

SEWER AUTHORITY MID-COASTSIDE

Staff Report

Subject / Title

Receive and File Mid-Year Review of Sewer Authority Mid-Coastside Budget for FY2009-10

Staff Recommendation:

None. This is an informational item only.

Fiscal Impact:

Approx. \$31K savings to FY 2009-10 Budget

Discussion/Report:

Attached is the report that was, at the request of the Board, continued from the January 25, 2010 Board Meeting.

<http://www.samcleanswater.org/agendas/2010/100125/1001256b.pdf>

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Expenditures to Date and Projections

On June 22, 2009 the Board of Directors adopted FY 2009-2010 Comprehensive Budget for the Sewer Authority Mid-Coastside (SAM). Expenditures through 12/31/09 reflect \$1,954,567.

The Budget for all Departments proposed expenses projected to increase primarily from MOU-based employee salary and cost of living increase, medical, dental, vision, ltd benefit costs, IPS force-main report results, liability and property insurance costs, plant maintenance software costs, chemicals, equipment and legal fees. Projected cost increases for other miscellaneous expenditures are based on anticipated usage, such as electricity, water and solid waste that SAM Staff has estimated.

General Budget

Administration:

At mid-year, administration is under budget by approximately 6.8%. Staff expects expenditures to increase for the second half of the fiscal year which will reduce the 6.8% under budget amount. Currently approximately fifty (50%) of Admin accounts are on target or close to the projected budgeted amount. Thirty percent (30%) of Admin accounts are under the proposed budgeted amount. The 20% remainder of the admin budget can be described as follows:

Acct Nos. 5021006, 5031003, and 52310 - Overtime Meals, Employee Physicals, and Service/Bank Charges, are at 0% of spending, staff does not anticipate a significant change to these accounts for the remainder of the Fiscal Year , which could reflect a year end savings of \$895.

Acct No. 5041002 - Audit Fees, has exceeded the projected budgeted amount (81% over) due to extra costs incurred from Macias, Gini & O'Connell, LLP (MGO) and Parsons accounting working with SAM auditors on extra work auditors requested, and for Parsons Accounting working with SAM staff for the unanticipated internal audit of SAM's accounting records by the City of Half Moon Bay.

Acct No. 5054004 – Technical Consulting Services is significantly under budget (89.8% at 50% of FY) due to no Board authorization for a Financial Consultant for which \$60,000 was budgeted. Some of Parsons

Accounting fees have been charged to this account for their financial work on pre-recruitment of a financial consultant, fixed assets and capital reserves. This under budgeted account will have an inter- account transfer made to account No. 5021007 (Temporary Assistant) to defray costs for an additional temporary person required in the administration department to help with overflow of computer, file work, and data entry due to the modified work schedule of a Collection Worker III position due to injury. An inter-account transfer will also be made to the Audit account no. 5041002 due to the unanticipated additional fees for the FY 08/09 audit.

Acct No. 50610 -Memberships and Dues are over budget (89.4% at 50.0% of FY) due to membership renewals occurring primarily during the first half of the fiscal year and unanticipated increase in some fees due. Staff does not anticipate an over-budget in this account, but an inter-account transfer may be made after the March financial reports are published and reviewed.

Acct. No. 50910 -Meetings and Travel are over budget (90.6% at 50% of the FY) due to costs associated with unanticipated Pre-Budget, CMM, RWC, RW and WWFMP meetings. An inter-account transfer from 5054004 (Tech Consult Svcs) to account 50910 will be made for anticipated costs for the remainder of the FY.

Acct. No. 5102001 -Safety Training is over budget by 28.6% due to most trainings occurring in the beginning of the fiscal year, with only two trainings left for the remainder therefore this account should be on target or close to budgeted amount at fiscal year-end.

- Projected expenditure savings of approximately \$895
 - (Due to non spending in overtime meals, employee physicals)
- Revenue shortfall projected at \$0

Unanticipated Costs for remainder of FY 09-10

- Recruitment of new General Manager- \$15,500 plus expenses
- Additional temporary assistance for collection systems general and data entry tasks -\$13,800 (One person at \$33 per hour x 832 hours or 32 hours per week for 13 weeks)

Proposed Budget Adjustments:

- Inter- account transfer of \$16,773 from acct 5054004 (Tech Consult Svcs) to acct 5041002 (Audit) for unanticipated costs associated with the FY 08/09 audit.
- Inter-account transfer of \$13,800 from acct 5054004 (Tech Consult Svcs) to acct 5021007 (Temporary) for personnel assistance required as a result of the temporary modified duty of Collection Worker III.
- Inter-account transfer of \$1,500 from account 5054004 (Tech Consult Svcs) to acct 50910 for costs associated with upcoming additional meetings for RWC, RW, CMM and MA Pre-Budget meeting.
- Inter-account transfer of \$20,000 from account 5041004 (Legal Services) to acct 5041006 for unanticipated costs associated with the recruitment of a new General Manager.

Treatment:

At mid-year Treatment is under budget by at least seven and 8/10 percent (7.8%).

Currently approximately thirty percent (30%) of Treatment accounts are on target or close to the projected budgeted amount. Another approximate thirty percent (30%) of Treatment are under the proposed budgeted amount. The approximate forty percent (40%) remainder of the treatment budget can be described as follows:

Account Nos. 5031003, 5052013, 50710, 5111003, 5142007, 5152003, 5162002, 5182013, and 53210 - Employee Physicals, Maintenance Project Management, Printing and Publications, Meetings and Travel, Office Supplies, Radio System, Lubricants, Maintenance, Facility Painting, and Fines and Penalties are at 0% of spending. Staff anticipates that most of these accounts will be utilized with the exception of Employee Physicals, possibly Printing and Publications, by the end of FY 2009-10.

Account Nos. 5172004 -Public Outreach Gen. Supplies is over budget (111.9% at 50% of FY) due to a one time purchase of hand outs for public outreach. Staff believes this account will not require further expenditures for the remainder of the fiscal year

Account Nos. 5162008 -Chemicals FeCl3 is over budget (99.1% at 50% of FY) due to a large unanticipated cost increase. Staff will be requesting quotes from competitors.

Account Nos. 5182005 -Plant Equipment is over budget (71.8% at 50% of FY) due to generator rental while obtaining replacement main breaker. Staff expects to complete FY within planned budget.

Account Nos. 5172003 -Lab General is over budget (79.4% of 50% of FY) due to a one time purchase of two sample refrigerators replacing two failing units. Staff expects to complete FY within planned budget.

- Projected expenditure savings of approximately \$31,000
 - (Due to non-spending in Employee Physicals, Printing and Publications, and Fines and Penalties)
- Revenue shortfall projected at approximately \$6,000
 - (Due to cessation of Ox Mt. leachate during the Recycled Water Pilot Testing Project)

Collections:

Collection is on target with their proposed budget. SAM does not anticipate any major purchases.

NDWSCP:

NDWSCP is under budget by at least 13.1%. SAM does not anticipate any major purchases.

Unanticipated Costs:

- 5162008 – Chemicals, FeCl3 - \$6,200, or less depending on success of alternate vendor search, for one more shipment this fiscal year.

Proposed Budget Adjustments:

- Inter-account transfer of \$1,000 from acct 5052013 (Maintenance Project Management) to cover the actual costs associated with one time hand-outs in acct 5172004 (Public Outreach Gen. Supplies).

- Inter-account transfer of \$6,200 from acct 5182013 (Facility Painting) to cover the increased costs in acct 5162008 (Chemicals, FeCl3) for hydrogen sulfide odor control of the anaerobic digest process.

Project Budget

Administration:

At mid-year, administration is under budget. The administration department has put in place a budget of \$15,000 in account 5132001 for the capital purchase of replacing the telephone system, which is over 10 years old and has reached the end of its useful life. Admin will be on target with this proposed budgeted amount when staff purchases a new phone system in early March 2010.

- Projected expenditure savings of approximately \$0

Treatment:

Treatment department has put in place a budget in the total amount of \$241,610 for a project budget expense. What will be expensed to the budgeted amounts are; \$41,000 to improve the Backup Main Breaker, \$17,000 for the Across-the-line controls for Influent PS, \$15,000 for the replacement of Digester Exhaust Fan. Continued work with Recycled Water SAM has a proposed budget of \$149,610 for the Recycled Water – Facilities Predesign.

- Projected expenditure savings of approximately \$19,000
 - Due to actual cost of Backup Main Breaker being less than budgeted.

Collections:

SAM does not have any project items budgeted for this department in this FY.

NDWSCP:

SAM does not have any project items budgeted for this department in this FY.

Status Report on Reserves

The amount of unrestricted reserves is currently \$1,528K and the amount of capital project reserves is \$2,775K. Parsons Accounting analyzed all financial activity of SAM since July 1, 2001 through June 30, 2009. The analysis included detailing the reserves on SAM's records– i.e. breaking them down by both capital project reserves and unrestricted reserves. The analysis also included projects which have unspent budgeted amounts remaining. Staff estimates that capital projects will be spent as budgeted, therefore reserve for capital projects will be \$2,600K and the estimated unrestricted reserve will be around \$1,350K.