

LAVWMA FY2016/17 Budget

**LIVERMORE-AMADOR VALLEY
WATER MANAGEMENT AGENCY
OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2016/17**

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LAVWMA FY2015/16 Budget

LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY OPERATING AND CAPITAL BUDGETS FISCAL YEAR 2016/17

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**LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY
OPERATING AND CAPITAL BUDGETS
FISCAL YEAR 2016/17**

EXECUTIVE SUMMARY

OPERATING BUDGET

The proposed operating budget of \$2,819,750 is a 0.86% increase from the FY2015/16 budget. The total revenue requirement of \$11,635,725 is a 0.23% increase from the FY2015/16 budget. Debt service payments consist of \$2,438,011 for the Repair Project, \$5,565,964 for the Expansion Project and \$412,000 for EBDA Capacity.

The proposed FY2016/17 operating budget considers projected FY2015/16 expenditures and is largely based on the detailed budget prepared by DSRSD pursuant to the Maintenance Agreement, copy attached. FY2015/16 O&M expenditures are projected to be below the approved budget by approximately 3.2%. This is largely due to continuing lower flows resulting in reduced power and DSRSD labor costs. Flows increased in the past year as reflected in increased rainfall due to El Niño conditions. DSRSD's budget is reflective of this. Significant water recycling efforts in the service area are continuing and should increase over time. The annual reconciliation process will distribute any excess funds collected.

DSRSD's costs reflect a 3% CPI adjustment in January 2017. Other Fixed costs have been adjusted based on actual expenditures and anticipated needs for next year. The budget does not include the \$50,000 annual cost for post construction maintenance and monitoring of the Western Terminus restoration project. LAVWMA has requested approval from applicable regulatory agencies to end the program. Additional information is included in the remainder of the budget report.

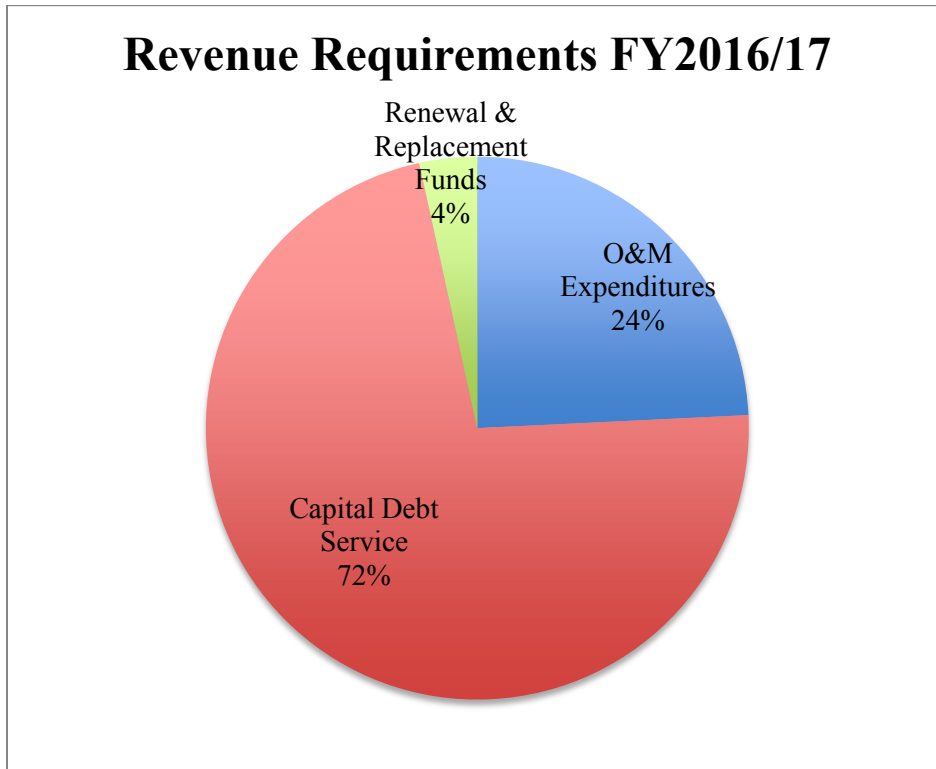
CAPITAL BUDGET

The FY2015/16 capital budget of \$1,352,000 is for the renewal and replacement of LAVWMA and EBDA facilities and anticipates the replacement of the electrical cable at the Export Pump Station, various other recommended electrical projects, the repair of three effluent pumps, and the purchase of one new pump to provide a spare pump at all times. All of these major projects have been recommended by the Pump Station Evaluation Consultant and/or DSRSD staff.

REVENUE REQUIREMENTS

The FY2016/17 budget also includes the debt service (repair and expansion) for the 2011 Bonds and for the EBDA capacity purchase agreement. Although repair and expansion of the existing pipeline and the EBDA capacity purchase are capital costs, the associated debt service are tabulated in the operating budget to assist member agencies with their rate and fee calculations. The projected debt service includes payment of principal and interest. This year's budget recommends that the annual deposit to the Joint Use Renewal Replacement Fund be continued at

the \$400,000 level that was approved last year. Dual Use facilities are minimal and are currently adequately funded. The following pie chart illustrates the allocation of the \$11,635,725 in total revenue requirements for FY2016/17.



1.0 GENERAL

Livermore-Amador Valley Water Management Agency (LAVWMA) is a Joint Powers Agency comprised of the Cities of Livermore and Pleasanton, and Dublin San Ramon Services District (DSRSD). The City of Livermore collects and treats all city wastewater. DSRSD delivers water to the City of Dublin and the Dougherty Valley, and it collects and treats wastewater for Dublin and southern San Ramon, and treats additional wastewater under a contract with the City of Pleasanton. LAVWMA exports treated effluent from the LAVWMA Pumping Station west over the Dublin Grade, through Castro Valley, and the City of San Leandro, to a pipeline operated by the East Bay Dischargers Authority (EBDA). EBDA dechlorinates the effluent and discharges it through a deepwater outfall into San Francisco Bay.

1.1 Mission & Goals

LAVWMA'S MISSION

Our mission is to continue to operate our current facilities cost effectively, and to provide 41.2 million gallons per day of wastewater export capacity to support our member agencies' General Plans. We will complete our work in a way that benefits all stakeholders and meets all regulatory requirements from source to discharge. The new facilities will meet up to 20-year objectives for capacity, and have a design life of 40 years.

We will complete our work primarily through consultants. We will invest in this diverse project team and promote a work ethic that recognizes and promotes teamwork and a positive work environment. We will practice fairness, provide challenges and allow freedom of communication and thought to enable team members to make meaningful contributions to LAVWMA, the industry and our community.

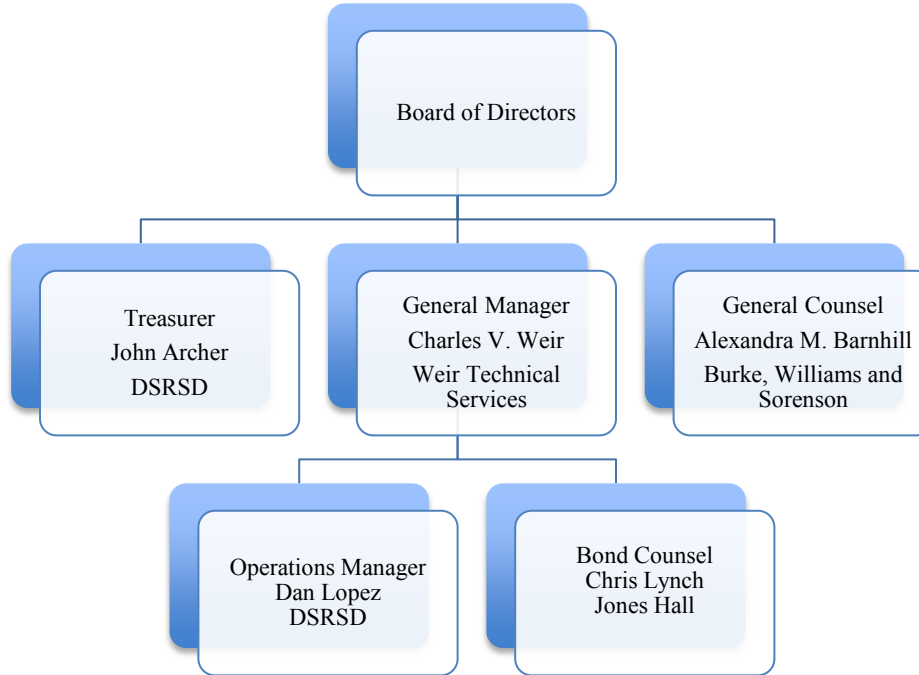
Agency Goals & Objectives

To carry out our Mission, LAVWMA will pursue the following goals:

- **Environmental Compliance.** Continue efficient operations of facilities to prevent wastewater overflows. Meet all CEQA mitigation requirements for new construction. Exceed requirements pertaining to community impacts.
- **Cost Effectiveness.** Continue to perform routine maintenance on existing facilities in a manner that promotes cost savings over the projected life of the facilities.
- **Technical Soundness.** Provide technically sound solutions that use the newest available technology without incurring excessive risk.
- **Customer Service.** Continue to comply with the 1997 Joint Exercise of Powers Agreement (JPA) and the October 2011 Sewer Service Contract with the LAVWMA member agencies.

1.2 ORGANIZATION

The LAVWMA team proposed for FY2016/17 is shown in the following chart.



2.0 OPERATING BUDGET

2.1 Description of Services Provided

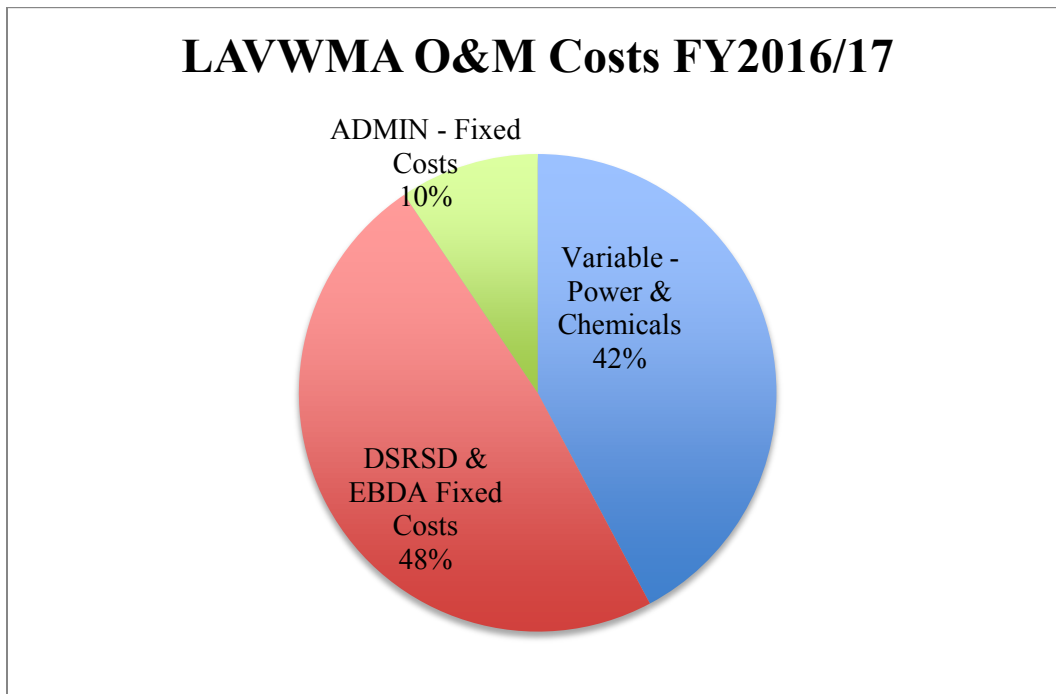
The Operations and Maintenance (O&M) budget includes all costs required to operate and maintain existing LAVWMA facilities. LAVWMA's existing facilities include the sole-use and dual-use interceptors, junction structure, Export and Livermore pumping stations, storage basins, export pipeline including appurtenances, and two emergency dechlorination stations. LAVWMA's facilities are operated and maintained by DSRSD pursuant to a Maintenance Agreement initially executed in 1979.

The FY2016/17 Operating Budget, shown below, includes costs for the following: O&M Variable Costs, O&M Fixed Costs, Admin/Mgmt Costs, Total O&M Costs, Capital Program Funding, and Total Revenue Requirements.

FY2016/17 OPERATIONS BUDGET SUMMARY									
			FY2015/16	FY2015/16	FY2016/17	Change From			
			Adopted	Projected	Proposed	Adopted			
			Budget	Actual	Budget	FY2015/16			
OPERATIONS AND MAINTENANCE									
VARIABLE COSTS									
	DSRSD Maintenance Agreement (Power)	\$	1,010,000	\$	957,016	\$	1,035,250	2.50%	
	EBDA O&M		210,000		152,433		155,000	-26.19%	
	Subtotal - O&M Variable Costs		1,220,000		1,109,449		1,190,250	-2.44%	
FIXED COSTS									
	DSRSD Maintenance Agreement								
	Labor/equip		770,000		669,697		760,000	-1.30%	
	Materials/Supplies		25,000		35,436		30,000	20.00%	
	Contractual		82,000		117,341		82,000	0.00%	
	Monitoring/Testing		23,500		17,851		22,000	-6.38%	
	Utilities (fixed)		8,700		7,035		7,500	-13.79%	
	Non Routine		10,600		14,136		12,000	13.21%	
	EBDA O&M		380,000		447,295		450,000	18.42%	
	Subtotal - O&M Fixed Costs		1,299,800		1,308,791		1,363,500	4.90%	
ADMIN/MGMT									
	Mgr/Treas/Counsel/Board		121,000		132,776		131,000	8.26%	
	Services/Supplies/Misc		95,000		95,212		75,000	-21.05%	
	Permits/Insurance		60,000		60,000		60,000	0.00%	
	Subtotal Admin/Mgmt		276,000		287,988		266,000	-3.62%	
	Subtotal All Fixed Costs		1,575,800		1,596,779		1,629,500	3.41%	
	TOTAL O&M COSTS	\$	2,795,800	\$	2,706,228	\$	2,819,750	0.86%	
CAPITAL PROGRAM FUNDING									
	Replacement Fund		400,000		400,000		400,000	0.00%	
	Repair Debt Service		2,437,325		2,437,325		2,438,011	0.03%	
	Expansion Debt Service		5,564,400		5,564,400		5,565,964	0.03%	
	EBDA Debt Service		412,000		412,000		412,000	0.00%	
	SUBTOTAL	\$	8,813,725	\$	8,813,725	\$	8,815,975	0.03%	
TOTAL REVENUE REQUIREMENTS			\$	11,609,525	\$	11,519,953	\$	11,635,725	0.23%

2.2 Operating Budget Summaries

The following pie chart depicts the allocation of operating costs:



2.2.1 Variable Costs – Power and Chemicals

Variable costs for power (DSRSD) and chemicals (EBDA) are directly tied to the volume of flow that LAVWMA discharges. They total \$1.19 million and make up approximately 42.2% of LAVWMA’s total operating budget. Pumping and chemical costs for FY2016/17 are projected to be 2.44% less than last year. DSRSD estimates a 2.5% increase in PG&E rates and that is reflected in the power costs. Most of the decrease is due to lower variable costs for EBDA based on actual costs.

2.2.2 Fixed Costs - DSRSD Maintenance Agreement

Operation and maintenance of LAVWMA facilities for FY2016/17 is estimated to require 5,224 fully burdened labor hours. This is the same as last year. This year’s budget does not include costs for post construction maintenance of the marsh area of the Western Terminus Restoration Project. The five year program pursuant to the project’s Mitigation Monitoring and Reporting Plan has been completed.

2.2.3 Fixed Costs - EBDA Agreement

This item covers EBDA’s fixed operational and maintenance costs that are billed to LAVWMA. It also covers costs to EBDA for various special projects including the Regional Monitoring Program (RMP) and LAVWMA’s share of EBDA’s permit fees. Some of these costs are shared on different percentages that the LAVWMA’s fixed cost in the agreement with EBDA. As an

example, the RMP cost is based on the mass of four metals, copper, chromium, nickel, and selenium. LAVWMA's share last year was 18.36% for a total of \$47,367. EBDA Special Projects total approximately \$213,000 per year. LAVWMA is currently responsible for 17.34% of the fixed costs for "shared" EBDA facilities. The percentage increased in January 2015 and will be capped at 18.60% in 2020. This year's budget is \$450,000 as compared with \$380,000 last year. The increase is based on actual costs invoiced by EBDA. Total EBDA costs for variable and fixed costs for FY2016/17 are \$605,000 as compared with \$590,000 last year.

2.2.4 Fixed Costs - Administration & Management

This section includes general administration, program management, legal and financial services, consulting services, permits, insurance, etc. The proposed budget is \$266,000 as compared with \$276,000 last year or a reduction of 3.62%. This year there are no costs for the NPDES permit renewal, but costs for consulting services are included for upgrading the website and assistance in enhancing the asset management program. That task was put on hold this year due to changes in DSRSD staffing due to retirements and the NPDES permit renewal process. Asset Management will be a key project this year and will have an impact on the Capital Program Funding as discussed below.

2.2.5 Capital Program Funding

This category includes the projected FY2016/17 debt service (repair and expansion) for 2011 bonds and the EBDA capacity purchase. Although repair and expansion of the existing pipeline and the EBDA capacity purchase are capital costs, the associated debt service and funding program costs are tabulated in the operating budget to assist member agencies with their rate and fee calculations. The projected debt service includes payment of both principal and interest. It is recommended that the annual \$400,000 deposit to LAVWMA's capital facilities Joint renewal replacement account be continued to help cover the \$1,352,000 cost of capital projects in FY2016/17. Dual Use facilities are minimal and have adequate replacement funds. Funding requirements for the renewal and replacement of Sole Use facilities are currently being reviewed with the City of Livermore and will be presented to the Board at a later date.

The Board has been kept informed of the need to replace the electrical cable at the pump station as a result of the failure of the insulation material. That project will carry over to FY2016/17. Bids on the project are due April 26, 2016. In addition, there are several electrical and mechanical projects that need to be completed. All of them have been recommended by the consultant that prepared the Pump Station Evaluation Report or have been recommended by DSRSD staff. Major Capital Projects for FY2016/17 include the following:

Project	Description	Cost
Cable Replacement	The defective medium voltage, not shielded cables, to be replaced with 5kV rated, shielded cables.	\$698,000
Repair of 3 export pumps plus purchase of one new pump	Estimated \$65,000 per pump plus \$100,000 for new one	\$295,000

Lighting LED Upgrades	To improve visibility and safety	\$25,000
Vibration Sensors Upgrade	Existing sensors are 15 years old and need to be replaced with newer technology.	15,000
Manhole Replacements 10/year over 10 years	Replace steel covers with composite material which are lighter and safer to remove. Approximate cost is \$3,000 each.	\$30,000
Protective Relays	Multi-function, computer-based protective relays to be installed for the two existing main service switchgear breakers.	\$14,000
Snorkels and Flow Meters at Junction Structure	Snorkels were part of original design but not installed. This will improve flow measurement by keeping air out of the system along with standardizing the existing meters which are having problems and need replacing. Two snorkels at \$25,000 each plus three flow meters at \$25,000 each.	\$125,000

All of the items listed above are categorized as High Priority by the Pump Station Evaluation consultant or recommended by DSRSD staff.

2.3 Changes from FY2015/16 Budget

FY2015/16 expenditures are projected to come in under budget. The annual reconciliation process will resolve any over or under payments. The FY2016/17 Budget is 0.23% more than FY2015/16 in Total Revenue Requirement. This is in spite of estimated 3% increase in labor and 2.5% increase in power costs.

3.0 CAPITAL BUDGET

3.1 Description of Budget

The Capital budget includes all costs associated with renewal and replacement of existing capitalized facilities. From 2001 to 2010 the 2001 Series A bond funds were the primary source of LAVWMA's capital expenditures. The bond funds were closed out in June 2011. As of July 2011 and for the foreseeable future the only source of capital funding will be the Renewal &

Replacement Funds that have been established for Joint Use, Dual Use and Sole Use Facilities. The table below depicts the projected fund balances during FY2016/17.

R & R Fund Balances	Joint	Dual	Sole	Total
Start of year	14,952,000	415,000	1,521,000	16,888,000
Deposits	400,000	0	0	400,000
Interest Earnings	35,000	1,000	4,000	40,000
Proposed Expenditures	1,341,000	1,000	10,000	1,352,000
End of Year	14,046,000	415,000	1,515,000	15,976,000

As discussed previously, it is recommended that the annual contribution to the R&R Fund be continued at the \$400,000 level. The following table for the last several years plus the estimated data for FY2015/16 and recommendations for FY2016/17 show that LAVWMA will have decreased the Joint Use R&R Fund by approximately \$945,000 since FY2010/11.

R&R Joint Use History				
Fiscal Year	Contributions	Interest	Expenses	Net
FY2010/11	0	84,873	(245,065)	(160,192)
FY2011/12	300,000	51,626	(411,885)	(60,259)
FY2012/13	300,000	48,931	(353,404)	(4,473)
FY2013/14	300,000	36,396	(119,955)	216,441
FY2014/15	300,000	21,600	(439,073)	(117,473)
FY2015/16	400,000	35,000	(336,712)	98,288
FY2016/17	400,000	35,000	(1,352,000)	(917,000)
Total	2,000,000	313,426	(3,258,094)	(944,668)

3.2 Discussion of Capital Expenditures During FY2016/17

The following table summarizes \$1,352,000 of anticipated FY2016/17 capital expenditures on the renewal and replacement of LAVWMA and EBDA facilities. More detailed descriptions are included in Section 2.2.5, Capital Program Funding.

FY2015/16 Capital Program Expenditures

FY2016/17 Capital Program Expenditures	
Renewal/Replacement Program	
LAVWMA Export Pump Repair 3 of 6, plus 1 new	\$295,000
Electrical Cable Replacement	\$698,000
Lighting LED Upgrades	\$25,000
Vibration Sensors Upgrade	\$15,000
Manhole Replacements 10/yr over 10 yrs	\$30,000
Snorkels and Flow Meters at Junction Structure Piping	\$125,000
Protective Relays for both Switchgear Breakers	\$14,000
Other Misc. LAVWMA Renewal/Replacements	\$50,000

EBDA Renewal/Replacements	\$50,000
CIP Planning/Mgmt/Contingency	\$50,000
Total Expenditures	\$1,352,000

4.0 FY2016/17 Member Agency Cost Sharing & Schedule

Member Agency Costs FY2016/17			
	Total	Livermore	DSRSD/Pleasanton
Variable O&M	\$ 1,190,250	\$ 416,588	\$ 773,663
Fixed O&M	1,604,500	482,955	1,121,546
Sole Use Fixed O&M	25,000	25,000	
Total O&M	2,819,750	924,542	1,895,208
Replacement Fund	400,000	120,400	279,600
Repair Debt	2,438,011	973,985	1,464,025
Expansion Debt	5,565,964	1,253,455	4,312,509
EBDA Debt	412,000	74,902	337,098
Total Capital Costs	8,815,975	2,422,742	6,393,233
Total Revenue Required	\$ 11,635,725	\$ 3,347,284	\$ 8,288,441
Semi Annual O&M Advance	1,409,875	462,271	947,604
Semi Annual Replacement Fund Advance	200,000	60,200	139,800
EBDA Debt Advance, July 1	412,000	74,902	337,098
July 1 Bond Debt Service Advance	5,876,613	1,635,413	4,241,200
Jan 1 Bond Debt Service Advance	2,125,113	591,401	1,533,711
Total July 1 Advance	\$ 7,898,488	\$ 2,232,786	\$ 5,665,702
Total January 1 Advance	\$ 3,734,988	\$ 1,113,872	\$ 2,621,115
Percentages			
Variable O&M		35.00%	65.00%
Fixed O&M		30.10%	69.90%
Replacement Fund		30.10%	69.90%
Repair Debt		39.95%	60.05%
Expansion Debt		22.52%	77.48%
EBDA Debt		18.18%	81.82%