SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: May 7, 2009

SUBJECT: APPROVAL OF MID-YEAR ADJUSTMENT TO THE FISCAL YEAR 2009-2010 OPERATING AND CAPITAL IMPROVEMENT BUDGET

RECOMMENDED ACTION: Approval of Resolution 10-2 which approves a mid-year adjustment to the FY10 Operating and Capital Budget

FISCAL IMPACT: no impact

DISCUSSION:

The District's FY 2009-2010 Budget was approved at the May 7, 2009 Board Meeting. Since that time the District has received a significant grant from the Sonoma County Redevelopment Agency which provides $899,250 for funding the District's 2010 capital projects, CIP IV-B, Project 1 which includes the Schoolhouse and Upper Schoolhouse tanks, improvements to the water mains on Riverlands Road and Bonita Terrace, and replacement of the feed line at the Handy Andy Booster Pump. Staff feels this provides such a substantial change in the District's budget that a formal mid-year adjustment to the budget is appropriate. Other significant changes since approval of the budget is the addition of the Bonita Terrace element to CIP IV-B, Project 1, which was added in September 2009 and adoption of a formal District Reserve Policy.

The attached Exhibit A shows the Capital portion of the District's Mid-Year Adjusted Budget. There are no proposed changes to the Operating Budget, and so that portion is identical to the adopted budget and is not shown in Exhibit A. The areas of the budget affected by the grant funding addition are highlighted in yellow. The major change is the addition of $899,250 in the revenue section. That change then affects several other rows, including the Private Placement Loan (PPL) rows because less of the PPL will be used.

Other mid-year adjustments include:

- District Funds balances are updated based on FY 09 end-of-year actual balances.

- Carryover funding of CIP IV-A which was started in FY09, but completed this fiscal year is shown.

- District Policy Reserves are updated using the Reserve Policy adopted in September 2009 which uses a different formula than what was used for the budget adopted in May 2009. The principal changes are that the operating reserves are based on expenses instead of revenues and a reserve for debt repayment was added.

Approving Resolution 10-2 will have no impact on District finances – District funds are what they are. The mid-year adjusted budget does give a more accurate picture of what the District is actually doing and what the District's financial condition should be at the end of this fiscal year. For examples, because of the CDC grant and the other changes, Reserves above District Policy are budgeted to end the year at $2,567,193 instead of $2,073,751, and the PPL ending balance is budgeted at $1,205,250 instead of $940,399.

This is a first time for the District doing a midyear adjustment to its budget. However, the financial changes since the adoption of the budget last May are significant and should be recognized through the formal action of approving Resolution 10-2. This will allow more meaningful analysis of the District's financial status and progress. In the future mid-year budget adjustments will be considered in concert with the second quarter variance review as is being done this year.

Resolution No. 10-2

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT ADOPTING THE REVISED FY 2009-10 OPERATING AND CAPITAL IMPROVEMENT BUDGET

WHEREAS, the Sweetwater Springs Water District Board of Directors adopted the District's FY 2009-2010 Budget on May 7, 2009; and

WHEREAS, significant financial changes, such as the acquisition of a large grant from the Sonoma County Redevelopment Agency for construction of CIP IV-B, have occurred; and

WHEREAS, revising the District's FY 2009-2010 Budget at mid fiscal year will provide better financial guidance and information for the District Board, staff and public.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Sweetwater Springs Water District hereby adopts the attached revised FY 2009-10 Operating and Capital Improvement Budget and authorizes the General Manager to submit the attached budget to the Sonoma County Auditor.

This Resolution was adopted this 4th day of February, 2010, on roll call by the following vote:

Jim Quigley	_____
Gaylord Schaap	_____
Victoria Wikle	_____
Wanda Smith	_____
Sukey Robb-Wilder	_____

_____
Jim Quigley
President of the Board

ATTEST:

_____
Julie A. Kenny
Clerk of the Board

Exhibit A. SWEETWATER SPRINGS WATER DISTRICT
OPERATING AND CAPITAL BUDGETS, 2009-2010
Revised February 4, 2010

	FY 08-09 Revised	FY 08-09 Actual	FY 09-10 BUDGET	FY 09-10 Mid-Year Revision	Comments
CAPITAL BUDGET					
REVENUE/SOURCES OF FUNDS					
Annual Assessment - New Services	27,000	23,497	27,000	27,000	
Annual Assessment (County)	710,000	704,304	710,000	710,000	
Prior Year Assessment	40,000	45,110	40,000	40,000	
Capital Debt Reduction Charge	170,500	170,000	252,426	252,426	
Interest	60,000	95,156	95,000	95,000	
Federal Grants			-	-	
Neeley Road Slide claim reimbursement			-	-	
County Reimb. for FEMA Viaduct Project	51,483		-	-	
Cal Trans Reimb. For Culvert Project	80,000	82,856	-	-	
CDC Grants, CIP IV-A, Projects 1 and 2	983,500	545,780			
CDC Grants, CIP IV-A FY09 Carryover				437,720	FY09 carryover
CDC Grants, CIP IV-B, Project 1				899,250	CDC Grant approved
CDC Grants, CIP IV-B, Project 2				30,000	design reimbursement
Private Placement Funding (FY09 Carryover)				222,945	PPL FY09 Carryover
Private Placement Funding (CIP IV-B)	983,500	1,363,536	1,052,000	438,750	CDC grant, Bonita Terrace
Transfers to CIRF from Operations	199,500	200,000	280,000	280,000	
Transfers to State Loans from Operations	-		-	-	
Transfers to In-House Constr. from Operations	25,000	25,000	25,000	25,000	
TOTAL REVENUE	3,330,483	3,255,239	2,481,426	3,458,091	
EXPENSES					
DEBT PAYMENTS					
Gen. Obligation Bonds Payments	687,000	684,058	687,000	687,000	
State Loan Payments	170,300	170,172	170,300	170,300	
Loan to Neeley Road Slide claim					
Private Placement Loan	185,000	117,007	234,013	234,013	
TOTAL DEBT PAYMENTS	**1,042,300**	**971,236**	**1,091,313**	**1,091,313**	
Guerne Way Improvements					
Tank/Facilities Improvements					
("S"Curves"		1,100			
relocation - Cal					
main relocation -					
CIP III	35,000	35,000	50,000	50,000	
CIP IV-A	1,967,000	1,306,335			
CIP IV-A, FY09 Carryover				660,665	CIP IV-A carryover
CIP IV-B, Project 1		69,601	**1,052,000**	**1,328,000**	added Bonita Terrace
CIP IV-B, Project 2				40,000	design and mgmt
Crespo Tank Replacement Project					
In-House Construction Projects	75,000	57,472	40,000	40,000	
TOTAL EXPENSES	3,119,300	2,440,744	2,233,313	3,209,978	
SURPLUS/DEFICIT	211,183	814,495	248,113	248,113	
FUND AND LOAN BALANCES (EOY)					
DISTRICT RESERVES AND FUND AND LOAN BALANCES					
Operating Balance	200,000	200,000	200,000	200,000	
Budget Reserve (10%)	207,736	207,736	218,332	158,770	New Policy, based
Economic Reserve (15%)	311,605	311,605	327,498	238,155	on Operating
Debt Repayment Reserve				238,155	expenses
Capital Reserve	250,000	250,000	250,000	250,000	
TOTAL Reserves EOY	2,485,782	3,372,311	2,765,731	3,652,274	09 Actual, CDC grant
Total District Policy	969,341	969,341	995,830	1,085,081	
Reserves Above (below) Policy	**1,316,441**	**2,202,970**	**1,569,902**	**2,367,193**	
DISTRICT FUNDS					
CIRF	944,491	1,606,129	1,192,604	1,854,242	09 Actual, CDC grant
OPERATING RESERVE	225,000	225,000	225,000	225,000	
OPERATIONS	594,562	770,352	612,751	788,541	revised off 09 Actual
CD	572,949	573,223	601,597	601,884	revised off 09 Actual
IN HOUSE CONSTRUCTION	87,929	121,757	72,929	106,757	revised off 09 Actual
BUILDING	60,850	75,850	60,850	75,850	revised off 09 Actual
DISTRICT LOANS					
PPL	1,992,399	1,867,255	940,399	1,205,560	CDC grant