



March 22, 2018

Board of Directors
Ventura Regional Sanitation District
Ventura, California

APPROVAL OF BILLING RATES FOR FY 2018-2019 BUDGETS

RECOMMENDATIONS

- A. Consider five different billing rate alternatives for implementation in the FY 2018-2019 VRSD budget, and
- B. Direct staff which alternative to implement and use for preparation of FY 2018-2019 budgets, or direct staff how to proceed, otherwise.

FISCAL IMPACT

Each of the billing rate alternatives has a different estimated fiscal impact in FY 2018-2019. There would be no fiscal impact to VRSD in the current fiscal year.

BACKGROUND/ANALYSIS

At the March 15, 2018 regular meeting of the VRSD Board, a discussion took place under Agenda Item No. 7 regarding a possible change to the allocation methodology that has historically been utilized to assign the overhead of the Central Administration (CA) Department to VRSD's various business segments (referred to as programs, for simplicity).

The recommendation of the VRSD Board was for this to be studied further by the Personnel & Finance Committee with input from and interaction with VRSD clients and customers who would desire to participate in this process. A draft version of the motion that provided direction to staff from the March 15, 2018 meeting is shown below:

Continue as we are now and direct the P&F Committee to meet with interested parties to engage in analysis and report back to the full Board by December 1, 2018.

The primary reason for today's special meeting is for staff to provide additional information to the Board regarding the "as we are now" part of the recommendation and request more specific direction on how to proceed.

Staff believes that the “continue as we are” direction instructs staff how to prepare the allocation (and accordingly, the hourly billing rates) for the FY 2018-2019 budgets. Because Scenario 1 from the March 15, 2018 meeting was titled **Scenario 1: Existing Methodology – Base of Operating Revenues** one could interpret that this should be followed explicitly and the dollars shown in Column 6 should be charged to each program in FY 2018-2019 budgets. Of course, it would mean the FY 2018-2019 analogous dollar amounts, since, as explained in the March 15, 2018 board letter, all calculations were made based on FY 2017-2018 budget numbers. For reference, this chart is reproduced below in the exact form that was present in the March 15, 2018 board letter.

Scenario 1: Existing Methodology - Allocation Base of Operating Revenues								
1	2	3	4	5	6	7	8	9
Program	Base Amount	Percent of Total	Central Admin Billed Directly	Central Admin General Allocation	Total Central Admin Costs Charged	FY17-18 Adopted Operating Expense Budget	Increase (Decrease) to Operating Expense Budget from Scenario 1	Percent Increase (Decrease) to Operating Expense Budget From Scenario 1
Solid Waste	13,639,508	70.0%	-	2,090,957	2,090,957	11,350,741	N/A	N/A
SSD	403,636	2.1%	81,348	61,878	143,226	444,575	N/A	N/A
TSD	3,593,520	18.4%	1,277,366	550,892	1,828,257	14,728,146	N/A	N/A
Other Customers	1,849,875	9.5%	7,976	283,589	291,565	1,617,332	N/A	N/A
	\$ 19,486,539	100%	\$ 1,366,689	2,987,315	\$ 4,354,004			

However, while the calculations shown in this table are performed and the methodology is used, annually, the rates have been historically discounted. Therefore, one could interpret that the “continue as we are” direction instructs staff to keep billing rates and commensurate dollar amounts charged to each program the same as those in the current FY 2017-2018 budget. This discount, however, would result in an under-billing of \$507,050 (7.1%) to the Water/Wastewater (WWW) programs.

Because of these two ambiguous interpretations of the VRSD Board’s direction and the significant difference in dollar value between the two, staff requests clarification of the direction in order to proceed with publishing billing rates for FY 2018-2019 and commencing preparation of budgets for eventual approval by governing boards.

Another problem with the billing rates inherited from historical practices has been to simply increase them in lockstep (same percentage applied to all positions) but without consideration to relative changes in rate of pay due to compensation studies or other reasons. This has resulted in skewed and inconsistent billing rates with some positions being too high and some being too low. Staff desires to correct this practice immediately for budgets in FY 2018-2019.

To correct the skewed billing rates and to remove staff’s doubt regarding the VRSD Board’s direction for preparing FY 2018-2019 budgets, staff has developed the information below to provide clear alternatives, depending on what the board actually

intended by its direction (i.e., continue according to the table vs. continue with discounted rates).

The alternatives for billing rates to be published and used for FY 2018-2019 budgets that staff suggests for consideration by the VRSD Board for approval are listed below:

1. Retain the skewed billing rates for another year (no fiscal impact)
2. Repair the skewed billing rates and effect a net 1.7% increase in revenues from WWW and CA customers. (Fiscal impact of \$120,965 in revenues)
3. Repair the skewed billing rates and effect a net 3.5% increase in revenues from WWW and CA customers. (Fiscal impact of \$246,080 in revenues)
4. Repair the skewed billing rates and effect a net 5.0% increase in revenues from WWW and CA customers. (Fiscal impact of \$357,019 in revenues)
5. Repair the skewed billing rates and effect the full net 7.1% increase in revenues from WWW and CA customers indicated in Scenario 1. (Fiscal impact of \$507,050 in revenues)

Alternatives 2 through 4, while repairing the skewed billing rates, would still be offset by an average discount factor to achieve the net increase in revenues indicated within each respective alternative. Only Alternative 5 would eliminate the entire discount factor.

Note that billing rates will undergo minor modification for FY 2018-2019, in any case, to account for cost of living type changes associated with changing wages and other costs. This is a CPI type increase that takes place every year based on actual calculations. For example, most salaries will go up by 1% next year based on pre-approved union contracts and/or resolutions.

The base billing rates for each of these scenarios is shown in Attachment 1 to this board letter. Note that these would apply in FY 2018-2019, but that they do not yet contain the (as yet calculated) CPI type increase describe above.

If you should have any questions or need additional information, please contact me by phone at (805) 658-4600 or via email at ChrisTheisen@vrsd.com.

CHRIS THEISEN, GENERAL MANAGER

APPROVED FOR AGENDA:



Chris Theisen, General Manager

VENTURA REGIONAL SANITATION DISTRICT

Five Alternative Base Billing Rates

[Alternative to be used as the base for Fiscal Year 2018-2019]

Div.	Position	Alt. #1 Adopted FY 2018 Hourly	Alt. #2 Hourly Rate	Alt. #3 Hourly Rate	Alt. #4 Hourly Rate	Alt. #5 Hourly Rate
CA	Management Analyst	\$99	\$113	\$120	\$125	\$134
CA	Senior Management Analyst	\$99	\$113	\$120	\$125	\$134
CA	Accountant	\$99	\$113	\$120	\$125	\$134
CA	Senior Accountant	\$99	\$113	\$120	\$125	\$134
CA	Human Resource Technician	\$57	\$78	\$89	\$97	\$110
CA	Human Resource Manager	\$91	\$120	\$135	\$146	\$164
CA	Executive Assistant/Clerk of the Board	\$80	\$92	\$97	\$102	\$109
CA	Administrative Assistant	\$57	\$78	\$89	\$97	\$110
CA	General Manager	\$192	\$218	\$231	\$241	\$257
CA	Director of Finance & Administration	\$157	\$188	\$204	\$216	\$235
CA	Director of Operations	\$157	\$169	\$175	\$180	\$187
CA	Fiscal Assistant	\$68	\$77	\$81	\$85	\$90
WWW	Administrative Assistant	\$57	\$55	\$55	\$54	\$53
WWW	Office Assistant	\$57	\$55	\$55	\$54	\$53
WWW	Construction Specialist	\$99	\$99	\$99	\$99	\$99
WWW	Environmental Resource Analyst	\$114	\$124	\$128	\$132	\$138
WWW	WWW Operations Superintendent	\$134	\$137	\$139	\$140	\$142
WWW	WWW Operations Supervisor	\$118	\$120	\$121	\$122	\$123
WWW	Electrical & Inst Control Supervisor	\$118	\$120	\$121	\$122	\$123
WWW	Instrumentation Technician	\$116	\$119	\$120	\$121	\$123
WWW	WWW Operating in Training	\$106	\$110	\$112	\$114	\$116
WWW	WWW Treatment Operator I	\$106	\$110	\$112	\$114	\$116
WWW	WWW Treatment Operator II	\$106	\$110	\$112	\$114	\$116
WWW	WWW Treatment Operator III	\$106	\$110	\$112	\$114	\$116
WWW	WWW Treatment Operator IV	\$106	\$110	\$112	\$114	\$116
WWW	WWW Treatment Operator V	\$106	\$110	\$112	\$114	\$116
WWW	WWW Worker	\$83	\$85	\$86	\$87	\$88
WWW	WWW Helper	\$56	\$64	\$67	\$70	\$75
WWW	Electrical/Mechanical Worker	\$106	\$110	\$112	\$114	\$116

- EMERGENCY CALL OUTS ARE PER PERSON, PORTAL TO PORTAL (3 HOUR MINIMUM).
- OBSERVED VRSD HOLIDAYS WILL BE CHARGED AT DOUBLE TIME (3 HOUR MINIMUM).
- OVERHEAD RATES APPLIED, AS FOLLOWS:

All Other Services: 15%