SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-D**

FROM: Steve Mack, General Manager

Meeting Date: May 6, 2010

Subject: Actual vs. Budgeted (Operations and Capital) reports thru March 31 (75%)

RECOMMENDED ACTION:
(Discussion item only.)

FISCAL IMPACT:
(None.)

DISCUSSION:

OPERATIONS

3Q Revenue is slightly ahead of budgeted figures.

Total Water Sales, the largest revenue line item, remains slightly more than budgeted (76.31%). This is due to conservative budgeting rather than robust sales. (As of the April 15th billing, water sales expressed in units sold are nearly 10 percent less than last year.) Construction New Services and Upgrades revenue are under budget as activity in this area has slowed down significantly. Interest revenue is also down as interest rates remain low on our money invested by the County. Overall, however, Operating Revenue is keeping pace with the budget.

3Q Expenditures are less than budgeted.

Two changes were made to the Operating expense budget in the third quarter:

Retiree Health: Of rising concern to all public entities is the rising cost of retiree health, and new accounting standards are required in this area for the FY 2009-10 audit. To prepare, our Auditor (Michael Celentano) recommended we break out our retiree health costs from the health insurance line item, both for compliance with the new accounting standards and for transparency on the cost of retiree health to the District. Unlike many other public entities, the District's retiree health costs are low -- $1,640 for FY 2009-10 as of the end of the third quarter.

Treatment System/Well Repairs: Budgeted expenses for the Treatment System/Well Repairs line item were increased in the 3Q in the sum of $32,984 because of the sooner-than-expected need to replace the filter media in the Monte Rio green sand filter.

After these budget revisions, total operating expenses are less than budgeted. The quarter was uneventful expense-wise. Of small note, the District went overbudget in the Fixed Assets category by approximately $5,000. In reviewing our budget notes, it is not clear what items rendered this line item overbudget, but in the 3Q a generator for the Schoeneman tank and a compressor were purchased, putting this line item overbudget for the year to date. No further purchases are anticipated for this fiscal year.

For more detail, please refer to the attached Table 1. Actual vs. Budgeted - Operations breakdown provided with your packet.

CAPITAL

Table 2. Sweetwater Springs Water District FY 2009-10 Capital Program Budget Variances as of March 31, 2009 (75%) shows the 3rd quarter capital revenues and expenses compared to the budget approved in May 2009 and the mid-year adjustment that was approved in February.

This has been a slow quarter for the capital program in terms of funding activity – CIP IV-A was completed in the first half of the fiscal year and CIP IV-B construction hasn't started yet. Of note, interest is substantially down for the year.

MONTHLY FINANCIAL INFORMATION

As part of this month's quarterly discussion of Actual vs. Budgeted reports, staff is requesting review of the monthly and quarterly financial documents provided to the Board in an attempt to simplify and improve communicating the District's financial picture to the Board.

Currently, the Board receives the following documents each month:

1. Actual vs. Budgeted report
2. Operations Expenditures, including online payments, electronic fund transfers, and construction expenditures
3. Major expense/revenue summary
4. County accounts balances and Redwood Credit Union CD summary

The monthly financial documents are not available until the day of the Board meeting, and are approved as part of the Consent calendar. As such, they are seldom discussed, and it is unclear whether Board members even have time to properly review them prior to the meeting or if some reports are useful and others less so. On a quarterly basis (for example, this report) staff reports on quarterly variances as part of the administrative agenda, including some of the items that are part of the monthly consent agenda item.

Of note, it is appropriate that the Board approve District expenditures on a monthly basis. The District spends a lot of money, bills need to be paid in a timely way, many bills are

generated for payment at the end of the month, and monthly approvals are a minimum length of time between payment of bills. There is a short amount of time between when the warrants are generated and the Board meeting on the first Thursday of each month, but we don't see any alternative other than changing the date of the Board meeting (and we do not recommend that).

Staff would like to discuss the possibility of reducing the monthly financial documents provided and expanding the quarterly discussion of District finances. Our recommendation is that the monthly financials provided be reduced to include:

1. Operations Expenditures, including online payments, electronic fund transfers, and construction expenditures
2. Operations Expenditures cover sheet
3. Construction expenditures (County warrants request form)

The quarterly financials provided and discussed would include:

1. Actual vs. Budgeted reports for Operations and Capital Improvements, including discussion of major expenses and revenues for the quarter;
2. Balances of our various accounts at the County and the Redwood Credit Union CD

The WestAmerica accounting would be completely eliminated.

Our quarterly report would be expanded to include discussion of the funds amounts.

Please think about what financial documents are most useful to your understanding of District finances and bring your thoughts to the meeting.

Sweetwater Springs Water District
FY 2009-10 Operating Budget Variances as of March 31, 2010 (75%)

Note: Document is cumulative. Changes to text made from previous reports are *'d in the "Changed" column and underlined.

	FY 2009-10 Actual	2009-10 Budget	$ Over Budget for the Year	% of Budget	Notes (Underlined notes reflect changes since last report)	*=Changed
Ordinary Income/Expense						
Income						
OPERATING REVENUE						
4031 · Water Sales						
4031.1. 2· Capital Debt Reduction Charge	174,597	252,426	-77,829	69.17%		
4031.1 · Daily Water Sales Deposits	1,388,581	1,796,092	-407,511	77.31%		
Total 4031 · Water Sales	1,563,178	2,048,518	-485,340	76.31%	This is a cash water sales figure.	
Total OPERATING REVENUE	1,563,178	2,048,518	-485,340	76.31%		
NON-OPERATING REVENUE						
4445 · Grant Proceeds	0	0	0	0.0%		
1700 · Interest	30,776	50,000	-19,224	61.55%	Reflects interest earnings thru 3Q	
3600 · Construction New Services	3,093	6,000	-2,907	51.56%		
3601 · Construction - Service Upgrades	100	2,000	-1,900	5.0%		
4032 · Rent	66,882	74,600	-7,718	89.65%		
4040 · Miscellaneous Income	3,112	2,200	912	141.44%		
Total NON-OPERATING REVENUE	103,963	134,800	-30,837	77.12%		
Total Income	1,667,141	2,183,318	-516,177	76.36%		
Expense						
OPERATING EXPENSES						
SALARY & BENEFITS						
Salary						
5910 · Wages	503,442	687,229	-183,787	73.26%		
5912 · Overtime	18,135	33,000	-14,865	54.95%		
5916 · On-Call Pay	19,675	26,436	-6,761	74.43%		
5918 · Extra help - Contract	25,362	32,000	-6,638	79.26%		
Total Salary	566,614	778,665	-212,051	72.77%		
Benefits						
5500 · Flex Spending (Flex spending monie	3,743	0	3,743	100.0%		
5920 · Retirement	70,849	98,797	-27,948	71.71%		
5922 · Payroll Taxes - Employer Paid	10,880	14,006	-3,126	77.68%		
5930 · Health/Dental/Vision/AFLAC Ins.	84,223	116,715	-32,492	72.16%		
5931 · Retiree Health	1,640	0	1,640	100.0%	This line item was broken out from Health Insurance at the request of our Auditor (Michael Celentano) to comply with GASB 45	*
5940 · Workers Comp Insurance	22,713	34,069	-11,356	66.67%		
Total Benefits	194,048	263,587	-69,539	73.62%		
Total SALARY & BENEFITS	760,662	1,042,252	-281,590	72.98%		
SERVICES & SUPPLIES						
Communications						
6040-I · Internet service	1,007	1,800	-794	55.92%		
6040-C · Cell Phones	2,057	3,100	-1,043	66.37%		
6040-LD · Long Distance	386	700	-314	55.19%		
6040-P · Pagers & Radios	518	900	-382	57.6%		
6040-S · SCADA software maint.	499	0	499	100.0%		
6040-T · Telephones	9,366	12,000	-2,634	78.05%		
Total Communications	13,833	18,500	-4,667	74.77%		
Insurances						
6101 · Gen. Liability	41,444	50,000	-8,556	82.89%	Bill paid yearly and is paid for the year	

Sweetwater Springs Water District
FY 2009-10 Operating Budget Variances as of March 31, 2010 (75%)

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	FY 2009-10 Actual	2009-10 Budget	$ Over Budget for the Year	% of Budget	Notes (Underlined notes reflect changes since last report)	*=Changed
6102 · Auto/Equipment	4,682	17,600	-12,918	26.61%	Bill paid yearly and is paid for the year	
Total Insurances	46,126	67,600	-21,474	68.23%		
Maint/Rep - Office & Vehicles						
6140 · Vehicle Maintenance	4,769	12,000	-7,231	39.74%		
6151 · Office Maintenance	4,894	10,700	-5,806	45.74%		
Total Maint/Rep - Office & Vehicles	9,662	22,700	-13,038	42.57%		
Maint/Repair - Facilities						
6085 · Janitorial Services	4,960	6,700	-1,740	74.03%		
6180 · Distribution System Repairs	39,530	70,000	-30,470	56.47%		
6235 · Treatment Sys/Well Repairs	52,485	77,984	-25,498	67.3%	In the 1Q, an unbudgeted rehab of MR Well 5 ($13,902) will leave this line item underbudgeted for the year. Also this quarter, two large maintenance projects were done: (1) replace pump/motor for MR Well 4 ($7295) and (2) Video of El Bonita Well 5 ($9446). In the 2Q, the El Bonita Well Rehab -- slated for FY 2010-11 -- became necessary this year at an unbudgeted cost of $12,076. <u>At the March Board meeting, the budget for this line item was increased from $45,000 to $77,983.64 because of the need to replace the filter media in the Monte Rio green sand filter</u>.	*
6143 · Generator Maintenance	350	3,000	-2,650	11.67%		
Total Maint/Repair - Facilities	97,325	157,684	-60,359	61.72%		
Miscellaneous Expenses						
6280 · Memberships	4,729	5,100	-371	92.73%		
6303 · Claims	0	1,500	-1,500	0.0%		
6593 · Governmental Fees	15,565	12,000	3,565	129.71%	1Q expense includes water system fees, paid twice yearly. Always hard to predict, system fees were higher than anticipated this year, leaving this line item underbudgeted.	
Total Miscellaneous Expenses	20,294	18,600	1,694	109.11%		
Office Expense						
6410 · Postage	9,185	17,000	-7,815	54.03%		
6430 · Printing Expense	6,444	5,250	1,194	122.74%	Bills and envelopes are purchased in yearly quantities. Unbudgeted costs of meter reading pages ($497), Auto-pay bills (app. $250), tag books (app. $900), and other smaller print jobs will leave this line item underbudgeted for the year.	
6461 · Office Supplies	3,875	7,000	-3,125	55.36%		
6800 · Subscriptions/Legal Notices	759	1,000	-241	75.91%		
6890 · Computers/Software	1,124	1,950	-826	57.63%		
6579 · Furniture	664	1,000	-336	66.44%		
Total Office Expense	22,051	33,200	-11,149	66.42%		
Operating Supplies						
6300 · Chemicals	13,923	14,800	-877	94.07%		
6880 · Tools and Equipment	2,844	5,500	-2,656	51.7%		

Sweetwater Springs Water District
FY 2009-10 Operating Budget Variances as of March 31, 2010 (75%)

Note: Document is cumulative. Changes to text made from previous reports are *'d in the "Changed" column and underlined.

	FY 2009-10 Actual	2009-10 Budget	$ Over Budget for the Year	% of Budget	Notes (Underlined notes reflect changes since last report)	*=Changed
6881 · Safety Equipment	829	2,000	-1,171	41.45%		
Total Operating Supplies	17,595	22,300	-4,705	78.9%		
Professional Services						
6083 · Laundry Service	1,858	2,600	-742	71.48%		
6521 · County charges	338	1,500	-1,162	22.51%		
6587 · County LAFCO charges	4,761	4,700	61	101.3%	Bill is pd yearly and is paid for the year	
6514 · Lab/Testing Fees	5,253	8,500	-3,247	61.8%		
6570 · Consultant Fees	11,321	25,000	-13,679	45.28%		
6590 · Engineering	425	2,000	-1,575	21.26%		
6610 · Legal	14,173	20,000	-5,827	70.87%	In the 1Q and 2Q, the Berry/Korbel litigation and the cell tower negotiations are leaving legal expenses slightly overbudget.	
6630 · Audit/Accounting	15,297	18,000	-2,703	84.98%		
Total Professional Services	53,426	82,300	-28,874	64.92%		
Rents & Leases						
6820 · Equipment	1,197	2,000	-803	59.85%		
6840 · Building & Warehouse	22,500	27,000	-4,500	83.33%		
Total Rents & Leases	23,697	29,000	-5,303	81.71%		
Transportation & Travel						
7120 · Seminars & related travel	1,237	4,500	-3,263	27.5%		
7201 · Vehicle Gas	16,408	16,800	-392	97.66%		
7300 · Travel Reimbursements	4,053	6,360	-2,307	63.72%		
Total Transportation & Travel	21,698	27,660	-5,962	78.44%		
Uniforms						
6021.1 · Boots	680	1,330	-650	51.15%		
6021.3 · T-shirts	1,215	1,200	15	101.26%	T-shirts are purchased once yearly	
6021.4 · Jackets	272	360	-88	75.43%		
Total Uniforms	2,167	2,890	-723	74.98%		
Utilities						
7320 · Electric and Propane	73,227	96,000	-22,773	76.28%	-	
Total Utilities	73,227	96,000	-22,773	76.28%		
Total SERVICES & SUPPLIES	401,102	578,434	-177,332	69.34%		
Total OPERATING EXPENSES	1,161,763	1,620,686	-458,922	71.68%		
FIXED ASSET EXPENDITURES						
8517 · Field/office equipment	10,507	5,000	5,507	210.14%	In the 3Q, the District purchased a generator for the Schoeneman tank ($3,413) and a compressor ($1,464). We have no detailed list of what was budgeted for this line item so it is unclear what was budgeted and unbudgeted, but no further purchases are anticipated for this line item.	*

Sweetwater Springs Water District
FY 2009-10 Operating Budget Variances as of March 31, 2010 (75%)

Note: Document is cumulative. Changes to text made from previous reports are *'d in the "Changed" column and underlined.

	FY 2009-10 Actual	2009-10 Budget	$ Over Budget for the Year	% of Budget	Notes (Underlined notes reflect changes since last report)	*=Ch ged
8573 · Vehicles	0	0	0	0.0%		
Total FIXED ASSET EXPENDITURES	10,507	5,000	5,507	210.14%		
Total Expense	1,172,270	1,625,686	-453,415	72.11%		
Net Ordinary Income	494,870	557,632	-62,762	88.75%		
Other Income/Expense						
Other Expense						
TRANSFERS TO OTHER FUNDS						
8620.7 · Tfers to CIRF for CDR Revenue	0	252,426	-252,426	0.0%		
8620.3 · Tfers to CIRF	280,000	280,000	0	100.0%		
8620.5 · Tfers to Building Fund	15,000	15,000	0	100.0%		
8620.2 · Tfers to In-House Constr	25,000	25,000	0	100.0%		
Total TRANSFERS TO OTHER FUNDS	320,000	572,426	-252,426	55.9%		

Table 2. Sweetwater Springs Water District
FY 2009-10 Capital Program Budget Variances as of March 31, 2010 (75%)

	FY 09-10 ACTUAL	FY 09-10 BUDGET	FY 09-10 REVISED BUDGET	$ Over Revised Budget for Year	% of Budget	Comments
REVENUE						
Annual Assessment - New Services	14,658	27,000	27,000	-12,342	54.3%	due second installment soon
Annual Assessment (County)	391,701	710,000	710,000	-318,299	55.2%	" "
Prior Year Assessment	19,257	40,000	40,000	-20,743	48.1%	" "
Capital Debt Reduction Charge	0	252,426	252,426	-252,426	0.0%	Transfer at end of year
Interest	25,892	95,000	95,000	-69,108	27.3%	off considerably
Cal Trans Reimb. For Culvert Project	52,547	0	0	52,547	NA	Received in 1st Q
CDC Grants, CIP IV-A, FY09 carryover	437,720	0	437,720	0	100.0%	Reimbursements for FY09 CIP IV-A, carried over into FY10
CDC Grants, CIP IV-B, Project 1	7,754		899,250	-891,496	0.9%	CDC Grant Approved
CDC Grants, CIP IV-B, Project 2			30,000	-30,000	0.0%	Reimbursements for CIP IV-B, Project 2 design
Private Placement Funding (FY09 Carryover)	659,239		222,945	436,294	295.7%	
Private Placement Funding (CIP IV-B)	123,158	1,052,000	438,750	-315,592	28.1%	CDC Grant, Bonita Terrace, FY09 Carryover
Transfers to CIRF from Operations	280,000	280,000	280,000	0	100.0%	End of year transfer, CDRC subtracted
Transfers to In-House Constr. from Operations	25,000	25,000	25,000	0	100.0%	
TOTAL REVENUE	2,036,926	2,481,426	3,458,091	-1,421,165	58.9%	
EXPENSES						
Gen. Obligation Bonds Payments	687,375	687,000	687,000	375	100.1%	
State Loan Payments	170,172	170,300	170,300	-128	99.9%	
Private Placement Loan	234,013	234,014	234,014	-1	100.0%	2 payments made
CIP III	50,000	50,000	50,000	0	100.0%	Settlement payment
CIP IV-A	659,239	0	660,665	-1,426	99.8%	CIP IV-A, Project 1 completed; Project 2 started in May, carried over into FY10
CIP IV-B, Project 1	121,578	1,052,000	**1,328,000**	-1,206,422	9.2%	Added Bonita Terrace
CIP IV-B, Project 2	1,581		40,000	-38,419	4.0%	Anticipate design costs
In-House Construction Projects	15,983	40,000	40,000	-24,017	40.0%	
TOTAL EXPENSES	1,939,940	2,233,314	3,209,979	-1,270,039	60.4%	
SURPLUS/DEFICIT	96,985	248,112	248,112	-151,127	39.1%	