

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 15, 2016
SUBJECT: FISCAL YEAR 2016-2017 – BUDGET ASSUMPTIONS

Our budget season is upon us. Over the next three months, we will work through our budgeting process to develop, review, and approve our Fiscal Year 2017 budget, which goes into effect on October 1, 2016. We are proceeding with the following schedule:

- July: Provide and review budget matrix
- August: Provide and review draft budget by each account number
- September: Provide and review Final Draft Budget and approve Final Budget.

From a comprehensive perspective, the Draft Budget includes the following:

FY2016 (\$)	FY2017 (\$)	Change	Budget Category
\$ 5,560,779	\$ 5,918,548	(6.4%)	Admin., Legal, Accounting, Information Services, and Engineering
\$ 9,149,135	\$ 9,512,152	(4.0%)	System Operation and Maintenance
<i>\$ 14,709,914</i>	<i>\$ 15,430,700</i>	<i>(4.9%)</i>	<i>Operating Expense Sub-Total</i>
\$ 6,740,500	\$ 9,228,500	(37%)	Capital Improvements
\$ 6,032,000	\$ 9,021,000	(50%)	Renewal & Replacement
\$ 27,482,414	\$ 33,680,200	(23%)	Grand Total

The draft budget results in a 23% increase relative to last year's budget. The vast majority of this increase is driven by four major projects (sewering of Jupiter Inlet Colony, construction of the deep bed sand filters, construction of the new wastewater force main on Alternate A-1-A bridge, and significant improvements to our Master Lift Station). Operating Expenses represent a 4.9% annual increase, which is equal to the U.S. Department of Labor Statistics' Water and Sewerage Maintenance Index (WSMI). My goal over the next two months will be to work to reduce this number to the extent reasonably possible.

Below I provide a general discussion of each budget category as outlined in the budget matrix. The budget matrix is provided on the last page of this memo.

Revenue – Total revenue is expected to increase from \$22,817,000 in FY2016 to \$23,132,000 in FY2017; a 1.4% increase. This revenue increase is driven by our projected increase in the number of customers we serve.

Salary & Wages – An increase of \$306,432 (6.2%) is shown in the matrix. This increase is driven by the addition of a new engineering employee, COLA, potential merit increases, promotions and overtime.

1. Number of Employees: I have proposed a new staff member in Engineering to facilitate coordination of in-house construction projects (e.g., project planning, permitting, material

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acquisition, and etc). This position will be important in managing Kris' work load as he assimilates management responsibilities of the Collection and Transmission crews. If approved, the District will have 81 full time employees.

2. Proposed Cost of Living Adjustment: The June consumer price index (CPI-U) was 1.0%, so I suggest we include a 1.0% cost of living adjustment (COLA) for our employees to maintain their purchasing power given the present rate of inflation.
3. Proposed Merit Increase: I recommend the budget include 3.0% to be disbursed to employees exhibiting meritorious performance during their annual performance review process.

Payroll Tax – An increase of \$41,080 (11.5%) is budgeted. We are working to understand the magnitude of this increase.

Retirement – An increase of \$42,200 (6.3%) is budgeted due to the anticipated increase in wages.

Employee Health Insurance – This current version of our draft budget includes a 12.0% (\$128,255) increase for health insurance. This increase assimilates costs of a new employee, status changes among existing employees (i.e., moving from single to family coverage), and the Gehring Group's suggestion that we should anticipate a 11% increase in our health premiums. Our past performance suggests we can hedge this projected increase especially if we go out to a full RFP for health insurance, which I intend on doing this year. We will continue to evaluate our options and budget strategy over the next two months.

General Insurance – An increase of \$40,300 (10%) is budgeted for our Property, General Liability, Automobile Liability and Physical Damage, Workers Compensation, and Fiduciary Liability insurance policies based on feedback from our insurance agent. This increase is driven by inflation in the insurance market and increasing value of insured assets.

Supplies & Expenses – A decrease of \$69,052 (-6.7%) is budgeted. The decrease is driven by moving \$100,000 of costs (predominantly associated with fees paid to the Tax Collector for collecting our non-*ad valorem* assessments) have been moved to "Outside Services" (see below). Without this cost transfer, this line item would be up 3.0%.

Utilities – FPL proposed a 17% rate increase for next year; nonetheless, we have budgeted for a 10.4% (\$146,613) increase in the anticipation that FPL will not be allowed to implement the full proposed 17% rate increase.

Chemicals – A decrease of \$50,991 (-7.3%) is budgeted, because anticipated efforts (costs) to remediate a significant source of odors in our collection system were not necessary. Rather, the odor issue was addressed through collaboration with a significant user in our system.

Repair & Maintenance – A decrease of \$58,578 (-2.5%) is budgeted. We believe the budgeted amount will allow staff to continue our proactive efforts to effectively maintain our assets.

Outside Services – An increase of \$219,527 (14.6%) is budgeted. These additional costs are driven by the following: \$70,000 for fees paid to the Tax Collector for processing non-*ad valorem* assessments (moved from Supplies & Expenses); an expected \$75,000 increase in sludge hauling; additional consulting on our financial software; and purchase and installation of new time and attendance software.

Contingency – We have reduced our budgeted contingency by \$25,000 (-11.1%).

Capital – is projected to increase by \$2,488,000 (37%). In FY2017 neighborhood sewerage of Jupiter Inlet Colony, Turtle Creek, and Whispering Trails; construction of a new wastewater force main on the Alternate A-1-A bridge; and improvements to our Master Lift Station represent the most significant budgeted expenditures.

Capital Accounts	FY2016	FY2017	% Increase
Equipment	\$ 472,500	\$ 592,500	25%
Information Services	\$ 10,000	\$ 35,000	250%
Sub-Regional Collection & Transmission System	\$ 4,940,000	\$ 5,040,000	2%
Regional Collection & Transmission System	\$ 480,000	\$ 3,018,000	529%
Treatment System	\$ 321,000	\$ 296,000	-8%
Reclamation & Disposal System	\$ 137,000	\$ 67,000	-51%
Expansion	\$ 10,000	\$ 10,000	0%
Contingency	\$ 370,000	\$ 170,000	-54%
Total	\$ 6,740,500	\$ 9,228,500	37%

**We will incur significant capital expenses for Jupiter Inlet Colony Neighborhood Rehabilitation in FY2017, and we anticipate JIC will pre-pay the full project assessment amount in FY2018.*

Renewal & Replacement – is projected to increase by \$2,989,000 (50%). The overwhelming majority of this increase is due to expenses associated with engineering and construction of our new deep bed filters and associated electrical improvements (\$6,542,500; Treatment System). In addition, we will continue to systematically evaluate and rehabilitate our aging sewer system equipment and infrastructure.

Renewal & Replacement Accounts	FY2016	FY2017	% Increase
Collection System	\$475,000	\$225,000	-53%
Transmission System	\$1,235,000	\$938,000	-24%
Treatment System	\$3,185,000	\$6,542,500	105%
Reclamation & Disposal System	\$605,000	\$606,500	0%
Vehicles & Equipment	\$382,000	\$559,000	46%
Contingency	\$150,000	\$150,000	0%
Total	\$6,032,000	\$9,021,000	50%

Budgeting is an important process, and we look forward to receiving your input. Again, my goal will be to reduce our budgeted Operating Expenses to below the U.S. Department of Labor Statistics’ Water and Sewerage Maintenance Index of 4.9%. I look forward to discussing our budgeting efforts with you.

Matrix Group	FY	Executive	Finance and Administration	Information Services (IT, Lab, Cust Svc)	Engineering	Construction	General Operations	Collection & Transmission	Treatment & Disposal	IQ Water System	Bio Solids	Contingency	Total	Percent Change
Salaries & Wages	2016	\$ 517,890	\$ 483,700	\$ 852,230	\$ 543,620	\$ 362,430	\$ 321,530	\$ 687,590	\$ 972,530	\$ 112,558	\$ 113,550		\$ 4,967,628	6.2%
Salaries & Wages	2017	\$ 564,200	\$ 477,600	\$ 913,600	\$ 618,520	\$ 343,100	\$ 330,400	\$ 743,720	\$ 1,050,400	\$ 112,180	\$ 120,340		\$ 5,274,060	
Payroll Taxes	2016	\$ 36,260	\$ 33,070	\$ 60,980	\$ 39,000	\$ 24,700	\$ 23,220	\$ 49,480	\$ 73,050	\$ 8,110	\$ 8,250		\$ 356,120	11.5%
Payroll Taxes	2017	\$ 42,900	\$ 36,100	\$ 68,400	\$ 46,500	\$ 25,700	\$ 24,800	\$ 55,800	\$ 79,500	\$ 8,400	\$ 9,100		\$ 397,200	
Retirement	2016	\$ 65,420	\$ 66,490	\$ 109,990	\$ 82,100	\$ 55,670	\$ 38,120	\$ 107,890	\$ 103,000	\$ 20,450	\$ 20,770		\$ 669,900	6.3%
Retirement	2017	\$ 72,100	\$ 67,900	\$ 115,300	\$ 82,000	\$ 49,000	\$ 46,900	\$ 96,000	\$ 149,600	\$ 16,100	\$ 17,200		\$ 712,100	
Health Insurance	2016	\$ 97,658	\$ 86,671	\$ 193,649	\$ 110,891	\$ 97,030	\$ 82,650	\$ 144,631	\$ 204,216	\$ 30,150	\$ 25,000		\$ 1,072,546	12.0%
Health Insurance	2017	\$ 107,424	\$ 95,338	\$ 213,014	\$ 136,980	\$ 112,733	\$ 90,915	\$ 159,094	\$ 224,638	\$ 33,165	\$ 27,500		\$ 1,200,801	
General Insurance	2016	\$ 59,540					\$ 343,410						\$ 402,950	10.0%
General Insurance	2017	\$ 62,950					\$ 380,300						\$ 443,250	
Supplies & Expenses	2016	\$ 150,860	\$ 140,000	\$ 158,880	\$ 30,000	\$ 50,000	\$ 189,000	\$ 63,000	\$ 227,500	\$ 17,500	\$ 7,500		\$ 1,034,240	-6.7%
Supplies & Expenses	2017	\$ 151,683	\$ 39,000	\$ 188,800	\$ 30,000	\$ 50,000	\$ 188,955	\$ 56,000	\$ 238,950	\$ 14,300	\$ 7,500		\$ 965,188	
Utilities	2016	\$ 79,240		\$ 76,360			\$ 118,000	\$ 243,750	\$ 602,800	\$ 293,500			\$ 1,413,650	10.4%
Utilities	2017	\$ 98,158		\$ 68,078			\$ 127,882	\$ 304,839	\$ 654,598	\$ 306,708			\$ 1,560,263	
Chemicals	2016							\$ 500,000	\$ 50,000	\$ 55,000	\$ 95,000		\$ 700,000	-7.3%
Chemicals	2017							\$ 396,920	\$ 50,000	\$ 90,500	\$ 111,589		\$ 649,009	
Repair & Maintenance	2016	\$ 88,690	\$ 5,000	\$ 67,170	\$ 28,090	\$ 237,100	\$ 216,120	\$ 623,000	\$ 756,220	\$ 263,000	\$ 83,450		\$ 2,367,840	-2.5%
Repair & Maintenance	2017	\$ 112,780	\$ 5,000	\$ 61,450	\$ 31,640	\$ 256,250	\$ 153,360	\$ 580,465	\$ 764,600	\$ 173,917	\$ 169,800		\$ 2,309,262	
Outside Services	2016	\$ 236,520	\$ -	\$ 208,880			\$ 20,000	\$ 32,000	\$ 48,210	\$ 200,000	\$ 754,430		\$ 1,500,040	14.6%
Outside Services	2017	\$ 237,820	\$ 100,030	\$ 211,500			\$ 20,000	\$ 40,502	\$ 55,000	\$ 225,000	\$ 829,715		\$ 1,719,567	
Contingency	2016											\$ 225,000	\$ 225,000	-11.1%
Contingency	2017											\$ 200,000	\$ 200,000	
Total	2016	1,332,078	814,931	1,728,139	833,701	826,930	1,352,050	2,451,341	3,037,526	1,000,268	1,107,950	225,000	14,709,914	4.9%
Total	2017	1,450,015	820,968	1,840,142	945,640	836,783	1,363,512	2,433,340	3,267,286	980,270	1,292,744	200,000	15,430,700	
Percent Change		8.9%	0.7%	6.5%	13.4%	1.2%	0.8%	-0.7%	7.6%	-2.0%	16.7%	-11.1%	4.9%	