



Sativa Los Angeles County Water District
Budget
Fiscal Year 2016-2017

Introduction and Background

General Manager's 2016-2017 Budget Message

I am pleased to present the Sativa Los Angeles County Water District's Budget for 2016-2017. This Budget has been designed to help fulfill the District's Mission to provide high quality water along with courteous and responsive service at the most reasonable cost to our customers. The Budget is intended to support the priorities and policies of the Board of Directors as reflected in the District's Mission Statement. Challenging economic times and drought continue to impact our local and national communities. LA County has been in a recovery. In addition, the lack of rainfall has been causing the water levels to decrease in the aquifers for the Central Basin region, which includes our District.

Another challenge is our rates. Currently, the District operates at a flat rate and the rates have not increased since 2009, which will be revisited and increased due to aging infrastructure and other capital costs. Other costs that have affected the District are increased electrical costs, deferred water well repair cost, the need for a new water well, an increased rate assessment of 6% from the Water Replenishment District, and new regulations.

There have been cost containment efforts that have permeated in the District's organizational culture, with staff at every level committing to do more with less and watching for opportunities to save or increase revenue collection. Fines by water wasters have also been collected and also people have been warned to decrease water use. The decrease of 19% of water usage from 3 years ago, has helped reduced pumping and electrical costs.

The District's budget is prepared on a full accrual basis of accounting generally accepted in the United States, which is consistent with the District's audited financial statements. Revenues are recorded at the time they are earned and expenses are recorded at the time the liability is incurred. The intent of the District is to establish water rates sufficient to provide for payment of all operations and maintenance expenses along with capital improvements. The annual goal is to present a balanced budget, (projected expenses equal to or less than projected revenues), to the Board of Directors for adoption.

District Operations

The District provides water to 1,600 connections in the un-incorporated Willowbrook area and a portion of the City of Compton, as well as operational and managerial support. The area is entirely residential with single family homes. As part of its system, the District operates and maintains 8 miles of transmission lines all in good condition. The older parts of the distribution system, where the original subdivision of 1938 took place, consist of relatively small diameter pipes laid in four foot wide easements. The District has 2 active wells (3 and 5), and have one off-line well (2). It also has one capped well (4), which was sealed in 2009. The proposal of drilling a new well is being considered since, it is needed to supply the District and in case another well has a problem. The District is governed by a 5 member Board of Directors. To operate the system, the District employs field personnel. These employees include certified water system operators, production and distribution team, and field individuals. The District hired an outside lab to conduct water testing, which ensures water quality meets or exceeds all Federal Safe Drinking Water Act standards.

The mission statement of the Sativa Los Angeles County Water District is to provide pure and good quality water. The District is required by law to maintain, support, and protect water and storage rights within the boundaries of the District, and also to plan for a reliable water supply to meet future customer's demands.

The District has been promoting water conservation and rebates extensively. This will help with reducing water demand and conserve our precious resource, which is groundwater. Each year the District is allocated water pumping rights in the amount of 474 Acre-Feet, and was able to avoid leasing additional water rights due to drought allocation, combined with reduced demand.

The reserves and emergency funds are usually safeguarded by the State in the LAIF Account, all reserve funds are justified and supported by documentation. Our plan to provide customers with water from out tanks or from the tie in with the City of Compton Water, which was installed in 2009. In order to avoid doing these things, a new water well is needed.

The budget is balanced and prudent measures are taken to ensure good quality water and good customer service. And this budget continues to meet the goals of the District.

FY 17 Budget Assumptions

Resource Assumptions

- The water sales will increase due to an increase in the water rate, due to infrastructure repair and replacement, labor costs, and on-going maintenance costs. Some fines will increase as a result of enforcement.

Service Assumptions

- The FY budget assumes providing 474 Acre-Feet of water with an additional carry over and no need to lease any additional water rights.
- A continual education about water conservation and also an enforcement of mandatory water conservation regulations.
- Loan to pay for the new water well.

Labor Assumptions

- The budget reflects an additional part-time position.
- An increase in wage and salary provisions and increase of cpi of 2%.
- Health care rates increase due to increased enrollees.

Capital Assumptions

- New water well.
- New District vehicle.
- New treatment plant.
- Increase emphasis on water pipeline repairs.

Areas of Risk

- Aging infrastructure.
- Water well issues.
- Grants not coming in on time.
- Increased energy costs.
- Other un-anticipated non-labor cost increases.

**SATIVA LA COUNTY WATER DISTRICT
BUDGET FISCAL YEAR 2016-2017**

**Proposed Budget Notes
FY 16/17**

Revenue

WATER REVENUE	\$	1,209,000.00	Assumption: Rate increase to \$65.00 per unit beginning October 2016 billing cycle
OTHER REVENUE			
Late Fees	\$	22,500.00	Assumption: Shorter grace period will increase late payments
Reconnection Fees	\$	5,000.00	Assumption: Shorter grace period will increase disconnections
Installation Fees	\$	12,000.00	Assumption: 3 currently planned installations with pending fireflow paperwork submitted
Fines	\$	3,000.00	
Returned Payment Fees	\$	1,000.00	
Credit Card Convenience Fee	\$	360.00	
Total OTHER REVENUE	\$	<u>43,860.00</u>	
Total Revenue	\$	<u>1,252,860.00</u>	

Expenses

SOURCE OF SUPPLY

Water Lease	\$	-	
Water Replenishment	\$	<u>150,000.00</u>	Assumption: 15% added to the budget to accommodate rate increase, possible water usage increase due to new connections, and other water pumping requirements due to the new well construction
Total SOURCE OF SUPPLY	\$	<u>150,000.00</u>	

PUMPING

Pumping Cost - Electricity			
Well 2 - Hatchway	\$	20,000.00	Assumption: Well 3 and Well 5 will be the main wells to supply water to the distribution. Assumption based on estimated monthly electrical cost accounting increasing energy cost.
Well 3 - Willowbrook	\$	27,000.00	Assumption: Well 3 and Well 5 will be the main wells to supply water to the distribution. Assumption based on estimated monthly electrical cost accounting increasing energy cost.
Well 5 - Stockwell	\$	3,000.00	Assumption: Well 2 will remain offline and will only need to run during monthly water quality monitoring testing to comply with SWRCB-DDW until well status changes to inactive.
Total Pumping Cost	\$	<u>50,000.00</u>	
Total PUMPING	\$	<u>50,000.00</u>	

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TREATMENT

Testing	\$	10,000.00	Assumption: Increase in testing due to additional regulatory requirements
Chemicals	\$	12,000.00	Assumption: Increase in price of Chlorine Gas Cylinders
TREATMENT - Other	\$	-	
Total TREATMENT	\$	<u>22,000.00</u>	

TRANSMISSION & DISTRIBUTION

Field Supplies	\$	25,000.00	Assumption: Increase in repairs and replacement of aging distribution lines
Permits	\$	14,000.00	
Title 22 Monitoring	\$	5,000.00	
Equipment Rental / Other Services	\$	10,000.00	
Other T&D	\$	25,000.00	
Repairs & Maintenance	\$	25,000.00	
Gasoline	\$	9,000.00	
Auto Expenses	\$	3,000.00	
Uniforms / Safety Gear	\$	<u>5,000.00</u>	
Total TRANSMISSION & DISTRIBUTION	\$	116,000.00	

CUSTOMER ACCOUNTS

Postage	\$	13,000.00	
Mailing System Lease	\$	<u>7,500.00</u>	
Total CUSTOMER ACCOUNTS	\$	20,500.00	

GENERAL & ADMINISTRATIVE

Salaries & Benefits			
Salaries Expense	\$	275,000.00	
Payroll Taxes	\$	32,000.00	
Health Benefits	\$	48,000.00	Assumption: Due to potential additional enrollees
Life Insurance	\$	2,000.00	
401K Match	\$	12,000.00	Assumption: Due to potential additional enrollees
Worker's Compensation	\$	<u>20,000.00</u>	
Total Salaries & Benefits	\$	389,000.00	

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Board Stipends & Reimbursements

Board Travel & Reimbursements	\$	30,000.00	Assumption: Due to possible new board member training
Board Stipend	\$	30,000.00	
Total Board Stipends & Reimbursements	\$	60,000.00	

Professional Fees

Audit Expense	\$	15,000.00	Assumption: Possible new auditor
Payroll Fees	\$	9,000.00	
Accounting Consultant	\$	20,000.00	
IT Consultant	\$	2,000.00	
Legal	\$	140,000.00	
Other Professional Fees	\$	15,000.00	
Total Professional Fees	\$	201,000.00	

Facilities Expense

Grounds Expense	\$	5,000.00	
Security / Alarm	\$	1,600.00	
Telephone	\$	10,000.00	
Printing & Stationaries	\$	20,000.00	
Office Supplies	\$	10,000.00	
Utilities	\$	3,000.00	
Copier Expense	\$	8,000.00	
Fax Notifications (DigAlert)	\$	3,000.00	
Internet Service	\$	1,800.00	
Office Repairs & Maintenance	\$	12,000.00	
Total Facilities Expense	\$	74,400.00	

Insurance (Property & Liability)

Insurance (Property & Liability)	\$	10,000.00	
Dues & Subscriptions	\$	3,000.00	
Armored Car Service	\$	3,500.00	Assumption: Due to decreased schedule of pick up
Bank Fees	\$	3,000.00	

Website

Website	\$	12,000.00	Assumption: Increase of cost due to a new website or website design overhaul to make it user friendly and be able to offer online access of customer accounts
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Community Outreach	\$	10,000.00	
Travel	\$	2,500.00	
Meetings	\$	6,000.00	
Training	\$	6,000.00	
Total GENERAL & ADMINISTRATIVE	\$	<u>780,400.00</u>	
Total Expense	\$	1,138,900.00	
NET ORDINARY INCOME	\$	113,960.00	
Other Income & Expense			
Other Income			
Interest Income	\$	-	
Miscellaneous Income	\$	-	
Total Other Income	\$	-	
Other Expense			
Assets to Capitalize	\$	-	
Penalties	\$	-	
Election Expense	\$	-	
Loan Expense	\$	<u>88,000.00</u>	Assumption: 15 yr Loan for \$1,000,000 at 5%, with loan date of 08/15/2016
Total Other Expense	\$	88,000.00	
NET INCOME (LOSS)	\$	25,960.00	