



DATE: October 7, 2019

TO: WSUD Board of Commissioners

CC: Department Managers

FROM: Randy Screws, General Manager
Joy Ramsdell, Finance Manager

SUBJECT: **2019 SKWRF Mid-year Budget Status Report**

I. INTRODUCTION

This report has been prepared to provide an overview of the financial activities of South Kitsap Wastewater Reclamation Facility (SKWRF) through the end of the second quarter of fiscal year 2019. Although the Facility accounts for its various funds on a “full/modified accrual” basis (transactions are recognized when they occur regardless of the timing of related cash flows), the Facility prepares its operating and capital budgets and these budget status reports on a “cash basis”.

The various fund summaries display year-to-date budget to actual comparisons illustrating the variances that have occurred with each of the funds. The revenue and expenditure comparisons to budget are based on the Facilities 2019 Budget. The tables and charts presented throughout this report provide a more detailed comparison of actual revenues and expenditures to anticipated amounts.

II. OVERVIEW

The Facility’s 2019 Budget was prepared using a “program budget” format and contains three (3) active budgets/funds comprised of the following categories:

- Two *Enterprise* Operating and Capital funds
- One *Internal Service* funds (*Equipment Repair & Replacement*)

In evaluating the financial health of South Kitsap Wastewater Reclamation Facility, overall the Facility ended the second quarter in relatively strong fiscal condition with more than sufficient cash flow to meet the expenditure requirements of all of the Funds.

Table 1, “Cash Flow Activity”, provides a cumulative overview of the cash flow activity for all funds through June 30, 2019. The combined “cash/investments” of all of funds total \$2,194,528. This represents an increase of \$114,257 from the amount of cash/investments accumulated at the beginning of 2019.

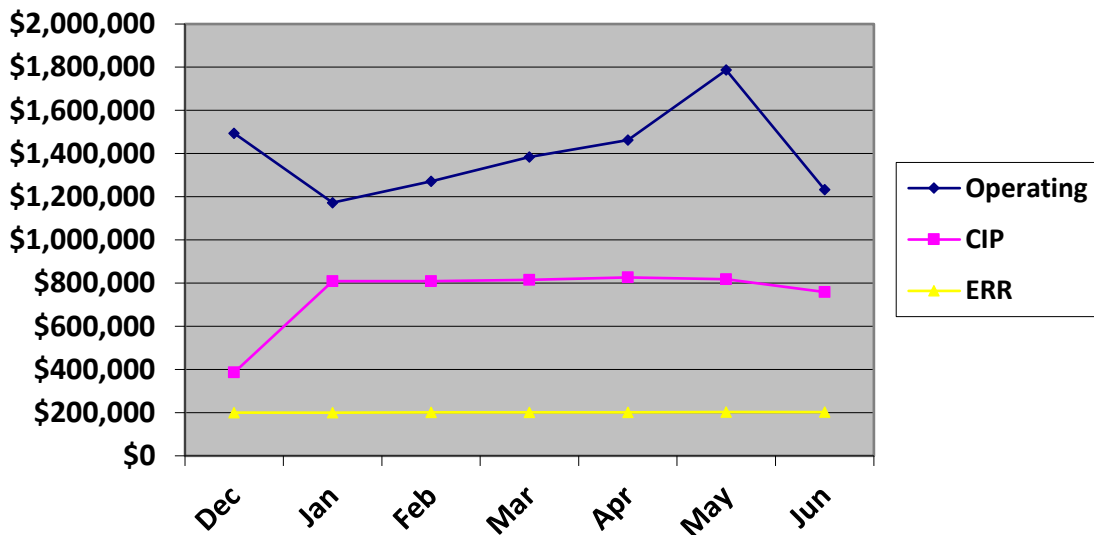
The Facility’s “Fund Balance/Cash Flow Policies” provide that a minimum fund balance of fifteen percent (15%) of total operating expenses should be maintained to meet daily operating expenses. In following this cash flow standard, the Operating Fund should maintain a minimum balance of \$329,175. This standard is intended to serve as “a set-aside of funds” to provide adequate cash flow to cover variations in expense payments. The Facility maintained sufficient operating fund balances at mid-year.

Table 1
Cash Flow Activity

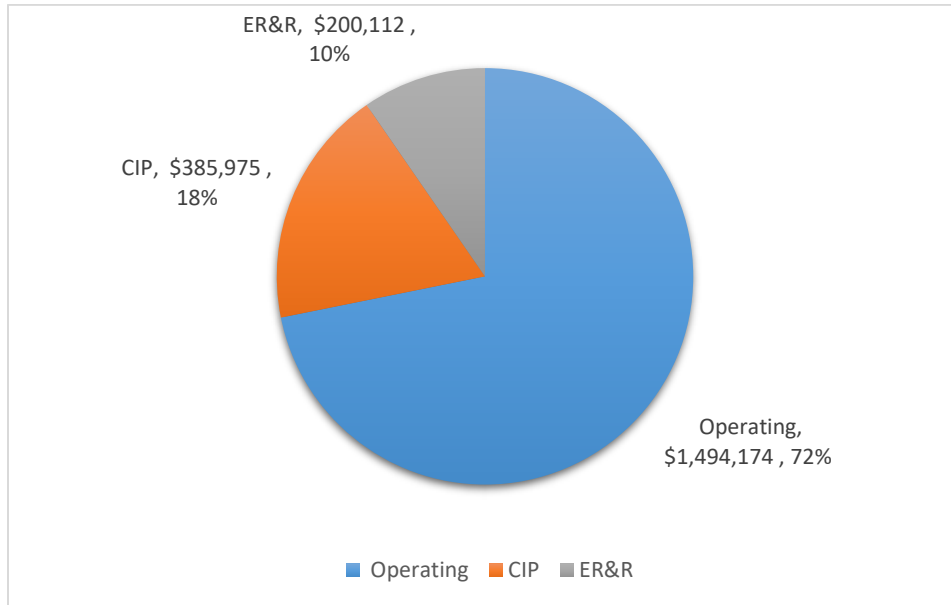
Funds	Beg.Cash & Invest. 01/01/19	Total Receipts 06/30/19	Total Disburse. 06/30/19	End.Cash & Invest. 06/30/19
Operating (91928)	1,494,174	1,978,287	2,250,803	1,232,893
Capital (91931)	385,975	477,939	104,733	759,180
Equip. Repair/Replace. (91932)	200,112	2,343	-	202,454
TOTAL FUNDS	2,080,261	2,458,569	2,355,536	2,194,527

Note: Time elapsed 50% and revenues exclude beginning fund balance.

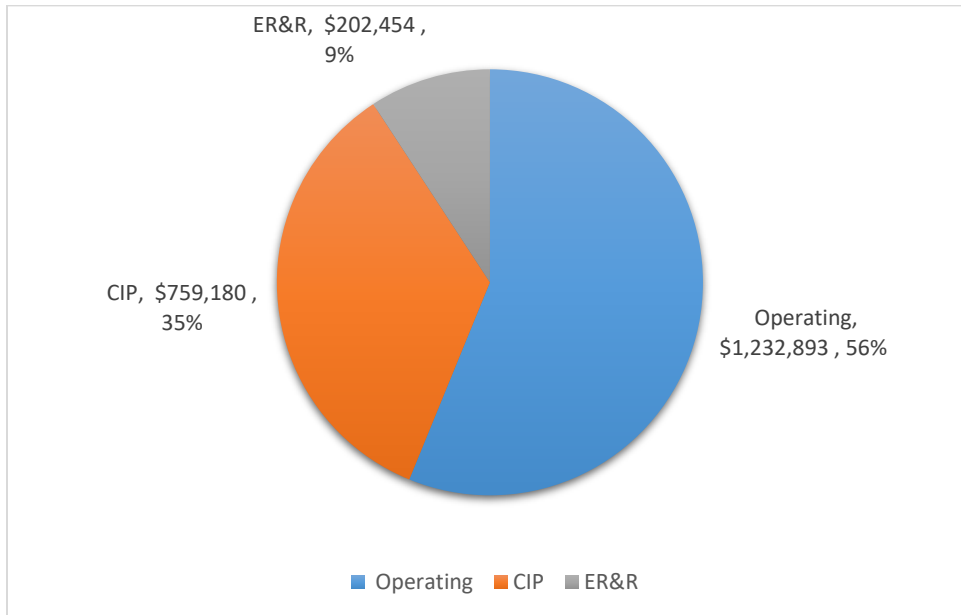
Cash Flow Chart



2019 All Fund Balance
 Total Fund Balance \$2,080,271 as of 01/01/2019



Total Fund Balance \$2,194,528 as of 06/30/2019



III. REVENUES

The 2019 Revenues reported in Table 2 include a column depicting the percentage of revenues collected through June 30, 2019 (excluding beginning balances from the calculation to focus on actual receipts for the year). The cumulative revenues receipted through the second quarter for all funds was \$2,458,569 of the total budgeted revenues of \$4,129,532. This equates to 60% of the

total revenues budgeted. This Table also shows the actual fund balance at the beginning of the fiscal year.

Table 2
2019 Revenues

Funds	Fund Balance 01/01/19	Budgeted Revenue	Revenue thru. 06/30/19	Percent to Date
Operating (91928)	\$ 1,494,174	\$ 3,520,020	\$ 1,978,287	56%
Capital (91931)	\$ 385,975	\$ 602,325	\$ 477,939	79%
Equip. Repair/Replace. (91932)	\$ 200,112	\$ 6,000	\$ 2,343	39%
TOTAL ALL FUNDS	\$ 2,080,261	\$ 4,128,345	\$ 2,458,569	60%

Note: Time elapsed 50% and revenues exclude beginning fund balance.

The Facilities 2019 Budget incorporates a funding formula for the City of Port Orchard and West Sound Utility District to pay for wastewater treatment services based on \$22.50 per ERU for the Operating Fund and \$1 per ERU for the Capital Improvement Fund. Since the District has 5,827 ERUs, the District’s portion of SKWRF’s Operational cost is \$1,573,290 for 2019 with an additional \$69,924 contributed into the Capital Improvement Fund. The City of Port Orchard has 5,699 ERUs, the City’s portion of SKWRF’s Operational costs is \$1,538,730 with an additional \$68,388 contributed into the Capital Improvement Fund.

IV. EXPENDITURES

Table 3, “2019 Expenditures”, provides an overview of expenditures for all Facility funds in the same format as Table 2. The recap provides the percentage of expenditures incurred through June 30, 2019 excluding ending balances from the calculation to focus on actual transactions for the year. With fund transfers and debt payment, the Facility concluded the second quarter by expending 72% of the combined total budgeted expenditures. The cumulative expenditures were \$1,868,168 compared to the total budgeted expenditures of \$3,160,350.

Table 3
2019 Expenditures

Funds	Fund Balance 06/30/19	Budgeted Expenditures	Expenditures thru. 06/30/19	Percent to Date
Operating (91928)	\$ 1,232,893	\$ 3,155,350	\$ 1,827,644	58%
Capital (91931)	\$ 759,180	\$ 140,000	\$ 546,842	391%
Equip. Repair/Replace. (91932)	\$ 202,454	\$ -		0%
TOTAL ALL FUNDS	\$ 2,194,527	\$ 3,295,350	\$ 2,374,486	72%

Note: Time elapsed 50% and revenues exclude beginning fund balance.

- Total debt service payments of \$923,441 on the Public Works Trust Fund loans were made in June. This amount represents >49% of the Operating Fund’s mid-year expenditures.
- Budgeted fund transfers (\$400,000) were processed by June 30, 2019.

- \$546,842 was expended of the \$140,000 appropriated in the Capital Fund budget due to the carryover of the Membrane Replacement and Centrifuge Replacement project costs that were not incurred by the end of the 2018 fiscal year.

V. DEBT SERVICE

The South Kitsap Water Reclamation Facility currently has long-term debt consisting of two (2) outstanding Public Works Trust Fund (PWTF) loans. As of June 30, 2019 the total outstanding balance is at \$3,501,363. These loans are scheduled to be retired in 2022 and 2024.

Table 4
Long-term Debt

Description	Original Issue	Current Unmatured Debt
Public Works Trust Fund Loan #1	\$ 10,000,000	\$ 1,657,785
Public Works Trust Fund Loan #2	\$ 6,800,000	\$ 1,800,000
Total Long-term Debt	\$ 16,800,000	\$ 3,457,785

Table 5
Debt Payment Schedule with Interest

Year	Loan 1	Loan 2	Yearly Total
2020	560,884	369,000	\$ 929,884
2021	558,121	367,200	\$ 925,321
2022	555,358	365,400	\$ 920,758
2023		363,600	\$ 363,600
2024		361,800	\$ 361,800
Total	\$ 1,674,363	\$ 1,827,000	\$ 3,501,363

VI. INVESTMENT SUMMARY

The South Kitsap Water Reclamation Facility had a cumulative total of \$2,244,268 invested at the end of the second quarter with the Washington State Investment Pool. The Investment Pool yielded an interest rate on the fund balance of 2.353%. The balance of cash (\$78,212) is deposited in Key Bank through the Kitsap County Treasurer. Additionally the facility maintains a \$100 in petty cash.