

# MONTE VISTA WATER DISTRICT

10575 Central Avenue, Montclair, California • (909) 624-0035

## NOTICE AND AGENDA OF BOARD WORKSHOP

**WEDNESDAY, JUNE 5, 2019 • 5:30 P.M.**

### **CALL TO ORDER/FLAG SALUTE**

### **PUBLIC COMMENT/OPEN FORUM**

Members of the public may address the Directors on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the California Government Code. Comments are limited to 3 minutes per speaker.

### **AGENDA CHANGES/ADDITIONS**

In accordance with Section 54954.2 of the Government Code (The Brown Act), additions to the agenda require a two-thirds vote of the legislative body, or if less than two-thirds of the members are present, a unanimous vote of those members present. It shall be determined that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the posting of the Agenda.

#### **1. Budget Workshop**

**Presenter:** Ray Harton

**Recommendation:** Review and discuss the proposed Fiscal Year Ending 2020 Budget

#### **2. Adjournment**

### **DECLARATION OF POSTING**

In accordance with the requirement of California Government Code §54954.2, this agenda has been posted in the display case at the gated entrance to our main office at 10575 Central Avenue, Montclair, California not less than 72 hours prior to the meeting date and time above.

Written materials relating to open session agenda items, including those distributed to the majority of the Board of Directors after distribution of this agenda package are available for public inspection during normal business hours at the District's main office, located at 10575 Central Avenue, Montclair, California.

Pursuant to the Americans with Disabilities Act, persons with a disability who require a disability-related modification or accommodation in order to participate in a meeting may request such modification or accommodation from the District Secretary at (909) 267-2160, by email at [ggarcia@mvwd.org](mailto:ggarcia@mvwd.org), or by fax at (909) 624-0037. Notification 48 hours prior to the meeting will enable District staff to make reasonable arrangements to assure accessibility to the meeting.



June 5, 2019

Mark N. Kinsey  
GENERAL MANAGER

Honorable Board of Directors  
Monte Vista Water District

**SUBJECT: Budget Workshop: Fiscal Year Ending (FYE) 2020 Proposed Budget**

**STAFF RECOMMENDATION:**

It is recommended that the Board of Directors review and discuss the proposed Fiscal Year Ending 2020 Budget.

**COMMITTEE ACTION:**

This item was not referred to committee.

**FINANCIAL IMPACT:**

The proposed Fiscal Year Ending 2020 Budget is projected to increase working capital reserves in the amount of \$3,490,410, bringing the projected year-end reserve balance to \$26,864,922. The forecasted FYE 2021 Budget is projected to decrease working capital reserves by \$11,831,668 bringing the projected year-end reserve balance to \$15,033,254.

**CONSISTENCY WITH STRATEGIC PLAN GOALS/INITIATIVES:**

**Strategic Goal 5:** Maintain responsible stewardship of District funds to address future needs.

**DISCUSSION**

At tonight’s workshop, staff will present the proposed Fiscal Year Ending 2020 Budget, along with the budget forecast for FYE 2021. This presentation will provide an opportunity for a conversation between the public, staff and Board of Directors with respect to the policies and priorities contained within the proposed FYE 2020 Budget. To facilitate budget discussion, the proposed FYE 2020 Budget is summarized in the following sections.

## **Goals and Initiatives**

The District was guided for many years by its 2009-2014 Strategic Plan, which was developed through a comprehensive strategic planning process and adopted by the Board in 2009. While the original term of the Plan has lapsed, staff continues to adhere to the Mission, Vision, Core Values, and Strategic Goals and Initiatives established by the Plan under the Board's direction. The seven goals defined in the original strategic planning process are the broad objectives that seek to fulfill the District's mission and are used to guide the annual budget development process. The proposed FYE 2020 Budget provides funding for the update of this Strategic Plan document.

## **Revenues**

Projected operating revenues are \$23.3 million, representing a \$4.7 million increase when compared to projected end-of-year revenues for FYE 2019. This is primarily attributable to an increase in demand for both retail and wholesale water sales. Interest income is forecasted to be \$300,000 reflecting a projected average yield of two percent earnings on the District's invested reserve balance of \$15.0 million through the majority of FYE 2020.

Capital revenues are projected to increase by approximately \$19.3 million to \$22.0 million compared to the FYE 2019 projected year-end actuals of \$2.7 million. The increase is the result of the potential bond issuance of \$15.0 million combined with other agency contributions estimated at \$4.8 million. These contributions include Proposition 1 grant funding from the State through the Santa Ana Watershed Project Authority and from the City of Chino for their pro-rata share of the District's Well 30 water treatment project.

## **Operating Expenditures**

The proposed operating budget for FYE 2020 is \$19.7 million, representing an increase of approximately \$4.6 million or 30.3 percent over the FYE 2019 projected year-end results. Based on the projected retail demands and requested wholesale deliveries to the City of Chino Hills, the District will experience increased costs in source of supply (imported water purchases) of \$2.4 million. Other projected water supply cost increases are: (1) electrical power of \$96,000, (2) water treatment costs of \$70,000, and (3) water analysis costs of \$40,000 as compared to FYE 2019. The Distribution Department anticipates a slight increase in operating costs of approximately \$126,600 in FYE 2020. The Administration Department is proposing an increase of \$295,500 in professional services in FYE 2020 compared to FYE 2019. The increase is the result of several activities or projects including the Chino Basin Water Bank, Joint MVWD-Pomona Optimization Program activities and updating of the District's Master Financial Plan.

## **Staffing**

The proposed FYE 2020 Budget incorporates the addition of one new position in the coming year. Staff is proposing to add one full-time Utility Service Worker within the Distribution Department. This will return the staffing level to maintain three full-service crews. The staffing recommendation increases the proposed FYE 2020 budget by one full-time position for a District total of 39.5 employees.

## **Wages and Benefits**

The proposed FYE 2020 Budget includes a 2.5 percent cost-of-living adjustment (COLA) as determined by the Consumer Price Index (CPI) for all urban consumers in the Riverside-San Bernardino-Ontario area.

In the FYE 2019 adoption of the budget, the monthly Employee Health Care Cafeteria Plan allowance was increased from \$1,500 to \$1,600 per month based on anticipated insurance costs increases in January of 2019. The allowance is available to cover or offset a portion of an employee's monthly health care-related costs inclusive of medical, dental and vision. While not a formal policy of the District, a general "practice or goal" has been to maintain the monthly cafeteria plan allowance at a level sufficient to cover at least 80 percent of these costs for family coverage. The current monthly allowance is will not be sufficient to provide this same level of medical insurance plan coverage going forward. Therefore, staff is recommending a \$100 per month increase from \$1,600 to \$1,700 as part of the FYE 2020 Budget adoption, effective January 1, 2020. This is based upon historical analysis of anticipated increases in health care premiums that will become effective January 2020.

## **Capital Outlays**

The Capital Outlay Program for FYE 2020 is budgeted at \$19.7 million. A total of \$18.1 million is directly associated with continuation of the following major construction projects currently underway: 1) Well 30 Granular Activated Treatment Plant, 2) the Main Office Site Renovation, 3) the Pipeline Avenue Bridge Pipeline Replacement, 4) I-10 Freeway Widening, and 5) Well 28 Pump Inspection & Repair.

New Capital Outlay projects in FYE 2020 totaling \$910,000 include: 1) Reservoir Tank Repair & Recoating, 2) Department of Drinking Water (DDW) System Modifications required to comply with regulatory requirements by the State, 3) Automated Meter Reading (AMR) meter replacement at Peachwood Mobile Home Park and 4) AMR meter replacement in street medians along major roads.

**Budget Workshop: FYE 2020 Proposed Budget**

Provided below is a brief summary of the FYE 2020 projects not yet under construction:

Well & Reservoir Projects	\$520,000
Vehicle & Mobile Equipment Replacement	65,000
Facility Upgrades	50,000
Distribution System Upgrades	275,000
<b>TOTAL</b>	<b>\$910,000</b>

**Total Working Capital Reserves Analysis**

The proposed FYE 2020 Budget, inclusive of all carryover capital projects, reflects an anticipated increase of \$3.5 million in working capital reserves. The forecasted FYE 2021 Budget projects a decrease of \$11.8 million in working capital reserves. This significant decrease in working capital is the primary result of planned construction activities associated with the Well 30 Granular Activated Carbon (GAC) treatment project and the Main Office Site Renovation project. Assuming the District issues \$15.0 million in additional debt, projected year-end reserve balances for FYE 2020 and FYE 2021 are \$26.9 million and \$15.0 million respectively, and are identified by fund balance category as follows:

Funds	FYE 2019	FYE 2020	FYE 2021
Capital Replacement	\$13,721,378	\$15,362,346	\$2,863,280
Growth	1,579,652	2,108,503	2,108,503
Emergency	1,504,332	1,541,940	1,541,940
Local Water Resources Development	500,000	500,000	500,000
Annual Debt Service Payment	1,768,700	1,767,100	2,418,400
Water Banking	526,750	667,932	691,931
Operating	3,773,700	4,917,100	4,909,200
<b>TOTAL</b>	<b>\$23,374,5122</b>	<b>\$26,864,922</b>	<b>\$15,033,254</b>

The District's recent adoption of a revised Cash Reserve Policy is being implemented for the first time within this year's budget process. In addition, this budget process is running parallel with two other major planning documents. The District has begun a Financial Plan Rate Study and Connection Fee update for a January 1, 2020 implementation while utilizing its financial advisor to model financing options to accommodate the 10-year capital improvement plan. The most critical of these projects being Granular Activated Carbon (GAC) treatment facilities for 1,2,3 TCP.

**Budget Workshop: FYE 2020 Proposed Budget**

Based on discussion and feedback received during the Budget Workshop, the FYE 2020 Budget will be updated as required and presented to the Board on June 26, 2019 for consideration.

Respectfully submitted,



*for* Ray L. Harton  
Director of Finance and Administrative Services



Stephanie A. Reimer  
Finance & Information Technology Manager



Mark N. Kinsey  
General Manager