

Memo

To: Board of Directors
From: District Superintendent
cc: Jim Jackson
Date: March 9, 2018
Re: Modify Quarterly Account Balance Report, 2018-19 Budget, and Charge for Groundwater Management Increase

The Finance Committee met on March 2, 2018 to modify the quarterly MCCSD Account Balances Report and to review the 2018-19 Budget.

The MCCSD Quarterly Account Balances Report will now include the Total General Fund balance, Extraordinary Expenses taken from the General Fund, and the Equipment Replacement and Capital Improvement revenue collected, expensed, and the balance remaining. The purpose of the change in the report is to allow the Board to easily determine the amount of cash reserves, extraordinary expenses that have been paid from cash reserves, and the amount of revenue that has been collected and spent for Equipment Replacement and Capital Improvements (see page 2).

Staff presented the 2018-19 Budget to the committee. In 2014 following the declaration of the Stage 4 Water Shortage, all developed parcels were required to obtain a Groundwater Extraction Permit, which included the permit conditions of an approved allotment and installation of a water meter. Property owners are required to submit monthly meter readings. Additional labor is now required to operate the Groundwater Management (GWM) Dept. to maintain the water meter reading database and to send correspondence to property owners that fail to submit readings. Past GWM budget expenses have been subsidized from the Wastewater Treatment Dept. For example, nothing was budgeted for legal notices, telephone, supplies, NPDES permit cost related to recycled water, the recycled water system, or insurance. Lab and vehicle expenses were under funded as well.

Legal expenses from 2014-17 totaled over \$92,000 for the Gomes v MCCSD lawsuit that was spent to protect Mendocino's limited groundwater resource. That revenue was taken from the District's cash reserves and the Equipment Replacement fund. Mr. Gomes lost his lawsuit in Superior Court on every cause of action. He is now appealing the decision. The District's Legal Counsel estimates the cost of the appeal for 2018 will be \$30,000. The 2018 Budget includes \$33,000 for the appeal.

The Groundwater Management Dept. annual expenses will be increase by \$62,469 in 2018, and over half of the amount is for the Gomes appeal. This will require a Groundwater Management Charge increase. To pay for the additional GWM Dept. costs, staff recommend an increase in the Charge for Groundwater Management from 11% of sewer fees to 21%.

The below normal rainfall during this rain year is expected to increase GWM Dept. expenses as well this year. There is a strong possibility of a Stage 3 or 4 Water Shortage this year. GWM Dept. costs will increase as a result.