

Loxahatchee River District

Water Reclamation | Environmental Education | River Restoration


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D. Albrey Arrington, Ph.D., Executive Director

MEMORANDUM

TO: GOVERNING BOARD
 FROM: D. ALBREY ARRINGTON, Ph.D. 
 DATE: JULY 9, 2015
 SUBJECT: FISCAL YEAR 2015-2016 – BUDGET ASSUMPTIONS

Our budget season is upon us. Over the next few months, we will continue developing our FY2016 budget, which goes into effect on October 1, 2015. We are proceeding with the following schedule:

- August: Provide and review draft budget in spreadsheet (not book) format
- September: Provide and review Final Draft Budget (in book format) and approve Final Budget.

The table below compares Draft Budget figures against projected expenses from the Rate Study. Operational expenses in the draft budget are \$145,040 (-1.0%) below the Rate Study projection, and the entire budget is \$416,540 (-1.5%) below the Rate Study projection.

	Admin, Engineering, Water Resources, Operations	Loan Payment	Capital Collection & Transmission System	Capital Treatment & Disposal System	R&R Collection & Transmission System	R&R Treatment & Disposal System	Total
RateStudy	\$14,854,000	\$0	\$3,500,000	\$820,000	\$1,624,000	\$6,900,000	\$27,698,000
Budget	\$14,708,960	\$0	\$5,902,500	\$638,000	\$1,710,000	\$4,322,000	\$27,281,460

The table below compares Draft Budget figures against FY2015 Budget figures:

FY2016 (\$)	FY2015 (\$)	Change	Budget Category
\$ 5,546,649	\$ 3,853,550	(44%)	Admin., Legal, Accounting, Water Resources, and Engineering
\$ 9,162,311	\$ 10,367,740	(-12%)	System Operation and Maintenance
\$ 0	\$ 331,540	(-)	Bond Costs
\$ 14,708,960	\$ 14,552,830	(1%)	Operating Expense Sub-Total
\$ 6,540,500	\$ 3,564,000	(84%)	Capital Improvements
\$ 6,032,000	\$ 5,072,000	(19%)	Renewal & Replacement
\$ 27,281,460	\$ 23,188,830	(18%)	Grand Total

The draft budget represents an 18% increase relative to last year's budget. Three major projects (sewerage of Jupiter Inlet Colony, sewerage of Little Oaks & River Oaks, and construction of the deep bed sand filters) account for the vast majority of this increase. **Operating Expenses represent a 1.0% annual increase relative to the FY2015 Budget.**

This budget has been significantly affected by the recent reorganization of the District (i.e., Construction moved from Operations to Engineering; Purchasing and Warehouse moved from Operations to Finance and Administration; IT moved from Operations to Information Services; and Customer Service moved from Administration to Information Services). The effects of reorganization explain the bulk of the 44% increase and 12% decrease in Admin and Operations, respectively (see table above).

Gordon M. Boggie
Board Member

Stephen B. Rockoff
Board Member

Dr. Matt H. Rostock
Chairman

Harvey M. Silverman
Board Member

James D. Snyder
Board Member

Revenue – Total revenue is projected to increase from \$21,045,000 in FY 14-15 to \$22,817,000 in FY 15-16 – an 8.4% increase. As discussed last month, this is driven by an apparent underestimate of FY2015 revenue. Quarterly sewer revenues are projected to increase by 5.2% based on comparisons to fiscal year to date actual revenues. While we will incur significant capital expenses for Jupiter Inlet Colony Neighborhood Rehabilitation in FY2016, we anticipate a significant increase in revenues in FY2017 based on the JIC pre-paying the full project assessment amount in FY2017.

Salary & Wages – An increase of \$165,974 (3.5%) is shown in the matrix. This increase is driven by the addition of a new HR employee, anticipated merit increases, promotions and overtime.

1. Number of Employees: One new staff member to address our human resources needs is included in the budget
2. Proposed Cost of Living Adjustment: The May consumer price index (CPI-U) was 0%; therefore, we have not budgeted a COLA adjustment this year.
3. Proposed Merit Increase: I recommend the budget include 3.5% to be disbursed to employees exhibiting meritorious performance during their annual performance review process.

Payroll Tax – An increase of \$8,840 (2.5%) is budgeted due to the anticipated increase in wages.

Retirement – An increase of \$23,320 (3.6%) is budgeted due to the anticipated increase in wages.

Employee Health Insurance – The Gehring Group is estimating Florida's medical inflation rate at around 12% per year. While it is tempting to budget for the projected 12% increase, our past performance suggests we can hedge this projected increase. This budget includes an 8.0% (\$79,836) increase for health insurance. We will continue to evaluate our options over the next month.

General Insurance – An increase of \$5,770 (1.5%) is budgeted based on the existing policy with a two year rate lock, so costs next year will only increase proportional to the value of additional assets insured.

Supplies & Expenses – An increase of \$70,070 (7.3%) is budgeted. The proposed increase is driven by additional training and anticipated costs associated with improving the quality of our billing process (outgoing and incoming).

Utilities – An increase of \$24,230 (1.7%) is budgeted based on anticipated rate increases.

Chemicals – An increase of \$63,270 (9.9%) is budgeted. This increase is driven by (1) expected cost increases from chemical suppliers (e.g., bioxide added in the collection system to improve treatment performance) and (2) increasing odor control efforts at key locations in the collection system.

Maintenance & Repair – A decrease of \$18,510 (-0.8%) is budgeted. While we are showing a marginal decrease in this category, we continue to budget significant funds to maintain our vast network of assets.

Outside Services – An increase of \$64,870 (4.1%) is anticipated. The majority of this increase is based on projected consulting work to improve functionality of key databases, our geographic information system (GIS), and web-based communications.

Contingency – We do not anticipate a change in our budgeted contingency amounts.

Bond – In Fiscal Year 2015 we paid off our last remaining bond, so we have budgeted \$0 for debt service!

Capital – is projected to increase by \$2,976,500 (84%). In FY2016 Jupiter Inlet Colony and River Oaks & Little Oaks neighborhood sewerage costs represent, by far, the largest budgeted expenditures.

Capital Accounts	FY2015	FY2016	% Increase
Equipment	\$ 510,000	\$472,500	-7%
Water Resources	\$ 10,000	\$10,000	0%
Sub-Regional Collection & Transmission System	\$ 1,950,000	\$4,940,000	153%
Regional Collection & Transmission System	\$ 498,000	\$480,000	-4%
Treatment System	\$ 195,000	\$321,000	65%
Reclamation & Disposal System	\$ 221,000	\$137,000	-38%
Expansion	\$ 10,000	\$10,000	0%
Contingency	\$ 170,000	\$170,000	0%
Total	\$ 3,564,000	\$6,540,500	84%

Renewal & Replacement – is projected to increase by \$960,000 (19%). The vast majority of this increase is due to expenses associated with engineering and construction of our new deep bed filters and associated electrical improvements (\$3,185,000; Treatment System). In addition, we will continue to systematically evaluate and rehabilitate our aging sewer system equipment and infrastructure.

Renewal & Replacement Accounts	FY2015	FY2016	% Increase
Collection System	\$ 600,000	\$475,000	-21%
Transmission System	\$ 1,053,000	\$1,235,000	17%
Treatment System	\$ 2,365,000	\$3,185,000	35%
Reclamation & Disposal System	\$ 538,000	\$605,000	12%
Vehicles & Equipment	\$ 381,000	\$382,000	0%
Contingency	\$ 135,000	\$150,000	11%
Total	\$ 5,072,000	\$6,032,000	19%

The budget matrix is provided on the following page. Budgeting is an important process, and we look forward to receiving your input.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
FY 2015 - 2016 BUDGET MATRIX

FY 14-15
FY 15-16

	FINANCE/ EXECUTIVE ADMIN	INFORMATION SERVICES IT, LAB, C.SER.	ENGNRNG INSPECTION CONST./LPSS	GENERAL OPERTNS.	MOVED ENGNRNG	COLLCTN. & TRANS SYSTEM	TREAT. SYSTEM	I.Q. WATER SYSTEM	BIOSOLIDS	CONTNGCY	TOTAL OPERATIONS EXPENSES	% Increase	
SALARY & WAGE	\$333,870 \$530,710	\$467,480 \$483,700	\$585,590 \$857,780	\$571,470 \$904,050	\$671,910 \$319,510	\$312,780 \$0	\$767,210 \$683,674	\$885,950 \$965,640	\$104,360 \$111,560	\$103,580 \$113,550	\$4,804,200 \$4,970,174	3.5%	
PAYROLL TAX	\$24,240 \$36,260	\$33,700 \$33,070	\$42,380 \$60,980	\$41,490 \$63,700	\$48,640 \$23,220	\$22,540 \$0	\$55,560 \$49,480	\$63,790 \$73,050	\$7,420 \$8,110	\$7,520 \$8,250	\$347,280 \$356,120	2.5%	
RETIREMNT	\$53,230 \$65,420	\$73,970 \$66,490	\$74,500 \$109,990	\$66,960 \$137,770	\$78,180 \$38,120	\$32,390 \$0	\$121,170 \$107,890	\$112,120 \$103,000	\$17,500 \$20,450	\$16,560 \$20,770	\$646,580 \$669,900	3.6%	
EMPLOYEE HLTH INSR	\$54,530 \$97,658	\$84,240 \$86,671	\$115,470 \$193,649	\$129,100 \$207,921	\$154,430 \$82,650	\$68,050 \$0	\$147,050 \$144,631	\$186,150 \$204,216	\$26,950 \$30,150	\$26,740 \$25,000	\$992,710 \$1,072,546	8.0%	
GENERAL INSURNC	\$48,730 \$59,540				\$348,450 \$343,410						\$397,180 \$402,950	1.5%	
SUPPLYS& EXPENSES	\$107,760 \$150,360	\$141,500 \$135,000	\$89,310 \$158,880	\$30,000 \$80,000	\$208,300 \$189,000	\$41,800 \$0	\$65,000 \$65,000	\$250,000 \$227,500	\$19,500 \$17,500	\$7,500 \$7,500	\$960,670 \$1,030,740	7.3%	
UTILITIES	\$54,860 \$79,240	\$69,000	\$31,000 \$76,360		\$102,920 \$118,000		\$242,800 \$243,750	\$602,800 \$602,800	\$286,040 \$293,500		\$1,389,420 \$1,413,650	1.7%	
CHEMCALS							\$404,500 \$500,000	\$53,500 \$50,000	\$88,000 \$55,000	\$90,730 \$95,000	\$636,730 \$700,000	9.9%	
MAINTNCE & REPAIR	\$59,000 \$88,690	\$0 \$5,000	\$73,460 \$67,170	\$29,780 \$265,190	\$188,920 \$216,120	\$163,250 \$0	\$595,300 \$623,000	\$591,840 \$616,220	\$372,800 \$263,000	\$172,000 \$83,450	\$2,246,350 \$2,227,840	-0.8%	
OUTSIDE SERVICES	\$121,000 \$140,520	\$39,000 \$39,000	\$149,930 \$208,880	\$57,000 \$57,000			\$35,600 \$32,000	\$193,210 \$188,210	\$225,000 \$200,000	\$754,430 \$754,430	\$1,575,170 \$1,640,040	4.1%	
CNTNGCY											\$225,000 \$225,000	0.0%	
TOT.OPER EXPENSES	\$857,220 \$1,248,398	\$908,890 \$848,931	\$1,161,640 \$1,733,689	\$925,800 \$1,715,631	\$1,801,750 \$1,350,030	\$640,810 \$0	\$2,434,190 \$2,449,425	\$2,939,360 \$3,030,636	\$1,147,570 \$999,270	\$1,179,060 \$1,107,950	\$225,000 \$225,000	\$14,221,290 \$14,708,960	3.4%
% Increase	45.6%	-6.6%	49.2%	85.3%	-25.1%	-100.0%	0.6%	3.1%	-12.9%	-6.0%	0.0%		