Memo

Date: July 2, 2015

To: Buckman Direct Diversion Board

From: Mackie Romero, BDD Financial Manager MR

ITEM AND ISSUE:

Request formal adoption of the Buckman Direct Diversion Annual Budget for FY 2015/16.

BACKGROUND AND SUMMARY:

The Joint Powers Agreement between the City of Santa Fe and Santa Fe County establishing the Buckman Direct Diversion Board, provides that the BDD Board annually prepare and recommend a budget and formally adopt the budget after each of the governing bodies approves the budget.

On December 4, 2014, the Buckman Direct Diversion Board approved the proposed fiscal year 2015/2016 Operating Budget in the amount of $6,807,400 plus the annual contribution of $411,804 for the Major Repair and Replacement Fund and recommended the budget to be considered and approved by the Santa Fe County Board of Commissioners and the Santa Fe City Council.

On May 27, 2015, the City of Santa Fe's Water Division's annual budget, including the funding for the FY2015/16 BDD Annual Budget, was approved by the Santa Fe City Council.

On June 9, 2015, the Santa Fe County's Public Utilities Department's annual budget, including the funding for the FY 2015/16 BDD Annual Budget, was approved by the Santa Fe County Board of Commissioners.

ACTION REQUESTED:

Staff recommends formal adoption of the Buckman Direct Diversion Annual Budget for the 2015/2016 fiscal year in the amount of $6,807,400 plus annual contribution of $411,804.

Approved by BDDB July 2, 2015

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Liz Stefanics, BDDB Chair

FY 2015/16

Prepared by: Charles M. Vokes BDD Facilities Manager
Mackie M. Romero BDD Financial Manager

Buckman Direct Diversion

Approved Annual Operating Budget

Buckman Direct Diversion

Fiscal Year 2015/2016 Adopted Operating Budget

Liz Stefanics
Chair, Buckman Direct Diversion Board
County Commissioner, District 5

Carmichael A. Dominguez
Vice-Chair, Buckman Direct Diversion Board
City Council, District 3

Miguel M. Chavez
County Member, Buckman Direct Diversion Board
County Commissioners, District 2

Joseph M. Maestas
City Member, Buckman Direct Diversion Board
City Councilor, District 2

Consuelo Bokum
At-Large Member, Buckman Direct Diversion Board

Javier M. Gonzales
City Alternate Member, Buckman Direct Diversion Board
City of Santa Fe Mayor

Henry P. Roybal
County Alternate Member, Buckman Direct Diversion Board
County Commissioners, District 1

Charles M. Vokes
BDD Facilities Manager

Buckman Direct Diversion

Fiscal Year 2015/2016 Approved Operating Budget

Joseph M. Maestas
Chair, Buckman Direct Diversion Board
City Councilor, District 2

Liz Stefanics
Vice-Chair, Buckman Direct Diversion Board
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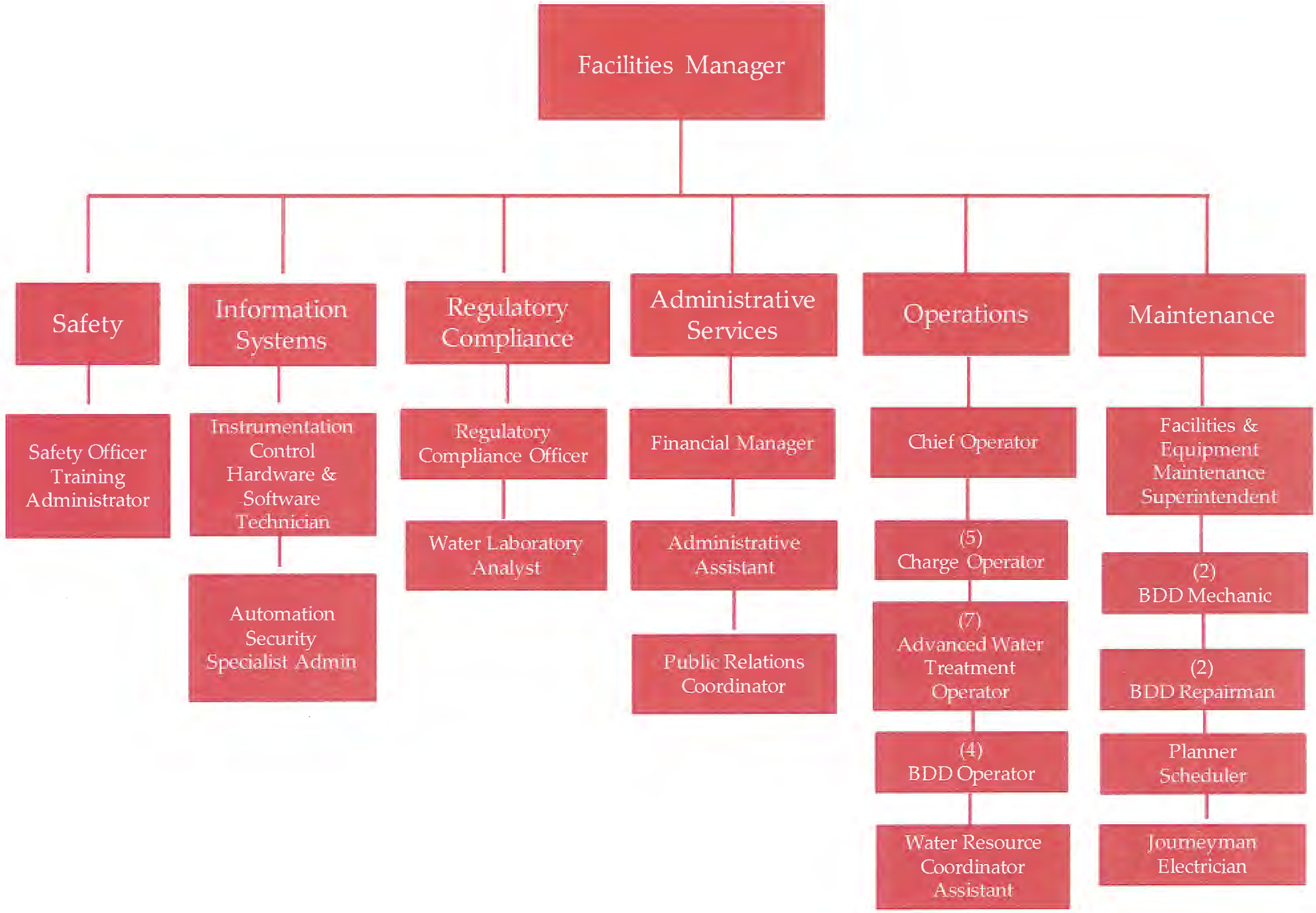
Consuelo Bokum
At-Large Member, Buckman Direct Diversion Board

Javier M. Gonzales
City Alternate Member, Buckman Direct Diversion Board
City of Santa Fe Mayor

Daniel Mayfield
County Alternate Member, Buckman Direct Diversion Board
County Commissioners, District 1

Charles M. Vokes
BDD Facilities Manager

BUCKMAN DIRECT DIVERSION REGIONAL WATER PLANT ORGANIZATIONAL CHART



Buckman Direct Diversion (BDD) Proposed Annual Operating Budget, FY2015/16

Budget Message

The *Project Management and Fiscal Services Agreement* (PMFSA) requires the Project Manager to submit an Annual Operating Budget, including a 5-year projection, no later than December 15th of each fiscal year. With this submittal, the Project Manager requests the Buckman Direct Diversion Board (BDDB) approve and recommended the Fiscal Year 2015-2016 Operating Budget of $6,807,400. The portion of fixed vs. variable costs and the partner share by major expenditure category is presented below:

BUDGET REVENUE/REIMBURSEMENT SUMMARY - PARTNER SHARE OF TOTAL PROPOSED FY2014/15 BUDGET - (TABLE A)

	Fixed	Variable	Total	%
Revenues/Reimbursements by Source:				
PNM Solar Rebates	$ -	$ 190,000	$ 190,000	2.8%
City of Santa Fe	3,666,866	1,145,480	4,812,346	70.7%
Santa Fe County	1,313,986	319,352	1,633,338	24.0%
Las Campanas (Club)	72,671	49,168	121,839	1.8%
Las Campanas (Coop)	49,877	-	49,877	0.7%
Total Revenues by Source	$ 5,103,400	$ 1,704,000	$ 6,807,400	100%
% of overall budget	75%	25%	100%	

BUDGET EXPENDITURE SUMMARY - PARTNER SHARE OF TOTAL PROPOSED FY2015/16 BUDGET – (TABLE B)

Expenditure by Category	City of Santa Fe	Santa Fe County	Las Campanas (Club)	Las Campanas (Coop)	Total
Personnel	$ 2,447,774	$ 840,556	$ 45,996	$ 31,569	$ 3,365,895
Electricity	1,039,400	289,432	49,168	-	1,378,000
Chemicals	195,000	55,000			250,000
Solids	67,416	19,384			86,800
Materials & Supplies	453,563	229,486	11,318	7,768	702,134
Other Operating Costs	707,963	225,090	14,302	9,816	957,171
Fiscal Agent Fee	49,431	16,189	1,055	724	67,400
Total	4,960,546	1,675,138	$ 121,839	$ 49,877	$ 6,807,400
PNM Solar Rebates	(148,200)	(41,800)			
Total	$ 4,812,346	$ 1,633,338			

Budget Summary & Analysis

Closing the gap between actual expenditures and budget will continue to be considered in development of BDD's operating budget requests.

- FY11/12 Actual Expenditures $5,775,863, which was $3,092,539 lower than our adopted budget
- FY12/13 Actual Expenditures $5,588,198, which was $2,876,314 lower than our adopted budget
- FY13/14 Actual Expenditures $6,372,941, which was $664,662 lower than our adopted budget
- FY14/15 Projected to expend $6,101,536 with 5 vacant positions, which is $423,064 lower than our adopted budget

The BDD has actively collaborated with its partners on the development of this budget and because of this collaboration, was able to limit the increase to our current adopted budget, as follows:

- The proposed Annual Operating Budget for FY2015/16 is $6,740,000 plus the fiscal agent fee of $67,400 which represents a $282,800 or 4.3% increase to our current adopted budget of $6,524,600.

- The proposed budget includes the following major initiatives:
  - Capital purchase of a crane truck, estimated to cost $225,000
  - Materials and Supplies for our Public Outreach and Awareness Program
  - Leadership and Teambuilding Training

In fiscal year 2015/2016, the BDD will be in its fifth year of operation. This major milestone was a prime consideration in our analysis of costs needed to sustain operation to the level established by the BDD. The BDD also used yearly volumetric flow predictions provided by each partner for our variable expenditures including chemicals, solids management and electricity.

The BDD has presented the monthly PNM Solar Rebates received from the Water Treatment Plant Solar Array as a source of revenue. This means reimbursement requests for American Capital Energy expenses (primary owner of solar system) from the City of Santa Fe and Santa Fe County will be reduced by the revenue received. Our budget request for electricity has remained flat, as our new solar array at Booster Station 2A has only been operational for 4 months, which provides unsufficient data for accurately predicting our budget savings. This fiscal year savings will be used as an indicator of our potential budget savings and will be included in future proposals.

(TABLE C)

BUCKMAN DIRECT DIVERSION REGIONAL WATER PLANT

***UNAUDITED RESULTS - ACCRUAL BASIS - BEST ESTIMATES**

	FY2013/14 Adopted Budget	FY2013/14 Unaudited Actual 6/30/14	FY2013/14 Variance $ (Under) / Over Budget	FY2014/15 Adopted Budget	FY2015/16 Proposed Budget	$ Change FY15/16 vs FY14/15
Revenues/Reimbursements by Fund:						
BDD Operating 7280000	$ 7,037,603	$ 6,372,941	664,662	$ 6,524,600	$ 6,807,400	$ (282,800)
Total	$ 7,037,603	$ 6,372,941	**$ 664,662**	$ 6,524,600	**$ 6,807,400**	**$ (282,800)**
Expenditures by Catagory:						
Salaries and Wages	$ 1,567,607	$ 1,499,573	$ (68,034)	$ 2,029,947	$ 1,989,965	$ (39,982)
Overtime and Shift Differential	200,000	197,717	(2,283)	182,250	183,000	750
Benefits	938,641	870,915	(67,726)	1,132,397	1,192,930	60,533
Electricity	1,361,255	1,236,534	(124,721)	1,378,000	1,378,000	-
Chemicals	327,283	217,193	(110,090)	265,000	250,000	(15,000)
Solids	121,800	118,129	(3,671)	60,800	86,800	26,000
Materials & Supplies	763,529	650,536	(112,993)	503,329	702,134	198,805
Other Operating Costs	1,653,992	1,478,848	(175,144)	908,277	957,171	48,894
Total	6,934,107	6,269,445	(664,662)	6,460,000	**6,740,000**	**280,000**
Fiscal Agent Fee	103,496	103,496	-	64,600	**67,400**	**2,800**
Total	$ 7,037,603	$ 6,372,941	$ (664,662)	$ 6,524,600	**$ 6,807,400**	**$ 282,800**

Table C, presents actual expenses, by major category for fiscal year 2013/2014, and our current year adopted budget in comparison to our fiscal year 2015/2016 operating budget request. This information includes budget adjustments to our major categories. The BDD staff will continue to closely collaborate with its partners, the City of Santa Fe, the County of Santa Fe and Las Campanas Entities in determining the best allocation of costs to achieve maximum efficiency of the BDD water treatment facility.

Budget Fixed & Variable Costs Analysis

The BDD's annual operating budget consists of fixed and variable costs, which are determined by percentage allocations contained in the Facility Operations and Procedures Agreement (FOPA). Santa Fe County is currently circulating an amendment to the Facility Operations and Procedures Agreement (FOPA) to change the percentage allocation for "Cost Sharing of Fixed OMR&R (Shared Facilities) – Section 20 of FOPA, due to acquisition of additional acre feet from Las Campanas Water & Sewer Cooperative. In anticipation that this amendment will be executed prior to the beginning of fiscal year 2015/16, the budget was been presented with the proposed percentage allocations, which only affects cost sharing among the County of Santa Fe and Las Campanas entities.

Cost Sharing **(TABLE D)**

Partner	Fixed (Shared Facilities)	Fixed (Separate Facilities)	(Projected Volumetric Flow)
City of Santa Fe	62.09%	75.33%	75%
Santa Fe County	28.85%	24.67%	20%
Las Campanas (Club)	5.38%	0%	5%
Las Campanas (Coop)	3.68%	0%	0%
	100%	100%	100%

Annual volumetric flow predictions provided by the partners are used as the basis for variable costs primarily related to chemicals, power, and solids management.

Volumetric Flow History and Predictions **(TABLE E)**

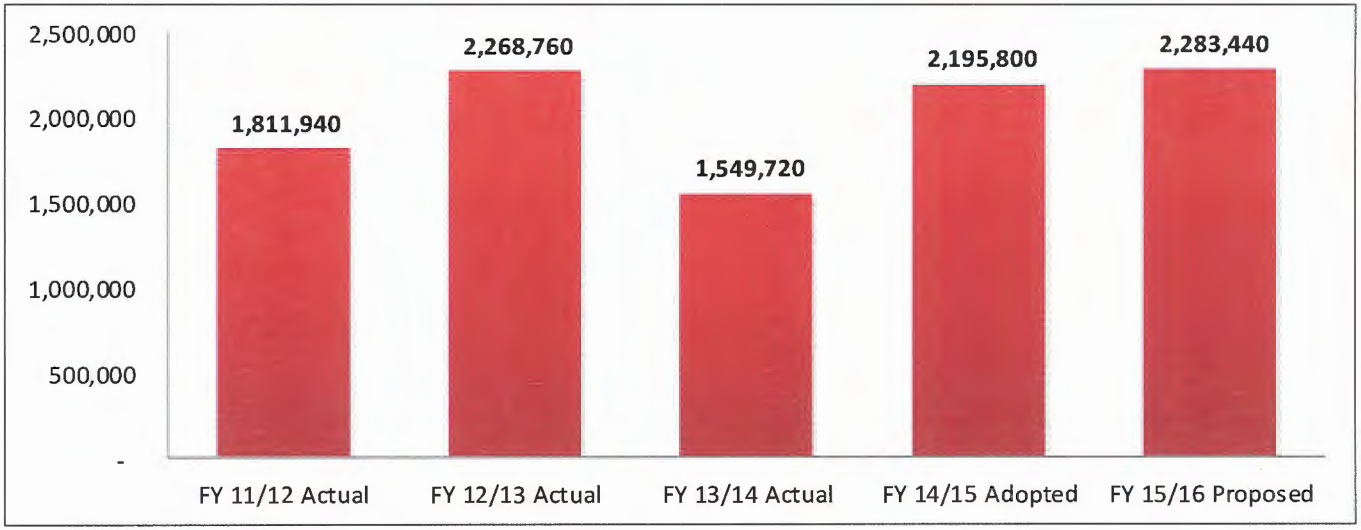
Volumetric Flow (acft)	City of Santa Fe	Santa Fe County	Las Campanas (Raw Water)	Total	Delivered	Increase
FY2011/2012	4,765.10	436.18	150.37	5,351.65	98%	N/A
FY2012/2013	4,677.75	714.49	589.00	5,981.24	116%	12%
FY2013/2014	5,236.46	819.24	695.00	6,750.70	70%	13%
FY2014/2015	4,982.61	1,108.27	650.22	6,741.10	N/A	0%
FY2015/2016	5,223.00	1,436.00	350.00	7,009.00	N/A	4%
%	75%	20%	5%	100%		

% Percentage is used in calculation of partner share of variable costs

BDD has completed a budget analysis for FY2015/16, including historical data. The proposed budget for FY2015/16 is based on volumetric predictions of 2,283,440 gallons. This is a 4% increase in water delivery over the FY2014/15 predicted water call.

Total gallons delivered in 1,000's
(includes raw water)

(CHART F)



BDD's budget development utilizes several complex cost accounting models to determine solids management, power, and chemical costs, which make up 25% of the total FY2015/16 proposed budget. Variable costs are associated with the amount of water delivered and are closely related to raw water quality. Raw water carrying elevated levels of solids require increased chemical dosing, create increased maintenance activities, and result in greater solids management costs. Power costs are directly influenced by varying on-peak and off-peak rates.

Cost Analysis in 1,000's

(TABLE G)

BUCKMAN DIRECT DIVERSION REGIONAL WATER PLANT

***UNAUDITED RESULTS - ACCRUAL BASIS - BEST ESTIMATES**

	FY2014/15 Adopted Budget	FY2015/16 Proposed Budget	City of Santa Fe	Santa Fe County	Las Campanas	Total
Expenditures						
Chemical Expenditures	$ 327,283	$ 250,000	$ 195,000	$ 55,000	$ -	$ 250,000
Electric Expenditures*	1,361,255	1,188,000	891,200	247,632	49,168	1,188,000
All Other Expenditures	5,349,065	5,179,400	3,726,146	1,330,706	122,548	5,179,400
Total Operating Expenditures	**$7,037,603**	**$6,617,400**	**$4,812,346**	**$1,633,338**	**$ 171,716**	**$6,617,400**
Operational Efficiencies						
Total gallons raw water in 1,000's	**211,798**	**211,810**	**-**	**97,760**	**114,050**	**211,810**
Total Cost per 1,000 gallons	$ 1.62	$ 1.22	$ -	$ -	$ 1.51	
Electric Cost per 1,000 gallons	$ 0.51	$ 0.06	$ -	$ 0.49	$ 0.43	
Total gallons finished water in 1,000's	**1,984,000**	**2,071,630**	**1,701,400**	**370,230**	**-**	**2,071,630**
Total Cost per 1,000 gallons	$ 3.37	$ 2.87	$ 2.83	$ 4.41	$ -	
Electric Cost per 1,000 gallons	$ 0.56	$ 0.45	$ 0.52	$ 0.54	$ -	
Chemical Cost per 1,000 gallons	$ 0.16	$ 0.12	$ 0.11	$ 0.15	$ -	
Monthly Average Costs	$ 586,467	$ 551,450	$ 401,029	$ 136,112	$ 14,310	$ 551,450

*Excludes Solar Rebate Revenue Received

Programs

As the focal point for key resource decisions, the budget process is a powerful tool. The *National Advisory Council for State and Local Budgeting* (NACSLB) was created in 1997 to provide assistance to governments to improve their budgeting processes. In fulfilling that role, the NACSLB set forth a voluntary framework that provides budgeting guidance for state and local governments. The NACSLB established "Best Budgeting Practices" (BBP) which link budget decisions to desired outcomes consistent with organizational goals. This budget incorporates many BBP's set forth by NACSLB.

While local governments struggle with declining revenues, *Outcome-based* budgeting has become an increasingly important national budgeting standard. This type of advanced budgeting links resources to key business strategies and performance indicators. This "performance-based" approach connects key financial decisions to interdependent concepts of strategy, planning, business execution and measurement. Hence, this budget document contains more than a tabulation of financial figures. Rather than narrowly focusing on expenditures, we've established a structure for measuring the "value" citizens receive for their dollars by quantifying organizational achievement. In other words, the heart of this budget centers on determining how well the BDD executes its core business functions. We've shifted the focus from "paying for costs" to "buying results". In addition, this budget simultaneously unifies our financial planning efforts with the *High Performance Organization* (HPO) principles which have become thriving core values of the BDD's working culture.

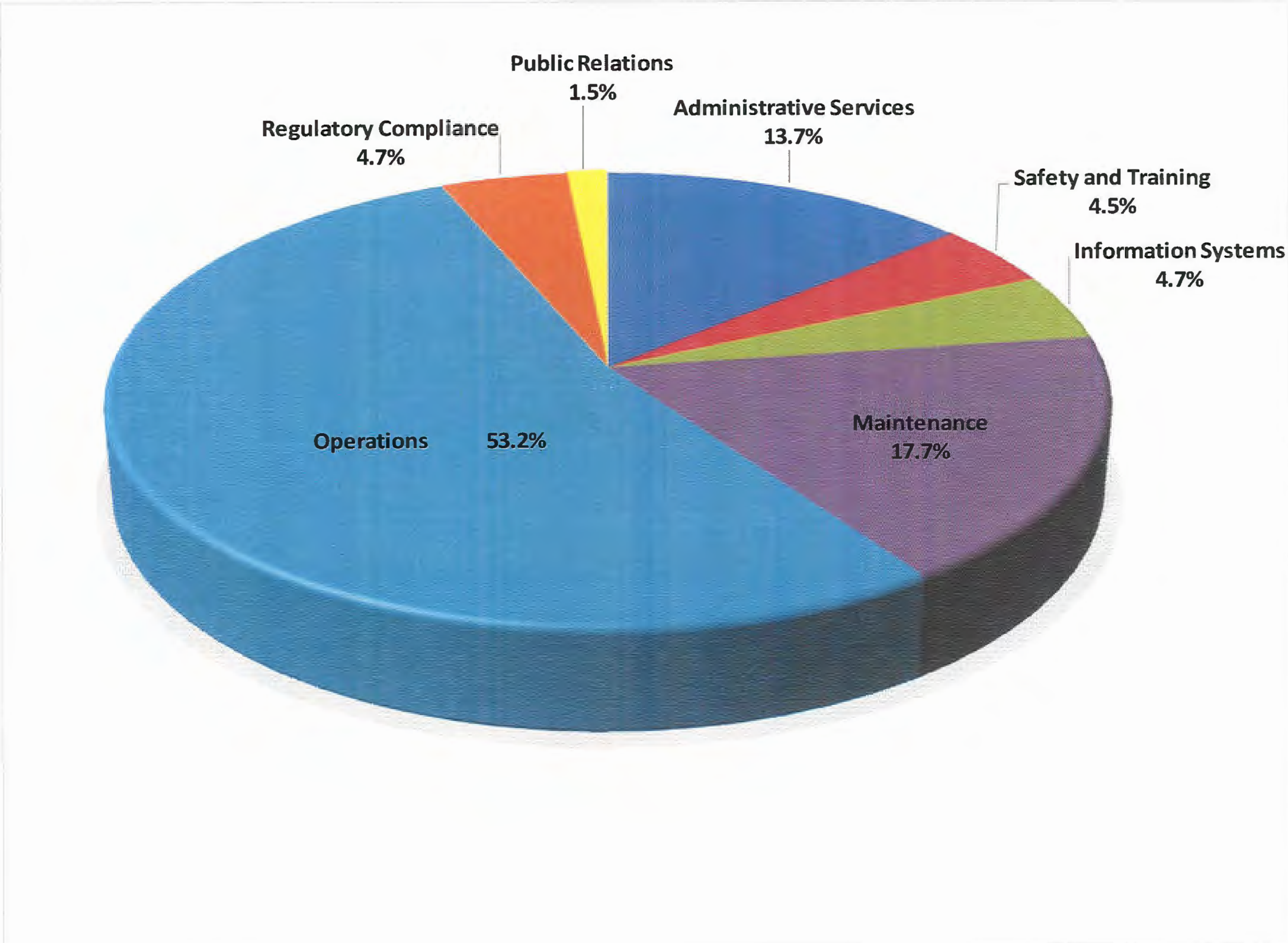
The BDD is divided into six (7) key Programs with explicit business functions as shown in Figure 1. Each Program was developed to support specific goals and objectives. These business activities encompass all functions necessary to operate the regional water treatment plant, maintain full regulatory compliance, execute Fiscal Agent responsibilities, and optimize infrastructure investments through comprehensive asset management.

FIGURE 1

Key Program	Business Funtion
1. Operations	Produce high quality drinking water
2. Regulatory Compliance	Provide full compliance with State and Federal water quality standards
3. Asset Management and Maintenance	Provide cost-effective maintenance services to BDD Operations and optiize infrastructure life-cycle costs
4. Safety and Training	Provides full compliance with State and Federal Health and Safety Regulations
5. Administrative Services	Provides general oversight and managemnt support. Provides accounting, budgeting, procurement and payroll services as well as records
6. Information Systems	Provides automation security and communications services
7. Public Relations	Provides public outreach and awareness

Key Programs and Cost Allocation Percentages

(CHART H)



The expenditure budgets for these seven key programs are presented below and in the Performance Report. Total program funding includes all employee wages and benefits for full time equivalents employees, and associated overhead expenses. These key programs incorporate all business expenses necessary to execute core business functions, and allow the reader to understand how limited resources are allocated within the project. In the Performance Reports section, expenditure budgets are linked to specific strategic initiatives and performance measures.

(TABLE I)

BUCKMAN DIRECT DIVERSION REGIONAL WATER PLANT

***UNAUDITED RESULTS - ACCRUAL BASIS - BEST ESTIMATES**

	FY2013/14 Adopted Budget	FY2013/14 Unaudited 6/30/14	FY2013/14 Variane to Actual $ (Under) or Over Budget	FY2014/15 Adopted Budget	FY2015/16 Proposed Budget	$ Change FY 15/16 vs FY14/15
Expenditures by Program:						
1. Operations (18 FTE)	$ 3,426,576	$ 3,230,165	$ (196,411)	$ 3,593,573	$ 3,589,473	$ (4,100)
2. Regulatory Compliance (2 FTE)	498,691	303,894	(194,797)	316,567	313,373	(3,194)
3. Asset Management & Maintenance (7 FTE)	1,144,195	1,038,251	(105,944)	953,385	1,191,590	238,205
4. Safety and Training (1 FTE)	276,757	207,931	(68,826)	285,771	305,497	19,726
5. Administrative Services (3 FTE)	1,106,179	1,058,185	(47,994)	911,638	920,987	9,349
6. Information Systems (2 FTE)	416,053	409,078	(6,975)	320,222	319,629	(593)
7. Public Relations (1 FTE)	65,655	21,941	(43,714)	78,844	99,451	20,607
Total Expenditures by Program (34 FTE)	6,934,107	6,269,445	(664,662)	6,460,000	**6,740,000**	**280,000**
Fiscal Agent Fee	103,496	103,496	-	64,600	**67,400**	**2,800**
Total	$ 7,037,603	$ 6,372,941	$ (664,662)	$ 6,524,600	**$ 6,807,400**	**$ 282,800**

Emergency Reserve Fund (ERF)

The Project Management and Fiscal Services Agreement, Article 3. (E.) requires the BDD Board create an Emergency Reserve Fund, and establish procedures for its management. The Emergency Fund provides immediate reserves for unforeseen or catastrophic infrastructure failures that render facilities unable to deliver water at the needed capacity. The Project Manager, in consultation with the partners, must submit to the BDD Board an analysis of the funds required for an emergency reserve and suggest procedures for creation of and management of the Emergency Fund.

The BDD Board previously approved the Emergency Reserve Fund as part of the FY 2011/12 Budget. The BDD pre-bills the partners on a monthly basis for these costs.

The Emergency Reserve Fund is currently funded at our target balance of $2,000,000; therefore we will not request any additional contributions in FY15/16 and will replenish dollars as they are spent in accordance to our policy.

Emergency Reserve Fund **(TABLE J)**

Emergency Fund	City of Santa Fe	Santa Fe County	Las Campanas	Balance
Contributions as of FY14/15	1,306,335	466,283	227,382	2,000,000

Major Repair and Replacement Fund (RRF)

The BDD Board also previously approved the Major Repair and Replacement Fund as part of the FY11/12 Budget. The BDD pre-bills the partners on a monthly basis for these costs.

The Major Repair and Replacement Fund will receive the annual contribution of $411,804 for FY15/16. This will increase the balance from $1,235,428 to $1,647,232 by the end of fiscal 2015/16. The BDD has hired an engineering firm to development an asset management plan, which includes identifying all assets, estimated life cycle, preventive maintenance and cost replacement analysis. This data will be used in future requests to support any potential adjustments to contributions to the Major Repair and Replacement Fund.

Major Repair and Replacement Fund Balance

(TABLE K)

Major Repair & Replacement Fund	City of Santa Fe	Santa Fe County	Las Campanas Entities	Balance
Contributions as of FY14/15	875,530	306,134	53,764	1,235,428

Major Repair and Replacement Fund FY15/16 Contributions

(TABLE L)

Major Repair & Replacement Fund	City of Santa Fe	Santa Fe County	Las Campanas (Club)	Las Campanas (Coop)	Total
Annual Contribution	291,840	106,162	7,083	6,719	411,804

Summary

With this submittal, the Project Manager requests the Buckman Direct Diversion Board to approve and recommend the funding for our Fiscal Year 2015-2016 Operating Budget of $6,617,400 plus the annual contribution of $411,804 for the Major Repair and Replacement Fund, for a total request of $7,029,204. With your approval, the BDD will also budget $190,000 of the PNM solar rebates, increasing our total budget to $7,219,204. We appreciate all the input and support from our partners and our Buckman Direct Diversion Board members.

FY 2015/2016 Funding Allocation

(TABLE M)

Funds	City of Santa Fe	Santa Fe County	Las Campanas (Club)	Las Campanas (Coop)	Total
Operating Fund	$ 4,812,346	$ 1,633,338	$ 121,839	$ 49,877	$ 6,617,400
Major Repair & Replacement	291,840	106,162	7,083	6,719	411,804
	$ 5,104,186	$ 1,739,500	$ 128,922	$ 56,596	7,029,204
				PNM Solar Rebates	190,000
					$ 7,219,204