



**SOUTH SAN LUIS OBISPO COUNTY
SANITATION DISTRICT**

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Staff Report

To: Board of Directors
From: Matthew Haber, District Bookkeeper/Secretary
Via: Paul J. Karp, Interim District Manager
Date: November 20, 2013
Subject: Fiscal Year 2013/14 Budget Review at the End of the 1st Quarter

Recommendation:

1. Review the attached Profit and Loss Statements comparing actual revenues and expenses with budgeted amounts;
2. Review the recommended budget adjustments which can all be accommodated internally within each of the three Funds without drawdown from Fund Balance as described below; and
3. Adopt Resolution No. 2014-316 authorizing the budgetary adjustments.

Funding:

Although actual, total District revenues are about 5% lower than expected revenues by the end of this quarter, no budgetary changes regarding revenues are being recommended at this time.

Revenues

	FY 2013/14 Budget	Earned as of 09-30-13		Recommended 1 st -Quarter Adjustments	Recommended Budget at 1 st Quarter
		Amount	Percent		
Fund 19	\$ 3,116,370	\$ 756,236	24.3%	\$ 0	\$ 3,116,370
Fund 20	\$ 161,125	\$ 14,167	8.8%	\$ 0	\$ 161,125
Fund 26	\$ 672,709	\$ 37,035	5.5%	\$ 0	\$ 672,709
Total	\$ 4,002,009	\$ 807,438	20.2%	\$ 0	\$ 4,002,009

Expenditures

	FY 2013/14 Budget	Expended as of 09-30-13		Recommended 1 st -Quarter Adjustments	Recommended Budget at 1 st Quarter
		Amount	Percent		
Fund 19	\$ 3,926,429	\$ 561,466	14.3%	\$ 0	\$ 3,926,429
Fund 20	\$ 1,492,000	\$ 11,056	0.7%	\$ 0	\$ 1,492,000
Fund 26	\$ 953,344	\$ 46,524	4.9%	\$ 0	\$ 953,344
Total	\$ 6,371,773	\$ 619,046	9.7%	\$ 0	\$ 6,371,773

Discussion:

Following the end of the first quarter at September 30, 2013 (25% of fiscal year completed), District Staff reviewed the FY 2013/14 account line items under each Fund. Certain accounts stand out as having significantly exceeded their budgeted amounts at the end of the first quarter. In order that the budgeted amounts better reflect actual costs, it is recommended that there be intrafund transfers from those accounts with favorable budget variances to those accounts needing additional funding as explained below.

1. Account 19-6075 Medical Reimbursement: 75.7% of annual budget expended. No increase is recommended at this time, but this account will be further reviewed at the end of the second quarter to see whether a budget adjustment should be recommended at that time.
2. Account 19-7025 Employee Uniforms: 33.9% of annual budget expended. An increase of \$2,500 to this budget line item is being recommended to reflect actual expenditures as of the end of the first quarter. The total budget for this account will be \$14,860. It is recommended that the increase be funded by a transfer from account 19-6080 Workers' Compensation.
3. Account 19-7050 Memberships/Seminars/Meetings: 41.6% of annual budget expended. No increase is recommended at this time, but this account will be further reviewed at the end of the second quarter.
4. Account 19-7078 Professional Services – Chemical Analysis: 115.1% of annual budget expended. The original budgeted amount for this account reflected the planned changeover from chemical analysis testing being done by external laboratories to that testing being performed by the District's own laboratory. As this change had not yet occurred during the first quarter, these actual expenditures reflect the costs of external lab testing. Therefore, an increase of \$10,000 to this budget line item is being recommended to reflect actual expenses as of the end of the first quarter. The total budget for this account will be \$20,000. It is recommended that the increase be funded by a transfer from account 19-6080 Workers' Compensation.
5. Account 19-7083 WDR Reporting (Member Agencies): 100.4% of annual budget expended. This expense account is completely matched with a corresponding revenue account for reimbursement by the Member Agencies. It is unknown at this point exactly how much more will need to be expended from this account, but, since these expenditures are fully reimbursable, no increase to either the matching revenue account or this expense account is recommended at this time.
6. Account 19-7091 Utilities – Electricity: 42.4% of annual budget expended. An increase of \$50,000 to this budget line item is being recommended to reflect actual expenditures as of the end of the first quarter. The total budget for this account will be \$175,000. It is recommended that the increase be funded by a transfer from account 19-8030 Equipment Maintenance - Regular.
7. Account 19-7093 Utilities – Trash: 33.8% of annual budget expended. An increase of \$500 to this budget line item is being recommended to reflect actual expenditures as of the end of the first quarter. The total budget for this account will be \$1,790. It is recommended that the increase be funded by a transfer from account 19-6080 Workers' Compensation.
8. Account 19-7096 Cogeneration (Debt Service): 40.8% of annual budget expended. No increase is needed as this expense amount reflects the first of the two annual payments for the repayment of the long-term debt assumed for the purchase of the cogeneration unit.

9. Account 19-8020 Gas & Oil: 41.5% of annual budget expended. Although the expense amount for this account is higher than expected, no increase is recommended because this amount reflects the purchase of diesel fuel to be used throughout the year.
10. Account 19-8040 Lab Supplies: 69.9% of annual budget expended. The expenditures for the first quarter reflect the initial costs to set up the District's laboratory for additional fields of testing. These setup costs have led to higher initial costs for the first quarter, but it is expected that overall costs for lab supplies will level out throughout the remainder of the year. Therefore, an increase of \$5,000 to this budget line item is being recommended. The total budget for this account will be \$16,850. It is recommended that the increase be funded by a transfer from account 19-6080 Workers' Compensation.

It should be noted that even with the many maintenance and replacement projects performed by District Staff in the first quarter, the District only expended about 10% of its budgeted expenditures. Staff will continue to monitor costs and to be responsible with the expending of District funds in order to have minimal impact on the ratepayers.

Attachments

- Attachment 1: **REVISED** Fund 19 Profit and Loss Statement - Budget vs. Actual
- Attachment 2: Fund 20 Profit and Loss Statement - Budget vs. Actual
- Attachment 3: Fund 26 Profit and Loss Statement - Budget vs. Actual
- Attachment 4: **REVISED** Schedule of Recommended Budget Adjustments
- Attachment 5: Resolution No. 2014-316

SO SAN LUIS OBISPO CO SANITATION DISTRICT - OPERATING (19)
Profit & Loss Budget vs. Actual
 July through September 2013
 REVISED

	Actuals July- Sept 2013	Annual Budget @ 25%	Favorable (Unfavorable) Variance (\$)	Annual Budget	Actuals as a % of Annual Budget	Favorable (Unfavorable) Variance (%)
Income						
19-4015 Arroyo Grande Services	356,801	360,125	(3,324)	1,440,500	24.8%	(0.2)
19-4022 Grover Beach Services	281,455	262,500	18,955	1,050,000	26.8%	1.8
19-4035 OCSD Services	91,895	125,000	(33,105)	500,000	18.4%	(6.6)
19-4040 Pismo Beach Reimburse	0	4,436	(4,436)	17,745	0.0%	(25.0)
19-4045 School Services	0	5,750	(5,750)	23,000	0.0%	(25.0)
19-4050 Brine Disposal Service	5,668	5,225	443	20,900	27.1%	2.1
19-4055 Lease (AT&T)	6,110	5,631	479	22,525	27.1%	2.1
19-5015 Interest	417	125	292	500	83.3%	58.3
19-5022 WDR Reimbursement	10,343	2,575	7,768	10,300	100.4%	75.4
19-5023 FOG Reimbursement	3,546	7,725	(4,179)	30,900	11.5%	(13.5)
Total Income	756,236	779,093	(22,857)	3,116,370	24.3%	(0.7)
Expense						
19-6010 Medical Insurance	48,081	61,500	13,419	246,000	19.5%	5.5
19-6025 Dental Insurance	2,557	3,583	1,025	14,330	17.8%	7.2
19-6030 Plant Operators	113,637	147,810	34,173	591,239	19.2%	5.8
19-6040 Secretary/Bookkeeper	12,639	13,214	575	52,856	23.9%	1.1
19-6050 S.S. & Medicare	9,716	12,318	2,602	49,273	19.7%	5.3
19-6055 State Disability Insur	394	805	411	3,220	12.2%	12.8
19-6060 State Retirement	21,863	28,984	7,121	115,937	18.9%	6.1
19-6075 Medical Reimbursement	3,783	1,250	(2,533)	5,000	75.7%	(50.7)
19-6080 Workers Compensation	16,587	28,750	12,163	115,000	14.4%	10.6
19-6085 Temporary Labor Service	3,969	3,250	(719)	13,000	30.5%	(5.5)
19-6090 Payroll Process Fee	702	665	(37)	2,660	26.4%	(1.4)
19-6095 Unemployment Remiburse	0	250	250	1,000	0.0%	25.0
19-7005 Advert/Legal&Recruit	271	515	244	2,060	13.1%	11.9
19-7011 Communications	798	820	22	3,280	24.3%	0.7
19-7013 COMMUNICATIONS-Teleph	1,546	1,523	(23)	6,090	25.4%	(0.4)
19-7014 COMMUNICATIONS-Paging	0	53	53	210	0.0%	25.0
19-7015 Office Equip/Comp Supp	1,931	2,500	569	10,000	19.3%	5.7
19-7025 Employee Uniforms	4,192	3,090	(1,102)	12,360	33.9%	(8.9)
19-7032 Equip Rental Other	0	1,288	1,288	5,150	0.0%	25.0
19-7043 Ins, Liability/Auto	0	7,702	7,702	30,807	0.0%	25.0
19-7050 Membships/Seminars/Mtg	4,835	2,908	(1,928)	11,630	41.6%	(16.6)
19-7060 Ocean Outfall Maint	0	8,873	8,873	35,490	0.0%	25.0
19-7065 Source Ctrl Program	0	3,750	3,750	15,000	0.0%	25.0
19-7068 Permits/Fees/License	622	10,300	9,678	41,200	1.5%	23.5
19-7069 LAFCO Budget Share	0	2,378	2,378	9,510	0.0%	25.0
19-7070 Prof Svcs - Out.Counsel	29,641	100,000	70,359	400,000	7.4%	17.6
19-7071 Prof Serv-Attorney Fee	6,375	11,588	5,213	46,350	13.8%	11.2
19-7072 Prof Serv - Auditing	0	1,453	1,453	5,810	0.0%	25.0

SO SAN LUIS OBISPO CO SANITATION DISTRICT - OPERATING (19)
Profit & Loss Budget vs. Actual
 July through September 2013
 REVISED

	Actuals July- Sept 2013	Annual Budget @ 25%	Favorable (Unfavorable) Variance (\$)	Annual Budget	Actuals as a % of Annual Budget	Favorable (Unfavorable) Variance (%)
19-7073 Prof Serv - AG Billing	0	5,500	5,500	22,000	0.0%	25.0
19-7074 Prof Serv - OCSD Bill	0	5,500	5,500	22,000	0.0%	25.0
19-7075 Prof Serv - Brd Member	1,800	1,855	55	7,420	24.3%	0.7
19-7076 Prof Serv-Dist Admin	10,857	21,625	10,768	86,500	12.6%	12.4
19-7077 Prof Serv-Engineering	4,085	25,000	20,915	100,000	4.1%	20.9
19-7078 Prof Serv-Chem Analysis	11,512	2,500	(9,012)	10,000	115.1%	(90.1)
19-7079 Prof Serv-Other Bill	173	2,575	2,402	10,300	1.7%	23.3
19-7081 Prof Serv-GB Bill	0	5,500	5,500	22,000	0.0%	25.0
19-7082 FEMA Expenditures	0	1,288	1,288	5,150	0.0%	25.0
19-7083 WDR Reporting	10,343	2,575	(7,768)	10,300	100.4%	(75.4)
Total 19-7084 FOG (Parent Agencies)	3,546	7,725	4,179	30,900	11.5%	13.5
19-7085 Solids Handling	9,538	21,888	12,350	87,550	10.9%	14.1
19-7086 Brine Disposal Exp	0	1,288	1,288	5,150	0.0%	25.0
19-7087 WDR & SSMP DISTRCT EXP	0	2,664	2,664	10,657	0.0%	25.0
19-7091 Util-Elec	53,036	31,250	(21,786)	125,000	42.4%	(17.4)
19-7092 Util-Gas	4,311	6,053	1,741	24,210	17.8%	7.2
19-7093 Util-Rubbish	436	323	(113)	1,290	33.8%	(8.8)
19-7094 Util-Water	0	258	258	1,030	0.0%	25.0
19-7095 Zone 1/1A Agreement	0	7,340	7,340	29,360	0.0%	25.0
19-7096 CogenEISA(Debt Serv)	31,043	19,000	(12,043)	76,000	40.8%	(15.8)
19-7097 Cogen Service Contract	0	9,013	9,013	36,050	0.0%	25.0
19-8010 Capital Equipment	0	3,750	3,750	15,000	0.0%	25.0
19-8015 Trunk Sewer Maint	0	6,250	6,250	25,000	0.0%	25.0
19-8020 Gas & Oil	4,147	2,500	(1,647)	10,000	41.5%	(16.5)
19-8030 Equipment Maint-Reg	9,262	37,500	28,238	150,000	6.2%	18.8
19-8032 Automotive Maint	211	2,060	1,849	8,240	2.6%	22.4
19-8035 Household Expense	536	903	367	3,610	14.8%	10.2
19-8040 Lab Supplies	8,279	2,963	(5,316)	11,850	69.9%	(44.9)
19-8045 Office Supplies&Exp	1,739	2,060	321	8,240	21.1%	3.9
19-8050 Plant Chemicals	48,519	66,950	18,431	267,800	18.1%	6.9
19-8055 Small Tools	211	3,220	3,009	12,880	1.6%	23.4
19-8056 Safety Supplies	3,707	3,750	43	15,000	24.7%	0.3
19-8060 Structure Maint-Reg	10,780	28,325	17,545	113,300	9.5%	15.5
19-8061 Struct Maint - Major	12,223	11,368	(856)	45,470	26.9%	(1.9)
19-8079 Transfer to Replacement	37,035	168,177	131,142	672,709	5.5%	19.5
Total Expense	561,466	981,607	420,141	3,926,428	14.3%	10.7
Net Income (Loss)	194,770	(202,515)	397,284	(810,058)		

So San Luis Obispo Co Sanitation District-Expansion (20)
Profit & Loss Budget vs. Actual
 July through September 2013

	Actuals July- Sept 2013	Annual Budget @ 25%	Favorable (Unfavorable) Variance (\$)	Annual Budget	Actuals as a % of Annual Budget	Favorable (Unfavorable) Variance (%)
Income						
20-4010 AG Connections	9,900	19,181	(9,281)	76,725	12.9%	(12.1)
20-4020 GB Connections	2,475	14,850	(12,375)	59,400	4.2%	(20.8)
20-4030 OCSD Connections	0	4,950	(4,950)	19,800	0.0%	(25.0)
20-5015 Interest Income	1,792	1,300	492	5,200	34.5%	9.5
Total Income	<u>14,167</u>	<u>40,281</u>	<u>(26,114)</u>	<u>161,125</u>	<u>8.8%</u>	<u>(16.2)</u>
Expense						
20-8010 Capital Equipment	0	25,000	25,000	100,000	0.0%	25.0
20-8065 Struct/Grnds Repl-Imp	11,056	348,000	336,944	1,392,000	0.8%	24.2
Total Expense	<u>11,056</u>	<u>373,000</u>	<u>361,944</u>	<u>1,492,000</u>	<u>0.7%</u>	<u>24.3</u>
Net Income (Loss)	<u><u>3,110</u></u>	<u><u>(332,719)</u></u>	<u><u>335,829</u></u>	<u><u>(1,330,875)</u></u>		

So San Luis Obispo Co Sanitation District - 26 (Replacement)
Profit & Loss Budget vs. Actual
 July through September 2013

	Actuals July- Sept 2013	Annual Budget @ 25%	Favorable (Unfavorable) Variance (\$)	Annual Budget	Actuals as a % of Annual Budget	Favorable (Unfavorable) Variance (%)
Income						
26-5040 Transfer from Fund 19	37,034.81	168,177	131,142.44	672,709	5.5%	(19.5)
Total Income	<u>37,034.81</u>	<u>168,177</u>	<u>131,142.44</u>	<u>672,709</u>	<u>5.5%</u>	<u>(19.5)</u>
Expense						
26-8015 Trunk Sewer Maintenanc	0.00	40,000	-40,000.00	160,000	0.0%	25.0
26-8061 Struct/Grnds Maint-Maj	5,325.93	6,750	-1,424.07	27,000	19.7%	5.3
26-8065 Struct/Grnds Repl&Imp	41,197.74	191,586	-150,388.26	766,344	5.4%	19.6
Total Expense	<u>46,523.67</u>	<u>238,336</u>	<u>-191,812.33</u>	<u>953,344</u>	<u>4.9%</u>	<u>20</u>
Net Income (Loss)	<u><u>(9,488.86)</u></u>	<u><u>429,922</u></u>	<u><u>-439,410.86</u></u>	<u><u>(280,635)</u></u>		

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

PROPOSED BUDGET ADJUSTMENTS (REVISED)

END OF FIRST QUARTER FY 2013-14

ACCOUNT	CURRENT BUDGET	AMOUNT EXPENDED AS OF 9-30-13	PERCENT EXPENDED AS OF 9-30-13	PROPOSED ADJUSTMENT	ADJUSTED BUDGET
OPERATING FUND 19 EXPENSE ACCOUNTS					
19-6080 Workers' Compensation	\$ 115,000	\$ 16,587	14%	\$ (18,000)	\$ 97,000
19-7025 Employee Uniforms	\$ 12,360	\$ 4,192	34%	\$ 2,500	\$ 14,860
19-7078 Professional Services - Chemical Analysis	\$ 10,000	\$ 11,512	115%	\$ 10,000	\$ 20,000
19-7091 Utilities - Electricity	\$ 125,000	\$ 53,036	42%	\$ 50,000	\$ 175,000
19-7093 Utilities - Rubbish	\$ 1,290	\$ 436	34%	\$ 500	\$ 1,790
19-8030 Equipment Maintenance - Regular	\$ 150,000	\$ 9,262	6%	\$ (50,000)	\$ 100,000
19-8040 Laboratory Supplies	\$ 11,850	\$ 8,279	70%	\$ 5,000	\$ 16,850
Net Budgetary Changes to Fund 19				\$ -	

**SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
RESOLUTION NO. 2014 – 316**

**A RESOLUTION AMENDING
THE FY 2013-2014 BUDGET AT FIRST QUARTER**

WHEREAS, the Board of Directors has previously adopted the FY 2013-2014 budget consisting of Operating Fund 19, Expansion Fund 20, and Replacement/Improvements Fund 26; and

WHEREAS, District Staff has reviewed the account line items under each Fund included in the FY 2013-2014 adopted budget; and

WHEREAS, District Staff has identified the account line items which will require less monies and the account line items which will require additional monies than originally budgeted; and

WHEREAS, District Staff believes amending these account line items to reflect actuals will produce a trend that can be used for future budgeting efforts; and

WHEREAS, the Board believes the recommended amendments are in the best interest of the public's health, safety and general welfare.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by the Board of Directors, South San Luis Obispo County Sanitation District, San Luis Obispo County, California, that the FY 2013-2014 budget shall be amended as follows:

1. Operating Fund 19:
 - a. Transfer \$2,500 from Account 19-6080 Workers' Compensation to Account 19-7025 Employee Uniforms to better reflect actual expenses as of the end of the first quarter.
 - b. Transfer \$10,000 from Account 19-6080 Workers' Compensation to Account 19-7078 Professional Services – Chemical Analysis to better reflect actual expenses as of the end of the first quarter.
 - c. Transfer \$50,000 from Account 19-8030 Equipment Maintenance – Regular to Account 19-7091 Utilities – Electricity to better reflect actual expenses as of the end of the first quarter.
 - d. Transfer \$500 from Account 19-6080 Workers' Compensation to Account 19-7093 Utilities – Rubbish to better reflect actual expenses as of the end of the first quarter.
 - e. Transfer \$5,000 from Account 19-6080 Workers' Compensation to Account 19-8040 Laboratory Supplies to better reflect actual expenses as of the end of the first quarter.

Upon motion of Director _____, seconded by Director _____,
and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAINING:

the foregoing Resolution is hereby adopted this 20th day of November 2013.

MATTHEW GUERRERO, Chair

ATTEST:

PAUL KARP, Secretary to the Board

APPROVED AS TO FORM:

MICHAEL W. SEITZ, District Legal Counsel