



# MID-PENINSULA WATER DISTRICT

## OPERATING AND CAPITAL BUDGETS FISCAL YEAR 2020-2021





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OPERATING AND CAPITAL BUDGETS  
FISCAL YEAR 2020-2021



## **Board of Directors**

Matthew P. Zucca – President  
Brian Schmidt – Vice President  
Louis J. Vella – Director  
Dave Warden – Director  
Kirk Wheeler – Director

## **Officers**

Tammy Rudock – General Manager  
Candy Pina – Administrative Services Manager/District Secretary  
Rene Ramirez – Operations Manager  
Julie Sherman, Hanson Bridgett LLP, District Counsel  
Joubin Pakpour, Pakpour Consulting Group, District Engineer



## **ABOUT MID-PENINSULA WATER DISTRICT**

**The Mid-Peninsula Water District (MPWD)**, formerly Belmont County Water District, was formed as a California special district in 1929 from seven (7) independent water distribution systems (including the Spring Valley Water Company), which were united and began functioning as a public utility in 1930. Since its inception, the MPWD has been served by the San Francisco Regional Water System and purchased its entire water supply from San Francisco Water, a service of the San Francisco Public Utilities Commission (SFPUC). Reference [www.sfwater.org](http://www.sfwater.org).

The MPWD now supplies water to consumers in an area slightly larger than the city limits of Belmont. Small portions of the service area are within the city limits of San Carlos, Redwood City, and parts of the unincorporated County of San Mateo. The MPWD's service territory covers approximately five (5) square miles and serves approximately 30,000 people. In the event of an emergency the MPWD can serve or be served with inter-ties between neighboring utilities. Presently, the MPWD has one (1) inter-tie with Foster City, two (2) with San Carlos, one (1) with Redwood City and three (3) with San Mateo.

The MPWD is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), which represents the interests of 26 cities and water districts, and two private utilities that purchase water wholesale from the SFPUC. For complete information about BAWSCA: [www.bawsca.org](http://www.bawsca.org).

## **GOVERNANCE**

Policy development and rates for service are established by five (5) Directors, elected by MPWD ratepayers to serve staggered four-year terms on its governing board.

Officers of the MPWD include the General Manager, District Secretary, District Counsel, District Engineer and District Treasurer.

## **ORGANIZATIONAL STRUCTURE**

The General Manager is appointed by and reports directly to the Board of Directors. Along with the General Manager, the Administrative Services Manager and the new Operations Manager oversee the day-to-day operations of the MPWD.

The Administrative Services Manager serves as the District Secretary and leads the following operations: Administration, Finance and Accounting, Human Resources, and Customer Services. The Operations Manager leads the water system operations, maintenance, and capital project management.

There are a total of 19 employees within the MPWD.

The Operations staff totals fourteen (14) employees, including the Manager, Field Operations Supervisors, Lead Operators, Water System Operators, Maintenance Technicians, and Administrative Specialist.

The Administrative and Customer Services staff totals five (5) employees, including the General Manager, Administrative Services Manager, Administrative Specialist, and Administrative Assistants.

The MPWD Mission Statement, Vision Statement, and Strategic Goals are reviewed annually in January by the Board of Directors, together with the development of annual Strategic Plan and Board assignments.

### **MPWD MISSION STATEMENT**

The mission of the MPWD is to deliver a safe, high quality, reliable supply of water for current and future generations in a cost effective, environmentally sensitive and efficient manner.

### **MPWD VISION STATEMENT**

The MPWD strives to be recognized by our ratepayers, the community we serve, and other agencies for our outstanding service and enlightened water conservation programs. We will employ innovative approaches to water and energy sustainability to achieve cutting edge environmental efficiency and a competitive rate structure. We will commit ourselves to provide community information and water education.

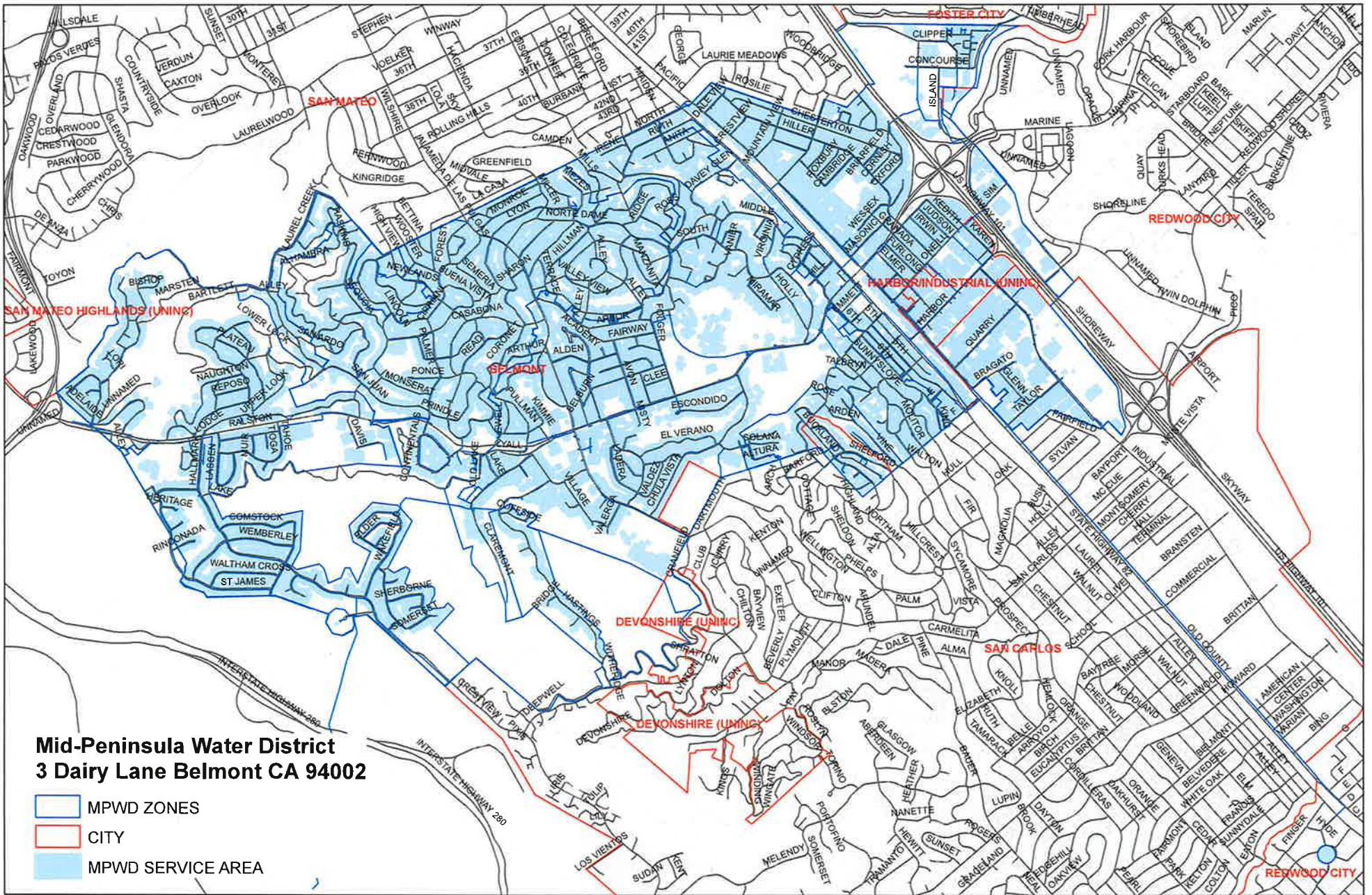
### **MPWD STRATEGIC GOALS**

1. To effectively manage the water resources, demands, and infrastructure for the MPWD.
2. To operate the MPWD at the highest level of service to customers at the lowest expense.
3. To develop an environment that fosters open and candid communications with the community, customers, staff, and directors.
4. To keep current with water issues and industry best management standards.

For further information about the MPWD: [www.midpeninsulawater.org](http://www.midpeninsulawater.org).

The MPWD Service Map and Organizational Chart are attached next.

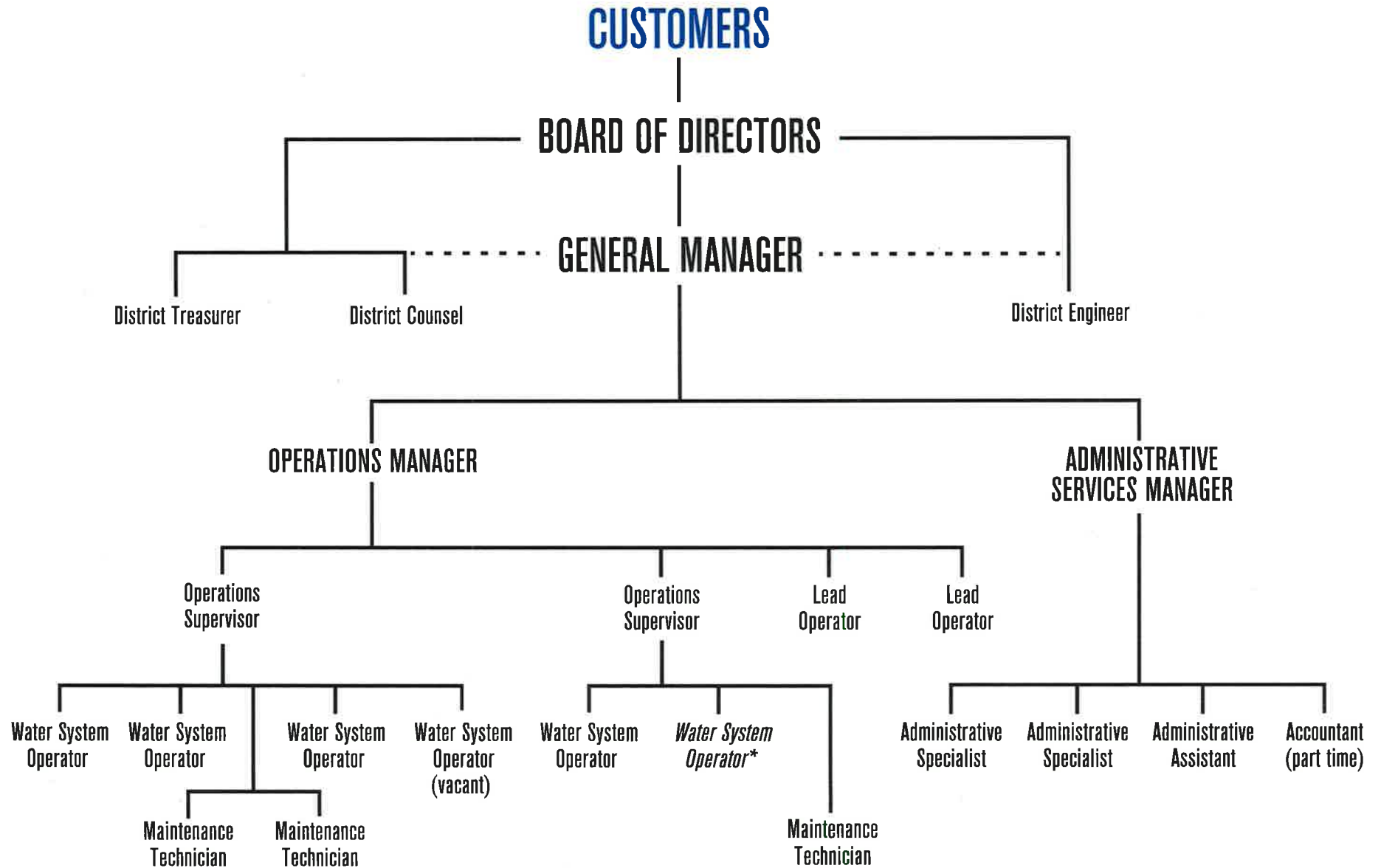








# MPWD ORGANIZATIONAL CHART



\* This position is for succession planning.

# **MPWD BUDGET PROCESS**

## **BUDGET ADMINISTRATION**

The MPWD operates on a July 1<sup>st</sup> to June 30<sup>th</sup> fiscal year. Each fiscal year, two (2) budgets are developed, an Operating Budget and a Capital Budget.

The Board of Directors begins the budget development process in February or March of each year for a June adoption. The budget documents are discussed during regular Board meetings each month from February through June. Public comment is welcome.

The Operating Budget includes the revenues and expenditures for the day-to-day operations of the MPWD. The Capital Budget includes the capital infrastructure and system projects and outlays.

A mid-year budget review is typically scheduled each year. This process allows for an updated report on the previous 6-month operational and capital activities, and revenue collections and expenditures. Any proposed budgetary adjustments for the remainder of the fiscal year are also considered at this time.

The MPWD's budget format was significantly improved in Fiscal Year (FY) 2012/2013. The Board of Directors and staff wanted a high level of transparency and more user-friendly budget documents. A line-by-line operating budget accounting for MPWD revenue and expenditure account items was developed. A capital budget was enhanced to present not only the proposed projects and outlay items but also the revenue sources for them.

Budget documents are posted at the MPWD website: [www.midpeninsulawater.org](http://www.midpeninsulawater.org).

## **CAPITAL IMPROVEMENTS**

A Comprehensive System Analysis was initially completed by staff and the District Engineer in 2015 and updated in FY 2016-2017. The Board approved debt financing as the option to expedite deferred and much needed capital improvements. The MPWD secured debt financing totaling \$19 million (2016 COP - Certificates of Participation) on December 7, 2016. Quarterly/Semi-Annual reports on the expenditures have been provided at regular MPWD Board Meetings.

The Board adopted a FY 2019-2020 Update of the MPWD Comprehensive System Analysis on April 23, 2020, including a total of \$80 million in prioritized system capital improvements, and a 5-year Capital Improvement Program (CIP) for FYs 2019-2023 totaling \$27,425,000 (Resolution 2020-08).

The MPWD also continues to operate on a revenue-funded or "pay go" basis for capital outlays and improvements that would not otherwise be funded with the 2016 COP dollars. These outlays and projects are presented to the Board for consideration annually during the budget process or on a case-by-case basis as needed.

## **MPWD TIERED RATE STRUCTURE**

In June 2015, following completion of a comprehensive water rate study, the MPWD approved new water rates for FYs 2015 through 2019 that provide for a phased approach to raising rates to keep pace with increasing wholesale water and operational costs. The tiered rate model also encourages conservation by increasing unit rates for higher consumption. A rate study and financial plan for FYs 2021 through 2026 will be undertaken in FY 2020-2021.

The MPWD relies solely on water from the SFPUC, which is in process of completing a \$4.8 billion seismic Water System Improvement Program in 2019 on the Hetch Hetchy regional distribution system. Costs for the capital improvements are passed on through wholesale water prices and the MPWD water rates must be adjusted accordingly. Other factors affecting water rates include conservation impacts and cost of MPWD operations.

The MPWD engages in an array of water conservation programs including Lawn-Be-Gone, HET (High Energy Toilet), and Rain Barrel rebate programs, school conservation programs, and landscape audit programs. More information is available about these programs at the MPWD's website: [www.midpeninsulawater.org](http://www.midpeninsulawater.org).

## **FY 2020/2021 OPERATING BUDGET**

<b>BUDGET CATEGORY</b>	<b>PROPOSED FY 2020/2021</b>	<b>PROJECTED FY 2019/2020</b>	<b>ACTUAL ** FY 2018/2019</b>	<b>ACTUAL ** FY 2017/2018</b>	<b>ACTUAL ** FY 2016/2017</b>	<b>ACTUAL ** FY 2015/2016</b>
Total Revenues	\$13,796,750	\$14,135,820	\$14,713,405	\$14,189,781	\$12,212,952	\$10,582,034
Total Expenditures*	\$13,796,750	\$13,650,217	\$11,933,512	\$11,577,153	\$11,280,481	\$ 9,677,627
Net Transfer to Capital	\$ 0	\$ 485,603	\$ 2,779,893	\$ 2,612,628	\$ 1,026,191	\$ 905,638

\* Total Expenditures include Depreciation Expense.

\*\* Audited financials.

## **DISCUSSION:**

Staff presented proposed Operating and Capital Budgets in detail to the Board Finance Committee during meetings in April and May, and the Committee supported staff in moving the item forward for consideration by the Board.

The following assumptions were made in preparation of the attached FY 2020/2021 MPWD Operating and Capital Budgets:

## **OPERATIONS**

- Projected Water Commodity Charges of \$9.8 million, Fixed System Charges of \$3.0 million, and Fire Service Charges of \$14,000 based upon FY 2019/2020 projections (maintaining FY 2019/2020 projections, since there will be no water rate adjustment).



- Maintained Purchased Water expenditure based upon FY 2019/2020 projection due to no wholesale customer rate adjustments by the SFPUC in FY 2019/2020.
- Professional Services total \$851,675—an increase of \$368,650 as a result of undertaking several required/requested formal studies: Urban Water Management Plan (UWMP)/Water Shortage Contingency Plan (WSCP), Water Rate Study & Financial Plan, Water Capacity Charges Study, and Risk & Resiliency Assessment (RRA), and for Jrocket77 Design & Marketing and miscellaneous services.
- Projected a full year of Debt Service expense totaling \$1,069,500 from the MPWD 2016 COP Official Statement.
- Increased Depreciation per GAAP (Generally Accepted Accounting Principles).
- The MPWD's debt service coverage requirement for the 2016 COP financing is 1.3, and it is projected to be 1.8 for FY 2020/2021.

Based upon these assumptions, after total projected expenditures were deducted from the total projected operating revenues, it resulted in a \$425,370 deficit. Therefore, it was necessary (and recommended by our Municipal Finance Advisor) to balance the projected budget from the MPWD's working capital cash reserves.

### **CAPITAL**

The FY 2020/2021 Capital Budget mirrors the recently approved MPWD Capital Improvement Program (CIP) FY 2019/2020 through FY 2023/2024:

- Transmission Water Mains Assessment – Project #20-05 for \$220,000.
- Folger Pump Station Demolition – Project #15-86 for \$330,000.
- Planning/Design/Construction Support Including Contingencies for Dairy Lane Operations Center Rehabilitation (Phase 1) – Project #20-09 for \$150,000.
- Planning/Design/Construction Support including Contingencies for Hastings Drive Service Connection Replacements – Project #20-01 (\$138,000), Hastings Drive WMR – Project #15-40 (\$88,000), and Vine Street WMR – Project #15-88 \$165,000) for a total of \$391,000.
- Miscellaneous Capital Outlay/Projects – \$50,000.

**MID-PENINSULA WATER DISTRICT  
OPERATIONS BUDGET FOR FY 2020-2021  
SUMMARY**

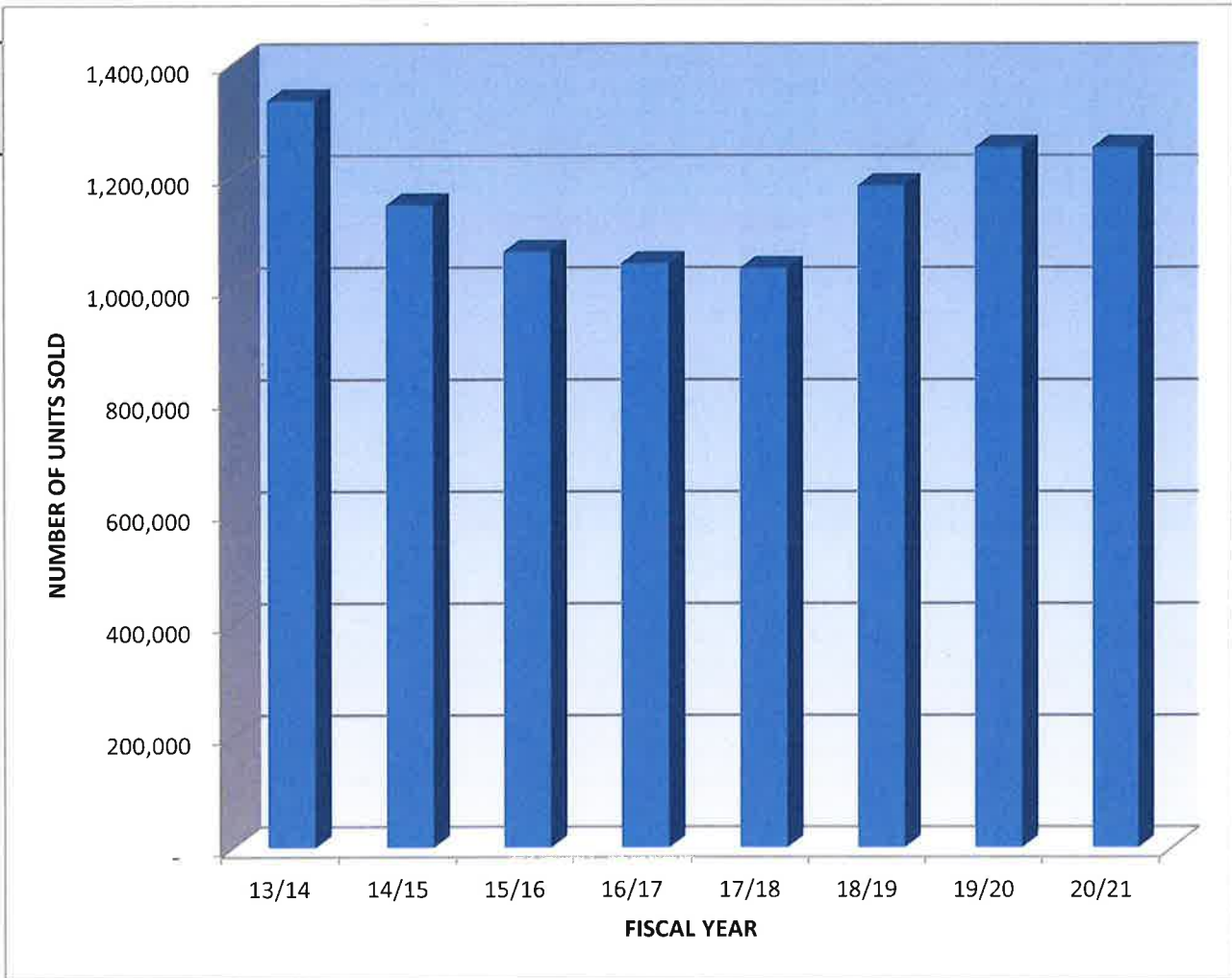
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DESCRIPTION	APPROVED AMENDED MID-YEAR FY 2019-2020 BUDGET	OPERATIONS FY 2020-2021 BUDGET	Increase (Decrease)	% Change
<b>OPERATING REVENUE</b>				
WATER COMMODITY CHARGES	9,800,000	9,800,000	-	0.0%
FIXED SYSTEM CHARGES	3,000,000	3,000,000	-	0.0%
FIRE SERVICE CHARGES	14,000	14,000	-	0.0%
MISC CUSTOMER ACCOUNT FEES	88,500	49,750	(38,750)	-43.8%
MISCELLANEOUS OPERATING	10,000	60,000	50,000	500.0%
PROPERTY TAX REVENUE	268,000	268,000	-	0.0%
<b>TOTAL OPERATING REVENUE *</b>	<b>13,180,500</b>	<b>13,191,750</b>	<b>11,250</b>	<b>0.1%</b>
WATER SYSTEM CAPACITY CHARGES	340,000	40,000	(300,000)	-88.2%
WATER DEMAND OFFSET CHARGES	47,000	20,000	(27,000)	-57.4%
SERVICE LINE & INSTALLATION CHARGES	75,000	60,000	(15,000)	-20.0%
MISCELLANEOUS NON-OPERATING *	75,000	75,000	-	0.0%
INTEREST REVENUE - LAIF *	75,000	75,000	-	0.0%
INTEREST REVENUE - COP	150,000	150,000	-	0.0%
LEASE OF PHYSICAL PROPERTY *	175,000	175,000	-	0.0%
LANDSCAPE PERMIT REVENUE	18,320	10,000	(8,320)	-45.4%
<b>TOTAL NON-OPERATING REVENUE</b>	<b>955,320</b>	<b>605,000</b>	<b>(350,320)</b>	<b>-36.7%</b>
<b>TOTAL REVENUE</b>	<b>14,135,820</b>	<b>13,796,750</b>	<b>(339,070)</b>	<b>-2.4%</b>
<b>OPERATING EXPENDITURES (OP EXP)</b>				
SALARIES & WAGES	2,069,385	2,148,750	79,365	3.8%
PAYROLL TAXES & BENEFITS	1,415,260	1,320,352	(94,908)	-6.7%
PURCHASED WATER	5,654,624	5,667,168	12,544	0.2%
OUTREACH & EDUCATION	60,000	66,000	6,001	10.0%
M&R - OPS SYSTEM	453,513	458,557	5,044	1.1%
M&R - FACILITIES & EQUIPMENT	162,625	141,625	(21,000)	-12.9%
SYSTEM SURVEYS	35,000	85,000	50,000	142.9%
ADMINISTRATION & EQUIPMENT	306,377	346,500	40,123	13.1%
MEMBERSHIP & GOV FEES	261,894	261,894	-	0.0%
BAD DEBT & CLAIMS	30,000	56,000	26,000	86.7%
UTILITIES	326,814	347,600	20,786	6.4%
PROFESSIONAL SERVICES	483,025	886,675	403,650	83.6%
TRAINING/TRAVEL & RECRUITMENT	37,500	61,500	24,000	64.0%
RESTRICTED EARNINGS	225,000	225,000	-	0.0%
DEPRECIATION	1,060,000	1,080,000	20,000	1.9%
DEBT SERVICE	1,069,200	1,069,500	300	0.0%
<b>TOTAL OPERATING EXPENSES</b>	<b>13,650,217</b>	<b>14,222,121</b>	<b>571,904</b>	<b>4.2%</b>
<b>NET OPERATING SURPLUS/LOSS</b>	<b>485,605</b>	<b>(425,370)</b>	<b>(910,974)</b>	<b>-187.6%</b>
<b>TRANSFER FROM WORKING CAPITAL RESERVES*</b>	<b>-</b>	<b>425,370</b>	<b>425,370</b>	<b>100.0%</b>
<b>NET TRANSFERS TO CAPITAL</b>	<b>485,605</b>	<b>0</b>	<b>(485,604)</b>	<b>-100.0%</b>
<b>DEBT SERVICE COVERAGE</b>	<b>1.93</b>	<b>1.80</b>		

**MID-PENINSULA WATER DISTRICT  
CAPITAL BUDGET FOR FY 2020-2021  
CAPITAL IMPROVEMENT PROGRAM (CIP)**

<b>PROJECT NUMBER</b>	<b>PROJECT NAME</b>	<b>ACTUAL 7/1/2019 6/30/2020</b>	<b>PROJECTED COST (2020 ESTIMATE)</b>	<b>2016 COP FUNDED</b>	<b>CAPITAL FY 2020-2021 BUDGET \$</b>
15-76	El Camino Real Water Main Replacement		3,520,000	3,520,000	
15-89	Dekoven Tanks Replacement		3,850,000	3,850,000	
15-72-A	SR 101 Crossing at PAMF Hospital – Phase 1 (Water Main Construction within easement on PAMF property in San Carlos from Industrial Road to PAMF property line west of SR101)		595,000	595,000	
15-86	Folger Pump Station Demolition - Project #15-86		330,000		330,000
20-05	Transmission Water Main Assessments		220,000		220,000
20-09	Dairy Lane Operations Center Rehabilitation – Phase 1 (Planning, Architectural/Engineering Design, and Construction Support, including Contingencies)		150,000		150,000
20-01	Hastings Drive Service Connection Replacements; and		138,000		138,000
15-40	Hastings Drive Water Main Replacement (Planning, Engineering Design, and Construction Support, including Contingencies)		88,000		88,000
15-88	Vine Street (Zone 5) Improvements (Planning, Engineering Design, and Construction Support, including Contingencies)		165,000		165,000
N/A	Miscellaneous Capital Outlay/Projects	115,958	50,000		50,000
	<b>TOTAL</b>	<b>115,958</b>	<b>9,106,000</b>	<b>7,965,000</b>	<b>1,141,000</b>
	<b>DEPRECIATION</b>	<b>697,236</b>			<b>1,080,000</b>
	<b>TRANSFER FROM OPS</b>	<b>2,291,465</b>			<b>0</b>
	<b>TRANSFER (TO)/FROM WORKING CAPITAL RESERVES</b>	<b>(2,872,743)</b>			<b>61,000</b>
	<b>CAPITAL OUTLAY/CAPITAL PROJECTS</b>	<b>(115,958)</b>			<b>(1,141,000)</b>
	<b>NET RESULTS OF CAPITAL</b>				<b>-</b>

**WATER SALES ANALYSIS  
MID-PENINSULA WATER DISTRICT  
APPROVED BUDGET - FISCAL YEAR 2020/2021**





**WATER SALES ANALYSIS**  
**MID-PENINSULA WATER DISTRICT**  
**Operating Revenue vs Operating Expenses**

