



MID-PENINSULA WATER DISTRICT

OPERATING AND CAPITAL BUDGETS FISCAL YEAR 2021-2022





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OPERATING AND CAPITAL BUDGETS
FISCAL YEAR 2021-2022



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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.

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.bawasca.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 Manger, the Administrative Services Manager and the 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 Water Conservation, Water System Operations, Maintenance, and Capital Project Management.

There is a total of 20.5 budgeted FTE (full-time equivalent) positions within the MPWD.

The Operations staff totals fifteen (15) employees, including the Manager, Field Operations Supervisors, Lead Operators, Water System Operators, Maintenance Technicians, and Management Analyst.

The Administrative and Customer Services staff totals five (5) full-time and one (1) part-time employee, including the General Manager, Administrative Services Manager, Administrative Supervisor, Administrative Assistants, and Management Analyst.

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

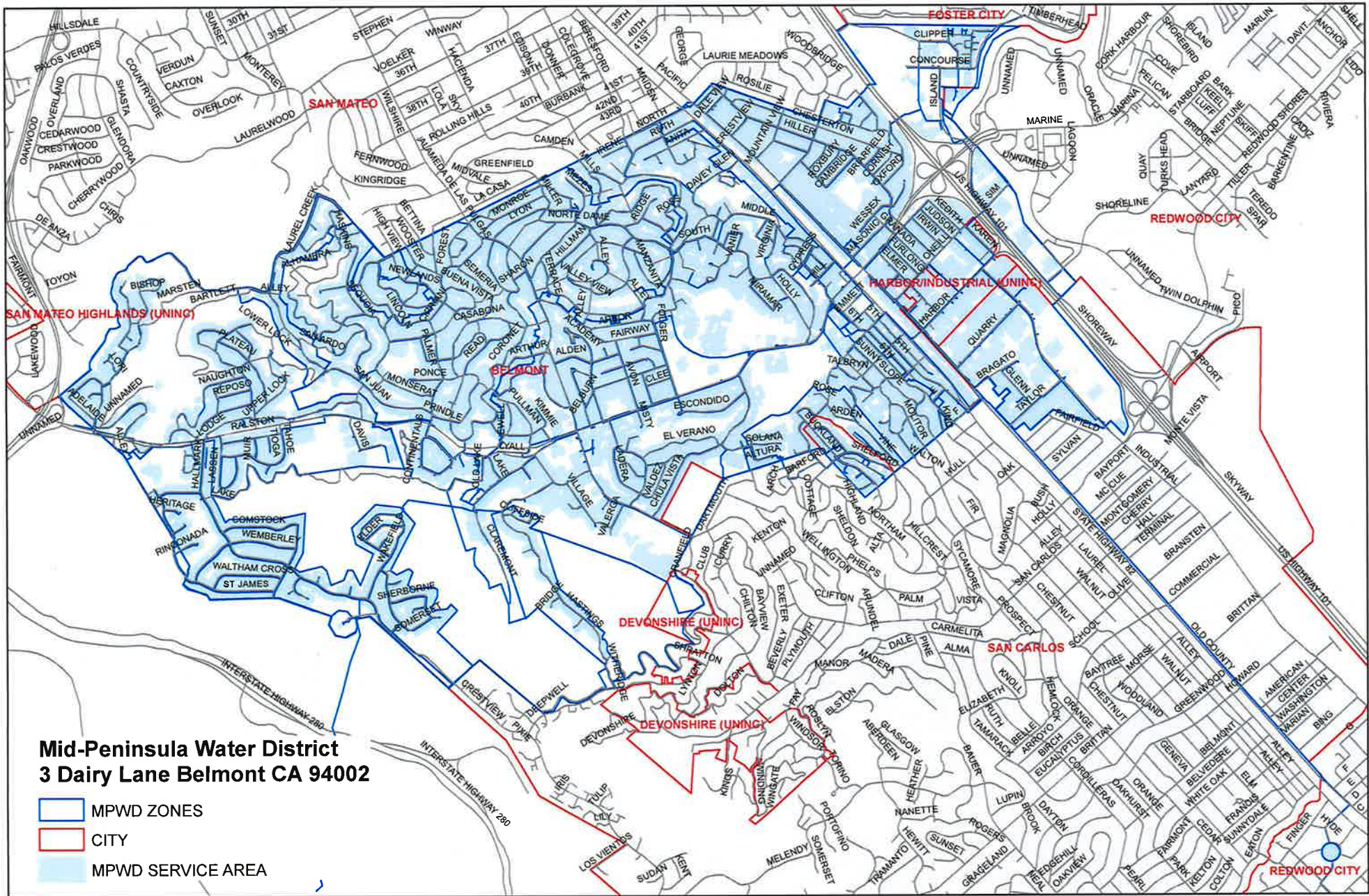
The MPWD strives to be recognized by our ratepayers, the community we serve, and other agencies for our outstanding service and enlightened water conservation programs. We will employ innovative approaches to water and energy sustainability to achieve cutting edge environmental efficiency and a competitive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

The MPWD Service Map and Organizational Chart are attached next.

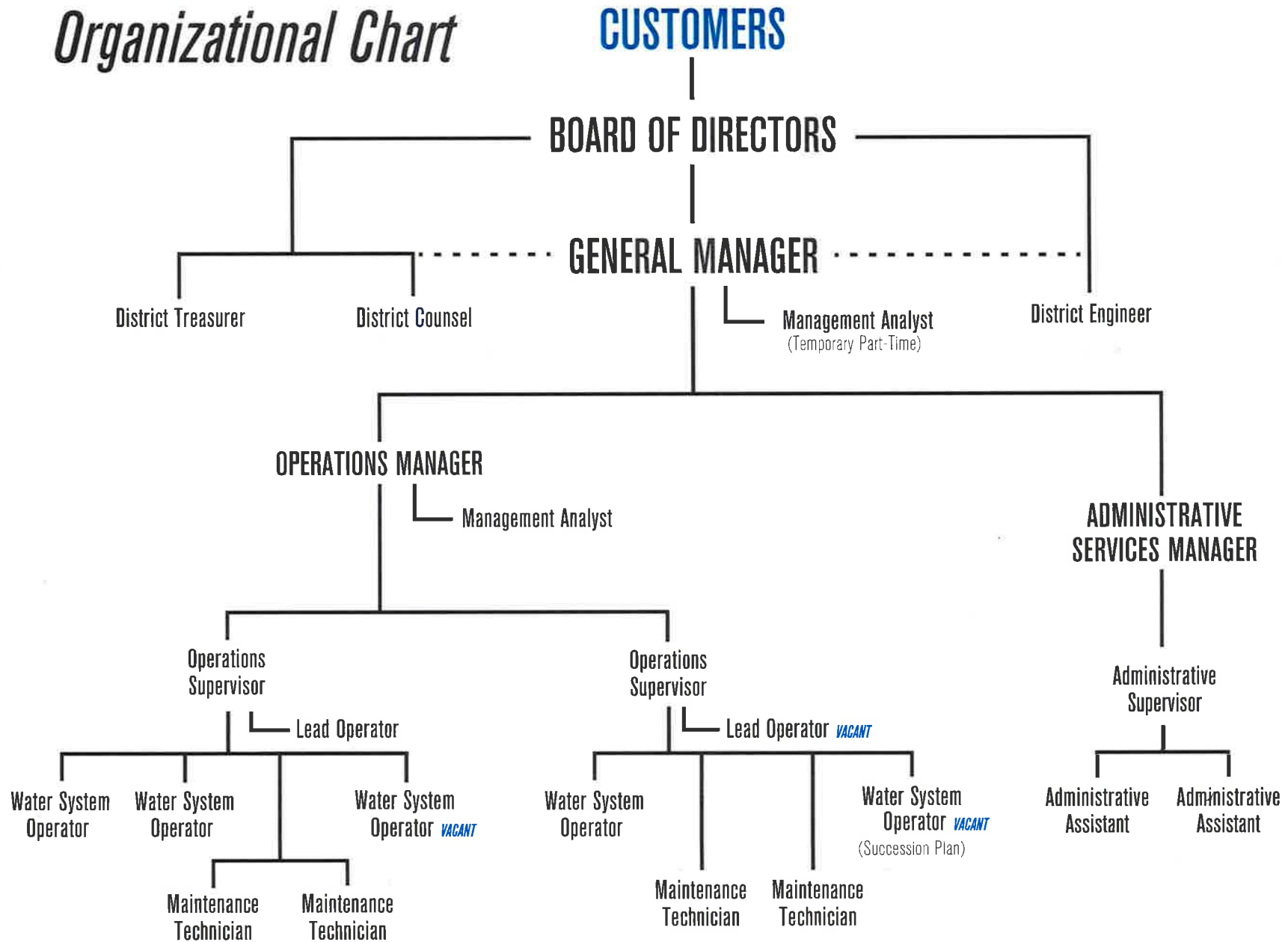


**Mid-Peninsula Water District
3 Dairy Lane Belmont CA 94002**

- ▭ MPWD ZONES
- ▭ CITY
- MPWD SERVICE AREA



MPWD
Organizational Chart



MPWD BUDGET PROCESS

BUDGET ADMINISTRATION

The MPWD operates on a July 1st to June 30th 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.

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.

FY 2020/2021 OPERATING BUDGET

| BUDGET CATEGORY | PROPOSED FY 2021/2022 | PROJECTED FY 2020/2021 | ACTUAL ** FY 2019/2020 | ACTUAL ** FY 2018/2019 | ACTUAL ** FY 2017/2018 | ACTUAL ** FY 2016/2017 |
|-------------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Total Revenues | \$13,451,206 | \$13,796,750 | \$16,023,759 | \$14,713,405 | \$14,189,781 | \$12,212,952 |
| Total Expenditures* | \$13,451,206 | \$13,796,750 | \$12,600,615 | \$11,933,512 | \$11,577,153 | \$11,280,481 |
| Net Transfer to Capital | \$ 0 | \$ 0 | \$ 3,423,144 | \$ 2,779,893 | \$ 2,612,628 | \$ 1,026,191 |

* Total Expenditures include Depreciation Expense.

** Audited financials.

DISCUSSION:

Staff presented proposed Operating and Capital Budgets in detail to the Board Finance Committee during a meeting on April 29, 2021, 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 2021/2022 MPWD Operating and Capital Budgets:

OPERATIONS

- Projected Water Commodity Charges of \$9.6 million, Fixed System Charges of \$3.0 million, and Fire Service Charges of \$14,000 based upon FY 2020/2021 projections (reducing Water Commodity Charges by \$200,000 due to potential impacts of customer

conservation efforts; Fixed System and Fire Services Charges maintaining FY 2020/2021 projections, since there will be no water rate adjustment).

- Maintained Purchased Water expenditure based upon FY 2020/2021 projection due to no wholesale customer rate adjustments by the SFPUC in FY 2020/2021.
- Professional Services total \$791,200—a decrease of \$195,533 as a result of undertaking several required/requested formal studies: Contractor TBD for Water main repairs/service installations, Jrocket77 Design & Marketing for public outreach/relations/education, website management, and printing services, Demographer for Zone -based elections process, HF&H to complete water rate study and financial plan, RDN to complete water capacity charge study, ManageWater to complete the Urban Water Management Plan (UWMP) and Water Shortage Contingency Plan (WSCP), BBK for special legal counsel for UWMP & WSCP, OPEB Actuarial (GASB 75 report FYE June 30, 2021), and placeholder for miscellaneous services.
- Projected a full year of Debt Service expense totaling \$1,064,300 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 2.28 for FY 2021/2022.

Based upon these assumptions, after total projected expenditures were deducted from the total projected operating revenues, it resulted in a \$380,881 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 2021/2022 Capital Budget mirrors the recently approved MPWD Capital Improvement Program (CIP) FY 2019/2020 through FY 2023/2024:

- Folger Pump Station Demolition – Project #15-86 for \$330,000.
- Transmission Water Mains Assessment – Project #20-05 for \$268,500.
- Planning/Design/Construction Support Including Contingencies for Dairy Lane Operations Center Rehabilitation (Phase 1) – Project #20-09 for \$150,000.
- Hastings Drive Service Connection Replacements – Project 20-01 for \$910,000.
- Hastings Drive Water Main Replacement – Planning, Engineering Design, and Construction Support, including Contingencies Project #15-40 for \$485,000.
- Vine Street (Zone 5) Improvements (Planning, Engineering Design, and Construction Support, including Contingencies) – Project #15-88 for \$1,065,000.
- Belmont Canyon Road Water Main Replacement – Project #15-29 for \$735,000.
- Harbor Boulevard Water Main Replacement – Project #20-07 for \$346,500.
- Miscellaneous Capital Outlay/Projects (Miscellaneous \$50,000 and Surveillance Equipment for Tanks for \$40,000).

**MID-PENINSULA WATER DISTRICT
OPERATIONS BUDGET FOR FY 2021-2022
SUMMARY**

| DESCRIPTION | AMENDED FY 2020-2021 BUDGET \$ | OPERATIONS FY 2021-2022 BUDGET |
|---|--------------------------------------|--------------------------------------|
| OPERATING REVENUE | | |
| WATER COMMODITY CHARGES | 9,800,000 | 9,600,000 |
| FIXED SYSTEM CHARGES | 3,000,000 | 3,000,000 |
| FIRE SERVICE CHARGES | 14,000 | 14,000 |
| MISC CUSTOMER ACCOUNT FEES | (462) | 52,206 |
| MISCELLANEOUS OPERATING | 60,000 | 60,000 |
| PROPERTY TAX REVENUE | 268,000 | 300,000 |
| TOTAL OPERATING REVENUE * | 13,141,538 | 13,026,206 |
| WATER SYSTEM CAPACITY CHARGES | 40,000 | 40,000 |
| WATER DEMAND OFFSET CHARGES | 20,000 | 20,000 |
| SERVICE LINE & INSTALLATION CHARGES | 60,000 | 60,000 |
| MISCELLANEOUS NON-OPERATING * | 1,950,000 | 75,000 |
| INTEREST REVENUE - LAIF * | 58,000 | 60,000 |
| INTEREST REVENUE - COP | 5,000 | 5,000 |
| LEASE OF PHYSICAL PROPERTY * | 145,000 | 150,000 |
| LANDSCAPE PERMIT REVENUE | 10,000 | 15,000 |
| TOTAL NON-OPERATING REVENUE | 2,288,000 | 425,000 |
| TOTAL REVENUE | 15,429,538 | 13,451,206 |
| OPERATING EXPENDITURES (OP EXP) | | |
| SALARIES & WAGES | 2,168,750 | 2,080,000 |
| PAYROLL TAXES & BENEFITS | 1,773,755 | 1,001,008 |
| PURCHASED WATER | 5,667,168 | 5,674,979 |
| OUTREACH & EDUCATION | 66,000 | 66,000 |
| M&R - OPS SYSTEM | 473,557 | 394,000 |
| M&R - FACILITIES & EQUIPMENT | 141,625 | 138,000 |
| SYSTEM SURVEYS | 85,000 | 50,000 |
| ADMINISTRATION & EQUIPMENT | 384,500 | 431,600 |
| MEMBERSHIP & GOV FEES | 266,660 | 270,000 |
| BAD DEBT & CLAIMS | 56,000 | 10,000 |
| UTILITIES | 347,600 | 318,500 |
| PROFESSIONAL SERVICES | 986,733 | 791,200 |
| TRAINING/TRAVEL & RECRUITMENT | 61,500 | 37,500 |
| RESTRICTED EARNINGS | 225,000 | 65,000 |
| DEPRECIATION | 1,080,000 | 1,440,000 |
| DEBT SERVICE | 1,069,500 | 1,064,300 |
| TOTAL OPERATING EXPENSES | 14,853,348 | 13,832,087 |
| NET OPERATING SURPLUS/LOSS | 576,190 | (380,881) |
| TRANSFER FROM (TO) WORKING CAPITAL RESERVES* | (576,190) | 380,881 |
| NET TRANSFERS TO CAPITAL | - | - |
| DEBT SERVICE COVERAGE | 1.94 | 2.28 |

* Revenues included in Debt Service Coverage Ratio

**MID-PENINSULA WATER DISTRICT
CAPITAL BUDGET FOR FY 2021-2022
CAPITAL IMPROVEMENT PROGRAM (REVENUE FUNDED)**

| PROJ # | PROJECT NAME | CAPITAL AMENDED FY 2020-2021 BUDGET \$ | CAPITAL REVENUE FUNDED FY 2021-2022 BUDGET |
|--|---|---|---|
| 15-86 | Folger Pump Station Demolition - Project #15-86 | 330,000 | 330,000 |
| 20-05 | Transmission Water Main Assessments | 500,000 | 268,500 |
| 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 | 910,000 |
| 15-40 | Hastings Drive Water Main Replacement (Planning, Engineering Design, and Construction Support, including Contingencies) | 88,000 | 485,000 |
| 15-29 | Belmont Canyon Road Water Main Replacement | - | 735,000 |
| 15-88 | Vine Street (Zone 5) Improvements (Planning, Engineering Design, and Construction Support, including Contingencies) | 165,000 | 1,065,000 |
| 20-07 | Harbor Boulevard Water Main Replacement | - | 346,500 |
| N/A | Miscellaneous Capital Outlay/Projects* | 80,000 | 90,000 |
| TOTAL | | 1,451,000 | 4,380,000 |
| DEPRECIATION | | 1,080,000 | 1,440,000 |
| NET OPERATING SURPLUS/LOSS | | 576,190 | - |
| TRANSFER FROM (TO) WORKING CAPITAL RESERVES | | (576,190) | - |
| NET TRANSFERS TO CAPITAL | | 371,000 | 2,940,000 |
| CAPITAL OUTLAY/CAPITAL PROJECTS | | (1,451,000) | (4,380,000) |
| NET RESULTS OF CAPITAL | | - | - |

* Miscellaneous totaling \$50,000 and Surveillance Equipment for Tanks totaling \$40,000.

**MID-PENINSULA WATER DISTRICT
CAPITAL BUDGET FOR FY 2021-2022
CAPITAL IMPROVEMENT PROGRAM (COP FUNDED)**

| <i>PROJ #</i> | <i>PROJECT NAME</i> | <i>AMENDED FY 2020-2021 BUDGET \$</i> | <i>CAPITAL COP FUNDED BUDGET \$</i> |
|-------------------|--|---|---|
| 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 | - |
| 20-07 | Harbor Boulevard Water Main Replacement | 346,500 | - |
| 15-75A | Old County Road Improvements | 4,030,000 | 4,030,000 |
| 15-29 | Belmont Canyon Road Water Main Replacement | 115,500 | - |
| TOTAL | | 12,457,000 | 11,400,000 |