

Budget Workshop FY 2018-19

Item 3

Legal Counsel Review: No

Meeting Date: April 26, 2018

TO: SOCWA Board of Directors

FROM: Betty Burnett, General Manager

SUBJECT: **Budget Workshop – Review of Proposed SOCWA FY 2018/19 Total Operating Budget**

A. Update on Finance Committee Review

The following meetings have been held to review the preparation of the draft FY 2018-19 Budget:

February 13, 2018 (Finance Committee & Board) – Overview of schedule, fringe rate, budget assumptions, labor trends and forward plan, legal expenditures and list of 2018-19 initiatives. Meeting also included discussion of the co-gen engine cost projections and covered the general fund (with several agencies agreeing to dialogue on options to improve participation percentages to better reflect expenditures for operating plants).

February 26, 2018 (Finance Committee) – Updated schedules.

March 7, 2018 (Finance Committee) - PERS and Worker's Compensation cost information (fringe rate adjustments), presentation of asset management strategy, discussion of small versus large capital spending, small capital plan 2018-19, proposed large capital program and update on "10 Year" plan preparations, residual engineering, IT budget initiatives 2018-19.

March 19, 2018 – Budget overview of draft budget with member agency Finance Managers. Staff attending included: Erica Castillo – SMWD, Gavin Curran – CLB, K. Warner – TCWD, Ken Al-Imam - CSJC, Neely Shahbakhti – ETWD, Pamela Arends-King – SCWD, Trevor Argrelius – MNWD; also attended SOCWA Board representatives Matt Collings – MNWD and Finance Committee Chair Dennis Erdman – SCWD.

March 30, 2018 (Finance Committee) – Introduction to full draft budget, major cost drivers and O&M budget by project committee and member agency, adjustments to PC 24, discussion of IRWD withdraw from PC 12, administrative costs & staffing overview, non-capital engineering and revisions to general fund allocations. At the March 30, 2018 Finance Committee the Committee directed staff to proceed to schedule April 26, 2018 Budget Workshop with staff to provide information on the Open Items listed on the agenda (3.C. below) for further Board consideration.

B. Budget Overview –

Updated presentations and discussion will be provided at the Workshop on the following:

- (i) **General Fund**
The TCWD proposal will be discussed. See Open Items below.
- (ii) **Administration**
Staff provided an overview of administration expenses and staffing needs at the March 30, 2018 Finance Committee meeting. The Finance Committee requested a business cost analysis, which has been included in the attached updated PowerPoint slides for full review by the Board and discussion at the workshop.
- (iii) **Operations, Maintenance & Capital Programs (Small Internal and Large Capital)**
- (iv) **Detail by Project Committee and Member Agency**

C. Open Items

- (i) **General Fund Allocation**
Two pages are attached for Board review, the first is the TCWD Project Committee Participation Approach discussed at the February 13, 2018 joint Finance Committee/Board meeting. At that time several agencies agreed to continue discussions which resulted in a revised TCWD spreadsheet. The basic difference is the redistribution of the participation factors to better reflect the differences in staff time spent on the treatment plant activity (see attached graph Allocation of SOCWA Labor to Project Committee Work). The revised TCWD approach has been included in the draft budget and staff will go over both the percentages of Administration included (as recommended in earlier TCWD approach) and the participation distribution (which has been adjusted since 2/13/18 discussion).
- (ii) **Administration**
Overview and discussion of attached PowerPoint addressing Administrative Costs and positions.
- (iii) **O&M Training Cost Adjustments.**
The Finance Committee requested review and if possible reduction in training and conference costs in light of alternative training opportunities. The distributed budget under item B above includes cost reductions of \$62,664 as a result of the March 30, 2018 Finance Committee meeting input.
- (iv) **Budget Assumptions**, including CPI 3.8% COLA, PC 12 Reduced Member Participation

Recommended Action

- Discussion and Direction to Staff
- Set Date for Budget Consideration for Approval