

# Buckman Direct Diversion



## Annual Operating Budget

FY 2014/15

Prepared by:

Shannon Jones, Interim BDD Facilities Manager  
Mackie Romero, BDD Financial Manager



# **Buckman Direct Diversion Board**

**As of April 3, 2014**

## **Fiscal Year 2014/2015 Adopted Operating Budget**

### **Joseph M. Maestas**

Chair, Buckman Direct Diversion Board  
City Councilor, District 2

### **Liz Stefanics**

Vice-Chair, Buckman Direct Diversion Board  
County Commissioner, District 5

### **Carmichael A. Dominguez**

City Member, Buckman Direct Diversion Board  
City Council, District 3

### **Miguel M. Chavez**

County Member, Buckman Direct Diversion Board  
County Commissioners, 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

### **Daniel Mayfield**

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

**Shannon Jones**, Interim BDD Facilities Manager

## **Buckman Direct Diversion Board**

### **Fiscal Year 2014/2015 Approved Operating Budget**

**Kathy Holian**

Chair, Buckman Direct Diversion Board  
County Commissioner, Vice-Chair, District 4

**Chris Calvert**

Vice-Chair, Buckman Direct Diversion Board  
City Councilor, District 1

**Carmichael A. Dominguez**

City Member, Buckman Direct Diversion Board  
City Council, District 3

**Miguel M. Chavez**

County Member, Buckman Direct Diversion Board  
County Commissioners, District 2

**Consuelo Bokum**

At-Large Member, Buckman Direct Diversion Board

**Patti Bushee**

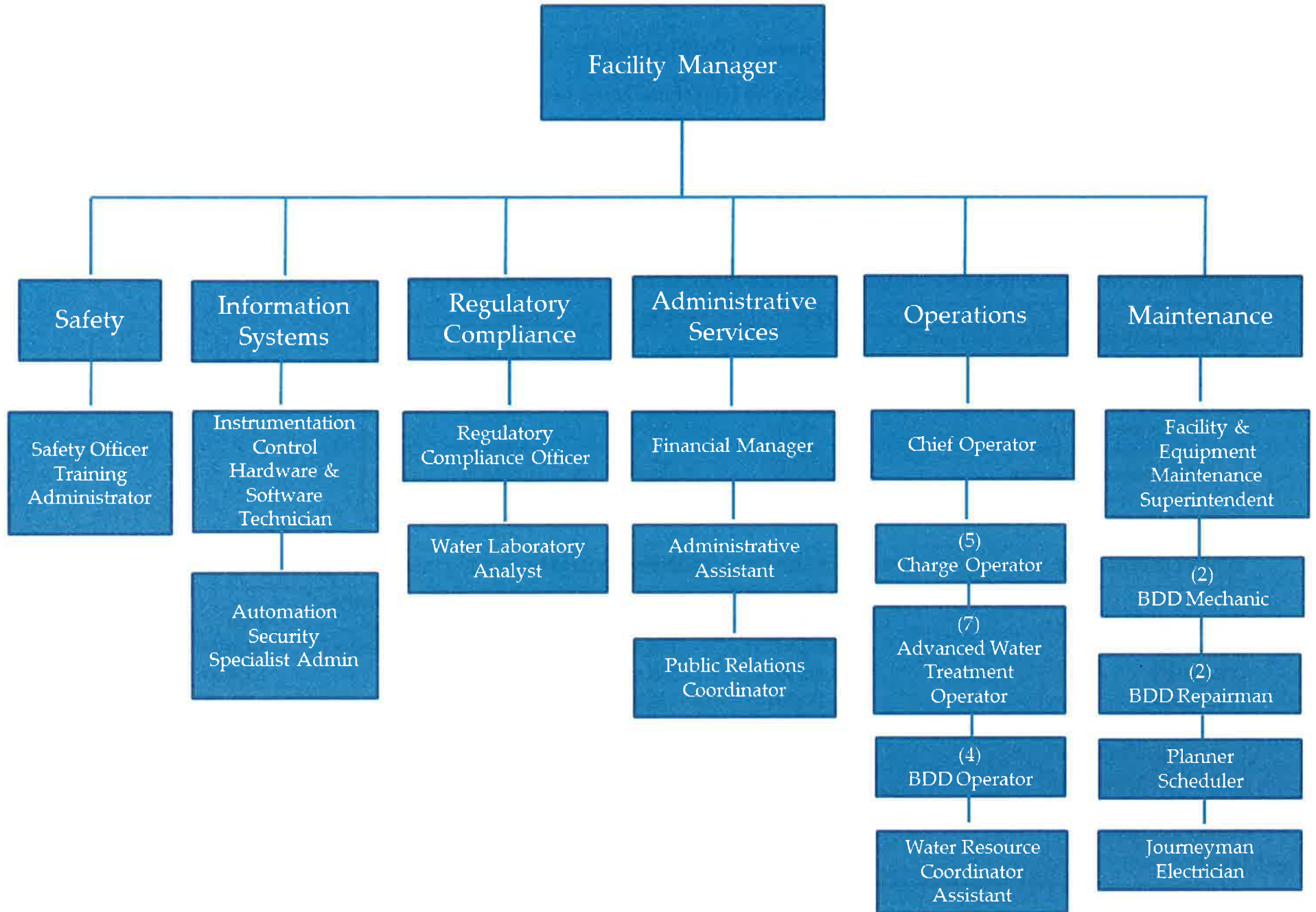
City Alternate Member, Buckman Direct Diversion Board  
City Councilor, District 1

**Daniel Mayfield**

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

**Shannon Jones**, Interim BDD Facilities Manager

**BUCKMAN DIRECT DIVERSION REGIONAL WATER PLANT ORGANIZATIONAL CHART**



# Buckman Direct Diversion (BDD) Annual Operating Budget, FY2014/15

## 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 15<sup>th</sup> of each fiscal year. With this submittal, the Project Manager requests the Buckman Direct Diversion Board (BDDDB) approve and recommended the Fiscal Year 2014-2015 Operating Budget of \$6,524,600. 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	%
<b>Revenues/Reimbursements by Source:</b>				
PNM Solar Rebates	\$ -	\$ 180,000	\$ 180,000	2.8%
City of Santa Fe	3,491,396	1,134,740	4,626,136	70.9%
Santa Fe County	1,231,818	259,560	1,491,378	22.9%
Las Campanas (Club)	67,029	96,500	163,529	2.5%
Las Campanas (Coop)	63,557	-	63,557	1.0%
<b>Total Revenues by Source</b>	<u>\$ 4,853,800</u>	<u>\$ 1,670,800</u>	<u>\$ 6,524,600</u>	<u>100%</u>
% of overall budget	74%	26%	100%	

**BUDGET EXPENDITURE SUMMARY - PARTNER SHARE OF TOTAL PROPOSED FY2014/15 BUDGET - (TABLE B)**

Expenditure by Category	City of Santa Fe	Santa Fe County	Las Campanas (Club)	Las Campanas (Coop)	Total
Personnel	2,433,807	869,636	55,043	52,214	3,410,700
Electricity	1,042,303	238,587	97,110	-	1,378,000
Chemicals	212,000	53,000			265,000
Solids	48,640	12,160			60,800
Materials & Supplies	303,760	104,346	3,692	3,502	415,300
Other Operating Costs	729,626	249,649	7,683	7,841	994,800
<b>Total</b>	<u>4,770,136</u>	<u>1,527,378</u>	<u>163,529</u>	<u>63,557</u>	<u>6,524,600</u>
PNM Solar Rebates	(144,000)	(36,000)			
<b>Total</b>	<u>4,626,136</u>	<u>1,491,378</u>			

# BUCKMAN DIRECT DIVERSION REGIONAL WATER PLANT

\*UNAUDITED RESULTS - ACCRUAL BASIS - BEST ESTIMATES

(TABLE C)

	FY2012/13 Adopted Budget	FY2012/13 Unaudited Actual 6/30/13	FY2013/14 Adopted Budget	FY2014/15 Proposed Budget	\$ Change FY14/15 vs FY13/14
<b>Revenues/Reimbursements by Fund:</b>					
BDD Operating 7280000	\$ 8,464,512	\$ 5,588,198	\$ 7,037,603	\$ 6,524,600	\$ 513,003
<b>Total</b>	<b>\$ 8,464,512</b>	<b>\$ 5,588,198</b>	<b>\$ 7,037,603</b>	<b>\$ 6,524,600</b>	<b>\$ 513,003</b>
<b>Expenditures by Category:</b>					
Salaries and Wages	\$ 2,042,681	\$ 1,548,779	\$ 2,059,378	\$ 1,994,021	\$ (65,357)
Overtime and Shift Differential	198,817	224,626	217,532	192,532	(25,000)
Benefits	1,360,594	736,235	864,941	1,224,147	359,206
Electricity	1,443,961	1,466,412	1,233,755	1,378,000	144,245
Chemicals	478,245	242,315	374,783	265,000	(109,783)
Solids	615,462	48,676	77,800	60,800	(17,000)
Materials & Supplies	673,619	388,550	578,919	415,300	(163,619)
Other Operating Costs	1,508,379	849,387	1,526,999	930,200	(596,799)
<b>Total</b>	<b>8,321,758</b>	<b>5,504,980</b>	<b>6,934,107</b>	<b>6,460,000</b>	<b>(474,107)</b>
Fiscal Agent Fee	142,754	83,218	103,496	<b>64,600</b>	<b>(38,896)</b>
<b>Total</b>	<b>\$ 8,464,512</b>	<b>\$ 5,588,198</b>	<b>\$ 7,037,603</b>	<b>\$ 6,524,600</b>	<b>\$ (513,003)</b>

The budget development for FY2014/15 presented opportunities for the Buckman Direct Diversion (BDD) staff to closely collaborate with our partners, the City of Santa Fe, the County of Santa Fe, and Las Campanas Entities.



## Budget Summary & Analysis

Closing the gap between actual expenditures and budget was a prime consideration in developing BDD's budget for FY2014/15.

- 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 \$2,8076,314 lower than our adopted budget.
- FY13/14 Projected to expend \$5,557,927 with 9 vacant positions, which is \$1,376,180 lower than our adopted budget.

The BDD actively collaborated with its partners on the development of this budget and, due to valuable discussions with the partners, was able to decrease its proposed budget for FY2014/15.

- The proposed Annual Operating Budget for FY2014/15 is \$6,460,000 plus the fiscal agent fee of \$64,600, which represents \$513,003 in reductions from the previous budget year of \$7,037,603.

BDD has two full years of operating expenditures; this information was used by staff to predict the needs of our operations. BDD also used yearly volumetric flow predictions provided by each partner for our variable expenditures such as chemicals, solids management and electricity.

BDD also changed how we presented the PNM Solar Rebates received monthly. In prior years these credits were presented as a reduction to electricity expenditures, which is not how BDD accounts for these receipts. Therefore we requested 100% of our proposed electricity budget, since we pay and account for 100% of the invoices. The PNM Solar rebates will be accounted for as a revenue source. 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 PNM revenue received.



Tabular presentation of major budget items for FY14/15 requested in comparison to last year's actual expenditures:

(TABLE D)

<b>BUDGET SUMMARY of SIGNIFICANT CHANGES FROM FY12/13 ACTUAL TO FY14/15 PROPOSED</b>				
			<b>TOTAL FY12/13 ACTUAL</b>	5,588,198
<b>Program</b>	<b>Description</b>	<b>Dollar Change</b>	<b>% Change</b>	
Safety and Training	BDD Safety Officer Training Administrator position has been vacant for 1 year, increase is due to salaries and benefits and operating supplies needed for this position, however is still a 53k decrease from FY13/14 Adopted Budget.	128,110	2.29%	
Maintenance	Salary and Benefits for BDD Maintenance Mechanic position vacant for 5 months in FY12/13	77,129	1.38%	
Operations	Salaries and benefits for vacant positions, operations averaged 5 vacant positions throughout the fiscal year	394,411	7.06%	
Operations	Increase in chemicals based on actual usage, however 100k less than FY13/14 Adopted Budget	23,000	0.41%	
Operations	Employee mileage and per diem for out of town training	1,400	0.03%	
Regulations	Increase for permit and compliance consultants CDM Smith	30,000	0.54%	
Regulations	Increase in postage and mail service, needed for sample testing	2,500	0.04%	
Regulations	Inventory exempt, equipment and tools less than 5,000	5,000	0.09%	
Regulations	Increase to subscriptions and periodicals	750	0.01%	
Information Technology	Increase to communications for satellite phone agreement	1,000	0.02%	
Information Technology	Increase to maintenance on system equipment, for software licenses and support agreements	8,094	0.14%	
Administrative Services	Salaries and benefits for vacant positions, admin averaged 2-3 vacant positions throughout the fiscal year	250,008	4.5%	
Administrative Services	Projected increase in general liability insurance	10,000	0.2%	
Administrative Services	Increase in office supplies	3,000	0.1%	
Administrative Services	Increase in advertising for RFP and vacant positions	2,000	0.0%	
Total 2014/15 Budget Increase over FY2012/13 Actual		936,402	17%	
			<b>TOTAL FY14/15 BUDGET REQUEST</b>	6,524,600

## Budget Fixed & Variable Costs Analysis

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 has requested that the Facility Operations and Procedures Agreement (FOPA) be amended 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.

**Cost Sharing (TABLE E)**

Partner	Fixed (Shared Facilities)	Fixed (Separate Facilities)	Variable Costs (Projected Volumetric Flow)
City of Santa Fe	62.09%	75.33%	74%
Santa Fe County	28.85%	24.67%	16%
Las Campanas (Coop)	3.68%	0%	10%
Las Campanas (Club)	5.38%	0%	0%
	100%	100%	100%

Annual volumetric flow predictions provided by the partners provide the basis for certain variable costs primarily related to chemicals, power, and solids management

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

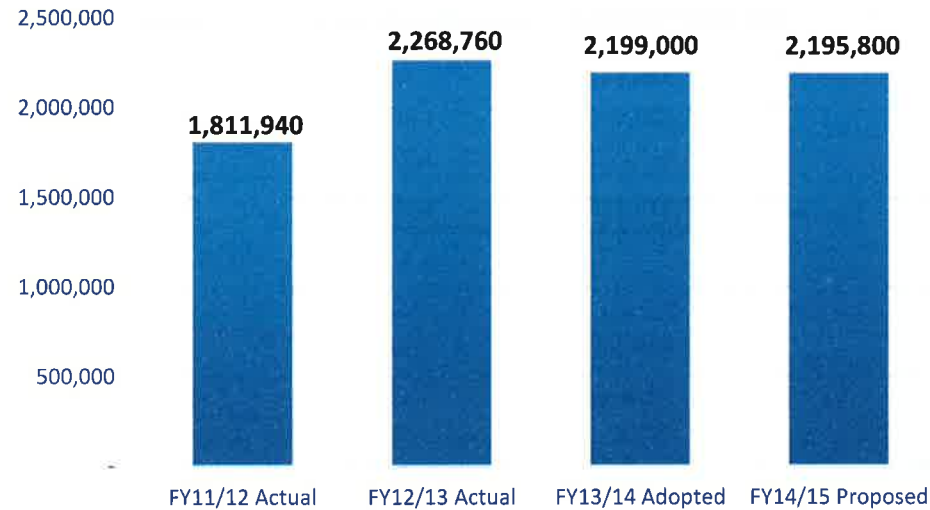
Volumetric Flow (acft)	City of Santa Fe	Santa Fe County	Las Campanas (Raw Water)	Total	Delivered	Increase
FY2011/2012	4,765.10	436.18	150.37	5,351.65	98%	N/A
FY2012/2013	4,677.75	714.49	589.00	5,981.24	116%	12%
FY2013/2014	5,236.46	819.24	695.00	6,750.70	N/A	13%
FY2014/2015	4,982.61	1,108.27	650.22	6,741.10	N/A	-0.14%
%	74%	16%	10%	100%		

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

BDD has completed a budget analysis for FY2012/13 and FY2014/15. The total actual cost per one thousand gallons of finished water production for FY2012/13 budget was \$2.46/1,000 gallons, and the total flow was 2,268,760,000 finished gallons, for a total baseline expenditure of \$5,588,198. The proposed budget for FY2014/15 is based on a proposed total flow of 2,195,800,000 finished gallons. This is a .13% decrease in finished water production over the FY2012/13 water call.

### Total finished gallons produced in 1,000's

(CHART G)



# BUCKMAN DIRECT DIVERSION REGIONAL WATER PLANT

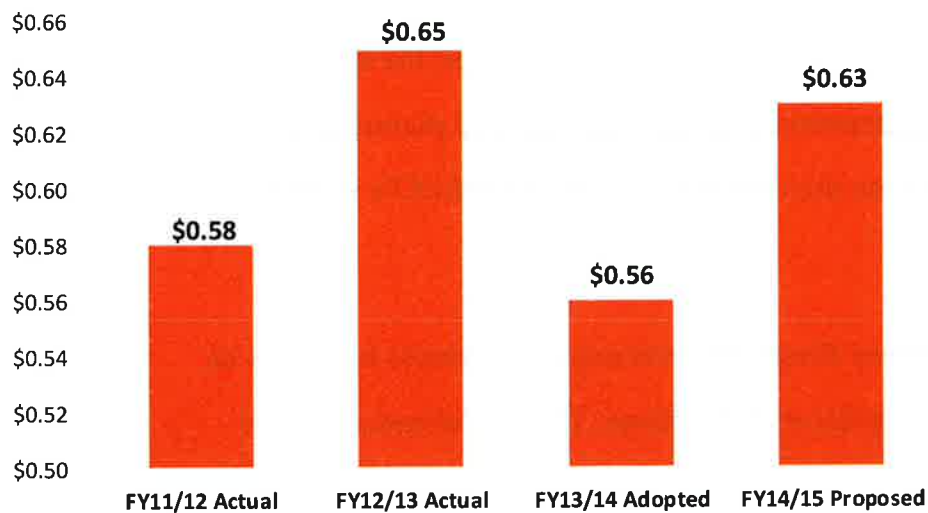
\*UNAUDITED RESULTS - ACCRUAL BASIS - BEST ESTIMATES

(TABLE H)

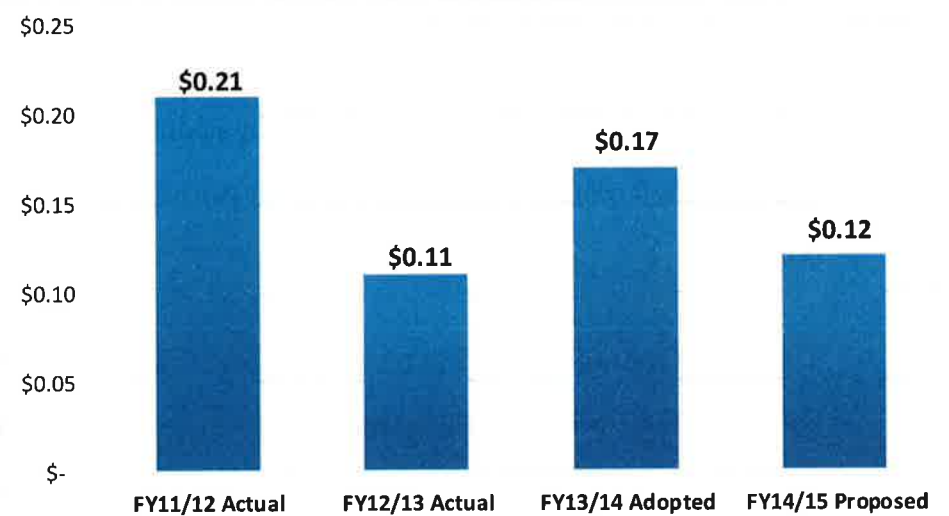
	<u>FY2012/13 Adopted Budget</u>	<u>FY2012/13 Unaudited 06/30/2013</u>	<u>FY2013/14 Adopted Budget</u>	<u>FY2014/15 Proposed Budget</u>
<b>Expenditures</b>				
Chemical Expenditures	\$ 478,245	\$ 242,315	\$ 374,783	\$ 265,000
Electric Expenditures	1,426,436	1,466,412	1,228,798	1,378,000
All Other Expenditures	<u>6,417,077</u>	<u>3,879,471</u>	<u>5,330,526</u>	<u>4,817,000</u>
<b>Total Operating Expenditures*</b>	<b><u>\$ 8,321,758</u></b>	<b><u>\$ 5,588,198</u></b>	<b><u>\$ 6,934,107</u></b>	<b><u>\$ 6,460,000</u></b>
 <b>Operational Efficiencies</b>				
Total gallons delivered in 1,000's	1,948,100	2,268,760	2,199,000	2,195,800
Total Cost per 1,000 gallons	\$ 4.27	\$ 2.46	\$ 3.15	\$ 2.94
Chemical Cost per 1,000 gallons	\$ 0.25	\$ 0.11	\$ 0.17	\$ 0.12
Electric Cost per 1,000 gallons	\$ 0.73	\$ 0.65	\$ 0.56	\$ 0.63
<b>Monthly "Burn Rate" (Avg. Exp/Month)</b>	\$ 693,480	\$ 458,748	\$ 577,842	\$ 538,333

BDD’s budget development utilizes several complex engineering models to determine solids management, power, and chemical costs, which make up 26% of the total FY2014/15 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. Current partners’ requests resulted in a modification of the BDD’s operational policy to assure adequate raw water supply to Las Campanas during prolonged periods of impaired river water quality as frequently experienced during monsoon season. This new approach has the potential to significantly increase the overall number of hours of on-peak pumping and may result in increased power expenditures.

**Electric Cost per 1,000 gallons finished**  
(CHART I)



**Chemical Cost per 1,000 gallons finished water**  
(CHART J)



## **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.

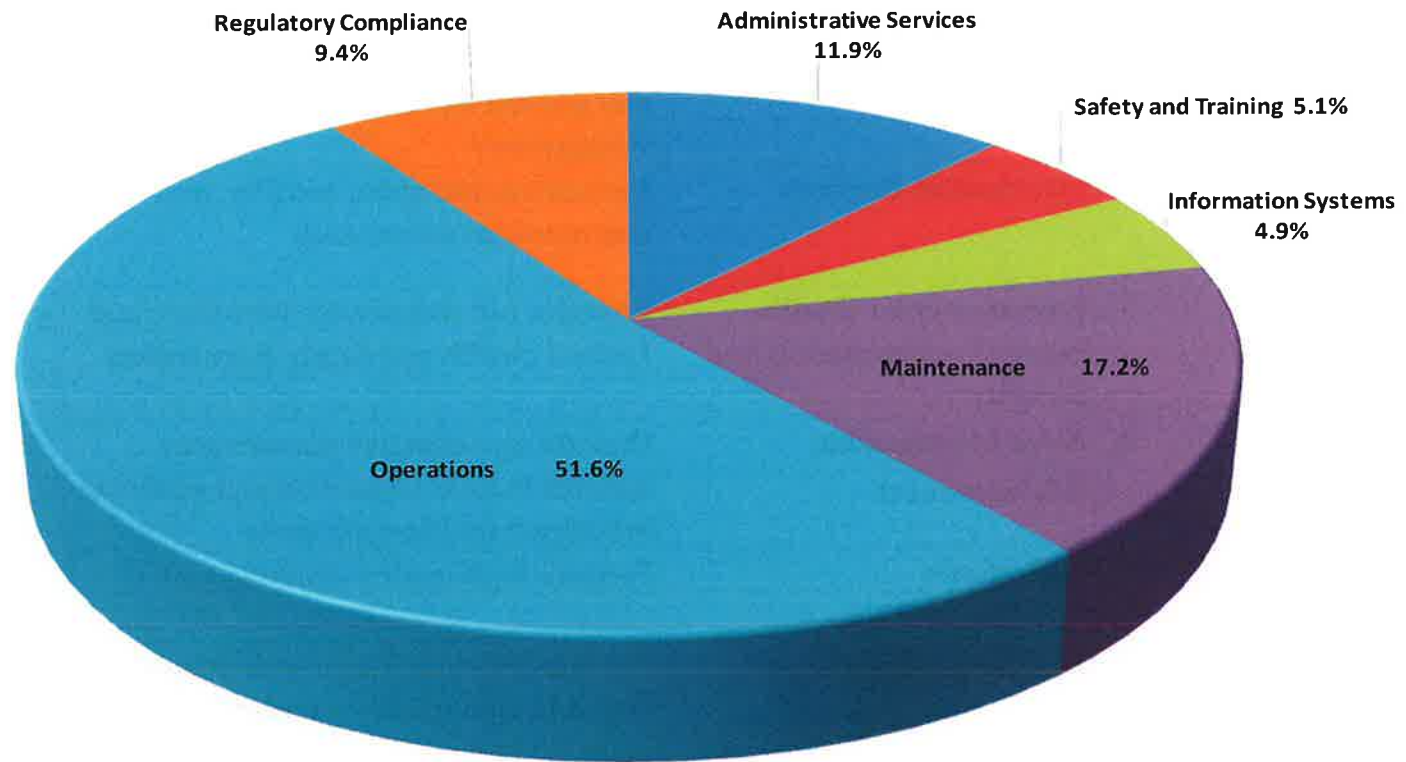
The BDD Operation and Maintenance (O&M) is divided into six (6) key Programs with explicit business functions as shown in Figure 1. Each Program was developed to support specific goals and objectives. These business activities encompass all functions necessary to operate the regional water treatment plant, maintain full regulatory compliance, execute Fiscal Agent responsibilities, and optimize infrastructure investments through comprehensive asset management.

FIGURE 1

Key Program	Business Function
1. <b>Administrative Services</b>	Provides general oversight and management support. Provides accounting, budgeting, procurement and payroll services as well as records management
2. <b>Information Services</b>	Provides automation, security, and communications services
3. <b>Environmental Health, Safety Transportation and Security</b>	Provides full compliance with State and Federal Health and Safety Regulations
4. <b>Asset Management (Maintenance)</b>	Provide cost-effective maintenance services to BDD Operation and optimize infrastructure life-cycle costs
5. <b>Operations</b>	Produce high quality drinking water
6. <b>Regulatory Compliance</b>	Provide full compliance with State and Federal water quality standards



## Key Programs and Cost Allocation Percentages



The expenditure budgets for these six 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.

## BUCKMAN DIRECT DIVERSION REGIONAL WATER PLANT

\*UNAUDITED RESULTS - ACCRUAL BASIS - BEST ESTIMATES

(TABLE K)

		FY2012/13 Adopted Budget	FY2012/13 Unaudited 6/30/13	FY2012/13 Variance to Actual \$ (Under) or Over Budget	FY2013/14 Adopted Budget	FY2014/15 Proposed Budget	\$ Change FY 14/15 vs FY13/14
<b>Expenditures by Program:</b>							
Administrative Services (4 FTE)	\$	902,078	\$ 586,971	\$ (315,107)	\$ 821,834	\$ 870,594	\$ 48,759
Safety and Training (1 FTE)		342,015	170,092	(171,924)	351,757	298,203	(53,554)
Information Systems (2 FTE)		426,682	334,208	(92,474)	341,053	343,302	2,249
Maintenance (7 FTE)		1,369,564	912,034	(457,530)	1,194,195	989,163	(205,032)
Operations (19 FTE)		4,630,971	3,233,111	(1,397,860)	3,576,576	3,651,922	75,346
Regulatory Compliance (2 FTE)		650,448	268,564	(381,884)	648,691	306,817	(341,874)
<b>Total Expenditures by Program (35 FTE)</b>		8,321,758	5,504,980	(2,816,779)	6,934,107	6,460,000	(474,107)
<b>Fiscal Agent Fee</b>		142,754	83,218	(59,536)	103,496	64,600	(38,896)
<b>Total</b>	\$	8,464,512	\$ 5,588,198	\$ (2,876,315)	\$ 7,037,603	\$ 6,524,600	(513,003)

**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 Fund, and the Major Repair and Replacement 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 will be built to a target balance of \$2,000,000 by the end of fiscal FY2013/14; therefore we will not request any additional contributions in FY14/15 and will replenish dollars as they are spent according to the Board approved policy.

**Emergency Reserve Fund**

**(TABLE L)**

Emergency Fund	City of Santa Fe	Santa Fe County	Las Campanas	Balance
Annual Contribution	1,306,335	466,283	227,382	2,000,000

**Major Repair and Replacement Fund (RRF)**

The Major Repair and Replacement Fund will receive the annual contribution of \$411,804 for FY14/15. This will increase the balance from \$823,624 to \$1,235,428 by the end of fiscal FY2014/15. As actual expenses are incurred, contributions to the fund in “out years” can be adjusted accordingly.

**Major Repair and Replacement Fund**

**(TABLE M)**

Major Repair & Replacement Fund	City of Santa Fe	Santa Fe County	Las Campanas	Balance
Contributions as of FY13/14	583,690	199,972	39,962	823,624

**Major Repair and Replacement Fund FY14/15 Contributions**

**(TABLE N)**

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 (BDDDB) to approve and recommended the funding for our Fiscal Year 2014-2015 Operating Budget of \$6,344,600 plus the annual contribution of \$411,804 for the Major Repair and Replacement Fund, for a total request of \$6,756,404. With your approval, BDD will also budget \$180,000 of the PNM solar rebates, increasing our expenditure budget to \$6,524,600. We appreciate all the input and support from our partners and our Buckman Direct Diversion Board members.

**Funding Allocation**

**(TABLE O)**

<b>Funds</b>	<b>City of Santa Fe</b>	<b>Santa Fe County</b>	<b>Las Campanas (Club)</b>	<b>Las Campanas (Coop)</b>	<b>Total</b>
Operating Fund	4,626,136	1,491,378	163,529	63,557	6,344,600
Repair & Replacement Fund	291,840	106,162	7,083	6,719	411,804
<b>Total</b>	<b>4,917,976</b>	<b>1,597,540</b>	<b>170,612</b>	<b>70,276</b>	<b>6,756,404</b>