SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: February 3, 2011

Subject: ACTUAL VS. BUDGETED (OPERATIONS AND CAPITAL) REPORT THRU DECEMBER 31, 2010 (50%)

RECOMMENDED ACTION:
(Discussion item only.)

FISCAL IMPACT:
(None.)

DISCUSSION:

This report presents the 2nd quarter actual revenues and expenses. This comprises 50% of the year by time and so we compare the revenues and expenses to that standard.

Operating Budget:

2Q Revenue is greater than 50% of budgeted amount.

Water Sales, the largest revenue line item, came in slightly ahead of the 50% schedule. This is expected, as seasonal fluctuations typically render first quarter water sales higher than other quarters due to higher sales for outside watering and greater visitor activity during the warmer weather. It should be noted that this year Water Sales were budgeted to be approximately 2.7% less than last year and, in fact, actual Water Sales are coming in at about 3% less than last year.

2Q Expenditures are right on track.

2Q expenditures are right on track at 49.91% of budgeted.

There was one unbudgeted larger expenditure in the second quarter: the District paid $1,750 in engineering expenses related to the Burbank housing project (aka “Fife Creek Commons” project) in construction in downtown Guerneville. These and any other Fife Creek Commons project expenses the District incurs will be reimbursed.

Also of note is an update on two of the largest District operations expenses (other than Salaries and Benefits), Distribution System Repairs (6180) and Water Treatment System/Well Repairs (6235), budgeted at $64,000 and $56,000 respectively.

Distribution System Repairs is slightly above budget at 51.97%. During the 2Q, $11,829.50 was spent to video the tanks and remove sediment where needed. This maintenance was a budgeted expense (budgeted at $14,000). Conversely, Water Treatement System/Well Repairs is significantly underbudget at 10.1%. Notably, $14,000 of money budgeted for anticipated repairs to the wells/treatment system have not actually been required as of the 2Q.

Another large line item to keep an eye on is electricity (7630), budgeted at $96,000, the same as last year. As of the 2Q, we are overbudget at 57.72%. Generally speaking, the District's electricity costs are driven by the amount of water sold: more water sold means more pumping necessary, which requires more electricity. This year, despite less water sold as of the same date last year, our electricity costs are higher.

For more detail on all the budget line items, please refer to the attached Actual vs. Budgeted breakdown provided with your packet.

Capital Budget:

The 2Q Capital Budget is not in balance because revenues won't come in until later in the year and because of carryover revenue and expenses from the prior year and loan repayment expenses occurred during the first half of the fiscal year.

Revenue from the annual assessment is over 50%; Capital Debt Reduction Charge (CDRC) and transfers to in-house construction won't be happening until later in the fiscal year. We have major revenues and expenses related to CIP IV-B, Project 1, which were unbudgeted for FY11 but are budgeted carryovers from FY10. There is revenue from the CDC/RRROC grant for CIP IV-A even though there were no CIP IV-A expenses, because CDC grant reimbursement lag expenditures. Of note was a $50,830 new service assessment for Fife Creek Commons.

Major 1st half year expenses are for initial payments for GO Bonds, State Loans, and Private Placement Loan, and for CIP IV-B, Projects 1 and 2, funding for which are assisted by a 75% CDC/RRROC grant.

Of note for the Capital Budget, design of the 2012 CIP, mainline replacement on Foothill Drive in Monte Rio and Eastern, Western, and Northern Avenues in Guerneville has started but is not budgeted for FY11, and construction will be starting in June at the end of the FY 2011. We are doing a midyear budget revision to acknowledge these changes (Item V.D).

FUNDS AT THE COUNTY AND AT REDWOOD CREDIT UNION

Table 3. Fund and Loan Balances show a comparison of the budgeted and 2nd Quarter balances. Also attached is the County Fund Balances for the 2nd Quarter.

It is difficult to make much of the comparisons in Table 3 because this is just the 2nd quarter of the fiscal year. There are many expenses not paid and many revenues not received. Of note is that the Private Placement Loan has a zero balance and it is completely spent. Also, CIP IV-B, Project 1 and Project 2 have been budgeted at the estimated construction cost (Project 1 in FY 10 and Project 2 in FY 11) but the construction contract awards were less than the estimates and not all construction costs have been paid and reimbursements from CDC have not totally happened.

The District Fund balances still show the transition to align these funds with the Reserve Policy elements. Funds need to be moved in the Operations and Operations Reserve Funds to have them correspond to the Reserve Policy targets.

Table 3. FUND AND LOAN BALANCES (EOY)	FY 10-11 Actual 1st Quarter	FY 10-11 Actual 2st Quarter	FY 10-11 Budget	Difference Actual-FY11	Comments
DISTRICT RESERVES AND FUND AND LOAN BALANCES					
District Policy Reserves					
Operating Balance	200,000	200,000	200,000	-	
Budget Reserve (10% of Operating Exp)	158,788	158,788	158,788	-	
Economic Reserve (15% of Operating Exp)	238,182	238,182	238,182	-	
Debt Repayment Reserve (25% of Debt pmt)	238,182	238,182	238,182	-	
Capital Reserve	250,000	250,000	250,000	-	
Total District Policy	1,085,152	1,085,152	1,085,152	-	
TOTAL Reserves EOY or EOQ	4,188,394	4,886,844	3,761,127	1,125,717	Difference because of ongoing capital expenses
Reserves Above (below) Policy	3,103,242	3,103,242	2,675,975	427,267	
DISTRICT FUNDS					
CIRF	2,786,264	3,130,915	2,334,572	796,343	Higher because of PPL expenditures
OPERATING RESERVE	324,970	324,970	396,970	(72,000)	Still needs balancing to Reserve Policy, should be ~$396,970
OPERATIONS	343,880	620,651	200,000	420,651	Reserve Policy, should be ~$200,000
CD	609,697	617,316	631,978	(14,662)	Interest on track
IN HOUSE CONSTRUCTION	106,757	102,142	91,757	10,385	
BUILDING	90,850	90,850	105,850	(15,000)	
DISTRICT LOANS					
Private Placement Loan	-74,024	0	765,560	(765,560)	Private Placement Loan balance is spent
Total Funds Available (sum of Total Reserves EOY and PPL)	4,188,394	4,886,844	4,526,687	360,157	

Sweetwater Springs Water District
FY 2010-11 Operating Budget Variances as of December 31, 2010 (50%)

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

	FY 2010-11 Actual	2010-11 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	118,146	227,000	-108,854	52.05%		
4031.1 · Daily Water Sales Deposits	946,510	1,770,000	-823,490	53.48%		
Total 4031 · Water Sales	1,064,656	1,997,000	-932,344	53.31%	This is a cash water sales figure.	
Total OPERATING REVENUE	1,064,656	1,997,000	-932,344	53.31%		
NON-OPERATING REVENUE						
4445 · Grant Proceeds	0	0	0	0.0%		
1700 · Interest	18,402	40,000	-21,598	46.01%	Reflects interest earnings thru 2Q	*
3600 · Construction New Services	2,872	5,000	-2,128	57.45%		
3601 · Construction - Service Upgrades	0	2,000	-2,000	0.0%		
4032 · Rent	32,963	70,000	-37,037	47.09%		
4040 · Miscellaneous Income	2,197	2,200	-3	99.87%		
Total NON-OPERATING REVENUE	56,435	119,200	-62,765	47.35%		
Total Income	1,121,091	2,116,200	-995,109	52.98%		
Expense						
OPERATING EXPENSES						
SALARY & BENEFITS						
Salary						
5910 · Wages	346,193	702,200	-356,007	49.3%		
5912 · Overtime	16,011	33,000	-16,989	48.52%		
5916 · On-Call Pay	13,305	26,500	-13,195	50.21%		
5918 · Extra help - Contract	17,472	33,500	-16,028	52.16%		
Total Salary	392,981	795,200	-402,219	49.42%		
Benefits						
5500 · Flex Spending (Flex spending monie	-3,492	0	-3,492	100.0%		
5920 · Retirement	45,296	98,600	-53,304	45.94%		
5922 · Payroll Taxes - Employer Paid	5,451	14,300	-8,849	38.12%		
5930 · Health/Dental/Vision/AFLAC Ins.	56,499	116,000	-59,501	48.71%		
5931 · Retiree Health	1,260	0	1,260	100.0%		
5940 · Workers Comp Insurance	18,902	27,700	-8,798	68.24%	Includes 1st, 2nd and 3rd quarter premiums.	*
Total Benefits	123,915	256,600	-132,685	48.29%		
Total SALARY & BENEFITS	516,896	1,051,800	-534,904	49.14%		
SERVICES & SUPPLIES						
Communications						
6040-I · Internet service	767	1,800	-1,033	42.6%		
6040-C · Cell Phones	1,579	3,100	-1,521	50.93%		
6040-LD · Long Distance	237	700	-463	33.82%		
6040-P · Pagers & Radios	388	900	-512	43.1%		
6040-S · SCADA software maint.	456	500	-44	91.27%		
6040-T · Telephones	6,295	13,800	-7,505	45.62%		
Total Communications	9,721	20,800	-11,079	46.74%		
Insurances						

Sweetwater Springs Water District
FY 2010-11 Operating Budget Variances as of December 31, 2010 (50%)

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	FY 2010-11 Actual	2010-11 Budget	$ Over Budget for the Year	% of Budget	Notes (Underlined notes reflect changes since last report)	*=Ch ged
6101 · Gen. Liability	30,757	40,000	-9,243	76.89%	Overbudgeted. Premium was refunded in September to reduce our limits to be the same as last year's.	
6102 · Auto/Equipment	8,172	10,500	-2,328	77.83%	Overbudgeted. Premium was refunded in September to reduce our limits to be the same as last year's.	
Total Insurances	38,929	50,500	-11,571	77.09%		
Maint/Rep - Office & Vehicles						
6140 · Vehicle Maintenance	3,040	12,000	-8,960	25.33%		
6151 · Office Maintenance	2,237	4,800	-2,563	46.6%		
Total Maint/Rep - Office & Vehicles	5,277	16,800	-11,523	31.41%		
Maint/Repair - Facilities						
6085 · Janitorial Services	3,960	7,100	-3,140	55.78%		
6180 · Distribution System Repairs	33,260	64,000	-30,740	51.97%	In the 2Q, $11,829.50 (budgeted at $14,000) was spent to video the tanks and removed sediment where needed.	*
6235 · Treatment Sys/Well Repairs	5,656	56,000	-50,344	10.1%	In the 2Q, we appear to be underbudget, but the budget for this this line item includes $14,000 for *predicted* repairs that haven't been necessary as of the end of the 2Q	*
6143 · Generator Maintenance	368	1,200	-833	30.63%		
Total Maint/Repair - Facilities	43,244	128,300	-85,056	33.71%		
Miscellaneous Expenses						
6280 · Memberships	5,008	5,200	-192	96.31%		
6303 · Claims	19	1,500	-1,481	1.28%		
6593 · Governmental Fees	14,460	21,700	-7,240	66.64%	1Q expense includes water system fees, paid twice yearly, and annual LAFCO costs. $4,000 was budgeted for election costs, which we will not have to pay this year because we won't need a Board election.	
Total Miscellaneous Expenses	19,487	28,400	-8,913	68.62%		
Office Expense						
6410 · Postage	6,526	15,000	-8,474	43.5%		
6430 · Printing Expense	2,949	6,500	-3,551	45.37%	Bills and envelopes are purchased in yearly quantities.	
6461 · Office Supplies	2,754	6,500	-3,746	42.37%		
6800 · Subscriptions/Legal Notices	717	1,000	-283	71.73%		
6890 · Computers/Software	1,505	1,700	-195	88.51%	In the 1Q, a (budgeted) computer was purchased ($900)	
6579 · Furniture	0	500	-500	0.0%		
Total Office Expense	14,450	31,200	-16,750	46.32%		
Operating Supplies						
6300 · Chemicals	14,096	16,000	-1,904	88.1%	In the 1Q, chemicals were largely purchased in yearly quantities	
6880 · Tools and Equipment	1,082	6,000	-4,918	18.03%		
6881 · Safety Equipment	1,491	1,800	-309	82.84%		
Total Operating Supplies	16,669	23,800	-7,131	70.04%		
Professional Services						

Sweetwater Springs Water District
FY 2010-11 Operating Budget Variances as of December 31, 2010 (50%)

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	FY 2010-11 Actual	2010-11 Budget	$ Over Budget for the Year	% of Budget	Notes (Underlined notes reflect changes since last report)	*=Changed
6083 · Laundry Service	1,333	2,600	-1,267	51.26%		
6514 · Lab/Testing Fees	6,574	9,000	-2,426	73.04%	In the 1Q, costs include tests that only need to be done annually.	
6570 · Consultant Fees	9,115	20,000	-10,885	45.58%		
6590 · Engineering	3,495	1,000	2,495	349.5%	Underbudgeted. 1Q general engineering fees are for system maps. It is anticipated that a total of $4,000 will be spent updating maps this fiscal year.	
6592 · Engineering for Fife Creek Commons	1,747	0	1,747	100.0%	These are 2Q expenses incurred for the Burbank housing project in downtown Guerneville. We will be reimbursed for these costs.	*
6610 · Legal	5,389	22,000	-16,611	24.5%		
6630 · Audit/Accounting	13,428	22,000	-8,572	61.04%		
Total Professional Services	41,080	76,600	-35,520	53.63%		
Rents & Leases						
6820 · Equipment	0	3,500	-3,500	0.0%		
6840 · Building & Warehouse	15,750	27,000	-11,250	58.33%		
Total Rents & Leases	15,750	30,500	-14,750	51.64%		
Transportation & Travel						
7120 · Seminars & related travel	685	4,000	-3,315	17.12%		
7201 · Vehicle Gas	10,831	20,000	-9,169	54.15%		
7300 · Travel Reimbursements	2,714	6,400	-3,686	42.41%		
Total Transportation & Travel	14,230	30,400	-16,170	46.81%		
Uniforms						
6021.1 · Boots	363	1,330	-967	27.27%		
6021.3 · T-shirts	916	1,200	-284	76.35%	T-shirts are purchased once yearly	
6021.4 · Jackets	0	250	-250	0.0%		
Total Uniforms	1,279	2,780	-1,501	46.0%		
Utilities						
7320 · Electric and Propane	55,414	96,000	-40,586	57.72%	_	
Total Utilities	55,414	96,000	-40,586	57.72%		
Total SERVICES & SUPPLIES	275,530	536,080	-260,550	51.4%		
Total OPERATING EXPENSES	792,427	1,587,880	-795,453	49.91%		
FIXED ASSET EXPENDITURES						
8511.1 · Tank/Facilities Sites	3,823	0	3,823	100.0%	In the 1Q, $3,823 was spent to rehab the driveway to the Villa Grande tank.	
8517 · Field/office equipment	0	1,050	-1,050	0.0%		
8573 · Vehicles	0	0	0	0.0%		
Total FIXED ASSET EXPENDITURES	3,823	1,050	2,773	364.05%		
Total Expense	796,249	1,588,930	-792,681	50.11%		
Net Ordinary Income	324,842	527,270	-202,428	61.61%		
Other Income/Expense						
Other Expense						
TRANSFERS TO OTHER FUNDS						
8620.7 · Tfers to CIRF for CDR Revenue	0	227,000	-227,000	0.0%		

Sweetwater Springs Water District
FY 2010-11 Operating Budget Variances as of December 31, 2010 (50%)

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	FY 2010-11 Actual	2010-11 Budget	$ Over Budget for the Year	% of Budget	Notes (Underlined notes reflect changes since last report)	*=Ch ged
8620.3 · Tfers to CIRF	0	240,000	-240,000	0.0%		
8620.5 · Tfers to Building Fund	0	15,000	-15,000	0.0%		
8620.2 · Tfers to In-House Constr	0	25,000	-25,000	0.0%		
Total TRANSFERS TO OTHER FUNDS	0	507,000	-507,000	0.0%		

Table 2. Sweetwater Springs Water District
FY 2010-11 Capital Program Budget Variances as of Deccember 31, 2010 (50%)

	FY 10-11 ACTUAL	FY 10-11 BUDGET	% of Budget	Comments
REVENUE				
Annual Assessment - New Services	58,963	27,000	218.4%	Includes $50,830 for Fife Creek Commons
Annual Assessment (County)	385,355	710,000	54.3%	
Prior Year Assessment	23,790	40,000	59.5%	
Capital Debt Reduction Charge	0	227,000	0.0%	
Interest	12,565	60,000	20.9%	off considerably
CDC Grants, CIP IV-B, Project 1	419,474		NA	In FY10 Budget, reimbursements lag expenses
CDC Grants, CIP IV-B, Project 2	614,361	1,065,000	57.7%	FY11 CIP
Private Placement Funding (CIP IV-B)	550,249	440,000	125.1%	End of PPL
Transfers to CIRF from Operations	0	240,000	0.0%	End of year transfer
Transfers to In-House Constr. from Operations	0	25,000	0.0%	End of year transfer
TOTAL REVENUE	2,064,758	2,834,000	72.9%	
EXPENSES				
Gen. Obligation Bonds Payments	450,688	687,000	65.6%	
State Loan Payments	85,086	170,300	50.0%	
Private Placement Loan	117,007	234,014	50.0%	1 of 2 payments made
CIP III	85,000	85,000	100.0%	Settlement payment
CIP IV-B, Project 1 CIP 2010	559,298	0	NA	FY 10 carryover, construction started in May, near completion
CIP IV-B, Project 2 CIP 2011	818,848	1,475,000	55.5%	Design costs, construction started in July 10
CIP 2012	5,808	0	NA	Design costs, construction starts in June 11, mid-year budget revision
In-House Construction Projects	7,705	40,000	19.3%	
TOTAL EXPENSES	2,129,440	2,691,314	79.1%	
SURPLUS/DEFICIT	-64,682	142,686	-45.3%	Major difference from Actual to Budget due to Project 1 carryover into FY 11