

Staff Report

for the Regular Meeting of the Board of Directors of November 28, 2018

TO: Board of Directors

FROM: Remleh Scherzinger, MBA, PE, General Manager
Marvin Davis, MBA, CPA, Finance Manager/Treasurer

DATE: November 7, 2018

SUBJECT: 2018 Financial Efficiency Report

FINANCE

RECOMMENDATION:

Review the 2018 Financial Efficiency Report and provide comments.

BACKGROUND:

The report provides departmental financial efficiencies consistent with staff's commitment to investigate costs savings and revenue sources for the benefit of our ratepayers and community.

Due to staff's efforts, the District realized \$4,036,894 in cost savings and additional revenues for the fiscal year. Since the inception of these efforts, the District has realized \$22,239,582 in efficiencies.

BUDGETARY IMPACT:

To be discussed.
/RS, MD

Attachments:

- 2018 Financial Efficiency Report

Nevada Irrigation District

2018 Financial Efficiency Report

November 28, 2018

Finance, HR & Administration

1. Accounting strengthened internal controls for retiree benefit payments identifying overpayment – savings \$2,256
2. Purchasing realized savings from 23 different vendors during transactions – savings \$60,562
3. IT realized software discounts and reduction on Recreation phone system – savings \$16,200
4. Watershed jobs used staff vs contractors – savings \$38,992
5. Watershed net proceeds on timber sales – revenue \$11,756
6. Safety received reduction in fees across Workers' Comp & Liability Insurance plans – savings \$569,070

Engineering

1. Staff reduction – savings \$96,000
2. Staff vs consultants for internal design and construction management on \$4,910,000 District programs – savings \$982,000
3. Used CEQA categorical exemption on Maben Project compared to Newtown Canals EIR cost – savings \$210,000
4. Staff vs consultants for construction management specific to Bear River Siphon Project – savings \$700,605

Operations

1. Switched to time of use plan for power use – savings \$3,404
2. Staff vs consultants on water rights analysis and adjustments – savings \$25,000
3. Equipment savings by using trade in program upgrading 14 treatment plant PLCs – savings \$140,000
4. SWRCB fee reduction for disadvantaged community Smartsville WTP – savings \$100
5. Decommissioning of Cascade Shores WTP, permit fees, sampling, labor – savings \$88,476
6. Labor savings due to department reorganization – savings \$5,679

Nevada Irrigation District

2018 Financial Efficiency Report

November 28, 2018

Maintenance

1. Staff vs contractor on Meade Canal temporary irrigation pipe – savings \$50,000, staff vs contractor for painting of warehouse and building 5 – savings \$20,000, material savings of \$1,500 for water suppression system for canal maintenance crew
2. Staff vs contractor for cement pad at new Carpenters shop – savings \$10,000, staff vs contractor locating utilities at GV for transformer – savings \$7,000, staff vs contractor performing landscaping at GV, Auburn Plant, Placer – savings \$15,000
3. Staff vs contractor for Oest siphon replacement – savings \$120,000, Use of NID equipment reducing services to Fosters & Son trucking – savings \$25,000, material savings associated with replacement vs repairing of service lines – savings \$45,000
4. Material savings associated with rebuilding vs replacing fire hydrants – savings \$24,000, Use of equipment reducing external AC vehicle recovery system – savings \$3,000, staff vs contractor for installation TomTom GPS – savings \$4,800

Hydroelectric

1. Staff vs contractor on standby generator at Rollins Powerhouse – savings \$500,000
2. Labor and material reductions due to nitrogen system at Bowman Powerhouse – savings \$10,000
3. Staff vs consultants for water quality monitoring, battery and breaker testing – savings \$30,000

Recreation

1. Removal and drying of Long Ravine old boat slips prior to disposal – savings \$11,494
2. Using NID staff to replace electrical at Scotts Flat lower camping Day-use area – savings \$130,000
3. Used surplus trucks rather than new purchases – savings \$80,000

Efficiency Summary

	Savings	Revenue	Efficiency
Finance, HR, Admin	\$ 687,080	\$ 11,756	\$ 698,836
Engineering	1,988,605		1,988,605
Operations	262,659		262,659
Maintenance	325,300		325,300
Hydroelectric	540,000		540,000
Recreation	221,494		221,494
Total	\$ 4,025,138	\$ 11,756	\$ 4,036,894

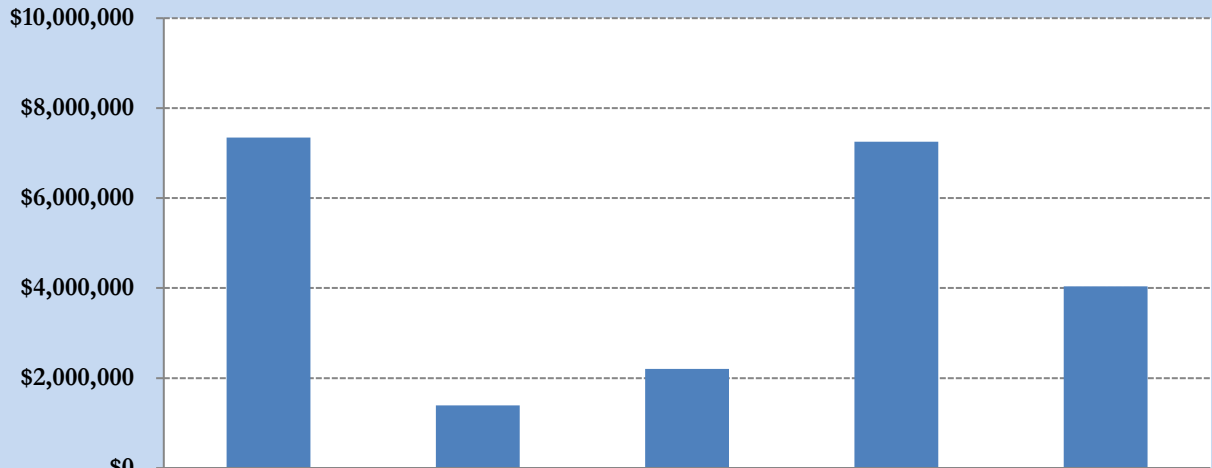
Nevada Irrigation District

2018 Financial Efficiency Report

November 28, 2018

Financial Efficiency Results since Inception: \$22,239,582

Financial Efficiency Results FY 2014 - 2018



	2014	2015	2016	2017	2018
Financial Efficiencies	\$7,346,100	\$1,395,469	\$2,204,487	\$7,256,632	\$4,036,894



Nevada Irrigation District

November 28, 2018

**2018 Financial Efficiency Report
Fiscal Governance System**



2018 Financial Efficiency Report

- Finance, HR, Administration
 - Accounting identified retiree overpayments: \$2,256 savings
 - Purchasing reductions over 23 vendors: \$60,562 savings
 - IT realized software & phone system discounts: \$16,200 savings
 - Watershed job used staff vs contractors: \$38,922 savings
 - Watershed net proceeds on timber sales: \$14,682 revenue
 - Safety Insurance premium reductions: \$569,070 savings

- Engineering
 - Staff reduction: \$96,000 savings
 - CEQA exemption on Maben project: \$210,000 savings
 - Staff vs consultants on design and construction management compared to industry (PCWA): \$1,682,605 savings



2018 Financial Efficiency Report

- Operations

- Reduced energy consumption through PG&E: \$3,404 savings
- Staff vs consultant on water rights analysis: \$25,000 savings
- Equipment trade-in program for 14 PLCs: \$140,000 savings
- SWRCB fee reduction for Smartsville WTP: \$100 savings
- Decommissioned Cascade Shores WTP: \$88,476 savings
- Staff reorganization efforts: \$5,679 savings



2018 Financial Efficiency Report

- Maintenance
 - Replacement vs repair of service lines: \$45,000 savings
 - Rebuilding vs replacing fire hydrants: \$24,000 savings
 - Staff vs contractor on Oest siphon project: \$120,000 savings
 - Staff vs contractor on 9 projects: \$136,300 savings
- Hydroelectric
 - Staff vs contractor, standby generator at Rollins PH: \$500,000 savings
 - Labor & material reductions for nitrogen system at Bowman PH: \$10,000 savings
 - Staff vs consultants for water quality monitoring, battery and breaker testing: \$30,000 savings



2018 Financial Efficiency Report

- Recreation

- Use of surplus trucks: \$80,000 savings
- Removed and dried Long Ravine boat slips: \$11,494 savings
- Staff vs contractor for electrical at Scotts Flat lower camping Day-use: \$130,000 savings

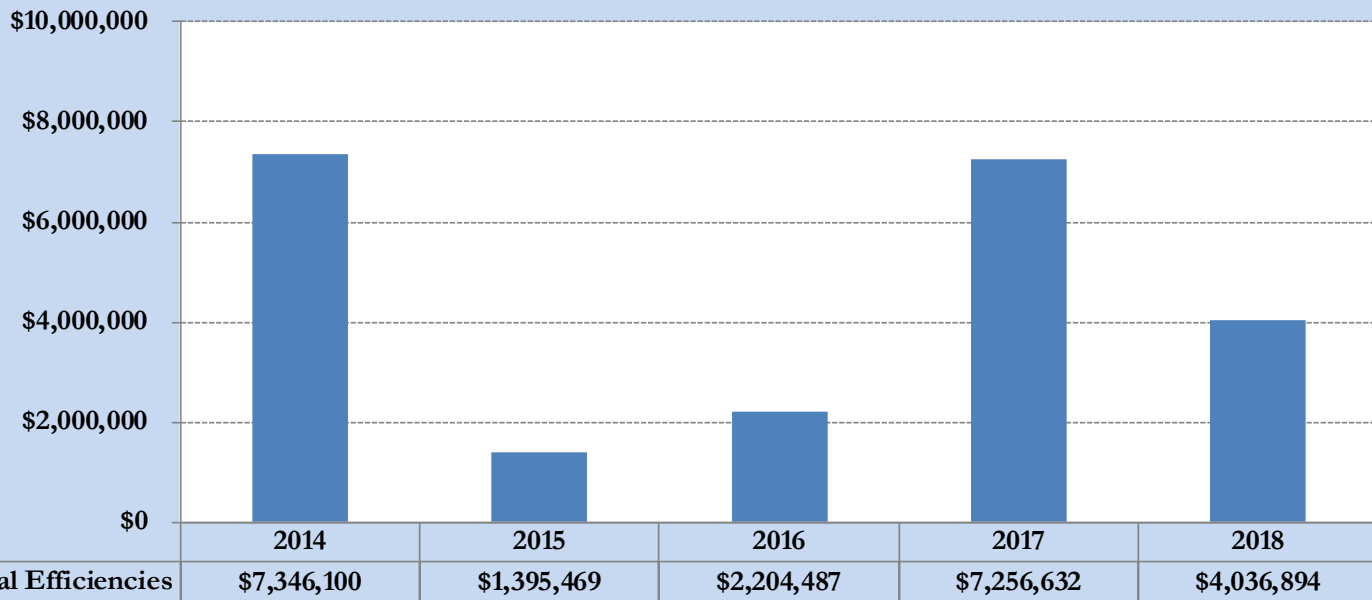
<u>2014 Summary</u>	Savings	Revenue	Efficiency
Finance, HR, Admin	\$ 687,080	\$ 11,756	\$ 698,836
Engineering	1,988,605		1,988,605
Operations	262,659		262,659
Maintenance	325,300		325,300
Hydroelectric	540,000		540,000
Recreation	221,494		221,494
Total	\$ 4,025,138	\$ 11,756	\$ 4,036,894



Financial Efficiency Efforts

The financial efficiency program begin in 2014 and has achieved cumulative efficiencies of \$22,239,582.

Financial Efficiency Results FY 2014 - 2018





Nevada Irrigation District

Fiscal Governance System



Fiscal Governance System

- Fiscal Management Calendar
- Procurement Management
- Financial Reporting Structure
- Water Rate Study vs Water Sales
- Internal Controls Progress
- Financial Reporting & Cash Management



Fiscal Management Calendar



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budget Calendar						Revenue Forecast	Department Schedules GM Summary Review	APC Review & Approval		Approval Fcst Review		
Audit Calendar	Fiscal Year End Accruals: - Other Post EE Benefits (OPEB) - Net Pension Liability (NPL) - Depreciation, Amortization, etc. - Open Encumbrances			Auditor Onsite Work	Auditor Offsite Work	- Annual Report (CAFR) - Board Presentation - Capacity Fee Report - GFOA Submission					- Fiscal Year End System - Setup new Fiscal Year (Depts, Accounts, etc.)	
Reporting Calendar			- Bud vs Act - Investments - Forecast - Reserves			- Bud vs Act - Investments - Forecast - Reserves			- Bud vs Act - Investments - Forecast - Reserves			- Bud vs Act - Investments - Reserves - CFD & AD - Bonds, etc.
Fiscal Control	- Procurement Policy 3080 - Budget Amendments 3100 - Cash Reserves 3040 - Investments 3035 - GASB, GAAP & Applicable Procedures											





Procurement Management

- Procurement Policy 3080
 - Clear definitions
 - Clear spending levels
 - Competitive procurement process
- Documented procurement procedure
- Budget Amendment Policy 3100
- Documented budget amendment procedure
- Encumbrance Accounting
 - Documented process
 - End of year review & rollovers
 - Appropriate end of year budget rollovers
- Inventory Stocking & Requisitions – documented process



Fiscal Reporting Structure



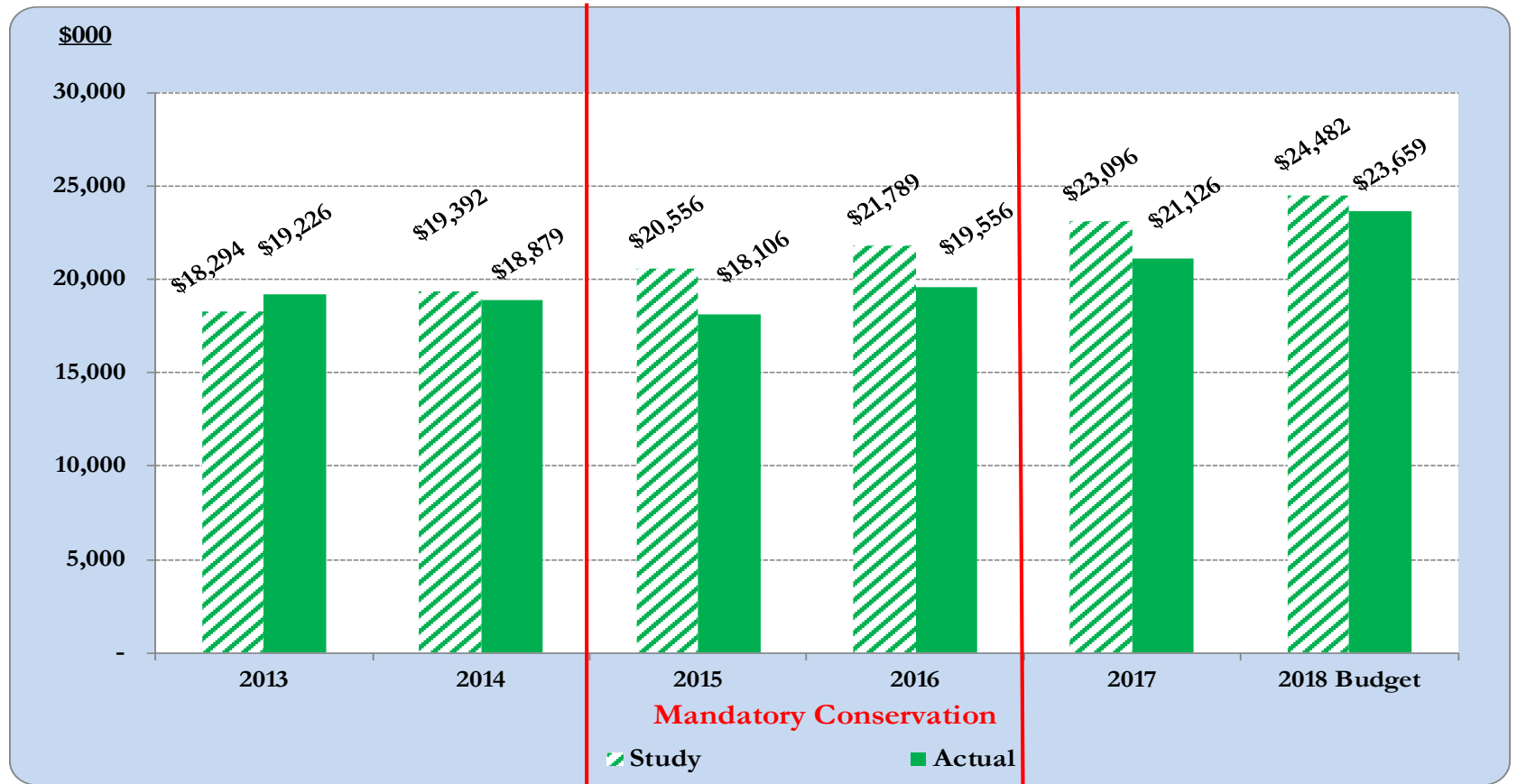
Revenue Reporting Structure	
Fund 10 Water	Operating & Non-Operating Accounts
Fund 30 Recreation	Operating Accounts
Fund 50 Hydroelectric	Operating Accounts
Fund 30 & 50	Operating Revenue by Location
<u>Operating Accounts</u>	<u>Non-Operating Accounts</u>
Treated Water	Property Taxes
Raw Water	Bond Proceeds
Reimburse/Fees/Other	Capacity Fees
Standby, Leases/Interest	Grants (For Capital Projects)
Transfer In (Operating)	Transfer In (Capital Projects)
Hydroelectric Revenue	
Recreation Revenue	

Expenditure Reporting Structure	
10 - 10115 - 52603 - 6746	
All Funds share same Object and Project list	
10	= Fund
10115	= Department
52603	= Object
6746	= Project
<u>Operating Accounts</u>	<u>Non-Operating Accounts</u>
Salaries: 511xx	52907 thru 21 - Capital Projects
Benefits: 513xx	
O&M: 52xxx	
Fixed Assets: 52901 thru 04	
Transfer Out: 54000	

Fiduciary Reporting Structure	
Fund 20 Improv Districts	Assets, Liab
Fund 11 Bond Proceeds	"
Fund 21 Cement Hill	"
Fund 22 Rodeo Flat	"
Fund 80 Retirement	"



Water Rate Study vs Water Sales





Water Rate Study vs Water Sales



Water Rate Increases:

Water rate percentage increases did not equate to actual water revenue. This is due to many factors such as, account fluctuation, drought, legislation and actual demand. The analysis indicates that Board approved 6% rate increases generated 4.2% additional revenue which is approximately a \$8M loss from the current rate study. Given the results of this study (2014 - 2018), the proposed rate structure (base vs commodity) must address rebalancing this structure.

Water Sales (\$000)

Year	2013	2014	2015	2016	Unaudited		5 Yr Avg	
					2017	2018		
Study	18,294	19,392	20,556	21,789	23,096	24,482	6.0%	Board Adopted %
Actual	19,226	18,879	18,106	19,556	21,126	23,659	4.2%	Revenue Growth %
Annual (Actual-Study)		(513)	(2,450)	(2,233)	(1,970)	(823)	(7,989)	Unrealized Revenue



Internal Control Progress



2017 Audit Findings (no new findings)

Finding 2014-1: Year-End Closing Procedures:

The District has accomplished the following to address this finding.

- Brought on new Controller & Accountant
- Working with consultants to implement Enterprise Resources Planning (ERP) system, review & recommended changes to business processes
- Working with consultants to implement Computerized Maintenance Management System (CMMS)
- Coordinating with vendor for new Banking Services, including online billing
- Positioned to receive its' 3rd consecutive Government Finance Officers Association (GFOA) certificate for excellence in financial reporting.

Finding 2014-5: Recreation Division Cash Handling

Staff is implementing a cash receipt review process requiring supervisor approval for voids and daily cash totals. In addition, staff is procuring electronic cash registers and redesigning Chart of Accounts to improve accounting processes

Finding 2014-7: Accounts Payable Trial Balance

The District resolved this finding.



Financial Reporting & Cash Management

- Weekly department snapshot report
- Monthly budget vs actual, by 15th of month
- Quarterly investment and cash reserves reporting
- Short-term cash forecasting improving investment earnings
- Long-term cash forecasting for rating agencies (AA+)
- Annual Assessment District compliance reporting
- Continuing bond disclosure compliance reporting
- Comprehensive annual financial report (CAFR)
- Annual fiscal plan/budget, 5 Year CIP review
- Investment Policy 3035, Reserve Policy 3040