

MEMORANDUM

Date: November 20, 2019
 To: Board of Directors
 From: Tom Hennig, Director of Administration
 Subject: Administration / Financial Update

Finance staff continues working with The Pun Group to address specific matters of concern as approved by the Board in August. We are currently working to provide annual audit documents to the auditor, including a detailed accounting of our fixed assets. We anticipate finishing this work on time and expect the audit to be completed in time for the February Board meeting. We are also working with various financial system vendors to complete system integrations and upgrades as recommended by The Pun Group. These activities are summarized in this update.

Residential Water Consumption – Fiscal year-to-date residential water usage was approximately 1.36% over October 2018. Listed below are year-to-date water consumption numbers using weighted averages.

		2019				Last FY	Last FY	Last FY	Last FY	Last FY	Last FY	Last FY	Last FY	Last FY Same Period
		2019	2019	2019	2019	2019	2019	2019	2019	2019	2018	2018	2018	
		Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct
Residences	12 month rolling % increase	2,587	2,546	2,549	2,550	2,547	2,547	2,546	2,541	2,546	2,545	2,545	2,537	2,543
	Weighted Average		Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct
Cubic Feet	2,472	1,956	2,727	2,668	2,537	2,194	1,528	837	569	584	678	864	1,522	1,930
Gallons Per Day	616	488	680	665	633	547	381	209	142	146	169	215	379	481

Commercial/Other Water Consumption – Commercial water usage in October 2019 was 33% lower compared with last month. Year-to-date commercial water usage was approximately 14.7% over budget. This increase is mainly due to large user accounts. Listed below are year-to-date water consumption numbers in cubic feet.

		2019				Last FY	Last FY	Last FY	Last FY	Last FY	Last FY	Last FY	Last FY	Last FY	Last FY Same Period
		2019	2019	2019	2019	2019	2019	2019	2019	2019	2018	2018	2018	2018	
		Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	
Commercial	YTD	112,163	144,774	223,508	128,844	114,939	86,611	53,880	39,987	45,277	39,726	50,290	74,880	96,405	
Parks	Totals	33,020	58,660	83,041	66,818	58,540	36,481	3,561	602	758	501	878	16,480	32,739	
Raw Water		191,799	328,901	333,951	366,048	104,751	73,701	2,451	15,662	100	0	401	40,548	204,951	
CSD		7,295	13,981	16,941	18,333	13,255	7,632	5,330	9,269	10,925	11,663	11,057	12,730	15,032	
Totals		344,277	546,316	657,441	580,043	291,485	204,425	65,222	65,520	57,060	51,890	62,626	144,638	349,127	

Lock-Offs – During the month of October 2019, there were zero (0) lock-offs. This is the first month that any RMCS D staff can recall there being zero lock-offs. There are currently twelve properties within the District that have remained locked off from services for an extended period. These properties are either vacant homes or empty lots with water meters.

Connection Fees – Developers paid \$120,537 for eight connections in October 2019.

Aging Report – Amounts past due of more than sixty (60) days totals \$15,035. Half of this amount is due from a single undeveloped property, which we expect to be current by December’s Board meeting. There are \$6,807 in amounts past-due from old ownership change accounts. Most of the past due revenue has set in a dormant account status and will be very difficult, if at all possible, to collect.

Summary of Reserve Accounts as of October 31, 2019 – The ending balance of the District’s reserve accounts is \$5,789,696 as of October 31st, 2019, and it is an increase of \$56,632 compared with last month. Staff continues to validate all reserve contributions and expects there will be additional adjustments as we continue to identify past practices for allocation of monthly interest and sales revenue. We expect this activity to take place as part of the FY 2018-19 yearend closing process. Staff continues to work on a detailed analysis of all reserve funds and plans to prepare a report for the Finance Committee review in early 2020.

Reserve Fund Balances

<i>Reserve Descriptions</i>	<i>Fiscal Yr Beg Balance 7/1/2019</i>	<i>Increases</i>	<i>Decreases</i>	<i>Period End Balance 10/31/2019</i>
Water Capital Replacement (200-2505)	1,579,551	88,296		1,667,847
Sewer Capital Replacement (250-2505)	2,836,178	133,881	1,756	2,968,303
Drainage Capital Replacement (260-2505)	28,898		17,029	11,869
Security Capital Replacement (500-2505)	100,635	39	7,784	92,891
Admin Capital Replacement (xxx-2505-99)	87,210			87,210
Sewer Capital Improvement Connection (250-2500)	4,209			4,209
Capital Improvement (xxx-2510)	388,502	143,048	39	531,511
Water Supply Augmentation (200-2511)	1,719,244	144,876	690,818	1,173,302
WTP Construction Fund Reserve (200-2513)	-743,314	65,009	73,840	-752,145
Security Impact Fee Reserves (500-2513)	-7,450	18,000	5,850	4,700
<i>Total Reserves</i>	<i>5,993,663</i>	<i>593,150</i>	<i>797,117</i>	<i>5,789,696</i>

Inter-fund Borrowing Balances

<i>Inter-fund Borrowing</i>	<i>Fiscal Yr Beg Balance 7/1/2019</i>	<i>YTD Interest</i>	<i>YTD Repayment</i>	<i>Period End Balance 10/31/2019</i>
WTP Construction Loan from Sewer	856,042	6,424	47,001	809,040
WTP Construction Loan from WSA	285,353	2,141	15,667	269,686
Security N. Gate Loan from Drainage Fund	18,341	119	7,612	10,729
<i>Total Inter-fund Borrowing</i>	<i>1,159,736</i>	<i>8,684</i>	<i>70,280</i>	<i>1,089,455</i>

Budget to Actual Comparison Details (year-to-date through October 31, 2019)

Revenues

Water Charges, year-to-date, are **above** budget \$9,584 or 0.4%

Sewer Charges, year-to-date, are **below** budget \$9,639 or **(0.7%)**

Drainage Charges, year-to-date, are **above** budget \$1,552 or 0.9%

Solid Waste Charges, year-to-date, are **above** budget \$1,716 or 0.2%

Security Charges, year-to-date, are **above** budget \$1,824 or 0.2%

Expenses

The District's overall expenditures for FY 2019-20 are \$68,867 below budget through October 2019. We will continue to focus on closing FY 2018-19 and preparing for the annual audit.

Reserve Fund Purchases authorized by the General Manager

There were no additional reserve fund purchase authorizations during the month of October.

Finance Committee Update

Staff met with the Finance committee on November 5th.

- Discussed requested changes to the water use report format, which was published November 15, 2019.
- Reviewed the progress of various Financial Systems Integrations recommended by The Pun Group.
- Informed the Committee on the release of the RFP for the Cost Allocation Plan consulting services.
- Provided the Committee suggested changes to the monthly utility statement and statement mailing processes.
- Provided the Committee with an overview of plans for contracting for Payroll services.
- Informed the Committee on the status of the recycled and raw water rate study contract.
- Received direction from the Committee to provide a mid-year budget report with year-end projections and budget adjustments.

Administrative Initiatives

Financial Systems Integrations

In addition to the consulting work being completed by The Pun Group (TPG), District Finance staff continue working to complete several technology-related systems integrations. At the request of the Finance Committee, below is brief summary of each initiative. Each project was discussed with TPG as needed to increase productivity and eliminate processing errors.

Purchasing System Upgrades

Aestiva Purchasing program enhancements were identified as a significant opportunity to eliminate several redundant steps in the procurement processes. Staff elected to purchase Aestiva's Accounts Payable Automation module, which eliminates several steps involving manual data entry and processing of paperwork. The cost of the module is \$13,000 and funded by the admin contingency budget. This system upgrade will be completed in December.

Cost Allocation Plan RFP Award

Based on the recommendation from The Pun Group, Finance staff developed and released a Request for Proposal (RFP) for developing a formal Cost Allocation Plan for the District. The overall objective of this project is to conduct an overhead costs analysis on the District's allocation process to accurately reflect the true level of service in each cost center so that the District can identify and update the process of how direct and indirect support services are provided through the organization and their associated costs. A comprehensive Cost Allocation Plan will provide an analytical and data-driven basis for the allocation of the costs associated with providing support to operating groups within the District to ensure the maximum appropriate cost recovery is achieved.

A Cost Allocation Plan is a salient analytical tool in many financial decision-making situations for the District including:

- Submission and documentation provision for bond covenant
- Providing useful benchmarks for rate-making as well as planning
- Full cost hourly labor rates will appropriately include indirect costs for RMCS D staff work on non-District projects
- Analyzing the costs of contracting for services versus performing services in-house
- Recovering the total costs (direct and indirect) associated with implementing grant programs; billing timely and accurately on cost reimbursement grants
- Monitoring spending level on restricted funds

The District posted the RFP with a due date of November 13th, 2019, on its website and the CSDA website. The District received four (4) proposals. The District staff evaluated the proposals based on the following criteria:

- Understanding of the work required by the District
- Quality, clarity, and responsiveness of the proposal
- Demonstrated competence and professional qualifications necessary for successfully performing the work required by the District
- Recent experience in successfully performing similar services
- Proposed approach and methodology in completing the work
- References
- Background and related experience of the specific individuals assigned to this project.
- Proposed compensation

Finance staff and The Pun Group have reviewed and rated the RFP responses. The consensus of the group was that ClearSource is the best-suited of the four vendors to conduct the study and provide the plan that will work for RMCS D. ClearSource ranked highest in five of the eight rating categories. The cost of the contract with ClearSource is set not to exceed \$8,400 and funded through the District's consulting budget for the current fiscal year. This work will be completed in February, which will coincide with the release of the Prop 218 Notice associated with the Fiscal Year 2020-21 budgeting process.

Utility Billing Statement Changes

District Utility Billing statements are currently printed, folded, stuffed, and delivered to the post office by office staff. The equipment used for this process is very outdated and will need to be purchased if we continue to utilize staff for this activity. Instead of purchasing new equipment, staff researched the option of sourcing the work to a third-party pre-sort vendor who specializes in mailing statements. After a detailed review of the options, staff determined the District would save \$20,000 annually on doing this work in-house. The savings include a reduction in postage, material and staff time. Taking this initiative will provide for consistent production of the monthly statements as well as allowing to be more focused on customer service.

Payroll Processing Changes

The District relies on paying staff with paper timesheets, manual payroll data entry, and in-house payroll processing. This type of employee compensation system is outdated and creates a situation whereby we are placing a significant responsibility with a single staff member. Upon a recent departure of an employee, Administrative staff has identified several opportunities for improvement in these processes by contracting for payroll automation services. For the majority of public and private agencies, the size of RMCSO, outsourcing these services provides a stable and consistent method for managing payroll and HR services. We are currently reviewing our options for choosing between three (3) nationally based companies with a long history of providing these services efficiently and economically. During the next few weeks, the staff expects to select a vendor and implement this change.

RANCHO MURIETA CSD
Summary of All CSD Funds
For the Four Months Ending 10/31/2019
Budget to Actual Comparison Detail

Description	Period Budget	Period Actual	YTD Budget	YTD Actual	YTD Budget (Over)/Under	Annual Budget
Charges for Services - Residential	\$473,957	\$478,119	\$1,970,063	\$1,975,100	(\$5,037)	\$5,540,771
Charges for Services - Commercial	51,775	38,961	238,745	259,752	(21,006)	586,254
Availability Charges	0	0	0	0	0	460
Sales Other	700	722	2,800	3,585	(785)	8,400
CIA Ditch Service Charges	0	0	0	0	0	1,800
Property Taxes	0	0	0	0	0	674,370
Property Taxes (Reserve Alloc)	0	0	0	0	0	(82,000)
Total General Income	526,432	517,802	2,211,608	2,238,437	(26,828)	6,730,055
Interest Income	2,970	0	3,030	78	2,952	10,765
Total Earnings Income	2,970	0	3,030	78	2,952	10,765
Meter Installation Fee	0	0	4,800	28,095	(23,295)	4,800
Inspection Fees	0	0	1,518	9,488	(7,970)	5,693
Telephone Line Contracts	598	0	2,392	1,716	675	7,175
Fines/Rule Enforcement	175	175	700	700	0	2,100
Late Charges	6,450	2,606	25,800	(6,086)	31,886	77,400
Title Transfer Fees	1,350	6,450	5,400	15,900	(10,500)	16,200
Security Gate Bar Code Income	650	0	2,600	1,650	950	7,800
Project Reimbursement	2,182	456	8,728	13,567	(4,839)	26,184
Misc Income	1,208	496	4,833	4,222	611	14,500
Total Other Income	12,613	10,182	56,771	69,252	(12,481)	161,851
TOTAL REVENUE	542,015	527,985	2,271,409	2,307,767	(36,357)	6,902,671
Salaries & Wages	185,250	178,400	747,096	703,667	43,429	2,495,975
Employer Costs	48,708	46,334	195,223	185,285	9,938	608,878
Payroll Taxes	12,103	2,710	48,562	39,048	9,514	173,281
Other Employer Costs	13,114	10,447	53,430	43,544	9,886	161,318
Pension Expense	35,592	6,350	142,168	108,647	33,521	445,443
Tuition Reimbursement	0	0	0	0	0	2,870
Total Employee Services	294,767	244,241	1,186,478	1,080,190	106,288	3,887,766
Clerical Services	5,100	11,719	20,400	55,057	(34,657)	61,350
Recruitment	1,505	411	6,020	2,175	3,845	18,060
Travel/Meetings	1,740	337	7,460	1,938	5,522	21,880
Office Supplies	2,470	3,533	9,880	11,839	(1,959)	29,640
CWRS Contract Charges	52,662	51,300	210,650	205,200	5,449	631,949
Mail Machine Lease	0	695	700	695	5	2,800
Copy Machine Maintenance	1,520	1,901	6,080	7,809	(1,729)	18,240
Insurance	12,247	11,641	48,986	46,565	2,421	146,958
Postage	1,500	1,500	6,000	6,000	0	18,000
Telephones	4,120	1,124	16,480	14,279	2,201	49,439
Memberships	2,750	1,191	8,460	2,888	5,572	19,325
Audit	0	0	0	0	0	16,275
Legal	11,250	5,809	28,400	14,124	14,276	155,950
Training/Safety	6,150	4,078	19,850	9,318	10,532	53,200
Community Communications	4,500	0	7,500	0	7,500	13,700
Equipment Maint	50	155	3,150	771	2,379	3,550
Consulting	13,700	8,628	31,000	28,049	2,951	102,400
CIA Ditch Operations	250	240	1,000	838	163	3,000
Total Administrative Services	121,514	104,262	432,016	407,545	24,471	1,365,716
Uniforms	1,630	2,126	5,920	5,682	238	17,560
Equipment Repairs	400	4,027	1,600	4,600	(3,000)	4,800
Building/Grounds Maint/Pest Cntr	2,665	3,528	10,740	14,787	(4,047)	32,315
Bar Codes	0	75	2,300	5,125	(2,825)	6,900
Vehicle Maint	3,750	(6,101)	15,000	12,651	2,349	45,000
Vehicle Fuel	3,250	3,032	13,000	9,992	3,008	47,000
Vehicle Lease	397	0	1,587	0	1,587	4,762
Off Duty Sheriff	3,000	4,140	6,000	7,907	(1,907)	8,000
Power	25,625	23,759	119,290	121,533	(2,243)	297,320

.FY19-20.CSD.BUDGET-ACTUAL MO_YTD DETAIL BY FUND

RANCHO MURIETA CSD
Summary of All CSD Funds
For the Four Months Ending 10/31/2019
Budget to Actual Comparison Detail

Description	Period Budget	Period Actual	YTD Budget	YTD Actual	YTD Budget (Over)/Under	Annual Budget
Information System Maint	11,824	25,154	47,296	50,808	(3,512)	141,889
Supplies	2,575	3,449	10,300	11,933	(1,633)	30,900
Equipment Rental	1,650	0	3,600	(64)	3,664	13,800
Road Paving	2,000	0	8,000	3,200	4,800	24,000
Maintenance/Repairs	23,400	34,101	88,100	136,659	(48,559)	300,700
Non-routine Maint/Repair	3,000	0	12,000	0	12,000	36,000
Permits	0	5,692	0	5,692	(5,692)	6,000
Chemicals	14,500	10,110	61,400	54,039	7,361	167,250
Chemicals - T&O	0	0	6,500	5,944	556	11,000
Lab Tests	2,250	2,729	9,000	23,962	(14,962)	27,000
Removal (Hazardous Waste)	0	0	0	464	(464)	10,000
Permits	200	17,771	25,300	25,823	(523)	75,300
Tools	950	407	3,650	1,712	1,938	14,800
Dam Inspection Costs	0	0	0	0	0	63,500
Water Meters/Boxes	3,000	8,167	12,000	18,616	(6,616)	36,000
Drainage Improvements	200	0	500	0	500	5,150
Total Operational Costs	106,266	142,166	463,084	521,066	(57,982)	1,426,946
Miscellaneous	8,971	3,201	36,383	39,369	(2,986)	100,900
Admin Contingency	10,000	12,336	16,262	13,598	2,664	35,000
Director Exp/Reimbursements	450	56	1,800	484	1,316	5,400
Director Meeting Payments	1,500	1,600	6,000	3,400	2,600	18,000
Conservation	740	200	8,180	6,278	1,902	13,260
Sacto Water Authority	0	0	15,000	9,279	5,721	15,000
CGWA/SE Area Water	0	0	10,000	11,000	(1,000)	10,000
Interest Expense	1,987	35	7,780	6,907	873	24,684
Total Other Expenses	23,648	17,428	101,405	90,315	11,090	222,244
Total Operating Costs	546,195	508,098	2,182,983	2,099,115	83,867	6,902,671