,000	921,063	78.6%	(251,000)	921,000
Water Sales - Miscellaneous	10,000	3,782	6,000	9,782	97.8%	-	10,000
Water Sales - Recycled	4,563,000	2,596,232	1,236,000	3,832,232	84.0%	(731,000)	3,832,000
Total Water Sales	41,249,000	22,580,777	15,565,000	38,145,777	92.5%	(3,103,000)	38,146,000
Other Water Services							
System Access Charge	13,391,000	6,727,618	6,663,000	13,390,618	100.0%	-	13,391,000
CWA Infrastructure Access Charge	1,023,000	525,800	497,000	1,022,800	100.0%	-	1,023,000
Water Treatment Services to CWA	-	-	-	-	0.0%	-	-
Meter Installations (Net)	5,000	16,787	8,000	24,787	495.7%	20,000	25,000
Hydro-electric Plant Revenues	50,000	76,499	4,000	80,499	161.0%	30,000	80,000
Turn Off/On Fees and NSF Charges	20,000	12,330	8,000	20,330	101.7%	-	20,000
Delinquency Charges	125,000	71,028	64,000	135,028	108.0%	10,000	135,000
Transfer Fees	30,000	18,380	17,000	35,380	117.9%	5,000	35,000
Cross Connection/Inspection	135,000	73,534	71,000	144,534	107.1%	10,000	145,000
Outside District Boundary Charges	10,000	4,433	6,000	10,433	104.3%	-	10,000
Rental Income	650,000	355,491	345,000	700,491	107.8%	50,000	700,000
CWA Reimbursement of Park Costs	324,000	162,285	162,000	324,285	100.1%	-	324,000
Miscellaneous	53,000	46,115	7,000	53,115	100.2%	-	53,000
Selling of Water Treatment Services	867,000	355,849	391,000	746,849	86.1%	(120,000)	747,000
Total Other Water Services	16,683,000	8,446,149	8,243,000	16,689,149	100.0%	5,000	16,688,000
Sewer Service Fees	4,802,000	992,817	3,809,000	4,801,817	100.0%	-	4,802,000
Total Operating Revenue	62,734,000	32,019,743	27,617,000	59,636,743	95.1%	(3,098,000)	59,636,000

Comparative Detailed Schedule of Actual Operating Expenses vs Budget Fiscal Year 2019/20 – cont.

Description	"A" Budget FY 19-20	"B" Actual 07/19-12/19	"C" Projected 01/20-06/20	"B+C" Projected 07/19-06/20	"(B+C)/A" Projected as a % of Budget	Proposed Adjustments	FY 19-20 Revised Budget
<u>Operating Expense</u>							
Purchased Water - Variable	21,236,000	10,779,219	8,749,000	19,528,219	92.0%	(1,708,000)	19,528,000
Purchased Water - Fixed	7,714,000	3,704,065	4,010,000	7,714,065	100.0%	-	7,714,000
General Manager	1,901,000	810,295	1,071,000	1,881,295	99.0%	(20,000)	1,881,000
Engineering	1,852,000	825,792	1,018,000	1,843,792	99.6%	(8,000)	1,844,000
Finance	1,576,500	756,055	821,000	1,577,055	100.0%	1,000	1,577,500
Customer Services and Public Affairs	2,546,000	1,183,665	1,380,000	2,563,665	100.7%	18,000	2,564,000
Human Resources	791,700	448,641	375,000	823,641	104.0%	32,000	823,700
Water - Operations and Maintenance	10,320,500	4,505,186	5,584,000	10,089,186	97.8%	(231,000)	10,089,500
Park	741,500	360,136	386,000	746,136	100.6%	5,000	746,500
Other Operating Expenses - WFO	50,000	-	30,000	30,000	60.0%	(20,000)	30,000
Wastewater - Operations and Maintenance	2,543,500	1,314,220	1,331,000	2,645,220	104.0%	102,000	2,645,500
Recycled Water Operations	1,316,000	476,408	734,000	1,210,408	92.0%	(106,000)	1,210,000
Transfer to PAYGO and RSF Funds	10,600,000	4,798,000	5,302,000	10,100,000	95.3%	(500,000)	10,100,000
Capitalized Expenditures	(690,000)	(458,031)	(458,000)	(916,031)	132.8%	(226,000)	(916,000)
Total Operating Expense	62,498,700	29,503,651	30,333,000	59,836,651	95.7%	(2,661,000)	59,837,700
Net Operating Income (Loss)	235,300	2,516,092	(2,716,000)	(199,908)	-85.0%	(437,000)	(201,700)
<u>Non-Operating Revenue</u>							
Operating Fund - Water	3,995,000	2,066,963	1,928,000	3,994,963	100.0%	-	3,995,000
Debt Service Funds	1,486,000	357,170	1,129,000	1,486,170	100.0%	-	1,486,000
Wastewater Fund	42,000	38,052	4,000	42,052	100.1%	-	42,000
Recycled Water System	169,000	89,658	79,000	168,658	99.8%	-	169,000
Capacity Fees	1,601,000	1,839,760	60,000	1,899,760	118.7%	300,000	1,901,000
Total Non-Operating Revenue	7,293,000	4,391,603	7,336,000	7,336,000	100.6%	300,000	7,593,000
<u>Non-Operating Expenditures</u>							
Capacity Fees Funds	15,000	11,780	3,000	14,780	98.5%	-	15,000
Debt Service Funds	6,141,607	1,075,028	4,985,000	6,060,028	98.7%	(82,000)	6,059,607
Potable Water Funds	60,000	-	10,000	10,000	16.7%	(50,000)	10,000
Recycled Water Funds	-	-	-	-	0.0%	-	-
Total Non-Operating Expense	6,216,607	1,086,808	4,998,000	6,084,808	97.9%	(132,000)	6,084,607
Net Revenue (Expense)	1,311,693	5,820,887	(378,000)	5,442,887	415.0%	(5,000)	1,306,693

Condensed Operating Budget Fiscal Year 2019/20

Description	Original Budget	Proposed Adjustments	Proposed Final Budget	% Change From Adopted
<u>Operating Revenues</u>				
Water Sales and Service Revenue	53,369,000	(2,367,000)	51,002,000	-4.44%
Sewer Service Revenue	4,802,000	-	4,802,000	0.00%
Recycled Water Sales	4,563,000	(731,000)	3,832,000	-16.02%
Total Operating Revenues	62,734,000	(3,098,000)	59,636,000	-4.94%
<u>Non-operating Revenues</u>				
Water - Property Tax and Other Income	3,995,000	-	3,995,000	0.00%
Debt Service	1,486,000	-	1,486,000	0.00%
Wastewater - Standby and Other Income	42,000	-	42,000	0.00%
Recycled Water Operations	169,000	-	169,000	0.00%
Capacity Fee Revenues	1,601,000	300,000	1,901,000	18.74%
Total Revenues	70,027,000	(2,798,000)	67,229,000	-4.00%
<u>Operating Expenses</u>				
Cost of water (MWD and CWA)	28,950,000	(1,708,000)	27,242,000	-5.90%
Water Operations	19,037,700	(228,000)	18,809,700	-1.20%
Wastewater Operations	2,543,500	102,000	2,645,500	4.01%
EFRR (Parks) Operations	741,500	5,000	746,500	0.67%
Recycled Water Operations	1,316,000	(106,000)	1,210,000	-8.05%
Capital PAYGO Transfers	10,600,000	(500,000)	10,100,000	-4.72%
Less: Capitalized Expenditures	(690,000)	(226,000)	(916,000)	32.75%
Total Operating Expenses	62,498,700	(2,661,000)	59,837,700	-4.26%
<u>Non-operating Expenses</u>				
Debt Service (principal and interest payments)*	6,141,607	(82,000)	6,059,607	-1.34%
Capacity Fee Expenses	15,000	-	15,000	0.00%
Potable Water System	60,000	(50,000)	10,000	-83.33%
Recycled Water System	-	-	-	0.00%
Total Expenses	68,715,307	(2,793,000)	65,922,307	-4.06%
Net Revenue (Expense)	1,311,693	(5,000)	1,306,693	-0.38%

Capital Budget - Highlights

- **Small Equipment Purchases**
 - A proposed increase in Small Capital Item Purchases of \$27,000
 - OPS Tire Wheel Balancer - \$6,000
 - ENG Line Locator Equipment - \$6,000
 - IT Equipment – \$17,000 (Printer \$10,000, iPads \$7,000)
 - Budget increase offset by \$2,000 savings on Fall Retrieval System
- **Capital Improvement Program (Betterment and Replacement Projects)**
 - A net \$2,890,000 decrease in the water, sewer, and recycled overall appropriations for fiscal year 2019-20
 - Timing of expenditures on several CIP Projects
 - Added Unit B Emergency Pipeline Repair project
 - Two projects completed at midyear slightly over budget

Summary of Small Capital Item Purchases- ALL As of December 31, 2019

	Budget	Expend/Encum @ 12/31/19	Expend/Encum Jan-Jun	New Estimated Cost	(Over) Under	Proposed Adjustment	Proposed Budget
Building & Improvements							
Ridgetop Picnic Area Fencing Replacement	14,000	13,200	-	13,200	800	-	14,000
Shop & Field Equip							
Confined Space Fall Retrieval System	16,000	13,949	-	13,949	2,051	(2,000)	14,000
Tire Wheel Balancer	-	6,196	-	6,196	(6,196)	6,000	6,000
Line Locator	-	5,920	-	5,920	(5,920)	6,000	6,000
	16,000	26,065	-	26,065	(10,065)	10,000	26,000
Automotive Equip							
Ops Const. F-550 S/C V-8 Engine	150,000	138,305	11,695	150,000	-	-	150,000
Ops Const. F-450 Flatbed Dump Truck	59,000	51,127	7,873	59,000	-	-	59,000
Sys-Ops F-250 Extra Cab w/Service Utility Bed	52,000	40,513	11,487	52,000	-	-	52,000
Sys-Ops F-250 Extra Cab w/Service Utility Bed	52,000	40,513	11,487	52,000	-	-	52,000
GM Services Ford Transit Passenger Van	43,000	-	43,000	43,000	-	-	43,000
	356,000	270,458	85,542	356,000	-	-	356,000
Computer Hard/Software							
41 PC Replacements <i>39 of 41 replaced as of 1/17/2020</i>	67,000	63,769	3,231	67,000	-	-	67,000
6 Laptop Replacements	11,000	-	11,000	11,000	-	-	11,000
Server replacement	7,000	-	7,000	7,000	-	-	7,000
HP Designjet T2600 Printer	-	10,220	-	10,220	(10,220)	10,000	10,000
Verizon - 10 iPads	-	6,502	-	6,502	(6,502)	7,000	7,000
	85,000	80,491	21,231	101,722	(16,722)	17,000	102,000
TOTAL	\$ 471,000	\$ 390,214	\$ 106,772	\$ 496,987	\$ (25,987)	\$ 27,000	\$ 498,000

Summary of Small Capital Item Purchases As of December 31, 2019

	Budget	Expend/Encum @ 12/31/19	Balance to spend	New Estimated Cost	(Over) Under	Proposed Adjustment	Proposed Budget
WATER OPERATIONS							
<u>D129810 - Building and Improvements</u>							
Ridgetop Picnic Area Fencing Replacement	14,000	13,200	-	13,200	800	-	14,000
<u>D139820 - Shop & Field Equip</u>							
Confined Space Fall Retrieval System	16,000	13,949	-	13,949	2,051	(2,000)	14,000
Tire Wheel Balancer	-	6,196	-	6,196	(6,196)	6,000	6,000
Line Locator	-	5,920	-	5,920	(5,920)	6,000	6,000
	16,000	26,065	-	26,065	(10,065)	10,000	26,000
<u>D139830 - Automotive Equip</u>							
Ops Const. F-550 S/C V-8 Engine	120,000	108,305	11,695	120,000	-	-	120,000
Ops Const. F-450 Flatbed Dump Truck	41,000	33,127	7,873	41,000	-	-	41,000
Sys-Ops F-250 Extra Cab w/Service Utility Bed	36,000	24,513	11,487	36,000	-	-	36,000
Sys-Ops F-250 Extra Cab w/Service Utility Bed	36,000	24,513	11,487	36,000	-	-	36,000
GM Services Ford Transit Passenger Van	30,000	-	30,000	30,000	30,000	-	30,000
	263,000	190,458	72,542	263,000	30,000	-	263,000
<u>D139860 - Computer Hard/Software</u>							
41 PC Replacements	54,000	50,769	3,231	54,000	-	-	54,000
6 Laptop Replacements	9,000	-	9,000	9,000	-	-	9,000
Server replacement	6,000	-	6,000	6,000	-	-	6,000
HP Designjet T2600 Printer	-	10,220	-	10,220	(10,220)	10,000	10,000
Verizon - 10 iPads	-	6,502	-	6,502	(6,502)	7,000	7,000
	69,000	67,491	18,231	85,722	(16,722)	17,000	86,000
TOTAL WATER	\$ 362,000	\$ 297,214	\$ 90,772	\$ 387,987	\$ 4,013	\$ 27,000	\$ 389,000

Summary of Small Capital Item Purchases As of December 31, 2019 – cont.

	Budget	Expend/Encum @ 12/31/19	Balance to spend	New Estimated Cost	(Over) Under	Proposed Adjustment	Proposed Budget
WASTEWATER OPERATIONS							
D739830 - Automotive							
Ops Const. F-550 S/C V-8 Engine	15,000	15,000	-	15,000	-	-	15,000
Ops Const. F-450 Flatbed Dump Truck	9,000	9,000	-	9,000	-	-	9,000
Sys-Ops F-250 Extra Cab w/Service Utility Bed	8,000	8,000	-	8,000	-	-	8,000
Sys-Ops F-250 Extra Cab w/Service Utility Bed	8,000	8,000	-	8,000	-	-	8,000
GM Services Ford Transit Passenger Van	6,000	-	6,000	6,000	(6,000)	-	6,000
	46,000	40,000	6,000	46,000	(6,000)	-	46,000
D739860- Computer Hardware/Software							
41 PC Replacements	10,000	10,000	-	10,000	-	-	10,000
6 Laptop Replacements	2,000	-	2,000	2,000	-	-	2,000
Server replacement	1,000	-	1,000	1,000	-	-	1,000
	13,000	10,000	3,000	13,000	-	-	13,000
TOTAL WASTEWATER	\$ 59,000	\$ 50,000	\$ 9,000	\$ 59,000	\$ (6,000)	\$ -	\$ 59,000
RECYCLED OPERATIONS							
D839830 - Automotive							
Ops Const. F-550 S/C V-8 Engine	15,000	15,000	-	15,000	-	-	15,000
Ops Const. F-450 Flatbed Dump Truck	9,000	9,000	-	9,000	-	-	9,000
Sys-Ops F-250 Extra Cab w/Service Utility Bed	8,000	8,000	-	8,000	-	-	8,000
Sys-Ops F-250 Extra Cab w/Service Utility Bed	8,000	8,000	-	8,000	-	-	8,000
GM Services Ford Transit Passenger Van	7,000	-	7,000	7,000	7,000	-	7,000
	47,000	40,000	7,000	47,000	7,000	-	47,000
D839860 - Computer Hardware/Software							
41 PC Replacements	3,000	3,000	-	3,000	-	-	3,000
	3,000	3,000	-	3,000	-	-	3,000
TOTAL RECYCLED	\$ 50,000	\$ 43,000	\$ 7,000	\$ 50,000	\$ 7,000	\$ -	\$ 50,000
TOTAL ALL FUNDS	\$ 471,000	\$ 390,214	\$ 106,772	\$ 496,987	\$ 5,013	\$ 27,000	\$ 498,000

Capital Improvement Project (CIP) Budget Review Summary

As of December 31, 2019

Budget Increase (Decrease)		Appropriation Increase (Decrease)	Fund	Comments
<i>Projects with Accelerated/Decelerated Schedule</i>				
\$ -	DCMWTP Chemical Systems Upgrade	\$ (90,000)	C&E	Multi-year project, less work will be accomplished this fiscal year
-	Residuals Handling Building Cover	3,000	C&E	Timing of expenditures across fiscal years
-	Ext. 153 Flow Meter	(100,000)	C&E	Construction to occur in FY 2021
-	Steel Mains Protection	(110,000)	C&E	Staffing levels will impact progress
-	Lower Yard Improvements	(63,000)	C&E	Timing of expenditures across fiscal years
-	Morning Sun PRS	(90,000)	C&E	Timing of expenditures across fiscal years
-	Retrofit Potable Meters to Recycled	(180,000)	C&E	Multi-year project, less work will be accomplished this fiscal year
-	Replace Meter Anodes	(80,000)	C&E	Staffing levels will impact progress
-	Rancho La Cima/Aliso Pipeline	(75,000)	C&E	Delay project due to changed conditions
-	El Camino Real Pipeline	(840,000)	C&E	Progress less than anticipated
-	Manchester Potable Pipeline	(450,000)	C&E	Project will carry over to the next fiscal year
-	Manchester Recycled Pipeline Extension	(279,000)	C&E	Timing of expenditures across fiscal years
-	Building D Remodel	(800,000)	C&E	Timing of expenditures across fiscal years
-	Building D Remodel	(200,000)	C&E/WW	Timing of expenditures across fiscal years
-	Headworks Screening (Manual) System	5,000	C&E/WW	Timing of expenditures across fiscal years
-	Replace UV Disinfection System	(280,000)	C&E/WW	Construction delayed
-	Storage Pond Improvements	210,000	C&E/WW	Move entire project up to the current fiscal year
\$ -	Total, (Decrease) due to Decelerated Schedules	\$ (3,419,000)		
<i>Projects with Changes in Cost Estimates</i>				
\$ 30,000	DCMWTP Settler Unit 2	\$ 30,000	C&E	Carryforward from FY 2019, invoice received after capitalization
30,000	Golem Pump Station Replacement	30,000	C&E	Equipment change to the pump skid requested by District
22,000	DCMWTP EQ Backwash Canopy	22,000	C&E	Additional requirement - structural footings
20,000	Condition Assessment Program	20,000	C&E	Increase in estimated cost to complete
30,000	DCMWTP Membranes	30,000	C&E	Adding replacement of cassette hardware components
134,000	Network Security	134,000	C&E	Increase cyber-security improvements after VWD breach
(472,000)	El Camino Real Pipeline	-	C&E	City of Encinitas' portion of construction contract deducted
\$ (206,000)	Total, Increase in Estimated Costs	\$ 266,000		
<i>Completed or Cancelled Projects</i>				
\$ 18,000	Caustic Tank and Piping	18,000	C&E	Increase in construction cost
5,000	Palma de la Reina/Ext. 235A Phase 2	5,000	C&E	Increase in legal costs
\$ 23,000	Total, Completed Projects	\$ 23,000		
<i>New Projects</i>				
\$ 240,000	Unit B Emergency Pipeline Repair	\$ 240,000	C&E	General Manager Thomer previously approved this work
\$ 240,000	Total, New Projects	\$ 240,000		
\$ 57,000	Total	\$ (2,890,000)		

Capital Improvement Project (CIP) Budget Review Summary

Funding Source

As of December 31, 2019

Fund Legend		Summary
C&E	Capital & Equipment Fund, Potable and Recycled	\$ (2,755,000)
C&E/WW	Capital & Equipment Fund, Wastewater	(135,000)
	Total	\$ (2,890,000)

Major (\$200,000 and over) Changes		Summary
	Building D Remodel	(1,000,000)
	El Camino Real Pipeline	(840,000)
	Manchester Potable Pipeline	(450,000)
	Replace UV Disinfection System	(280,000)
	Manchester Recycled Pipeline Extension	(279,000)
	Unit B Emergency Pipeline Repair	240,000
	Storage Pond Improvements	210,000
	Total	\$ (2,399,000)

Questions?

Board Consideration and Action Item

- Consider approval of the proposed Fiscal Year 2019-20 operating and capital budget adjustments as presented