



Date: November 21, 2015

TO: LOCSD Board of Directors

FROM: Kathy A. Kivley, General Manager
Rob Miller, District Engineer

SUBJECT: **Agenda Item 12B – Board Meeting Date: December 3, 2015**
Review of Water Rate Revenues through October 31, 2015 and
Discussion Regarding Stage IV Implementation

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DESCRIPTION

Staff presentation of information on the collection of water rate revenues after the implementation of the water rate increases and discussion regarding Stage IV implementation.

SUMMARY OF STAFF RECOMMENDATION

Staff recommends that the Board adopt one of the following options as a motion:

Motion: *I move that the Board direct the General Manager to:*

Option 1: *Bring back drought rates for further consideration and potential adoption; or*

Option 2: *Continue on the current path and reconsider drought rates after the Sea Water Intrusion Monitoring is completed in April 2016; or*

Option 3: *Do not take any action and therefore no motion is required however provide staff with additional direction.*

DISCUSSION

Attached to this report is a Revenue Analysis based on Cash Flow Projections outlined within the Water Rate Study adopted in 2014. In the current fiscal year, the adopted revenue budget is \$173,407 less and \$63,575 higher in expenditures than projected in the cash flow analysis in the 2014 Water Rate Study.

Revenue estimates as of September 30, 2015 were 5.1% under budget for the first quarter of FY 2015/2016. Revenue estimates as of October 31, 2015, four months of FY 2015/2016 is 3.32% under budget which equates to a shortfall in revenue received through October 31, 2015 of \$71,632. Adding the shortfall from the first four months to the initial budget shortfall the revenue estimates are down by \$245,039.

Drought rates aligned with various stages of the Water Shortage Contingency Plan were previously adopted by the Board. The District is currently in a Stage III shortage. Based on the recent seawater intrusion monitoring event, staff is currently recommending that the Board remain in Stage III until rainfall and groundwater monitoring data are presented in May, 2016. If the Board chooses Option 1 above, staff will bring back drought water rates consistent with Stage III.

FINANCIAL IMPACT

The recommended action will have a financial impact on the District depending on what options are selected.

Attachment – Exhibit A: Year-to-Date Revenue vs Rate Study Estimates using
Water Cash Flow Projections

Year to Date Revenues vs Rate Study Estimates using Water Cash Flow Projections

	FY 2014/2015 Unaudited			Water Rate Study	FY 2015/2016			Expense thru 10/31/2015	10/31/2015 % of Budget	Estimates as of 10/31/2015			
	Water Rate Study	Actuals	Difference		Budget	Difference				4 Month Estimated %	Estimated Shortfall	Potential Budget Diff	Potential Revenue Diff
Total Revenue	2,096,000	2,128,457	¹ 32,457	2,331,000	2,157,593	(173,407)	640,475	29.68%	33%	-3.32%	(71,632)	(245,039)	
Total Expenses	2,210,000	2,127,606	² (82,394)	2,322,000	2,385,575	³ 63,575	860,159	36.06%	33%	3.06%	72,999		
Revenues Less Expenses	(114,000)	851		9,000	(227,982)		(219,684)						
		74,552	²		325,000	³							
		75,403			97,018								
Service Charges & Fees	1,850,000	1,750,745	(99,255)	2,081,000	1,947,900	(133,100)	610,277	31.35%	33%	-1.65%	(32,140)	(165,240)	

Footnotes

1 Includes \$155,000 appropriated from Reserves

Vehicle Replacement	75,000
Water Conservation	20,000
CIP	60,000
	<u>155,000</u>

2 Includes the following CIP expenses not transferred from Capital Outlay Reserve:

Water Meter Replacement	74,552
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3 Expenditures include the following approved use of Capital Outlay Reserves:

Intertie	50,000
Upper Aquifer Well/Grant Match	180,000
Utility Yard Renovation	45,000
Water Meter Replacement	50,000
	<u>325,000</u>