



Costa Mesa Sanitary District

...an Independent Special District

Memorandum

To: Board of Directors

From: Scott Carroll, General Manager

Via: Wendy H. Davis, Finance Manager *WHD*

Date: April 28, 2016

Subject: FY 2015-16 Budget Review- Third Quarter

Summary

This report serves as a summary of the District's spending through March 31, 2016 as well as staff's best estimate of projected balances for the year ended June 30, 2016.

Staff Recommendation

That the Board of Directors receive and file this report.

Analysis

Based on the spending trends through March 31, 2016, staff is projecting minor savings in both the Solid Waste and Wastewater Funds except for the Capital Outlay account in the Wastewater Fund.

As of March 31, 2016, a total of 62.1% of the Solid Waste budget for the 2015-2016 fiscal year has been expended. At this time, staff anticipates a small budgetary savings at fiscal year-end due Special Programs not fully spent.

A total of 67% of the Wastewater Fund's operating budget has been expended as of March 31, 2016. At this time, staff anticipates a small budgetary savings in Maintenance and Operations at fiscal year-end. The Capital Outlay account is over budget due to the preliminary costs associated with acquiring the new building.

Please see the attached report for a more detailed analysis.



Protecting our community's health and the environment by providing solid waste and sewer collection services.

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Strategic Plan Element & Goal

This item supports achieving the objective and strategy of Strategic Element No. 7.0, *Finance*, which states:

“Objective: *To ensure the short and long-term fiscal health of the District.*

Strategy: *The District will forecast and plan revenue and expenditures and maintain appropriate reserves and investment to provide financial resources to fund current and planned operations and projects.”*

Legal Review

Not applicable.

Environmental Review

Subject activity is exempt from the requirements of the California Environmental Quality Act (CEQA) (Public Resources Code Section 21000 et. seq.). Section 15300.4 of CEQA allows an agency while establishing its own procedures “to list those specific activities which fall within each of the exempt classes”, and the District has adopted “CEQA Guidelines and Implementing Procedures” that state on page 6 ““Projects” does not include C. Continuing administrative or maintenance activities.”

Financial Review

See attached report.

Public Notice Process

Copies of this report are on file and will be included with the entire agenda packet for the April 28, 2016 Board of Directors regular meeting at District Headquarters and on District website at www.cmsdca.gov.

Alternative Actions

1. Refer the matter back to staff for additional information.

Attachments A: FY 2015-16 Third Quarter Budget Analysis
B: Expenditure Analysis through 03/31/2016

COSTA MESA SANITARY DISTRICT

Third Quarter Budget Update

Fiscal Year 2015-16

EXECUTIVE SUMMARY

Attached is the third quarter budget analysis of the Solid and Wastewater Fund's operating budgets for fiscal year (FY) 2015-16. This analysis uses the "Amended Budget", which consists of the adopted budget plus any prior year carryover appropriations, as well as budget adjustments approved through March 31, 2016. The projections in this analysis are based on "Run-Rate" calculations unitizing historical trends for some accounts, while others are based on known or anticipated spending by staff.

The Costa Mesa Sanitary District (District) Solid Waste and Wastewater Funds are both Enterprise Funds. These funds are operated as independent business ventures sharing one Board of Directors. Some expenses of the District are charged entirely to a specific fund, while other expenses may be allocated to both funds based on a percentage. For example, the costs associated with the District's Board of Directors will be split between the funds equally. However, the cost of the trash pickup will be charged only to the Solid Waste Fund.

The following sections are intended to provide a summary of the budget status:

SOLID WASTE FUND

The annual operating budget for the Solid Waste fund is \$5,901,375. The total year-to-date expenses are \$3,662,450, and staff estimates the total year-end balance will be \$5,731,875 resulting in a projected surplus of \$169,500. This projected surplus results primarily from unexpended funds in the Maintenance and Operations, and Special Programs. The following sections are intended to provide a summary of the more significant budget to actual changes anticipated by staff at year-end:

PERSONNEL

The District currently has two vacant positions, the Senior Management Analyst and a part-time Accounting Clerk. These two positions provide services to both funds. In January, the District restructured the organization to cover the vacant position's duties as follows; the Management Analyst I accepted the position as Management Analyst II; the Administrative Assistant accepted the position as Management Analyst I; the part-time Accounting Clerk accepted the position as Administrative Assistant and the Accountant accepted the position as Senior Accountant. The projected saving from the vacant positions is offset by salary adjustments for the reorganization, thus creating only a small savings in the part-time salaries of \$5,000 at June 30, 2016.

M & O

The Maintenance and Operations expenditures are projected to have a substantial savings of \$118,000 at June 30, 2016. The most significant change in this year's budget from the prior year budget is the implementation of the Organics Recycling Program with a budget of \$600,000. The projected expense for this program at year-end is \$500,000. The District has not incurred the higher costs for the disposal of Organic materials due to the CR&R Anaerobic Digestion Facility not coming online. The schedule below shows the Organics Tonnage and Cost since the start of the program. Staff estimates that the program will be under budget; however, with the wide variances in the tonnage it is difficult to predict.

COSTA MESA SANITARY DISTRICT

Third Quarter Budget Update

Fiscal Year 2015-16

	<u>Tonnage</u>	<u>Cost</u>
July	195.64	\$10,167.41
August	580.23	30,154.55
September	735.45	38,221.34
October	813.67	42,286.43
November	633.81	32,939.11
December	590.95	30,711.67
January	500.65	29,018.82
February	609.86	31,694.43
March	763.53	39,680.69
Total	<u>5,423.79</u>	<u>\$284,874.45</u>

Avg Tonnage for Quarter ending 9/30/15	503.77
Avg Tonnage for Quarter ending 12/31/15	679.48
Avg Tonnage for Quarter ending 3/31/16	624.68
Total Avg Tonnage as of 3/31/16	602.64

Public Info/Education/Community Promotion account is projected to be under the \$53,400 budget by \$20,000 for composting bins which will not be purchased this year due to limited storage space and low demand.

SPECIAL PROGRAMS

The Household Hazardous Waste, the Anti-Scavenging and the Battery Recycling programs are projected to come in substantially under budget, resulting in a budget surplus of \$46,500. The Battery Recycling program, with a budget of \$20,000, has spent \$3,500 on school rewards and \$3,439 for battery pickup fees which will be reimbursed by a grant.

CAPITAL OUTLAY

The capital outlay budget of \$4,050 is expected to be fully expended by fiscal year-end on the new telephone system, computer servers and four replacement workstations.

COSTA MESA SANITARY DISTRICT
Third Quarter Budget Update
Fiscal Year 2015-16

WASTEWATER FUND

The annual operating budget for the Wastewater Fund is \$4,775,561, excluding Capital Improvement Projects. The total year-to-date expenses are \$3,201,707. Staff projects the total year-end balance to be \$5,084,831, this amount included the preliminary expenses incurred for the purchase of the new headquarters building at 290 Paularino Avenue. The anticipated budgetary savings of \$96,050 is primarily in Maintenance and Operations accounts. The Board of Directors will appropriate money for the building and improvements at a Special Meeting on April 18, 2016. The following sections are intended to provide a summary of the more significant budget to actual changes anticipated by staff at year-end:

PERSONNEL

The District currently has two vacant positions, the Senior Management Analyst and a part-time Accounting Clerk. These two positions provide services to both funds. In January, the District restructured the organization to cover the vacant position's duties as follows; the Management Analyst I accepted the position as Management Analyst II; the Administrative Assistant accepted the position as Management Analyst I; the part-time Accounting Clerk accepted the position as Administrative Assistant and the Accountant accepted the position as Senior Accountant. The projected saving from the vacant positions is offset by salary adjustments for the reorganization, thus creating only a small savings in the part-time salaries of \$5,000 at June 30, 2016.

M & O

The Maintenance and Operations expenditures are projected to have a savings of \$91,050 at June 30, 2016, a result of the net effect of savings and unanticipated costs:

- **Sewer Line Maintenance-** Since adding a second cleaning crew helps reduce external contracts, Staff projects a savings of \$10,000.
- **Equipment Maintenance-** The Vaccon truck is in good working condition and does not need services and repairs. For this reason, staff projected to have a savings of \$20,000.
- **Miscellaneous Sewer Work-** Fewer sanitary sewer overflows and emergency incidents are resulting in a projected savings of \$30,000.
- **CCTV Sewer Lateral Program-** This is a pilot program with a \$20,000 budget which is not expected to start by June 30, 2016.
- **Electric Pump Maintenance –** The replacement of older equipment with energy efficient parts at pump stations last year will produced a projected savings of \$15,000 in this account.
- **Computer Licenses & Maintenance-** This account is projected to be over budget by \$13,000 due to online security and server upgrades implemented by the new information technical support company.

COSTA MESA SANITARY DISTRICT
Third Quarter Budget Update
Fiscal Year 2015-16

CAPITAL OUTLAY

The Capital Outlay budget is \$672,431 which includes the purchase of the new Vaccon truck for the second cleaning crew. Staff projects the Capital Outlay to be on budget at June 30, 2016. The year-to-date expenses are \$1,019,239, which also includes escrow deposits and preliminary expenses incurred for the building at 290 Paularino Avenue in the amount of approximately \$462,000 as of March 31, 2016. At the Special Meeting on April 18, 2016 the Board approved an appropriation of \$5,043,000 to purchase the new headquarters and pay for needed improvements which will bring this account back into balance.

COSTA MESA SANITARY DISTRICT

Third Quarter Budget Update

Fiscal Year 2015-16

CAPITAL IMPROVEMENT PROJECTS

The status of the capital improvement projects as of March 31, 2016 is shown below. All projects are expected to be fully expended as of June 30, 2016.

Costa Mesa Sanitary District As of 03/31/2016

	Adopted Budget FY15-16	Approved FY 14-15 Carryovers	Budget Adjustment as of 3/31/16	Amended Budget FY15-16	Total Expenses as of 03/31/16	Available Balance as of 03/31/2016
200601 Westside Pump Stn Abandonment #101	1,184,000	2,579,388	-	3,763,388	677	3,760,211
201294 Sewer Manhole Rehab #194	-	296,825	(24,000)	272,825	272,810	15
201296 Pump Stn Emergency Equip #196	-	597,514	-	597,514	361,166	216,321
201300 Force Main Upgrades #200	-	821,800	-	821,800	8,999	805,301
201302 Elden Pump Stn Valve/Repipe #202	-	468,433	-	468,433	7,829	460,604
201303 Generator at District Yard #203	-	30,696	(23,000)	7,696	6,906	790
201309 City Manhole Adjustment Program #309	-	166,099	-	166,099	6,190	159,909
201310 Indus Relining #310	353,000	-	-	353,000	24,848	328,152
201311 Manhole Cover Repairs Ph 2 #311	150,000	-	-	150,000	71,279	73,716
201312 Aviemore PS Upgrade #312	100,000	-	(10,000)	90,000	89,581	419
201314 Grade 5 Pipe Rehab #314	-	-	57,000	57,000	-	57,000
	1,787,000	4,960,755	(57,000)	6,690,755	850,285	5,805,438

**Expenditure Analysis
Solid Waste Fund
Through 3/31/2016**

	Original BUDGET as of July 1	Working BUDGET '15-'16	Expenditures YTD 3/31/2016	YTD 3/31/2015	Change YTD 14-15 to YTD 15-16	Percent Change	Full Year '14-'15	Run-Rate Projection Full Year	-Full Year- Finance Projections	Finance Projected Variance ¹	Finance Proj. % Remaining
EXPENDITURES											
<u>Personnel</u>											
SALARIES FULL-TIME	340,000	340,000	260,665	243,292	17,373	7%	333,218	347,554	340,000	-	0%
SALARIES PART-TIME	40,000	40,000	22,050	16,559	5,492	33%	23,514	29,400	35,000	5,000	13%
SALARIES BOARD	21,200	21,200	12,430	10,210	2,220	22%	15,470	16,574	21,200	-	0%
OVERTIME	500	500	173	124	49	39%	208	231	500	-	0%
Benefits	120,800	120,800	72,152	72,297	(145)	0%	72,297	96,202	120,800	-	0%
Sub-Total Personnel	522,500	522,500	367,470	342,482	24,988	7%	444,707	489,961	517,500	5,000	1%
<u>M & O</u>											
PROFESSIONAL SERVICES	39,250	39,745	8,910	9,790	(880)	-9%	20,095	11,881	39,745	-	0%
DISTRICT MANAGER	0	0	0	0	0	0%	0	0	0	-	0%
LEGAL SERVICES	27,000	27,000	14,013	11,670	2,343	20%	18,107	18,684	27,000	-	0%
FISCAL SERVICES	12,200	12,200	8,384	6,113	2,271	37%	9,737	11,179	12,200	-	0%
MEDICAL/EMPLOY SERVICES	400	400	121	261	(140)	-54%	374	162	400	-	0%
CONTRACT SERVICES	6,550	6,550	145	10,388	(10,243)	-99%	13,237	193	6,550	-	0%
COUNTY COLLECTION FEE	15,500	15,500	0	0	0	0%	14,366	0	15,500	-	0%
TRASH HAULER (CR&R)	2,615,000	2,615,000	1,704,555	1,350,780	353,775	26%	2,322,021	2,272,739	2,615,000	-	0%
RECYCLING/DISPOSAL (CR&R)	1,750,000	1,750,000	1,191,231	1,444,523	(253,292)	-18%	2,170,978	1,588,308	1,750,000	-	0%
ORGANICS DISPOSAL (CR&R)	600,000	600,000	242,194	0	242,194	0%	0	322,925	500,000	100,000	17%
CONTAINER COLLECTION COST	16,000	16,000	6,890	7,326	(436)	-6%	14,799	9,187	16,000	-	0%
ELECTIONS	0	0	0	16,264	(16,264)	-100%	16,264	0	0	-	0%
MAINTENANCE	6,900	6,900	2,898	5,335	(2,437)	-46%	3,979	3,863	6,900	-	0%
OFFICE SUPPLIES	600	600	553	452	101	22%	612	737	600	-	0%
MISC COPY	150	150	4	3	1	47%	3	5	150	-	0%
POSTAGE	1,000	750	123	169	(46)	-27%	289	164	750	-	0%
PUBLIC INFOR/ED/COM PROM	53,400	53,400	13,338	24,876	(11,537)	-46%	30,408	17,784	33,400	20,000	37%
SMALL TOOLS/EQUIP	690	940	445	837	(392)	-47%	1,024	593	940	-	0%
COMPUTER LICENSES & MAINT	5,390	5,390	5,559	5,956	(397)	-7%	8,939	7,413	8,390	(3,000)	-56%
PROF DEVELOPMENT/TRAINING	22,100	22,100	15,606	17,590	(1,984)	-11%	20,699	20,808	22,100	-	0%
LIABILITY INSURANCE	6,800	6,800	5,729	6,420	(691)	-11%	6,420	7,639	5,800	1,000	15%
TELEPHONE	1,300	1,300	873	796	77	10%	1,144	1,165	1,300	-	0%
UTILITIES - BLDG	1,050	1,050	592	646	(54)	-8%	955	790	1,050	-	0%
ASSET REPLACEMENT	26,000	26,000	19,500	22,500	(3,000)	-13%	30,000	26,000	26,000	-	0%
CONTINGENCY	0	0	0	0	0	0%	0	0	0	-	0%
TRANSFER OUT	0	0	0	0	0	0%	0	0	0	-	0%
Sub-Total M & O	5,207,280	5,207,775	3,241,665	2,942,694	298,971	10%	4,704,449	4,322,220	5,089,775	118,000	2%
<u>Capital Outlay</u>											
EQUIPMENT	2,520	4,050	2,996	4,652	(1,656)	-36%	3,625	3,994	4,050	-	0%
Sub-Total Capital Outlay	2,520	4,050	2,996	4,652	(1,656)	-36%	3,625	3,994	4,050	-	0%
<u>Special Programs</u>											
SHARPS PROGRAM	10,200	10,200	6,670	6,723	(53)	-1%	10,173	8,893	10,200	-	0%
HHW	40,000	40,000	3,332	2,940	392	13%	5,096	4,443	10,000	30,000	75%
TELEPHONE BK RECYCLING	0	0	0	0	0	0%	0	0	0	-	0%
ANTI-SCAVENGING	5,000	5,000	0	940	(940)	-100%	940	0	1,500	3,500	70%
USED TIRE ROUNDUP	0	0	0	0	0	0%	0	0	0	-	0%
EDUCATIONAL TOURS	50,500	50,500	14,372	8,927	5,445	61%	33,642	19,162	50,500	-	0%
PHARMACEUTICAL	12,000	12,000	8,895	8,073	822	10%	13,028	11,860	12,000	-	0%
COMPOST GRANT	0	0	0	0	0	0%	0	0	0	-	0%
BATTERY RECYCLING	20,000	20,000	0	0	0	0%	7,417	0	7,000	13,000	65%
ORGANICS PUBLIC INFO/ED	10,000	29,350	17,050	8,646	8,404	97%	46,087	22,733	29,350	-	0%
Sub-Total Special Programs	147,700	167,050	50,319	36,248	14,071	39%	116,382	67,092	120,550	46,500	28%
TOTAL EXPENDITURES	\$ 5,880,000	\$ 5,901,375	\$ 3,662,450	\$ 3,326,076	\$ 336,374	10%	\$ 5,269,163	\$ 4,883,266	\$ 5,731,875	\$ 169,500	3%

Notes

¹ Finance Projections reflect the most recent quarterly update

% change from last year ==>>

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**Expenditure Analysis
Wastewater Fund
Through 3/31/2016**

	Original BUDGET as of July 1	Working BUDGET '15-'16	Expenditures		Change		Full Year '14-'15	Run-Rate Projection Full Year	-Full Year- Finance Projections	Finance Projected Variance ¹	Finance Proj. % Remaining
			YTD 3/31/2016	YTD 4/1/2015	YTD 14-15 to YTD 15-16	Percent Change					
EXPENDITURES											
Personnel											
SALARIES FULL-TIME	895,000	895,000	616,859	539,216	77,643	14%	722,116	822,478	895,000	-	0%
SALARIES PART-TIME	30,000	30,000	18,366	5,578	12,789	229%	6,367	24,489	25,000	5,000	17%
SALARIES BOARD	85,000	85,000	49,722	40,841	8,881	22%	56,576	66,295	85,000	-	0%
OVERTIME	33,500	33,500	17,030	21,419	(4,389)	-20%	28,831	22,706	33,500	-	0%
Benefits	370,500	370,500	252,238	213,752	38,487	18%	150,058	336,318	370,500	-	0%
Sub-Total Personnel	1,414,000	1,414,000	954,215	820,805	133,410	16%	963,948	1,272,287	1,409,000	5,000	0%
M & O											
PROFESSIONAL SERVICES	174,250	189,289	64,818	60,407	4,410	7%	194,386	86,423	189,289	-	0%
DISTRICT MANAGER	0	0	0	0	0	0%	0	0	0	-	0%
LEGAL SERVICES	108,000	108,000	70,774	60,541	10,233	17%	118,709	94,366	108,000	-	0%
ENGINEERING/ARCHIT SERV	64,000	64,000	40,245	40,170	75	0%	59,155	53,660	64,000	-	0%
PLAN CHECK/INSPECTIONS	132,000	142,000	83,882	83,614	269	0%	143,479	111,843	142,000	-	0%
FISCAL SERVICES	22,800	22,800	15,570	14,211	1,359	10%	18,470	20,760	22,800	-	0%
MEDICAL/EMPLOY SERVICES	3,600	3,600	2,453	1,365	1,088	80%	2,979	3,271	3,600	-	0%
CONTRACT SERVICES	39,950	39,950	12,325	13,325	(1,000)	-8%	13,288	16,433	39,950	-	0%
SEWER MAINTENANCE CLAIMS	0	0	0	0	0	0%	0	0	0	-	0%
COUNTY COLLECTION FEE	15,500	15,500	0	0	0	0%	1,574	0	15,500	-	0%
PUMP STN MAINT CONTRACT	30,000	38,500	31,070	71,842	(40,772)	-57%	74,232	41,427	38,500	-	0%
SEWER LINE MAINTENANCE	25,000	25,000	2,300	2,250	50	2%	198,492	3,067	15,000	10,000	40%
ELECTIONS	0	0	0	30,204	(30,204)	-100%	30,204	0	0	-	0%
BLDG MAINTENANCE	45,250	45,250	23,392	24,939	(1,547)	-6%	34,841	31,189	45,250	-	0%
EQUIP MAINTENANCE	93,800	93,800	33,161	67,835	(34,674)	-51%	57,554	44,215	73,800	20,000	21%
GIS MAINTENANCE	45,000	45,000	21,173	20,960	212	1%	23,953	28,230	45,000	-	0%
TELEVISIONING SEWER LINES	70,000	556,000	36,978	6,751	30,227	448%	12,145	49,304	556,000	-	0%
MISC SEWER WORK	150,000	133,800	46,143	147,093	(100,950)	-69%	161,711	61,524	103,800	30,000	22%
FOG PROGRAM	108,000	108,000	68,171	60,200	7,971	13%	93,669	90,894	108,000	-	0%
RESIDENT FOG PROGRAM	0	0	0	0	0	0%	0	0	0	-	0%
SEWER LATERAL PROGRAM	200,000	254,200	153,934	136,152	17,781	13%	201,475	205,245	254,200	-	0%
CCTV SWR LATERAL PROGRAM	20,000	20,000	0	0	0	0%	0	0	0	20,000	100%
OFFICE SUPPLIES	6,400	6,400	4,624	3,735	889	24%	5,183	6,166	6,400	-	0%
MISC COPY	1,350	1,350	34	39	(5)	-13%	39	45	1,350	-	0%
POSTAGE	9,000	6,850	1,671	1,786	(115)	-6%	3,774	2,228	5,000	1,850	27%
COMMUNITY OUTREACH	33,400	35,600	22,287	19,962	2,325	12%	28,249	29,716	35,600	-	0%
SMALL TOOLS/EQUIP	24,260	24,260	12,876	10,597	2,279	22%	10,310	17,169	24,260	-	0%
MAINT MATERIAL/SUPPLIES	20,000	27,071	12,496	5,147	7,350	143%	19,676	16,661	27,071	0	0%
EOC EQPT & SUPPLIES	1,350	3,500	2,483	2,472	12	0%	3,596	3,311	3,500	-	0%
COMPUTER LICENSES & MAINT	72,610	72,610	72,468	29,559	42,909	145%	60,570	96,624	85,610	(13,000)	-18%
PROF DEVELOPMENT/TRAINING	112,770	116,770	87,806	75,099	12,707	17%	84,615	117,075	116,770	-	0%
LIABILITY INSURANCE	76,200	76,200	68,703	69,047	(345)	0%	69,577	91,604	69,000	7,200	9%
TELEPHONE	21,200	21,200	16,417	12,946	3,470	27%	18,544	21,889	21,200	-	0%
UTILITIES	15,350	15,350	7,851	8,037	(187)	-2%	11,501	10,467	15,350	-	0%
WATER PUMP MAINTENANCE	2,000	2,000	1,126	1,136	(10)	-1%	1,642	1,501	2,000	-	0%
ELECTRIC PUMP MAINTENANCE	75,000	75,000	35,523	51,236	(15,714)	-31%	67,766	47,364	60,000	15,000	20%
ASSET REPLACEMENT	234,000	234,000	175,500	150,750	24,750	16%	150,750	234,000	234,000	-	0%
CONTINGENCY	128,280	66,280	0	0	0	0%	0	0	66,280	-	0%
Sub-Total M & O	2,180,320	2,689,130	1,228,253	1,283,408	(55,155)	-4%	1,976,108	1,637,670	2,598,080	91,050	3%
Capital Outlay											
EQUIPMENT	22,680	94,680	499,095	14,789	484,306	3275%	32,630	665,461	500,000	(405,320)	-428%
EQUIPMENT	206,000	577,751	520,143	297,219	222,924	75%	638,970	693,525	577,751	(0)	0%
Sub-Total Capital Outlay	228,680	672,431	1,019,239	312,009	707,230	227%	671,600	1,358,985	1,077,751	(405,320)	-60%
TOTAL EXPENDITURES	\$ 3,823,000	\$ 4,775,561	\$ 3,201,707	\$ 2,416,221	\$ 785,485	33%	\$ 3,611,657	\$ 4,268,942	\$ 5,084,831	\$ (309,270)	-6%

Notes

¹ Finance Projections reflect the most recent quarterly update

% change from last year ==>>

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