SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: February 3, 2011

SUBJECT: FY 2010-2011 BUDGET/RATE INCREASE ANALYSIS

RECOMMENDED ACTION: Receive a report on the District FY 2011-2012 Budget process and provide direction to staff and the *ad hoc* Budget Committee.

FISCAL IMPACT: None

DISCUSSION:

Staff are working on the FY 2010-2011 (FY!!) Budget which is scheduled to be approved in May 2011 (Table 1 shows the timeline). The FY11 Budget process was introduced at the January 6 meeting. A major issue for this coming year is whether the District should increase water rates. In the past the Board has stated a general policy of having small rate increases consistent with the regional Consumer Price Index which for this year is approximately 1%. The 2007 Rate Study recommended annual increases of up to 4%.

The Board directed the General Manager and Budget Committee to review a range of possible rate increases, including no increase, and determine its effect on long-term financial planning for the District. A financial planning model which expressly looks at the impacts of various rate scenarios on District revenues has been developed. The Budget Committee reviewed four scenarios – no change, 1% increase, 2% increase, and 3% increase. The worksheets for no change and 3% increase are attached.

The financial planning model, as presented in these worksheets, has following major assumptions:

- Services and Supplies increase 1% per year.
- Health/Dental/Vision increase 5% per year.
- Salaries include current MOU increases and increase 2% per year after FY15.
- Capital Debt Reduction Charge increases to cover full debt repayment by FY 15.
- The CalPERS Side Fund of $213,000 is paid off.

The only change between the rate planning scenarios is the change in Water Use and Base Rates. The important lines in the planning model to look at are Net Operating Revenues in the Capital Budget (highlighted in yellow) which

are the sum of transfers to CIRF and the total Surplus/Deficit of the Operating Budget and funds above District Reserve Policy. Net Operating Revenues are the funds that District water rates develop for capital improvements.

Observations:

- The rate increase discussion is about capital project funding. The no increase scenario shows that the District can survive to 2020 without rate increases. Of course, there would be little funding for capital projects during this period and large rate increases would be needed to bring funding back to needed levels.

- The rate increase discussion is about developing a sustainable Capital Improvement Program (CIP). Current rates do not do that.

- The rate increase discussion is not about funding the 2012-2018 CIP. The 2012-2018 CIP is a catch up CIP needed to bring the District's dilapidated infrastructure up to an appropriate functioning level. We cannot raise rates fast enough and high enough to fund this CIP. Funding assistance is needed.

- The District needs to determine what a sustainable CIP level is. Staff have been looking at $500,000 as a good target. This approximately half of the current nominal $1,000,000 per year target of the catch up CIP mode we are in. An annual 3% rate increase brings the Net Operating Revenues to over $500,000.

- Also to consider is that the State Loans are paid off in 2021. That reduces District debt expenses by $170,000.

Table 1. FY 2011-2012 Budget Preparation	
Review Capital Improvement Program	January 6, 2011
Budget Committee meetings	February/March 2011
Draft Budget to Board for Discussion/Action, Including Direction on Water Rates	March 3, 2011
Prop 218 Mailing for Water Rate Increase, if necessary	March 21, 2011
Draft Budget to Board for Discussion/Action	April 7, 2011
Approve Budget • Prop 218 Public Hearing on Rates, if necessary	May 5, 2011

SWEETWATER SPRINGS WATER DISTRICT
OPERATING AND CAPITAL BUDGET SUMMARY PROJECTION, 2011-2020

OPERATING AND CAPITAL BUDGET SUMMARY Water Rate Increase = 0% Starting in FY12; Sales flat

	10-11 (FY11) BUDGET	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
REVENUE										
OPERATING REVENUE										
4031 · Water Bill Revenue										
4031.1. · Capital Debt Reduction	227,000	227,000	283,750	354,688	404,300	404,300	404,300	404,300	404,300	404,300
4031.1. · Water Sales	1,770,000	1,770,000	1,770,000	1,770,000	1,770,000	1,770,000	1,770,000	1,770,000	1,770,000	1,770,000
Total OPERATING REVENUE	**1,997,000**	**1,997,000**	**2,053,750**	**2,124,688**	**2,174,300**	**2,174,300**	**2,174,300**	**2,174,300**	**2,174,300**	**2,174,300**
NON-OPERATING REVENUE										
1700 · Interest	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
3600 · Construction New Services	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
3601 · Construction Service Upgrade	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
4032 · Rent	70,000	70,700	71,407	72,121	72,842	73,571	74,306	75,049	75,800	76,558
4040 · Miscellaneous Income	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Total NON-OPERATING REVENUE	**119,200**	**119,900**	**120,607**	**121,321**	**122,042**	**122,771**	**123,506**	**124,249**	**125,000**	**125,758**
Total Income	2,116,200	2,116,900	2,174,357	2,246,009	2,296,342	2,297,071	2,297,806	2,298,549	2,299,300	2,300,058
EXPENSES										
OPERATING EXPENSES										
SALARY & BENEFITS										
Salary										
5910 · Wages	702,200	710,978	721,642	734,271	748,956	763,935	779,214	794,798	810,694	826,908
5912 · Overtime	33,000	33,413	33,914	34,507	35,197	35,901	36,619	37,352	38,099	38,861
5916 · On-Call Pay	26,500	26,831	27,234	27,710	28,265	28,830	29,406	29,995	30,594	31,206
5918 · Extra help - Contract	33,500	33,500	33,500	33,500	33,500	33,500	33,500	33,500	33,500	33,500
Total Salary	**795,200**	**804,721**	**816,290**	**829,990**	**845,920**	**862,170**	**878,740**	**895,640**	**912,890**	**930,480**
Benefits	**Health/Dental Increase =**		5%	per year						
5920 · Retirement	98,600	113,756	115,463	117,483	119,833	122,230	124,674	127,168	129,711	132,305
5922 · Payroll Taxes - Emplo	14,300	14,485	14,693	14,940	15,227	15,519	15,817	16,122	16,432	16,749
5930 · Health/Dental/Vision/A	116,000	121,800	127,890	134,285	140,999	148,049	155,451	163,224	171,385	179,954
5940 · Workers Comp Insura	27,700	27,700	27,700	27,700	27,700	27,700	27,700	27,700	27,700	27,700
Total Benefits	**256,600**	**277,741**	**285,746**	**294,408**	**303,758**	**313,497**	**323,643**	**334,213**	**345,228**	**356,708**
Total SALARY & BENEFITS	**1,051,800**	**1,082,463**	**1,102,036**	**1,124,398**	**1,149,678**	**1,175,667**	**1,202,383**	**1,229,853**	**1,258,118**	**1,287,188**
SERVICES & SUPPLIES increase =	1%									
Total Communications	20,800	**21,008**	**21,218**	**21,430**	**21,645**	**21,861**	**22,080**	**22,300**	**22,523**	**22,749**
Total Insurances	44,117	**44,558**	**45,004**	**45,454**	**45,908**	**46,367**	**46,831**	**47,299**	**47,772**	**48,250**
Total Maint/Rep - Office & Vehicles	12,286	**12,409**	**12,533**	**12,658**	**12,785**	**12,913**	**13,042**	**13,172**	**13,304**	**13,437**
Total Maint/Repair - Facilities	135,843	**137,201**	**138,573**	**139,959**	**141,359**	**142,772**	**144,200**	**145,642**	**147,099**	**148,569**
Total Miscellaneous Expenses	28,529	**28,814**	**29,102**	**29,393**	**29,687**	**29,984**	**30,284**	**30,587**	**30,893**	**31,202**
Total Office Expense	26,740	**27,007**	**27,277**	**27,550**	**27,826**	**28,104**	**28,385**	**28,669**	**28,956**	**29,245**
Total Operating Supplies	21,566	**21,782**	**21,999**	**22,219**	**22,442**	**22,666**	**22,893**	**23,122**	**23,353**	**23,586**
Total Professional Services	69,081	**69,772**	**70,470**	**71,174**	**71,886**	**72,605**	**73,331**	**74,064**	**74,805**	**75,553**
Total Rents & Leases	28,755	**29,043**	**29,333**	**29,626**	**29,923**	**30,222**	**30,524**	**30,829**	**31,138**	**31,449**
Total Transportation & Travel	29,007	**29,297**	**29,590**	**29,886**	**30,185**	**30,487**	**30,792**	**31,099**	**31,410**	**31,725**
Total Uniforms	2,606	**2,632**	**2,658**	**2,685**	**2,712**	**2,739**	**2,766**	**2,794**	**2,822**	**2,850**

SWEETWATER SPRINGS WATER DISTRICT
OPERATING AND CAPITAL BUDGET SUMMARY PROJECTION, 2011-2020

	10-11 (FY11) BUDGET	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Total Utilities	94,484	95,429	96,383	97,347	98,320	99,304	100,297	101,300	102,313	103,336
Total SERVICES & SUPPLIES	**513,814**	**518,952**	**524,142**	**529,383**	**534,677**	**540,024**	**545,424**	**550,878**	**556,387**	**561,951**
Total OPERATING EXPENSES	1,565,614	1,601,415	1,626,177	1,653,781	1,684,355	1,715,691	1,747,807	1,780,731	1,814,505	1,849,139
OPERATING SURPLUS/DEFICIT	**$550,586**	**$515,485**	**$548,180**	**$592,228**	**$611,987**	**$581,380**	**$550,000**	**$517,818**	**$484,795**	**$450,919**
FIXED ASSET EXPENDITURES										
8517 · Field/Office equipment	1,050	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
8573 · Vehicles			25,000	-	25,000	-	25,000	-	25,000	-
Total FIXED ASSET EXPENDITURES	**1,050**	**1,000**	**26,000**	**1,000**	**26,000**	**1,000**	**26,000**	**1,000**	**26,000**	**1,000**
TRANSFERS TO OTHER FUNDS										
8620.7 · Tfers to CIRF for CDR Reven	227,000	227,000	283,750	354,688	404,300	404,300	404,300	404,300	404,300	404,300
8620.3 · Tfers to CIRF	240,000	280,000	300,000	320,000	340,000	360,000	380,000	400,000	420,000	440,000
8620.5 · Tfers to Building Fund	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
8620.2 · Tfers to In-House Constr	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total TRANSFERS TO OTHER FUNDS	507,000	547,000	623,750	714,688	784,300	804,300	824,300	844,300	864,300	884,300
Total DISASTER EXPENSE	0	0	0	0	0	0	0	0	0	0
SURPLUS/DEFICIT	**42,536**	**-32,515**	**-101,570**	**-123,460**	**-198,313**	**-223,920**	**-300,300**	**-327,482**	**-405,505**	**-434,381**
Capital Budget										
REVENUE/SOURCES OF FUNDS										
Net Operating Revenues*	282,536	247,485	198,430	196,540	141,687	136,080	79,700	72,518	14,495	5,619
Total Assessments	777,000	777,001	777,002	777,003	777,004	777,005	777,006	777,007	777,008	777,009
Capital Debt Reduction Charge**	227,000	227,000	283,750	354,688	404,300	404,300	404,300	404,300	404,300	404,300
Capital Interest	60,000	30,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
CDC Grants	1,136,250									
Transfers From CIRF/Reserves	250,000	1,200,000	1,020,000							
TOTAL REVENUE	2,732,786	2,481,486	2,289,182	1,338,231	1,332,991	1,327,385	1,271,006	1,263,825	1,205,803	1,196,928
EXPENSES										
Total Debt Payments	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314
CIP III	80,000									
	CIPIV-B, Proj 2	CIP 2012	CIP 2013	CIP 2014	CIP 2015	CIP 2016	CIP 2017	CIP 2018	CIP 2019	CIP 2020
Annual CIP	**1,515,000**	**1,355,000**	**1,299,000**	**1,592,000**	**1,132,000**	**1,165,000**	**1,144,300**	**1,267,000**	**1,000,000**	**1,000,000**
In-House Construction Projects	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL EXPENSES	2,726,314	2,486,314	2,430,314	2,723,314	2,263,314	2,296,314	2,275,614	2,398,314	2,131,314	2,131,314
SURPLUS/DEFICIT	**6,472**	**-4,828**	**-141,132**	**-1,385,083**	**-930,323**	**-968,929**	**-1,004,608**	**-1,134,489**	**-925,511**	**-934,386**
FUND AND LOAN BALANCES (EOY)										
Beg Funds above District Reserve Policy	**2,675,975**	2,219,447	1,014,620	(146,513)	(1,531,596)	(2,461,919)	(3,430,848)	(4,435,456)	(5,569,945)	(6,495,456)
Ending Funds ab District Policy***	**2,219,447**	**1,014,620**	(146,513)	(1,531,596)	(2,461,919)	(3,430,848)	(4,435,456)	(5,569,945)	(6,495,456)	(7,429,842)

*** =Transfer to CIRF plus net operating surplus**

**** =Transfers to CDRC**

***** PERS Side Fund Reimbursement ($213,000)subtracted**

SWEETWATER SPRINGS WATER DISTRICT
OPERATING AND CAPITAL BUDGET SUMMARY PROJECTION, 2011-2020

OPERATING AND CAPITAL BUDGET SUMMARY Water Rate Increase = 3% Starting in FY12; Sales flat

	10-11 (FY11) BUDGET	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
REVENUE										
OPERATING REVENUE										
4031 · Water Bill Revenue										
4031.1. · Capital Debt Reduction	227,000	227,000	283,750	354,688	404,300	404,300	404,300	404,300	404,300	404,300
4031.1. · Water Sales	1,770,000	1,823,100	1,877,793	1,934,127	1,992,151	2,051,915	2,113,473	2,176,877	2,242,183	2,309,449
Total OPERATING REVENUE	**1,997,000**	**2,050,100**	**2,161,543**	**2,288,814**	**2,396,451**	**2,456,215**	**2,517,773**	**2,581,177**	**2,646,483**	**2,713,749**
NON-OPERATING REVENUE										
1700 · Interest	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
3600 · Construction New Services	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
3601 · Construction Service Upgrade	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
4032 · Rent	70,000	70,700	71,407	72,121	72,842	73,571	74,306	75,049	75,800	76,558
4040 · Miscellaneous Income	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Total NON-OPERATING REVENUE	**119,200**	**119,900**	**120,607**	**121,321**	**122,042**	**122,771**	**123,506**	**124,249**	**125,000**	**125,758**
Total Income	2,116,200	2,170,000	2,282,150	2,410,135	2,518,493	2,578,986	2,641,279	2,705,426	2,771,483	2,839,507
EXPENSES										
OPERATING EXPENSES										
SALARY & BENEFITS										
Salary										
5910 · Wages	702,200	710,978	721,642	734,271	748,956	763,935	779,214	794,798	810,694	826,908
5912 · Overtime	33,000	33,413	33,914	34,507	35,197	35,901	36,619	37,352	38,099	38,861
5916 · On-Call Pay	26,500	26,831	27,234	27,710	28,265	28,830	29,406	29,995	30,594	31,206
5918 · Extra help - Contract	33,500	33,500	33,500	33,500	33,500	33,500	33,500	33,500	33,500	33,500
Total Salary	**795,200**	**804,721**	**816,290**	**829,990**	**845,920**	**862,170**	**878,740**	**895,640**	**912,890**	**930,480**
Benefits	**Health/Dental Increase =**		5%	per year						
5920 · Retirement	98,600	113,756	115,463	117,483	119,833	122,230	124,674	127,168	129,711	132,305
5922 · Payroll Taxes - Emplo	14,300	14,485	14,693	14,940	15,227	15,519	15,817	16,122	16,432	16,749
5930 · Health/Dental/Vision/A	116,000	121,800	127,890	134,285	140,999	148,049	155,451	163,224	171,385	179,954
5940 · Workers Comp Insura	27,700	27,700	27,700	27,700	27,700	27,700	27,700	27,700	27,700	27,700
Total Benefits	**256,600**	**277,741**	**285,746**	**294,408**	**303,758**	**313,497**	**323,643**	**334,213**	**345,228**	**356,708**
Total SALARY & BENEFITS	**1,051,800**	**1,082,463**	**1,102,036**	**1,124,398**	**1,149,678**	**1,175,667**	**1,202,383**	**1,229,853**	**1,258,118**	**1,287,188**
SERVICES & SUPPLIES increase =	1%									
Total Communications	20,800	**21,008**	**21,218**	**21,430**	**21,645**	**21,861**	**22,080**	**22,300**	**22,523**	**22,749**
Total Insurances	44,117	**44,558**	**45,004**	**45,454**	**45,908**	**46,367**	**46,831**	**47,299**	**47,772**	**48,250**
Total Maint/Rep - Office & Vehicles	12,286	**12,409**	**12,533**	**12,658**	**12,785**	**12,913**	**13,042**	**13,172**	**13,304**	**13,437**
Total Maint/Repair - Facilities	135,843	**137,201**	**138,573**	**139,959**	**141,359**	**142,772**	**144,200**	**145,642**	**147,099**	**148,569**
Total Miscellaneous Expenses	28,529	**28,814**	**29,102**	**29,393**	**29,687**	**29,984**	**30,284**	**30,587**	**30,893**	**31,202**
Total Office Expense	26,740	**27,007**	**27,277**	**27,550**	**27,826**	**28,104**	**28,385**	**28,669**	**28,956**	**29,245**
Total Operating Supplies	21,566	**21,782**	**21,999**	**22,219**	**22,442**	**22,666**	**22,893**	**23,122**	**23,353**	**23,586**
Total Professional Services	69,081	**69,772**	**70,470**	**71,174**	**71,886**	**72,605**	**73,331**	**74,064**	**74,805**	**75,553**
Total Rents & Leases	28,755	**29,043**	**29,333**	**29,626**	**29,923**	**30,222**	**30,524**	**30,829**	**31,138**	**31,449**
Total Transportation & Travel	29,007	**29,297**	**29,590**	**29,886**	**30,185**	**30,487**	**30,792**	**31,099**	**31,410**	**31,725**
Total Uniforms	2,606	**2,632**	**2,658**	**2,685**	**2,712**	**2,739**	**2,766**	**2,794**	**2,822**	**2,850**

SWEETWATER SPRINGS WATER DISTRICT
OPERATING AND CAPITAL BUDGET SUMMARY PROJECTION, 2011-2020

	10-11 (FY11) BUDGET	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Total Utilities	94,484	95,429	96,383	97,347	98,320	99,304	100,297	101,300	102,313	103,336
Total SERVICES & SUPPLIES	**513,814**	**518,952**	**524,142**	**529,383**	**534,677**	**540,024**	**545,424**	**550,878**	**556,387**	**561,951**
Total OPERATING EXPENSES	1,565,614	1,601,415	1,626,177	1,653,781	1,684,355	1,715,691	1,747,807	1,780,731	1,814,505	1,849,139
OPERATING SURPLUS/DEFICIT	**$550,586**	**$568,585**	**$655,973**	**$756,355**	**$834,138**	**$863,295**	**$893,472**	**$924,695**	**$956,978**	**$990,368**
FIXED ASSET EXPENDITURES										
8517 · Field/Office equipment	1,050	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
8573 · Vehicles			25,000	-	25,000	-	25,000	-	25,000	-
Total FIXED ASSET EXPENDITURES	**1,050**	**1,000**	**26,000**	**1,000**	**26,000**	**1,000**	**26,000**	**1,000**	**26,000**	**1,000**
TRANSFERS TO OTHER FUNDS										
8620.7 · Tfers to CIRF for CDR Reven	227,000	227,000	283,750	354,688	404,300	404,300	404,300	404,300	404,300	404,300
8620.3 · Tfers to CIRF	240,000	280,000	300,000	320,000	340,000	360,000	380,000	400,000	420,000	440,000
8620.5 · Tfers to Building Fund	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
8620.2 · Tfers to In-House Constr	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total TRANSFERS TO OTHER FUNDS	507,000	547,000	623,750	714,688	784,300	804,300	824,300	844,300	864,300	884,300
Total DISASTER EXPENSE	0	0	0	0	0	0	0	0	0	0
SURPLUS/DEFICIT	**42,536**	**20,585**	**6,223**	**40,667**	**23,838**	**57,995**	**43,172**	**79,395**	**66,678**	**105,068**
Capital Budget										
REVENUE/SOURCES OF FUNDS										
Net Operating Revenues*	282,536	300,585	306,223	360,667	363,838	417,995	423,172	479,395	486,678	545,068
Total Assessments	777,000	777,001	777,002	777,003	777,004	777,005	777,006	777,007	777,008	777,009
Capital Debt Reduction Charge**	227,000	227,000	283,750	354,688	404,300	404,300	404,300	404,300	404,300	404,300
Capital Interest	60,000	30,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
CDC Grants	1,136,250									
Transfers From CIRF/Reserves	250,000	1,200,000	1,020,000							
TOTAL REVENUE	2,732,786	2,534,586	2,396,975	1,502,358	1,555,142	1,609,300	1,614,478	1,670,702	1,677,986	1,736,377
EXPENSES										
Total Debt Payments	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314
CIP III	80,000									
	CIPIV-B, Proj 2	CIP 2012	CIP 2013	CIP 2014	CIP 2015	CIP 2016	CIP 2017	CIP 2018	CIP 2019	CIP 2020
Annual CIP	**1,515,000**	**1,355,000**	**1,299,000**	**1,592,000**	**1,132,000**	**1,165,000**	**1,144,300**	**1,267,000**	**1,000,000**	**1,000,000**
In-House Construction Projects	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL EXPENSES	2,726,314	2,486,314	2,430,314	2,723,314	2,263,314	2,296,314	2,275,614	2,398,314	2,131,314	2,131,314
SURPLUS/DEFICIT	**6,472**	**48,272**	**-33,339**	**-1,220,956**	**-708,172**	**-687,014**	**-661,136**	**-727,612**	**-453,328**	**-394,937**
FUND AND LOAN BALANCES (EOY)										
Beg Funds above District Reserve Policy	**2,675,975**	2,219,447	1,067,720	14,380	(1,206,576)	(1,914,748)	(2,601,763)	(3,262,898)	(3,990,510)	(4,443,838)
Ending Funds ab District Policy***	**2,219,447**	**1,067,720**	14,380	(1,206,576)	(1,914,748)	(2,601,763)	(3,262,898)	(3,990,510)	(4,443,838)	(4,838,775)

*** =Transfer to CIRF plus net operating surplus**

**** =Transfers to CDRC**

***** PERS Side Fund Reimbursement ($213,000)subtracted**