

**Budget Workshop  
Capital Improvement  
Program  
FY 2015/16**

**Paul Sciuto  
June 8, 2015**

# Capital Projects

	FY 14/15 Budget	FY 14/15 Estimated	FY 15/16 Proposed
<b>Beginning Balance</b>	<b>\$814,126</b>	<b>\$814,126</b>	<b>\$428,937</b>
<b>Revenues</b>			
<b>Capacity Charges</b>	<b>\$500,000</b>	<b>\$750,000</b>	<b>\$700,000</b>
<b>General Fund Transfers</b>	<b>3,097,774</b>	<b>3,097,774</b>	<b>2,367,683</b>
<b>Grants &amp; Contributions</b>	<b>-</b>	<b>-</b>	<b>900,000</b>
<b>Interest Earned</b>	<b>10,000</b>	<b>10,000</b>	<b>15,000</b>
<b>Total Project Revenues</b>	<b>\$3,607,774</b>	<b>\$3,857,774</b>	<b>\$3,982,683</b>
<b>Expenditures</b>			
<b>Capital Projects</b>	<b>\$3,800,000</b>	<b>\$3,835,189</b>	<b>\$4,025,500</b>
<b>Debt Service</b>	<b>407,774</b>	<b>407,774</b>	<b>386,120</b>
<b>Total Expenditures</b>	<b>\$4,207,774</b>	<b>\$4,242,963</b>	<b>\$4,411,620</b>
<b>Estimated Ending Balance</b>	<b>\$214,126</b>	<b>\$428,937</b>	<b>\$-</b>

# **FY 2014/15 Summary**

- **CIP 2014/15**
  - **24 Projects**
  - **\$3.8 Million Budget**
  - **11 Projects Complete**
  - **7 Additional Complete by June 30**
  - **Anticipated Expenditures \$3.58 Million**  
**(\$2.4 Already spent, \$1.4 Additional by 6/30)**

# **2014/15 Major Projects**

- **SCADA Projects**
- **Salinas Source Water Projects**
- **Fountain, Castroville, Coral Pump Station Coating**
- **Underground Fuel Tanks**
- **Fort Ord Drives**

# **FY 2015/16 Summary**

- **CIP 2015/16**
  - **19 Total Projects**
  - **\$4.0 Million Budget**
  - **7 Designed or Already in Construction**
- **Capital Outlay**
  - **20 Items**
  - **\$358,200**

# CIP 2015/16 Program Goals

- **CIP Process**
  - **Risk Based**
  - **Two Rounds of Project Cuts/Deferments**
  - **Started with \$6M in Capital Costs**
- **Risk = Vulnerability \* Criticality**
- **Vulnerability = Likelihood of Failure**
- **Criticality = Consequence of Failure**

# **5 Year Program Look-Ahead**

- **\$40M+ in Projects**
- **70 Projects + Studies**
- **Average ~ 20 Capital Equipment Purchases Annually (\$400-600k)**

# Capitalized Equipment

	<b>FY 14/15 Budget</b>	<b>FY 14/15 Estimated</b>	<b>FY 15/16 Proposed</b>
<b>Beginning Balance</b>	<b>\$500,000</b>	<b>\$500,000</b>	<b>\$533,170</b>
<b>Revenues</b>			
<b>General Fund Transfers</b>	<b>650,000</b>	<b>650,000</b>	<b>325,030</b>
<b>Grants &amp; Contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Projected Revenues</b>	<b>\$650,000</b>	<b>\$650,000</b>	<b>\$325,030</b>
<b>Expenditures</b>	<b>\$616,830</b>	<b>\$616,830</b>	<b>\$358,200</b>
<b>Estimated Ending Balance</b>	<b>\$533,170</b>	<b>\$533,170</b>	<b>\$500,000</b>



# Reclamation

	<b>FY 14/15 Approved</b>	<b>FY 14/15 Estimated</b>	<b>FY 15/16 Proposed</b>
<b>Beginning Balance</b>	-	-	<b>(366,609)</b>
<b>Revenues</b>			
<b>General Fund Transfers</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$950,000</b>
<b>Grants &amp; Contributions <sup>(1)</sup></b>	<b>2,617,346</b>	<b>2,422,929</b>	<b>3,280,383</b>
<b>Total Projected Revenues</b>	<b>\$3,617,346</b>	<b>\$3,422,929</b>	<b>\$4,230,383</b>
<b>Expenditures</b>	<b>\$4,100,682</b>	<b>\$3,789,538</b>	<b>\$3,854,209</b>
<b>Estimated Ending Balance</b>	<b>(\$483,336)</b>	<b>(\$366,609)</b>	<b>9,565</b>

(1) Reviewing FY 14/15 Budget and FY 15/16 revenue sources associated with the Brine Project

# Debt Coverage Requirements

- **Debt Coverage = Net Revenues / Debt Service**
- **Criteria used by Standard & Poor's for credit ratings**
- **Credit ratings**

<b>Rating</b>	<b>Ratio</b>
<b>Insufficient</b>	<b>0x to 1.00 x</b>
<b>Adequate</b>	<b>1.01x to 1.25x</b>
<b>Good</b>	<b>1.26x to 1.50x</b>
<b>Strong</b>	<b>Greater than 1.50x</b>

- **Debt Covenant Requirement: 1.85x**
- **MRWPCA FY 13/14 Ratio: 2.17x**

# Groundwater Replenishment

	Prior Year Costs	FY 14/15 Approved	FY 14/15 Estimated	FY 15/16 Proposed
<b>Expenditures</b>				
Technical	\$3,904,452	\$1,570,261	\$1,220,000	\$2,451,478
Legal	687,327	245,000	370,000	360,000
Environmental	1,527,007	1,296,177	1,220,000	752,731
Internal Labor	1,602,338	288,562	330,000	250,000
<b>Total Expenditures</b>	<b>\$7,721,124</b>	<b>\$3,400,000</b>	<b>\$3,140,000</b>	<b>\$3,814,209</b>
<b>Revenue Sources</b>				
General Fund – URF	\$4,756,700	\$831,279	\$775,640	\$944,191
MPWMD	2,714,633	2,493,838	2,326,919	2,832,576
Watermaster	100,000	-	-	-
State Grant – Facilities	-	74,883	37,441	37,442
Title 26 - WaterSMART	149,791	-	-	-
<b>Total Funding</b>	<b>\$7,721,124</b>	<b>\$3,400,000</b>	<b>\$3,140,000</b>	<b>\$3,814,209</b>

# **Financial Update**

# Reserves

- **Projected FY 15/16 Reserve Level**

- General Fund: \$2,070,000
- Capitalized Equipment: \$500,000
- Urban Reclamation: \$9,565

- **Nature of Municipal Utility System**

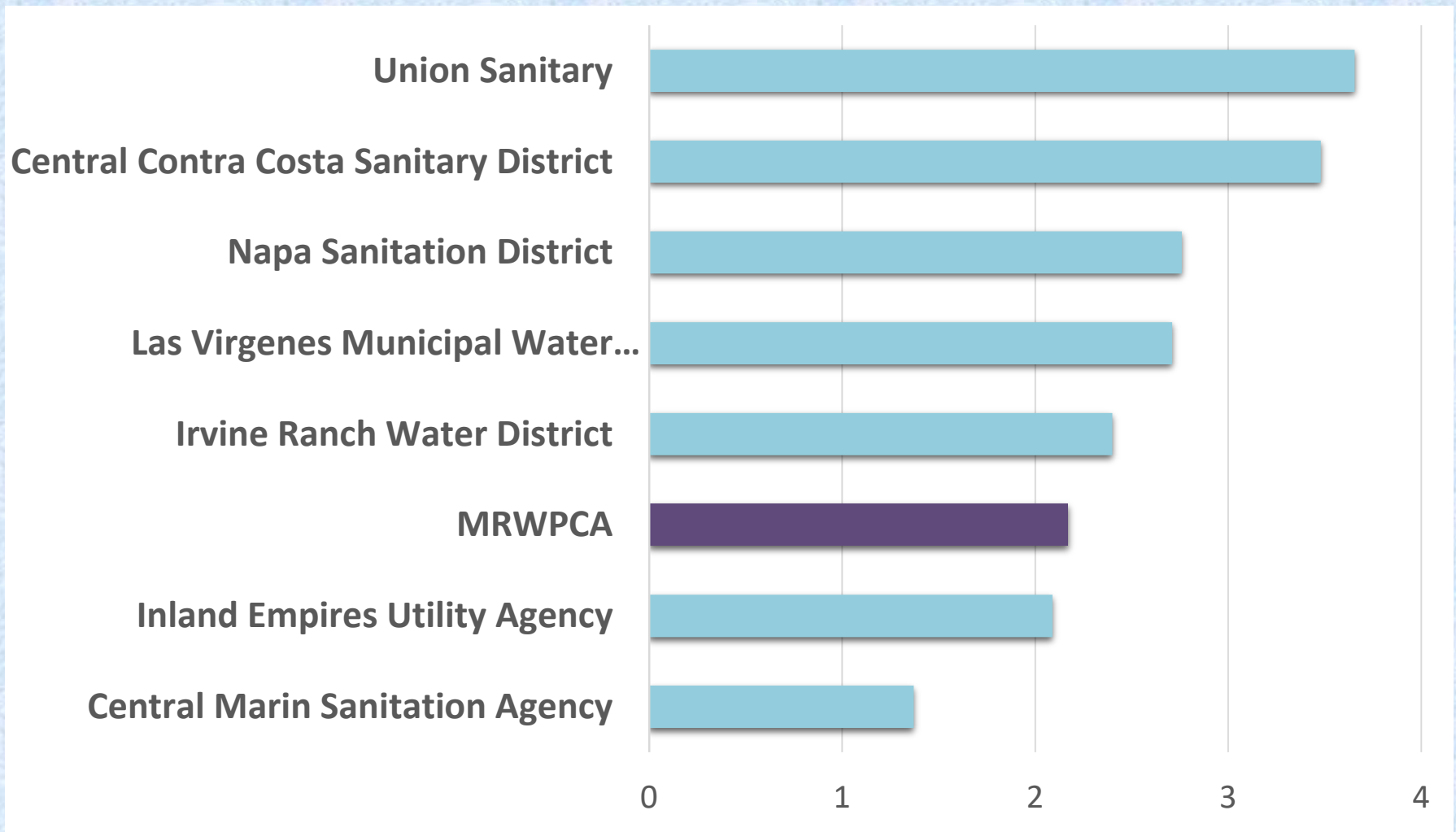
- Capital Intensive
- High fluctuating capital costs
- Risk
  - Unknown liability costs

- **Healthy reserve level**

- Better credit rating
- Lower interest rates on future debt



# Comparative Debt Service Ratio



Ratios represent amounts listed in Agency Fiscal Year 13/14 Comprehensive Annual Financial Reports, Statistical Sections. MRWPCA ratios reflect FY 13/14 amount included in the Annual Disclosure Summary

# Credit Rating on Liquidity

- **Unrestricted cash balances available to meet working capital needs**
  - Unrestricted cash balances include all cash and investments dedicated for working capital, rate stabilization, and R & R needs
- **Criteria – Measured in Days Cash**
  - Days cash = Unrestricted cash balances on hand to cover number of days of operating expenses
  - **MRWPCA S & P Rating (2012):**
    - \$6.4 M = 150 days
    - \$ 8.4 M = 198

(Includes some restricted approved by S & P)

Standard & Poor's (2008)	
Less than 30 days	Low
30 – 60 days	Adequate
60 – 120 days	Good
Greater than 120 days	Strong

# Value of High Credit Rating

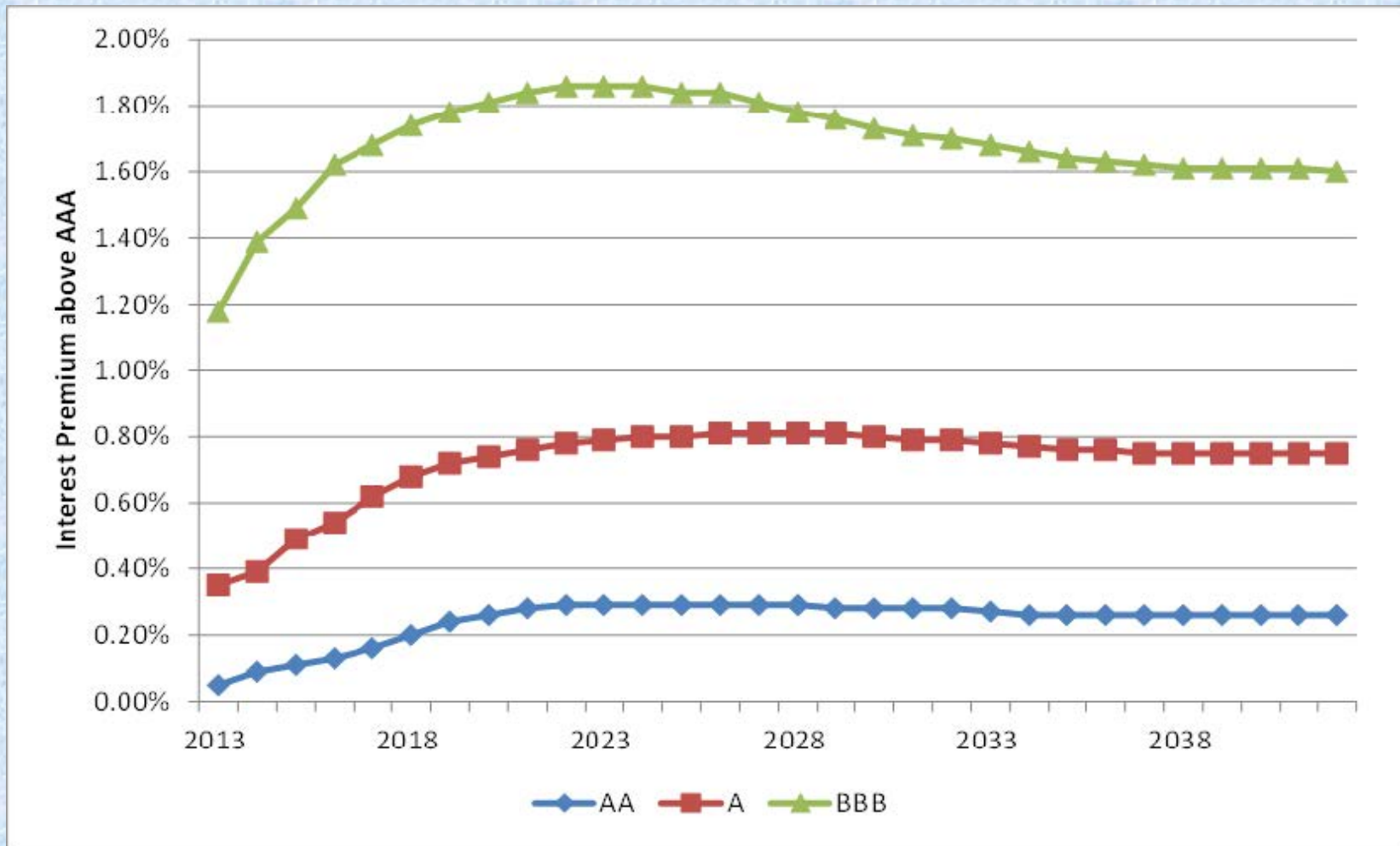


Chart reproduced from "Creating and Managing Reserves for Your Agency", CSMFO Presentation, December 2014



# Types of Reserves

- **Operations and Maintenance**
  - Provides working capital
- **Rate Stabilization**
  - Used to smooth rate increases caused by decreasing sales or unexpected operational costs
- **Emergency**
  - Allows the utility to provide uninterrupted service in the event of a natural disaster or facility failure
- **Capital Improvement**
  - Assists with cash flow requirement in funding capital projects and allows for timing adjustment
    - Example: Percent of asset value

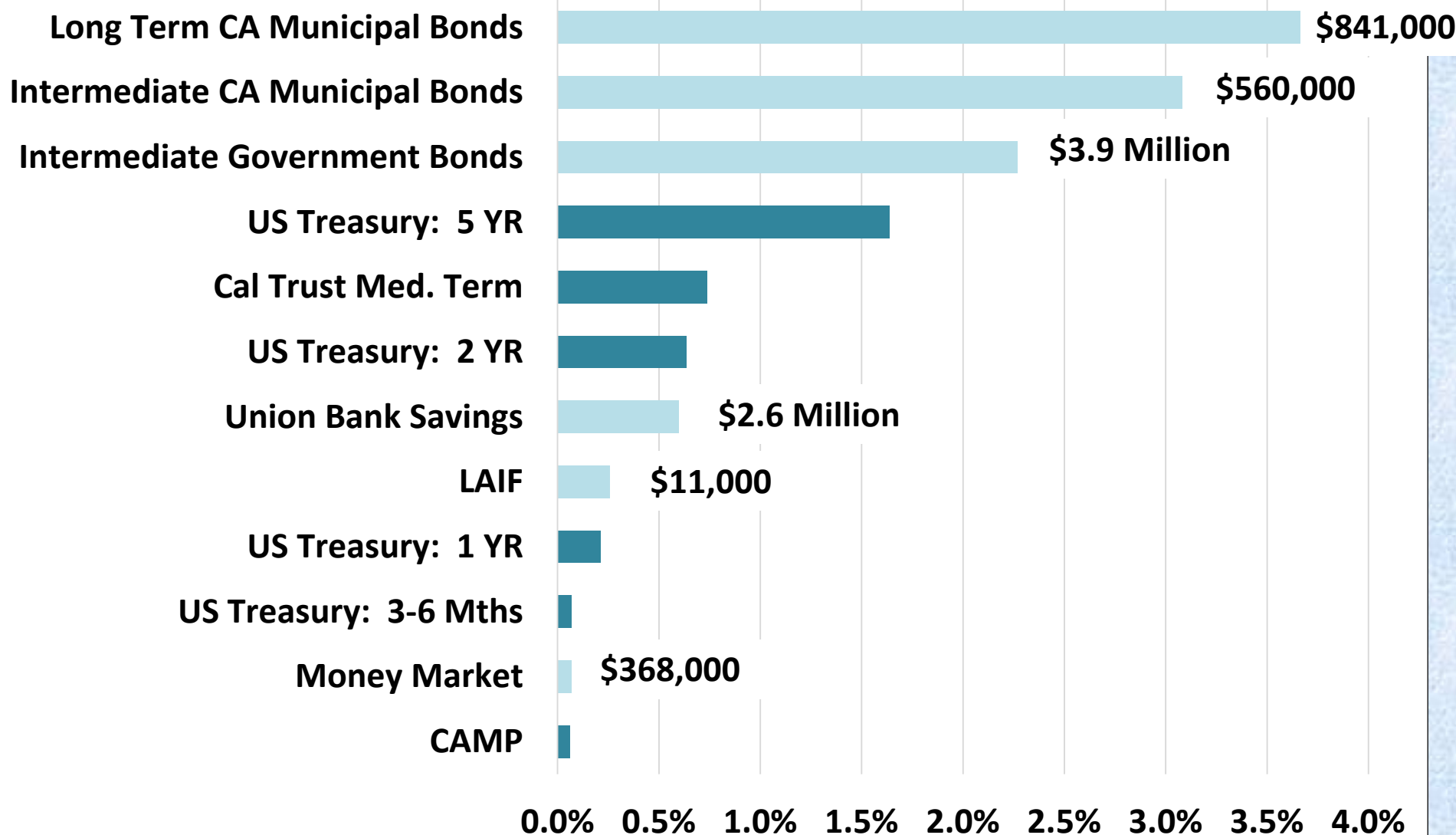
# Current Reserve Policy

- **MRWPCA Reserve Policy**
  - **Operating Reserve: \$2 Million**
  - **Capital Equipment Reserve: \$500,000**
- **GFOA Recommendations**
  - **General Government – Two months of operating expenses**
  - **MRWPCA Calculation for FY 15/16:**
    - **O & M without debt service:  $17.5\text{M} / 12 \text{ months} \times 2 = \$2.9 \text{ M}$**
    - **O& M with debt service:  $\$17.5\text{M} / 12 \times 2 = \$3.25\text{M}$**

# Investment Environment

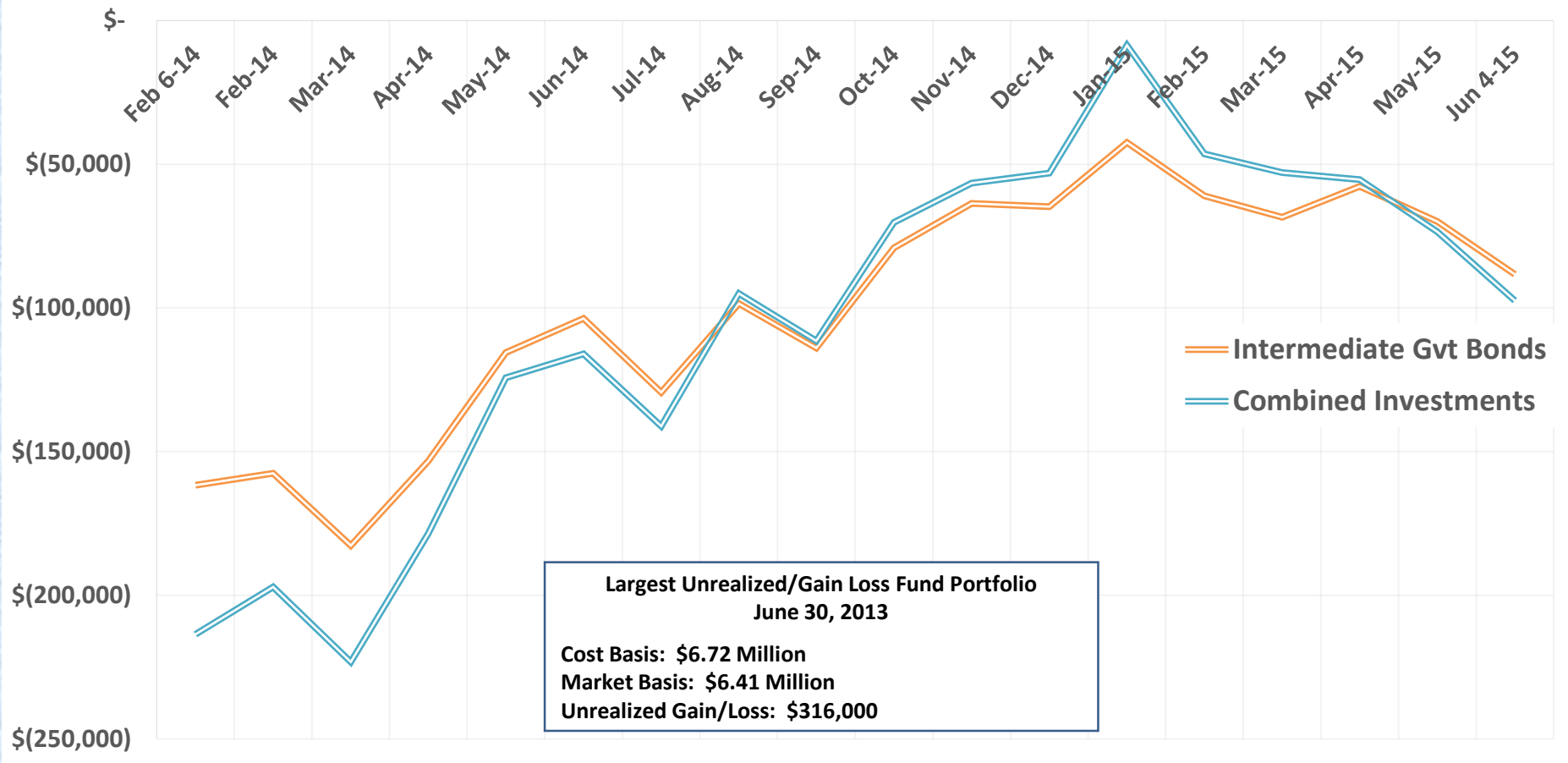
As of December 31, 2014

(Excludes \$885,500 in Bond Reserve Funds)



# Cost to Market Volatility: Unrealized Gain/Loss

Earnings net of portfolio administration expenses from February 2014 to May 2015: \$190,426



Investment	\$6.2 Million	\$6.0	\$5.7 Million	\$5.5 Million	\$4.5 Million
% Gain/Loss	(-2.0%) to (3.6%)	-1.9%	-1.0% to -2.5%	-0.2% to -1.0%	-1.2% to -2.1%

# **SUMMARY**

- **Balanced Budget**
- **Reserves**
- **Cash Flow Management**
- **Investments**
- **Capital Asset Requirements**

# Strategic Planning Goals Refined, Consolidated

Item 7-A

**MRWPCA Board – June 8, 2015**  
**Keith Israel, General Manager**  
**Paul Sciuto, Deputy General Manager**

## **MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY**

### **FIVE-YEAR VISION GOALS**

May 9, 2014 – May 1, 2019

### **MISSION STATEMENT**

***We are dedicated to meeting the wastewater and water recycling needs for our member agencies, while protecting the environment.***

### **VISION STATEMENT**

***The Monterey Regional Water Pollution Control Agency will be a model customer service provider for the efficient, innovative utilization of wastewater***

### **CORE VALUES**

***The Monterey Regional Water Pollution Control Agency values:***

- ***Cost-efficient, consistent and reliable service and business practices;***
- ***Open, honest lines of communication between and among Board, public and staff;***
- ***Ethical behavior;***
- ***Customer-focused and centered***
- ***Helpful and timely responses***
- ***Loyalty and dedication***

# FIVE-YEAR VISION GOALS

(2014-2019 )

*not in priority order*

- ✓ *Develop and implement GWR Project*
- ✓ *Utilization of all water resources*
- ✓ *Study and implement opportunities for shared services*
- ✓ *Evaluate and prioritize infrastructure needs to meet future demands*



# DEVELOP AND IMPLEMENT GWR PROJECT:

WHEN	WHO	WHAT	STATUS			COMMENTS
			Done	On Target	Revised	
Aug 15	GM	Approve Source Water MOU with MCWRA, MCWD, City of Salinas, MPWMD and Board of Supervisors	X			<ul style="list-style-type: none"> <li>Initial MOU completed Oct 2014</li> <li>MOU to be extended through June</li> </ul>
Nov 2014	GM	Complete and approve definitive agreement between above parties			Aug 15 2015	<ul style="list-style-type: none"> <li>In progress</li> </ul>
Dec 2014	GM	Complete settlement criteria (including draft water purchase agreement) and testify to CPUC in December			Nov 2015	<ul style="list-style-type: none"> <li>Updated CPUC schedule approved on 10/16/2014</li> </ul>
Sept 1, 2014	Principal Engineer	Launch updated GWR public outreach program	April 2015			<ul style="list-style-type: none"> <li>Mid-year budget provided funds for outreach</li> <li>Coordinate with Draft EIR</li> </ul>
Feb 2015	Principal Engineer	Identify two new GWR grant opportunities	April 2015			<ul style="list-style-type: none"> <li>Promising opportunities identified</li> </ul>
Ongoing	Principal Engineer	Coordinate activities of GWR Project Team to complete tasks on time and on budget		X		

# DEVELOP AND IMPLEMENT GWR PROJECT: (cont'd)

WHEN	WHO	WHAT	STATUS			COMMENTS
			Done	On Target	Revised	
Monthly	Principal Engineer	Update GWR activity schedule monthly		X		
Jan 1, 2017	Principal Engineer	Complete Construction of GWR Project by January 1, 2017			Late Fall 2017	<ul style="list-style-type: none"> <li>• Delayed per CPUC Approval Schedule</li> </ul>
Ongoing	GM	Continue dialogue with source water agreement MOU partners to ensure that terms are understood		X		
Oct 31, 2014	GM	Via Amendment 4 with MCWRA, clarify any water rights issues			July 2015	<ul style="list-style-type: none"> <li>• Coordinate with Definitive Agreement</li> </ul>
Nov 30, 2014	DGM	Resolve indirect cost issue for SVRP/CSIP			June 15 2015	<ul style="list-style-type: none"> <li>• Tied to completion of Definitive Agreement &amp; FY 2015/16 CSIP budget</li> </ul>
Jan 31, 2015	Legal Counsel	For any unresolved issues, initiate dispute resolution/arbitration			August 2015	
Sep 30, 2015	Principal Engineer	Board Certification of the EIR for this project		X		
Jan 2016	GM/Eng Mgr	Assess Needs/Plans of member communities for recycled water			Jan 2016	<ul style="list-style-type: none"> <li>• Tie to goal #2</li> </ul>

# UTILIZATION OF ALL WATER RESOURCES:

WHEN	WHO	WHAT	STATUS			COMMENTS
			Done	On Target	Revised	
Oct 15, 2014	GM and Engr Mgr	Hold a Kick-Off meeting with Monterey County, Environmental Health, RWQCB, and local entities to identify candidate areas			June 11, 2015	<ul style="list-style-type: none"> <li>Rescheduled to obtain best attendance</li> </ul>
Nov 15, 2014	Engr Mgr	Develop a Scope of Work and initiate a study that would outline the cost to bring in smaller areas			Sept 2015	
April 30, 2015	GM and Eng Mgr	Present results of study to MRWPCA TAC, Board Committee and Board for action			Jan 2016	
FY 15/16	GM and Lead Engineer	Fund for detailed planning/Implementation studies			May 2016	
June 2015	GM	Goals for ZERO discharge			Oct 2015	<ul style="list-style-type: none"> <li>Propose per water MOU discussions</li> </ul>
June 2015	GM/Eng Mgr	Consider issues of representation and governance with consolidation of smaller systems			Mar 2016	<ul style="list-style-type: none"> <li>Propose after completion of study &amp; TAC input</li> </ul>

# STUDY AND IMPLEMENT OPPORTUNITIES FOR SHARED SERVICES :

WHEN	WHO	WHAT	STATUS			COMMENTS
			Done	On Target	Revised	
Ongoing	DGM	Continue the Gull Abatement Coordination with MRWMD		X		<ul style="list-style-type: none"> <li>Separate contract for Gull abatement this year</li> </ul>
Ongoing	DGM	Continue the partnership agreement with MPWMD for GWR financing and joint Outreach services		X		
Sept 30, 2014	GM	Make presentation to Special Districts/Public Agencies to identify opportunities in cooperation, to share resources, to promote economies of scale and to encourage regional solutions	Apr 23, 2015			
Oct 15, 2014	GM and DGM	Conduct presentation and outline potential opportunities to MRWPCA TAC			Oct 2015	<ul style="list-style-type: none"> <li>Will provide at next MRWPCA TAC meeting</li> </ul>
March 31, 2015	GM	Report shared services progress to MRWPCA Board			Aug 2015	<ul style="list-style-type: none"> <li>Awaiting completion of consultant report</li> </ul>
Jan 1, 2016	GM	Implement Shared Services			Jan 2016	<ul style="list-style-type: none"> <li>Start per implementation plan</li> </ul>

# EVALUATE AND PRIORITIZE INFRASTRUCTURE NEEDS TO MEET FUTURE DEMANDS:

WHEN	WHO	WHAT	STATUS			COMMENTS
			Done	On Target	Revised	
July 2014	DGM and Lead Engineer	Complete key special projects – Biofloc system, digester mixing system and DAFT thickener, etc.	July 2014			<ul style="list-style-type: none"> <li>Biofloc system, digester mixing system and DAFT thickener are all complete</li> </ul>
Feb 2015	Lead Engineer	Provide an update on 10-year CIP			June 2015	<ul style="list-style-type: none"> <li>Provide at Budget Workshop</li> </ul>
Mar 2015	DGM and Lead Engineer	Provide annual review of CIP to the Board: RTP, pump stations, and outfall			June 2015	<ul style="list-style-type: none"> <li>Ongoing each year at Budget Workshop</li> </ul>
Feb 2015	DGM, Lead Engineer and Consultant	Develop specific plan for co-gen upgrades and biogas usage			Aug 2015	
June 2016	DGM and Lead Engineer	Initiate Design of co-gen upgrade		X		
June 2018	Lead Engineer	Complete construction of co-gen upgrade		X		
June 2017	Engineering Mgr	Waste Water Collection System and Treatment Plant Master Plans and Hydraulic Modeling		X		
June 2017	Engineering Mgr	Updated Asset Management Plan		X		

# INTERNAL BOARD / STAFF TACTICAL GOALS

*(Updates provided every six months )*

*not in priority order*

- ✓ *Work well together as a Regional Board*
- ✓ *Maintain productive relations with other local water and wastewater agencies*
- ✓ *Establish and keep productive relations with regional stakeholder groups*
- ✓ *Maintain a highly capable and proven organizational team*
- ✓ *Continue to be financially sound*

# WORK WELL TOGETHER AS A REGIONAL BOARD:

WHEN	WHO	WHAT	STATUS			COMMENTS
			Done	On Target	Revised	
Sep 30 2014	Board Chair and GM	Conduct a survey of Board Members to identify areas for improvement	April 2015			<ul style="list-style-type: none"> <li>Complete as part of Strategic Planning Workshop</li> </ul>
Jan 30 2015	Board Chair and GM	Develop an implementation plan for improving Board “harmony”	April 2015			<ul style="list-style-type: none"> <li>Accomplish per discussion at Strategic Planning Workshop</li> </ul>
May 2015	Board Chair and GM	Check progress at subsequent strategic planning session		X		<ul style="list-style-type: none"> <li>Ongoing</li> </ul>
May 2016	Board Chair and GM	Further progress check at 2016 Strategic Planning Session		X		<ul style="list-style-type: none"> <li>Ongoing</li> </ul>

# MAINTAIN PRODUCTIVE RELATIONS WITH OTHER LOCAL WATER AND WASTEWATER AGENCIES:

WHEN	WHO	WHAT	STATUS			COMMENTS
			Done	On Target	Revised	
Oct 30 2014	Board Chair and GM	Select firm to do a focus group study with key stakeholders to identify opportunities	April 2015			<ul style="list-style-type: none"> <li>Ongoing input from Community</li> <li>Receive Pure Water Monterey Public Outreach Input</li> </ul>
Ongoing	Board Chair and GM	Participate in district and association events with other public agencies		X		
Ongoing	Board Chair and GM	Have ongoing leadership meetings with selected members		X		<ul style="list-style-type: none"> <li>Suggest Joint Board staff leadership meeting with MRWMD &amp; MPWMD after conclusion of water negotiations</li> </ul>



# ***ESTABLISH AND KEEP PRODUCTIVE RELATIONS WITH REGIONAL STAKEHOLDER GROUPS***

WHEN	WHO	WHAT	STATUS			COMMENTS
			Done	On Target	Revised	
Ongoing	DGM	Staff participation in internal and external TAC groups		X		
Ongoing	GM and DGM	Update PCA Member Boards/Councils on PCA services and opportunities		X		<ul style="list-style-type: none"> <li>As needed and per Board/Council Request</li> </ul>
Ongoing	DGM	Update Exec Officer of AMBAG, Air District, FORA, Regional Water board, Ag Groups, etc. on MRWPCA and opportunities for collaboration		X		<ul style="list-style-type: none"> <li>Per goal #2 &amp; coordinate with Boards/Staff leadership meetings</li> </ul>

# MAINTAIN A HIGHLY CAPABLE AND PROVEN ORGANIZATIONAL TEAM

WHEN	WHO	WHAT	STATUS			COMMENTS
			Done	On Target	Revised	
Dec 2014	GM and Dir of Admin Svcs	Hire two new skilled management employees, Director of Finance and Director of O&M/Deputy GM to succeed current retiring staff	Dec 2014			<ul style="list-style-type: none"> <li>• New Deputy GM started Aug 25</li> <li>• CFO started Feb 26</li> <li>• New AGM to start late Aug</li> </ul>
Mar 2015	GM and Board Chair	Develop Succession Plan for GM Position			Sep 2015	<ul style="list-style-type: none"> <li>• Suggest new GM develop with Board Chair</li> </ul>
Ongoing	DGM	Continue succession planning to replace current Operations Manager (Grade V Operator) and Maintenance Manager who have both been with MRWPCA for 30+ years			Sep 2015	<ul style="list-style-type: none"> <li>• Suggest Update to BPC/Board in Sept</li> </ul>

# CONTINUE TO BE FINANCIALLY SOUND

WHEN	WHO	WHAT	STATUS			COMMENTS
			Done	On Target	Revised	
June 30 2014	Director of Admin Services	Continue Proposition 218 activities in order to provide funds for Capital Projects through 2016/17	June 30 2014			
Ongoing	CFO and DGM	Continue to maintain a General Fund Reserve ending balance above a minimum of \$2M		X		
Ongoing	CFO and DGM	Maintain an excellent bond rating should there be future Agency needs to secure additional revenue			June 2015	<ul style="list-style-type: none"> <li>Will provide some metrics at Budget Workshop</li> </ul>
May 15, 2015	CFO and DGM	Develop additional financial performance measures			June 2016	<ul style="list-style-type: none"> <li>Will provide some metrics at Budget Workshop</li> </ul>

Questions?