

Staff Report



TO: Board of Directors
FROM: Jennifer Hanson, General Manager
DATE: October 26, 2022
SUBJECT: 2022 Annual Budget Amendment

FINANCE

RECOMMENDATION

Adopt Resolution Amending the 2022 Budget and Capital Improvement Plan as recommended by Staff.

BACKGROUND

The purpose of this staff report is to present an amendment to the 2022 Annual Budget. The proposed amendment is attached. Please note the proposed amendment shows amendments previously approved by the Board by resolution and newly proposed budget amendments. Previously approved amendments are shaded in blue and newly proposed amendments are shaded yellow. A summary of the amendments is provided below:

- **Revised Beginning Fund Balances (Fund 10, 30, and 50):** Updated 2022 balances for Funds 10, 30, and 50 have been provided. When the Annual Budget is prepared each year, a projected beginning year fund balance is calculated for budgeting purposes. Since the Annual Budget is prepared prior to the close of the Fiscal Year, the beginning balance typically requires adjustment to reflect changes made after the fiscal year closes. The changes are related to year-end accruals or adjustments that are required during the audit process.

The largest change presented is related to Fund 10. The projected beginning balance for Fund 10 was \$50,419,022 and is now reduced to \$39,843,796. This reduction is primarily due to \$6.3 million in Centennial related expenditures being reclassified from construction in progress to being expensed in Fund 10. Construction work in progress is an account in which the costs to design and construct a fixed asset are recorded until such time the asset is placed in service. When a construction in progress account has been on the General Ledger for an extended period (i.e., more than one year) and the project has been either abandoned or significantly altered from its scope, the District is required to no longer record those expenditures as construction in progress.

The District's auditors have recommended that the expenditures be moved since the project is not actively moving forward. As such, implementation of this recommendation reduced the projected beginning year balance for Fund 10 by \$6.3 million.

The beginning year fund balance adjustments for funds 30 and 50 were related to accruals made after the end of the fiscal year, adjustments made during the annual financial audit process, and to the payment of expenditures that were not projected at the time of budget development.

- **Rollover 2021 Capital Projects (Fund 15, and 55):** The proposed amendment includes capital projects that were included in the 2021 budget that need to be rolled over to the 2022 budget. Fund 15 includes a total of \$1.7 Million in capital rollover. It is not proposed at this time to make an additional transfer of funds from Fund 10 to Fund 15. Fund 55 includes both rollover projects and project budget reductions which equals a total reduction of \$260,000.
- **Increased budget for Internal Services (Fund 70):** It is proposed that the budget for Fund 70 be increased for the following reasons:
 - Several software licensing fees were inadvertently left out of the 2022 Annual Budget. This oversight was related to the fact that in previous budgets software licensing was budgeted for in various department operation departments. With the establishment of an internal services fund it is now appropriate to budget for these expenditures in Fund 70.
 - There are a proposed increases in budget to IT consulting fees, and IT equipment purchases that is related to the issues related to the security breach, the financial software upgrade, and other IT issues that require increased support.
 - There are proposed increases to the Safety Division's budget to address unforeseen training needs.
 - There are proposed increase to the Accounting Division's budget to address the additional consulting services needed to supplement staff resources while the ongoing cleanup is continued.
 - There is a proposed increase to the Shop Division's budget due to increase material and vendor costs.
 - There is also a proposed decrease for both revenue and expenditures related to the English Meadows restoration project. The project is currently delayed due to environmental permitting and will not proceed until 2023.

This increase will be paid for through the cost allocation which allocates 64% of the cost to Water Fund 10, 5% to Recreation Fund 30, and 31% to Hydroelectric Fund 50.

FINDINGS AND ANALYSIS

Fund 10 Water Operations

In the 2022 Annual Budget, Fund 10 had a reserve target of \$23,500,707. The proposed changes will result in a reduction of \$2,463,290 from the reserve target.

Fund 15 Water Capital:

In the 2022 Annual Budget the reserve target for Fund 15 was established at \$22,000,000. In this amendment it is not proposed to transfer additional monies from Fund 10 to pay for the \$1.7 million in rollover projects. As such, the reserve is now \$1.7 million below the target of \$22 M.

Fund 30 Recreation Operations:

In the 2022 Annual Budget, Fund 30 had a reserve target of \$610,640. The proposed changes will result in a reduction of \$609,868 from the reserve target.

Fund 50 Hydroelectric Operations

In the 2022 Annual Budget, Fund 50 had a reserve target of 11,221,870. The proposed changes to not result in a reduction of this target and the fund is projected to have a \$1.7M unassigned fund balance at the end of the fiscal year.

Fund 55 Hydroelectric Capital

In the 2022 Annual Budget, Fund 55 had a reserve target of \$50 M. This reserve will not be impacted by the proposed changes.

Fund 70 Internal Services:

Fund 70 does not currently have a reserve target and is funded by transfer each year that is determined by a cost allocation formula.

CONCLUSION

It is recommended that the Board authorize the proposed budget amendment.

Attachments: (4)

- 2022 Annual Budget Amendment Tables
- Resolution



RESOLUTION NO. 2022-57
OF THE BOARD OF DIRECTORS OF THE NEVADA IRRIGATION DISTRICT
2022 BUDGET AMENDMENT

WHEREAS, the Nevada Irrigation District (District) budget for the 2022 fiscal year reflects resources to meet the essential needs of the District and the District's customers; and

WHEREAS, the Board of Directors adopted the 2022 Annual Budget on December 15, 2021; and

WHEREAS the budget amendment is necessary to adjust the operational budgets to account for unforeseen expenditures, capital projects that were initiated in 2021 and continue into 2022, and to adjust fund balances to reflect more accurate beginning year fund balance projections.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE NEVADA IRRIGATION DISTRICT AS FOLLOWS:

SECTION 1. The budget amendment only includes funds that were amended, funds not shown as amended are as adopted in the 2022 Annual Budget.

SECTION 2. Fund 10 amendments include:

- a. Transfer to Fund 70 in the amount of \$281,600.
- b. Projected reserves of \$21,037,417.

SECTION 3. Fund 15 amendments include:

- a. The addition of the following capital projects that were originally in the 2021 Annual Budget to the 2022 Annual Budget: Alta Sierra Tan (52952-6971) in the amount of \$1,557,775; Santini Siphon (52952-1028) in the amount of \$21,567; North Auburn Water Treatment Plant (52952-2376) in the amount \$9,600; Loma Rica District Fund Water Line Extension (52952-2181) in the amount of \$39,213, and the Farm Canal Encasement (52952-2591) in the amount of \$65,000.
- b. Projected reserves of \$20,306,845.

SECTION 4. Fund 30 amendments include:

- a. Transfer of \$22,000 to Fund 70.
- b. Projected reserves of \$772

SECTION 5. Fund 50 amendments include:

- a. A reduction of \$580,000 in revenue associated with the delay in acquisition of the Deer Creek Powerhouse.
- b. The transfer of \$77,000 to Fund 30.
- c. The Transfer of \$136,400 to Fund 70.
- d. Projected reserves of \$11,221,870.

SECTION 6. Fund 55 amendments include:

- a. The addition of the following capital projects that were originally in the 2021 Annual Budget to the 2022 Annual Budget: SFPH Fire Detection Upgrade (2552) in the amount of \$30,000; CNPH Fire Detection Upgrade (2553) in the amount of \$30,000, CSPH Fire Detection Upgrade (2554) in the amount of \$30,000, DF #2 Powerhouse Standby Generator (2240) in the amount of \$20,000, and Fall Creek Flume Improvements (2404) in the amount of \$180,000,
- b. The following capital projects that were included in the 2022 budget will have their budget decreased as noted: BS Canal Lining at Boxcar (2600) decreased by \$300,000, DF #2 Fire Suppression Upgrade (2440) decreased by \$125,000, and Rucker Spill Gate (2339) decreased by \$125,000.
- c. Projected reserves of \$50,260,000.

SECTION 7. Fund 70 amendments include:

- a. The reduction of \$1,251,000 in revenue and \$1,353,303 in expenditures associated with the delay of the English Meadows Restoration Project.
- b. Increased operational expenditures of \$445,000.

SECTION 8. The Board of Directors hereby finds that the proposed amendments (as in the shown in the attached spreadsheets) are in the District’s best interest and to the benefit of the District’s rate and tax payers.

* * * * *

PASSED AND ADOPTED by the Board of Directors of the Nevada Irrigation District at a regular meeting held on the 26th day of October 2022, by the following vote:

AYES:	Directors:
NOES:	Directors:
ABSENT:	Directors:
ABSTAINS:	Directors:

President of the Board of Directors

Attest:

Secretary to the Board of Directors

Fund 10 Water Operations Budget Amendments

	Beginning Balance		Beginning Balance									
	1-Jan-22	Reserve Target	Minus Reserves	Revenue	Transfer-In	Total Inflows	Expenditures	Transfer Out	Total Outflows	FYE Unassigned Fund Balance	FYE Fund Balance With Reserves	Comments
Approved Budget	50,419,022	23,500,707	26,918,315	47,620,100	1,139,835	48,759,935	29,698,190	36,661,224	66,359,414	9,318,836	32,819,543	
Amended Beginning Balance	39,843,496	23,500,707	16,342,789	47,620,100	1,139,835	48,759,935	29,698,190	36,661,224	66,359,414	-1,256,690	22,244,017	Major adjustment in Beginning Balance due to removal of Centennial Project from Construction in Progress.
Squirrel Creek (4/13/2022)								800,000				Approved by Resolution, Transfer to Fund 15
English Meadows (4/27/2022)								125,000				Approved by Resolution, Transfer to Fund 70
Transfer to Fund 70								281,600				Transfer to fund 70 for increased cost allocation.
Amended Totals	39,843,496	23,500,707	16,342,789	47,620,100	1,139,835	48,759,935	29,698,190	37,867,824	67,566,014	-2,463,290	21,037,417	Reserve reduction of \$2,463,290 from approved 2022 Budget.
Previously Approved By Board												
Proposed Revision												

Fund 15 Water Capital Budget Amendments

	Beginning Balance	Beginning Balance									
	1-Jan-22	Minus Reserves	Revenue	Transfer-In	Total Inflows	Expenditures	Transfer Out	Total Outflows	FYE Unassigned Fund Balance	FYE Fund Balance With Reserves	Comments
Approved Budget	0	0	0	28,858,000	28,858,000	6,858,000	0	6,858,000	22,000,000	22,000,000	
Improvement/Replacement Reserve				22,000,000							Board Approved Reserve Levels in 2022.
Annual CIP Expenditures				6,858,00							
Squirrel Creek (4/13/2022)				800,000		800,000					Previously Approved Transfer In from Fund 10
Alta Sierra Tank (52952-6971)						1,557,775					2021 Rollover
Santini Siphon (52952-1028)						21,567					2021 Rollover
North Auburn WTP (52952-2376)						9,600					2021 Rollover
Loma Rica DWFLE (52952-2181)						39,213					2021 Rollover
FARM CANAL ENCASEMENT (2591)						65,000					2021 Rollover
Amended Totals	0	0	0	29,658,000	29,658,000	9,351,155	0	9,351,155	-1,693,155	20,306,845	Capital Reserve Reduction of \$1.7 M.
Previously Approved By Board											
Proposed Revision											

Fund 30 Recreation												
	Beginning Balance		Beginning Balance									
	1-Jan-22	Reserve Target	Minus Reserves	Revenue	Transfer-In	Total Inflows	Expenditures	Transfer Out	Total Outflows	FYE Unassigned Fund Balance	FYE Fund Balance With Reserves	Comments
Approved Budget	999,990	610,640	389,350	2,207,208	167,577	2,374,785	2,342,561	989,572	3,332,133	-567,998	42,642	
Amended Beginning Balance	903,120	610,640	292,480	2,207,208	167,577	2,374,785	2,342,561	989,572	3,332,133	-664,868	-54,228	Adjusted FYB Balance due to year end adjustments and accruals.
USFS Collection Agreement (5/11/2022)					348,870		348,870					Board Approved Transfer From Fund 50
Proposed Transfer In From Fund 50					77,000							Proposed Transfer From Fund 50 to cover negative fund balance
Proposed Transfer To Fund 70								22,000				
Amended Totals	903,120	610,640	292,480	2,207,208	593,447	2,800,655	2,691,431	1,011,572	3,703,003	-609,868	772	Reduction in reserves of \$609,868
Previously Approved By Board												
Proposed Revision												

Fund 50 Hydroelectric Operations												
	Beginning Balance		Beginning Balance							FYE	FYE Fund	
	1-Jan-22	Reserve Target	Minus Reserves	Revenue	Transfer-In	Total Inflows	Expenditures	Transfer Out	Total Outflows	Unassigned Fund Balance	Balance With Reserves	Comments
Approved Budget	64,617,198	11,221,870	53,395,328	24,833,811	0	24,833,811	12,486,586	59,982,153	72,468,739	5,760,400	16,982,270	
Amended Beginning Balance	62,658,210	11,221,870	51,436,340	24,833,811	0	24,833,811	12,486,586	59,982,153	72,468,739	3,801,412	15,023,282	Adjustment Due to YE Accruals and Adjustments.
English Meadows (4/27/2022)								125,000				Board Approved Transfer to Fund 70.
USFS Collection Agreement (5/11/2022)								348,870				Board Approved Transfer to Fund 30.
SYC acquisition (3/9/2022)				580,000			1,162,435	180,000				Board Approved. Includes transfer to Fund 55.
Reduce Revenue Associated with Deer Creek PH				-580,000								Delay on acquisition of asset.
Proposed Transfer to Fund 30								77,000				Transfer needed to address projected Fund 30 negative balance at year-end.
Proposed Transfer to Fund 70								136,400				Increase cost allocation associated with proposed amendment.
New Totals	62,658,210	11,221,870	51,436,340	24,833,811	0	24,833,811	13,649,021	60,849,423	74,498,444	1,771,707	12,993,577	
Previously Approved By Board												
Proposed Revision												

Fund 55 Hydroelectric Operations

	Beginning Balance	Reserve Balance	Beginning Balance	Revenue	Transfer-In	Total Inflows	Expenditures	Transfer Out	Total Outflows	FYE Unassigned Fund Balance	FYE Fund Balance With Reserves	Comments
	1-Jan-23		Minus Reserves									Comments
Approved Budget	0	0	0	0	54,625,000	54,625,000	4,625,000	0	4,625,000	0	50,000,000	New fund, no beginning year fund balance.
Capital Funding					4,625,000							
Capital Reserve					15,000,000							
FERC Reserve					35,000,000							
Amended Beginning Balance	0	0	0	0	54,625,000	54,625,000	4,625,000	0	4,625,000	0	50,000,000	New fund, no beginning year fund balance.
SYC acquisition (3/9/2022)					180,000	180,000	180,000					Approved by Board
SFPH Fire Detection Upgrade (2552)							30,000					2021 Rollover
CNPH Fire Detection Upgrade (2553)							30,000					2021 Rollover
CSPH Fire Detection Upgrade (2554)							30,000					2021 Rollover
Fall Creek Flume Improvements (2404)							180,000					2021 Rollover of design expenditures for project and increase in material costs.
BS Canal Lining at Boxcar (2600)							-300,000					Reduction of fund request, work will be done in future year.
DF #2 Fire Suppression Upgrade (2240)							-125,000					Reduction of funds requested work will be done in a future year.
Rucker Spill Gate (2339)							-125,000					Reduction due to delay in construction, waiting on FERC approval.
DF #2 PH Standby Generator (2483)							20,000					2021 Rollover
New totals	0	0	0	0	54,805,000	180,000	4,545,000	0	4,545,000	260,000	50,260,000	

Previously Approved By Board
Proposed Revision

Fund 70 Internal Services												
	Beginning Balance		Beginning Balance	Revenue	Transfer-In	Total Inflows	Expenditures	Transfer Out	Total Outflows	FYE Unassigned Fund Balance	FYE Fund Balance With Reserves	Comments
	1-Jan-22	Reserve Balance	Minus Reserves									
Approved Budget	0	0	0	0	12,192,537	12,192,537	12,192,537	0	12,192,537	0	0	
English Meadows (4/27/2022)				1,251,000	250,000		1,353,303	0	1,353,303			Approved by Board Resolution
English Meadows				-1,251,000			-1,353,303					Project Delayed Due to Permitting, Removing Revenue and Expenditures from 2022. Leaving Transfer in for 2023.
70118- 52502 IT Equipment Maintenance							370,000					Proposed increase in expenditures.
Tyler ERP							130,000					Tyler annual fee. Required per contract.
Central Square Upgrade							75,000					Pentamation Upgrade (Central Square)
ESRI for CMMS							45,000					GIS for CMMS
Sedaru							120,000					Sedaru silence fee and service.
70118-52603 IT Consultant Fees							75,000					Increased consultant support for IT related to Pentamation Upgrade, security breach, and staff supplementation.
70118-52904 IT Equipment Purchases							50,000					Servers, computers.
70119-51128 Safety Training & Meals							15,000					Increase safety and training expenses. District wide. Consultant training.
70135 52603 Accounting Consulting Fees							100,000					Accounting Consulting.
70195-51187 Shop Equipment Maint							80,000					District wide equipment maintenance.
Transfer In From Fund 10 *					281,600							
Transfer In From Fund 30 *					22,000							
Transfer In From Fund 50 *					136,400							
New Totals	0	0	0	0	12,882,537	12,882,537	12,882,537	0	12,882,537	0	0	Fund should zero out each year.
Previously Approved By Board		Amended Fund 70 Transfer Summary			* Transfer In amounts calculated based on cost allocation of the additional \$440,000 required for proposed amendment.							
Proposed Revision		Transfer In	Amount	% of Costs								
		Fund 10	281,600.00	64%								
		Fund 30	22,000.00	5%								
		Fund 50	136,400.00	31%								
		Total	440,000.00									