

Loxahatchee River District

Water Reclamation | Environmental Education | River Restoration


2500 Jupiter Park Drive, Jupiter, Florida 33458-8964

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

MEMORANDUM

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

Our budget season is upon us. Over the next four months, we will work through our budgeting process to develop, review, and approve our Fiscal Year 2015-2016 budget, which goes into effect on October 1, 2015. We are proceeding with the following schedule:

- June: Provide and review gross budget assumptions
- July: Provide and review budget matrix
- August: Provide and review draft budget in spreadsheet format
- September: Provide and review Final Draft Budget and approve Final Budget.

This month our goal is to review the gross assumptions that have been made regarding the FY 2015-2016 budget. Our major objective is to avoid surprising the Board with unanticipated, significant increases in the draft and final budget.

Assumptions are provided based on the key budget categories used in the budget matrix.

Salary & Wages –

1. Number of Employees: As discussed during the revision of Chapter 31-1, we are budgeting for a new staff member to address our human resources needs as part of the transition through Anna's retirement. Otherwise, the number of full time employees will remain unchanged.
2. Proposed Cost of Living Adjustment: The April consumer price index (CPI-U) was -0.2%. If the May CPI-U remains at this level, then we will not include a COLA, because the COLA adjustment is designed to maintain the purchasing power of our employees relative to inflation.
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 proportional to the increase in salaries and wages will occur.

Retirement – An increase proportional to the increase in salaries and wages will occur.

Employee Health Insurance – The Gehring Group suggested we should anticipate a 12% increase in our health insurance premium. This is based on their knowledge of the industry. We are anxiously watching to see how the Supreme Court might affect health care. As we renew our health insurance in the fall, we will work to minimize this number to the extent possible.

General Insurance – In March, we renewed our Property, General Liability, Automobile Liability and Physical Damage, Workers Compensation, and Fiduciary Liability insurance policies through a two year

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agreement (i.e., locked the rate for two years). We will budget a 2% increase to cover the potential increase in the value of insured assets.

Supplies & Expenses – At this time I am not aware of any significant increases in this budget category.

Utilities – FPL has not yet finalized their expected rate increase for next year.

Chemicals – We presently anticipate chemical costs will increase less than 5% in FY 2016.

Maintenance & Repair – This budget category, which includes costs of maintaining and repairing District owned equipment and structures, is expected to increase by approximately 5%.

Outside Services – I expect this budget category to increase by less than 5%.

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

Revenue – Staff projections suggest total revenue will increase from \$21,045,000 in FY 14-15 to \$22,817,000 in FY 15-16, which is an 8.4% increase. The vast majority of this increase is driven by quarterly sewer revenues, which are projected to increase 10.9% relative to last year's budget estimate. However, quarterly sewer revenues are only projected to increase by 5.2% when compared to annualized actual revenues received through the first three quarters of this fiscal year. It appears our revenue projections fell short last year. We noticed and corrected this issue in February during the Rate Study, and quarterly sewer revenues are 0.4% higher than we projected for FY2016 in the Rate Study. Overall, the increase in revenue is driven by our projected rate increase (in April) and growth in the number of customers we serve.

Gross assumptions for Capital and Renewal & Replacement costs are provided by Mr. Yerkes in the following pages.

Many of these are coarse estimates that will be refined over the next two months. We look forward to further clarifying anticipated costs for next year and providing them to you in the budget matrix format next month.

This is an important process, and we look forward to receiving your input.

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

MEMORANDUM

To: D. Albrey Arrington, Executive Director
From: Clinton R. Yerkes, Deputy Executive Director
Date: June 11, 2015
Subject: FY 2016 Proposed Budget
Capital and Renewal & Replacement

Assumptions have been made as to the progress of several major Capital and Renewal / Replacement projects for the coming year. The following is a listing of major projects (> \$150,000) which are currently included in the proposed budget:

MAJOR CAPITAL and R&R PROJECTS

Neighborhood Sewering*	\$4,600,000
Deep Bed Filters (Partial)	\$3,300,000
Lift Station Rehabilitations (6)	\$ 425,000
Gravity Line Clean-Evaluate-Rehabilitate	\$ 300,000
Sludge Building Renewal	\$ 250,000
Vehicle Replacements	\$ 250,000
Loxahatchee River Rd. IQ FM Replacement	<u>\$ 160,000</u>
Total	\$9,285,000

*Neighborhood Sewering includes partial costs of Jupiter Inlet Colony, River Oaks & Little Oaks, Turtle Creek, Imperial Woods and various remnant areas.

While the number of projects is less than normal, the total value is greater than normal expenditures for large projects by a significant margin.

Should you have any questions in regard to these projects or the projected expenditures, I would be pleased to discuss them further with you.

Signed,

Clinton R. Yerkes
Deputy Executive Director

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