Heber Public Utility District

MEETING DATE: June 16, 2016

FROM: Laura Fischer, General Manager

SUBJECT: Adopt Resolution Number 2016-07 to Adopt the Fiscal Year 2016-17 Budget.

ISSUE:
Shall the Heber Public Utility Board of Directors approve Resolution 2016-07 adopting a budget for Fiscal Year 2016-17 and rescinding all prior Resolutions related to the appropriation of funds?

GENERAL MANAGER RECOMMENDATION:
Approve Resolution Number 2016-07 as presented.

FISCAL IMPACT:
The proposed HPUD Operating Revenues budget for the Fiscal Year 2016-17 totals $3,764,950 and HPUD Operating Expenditures totals $3,103,275.

2016-2017 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	610,500	1,744,300	1,361,750	48,400	3,764,950
Total Revenues	**$ 610,500**	**$ 1,744,300**	**$ 1,361,750**	**$ 48,400**	**$ 3,764,950**
Expenditures					
Operating	457,700	1,086,800	925,600	46,400	2,516,500
Capital Outlay	80,000	55,175	95,300	-	230,475
Debt Service	-	145,200	211,100		356,300
Total Expenditures	**537,700**	**1,287,175**	**1,232,000**	**46,400**	**3,103,275**

BACKGROUND:
The District's annual budget represents a total financing plan for all District operations and must be analyzed by its component parts in order to make any meaningful assumptions. Although there is some financial interdependence between the funds, such as the shared allocation of labor costs, each fund represented in the budget must stand alone.

The budget serves as the financial planning tool of the District. It provides for the allocation of resources across the full range of the District's activities.

Staff presented the budget to the Board of Directors at the Regular Meeting on May 19, 2016 and a Special Meeting on June 8, 2016.

DISCUSSION:
Attached to this document is the HPUD Operating Budget Report prepared by the General

Manager after final budget review by the Heber Public Utility District Board of Directors on June 8, 2016.

CONCLUSION:
Adoption of Resolution 2016-07 enables Heber Public Utility District to meet the federal and State fiscal requirements.

Respectfully Submitted,

Laura Fischer, General Manager

Attachment:

FY 2016-17 Operating Budget Report
Resolution 2016-09

Operating Budget

Fiscal Year 2016 - 2017

Heber Public Utility District, Heber, California

Proposed Budget

Fiscal Year 2016-2017

Dedicated to Providing Our Community
Excellent Services at Economical Rates

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June 16, 2016

On behalf of the Heber Public Utility District Board of Directors, I am pleased to present the Fiscal Year 2016-17 budget for approval.

The Heber Public Utility District (HPUD) expects operating revenues of $3,764,950 with $2,516,500 of operating expenses. Planned capital outlay expenditures are $230,500, and financial obligations for payment of principal and interest on debt are $356,300.

The $9,500,000 Water Treatment Plant Improvement Project is under construction and is fully funded through a Financial Agreement with the State Water Resources Control Board that includes a $5 million grant and $4.5 million loan with zero percent interest over a 30 year term. The project has a completion date of March 2017, and we expect the funds to be fully expended by the end of FY 2016-17.

The HPUD wastewater treatment plant continues to operate within the compliance standards of the State Regional Water Quality Control Board National Pollutant Discharge Elimination System (NPDES) Permit and Waste Discharge Requirements. The NPDES Five Year Permit is currently under review and will be adopted and implemented in FY 2016-17.

In response to the State of California's required drought-emergency conservation, the HPUD has reduced our water production by 8%, which is lower than the mandatory reduction imposed by Governor Brown's executive order. Our continued efforts to educate our customers and encourage water conservation includes participation in the State Save Our Water campaign and the local Imperial Valley United for Conservation efforts. Additionally, HPUD reaches out to our customers through a quarter newsletter that features a section on water conservation, and we present a water conservation video prior to our popular free movie in the park nights.

The HPUD will celebrate its 85th Anniversary in November 2016, and the budget includes this one-time expense to ensure the celebration is a success.

In Fiscal Year 2016-17 the HPUD continues to focus on essential services and improvements that will provide our customers with a better community to live work and play. The HPUD Board has included several improvements to park facilities in the FY 2016-17 budget. The HUD Board has also directed staff to seek grant funds for the development of new parks facilities and improvements to existing parks.

Budget decisions are based on detailed analysis of the HPUD's management, technology, and operational practices. The Heber Public Utility District continues to provide excellent services at economical rates.

Respectfully Submitted,

Laura Fischer

Date: June 16, 2016

To: Heber Public Utility District Board of Directors

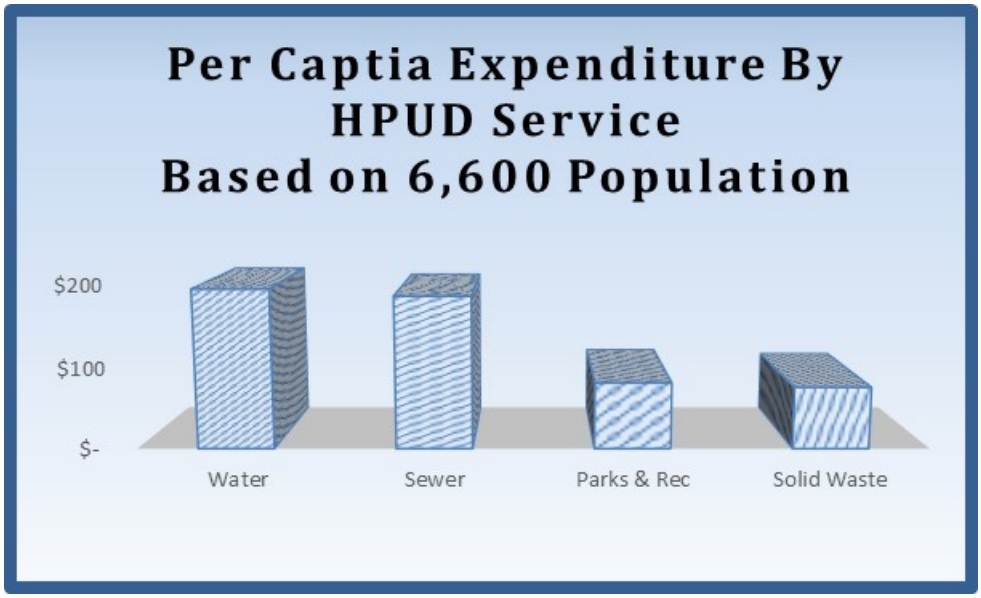
FISCAL YEAR 2016-17 BUDGET MESSAGE

I am pleased to present the budget for Fiscal Year 2016-17 for the Heber Public Utility District, beginning July 1, 2016 and ending June 30, 2017. This budget meets the Board of Directors' financial goals and recently adopted Fiscal Reserve Policy.

I would like to express my appreciation to the members of the Board of Directors for your confidence in HPUD's management team as well as your review, suggestions, and policy direction during the past year. The HPUD Board's adoption of the Utility Service Policy, Comprehensive Policy Manual, as well as the Facility Use Policy establishes procedures for the fair and ethical management of the District's operations. The adoption of the District's comprehensive Policy Manual reflects the time you spent in guiding policy development as well as the sincere dedication you have for the Heber community. I would also like to thank staff for their contributions and participation in the development of the FY 2016-17 Budget.

HPUD's mission is to "Provide our community excellent services at economical rates," and HPUD has taken action to ensure we fulfill the District's mission. HPUD provides safe water and wastewater services to our customers. Recent laboratory analysis indicate a higher than normal reading in the five haloacetic acids, which resulted in a violation of the State 2 Disinfection By-Product Rule established by Federal and State drinking water standards. The Water Treatment Plant Improvement Project, which is currently under construction, includes specific improvements that will improve our water quality and provide high quality water that meets or surpasses all Federal and State drinking water standards for years to come.

The Heber Public Utility District is a very efficient Special District providing four major services to our customers. We provide potable water, sanitary sewer, parks and recreation, and solid waste services to approximately 6,600 Heberians. The per capita expenditures for each service is well below industry range.



Organizational Priorities

In 2014, the HPUD Board began the review process of a District wide Policy Manual that sets standards related to Board procedures, personnel rules and regulations, budget development, financial reserves, code of ethics, and development improvement standards just to name a few. In 2015, the Board concluded their review and on October 15, 2015 they adopted the comprehensive policy manual. Additionally, the Board adopted the Utility Service Policy, and Facility Use and Fee Schedule. The goal of this policy development was to improve our ability to manage and operate water and wastewater utility services, as well as the parks and recreation department, thus improving customer service.

The FY 2016-17 is the first budget developed since the adoption of the Policy Manual, which includes Policy Number 3020 Budget Preparation. The presentation of this budget at the Regular Meeting on May 19, 2016, the Special Meeting on June 8, 2106, and the subsequent final review and adoption at the Regular Meeting on June 16, 2016 will meet this policy regulation. Policy Number 3030 relates to the Fixed Asset Accounting Control, which was established to ensure proper accounting control resulting in the maintaining of accurate financial reports and fixed assets. The Fixed Asset report has been certified as complete as of June 2015, and is included in this presentation for your review and consideration.

HEBER PUBLIC UTILITY DISTRICT FIXED ASSETS - JUNE 2016

					AFTER ADJUSTMENT IN 2015			
DISTRICT WIDE FIXED ASSETS	**PARKS AND REC.**	**WATER FIXED ASSETS**	**SEWER FIXED ASSETS**	**TOTAL**	**PARKS AND REC.**	**WATER FIXED ASSETS**	**SEWER FIXED ASSETS**	**Total All Funds Assets**
	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
Capital Assets, Not Depreciated:								
Land	508,867	-	512,276	1,021,143	508,867	-	512,276	**1,021,143**
Construction in Progress	7,565	712,855		720,420	22,660	726,858	13,840	**763,358**
Sub Total	516,432	712,855	512,276	1,741,563	531,527	726,858	526,116	**1,784,501**
Capital Assets, Being Depreciated:								
Buildings	511,074				393,574			
Structures & Improvements (AMR)		503,420	50,200	1,064,694		432,701	50,200	**876,475**
Machinery & Equipment	91,436	133,902	213,146	438,484	90,451	105,565	178,984	**375,000**
Infrastructure	77,255	16,511,477	21,176,053	37,764,785	22,771	16,511,478	21,176,054	**37,710,303**
Computer Equipment	35,846	73,973	47,048	156,867	690	24,910	15,471	**41,072**
Furniture & Fixtures						3,846	3,846	**7,692**
Sub Total	715,611	17,222,772	21,486,447	39,424,830	507,486	17,078,497	21,424,556	**39,010,542**
TOTAL ASSETS:	**1,232,043**	**17,935,627**	**21,998,723**	**41,166,393**	**1,039,013**	**17,805,355**	**21,950,672**	**40,795,043**
Less Accumulated Depreciation:								
Structures & Improvements (AMR)	(240,179)	(209,949)	(44,225)	(494,353)	(131,998)	(168,925)	(45,420)	**(346,343)**
Machinery & Equipment	(59,053)	(108,246)	(140,081)	(307,380)	(55,273)	(73,511)	(106,792)	**(235,576)**
Infrastructure	(46,746)	(3,568,547)	(4,816,864)	(8,432,157)	(4,742)	(3,985,332)	(5,181,671)	**(9,171,745)**
Computer Equipment	(35,846)	(69,760)	(38,603)	(144,209)	(230)	(19,613)	(10,828)	**(30,671)**
Furniture & Fixtures				-		(275)	(275)	**(551)**
Sub Total	(381,824)	(3,956,502)	(5,039,773)	(9,378,099)	(192,243)	(4,247,656)	(5,344,987)	**(9,784,886)**
Net Capital Assets:	***850,219***	***13,979,125***	***16,958,950***	***31,788,294***	***846,770***	***13,557,699***	***16,605,685***	***31,010,157***
					Long Term Debt	3,155,000	5,130,725	**8,285,725**
					Net of Debt:	**10,402,699**	**11,474,960**	**21,877,659**

The HPUD Board also adopted Policy Number 3035 Investment of District Funds to help ensure prudent and responsible management of the District's funds. The ability of the Heber Public Utility District to maintain reserve funds is a critical factor in providing reliable service, mitigating rate increases, and ensuring overall financial strength. Adequate reserves directly affect the District's bond rating and ultimately the ability to access debt at favorable interest rates. According to the policy Number 3035.2.7, the HPUD Board should approve the appropriate levels and uses for reserve funds based upon the needs of the District during the budget adoption process.

The District has the following reserves in fund balance, which includes cash in the bank and current accounts receivable. The fund balances do not include fixed assets or equity. They are a 'snap shot' of our liquid cash reserves. Although there are several legally restricted reserves, the HPUD reserve funds are categorized into the following: Capital Reserve Funds, Debt Service Reserve Funds, Operating and Maintenance Reserve Fund, Capital Replacement Reserve Fund (Short Lived Assets), and Unrestricted Reserves. The budget presented for consideration on June 16, 2016 will have the reserve funds for Board approval based on the table below.

HEBER PUBLIC UTILITY DISTRICT					
2016 PROJECTED FUND BALANCE & CASH					
Projected Fund Balance as Of June 30, 2016					
	Parks & Recreatior	**Water**	**Sewer**	**Trash**	**Totals**
Fund Balance at Beginning of FY 15-	507,642	11,202,236	12,717,806	196,754	24,624,438
Net change:	176,166	(60,900)	181,790	27,353	324,409
Fund Balance at End of FY 2015-	683,808	11,141,336	12,899,596	224,107	24,948,847
* (-)Capital Assets net of related debt:		10,406,299	11,471,362		21,877,661
Net of Capital Assets:	***683,808***	***735,037***	***1,428,234***	***224,107***	***3,071,186***
Projected Cash Balance as of June 30, 2016					
Cash & Cash Equivalents	642,000	866,000	1,205,426	203,000	2,916,426
Restricted Funds:					
Debt Service Reserve Fund	-	55,495	211,000	-	266,495
Capital Replacement Reserve Fund Short Lived Assets		261,432	108,965		370,396
Short Lived Assets Purchased:		(142,761)			(142,761)
Current Year Increase in Reserve:		47,533			47,533
Total Restricted:		***221,699***	***319,965***		***541,663***
Unassigned Cash:	***642,000***	***644,302***	***885,462***	***203,000***	***2,374,763***
* Unchanged Capital assets for Projections purposes only					

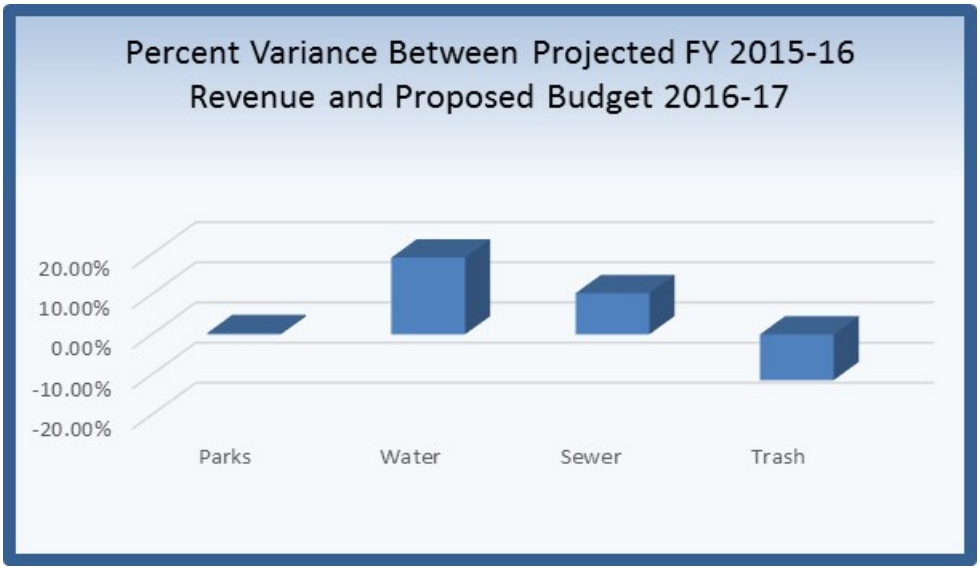
One industry wide reserve guideline is the Days Cash Ratio, which is defined as total cash available divided by Operating Expenses per day and is a measurement of an agency's ability to meet known and unanticipated expenses. Many utilities will establish a Days Cash Ratio goal of 365 days or more to ensure cash flow stability. Currently the FY 2016 District wide (All Funds) Budget has a Days Cash Ratio of 358 days and the Cash on Hand is $2,374,763 District wide for all Funds. As shown in the table below the Trash (Solid

Waste) Fund has a very high Days Cash Ratio as traditionally the District has received Franchise Fees from the Waste Hauling Contract and has not expended them. This has resulted in a Fund balance of $203,000, which can be used for any activity and has no restrictions.

DAYS CASH RATIO ANALYSIS	Parks & Recreation	Water	Sewer	Trash	Totals
Cash Required Per Day for Operating Expenses	$1,255	$2,979	$2,264	$127	$6,625
Number of Days Unassigned Cash on Hand	512	216	391	1,597	358

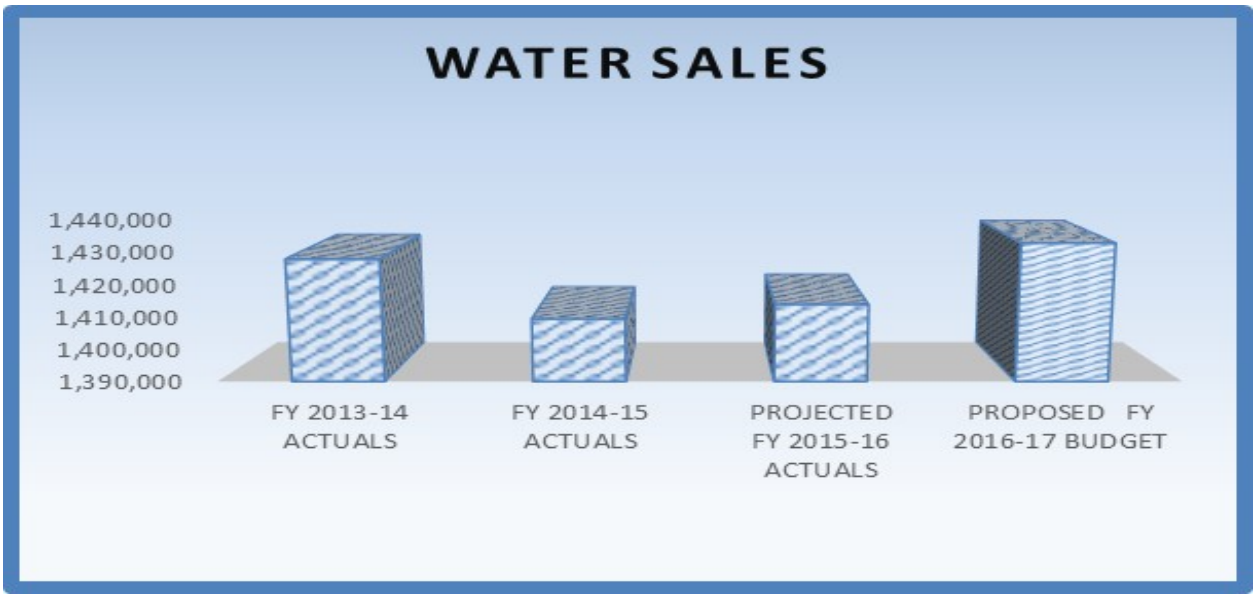
Revenue Analysis

District wide with all Funds included, revenues are projected to increase by 12% in FY 2016-17. The Proposed FY 2016-17 Revenues are projected to increase in Parks and Recreation Fund by .3% (less than 1 percent) over the Projected Actuals for FY 2015-16. The Water Fund will see the greatest increase with 19% projected increase revenue which is due to new water connections and the associated capacity fees. The Sewer Fund will see a 10% percent increase again due to new connections and capacity fees. Franchise Fees from the Solid Waste Hauling contract are a very low amount and any fluctuation in accounts receivable tracks at a high percentage. The actual dollar amount variance is $6,240, but translates to a negative -11.42%, which is due to our projected accounts receivable at the end of the Fiscal Year.

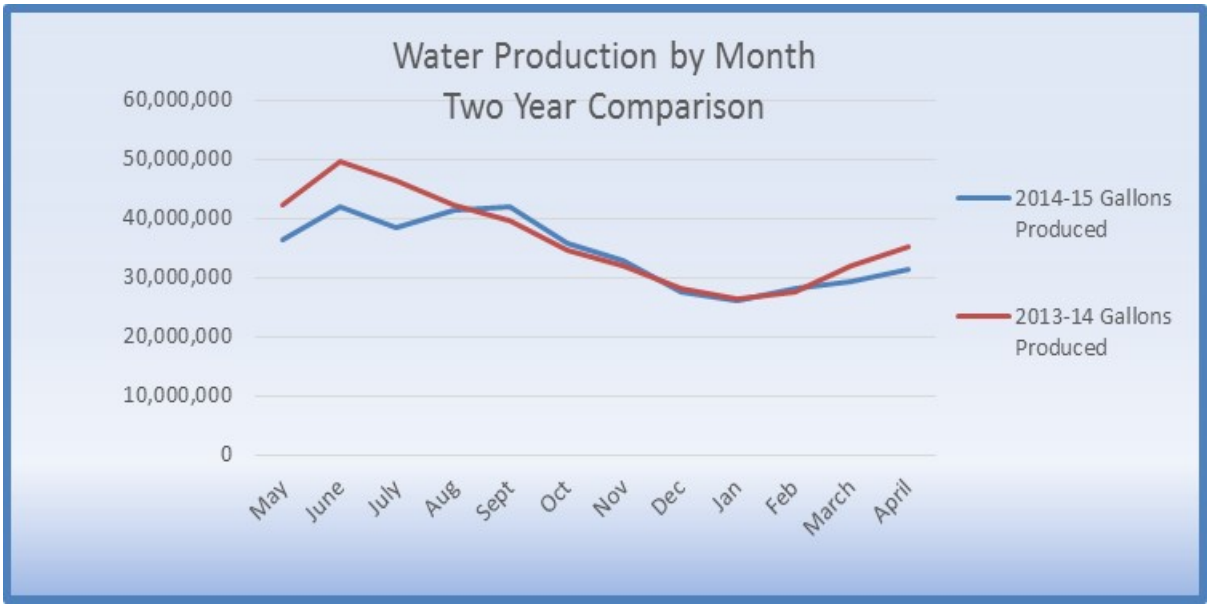


Water Fund:

With the State of California requiring drought emergency conservation efforts the HPUD has experienced corresponding water sales reductions over the same period. The table below shows how the water sales were affected by the water conservation efforts. These totals are for water sales only for all customer classes and do not include capacity fees and development fees or administrative and operating revenues. The increase projected water sales in 1.3% higher than the projected actuals for FY 2015-16. The increase is due to anticipated increase in water service customers.

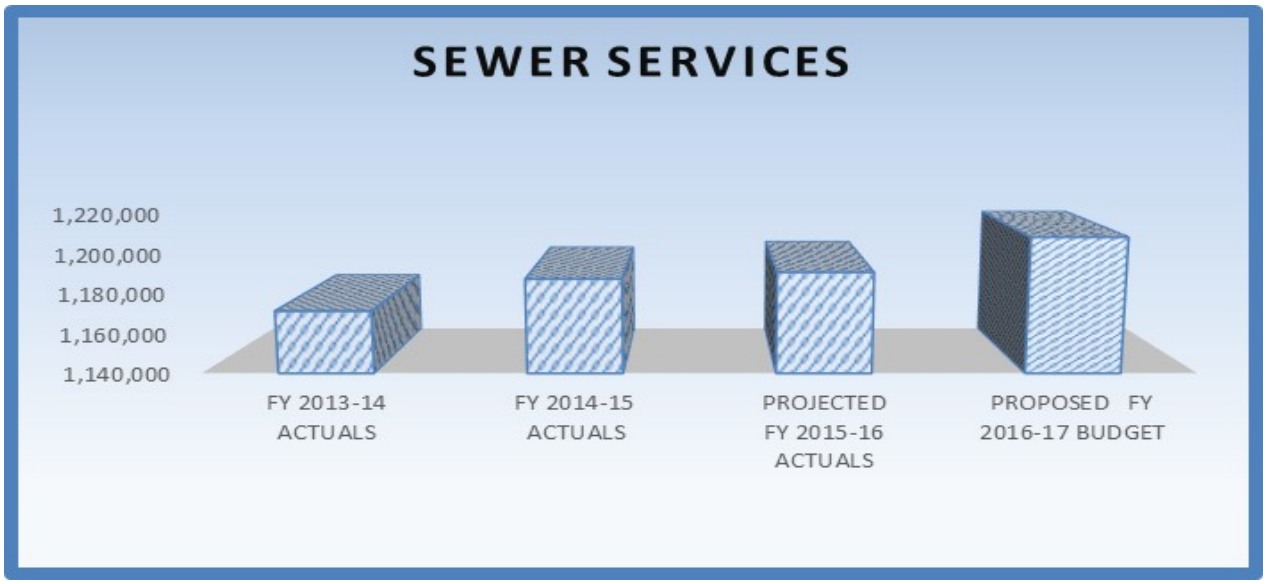


Water production numbers were submitted to the State as required. The District did not meet our required conservation mandate of 20%. The chart below shows how the HPUD Water Treatment Plant production numbers have changed from 2013 through 2015-16. The overall production was reduced by 8% from FY 2013-14.



Wastewater Fund:

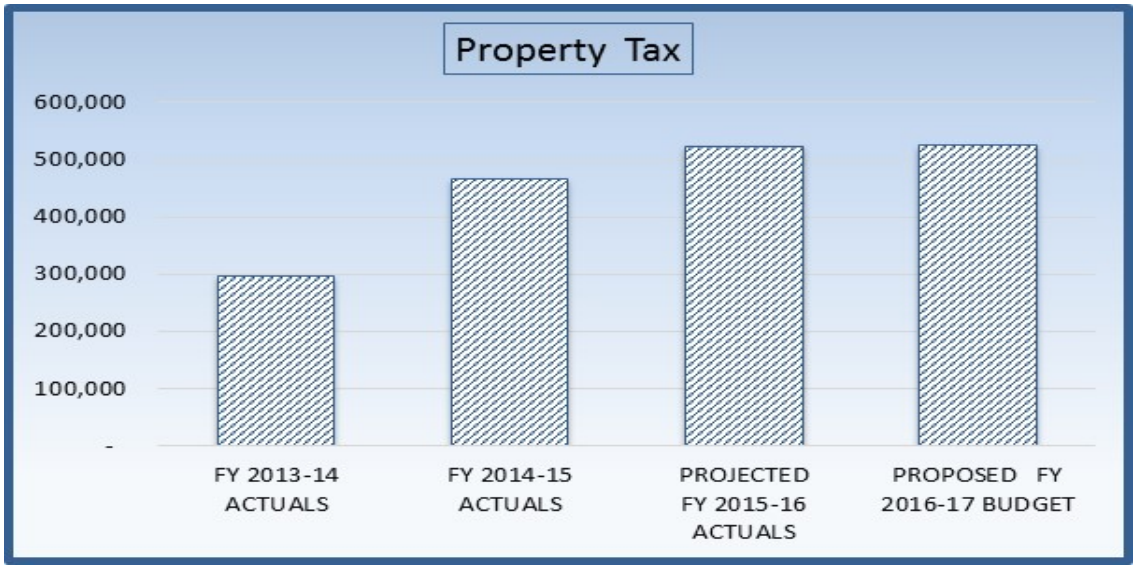
The wastewater revenues have been flat since the last rate increase in FY 2013 as is demonstrated in the sewer service revenue charge below. The increase in FY 2016-17 projected revenues is due to anticipated growth in both commercial and residential services.



In FY 2015-16, the Board of Directors authorized a Water and Wastewater Rate Study, which is currently under review. The FY 2016-17 budget does not include a rate increase for water and wastewater. The last rate adjustment adopted by the HPUD Board was implemented in July 2013.

Property Tax:

The Heber Public Utility District has benefited from a significant increase in property tax revenue since FY 2013-14 due to increased property values. The FY 2016-17 Budget does not include an increase in property taxes and is based on the Projected Actual 2015-16 Budget.

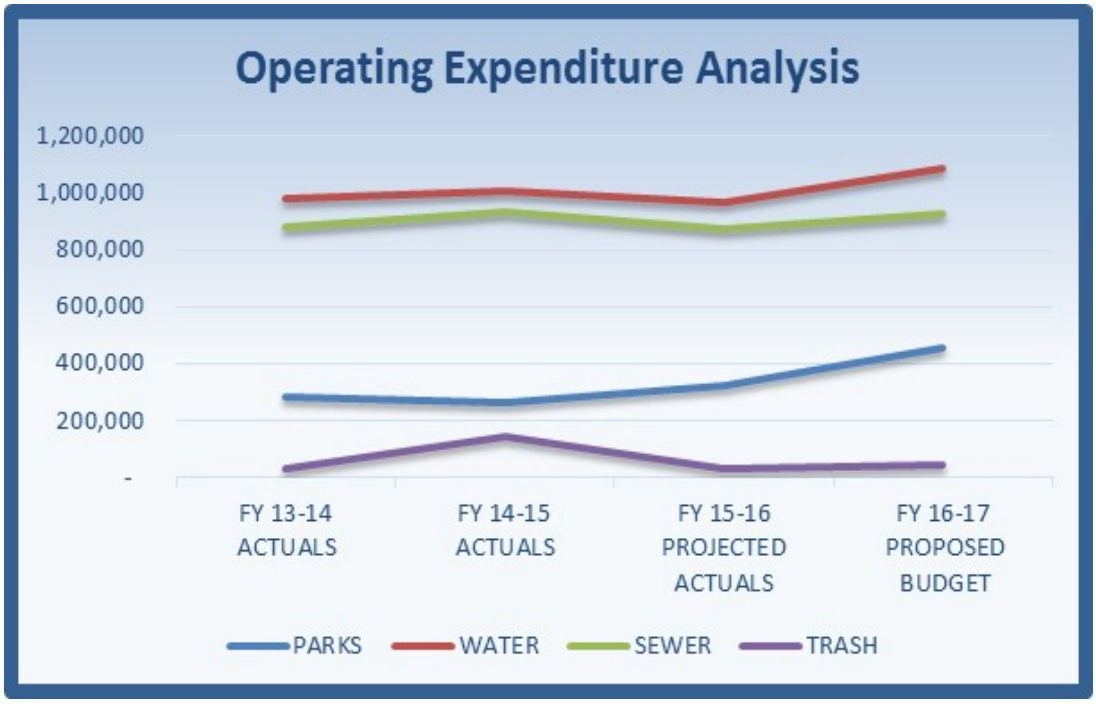


Expenditure Analysis

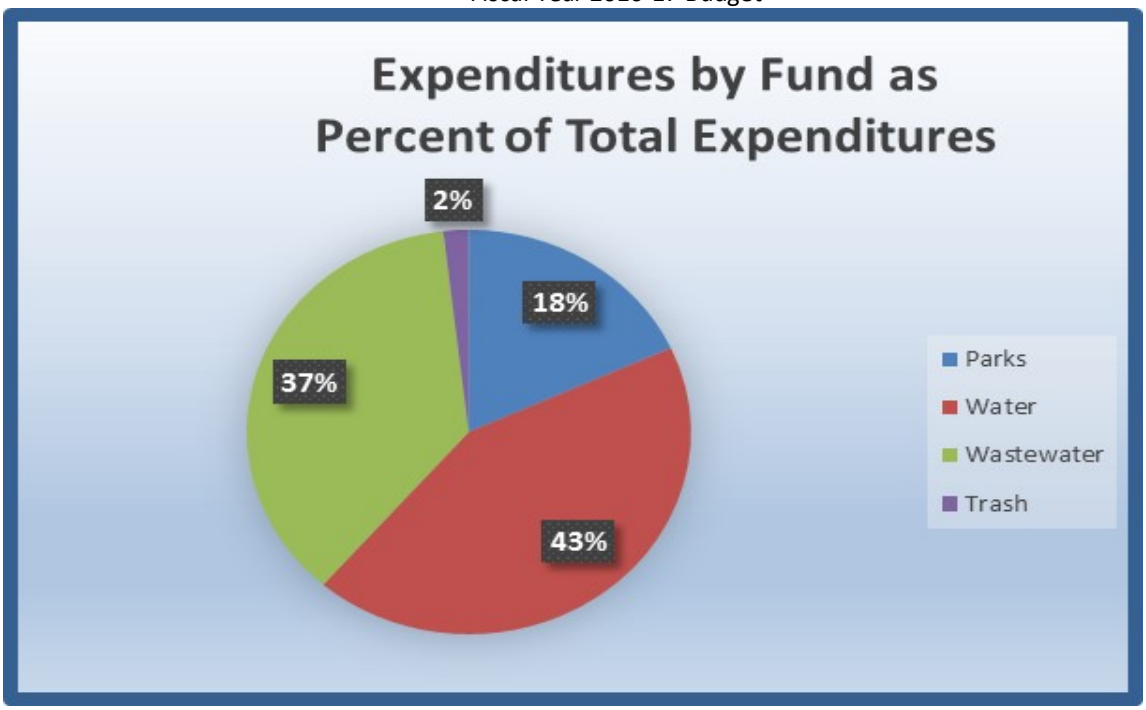
The Heber Public Utility District will celebrate our 85th Anniversary on November 7, 2016. The Board approved the 85th Anniversary Plan, and the FY 2016-17 budget includes funding for events outlined and approved in the 85th Anniversary Plan. The 85th Anniversary is an opportunity to demonstrate how the Heber Public Utility District makes it possible for the community of Heber to grow and prosper. The associated cost of the 85th Anniversary celebration is included in the FY 2016-17 budget. The goal of the Anniversary celebration is to:

- Promote Heber as a great place to live, work and play.
- Develop a culture of community and encourage pride in Heber.
- Sponsor events that reflect Heber's identity and unique culture.

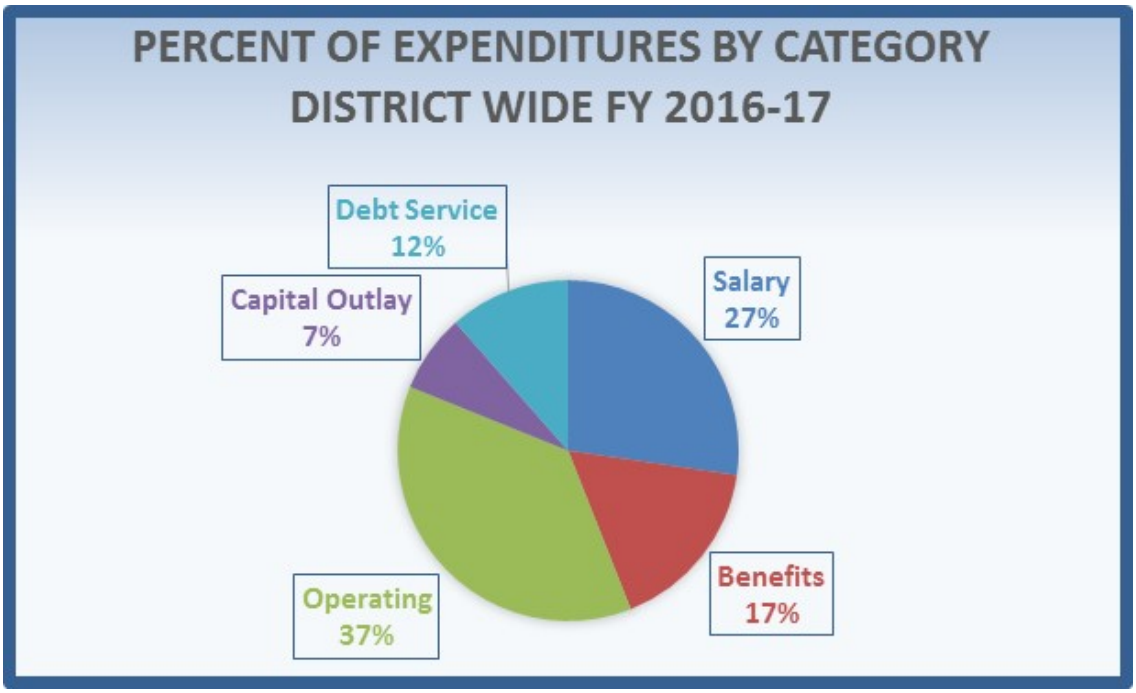
Overall Expenditures have increased District wide by 15 % from the Projected FY 2015-16 budget. This is due in part to a proposed 4% salary increase to all HPUD employees and an expected increase in medical benefits. We are also anticipating a 20% increase in operating and maintenance expenses District wide.



The percent of expenditures by Fund is presented in the chart below. As expected the Water Fund has the highest percent of expenditures at 43% followed by the Sewer Fund at 37% then the Parks and Recreation Department is at 18%. The Trash expenditures are only 2% of total expenditures for the Heber Public Utility District.



One analysis that should be conducted in any enterprise agency is to determine the percent of total expenditures committed to specific cost categories such as labor, debt and financial obligations, capital outlay and operating expenditures. In the chart below you can see that District wide we expend 27% of our total budget on salaries and 17% on benefits. This means that a total of 44% of all expenses are labor costs. Our Debt is 12% but only our water and wastewater funds carry this debt.



Capital Budget Analysis

The FY 2016-17 capital budget includes expenditures for capital outlay in the amount of $230,375 which includes purchase of new equipment, pumps, pipes and other short lived capital assets. There are several improvements to our community parks and it includes the purchase of a new vehicle for use in our parks department.

Staffing Levels

Staffing levels of 13 full-time equivalents are projected to remain the same in FY 2016-17 as compared to FY 2015-16. This includes prior year adjustments including the elimination of the Office Manager position vacated in December 2014, and the reclassification of two Maintenance positions into one Water/Wastewater Operator in Training completed in April 2014.

Conclusion

The Heber Public Utility District continues to thrive as an organization. The budget demonstrates how the District is meeting our goal to provide our customers with excellent services at economical rates. The District's Board of Directors adoption of a comprehensive Policy Manual allows for the efficient management and operation of our water and wastewater utility services, as well as the parks and recreation department. The opportunity to celebrate our 85th Anniversary will promote the District and the community of Heber as a great place to live work and play.

Respectfully,

Laura Fischer
Heber Public Utility District General Manager

RESOLUTION NO. 2016-07

A RESOLUTION OF THE HEBER PUBLIC UTILITY DISTRICT ADOPTING A BUDGET FOR FISCAL YEAR 2016-17

WHEREAS, the General Manager has submitted the 2016-17 Budget to the Board of Directors for its review and consideration in accordance with budget policies and objectives established by the Board of Directors, and

WHEREAS, the 2016-17 Budget is effective on July 1, 2016 and is based upon public comment and direction of the Board of Directors received at a scheduled public meetings; and

WHEREAS, in said fiscal year beginning July 1, 2016, there is hereby appropriated out of the Treasury of the Heber Public Utility District for District purposes and for allowances to be used by the various departments and activities of said District for the fiscal year 2016-17, the sum of $3,103,275 in the amounts, allowances and estimates more particularly set forth and described in said budget on file in the District office; and

WHEREAS, the following monies are hereby appropriated from each fund in the following amounts:

2016-2017 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	610,500	1,744,300	1,361,750	48,400	3,764,950
Total Revenues	**$ 610,500**	**$ 1,744,300**	**$ 1,361,750**	**$ 48,400**	**$ 3,764,950**
Expenditures					
Operating	457,700	1,086,800	925,600	46,400	2,516,500
Capital Outlay	80,000	55,175	95,300	-	230,475
Debt Service	-	145,200	211,100		356,300
Total Expenditures	**537,700**	**1,287,175**	**1,232,000**	**46,400**	**3,103,275**

WHEREAS, all previous appropriations are hereby cancelled and the balances remaining therein are applied to finance the new appropriations set forth in this budget; and

WHEREAS, the General Manager has the authority to execute expenditures up to $15,000 without prior approval of the Board of Directors; and

WHEREAS, all increases in the Fiscal Year 2016-2017 Budget of funds, departments and/or activities shall be made by the Board of Directors except that the General Manager may, on her own initiative and without prior approval of the Board of Directors, transfer between budget accounts within a fund, activity, or capital improvement fund, or from a budget account or appropriation, to the said fund reserve, amounts determined to be in excess of actual requirements; as long as such changes are reported regularly to the Board of Directors; and

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE HEBER PUBLIC UTILITY DISTRICT, DOES HEREBY RESOLVE AS FOLLOWS:

1. That the foregoing is true, correct and adopted.

2. That the Board of Directors finds that the Fiscal Year 2016-2017 Budget of $3,103,275 is based upon reasonable estimates of revenues and expenditures resulting in a balanced budget.

3. That the Board of Directors of the Heber Public Utility District does hereby adopt this Resolution approving the Fiscal Year 2017 Budget as set forth.

4. That the President of the Board of Directors of the Heber Public Utility District is hereby authorized to sign said Resolution, a copy of which is on file at the District office.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Heber Public Utility District held on the 16th day of June 2016.

_____
Tony Sandoval, Board President

ATTEST:

_____
Raquel R. Carrillo, Clerk of the Board

APPROVE AS TO FORM:

_____
Steven M. Walker, General Counsel

STATE OF CALIFORNIA)
COUNTY OF IMPERIAL)
HEBER PUBLIC UTILITY)
DISTRICT)

I, RAQUEL R. CARRILLO, Clerk of the Board of the Heber Public Utility District, County of Imperial, State of California, DO HEREBY CERTIFY that the foregoing resolution was dully passed, approved and adopted by the Board of Directors of the Heber Public Utility District at its regularly scheduled meeting held on the 16th day of June 2016.

By _____
Raquel R. Carrillo, Clerk of the Board