



SCOTTS VALLEY
WATER DISTRICT

FY 2018 Proposed Budget

Board of Directors
June 8, 2017 Meeting



SCOTTS VALLEY
WATER DISTRICT

Budget Recap

- Relatively flat demand projection
- Lower Projects budget due to low cash reserves
- Debt Service Coverage Ratio of 3.1 (1.8 if all New Connections revenue is delayed)



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FY 2018 Budget Summary

	FY 2018	FY 2017	Incr/(Decr)
FY 2018 Appropriations	\$ 7.1	\$ 7.8	\$ (0.7)
Year End Rollover	0.7	2.6	(1.9)
Total	\$ 7.8	\$ 10.4	\$ (2.6)
Funding Sources			
From Revenue	\$ 7.3	\$ 7.1	\$ 0.2
Balance Sheet Transaction	0.2	-	0.2
From Fund Balance	0.3	3.3	(3.0)
Total	\$ 7.8	\$ 10.4	\$ (2.6)

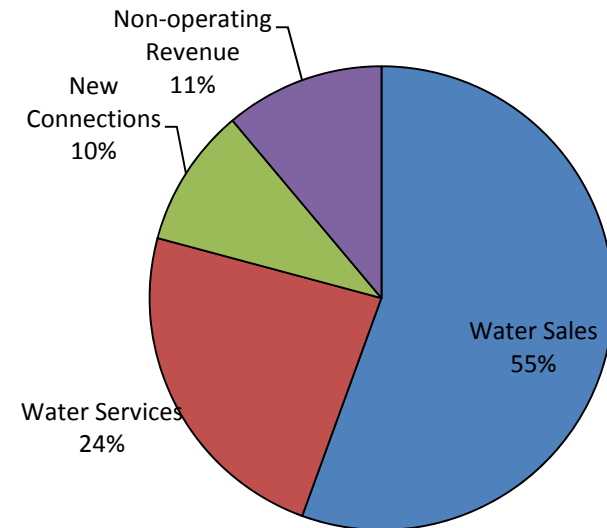


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FY 2018 Revenue Budget

(In millions)

	PW (01)	RW (02)	District Total
REVENUE			
Operating Revenue			
Potable water sales	\$ 3.5	\$ -	\$ 3.5
Recycled water sales	-	0.5	0.5
Water Services	1.7	-	1.8
New Connections	0.7	-	0.7
Subtotal	\$ 5.9	\$ 0.5	\$ 6.5
Non-Operating Revenue			
Property Taxes	0.8	-	0.8
Misc Non-Operating Rev	-	-	-
Subtotal	\$ 0.8	\$ -	\$ 0.8
Grants	-	-	-
TOTAL REVENUE	\$ 6.7	\$ 0.5	\$ 7.3





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Revenue Parameters

- Water Sales Revenue
 - Consumption based on FY 2016 actual
 - 15% rate increase in December 2017
- Water Services Revenue
 - Based on the current number of meters
 - 15% rate increases in December 2017
 - New: Recycled Water Basic Meter Service Charge



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Revenue Parameters (continued)

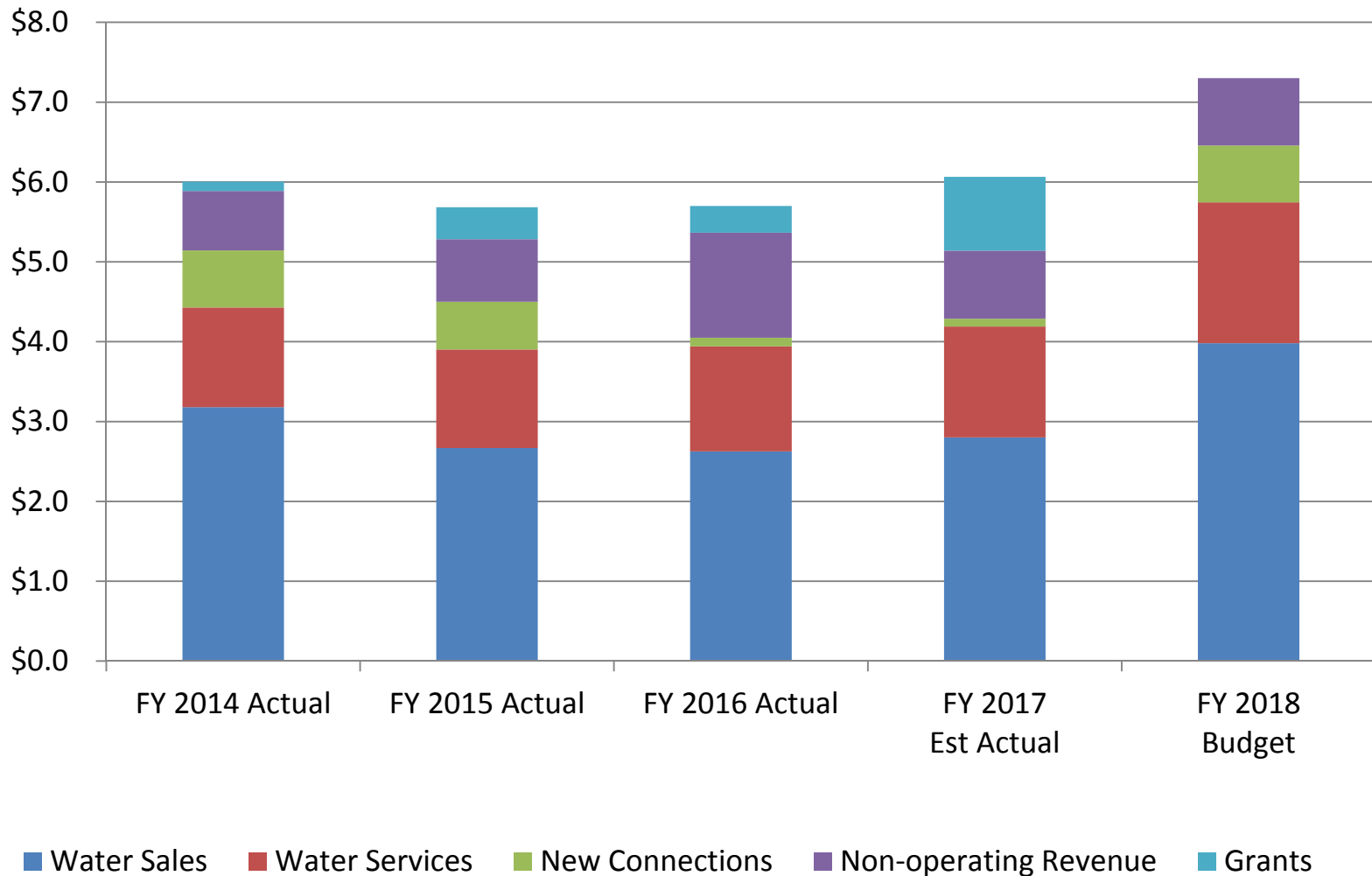
- **New Connections Revenue**
 - Meter fee, capacity fee, processing fees
 - Based on the projected new connections:
estimated 43 meters (various sizes and types)
- **Non-operating Revenue**
 - Property taxes based on FY 2017 estimated actual
 - Interest and dividends based on current yields
- **Grant Revenue**
 - None



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Revenue 5 Year Comparison

(In millions)



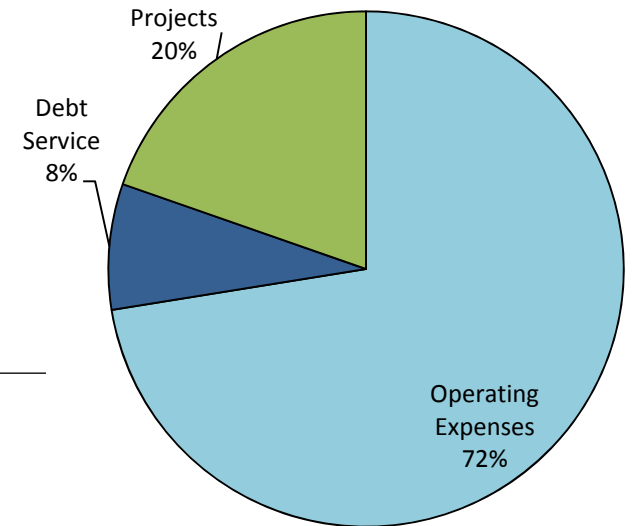


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FY 2018 Expense Budget

(In millions)

EXPENSE	PW (01)	RW (02)	District Total
Operating Expense			
Administration	\$ 1.1	\$ 0.1	\$ 1.2
Finance/CS	0.6	0.1	0.6
Operations	2.4	0.3	2.7
Engineering	0.2	0.0	0.2
Water Use Efficiency	0.2	-	0.2
Board	0.1	0.0	0.1
Total	\$ 4.6	\$ 0.5	\$ 5.1
Debt Service	\$ 0.3	\$ 0.2	\$ 0.6
Projects	\$ 1.4	\$ 0.0	\$ 1.4
TOTAL EXPENSE	\$ 6.3	\$ 0.7	\$ 7.1



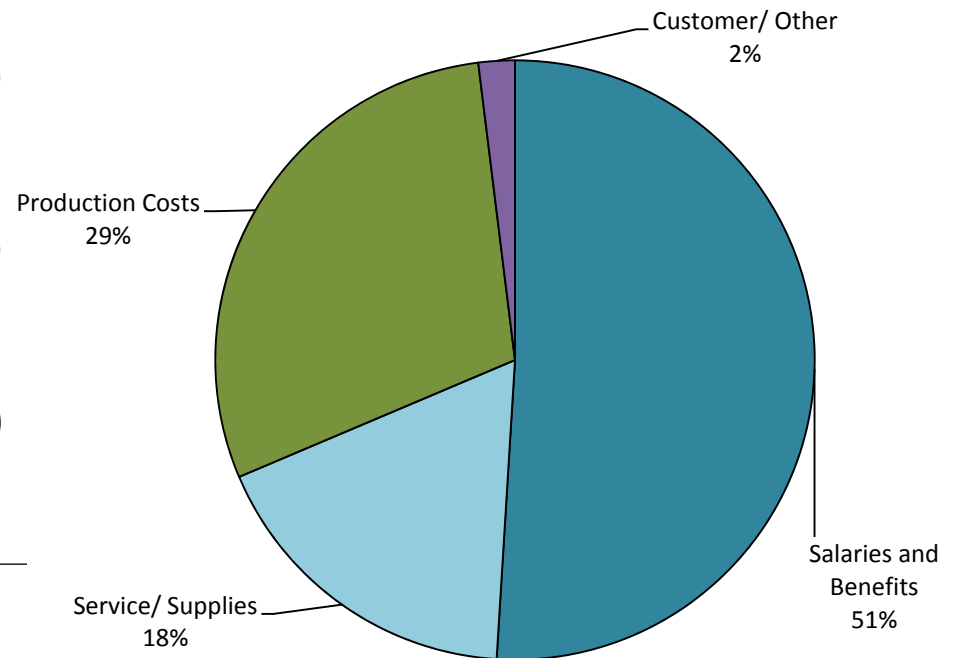


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FY 2018 Operating Expenses

(In millions)

Salaries and Benefits	\$	2.64
Services/ Supplies	\$	0.89
Production	\$	1.49
Customer/ Other	\$	0.10
Total	\$	5.12





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Operating Expense Parameters

- Salaries and Benefits
 - No change in headcount
 - Merit increases (3-5%) and COLA (3.1%)
 - Insurance premium increases: medical (11%), dental (2%), vision (2%), life (0%)
 - Unfunded pension liability allotment: \$78,770
- Services, Supplies and Production
 - Reallocation of resources



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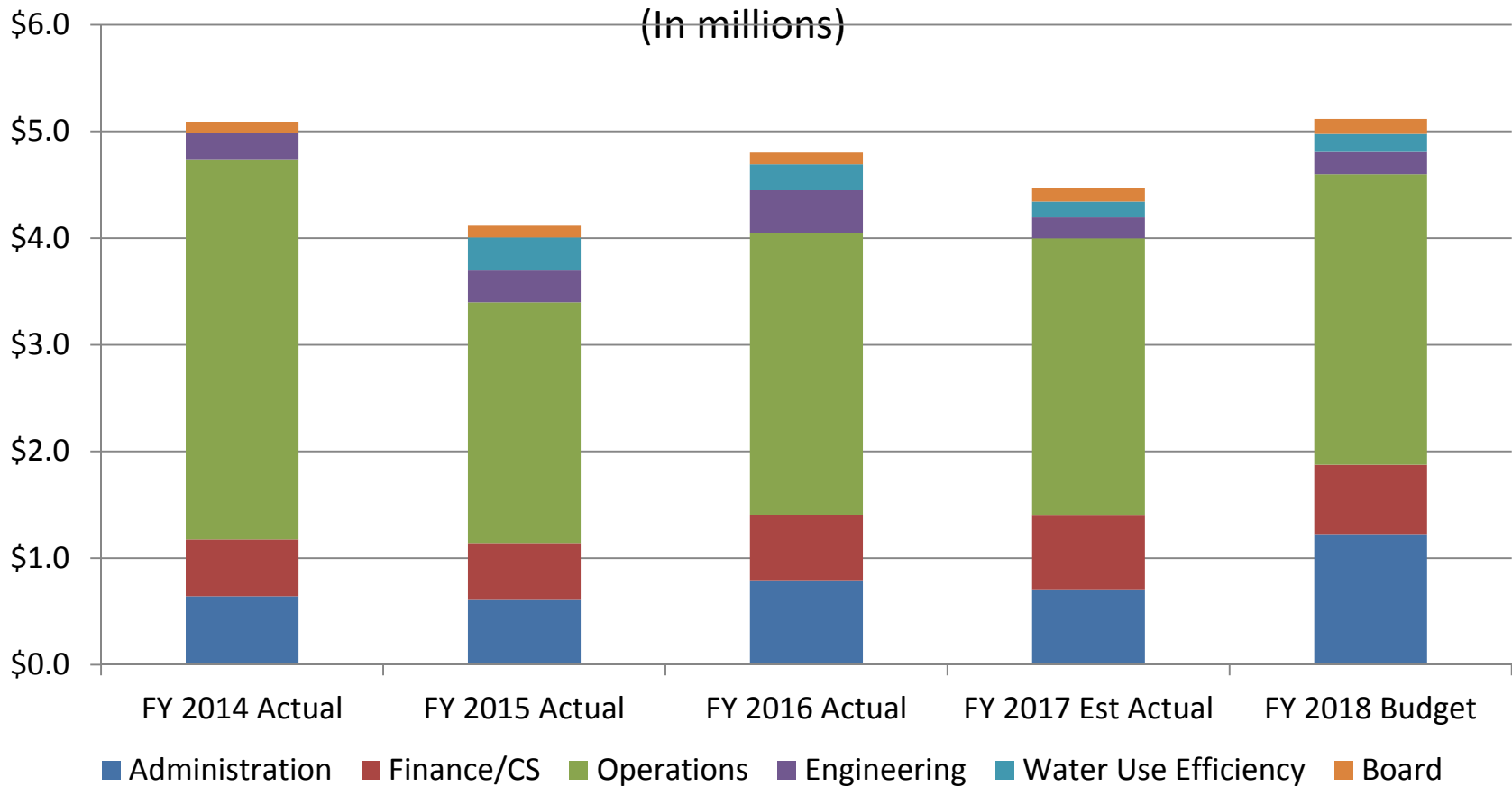
Operating Expenses (continued)

- Change from FY 2017
 - Salaries and Benefits: increase of \$198,300 or 8.3%
 - Services, Supplies and Production: decrease of \$103,265 or 4.7%
- Budget enhancement in FY 2018
 - For Santa Margarita Groundwater Agency and Conjunctive Use Memorandum of Agreement
 - 0.5 FTE total cost of \$41,250, professional services of \$390,000
 - Placeholder in Administration Division



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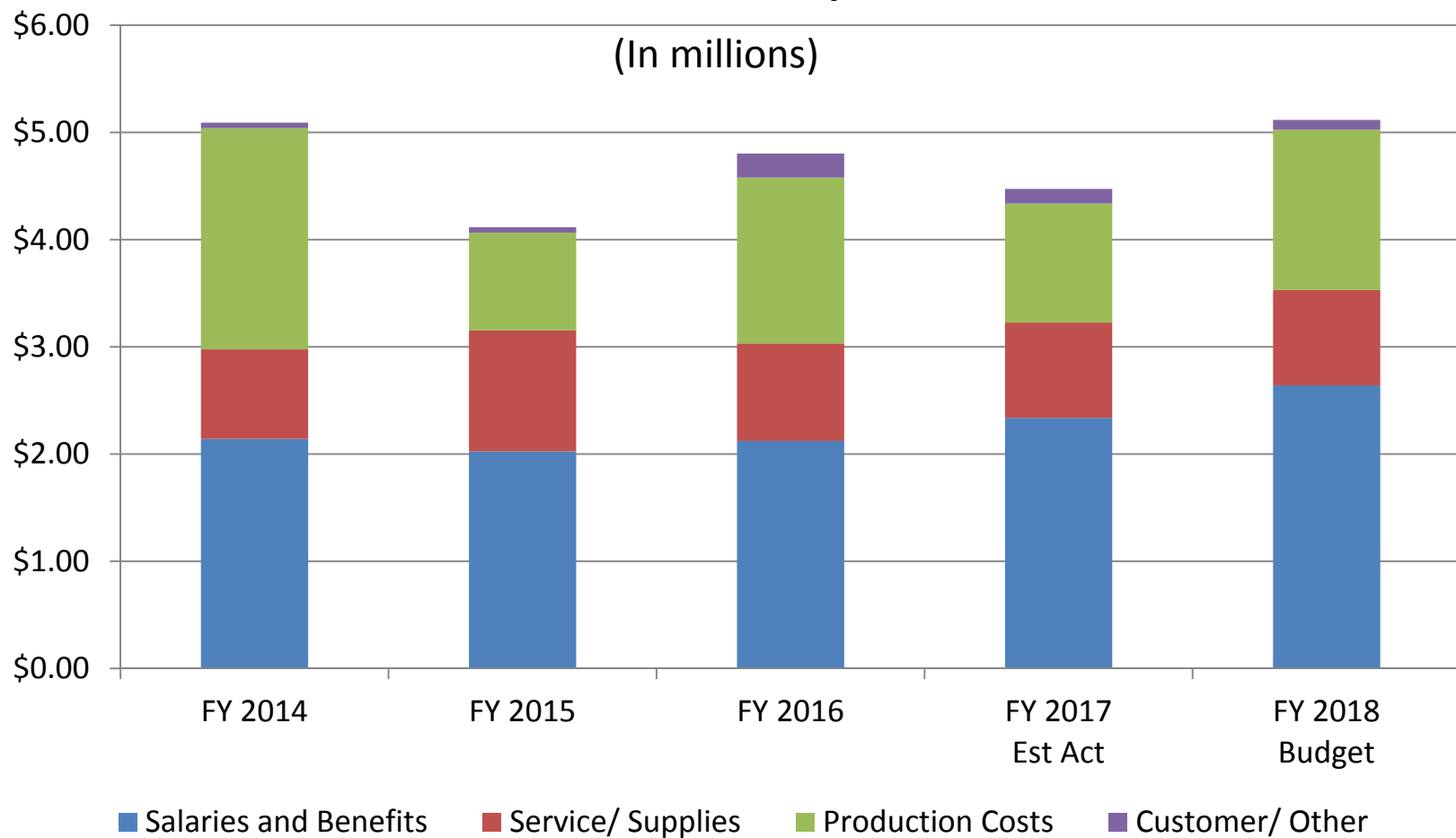
Operating Expense by Division 5 Year Comparison





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Operating Expense by Type 5 Year Comparison





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Year End Rollover

- Committed service agreements not completed by 6/30/2017
- Not included in the FY 2018 Budget
- Rollover amount: not to exceed \$0.2M
- FY 2018 Operating Budget + Year End Rollover: \$5.3 M



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Debt Service Budget

	FY 2018	FY 2017
2016 JPMorgan Loan		
Principal	452,927	
Interest	103,538	
2004 Refunding COPs		
Principal		165,000
Interest		104,223
2011 WFB Loan		
Principal		215,000
Interest		135,362
Total	556,465	619,585
Saving	63,120	

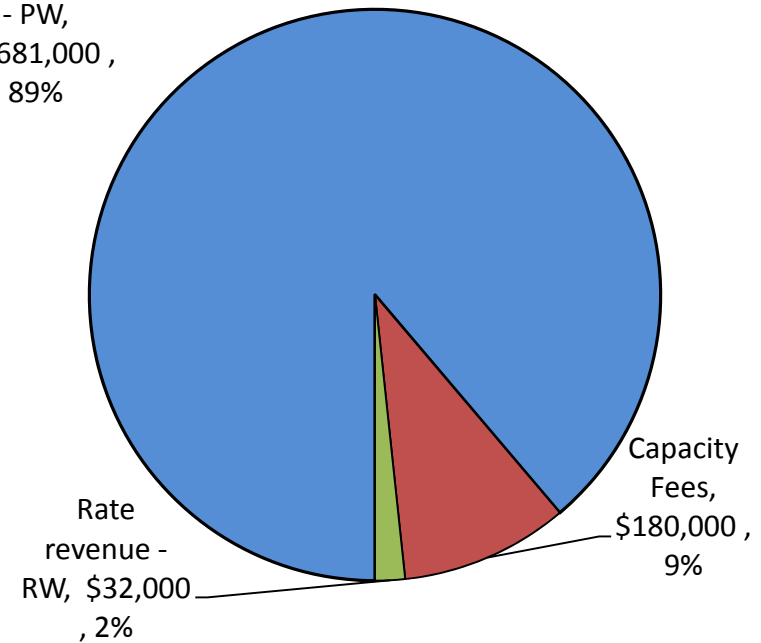


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Project Funding

Rate revenue Fund 01- Potable Water	\$ 1,681,000
Capacity Fees Fund 01 – Potable Water	\$ 180,000
Rate revenue Fund 02 – Recycled Water	\$ 32,000
Total	\$ 1,893,000

Rate revenue
- PW,
\$1,681,000 ,
89%





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Fund Balance

(In millions)

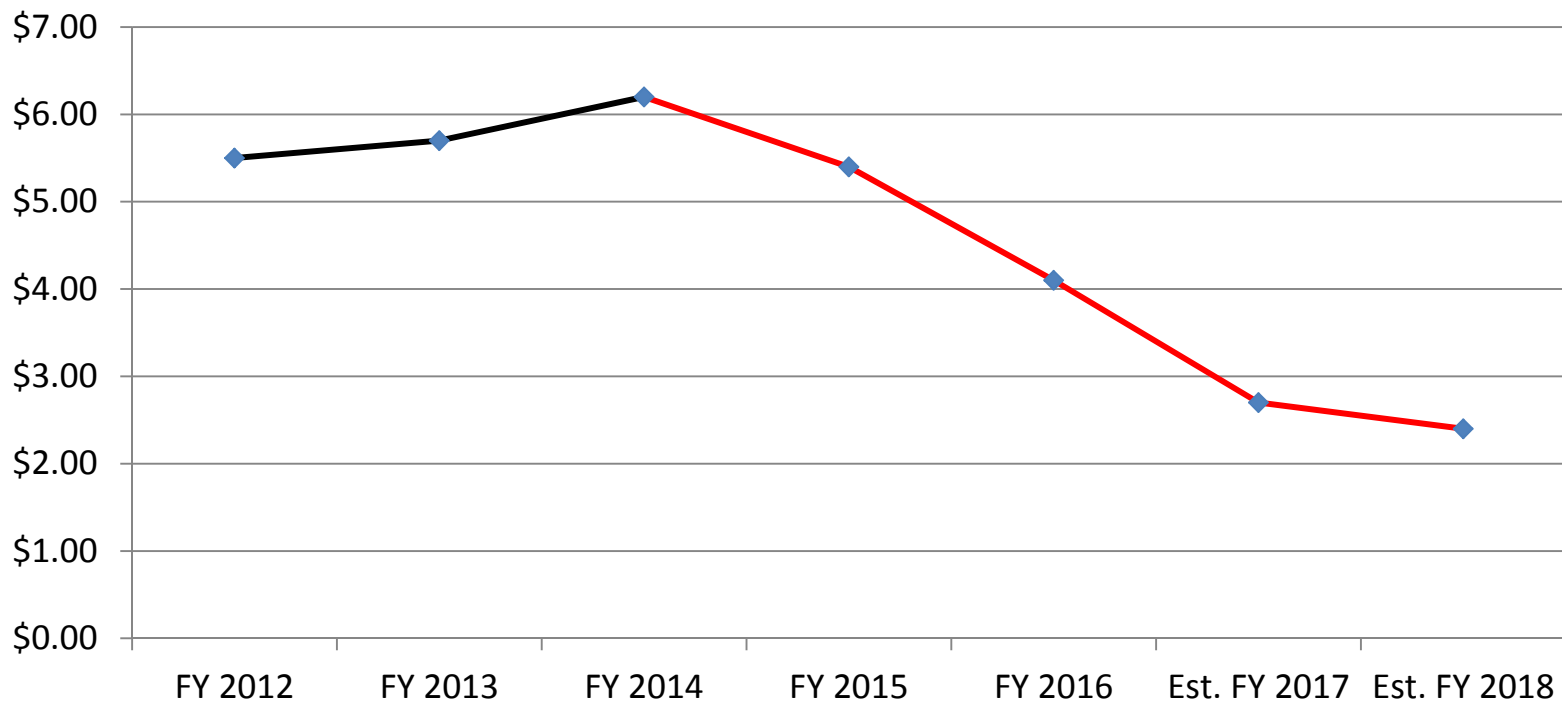
	Fund (01)	Fund (02)	Total
Beginning Fund Balance 7/1/2017	\$ 2,714,110	\$ -	\$ 2,714,110
Revenue	6,774,880	526,265	7,301,145
Operating Expense	(4,643,752)	(472,568)	(5,116,320)
Debt Service Expense	(338,441)	(218,024)	(556,465)
Projects Expense	(1,365,500)	(22,500)	(1,388,000)
Balance Sheet Transaction	-	155,272	155,272
Subtotal	\$ 3,141,297	\$ (31,555)	\$ 3,109,742
Year End Rollover	(200,000.00)	-	(200,000.00)
Project Rollover	(495,500.00)	(9,500.00)	(505,000.00)
Transfer from Fund 01 to Fund 02	(41,055.00)	41,055.00	-
Ending Fund Balance 6/30/2018	\$ 2,404,742	\$ -	\$ 2,404,742



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7-year Fund Balance

(In millions)



Fund Balance definition: working capital or current assets in excess of current liabilities



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Target Cash Reserve: \$4 million

			FY 2018
Operating Reserve			
FY 2018 Operating Expense Budget	\$	5,116,320	
Reserve Level: 90 days (25%)		25%	\$ 1,279,080
Rate Stabilization Reserve			
FY 2018 Water Sales Revenue Budget	\$	3,981,260	
20% of volumetric water sales revenue		20%	\$ 796,252
Emergency Reserve			
Net asset value @ 6/30/2016	\$	20,027,733	
2.5% of asset valuation		2.50%	\$ 500,693
Capital Reserve			
FY 2016 depreciation	\$	913,955	
1 year of depreciation		100%	\$ 913,955
Debt Service Reserve			
FY 2018 debt service	\$	556,465	
100% of debt service		100%	\$ 556,465
Target Reserve:			\$ 4,046,445



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Cash Reserve Projection

Demand Increase 2% Annually

Demand Increase		2%	2%	2%	2%	2%
	FY 2017 Est Actuals	FY 2018 Budget	FY 2019 Projection	FY 2020 Projection	FY 2021 Projection	FY 2022 Projection
Operating Revenue	\$ 4,189,758	\$ 5,745,580	\$ 6,593,053	\$ 7,397,406	\$ 8,299,889	\$ 8,889,181
Development Revenue	\$ 97,854	\$ 712,400	\$ 1,642,756	\$ 1,409,609	\$ 564,000	\$ -
Non-Operating Revenue	\$ 1,003,466	\$ 993,165	\$ 1,025,500	\$ 1,051,765	\$ 1,078,818	\$ 956,682
Total Revenue	\$ 5,291,078	\$ 7,451,145	\$ 9,261,309	\$ 9,858,780	\$ 9,942,707	\$ 9,845,864
Operating Expenses	\$ 4,473,466	\$ 5,116,320	\$ 5,269,810	\$ 5,427,904	\$ 5,590,741	\$ 5,758,463
Debt Service (P+I)	\$ 445,880	\$ 556,465	\$ 564,000	\$ 563,000	\$ 645,000	\$ 721,000
Net Project Expenses	\$ 1,801,343	\$ 1,893,000	\$ 4,801,099	\$ 1,943,000	\$ 2,993,000	\$ 3,468,000
Total Expenses	\$ 6,720,689	\$ 7,565,785	\$ 10,634,909	\$ 7,933,904	\$ 9,228,741	\$ 9,947,463
	\$ (1,429,611)	\$ (114,640)	\$ (1,373,600)	\$ 1,924,876	\$ 713,966	\$ (101,600)
Beginning Cash Balance	\$ 3,674,220	\$ 2,244,609	\$ 2,129,969	\$ 756,369	\$ 2,681,245	\$ 3,395,211
Ending Cash Balance	\$ 2,244,609	\$ 2,129,969	\$ 756,369	\$ 2,681,245	\$ 3,395,211	\$ 3,293,611



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Cash Reserve Projection

Demand Increase 10% in FY 2018

Demand Increase		10%	2%	2%	2%	2%
	FY 2017 Est Actuals	FY 2018 Budget	FY 2019 Projection	FY 2020 Projection	FY 2021 Projection	FY 2022 Projection
Operating Revenue	\$ 4,189,758	\$ 6,205,226	\$ 7,120,497	\$ 7,989,198	\$ 8,963,880	\$ 9,600,316
Development Revenue	\$ 97,854	\$ 712,400	\$ 1,642,756	\$ 1,409,609	\$ 564,000	\$ -
Non-Operating Revenue	\$ 1,003,466	\$ 993,165	\$ 1,025,500	\$ 1,051,765	\$ 1,078,818	\$ 956,682
Total Revenue	\$ 5,291,078	\$ 7,910,791	\$ 9,788,753	\$ 10,450,572	\$ 10,606,698	\$ 10,556,998
Operating Expenses	\$ 4,473,466	\$ 5,116,320	\$ 5,269,810	\$ 5,427,904	\$ 5,590,741	\$ 5,758,463
Debt Service (P+I)	\$ 445,880	\$ 556,465	\$ 564,000	\$ 563,000	\$ 645,000	\$ 721,000
Net Project Expenses	\$ 1,801,343	\$ 1,893,000	\$ 4,801,099	\$ 1,943,000	\$ 2,993,000	\$ 3,468,000
Total Expenses	\$ 6,720,689	\$ 7,565,785	\$ 10,634,909	\$ 7,933,904	\$ 9,228,741	\$ 9,947,463
Beginning Cash Balance	\$ 3,674,220	\$ 2,244,609	\$ 2,589,615	\$ 1,743,460	\$ 4,260,128	\$ 5,638,085
Ending Cash Balance	\$ 2,244,609	\$ 2,589,615	\$ 1,743,460	\$ 4,260,128	\$ 5,638,085	\$ 6,247,620



Future Budget Issues

- CalPERS discount rate changes

Impacts of rate change from 7.5% to 7.0%

Include		Low	High
discussion in	FY 2019	\$ 3,187	\$ 6,129
the next	FY 2020	7,233	13,627
water rate	FY 2021	18,987	34,201
update	FY 2022	29,585	45,994
	FY 2023	41,076	58,427
	Total	\$ 100,068	\$ 158,378

- Interfund loan repayments

– FY 2016: \$293,420 -- FY 2017: TBD



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Acknowledgements

Q&A