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OPERATING & CAPITAL BUDGET FISCAL YEAR 2016

NEWHALL COUNTY WATER DISTRICT

Adopted June 15, 2015





OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2016

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Maria Gutzeit - Vice President
Kathy Colley - Director
Daniel R. Mortensen - Director
Lynne Plambeck - Director

Management

Stephen L. Cole - General Manager
Karin J. Russell - Director of Finance/Administration
Michael Alvord - Director of Operations

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OPERATING AND CAPITAL BUDGET

FISCAL YEAR 2016

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AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Newhall County Water District, California for the Annual Budget beginning July 01, 2014.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award. The District has received this award for the past seven years.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Newhall County Water District
California**

For the Fiscal Year Beginning

July 1, 2014

A handwritten signature in black ink, appearing to read 'Jeffrey R. Egan'.

Executive Director

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NEWHALL COUNTY WATER DISTRICT

23780 North Pine Street • P.O. Box 220970 • Santa Clarita, CA 91322-0970
(661) 259-3610 Phone • (661) 253-9420 Fax • email: mail@ncwd.org

Directors: MARIA GUTZEIT, *President* B.J. ATKINS, *Vice President* KATHY COLLEY DAN MORTENSEN LYNNE A. PLAMBECK

June 15, 2015

Honorable Board of Directors
Newhall County Water District

I am pleased to present the Newhall County Water District Operating and Capital Budget for FY 2016, which was presented for review and adoption to the District's Board of Director's at a public meeting on June 15, 2015.

California is currently suffering from a severe - and by some measures, unprecedented drought. We have had dry periods before - they are a recurring feature of our variable climate. The difficulty, expense, and pain of droughts, however, depend on two things: how severe they are and how we react.

Because of the continuing drought conditions, California Governor Jerry Brown asked all Californians to immediately cut water use by 20% beginning in August 2014. Due to less than normal rainfall in 2015, the Governor issued (April 2015) an Executive Order implementing a 25% mandatory reduction in water use.

The District's long-standing commitment to living within our means through both good and bad times has enabled the District to maneuver through this drought without major impacts on the District customers. It should be clearly understood we have not been immune to its effects. The District continues to evaluate the way we do business and engage our employees to help find innovative and effective ways of serving our customers.

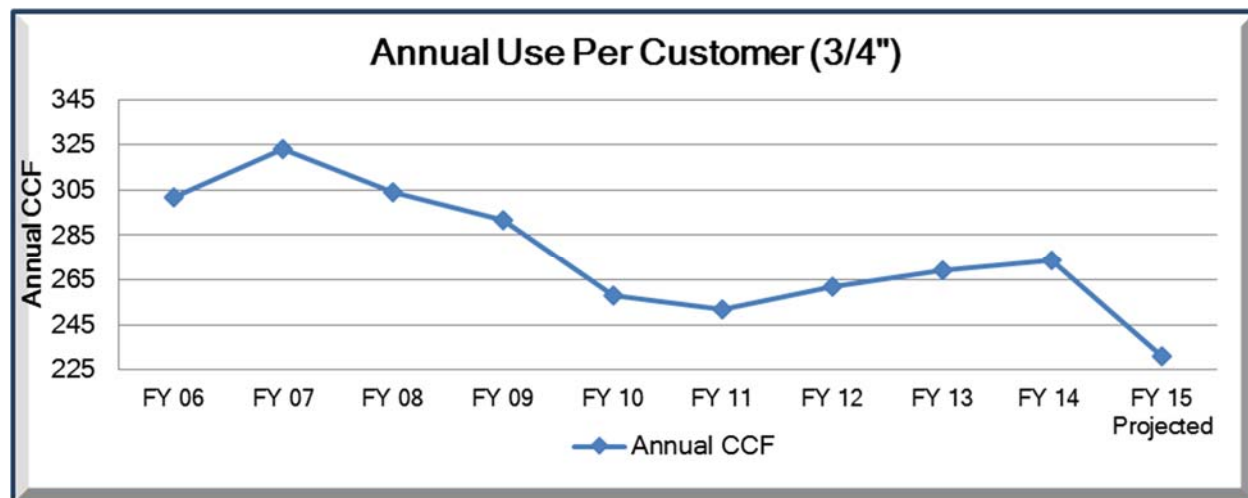
There is no such thing as "business as usual" at the District. The District has had the opportunity to learn some valuable lessons since 2008. Our world adjusted to the new reality of our situation. The District staff are working smarter and harder than ever to get things done - doing more with less and in a more competitive environment. The Board of Directors and staff continue to evaluate and implement innovative strategies and have worked hard to implement creative solutions to serve our employees and customers. Through this process, we have also realized the importance of moving forward despite our challenges.

**DISTRICT STAFF - DOING
MORE WITH LESS**

Because water utilities are dependent on the sale of water to recoup costs, reduced sales can result in deficits. During the process of reviewing the budget for FY 2016, the District made the decision to proactively address the reduction in water sales because of

conservation efforts by our customers. Although there was an indication of slow economic recovery, due to the uncertainty of the drought, new connections remain dramatically low and few are projected to be added in the next five years.

In FY 2007, the average customer with a 3/4" meter consumed 241,604 gallons of water annually as compared to the lowest recorded in FY 2011 of just 188,496 gallons. The District projects the average customer with a 3/4" meter to consume 174,284 gallons annually in FY 2015, a decrease of 8% from the low in FY 2011.



The FY 2016 budget reflects a continuation and expansion of strategies by maintaining critical expenditures and streamlining operations, while continuing to provide high service-level standards.

This budget is designed to help fulfill the District's mission to provide quality water service at a reasonable cost by practicing careful stewardship of natural resources, utilizing innovative measures, and providing a quality-working environment.

Management Objectives

To maintain and improve the water distribution system. The district is committed to a number of improvements to the water distribution system, including following an aggressive renewal and replacement program and encouraging water use efficiency. The District is also committed to meeting or exceeding the requirements of all federal and state water laws, regulations and technical standards.

To continue to administer a fair and efficient billing and collection system. The District has worked to establish a rate structure, which fully reflects its costs and encourages water use efficiency by consumers. With the implementation of the Water Use Target (WET) tool located on the customer's monthly bill (single-family residential and dedicated landscape customers), the District is empowering customers to save water and money. WET will serve as a data-driven tool to provide greater understanding of personal water use. The metering, billing and collection process plays a central role in providing sustainable service to our customers.

To maintain a strong financial structure. The District has consistently employed conservative financial projection and budgeting assumptions, maintained adequate reserves and achieved a reasonable balance between debt funding and capital expenses. Drought and conservation efforts have created upward pressure on the cost of water.

The budget message is organized into the following categories:

- Budget Planning
- District History
- Budget Summary and Forecast
 - ⇒ Operating Revenue
 - ⇒ Operating Expenditures
 - ⇒ Capital Improvement Plan and its relationship to the budget
 - ⇒ Reserves
 - ⇒ Debt Service
- Water Use Efficiency
- Economic Considerations
- Acknowledgement

BUDGET PLANNING

The budget is intended to serve as a policy document, a financial plan, a communications device, and an operations guide. It provides a comprehensive summary of all District activities proposed for FY 2016 and Capital Improvement Plan (CIP) projects proposed for FY 2016-20 planning years. This year's budget is reflective of District needs as identified by the Board of Directors and District staff during the budget review process.

This budget is the product of a comprehensive team effort from every level within the organization and included several budget study sessions, a public Finance Committee meeting, a public Special meeting and a public Board meeting. The budget process is described in more detail on page 39.

The District's budget is prepared on a full accrual basis, the same basis of accounting used for the financial statements. The intent of the District is to establish water user rates sufficient to provide for payment of general operations and maintenance expenses, capital improvements and annual debt service. Revenues are recorded at the time they are earned and expenses are recorded at the time the liability is incurred. The District's enterprise fund is composed of five funds: an operating fund, a capital fund, a renewal and replacement fund, a reserve fund, and a supplemental fund.

The District sets long-term goals, which are aligned with the District's mission statement, the customers, and the policies set forth by the Board of Director's. As strategic elements and goals are established, a course of action is set, and staff is assigned lead responsibility. Progress in achieving strategic elements and goals are tracked periodically and reported to the Board of Directors.

The employees see firsthand how the District touches the lives of residents each and every day through the services we provide. From the first turn of the water faucet in the morning to the construction of facilities to improve reliability, our customers rely on the District to provide the most basic of services.

In a continuing effort to create and maintain a healthy balance of new growth and development in proportion to environmental and resource conservation, the District looks forward to the advancements that lie ahead and takes pride in its accomplishments of the past.

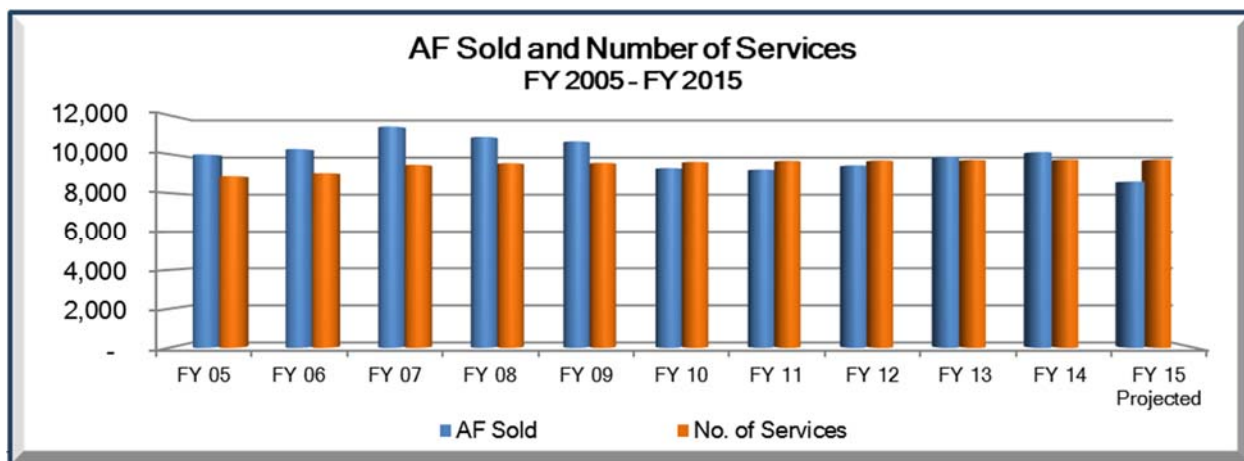
DISTRICT HISTORY

Since the formation of the District in 1953, it has experienced considerable growth and change. The Santa Clarita Valley, at one time a miniature snapshot of the Wild West, has flourished into a beautifully planned residential community filled with homes, businesses and growing families.



Today, the District provides water service to a population of over 45,000 customers through more than 9,700 connections within a 37-square mile radius in portions of the City of Santa Clarita and Los Angeles County. In FY 2014, the District sold 10,099-acre feet of water, 3% more than the prior year. Approximately 55% of the potable water was purchased from Castaic Lake Water Agency (CLWA) who receives water from the State Water Project (SWP) along with other imported sources and the remaining 45% was supplied from local groundwater sources.

The following graph shows the number of services (including fire service accounts) and annual acre-feet (AF) sold since FY 2005. Historically water sales were a function of weather and population. More recently, the effect of the current drought and mandatory water use restrictions has caused a 15% reduction in water sold.



Challenging drought conditions continue to impact local and State communities. Southern California has seen its share of highs and lows. This budget is presented nearly six years after the most challenging period in District history. Like many who were affected by the downturn in the housing market and the increasing cost of goods and supplies, the District

has had to adjust its budget to accommodate changing economic conditions. The most recent recession helped prepare the District to react quickly to changes. We have endured six years of belt tightening and cost containment and will continue to do more through this period of drought and financial uncertainty. We believe we have emerged with a budget meeting the needs of our customers. It sets our spending and staffing to affordable and sustainable levels while maintaining a high level of service quality.

The adopted rates and assumptions have been used by the District in the preparation of its five-year water revenue projections. Further pressure comes from increased costs, which must be incorporated, into department budgets, such as increases in purchased water rates from CLWA and subsequent costs of legal challenges. The budget emphasizes short and long-term planning recognizing slow growth and associated costs within the District's fiscal constraints. It is the responsibility of the District to make sure expenses do not exceed revenues to ensure a balanced budget.

Looking ahead, the District anticipates this trend of water conservation to continue through the coming fiscal year. As a result, the District will continue to monitor and make appropriate adjustments to ensure the organization's financial integrity is maintained, while continuing to meet its obligation to provide a safe and reliable water supply.

Operating Revenue

In June 2015, the District approved a rate adjustment based on the updated Revenue Requirement and Water Rates report. The Board also adopted Resolution 2015-5 establishing a balancing account and the Water Revenue Adjustment Factor (WRAF) allowing for adjustments based on inflation within the parameters set by California Government Code Section 53756. The WRAF is intended to adjust the commodity rate due to inflation or deflation in unit cost attributed to fluctuations in real demand. The rates are designed to appropriately recover water system cost, address customer affordability issues for the average customer and promote the efficient use of water resources. Directional, strategic and policy guidance around the preparation of the updated report was developed from several Board of Director and staff meetings. The rate adjustment aims to protect the District's long-term financial stability through June 2020. The adopted rates eliminate the District's use of operating reserves, which are maintained to support the financial position of the District.

The District is not expecting to add any new services in FY 2016 with water revenues expected to be \$12,079,177 (total revenues \$12,826,485), which is a 3% decrease from the previous budget year. Since FY 2011, the District made an adjustment to the demand projection methodology used resulting in a more conservative projection of future revenues. This method uses the last recorded eight months (July 2014 - March 2015) of actual usage and three months projected usage (April 2015 - June 2015) to more accurately estimate operating revenues.

Operating Expenditures

The last few years of economically challenging conditions and current drought have a direct effect on nearly every aspect of the District's operations. Every department has

worked to analyze processes, systems, and structures to identify opportunities and implement plans to reduce costs. Many plans have made the District more adaptable, effective and responsive to customer needs.

These cost-containment efforts have permeated the District's organizational culture, with staff at every level committing to do more with less and watching for opportunities to reduce costs. The budget for FY 2016 reflects a continuation of strategies to restrict non-critical expenditures and streamline operations, which have the positive impact of improving the District's future expenditure projections.

The \$12,826,485 Operating Budget, which is a decrease of 5% from the previous budget year, consists of three components; operating expenses, capital, and debt service. These categories include forecasting the costs of purchased water, purchased power, insurance, vehicle operating costs, asset maintenance, employee costs, and the increase of day-to-day business responsibilities.



The District is still eyeing FY 2018 to see a large reduction in debt service payments. One of the three debt obligations matures and lessens the pressure on the operating fund. The overarching philosophy of the District is to retire a majority of the debt and employ a practice of "pay-as-you-go" financing. There is no new debt projected through FY 2020.

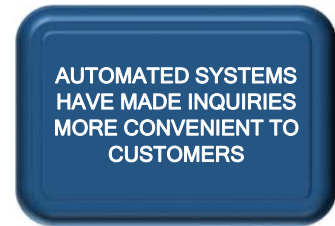
Purchased Water - The District is expecting to purchase 2,666 acre feet (plus 1,100 acre feet through the perchlorate settlement) of water from CLWA. The District's pass-through charges include the CLWA Surcharge and are based on current estimates of future costs. The pass-through is allowed in accordance with Government Code Section 53756 and is subject to change based on actual costs. Pass-throughs capture cost changes largely beyond the control of the District. The wholesale water rate is expected to increase by 3% in July 2015 with an additional increase projected for future years.

On April 29, 2013, the District filed a lawsuit in Los Angeles County Superior Court against CLWA challenging the 2013 rate increase due to its violation of Proposition 26, which requires governmental charges to bear a fair or reasonable relationship to benefits provided. The District prevailed at the trial court, but the ruling has been appealed by CLWA. The appeal of the ruling should be available this fiscal year. The FY 2016 budget has assumed and projected the CLWA rate structure will continue until a court decision has been made.

District Operations - The District operates and maintains over 146 miles of distribution and transmission main, 22 above ground steel reservoirs, 15 booster pump stations, and 11 active groundwater wells. To operate this extensive system, the District employs 31 individuals. These employees include water system operators, production and distribution teams, construction teams, and customer and support services staff.

Within Operations, District staff conducts non-revenue water (water loss) audits on a monthly basis. The District's non-revenue water was estimated to be 6.3% from May 2014 through April 2015, which is a highly commendable range within the industry.

Customer Service - District customer service support functions include service inquiries, telephone support, web-based account management systems, walk-in requests, credit assistance with payment arrangements, collection courtesy calls, delinquent account processing, high consumption and water-waste complaints, and 24-hour emergency phone coverage.

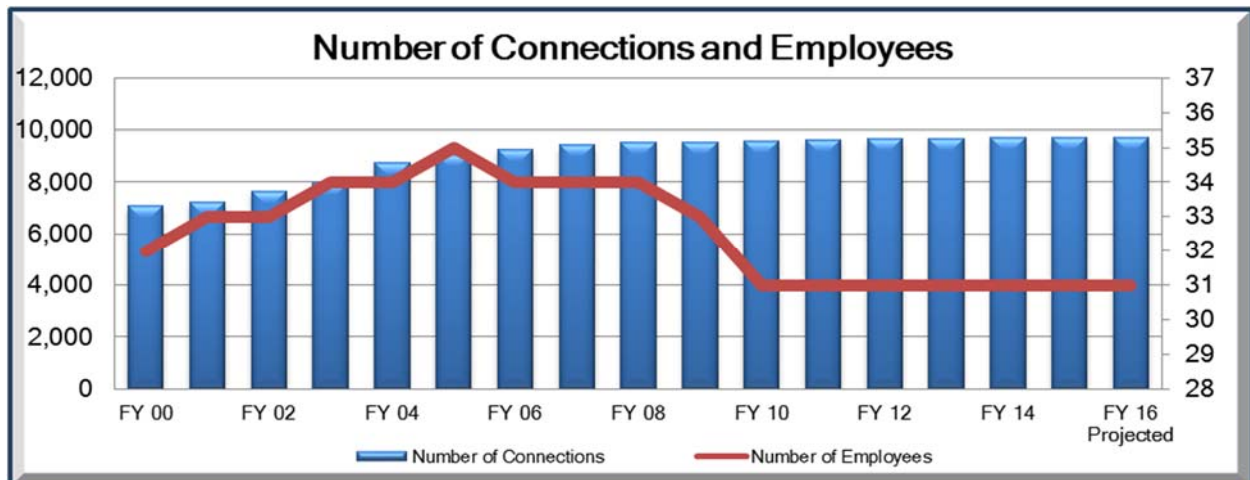


The District has actively developed new processes and applied technologies to automate systems and make inquiries more convenient and responsive to customer needs. These initiatives have been extremely successful in not only addressing call volume, but in reducing costs. New online self-service and paperless billing systems, which were launched in 2011, have reduced printing and mailing costs. In addition, automated dialers reminding customers of payment status have improved collection rates and helped customers avoid account penalties.

In FY 2014, Field Services Representatives conducted more than 2,753 total work orders including field investigations, turn-ons/shut offs, and maintenance work. The District has made substantial efforts to be flexible in working with customers impacted by the drought restrictions, continuing to offer educational materials, courtesy notifications and utilizing other customer account management tools.

Salaries/Benefits -The District has continued to focus on providing quality service to our customers despite the fact the District has reduced its workforce by over 12% since FY 2005. The District staff has done an outstanding job of reducing their budgets and analyzing their financial needs to conform to the dollars available. The District has quality personnel with the experience to lead the District into the future.

No new employee positions have been budgeted, and there are no vacant positions to be filled. Total salaries and benefits are forecast to be less than 1% higher in FY 2016 than budgeted in FY 2015. The implementation of new technology and outsourcing of certain functions provided the District the ability to streamline staffing without affecting customer service or reliability. Merit and a performance allowance is forecast for existing employees and are included in the FY 2016 expense budget.



The District, has taken an aggressive and proactive approach in reducing its benefits liability. The District has handled its California Public Employees Retirement System (CalPERS) liability by adjusting the policy for existing employees to contribute towards the future cost of their retirement.

**CALPERS AND OPEB POLICY
MODIFICATIONS SETS THE
DISTRICT APART AS A LEADER
IN PUBLIC BENEFIT REFORM**

The District also addressed its fully unfunded liability for retiree health insurance in FY 2010, and eliminated the risk of incurring future Other Post Employment Benefit (OPEB) liability by moving from a defined benefit to a defined contribution program. The OPEB trust fund, since inception, has seen a 60% overall trust return. The trust outperformed the expected interest return by 21.5%.

In summary, the total operating expenditures excluding debt service and CIP is expected to increase by \$329,671 (3.5%) from the prior year's budget.

Capital Improvement Plan

The Capital Improvement Plan (CIP) is the District's plan for supporting capital projects. This plan has been affected by the downturn in the housing market. Fewer new water connections reduce the connection fee revenue, which is used to offset the amount of capital funds needed from the user rates. Conversely, fewer connections represent a reduced or postponed demand on our facilities.

The challenge facing the District is to invest in capital replacement at a level, which keeps pace with depreciation. The 5-year plan addresses the needs of the District and enhances the quality of service to customers. The adopted CIP budget includes any carryover capital projects approved in prior fiscal year budgets and new projects scheduled to start in FY 2016. It has been District policy to review all capital projects as part of the budget process and identify all funding requirements for the upcoming fiscal year.

This year's plan places emphasis on completion of pipeline replacements, equipment replacements, meter replacements and recurring projects. CIP is expected to be \$1,980,000, which is a 9% decrease from the prior year. The District's 5-year CIP project list is estimated at \$10,015,000 including projects, such as; pipeline replacements and reservoir rehabilitations. Each year the projects are reviewed and prioritized based on need and available funding. CIP funding typically comes from four sources, the general fund (water revenues), R&R funds, debt financing, and the master plan portion of the connection fee.

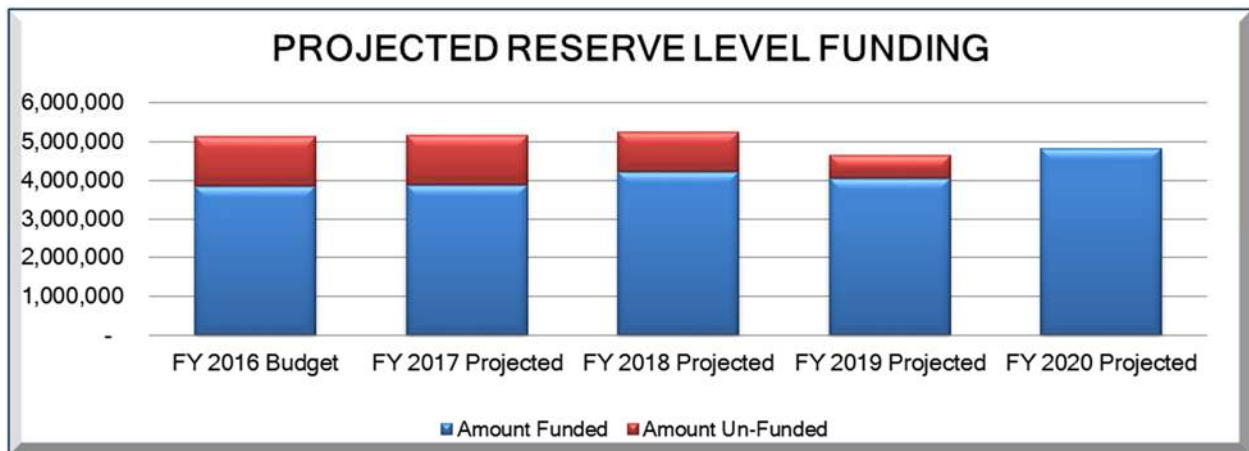
Reserves

The District's reserve funds include a combination of reserves. The reserve policy sets the limit for each reserve, based on total operating revenue. In FY 2010, the District acquired a \$10 million earthquake and flood insurance policy. The reserve policy was modified to reflect this added security and the limits, per fund, were subsequently reduced. In FY 2014, the reserve policy was again modified to remove the capital reserve and change the funding levels. The FY 2016 budget projects no contribution to reserves from

the buy-in portion of the connection fee. Interest earned on the reserve funds are added back to the fund.

Reserve requirements are established by the District's reserve policy and from time to time, some uses of reserves have been budgeted for specific purposes. It is projected no funds will be transferred into the reserve fund from operations and no utilization of reserves have been projected in FY 2016.

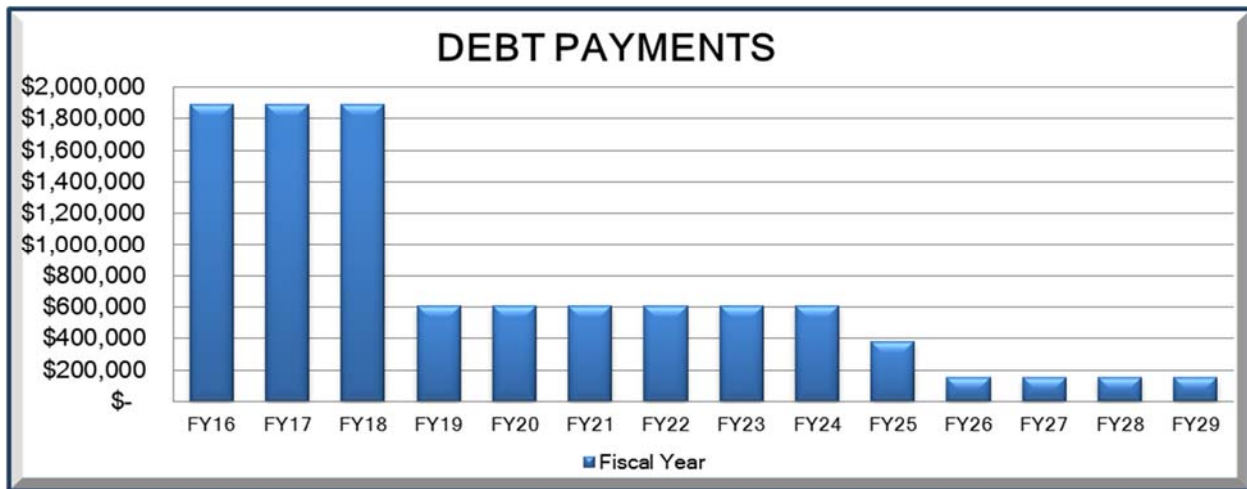
The reserve policy requires 50% of the outstanding annual debt payments to be held in the reserve fund. At the end of FY 2018, a significant portion of debt will be paid off, which will result in a reduction in the reserve requirement and allow for the reserve fund to be 100% funded for the first time since the establishment of the reserve policy. The graph below illustrates the projected operating reserves. Maintaining a healthy operating reserve is paramount in these uncertain times to ensure the District's strategic economic flexibility.



Debt Service

In 2012, the District had foresight to research the cost effectiveness of refinancing certain debt obligations and taking advantage of lower interest rates. The goal of the District is to reach pay-as-you-go financing to fund its CIP. As a result, the District will save nearly \$1.3 million in interest over the term of the refinanced debt and reduced the maturity date with a very small increase in annual debt payments. As of July 1, 2015, the District will have outstanding long-term debt obligations of approximately \$10,319,952 (principal and interest) as shown in detail on page 99. A significant portion (\$5,668,659) of the overall debt service payments are projected to be reduced beginning in FY 2019 due to the debt maturing and being paid off.

There is no new debt projected for FY 2016. The District has a goal to reach pay-as-you-go financing to fund its CIP



WATER USE EFFICIENCY/CONSERVATION

The Santa Clarita Valley and surrounding areas have seen below to average rainfall between FY 2007-2015 and in August 2015, the Governor of California declared a drought and subsequently (April 2015) issued an executive order requiring a reduction in water consumption.

The State Water Resources Control Board (SWRCB) consequently developed regulations requiring the District to achieve a 28% reduction in water uses from June through February 2013. District customers have currently reduced their water demand by 13%. As a means to mitigate potential fluctuations in water commodity revenues due to additional conservation, the District adopted Resolution 2015-5 that will allow the District to make adjustments in the rise and fall of commodity revenues and create a balancing account.

The District is committed to continue the Plan to meet State Senate Bill x7-7, which requires a 20% demand reduction by the year 2020. Since the base years 1997-2006, the District has seen water demand reduce by 21%. The District and other Santa Clarita Valley area water agencies joined forces and developed a Water Use Efficiency Strategic Plan (Plan) which includes programs and projects designed to educate the area residents on regional water conservation. The Plan was updated to include turf removal and other outdoor irrigation conservation measures.

In January 2015, the Water Efficiency Target (WET) tool was implemented. WET is a tool used to help customers save water and money by using a science and technology based program, providing residential customers with a target water use number every month. This helps customers understand precisely what is needed for their homes. The District is expecting to add dedicated landscape meters to the WET program near the end of FY 2015.

ECONOMIC CONSIDERATIONS

As we are facing one of the worst dry periods in over a decade, the District is doing its part in conveying the importance of conservation to its customers. The District has

planned for a reduction in water sales, has adjusted its rates, and instituted a Water Revenue Adjustment Factor, in an effort to mitigate the fluctuations in water sales. The District has also made significant efforts in the last few years to increase its ability to respond to changes in the economy, environment and customer base through the efficient use of existing assets, the optimization of available resources and greater focus on customer knowledge. Efforts are being made to identify additional opportunities to reduce costs, improve processes and appropriately adjust expenditures.

Signs of the area's slow recovery are evident in the District's projections for new service connection applications in future years, account growth and water consumption. Specifically, it is projected that no new service connections will be added in FY 2016.

In the short-term, the FY 2016 revenue from water sales is projected to decrease by 3% primarily due to mandatory water conservation. The increase in new services for the next five years from FY 2016-20 is forecast to be 5%.

Forecasted water consumption in FY 2016 is expected to be 15% lower than what was consumed in FY 2014. The District projects current customer usage will continue to decline through FY 2016 with a potential to drop more if the drought continues. The District will continue educating customers to apply water use efficiency measures to help ensure a reliable supply will be available to all customers.

The FY 2016 budget is balanced and adheres to adopted District financial policies. As with prior years, the FY 2016 budget will serve as a roadmap and planning document to support revenues and expenditures throughout the year.

Looking ahead, the District anticipates the trend of lower customer demand will continue through this coming fiscal year. As a result, The District will monitor and make appropriate adjustments to ensure the organization's financial integrity is maintained, while continuing to meet its obligation to the public to provide a safe and reliable water supply.

Our success as an organization is vastly enhanced by the practices and policies put in place by the Board of Directors to ensure the strength and stability of the District even as we move forward through uncertain times.

HIGHLIGHTS OF THE FY 2016 OPERATING BUDGET

- A balanced budget by meeting the needs of customers and the goal set by the District
- An updated CIP plan incorporating Master Plan goals
- Implementation of Resolution 2015-8 setting the water rates
- No additions or deletions to the employee count
- Funding to complete CIP
- Continuation of water use efficiency programs
- No utilization of Reserves
- Debt retirement on target to move to pay-as-you-go for CIP
- Benefit reform continues to set District apart as a leader in the industry

We are fully confident that with these policies and practices, supported by dedicated and talented staff, we will achieve continued success as an organization and thus assure the well-being of the people we serve.

ACKNOWLEDGEMENTS

The efforts invested by District staff in bringing together the information and working through the budget decision process demonstrate the high level of competence and commitment of our employees and their dedication to the customers of the Newhall County Water District. This document represents the expertise and resourcefulness of the Department Managers, Supervisors, and staff. The budget team is a testament to our continuous effort to improve the way the District does business and to assure we continue to show Newhall County Water District is a leader in the community.

Respectfully submitted,



Stephen L. Cole
General Manager



USER'S GUIDE

This FY 2016 budget establishes a plan to provide for the District's current customers, our growing community, and the Strategic Plan goals of the District. In order to provide an effective foundation for the development of the FY 2016 budget, the District staff coordinated budget-preparation workshops with key staff and consultants to review the District's overall financial condition/revenue projections.

As part of the strategic planning process, the District has established goals to help ensure the District's overall mission is achieved. This budget provides the resources for accomplishing the goals of the Strategic Plan.

Budget Foreword

The Budget Foreword is a "getting to know" section of the District's FY 2016 budget and contains general information about the District, the District's Core Values, Strategic Plan and Elements, Department Performance Measures and Accomplishments, the Budget Profile, Calendar, and Budget Process.

Policies

This section includes a summary of the District's Financial Policies: the Reserve Policy, Investment Policy, Debt Management Policy and Asset Capitalization Policy.

History

Included in this section is the history of the District's Past and Present with a look at economic conditions, district demographics, property tax revenues, and historical rainfall and temperature.

Financial Summaries

This section includes an overview of the District's revenues and expenditures by fund for the current fiscal year and the preceding two years actual and projected amounts. The section includes a detailed description of each of the revenue and expense categories with associated graphs.

Five-Year Forecast

The District completes a rate adequacy analysis study each year based on revenues, expenditures, debt, CIP, connection fees and reserves. The District also estimates each of these categories for increases/decreases for the current budget year, plus four additional years.



USER'S GUIDE

Revenues and Expenditures

This section presents calculations for the estimated total revenues and expenditures for FY 2016. Estimates are based on historical trend, current position, and the economic forecasts. Revenue projections include the adopted rates and rate design as approved in Resolution 2015-8.

Capital Budget

This section contains a detailed list of capital projects identified for FY 2016 through 2020 to be funded from the General Fund and Renewal and Replacement Fund (R&R Fund). This section will include the CIP schedule, funding source and justification.

Appendix

This section includes a Quick Summary, Glossary of budget and financial terms, a List of Acronyms used in this budget, and an Index.





NEWHALL COUNTY WATER DISTRICT

ABOUT

Newhall County Water District headquarters is located in the City of Santa Clarita within the northwest region of Los Angeles County and is blessed with all the beauties and amenities of a large city with a small town charm. The District was formed on January 13, 1953 and is currently one of four water purveyors in the area. Water is received from two sources, groundwater wells and the State Water Project (SWP) via the area's wholesaler, Castaic Lake Water Agency.

The District boundaries encompass approximately 34-square miles in portions of the City of Santa Clarita and unincorporated Los Angeles County. The District provides treated water to areas of Newhall, Canyon Country (Pinetree), Saugus (Tesoro), and Castaic.

MISSION STATEMENT

The District's mission is to provide quality water service at a reasonable cost by practicing careful stewardship of natural resources, utilizing innovative measures, and providing a quality-working environment.

GOVERNANCE

The Newhall County Water District was formed in 1953 as a County Water District to serve as a California Special District. Five Directors, elected by voters to serve staggered four-year terms on its governing board, set the District's ordinances, policies, taxes, and rates for service. The District is a "revenue-neutral" public agency, meaning each end-user pays only their fair share of the District's costs of water acquisitions and the operation and maintenance of the public facilities.

ORGANIZATIONAL STRUCTURE

The General Manager reports directly to the Board of Directors, and through a Director of Operations and a Director of Finance/Administration, oversee day-to-day operations. The Director of Operations oversees the Water Operations and Engineering departments and the Director of Finance/Administration oversees the departments of Administrative Services, Finance, and Information Technology. These and other lines of reporting are shown on the organizational chart on page 37.



USER'S GUIDE

GENERAL INFORMATION

For FY 2015, the District will have a staff of 30 full-time employees under the leadership of the General Manager. The District provides treated water to a population of more than 45,000 people. The District is projected to sell 9,816 acre-feet of treated water to over 9,700 service connections in FY 2015. There are no developments projected to be completed in FY 2015, resulting in a zero percent growth rate.

The District owns, operates, and maintains more than 147 miles of distribution and transmission main, 22 above ground welded steel reservoirs, 15 booster pump stations, and 11 active groundwater wells. The District projects to purchase approximately 40% of water from CLWA and pump the remaining 60% from groundwater.

The District also owns a sewer lift station and approximately five miles of force sewer main in the Pinetree service area.

On average, the District produces 9,478,366 gallons of treated water on a daily basis. Of the total connections, 88% are single family residential, 4% are commercial and municipal, and 3% are landscaping. The remainder is made up of multi-family residential, construction water and fire service revenue accounts. The Santa Clarita Valley has a temperate climate. In FY 2014, the average high temperature was 78.89° F and the average low was 47.63° F. A below average 9.23 inches of rain fell in FY 2014.

For over sixty years, Newhall County Water District has placed a priority on maintenance, compulsory restoration, and expansion. Ongoing maintenance and replacement of the District's water system infrastructure remains a top priority.

Since 1953, the District has maintained their vision of providing quality water at a reasonable price. Our District enjoys some of the safest drinking water in the world due to strong national, state and local regulatory and enforcement programs, as well as the fact that we desire to preserve a first-class water system.



BUDGETARY BASIS

The District does not possess appropriated government type funds and operates as an enterprise fund. The District records budget and financial documents based on the accrual-basis of accounting generally accepted in the United States of America, which is consistent with the District's independent audit report.

Expenditures are recognized as encumbrances when a commitment is made (e.g. through an invoice or purchase order). Revenues, on the other hand, are recorded at the time they are earned.

The Comprehensive Annual Financial Report (CAFR) shows the status of the District's finances in accordance with "generally accepted accounting principles" (GAAP). In most cases, this conforms to the way the District prepares its budget. One exception is compensated absence liabilities that are expected to be liquidated with expendable available financial resources that are accrued as earned by employees (GAAP) as opposed to being expended when paid (Budget).

The District's budget is balanced, when for a specified period of time, the total sum of money collected in a year is equal to the amount it spends on goods, services, capital and debt. The FY 2016 is balanced, as shown on page 86.

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CORE VALUES

CUSTOMERS

We are committed to an efficient and cost effective operation.

We are committed to providing excellent customer service including public information and outreach.

EXCELLENCE

We are committed to meeting or exceeding every Federal and State standard for public health and safety.

PROFESSIONALISM

We are committed to responsible regional and community relationships.

We are committed to conducting our business in an open, honest and ethical manner.

PRESERVATION

We are committed to prudent management of the District's infrastructure and resources.

We are committed to vigorously protecting the water supplies of the District from contamination or degradation and ensuring supply availability.

We are committed to long range planning.





STRATEGIC PLAN

A Strategic Plan serves as a framework for decision making over a 5-year period. It is a disciplined effort to produce fundamental decisions that shape what a District plans to accomplish by selecting a rational course of action. The District's plan has incorporated an assessment of the present state of District operation, gathering and analyzing information, setting goals, and making decisions for the future. This plan seeks to strengthen and build upon opportunities while addressing areas of concern.

This plan also identifies actions, activities, and planning efforts that are currently active and needed for continued success in operations and management of the District, and provides for periodic reviews and updates.

The strategic planning effort has focused on several or all of the following task areas:

- Collaboration with partner agencies.
- Technology that can provide new opportunities.
- Environmental changes that can significantly affect District operations.
- Changes in Federal, State and local laws and land use policies that can have significant effects on District operations.
- Employee development that is critical to meeting the District's service goals.

The following flow chart shows how Strategic Goals and resultant actions are linked to the Core Values and Mission of the District:



There are six Strategic Elements and Goals. The elements and goals represent the vital areas of the District's operation, planning, and management. Elements are derived from the foundational Mission Statement and Core Value statements of the District. They are linked to action through Strategic Goals within the five-year period that serve to assure that important areas of the District are well supported and moved forward per Board direction.

The six Strategic Elements and Goals are listed below:

<p>External Relationships</p>	<ul style="list-style-type: none"> • Improve public relations outreach programs • Strengthen partnerships with local intergovernmental agencies
<p>Resource Management</p>	<ul style="list-style-type: none"> • Maintain and improve NCWD's conservation programs • Study watershed options • Maintain water supply reliability program • Water quality monitoring and protection program
<p>Infrastructure Management</p>	<ul style="list-style-type: none"> • Infrastructure planning documents • Sewer system solutions • Infrastructure improvement/replacement program
<p>Personnel Management</p>	<ul style="list-style-type: none"> • Employee training, career development, and retention • Review employee compensation and benefits
<p>Administrative Management</p>	<ul style="list-style-type: none"> • Review District manuals • Develop Long-Term Financial Plan
<p>Financial Management</p>	<ul style="list-style-type: none"> • Analyze budget for long-range (5 year) CIP program • Fiscal budget plan • Conduct an annual independent audit & evaluate District auditing policies and procedures • Integrate Strategic Planning Process with Annual Budgeting

Strategic Actions and Projects are determined by the necessity of the action and the time in which the actions and projects are to be completed.



STRATEGIC ELEMENTS

EXTERNAL RELATIONSHIPS

GOALS		ACTIONS
1.1.1	Electronic Media Enhancement	<ol style="list-style-type: none"> 1. Continuous website updates with current events 2. Social media postings 3. Developing mobile app
1.1.2	Maintain positive working relationship with the media	<ol style="list-style-type: none"> 1. Talk with media on a regular basis
1.1.3	Implement annual public relations plan	<ol style="list-style-type: none"> 1. Implement public outreach plan 2. Contract with Public Relations firm
1.1.4	Attend & participate in community events & programs	<ol style="list-style-type: none"> 1. Attended Earth/Arbor Day, CLWA Open House, Emergency Expo, SCV Community Expo, River Rally and Operation School Bell
1.1.5	Enhance customer relations	<ol style="list-style-type: none"> 1. Implemented an interactive voice response system which allows automatic calls in emergencies, 24-hour account information and payments, etc 2. Continue Customer Service staff meetings 3. Software upgrade - Customer billing upgrade <p>Next Action:</p> <ol style="list-style-type: none"> 1. Complete mobile app
1.2.1	Maintain positive relationship with local city, county & other inter-governmental agencies	<ol style="list-style-type: none"> 1. GM serves on SCV Water Committee 2. GM serves as COC Water Systems Technology Committee Chair 3. Regularly meet with County & City Management 4. NUCCM meeting quarterly w/all utility agencies 5. Monthly water operations meeting w/all water agencies 6. GM serves as a Castaic Chamber Board member
1.2.2	Annually select opportunities to increase visibility within the community	<ol style="list-style-type: none"> 1. Implementing Public Outreach plan
1.2.3	Attend & participate in ACWA, AWWA, CUWCC, & other water industry organizations meetings & events	<ol style="list-style-type: none"> 1. Water Use Efficiency Meetings at MWD regarding CUWCC and statewide issues 2. SCWUA meeting -topic Water Use Efficiency Legislation 3. SCV Water Committee 4. SCV Family of Water Suppliers and Conservation Coordinators meetings 5. ACWA Energy Committee 6. ACWA Region 8 Board Chair
1.2.4	Pursue Legislative advocacy	<ol style="list-style-type: none"> 1. Met with legislative leaders to keep them informed of issues impacting the District 2. Actively pursuing recommended positions



STRATEGIC ELEMENTS

RESOURCE MANAGEMENT

GOALS		ACTIONS
2.1.1	Complete bi-annual report on progress of BMP's in accordance with the requirements of the CUWCC's MOU	1. BMP reports submitted
2.1.2	Implement the Santa Clarita Valley Water Use Efficiency Strategic Plan	1. Implementation has begun for the Large Landscape, CII and WBIC programs as described in plan 2. Continuing to work with the SCV Family of Water Suppliers to update the recommended programs as described in the Plan
2.1.3	Seek grants or other possible funding sources to expand NCWD's water efficiency programs	1. Submitted Prop 84 Grant Project 2. Continue to pursue future funding opportunities
2.1.4	Incorporate & improve NCWD's conservation outreach efforts, including website	1. Participated in the Earth/Arbor Day with the City of Santa Clarita 2. Continue to review District website and make suggestions as new programs and information becomes available 3. Completed Water Efficiency Target (WET) Program
2.1.5	Maximize customer participation in established conservation programs	1. Messages promoting conservation are added to monthly water bills and the District newsletter 2. Continue to implement WET Program
2.2.1	Participate in the IRWMP	1. Attend meetings with the IRWMP coalition Next Action: 1. Continue to participate in the Prop. 84 grant funding program
2.3.1	Work cooperatively with wholesaler (CLWA) to ensure necessary water banking programs, including consideration of local banking possibilities	1. Continue communication with wholesaler
2.3.2	Assist in CLWA's completion of water recycling system master plan	1. Continuing to communicate with CLWA
2.3.3	Provide progress reports to Board on implementation of recycled water program	1. Completed reconnaissance study to evaluate other resource options
2.3.4	Participate in Memorandum of Understanding (MOU) between the Santa Clara River Valley Upper Basin Water Purveyor & United Water Conservation District	1. Continuing
2.3.6	Actively pursue recharge projects to enhance the yield of local aquifers	1. Reconnaissance Study
2.4.1	Attend & actively participate in the development of the regional 2015 UWMP	1. Continuing
2.5.1	Monitor & report water quality as required by government regulations	1. Reporting as required
2.5.2	Annually evaluate & update water supply & demand figures	1. Reviewed as part of the FY 2016 Budget Next Action: 1. Complete annual water report
2.5.3	Actively pursue the protection of local groundwater resources	1. Continuing



STRATEGIC ELEMENTS

INFRASTRUCTURE MANAGEMENT

GOALS		ACTIONS
3.1.1	Maintain the Long-Range Capital Improvement Program (CIP)	1. Incorporated into FY 2015 budget Next Action: 1. Update for FY 2016 budget
3.1.2	Review & update Master Plan for the Newhall systems	Next Action: 1. Incorporate One Valley One Vision projections
3.1.3	Review & update NCWD's Standard Specifications to ensure adherence to current standards	1. Completed Next Action: 1. Maintain
3.3.1	Develop a feasible solution for the Sand Canyon Sewer System & Shadow Pines Sewer Lift Station	1. Working with City and County to develop solution 2. Completed draft relocation plan 3. Completed Harris cost allocation study 4. Completed CEQA & relocation design as part of Prop 84 Grant Next Action: 1. Apply for Grant funding
3.4.1	Complete Fiscal year CIP	1. Incorporated into FY 2016 budget
3.4.2	Complete Fiscal year maintenance activities	1. 85% complete Next Action: 1. Continue



STRATEGIC ELEMENTS

PERSONNEL MANAGEMENT

GOALS		ACTIONS
4.1.1	Complete supervisory training courses to ensure supervisors have the skills/knowledge & abilities necessary to perform effectively	Next Action: 1. Schedule to complete supervisory training courses
4.1.2	Cross-train District employees	1. Maintenance crew cross-training with Construction Crew 2. Customer Service Rep I cross-training with A/P Next Action: 1. Continue cross-training as needed
4.1.3	Monitor employee safety training program	1. Continuing safety training requirements and completion dates
4.1.4	Require District employees meet DPH operator certification requirements	1. Providing training courses in-house Next Action: 1. Monitor deadlines
4.1.5	Conduct annual employee performance evaluations to provide feedback & enhance professional development	1. Ongoing on each employee's anniversary date
4.1.6	Evaluate options for implementing an employee incentive program	1. Quarterly luncheon safety incentive program implemented for 2. Created and implemented Employee of the Year award
4.2.1	Complete annual compensation studies, including salary & benefit package value comparisons with similar competing agencies	1. Evaluate salary and benefits offered by District with similar competing districts 2. Completed May 2014 Next Action: 1. Update May 2016
4.2.2	Utilize study results in determining compensation rates & in the recruiting process	1. Completed with budget process



STRATEGIC ELEMENTS

ADMINISTRATIVE MANAGEMENT

GOALS		ACTIONS
5.1.1	Monitor the District's Policy, Procedures, Safety & Employee Manuals to assure updates are included & content is consistent throughout	1. Emergency Response Directory completed in April 2014 Next Action: 1. Maintain information, update FY 2016
5.1.2	Provide training for Board of Directors & management staff in Ethics Training every two years as required by AB1234	1. Board completed 2014 Next Action: 1. Research training for 2016



STRATEGIC ELEMENTS

FINANCIAL MANAGEMENT

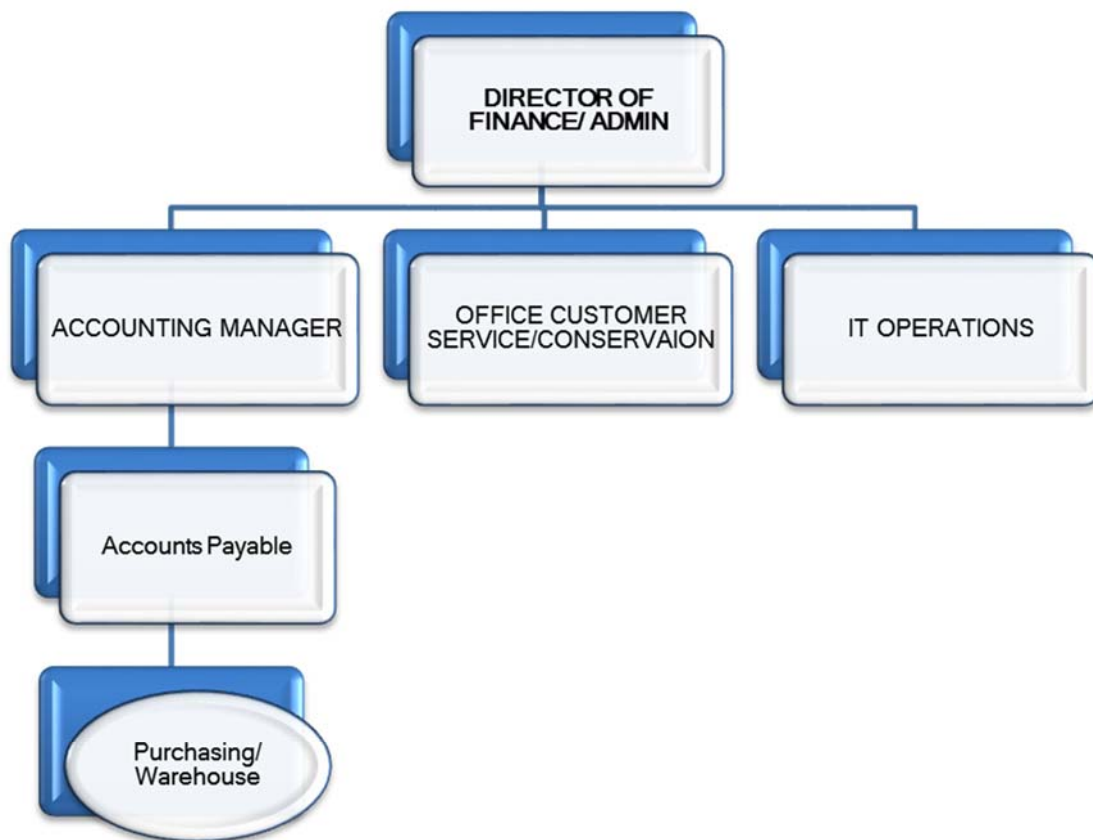
GOALS		ACTIONS
6.1.1	Evaluate funding of capital improvement programs	1. Incorporated into FY 2015 budget Next Action: 1. Reviewing for FY 2016 budget
6.1.2	Annually review & update master plan & buy in fees	1. Updated Fixed Asset database 2. Awaiting on completion of Master Plan updates
6.1.3	Monitor developer agreements to be sure they are financially supporting the District's funding of its long-term master plans	1. No changes Next Action: 1. Continue
6.2.1	Annually adopt fiscal budget plan	1. FY 2015 adopted. Received Government Financial Officers Association (GFOA) Distinguished Budget Presentation Award for presenting a qualifying budget document for seventh year Next Action: 1. Adopt FY 2016 budget in June 2015 and submit to GFOA for consideration
6.2.2	Annually evaluate reserve policy funding & incorporate into budget process	1. Updated February 2015 Next Action: 1. Incorporated in FY 2016 budget
6.2.3	Annually review & analyze legislative & regulatory impacts to budget forecasting	1. No impacts to FY 2015 budget Next Action: 1. Reviewed for FY 2016 budget - Mandatory cutbacks
6.2.4	Complete GASB 45 analysis of post-retirement benefit liability	1. Actuarial evaluation updated June 2014 2. District Other Post Employment Benefits (OPEB) are fully funded Next Action: 1. Perform Actuarial evaluation update June 2016
6.3.1	Conduct an annual audit by an independent consultant to report District financial status in compliance with GASB regulations	1. Received & filed 2. Received Comprehensive Annual Financial Report award from GFOA for the fifth year Next Action: 1. Prepare for audit for FYE 2015 in July

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ADMINISTRATIVE SERVICES

The Administrative Services staff, under the general direction of the General Manager and Director of Finance/Administration, provides the following support services: Finance, Customer Service and Conservation, Human Resources, and Information Technology. The staff also performs safety and risk management duties and coordinates activities with other District staff and outside agencies to provide administrative support.





ADMINISTRATIVE SERVICES PERFORMANCE MEASURES

CORE SERVICES	FTE'S	PERSONNEL COST	OPERATIONAL COST	TOTAL EXPENDITURE	PROGRAM % OF TOTAL EXPENDITURE
Finance, Accounting & IT	5	\$ 625,643	\$ 276,945	\$ 902,588	57%
Customer Service	4	337,840	352,016	689,856	43%
TOTAL	9	\$ 963,483	\$ 628,961	\$ 1,592,444	100%

CORE SERVICES DESCRIPTION

Director of Finance/Administration

Under administrative direction of the General Manager, the Director of Finance and Administration plans, organizes and directs the functions of personnel, finance, accounting services, budget planning, and information processing.

Accounting & Accounts Payable

The Accounting and Accounts Payable responsibilities include all financial reporting, investments, special projects, contracts, retirement, and debt issuance. This function also provides the District with accurate financial services including governmental accounting, preparation of the Comprehensive Annual Financial Report, cash disbursements, payroll processing, fixed asset reporting and miscellaneous accounts receivable.

Warehouse/Purchasing

The Warehouse/Purchasing responsibilities are to oversee the operations of the District yard and warehouse. This department receives and stocks materials and inventory, fills orders, requests and receives quotations for inventory, provides safety training, and maintains the District Material Safety Data Sheets. This department also secures goods and services, using competitive purchasing methods as outlined in the District Policy, Rules and Regulations manual.

Information Technology

Information Technology involves the management of a service through its day-to-day production life. It provides guidance on supporting operations by means of new equipment such as, servers and server management. The administrator deals with how to react to failures; how to develop and monitor efficiency; and how to maximize the effectiveness and optimizing the cost of service.

Customer Service

Customer Service staff provides account management services for all water utility bills including customer service representation; ensures that accounts are administered in a fair and equitable manner and resolves account issues related to overdue bills and/or termination/reinstitution of water service based on account status. Customer Service is also responsible for working with internal staff and public interest groups on the principles and practices of water conservation and environmental awareness.

FINANCE AND ACCOUNTING

MISSION STATEMENT

The mission of the Finance and Accounting staff is to provide the Board of Directors, the General Manager, and District staff the means necessary to meet our customers' needs and to conduct our business affairs in a manner that permits the public to make informed decisions by providing knowledgeable information through the department of Finance and Accounting.

PROGRAM SERVICES

The Finance and Accounting Department consists of accounting, purchasing and information technology functions, and works closely with the Board of Director's on issues relating to financial reporting, budgets, investments, special projects, contracts, grant administration, retirement, and debt issuance.

The Accounting function provides the Board of Director's with accurate financial services including governmental accounting, preparation of the Comprehensive Annual Financial Report, cash disbursements, payroll processing, fixed asset reporting, and miscellaneous accounts receivable. This function also provides financial planning administration of the annual budget and the five-year capital improvement program, analysis of operational productivity and special projects.

The Purchasing department secures goods and services, using competitive purchasing methods as outlined in the District's Policies, Rules and Regulation manual. This department processes requisitions, obtains quotations, requests proposals, and maintains the District warehouse and yard.

A division of the Administrative Services department, Information Technology works with all departments in an effort to make effective use of information technology and improve services provided to the residents and businesses of the District. Computer support and related services are provided in a timely, accurate, and cost effective manner. These services are provided using many software applications, programming services, training, equipment support, telecommunications and mobile communication functions, Supervisory Control and Data Acquisition (SCADA) support for District facilities and a variety of other supporting technologies and services.

FY 2015 HIGHLIGHTS AND ACCOMPLISHMENTS

- ⇒ Maintaining the Asset Capitalization Policy
- ⇒ Continuation of Payroll and Accounts Payable cross training
- ⇒ Received the District's fifth Comprehensive Annual Financial Report (CAFR) award
- ⇒ Received the Distinguished Budget Award for the seventh consecutive year
- ⇒ Maintained the District's annual work plan
- ⇒ Completed the update to the Revenue Requirements and Water Rates report
- ⇒ Completed the annual District Statistics report
- ⇒ Assisted with choosing new Maintenance Management Software

FINANCE AND ACCOUNTING

FY 2015 HIGHLIGHTS AND ACCOMPLISHMENTS (continued)

- ⇒ The Newhall Well 13 SCADA upgrade has been completed
- ⇒ The SCADA server monitoring and alarming software upgrade has been fine-tuned and we are upgrading more sites as money and time permit
- ⇒ Assisting with the SCADA section of the new Castaic Booster 3 and Tank 3
- ⇒ Assisting with Newhall N3 and Newhall Tank 1 & 1A SCADA upgrades
- ⇒ The Castaic Booster 2 and Tank 2 SCADA upgrades have been completed
- ⇒ More and more of SCADA errors are being resolved in-house
- ⇒ Our computer network has been upgraded to meet the demands of our growing infrastructure. The network is faster, more fault tolerant and has room for growth when needed
- ⇒ Continuing to assist with the Water Efficiency Target (WET) project

FY 2016 OBJECTIVES

- ⇒ Assist in the implementation of the new Maintenance Management Software
- ⇒ Participate in EnerNOC energy curtailment program
- ⇒ Research award qualifications for National Purchasing Institute and other programs
- ⇒ Prioritize and complete work plan items
- ⇒ Submit CAFR and Annual Budget for award consideration
- ⇒ Complete the Long-Term Capital Reinvestment Study report
- ⇒ Complete Castaic Booster 3 and Tank 3 upgrade
- ⇒ Complete Newhall N3 and Newhall Tank 1 & 1A SCADA upgrades
- ⇒ Keep up to date with network and software training
- ⇒ Continue to keep hardware and software up to date on all servers and workstations

FINANCE AND ACCOUNTING

	Actual FY 2013	Actual FY 2014	Adopted Budget FY 2015	Adopted Budget FY 2016	%
					Change
TOTAL COST	\$ 804,387	\$ 880,672	\$ 859,961	\$ 902,588	5.0%

PERSONNEL SERVICES \$ 2,321

The increase is primarily due to performance increases, payroll taxes and the timing of longevity pay.

OPERATING EXPENSES \$ 40,306

This increase is primarily due to additional computer software and supplies requested, increase to computer annual contracts and maintenance to the shop/yard as projected.

PERSONNEL						
Title	Full Time	Part Time	FY 2013 FTE	FY 2014 FTE	FY 2015 FTE	Total Change
Director of Finance & Admin	1	0	1	1	1	0
Accounting Manager	1	0	1	1	1	0
Accounts Payable Clerk II	1	0	1	1	1	0
Information Systems Specialist	1	0	1	1	1	0
Warehouse/Purchasing Technician	1	0	1	1	1	0
Total	5	0	5	5	5	0

FINANCE AND ACCOUNTING

<u>PERSONNEL SERVICES</u>	Actual Expenditure FY 2013	Actual Expenditure FY 2014	Budget Allocation FY 2015	Board Adopted FY 2016	%
					Change
Regular Wages	\$ 426,306	\$ 429,471	\$ 431,422	\$ 432,660	0.3%
Overtime	6,779	15,581	16,000	16,000	0.0%
Longevity	6,087	3,904	6,270	7,426	18.4%
Other Benefits	-	-	-	-	0.0%
FICA Taxes	33,597	34,345	34,707	34,891	0.5%
Retirement - Employer	61,484	62,854	63,517	63,852	0.5%
Group Insurance	64,312	66,131	68,612	68,346	-0.4%
Life, STD & LTD	2,444	4,905	2,794	2,468	-11.7%
TOTAL PERSONNEL SERVICES	601,009	\$ 617,191	623,322	625,643	0.4%
<u>OPERATING EXPENSES</u>					
Professional Services-Accounting	46,428	64,842	50,000	50,000	0.0%
Office Expenses	26,847	26,103	23,450	26,800	14.3%
Computer Contracts	31,291	57,453	80,000	90,000	12.5%
Computer Software & Supply	7,330	10,646	7,500	15,000	100.0%
Professional Development-Training	4,398	4,968	4,839	5,645	16.7%
Uniforms	2,760	2,742	2,500	2,500	0.0%
Shop Tools & Supplies	5,318	7,344	7,000	7,000	0.0%
Maintenance of Shop Equipment	12,013	13,209	15,000	15,000	0.0%
Maintenance & Repair Shop/Yard	66,993	76,174	46,350	65,000	40.2%
TOTAL OPERATING EXPENSES	203,378	263,481	236,639	276,945	17.0%
TOTAL EXPENDITURES	<u>\$ 804,387</u>	<u>\$ 880,672</u>	<u>\$ 859,961</u>	<u>\$ 902,588</u>	

FINANCE AND ACCOUNTING

Department Administration

Service Area Finance and Accounting

Cost Center Goal			Outcome Indicator		
To take the lead in setting policies and procedures that enhance the Districts financial position and to promote efficient use of water resources by adopting rate designs that are fair and reasonable.			To enhance policies and procedures that will secure the Districts financial position.		
Objective: To continue to improve audit and budget reports and to finds ways to reduce expenses by following the District's Purchasing Policy.					
	Input Indicators	Output Indicators	Efficiency Indicator	Service Quality Indicator	Outcome Indicator
Indicator	Budget and Projections	Budget and Actual	Cost/Service Improvements	Percent Service Improvements	Percent of Cost/Service Improvements
Indicator Calculation	Personnel Services + Operating Expenses and Equipment	Total costs	Percent of Budget	Percent of Service Improvement	Percent of Cost Improvements

PERFORMANCE INDICATORS

	Activity/Criteria	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Projected	FY 2015 Target Met?	FY 2016 Target
1	Operating Expenses/ Adopted Budget	102%	99%	102% or less	99%	★	102% or less
2	Number of Financial Audit Recommendations	0	0	0	0	★	0
3	Number of Adjusting Journal Entries from Audit	1	1	Less than 3	2	★	Less than 3
4	Years Consecutive GFOA Budget Award	5	6	7	7	★	8
5	Years Consecutive GFOA CAFR Award	3	4	5	5	★	6
6	Percent of Error Free Checks processed monthly	100%	100%	100%	100%	★	100%

★ Target met □ Target not met ⊗ Target not available ▲ Performance measure only

1. Due to reduction in water sales caused by drought conservation, less water needed to be purchased and a slight decrease in maintenance accounts was recorded.

CUSTOMER SERVICE

MISSION STATEMENT

To offer excellent customer service, while providing timely and accurate billing of water services to the residents of the District.

PROGRAM SERVICES

A division of the Administrative Services Department, Customer Service is responsible for the accurate billing of water services, the processing of payments and customer inquiries, complaints, and various issues via walk-ins, telephone, and correspondence. This division provides these services to over 9,700 customers and maintains an environment that promotes quality customer service to all customers in the most effective and efficient manner. This division is also responsible for working with internal staff and public interest groups on the principles and practices of water conservation and environmental awareness.

FY 2015 HIGHLIGHTS AND ACCOMPLISHMENTS

- ⇒ Participated in the Earth Arbor Day, CLWA Open House, Emergency Expo, River Rally, and the SCV Chamber Expo
- ⇒ Sponsored the SCV Chamber Expo and Operation School Bell
- ⇒ NCWD's HE Sprinkler Nozzle program has helped replace over 982 standard sprinkler nozzles
- ⇒ NCWD as a member of The SCV Family of Water Suppliers participate in the following rebates and programs:
 - ⇒ The Family HECW rebate program has had over 753 residents purchase new low water use washing machines
 - ⇒ The Family Online Weather Based Irrigation Controller program has given out 251 free controllers
 - ⇒ The Family Lawn Replacement Program has received 83 applications with 18 completed projects
- ⇒ All work is scanned into the billing system for retention
- ⇒ Social Media (Facebook, Twitter)

FY 2016 OBJECTIVES

- ⇒ Implement Water Efficiency Target (WET) program
- ⇒ Research and evaluate potential water efficiency programs
- ⇒ Continue to keep the customer service department cross-trained
- ⇒ Continue to look for more cost effective and efficient operational methodologies

CUSTOMER SERVICE

	Actual FY 2013	Actual FY 2014	Adopted Budget FY 2015	Adopted Budget FY 2016	% Change
TOTAL COST	\$ 601,408	\$ 620,541	\$ 653,923	\$ 689,856	5.5%

PERSONNEL SERVICES \$ 288

There is no significant change to the Customer Service personnel and/or benefits.

OPERATING EXPENSES \$ 35,645

This increase is primary due to customers paying their water bills electronically. The District offers this service to its customers as a way to provide payment options. This cost will fluctuate as the number of payments increase or decrease through the electronic processing service.

PERSONNEL						
Title	Full Time	Part Time	FY 2013 FTE	FY 2014 FTE	FY 2015 FTE	Total Change
Cust Serv & Efficiency Coordinator	1	0	1	1	1	0
Cust Serv & Operations Assistant	1	0	1	1	1	0
Customer Service Rep I	0	0	1	0	0	0
Customer Service Rep II	2	0	1	2	2	0
Total	4	0	4	4	4	0

CUSTOMER SERVICE

<u>PERSONNEL SERVICES</u>	Actual Expenditure FY 2013	Actual Expenditure FY 2014	Budget Allocation FY 2015	Board Adopted FY 2016	% Change
Regular Wages	\$ 223,648	\$ 222,982	\$ 228,810	\$ 231,087	1.0%
Overtime	5,277	4,763	2,500	2,500	0.0%
Longevity	2,181	2,320	3,394	1,142	-66.4%
Other Benefits	-	-	-	-	0.0%
FICA Taxes	17,680	17,600	17,955	17,957	0.0%
Retirement - Employer	32,355	32,209	32,859	32,862	0.0%
Group Insurance	49,151	49,634	49,800	50,754	1.9%
Life, STD & LTD	1,955	1,709	2,235	1,538	-31.2%
TOTAL PERSONNEL SERVICES	332,246	331,217	337,552	337,840	0.1%
 <u>OPERATING EXPENSES</u>					
Billing and Collecting	93,934	88,676	92,500	95,000	2.7%
Professional Development-Training	4,398	3,975	3,871	4,516	16.7%
BMP/MOU Expenses	35,520	79,531	100,000	100,000	0.0%
Miscellaneous Expenses	120,832	109,806	105,000	140,000	33.3%
Maintenance of Office Equipment	14,478	7,336	15,000	12,500	-16.7%
OPERATING EXPENSES	269,162	289,324	316,371	352,016	11.3%
TOTAL EXPENDITURES	<u>\$ 601,408</u>	<u>\$ 620,541</u>	<u>\$ 653,923</u>	<u>\$ 689,856</u>	

CUSTOMER SERVICE

Department Administration

Service Area Customer Service

Cost Center Goal			Outcome Indicator		
To provide excellent and efficient customer service, respond to customer inquiries quickly, participate in community events and continue to find different programs to offset costs.			To gain service and cost improvements.		
Objective: To improve the quality and quantity of customer service inquires and to finds ways to reduce expenses by 5 percent.					
	Input Indicators	Output Indicators	Efficiency Indicator	Service Quality Indicator	Outcome Indicator
Indicator	Budget and Projections	Budget and Actual	Cost/Service Improvements	Percent Service Improvements	Percent of Cost/Service Improvements
Indicator Calculation	Personnel Services + Operating Expenses and Equipment	Total costs	Percent of Budget	Percent of Service Improvement	Percent of Cost Improvements

PERFORMANCE INDICATORS

	Activity/Criteria	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Projected	FY 2015 Target Met?	FY 2016 Target
1	Account Write-Offs: Total amount of accounts written off each year	\$9,378	\$10,643	Less than \$40,258	\$8,670	★	Less than \$40,527
2	Electronic Payment Program accounts / Total accounts billed	63%	68%	65% or Greater	70%	★	70% or Greater
3	Electronic Payment Program cost each year	\$89,447	\$91,335	Less than \$92,000	\$90,000	★	Less than \$125,000
4	Average Monthly Customer Service Calls	235	180	Less than 275	169	★	Less than 275
5	Cost per account per year	\$61	\$63	Less than \$65	\$64	★	Less than \$70
6	Number of meters at year end	9,706	9,706	9,715	9,715	N/A	9,715

★ Target met □ Target not met ⊗ Target not available ▲ Performance measure only

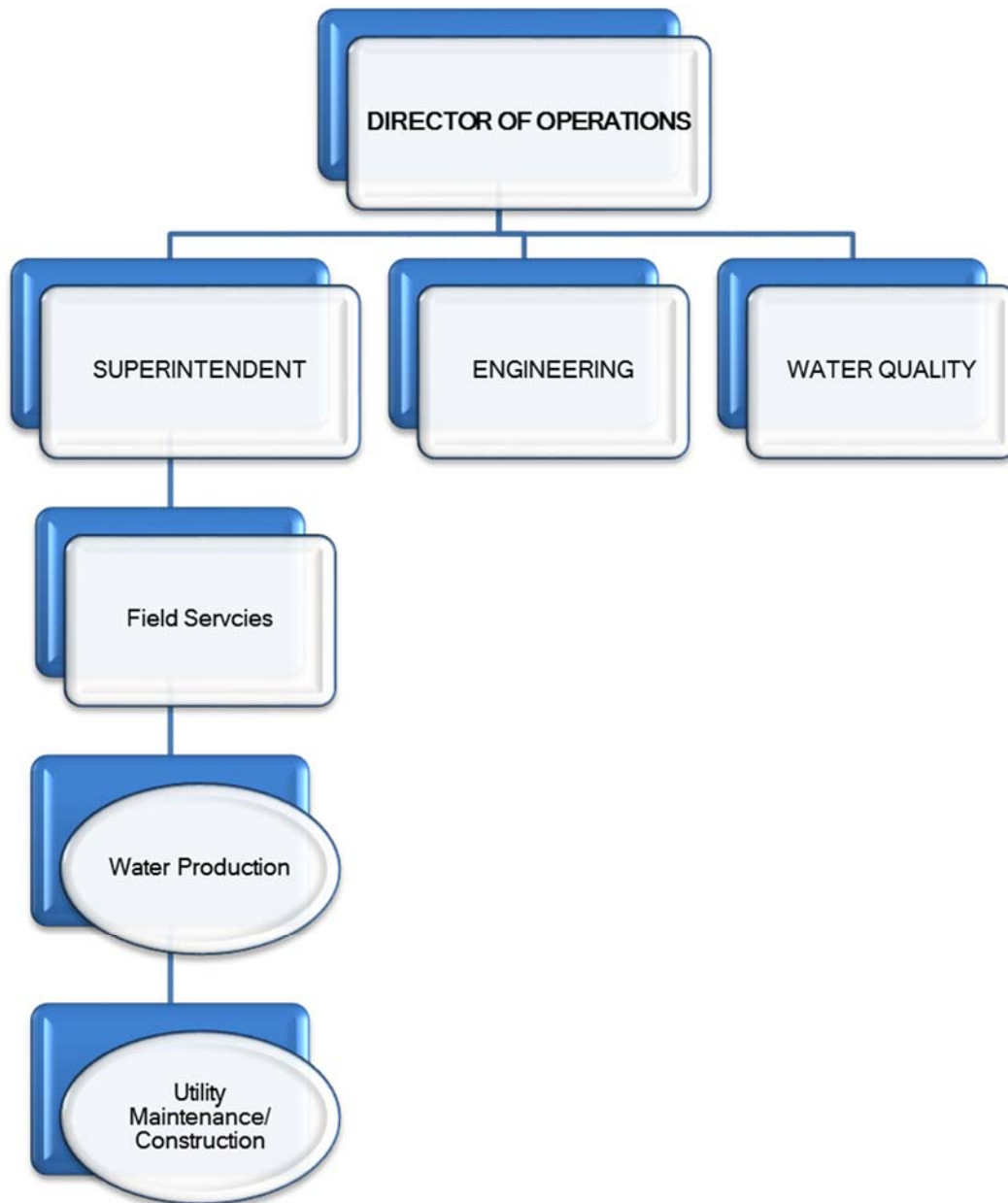
6. Number of meters at year-end is strictly informative information.

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OPERATIONS AND MAINTENANCE

The Operations and Maintenance staff, under the general direction of the General Manager and Director of Operations provides the following support services: Superintendent, Engineering, and Water Quality. The staff also provides highly responsible and complex technical skills to perform tasks with efficiency and effectiveness.





OPERATIONS AND MAINTENANCE PERFORMANCE MEASURES

CORE SERVICES	FTE'S	PERSONNEL COST	OPERATIONAL COST	TOTAL EXPENDITURE	PROGRAM % OF TOTAL EXPENDITURE
Utility Operations	18	1,989,497	787,423	2,776,920	86%
WQ & Engineering	2	176,987	268,390	445,377	14%
TOTAL	20	\$ 2,166,485	\$ 1,055,813	\$ 3,222,298	100%

CORE SERVICES DESCRIPTION

Director of Operations

Under administrative direction of the General Manger, the Director of Operations performs a variety of tasks related to the planning, design, construction, operation and evaluation of the District's water and wastewater distribution, collection and treatment facilities systems.

Superintendent

The Superintendents duties are to plan and direct the construction of all water and sewer distribution systems and maintenance of all District facilities, including infrastructure, buildings, grounds, and pump stations.

Water System Supervisor

The duties of the Water System Supervisors are to coordinate and participate in the efforts of the construction and maintenance of the installation and repair of the water distribution system; to provide general field services; plans, coordinates, and supervises the maintenance and repair work of District buildings, structures and grounds, mechanical, electrical and control systems.

Water Quality Technicians

The Water Quality Technicians duties are to perform operations, inspections, maintenance and repair of the water production, storage and transmission system relative to water quality and treatment, supply, storage and distribution.

Water Worker/Field Services

The duties of the Water Worker/Field Services representatives are to perform work in the construction, maintenance and repair of the water distribution system; operates, maintains and repairs a variety of water distribution components. The representatives may read, record, and report water meter readings, investigate customer complaints, perform mechanical work in installing, repairing, testing and adjusting water meters and services.

Engineering Technician

The Engineering Technician performs technical office and field engineering support work along with maintaining the District's Geographic Information System (GIS) to capture, store, analyze, manage and present data with reference to geographic location data.

Water Quality Specialist

The Water Quality Specialist is responsible for overseeing and performing a variety of activities to ensure that the District's water distribution system complies with current and future regulations regarding water quality, treatment and regulatory compliance.

UTILITY OPERATIONS

MISSION STATEMENT

The mission of the Utility Operations staff is to provide the Board of Directors, General Manager, and District staff the means necessary to provide potable drinking water to the District's customers and to construct and maintain the assets of the District.

PROGRAM SERVICES

The Utility Operations division maintains the District's water and wastewater systems based on programs and procedures recommended by the American Water Works Association (AWWA) and in accordance with federal, state and local regulations. Responsibilities include: testing, locating, maintaining, repairing, and installing infrastructure; inspecting, installing, and changing water meters; exercising valves; flushing fire hydrants; managing backflow prevention programs; maintaining manholes and the lift station; and inspection sewer lines.

FY 2015 HIGHLIGHTS & ACCOMPLISHMENTS

- ⇒ Replaced approximately 2,000 feet of 12" diameter water main in Newhall Ave between Meadow Ridge Drive and Sierra Highway
- ⇒ Installed approximately 200 feet of 24" diameter water main in Newhall Ave between MetroLink railroad tracks and Pine Street
- ⇒ Upgraded SCADA system at Newhall Tanks 1 and 1A and N-3 Turnout
- ⇒ Replaced Chlorine Generation Cells at the Newhall Disinfection Facility
- ⇒ Replaced several old large compound meters with new ultra sonic low flow measuring meters
- ⇒ Replaced approximately 500 - ¾" meters which have exceeded their useful operating life

FY 2016 OBJECTIVES

- ⇒ Replace approximately 1,200 feet of 4" water main which has exceeded its useful operating life
- ⇒ Decommission and remove two (2) below ground pressure reducing stations
- ⇒ Upgrade SCADA system at multiple facilities
- ⇒ Continue replacing ¾" meters which are failing and have exceeded their useful operating life

UTILITY OPERATIONS

	Actual FY 2013	Actual FY 2014	Adopted Budget FY 2015	Adopted Budget FY 2016	% Change
TOTAL COST	\$ 2,722,196	\$ 2,765,585	\$ 2,773,828	\$ 2,776,920	0.1%

PERSONNEL SERVICES \$ 45,939

The increase is primarily due to performance increases, payroll taxes, projected overtime and the timing of longevity pay.

OPERATING EXPENSES \$ (42,847)

Several categories had decreases due to routine maintenance that was performed in the previous year. Some accounts had small increases due to projected maintenance of the District's operation controls at well sites, maintenance and repairs of hydrants and maintenance and repair of meters.

PERSONNEL						
Title	Full Time	Part Time	FY 2013 FTE	FY 2014 FTE	FY 2015 FTE	Total Change
Director of Operations	1	0	1	1	1	0
Superintendent	1	0	1	1	1	0
Water System Supervisor	2	0	2	2	2	0
Water Quality Technician II	3	0	3	3	3	0
Water Worker I	3	0	4	3	3	0
Water Worker II	5	0	4	5	5	0
Field Services Supervisor	1	0	1	1	1	0
Field Services Rep I	1	0	1	1	0	-1
Field Services Rep II	1	0	1	1	2	1
Total	18	0	18	18	18	0

UTILITY OPERATIONS

	Actual Expenditure FY 2013	Actual Expenditure FY 2014	Budget Allocation FY 2015	Board Adopted FY 2016	% Change
<u>PERSONNEL SERVICES</u>					
Regular Wages	\$ 1,204,239	\$ 1,262,933	\$ 1,241,622	\$ 1,253,232	0.9%
Overtime	133,812	140,102	135,500	151,500	11.8%
Longevity	4,324	13,474	7,467	15,365	105.8%
Other Benefits	-	-	-	-	0.0%
FICA Taxes	102,692	108,363	105,921	108,637	2.6%
Retirement - Employer	187,933	198,311	193,842	198,814	2.6%
Group Insurance	236,120	239,641	247,631	255,304	3.1%
Life, STD & LTD	9,775	7,423	11,574	6,645	-42.6%
TOTAL PERSONNEL SERVICES	1,878,894	1,970,247	1,943,558	1,989,497	2.4%
<u>OPERATING EXPENSES</u>					
Maintenance & Repair Well Structures	1,221	14,137	5,150	5,150	0.0%
Maintenance & Repair Wells	12,748	20,735	25,000	25,000	0.0%
Operation Controls	34,048	34,018	35,000	45,000	28.6%
Operation Miscellaneous	64,025	36,575	48,000	50,000	4.2%
Maintenance & Repair Pump Structures	-	21,146	15,000	10,000	-33.3%
Maintenance & Repair Pump Equipment	12,244	9,137	15,000	10,000	-33.3%
Maintenance & Repair Treatment	20,636	22,876	15,000	20,000	33.3%
Backflow Prevention	(1,210)	(259)	1,000	1,000	0.0%
Maintenance & Repair Treatment Equip	25,712	47,422	25,000	20,000	-20.0%
Maintenance & Repair Reservoirs	53,742	22,636	50,000	40,000	-20.0%
Maintenance & Repair Mains	159,234	125,962	123,600	100,000	-19.1%
Maintenance & Repair Sewer	12,177	15,668	27,500	17,500	-36.4%
Maintenance & Repair Services	105,788	68,788	82,500	80,000	-3.0%
Maintenance & Repair Hydrants	6,461	9,225	10,000	12,500	25.0%
Maintenance & Repair Meters	(16,745)	9,583	9,000	15,000	66.7%
Uniforms	24,845	24,673	22,500	22,500	0.0%
Shop Tools & Supplies	13,296	18,361	17,500	17,500	0.0%
Vehicle Operating	144,156	123,669	145,000	135,200	-6.8%
Other Operating & Safety	37,513	45,451	40,000	40,000	0.0%
Maintenance & Repair Vehicles	100,715	93,767	87,550	87,550	0.0%
Equipment Rentals	5,254	1,026	2,000	-	-100.0%
Office Expense	13,223	12,856	11,550	13,200	14.3%
Professional Development Training	14,219	17,886	17,420	20,323	16.7%
TOTAL OPERATING EXPENSES	843,302	795,338	830,270	787,423	-5.2%
TOTAL EXPENDITURES	<u>\$ 2,722,196</u>	<u>\$ 2,765,585</u>	<u>\$ 2,773,828</u>	<u>\$ 2,776,920</u>	

UTILITY OPERATIONS

Department Operations

Service Area Utility Operations

Cost Center Goal			Outcome Indicator		
To preserve existing assets and facilities while planning for future needs and demands while pursuing alternatives with the most sustainable, efficient and cost-effective approach.			To gain service and cost improvements.		
Objective: To continue to improve costs through innovation and technology.					
	Input Indicators	Output Indicators	Efficiency Indicator	Service Quality Indicator	Outcome Indicator
Indicator	Budget and Projections	Budget and Actual	Cost/Service Improvements	Percent Service Improvements	Percent of Cost/Service Improvements
Indicator Calculation	Personnel Services + Operating Expenses and Equipment	Total costs	Percent of Budget	Percent of Service Improvement	Percent of Cost Improvements

PERFORMANCE INDICATORS

	Activity/Criteria	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Projected	FY 2015 Target Met?	FY 2016 Target
1	Control Valve Maintenance: Total Maintained	63	60	More than 25	50	★	More than 25
2	Small Meter Flow Testing: Number Tested	10% of meters	10% of meters	PROGRAM SUSPENDED DURING DROUGHT			
3	USA Markings: All Clear; Not requiring visit	425	425	Less than 400	300	★	Less than 300
4	Safety: No. of At Fault Vehicle Incidents/ Accidents	2	2	0	0	★	0
5	Safety: No. of on the Job Injuries (OSHA Reportable)	0	0	0	0	★	0
6	Percentage of Restored Water from Leaks within 24 Hours	100%	100%	100%	100%	★	100%
7	Cost per MG Produced	\$0.003	\$0.003	Less than \$0.004	\$0.003	★	Less than \$0.004

★ Target met □ Target not met ⊗ Target not available ▲ Performance measure only

2. Due to the declared drought, flow testing has been abandoned.

WATER QUALITY & ENGINEERING

MISSION STATEMENT

To ensure that the District's drinking water is compliant with all Federal, State and local standards and to design and construct functionally sound and durable public infrastructure by combining good engineering principles with high standards. To design projects in-house as well as assist all other departments with project management needs.

PROGRAM SERVICES

The Water Quality division will interpret and ensure compliance with all Federal, State and local laws, rules and regulations pertaining to water quality standards, sampling, testing, record keeping and reporting. This division is responsible for preparing and submitting required technical reports and plans to various agencies and to develop schedules and oversee the implementation of the distribution system unidirectional and dead-end flushing programs. Due to the drought, dead-end flushing has been postponed.

The Engineering division functions within the Operations Department. This division reviews engineering plans for compliance for water construction and coordinates permits and licenses with the responsible agency. This division also maintains the District's Geographic Information System (GIS) to capture, store, analyze, manage and present data with reference to geographic location data.

FY 2015 HIGHLIGHTS & ACCOMPLISHMENTS

- ⇒ Underwater diving inspections of Castaic Tanks 1A and 2, Newhall Tanks 1 and 1A, and Pinetree Tanks 1, 1A, 2, 4 and 4A
- ⇒ Replaced Pinetree Tank 4A Mixer
- ⇒ Newhall Disinfection Facility replacements - chlorine generation cell and ammonia pump
- ⇒ Installation of water quality computer workstation at Newhall Disinfection Facility
- ⇒ Completed hydraulic fire flow water models for Castaic, Newhall, and Tesoro
- ⇒ Completed Maximo Asset Management Pilot Study

FY 2016 OBJECTIVES

- ⇒ Rehabilitation of Castaic Disinfection Facility
- ⇒ New Portable Chlorination Trailer
- ⇒ Install Pinetree Tank 3 Mixer
- ⇒ Inspect and Clean Tesoro Tanks 1, 1A, 2, and 2A
- ⇒ Underwater diving inspections of Newhall Tanks 1B and 6 and Pinetree Tank 3
- ⇒ Install water quality workstation at Castaic Disinfection Facility
- ⇒ Two Employees to become Certified Backflow Specialists
- ⇒ Measure all dedicated landscape areas for Water Efficiency Targets
- ⇒ Complete hydraulic fire flow water model for Pinetree
- ⇒ Implement Maximo Asset Management Program
- ⇒ Implement additional Field Mapplet extensions



NCWD Field Personnel

WATER QUALITY & ENGINEERING

	Actual FY 2013	Actual FY 2014	Adopted Budget FY 2015	Adopted Budget FY 2016	% Change
TOTAL COST	\$ 410,626	\$ 431,620	\$ 451,975	\$ 445,377	-1.5%

PERSONNEL SERVICES \$ (1,138)

The decrease is primarily related to salary and benefits due to a senior position departing and an entry-level position hired for the Water Quality Technician.

OPERATING EXPENSES \$ (5,460)

The decrease is primarily due to minor reductions in the regulatory/lab and engineering expense accounts and a small increase to the chemicals account.

PERSONNEL						
Title	Full Time	Part Time	FY 2013 FTE	FY 2014 FTE	FY 2015 FTE	Total Change
Water Quality Technician	1	0	1	1	1	0
Engineering Technician	1	0	1	1	1	0
Total	2	0	2	2	2	0

WATER QUALITY & ENGINEERING

<u>PERSONNEL SERVICES</u>	Actual Expenditure FY 2013	Actual Expenditure FY 2014	Budget Allocation FY 2015	Board Adopted FY 2016	% Change
Regular Wages	146,201	144,959	\$ 123,593	\$ 127,724	3.3%
Overtime	-	-	-	-	0.0%
Longevity	-	2,944	-	1,326	100%
Other Benefits	-	-	-	-	0.0%
FICA Taxes	11,184	11,315	9,455	9,872	4.4%
Retirement - Employer	20,468	20,706	17,303	18,067	4.4%
Group Insurance	25,789	27,229	26,617	19,173	-28.0%
Life, STD & LTD	977	798	1,157	825	-28.7%
TOTAL PERSONNEL SERVICES	204,620	207,951	178,125	176,987	-0.6%
<u>OPERATING EXPENSES</u>					
Laboratory/Regulatory Fees	68,815	59,516	72,500	60,000	-17.2%
Chemicals	88,106	111,702	97,850	110,000	12.4%
Drafting & Mapping	2,657	7,626	3,500	3,390	-3.1%
Professional Services Engineering	46,428	44,825	100,000	95,000	-5.0%
TOTAL OPERATING EXPENSES	206,006	223,669	273,850	268,390	-2.0%
TOTAL EXPENDITURES	<u>\$ 410,626</u>	<u>\$ 431,620</u>	<u>\$ 451,975</u>	<u>\$ 445,377</u>	

WATER QUALITY

Department Operations

Service Area Water Quality

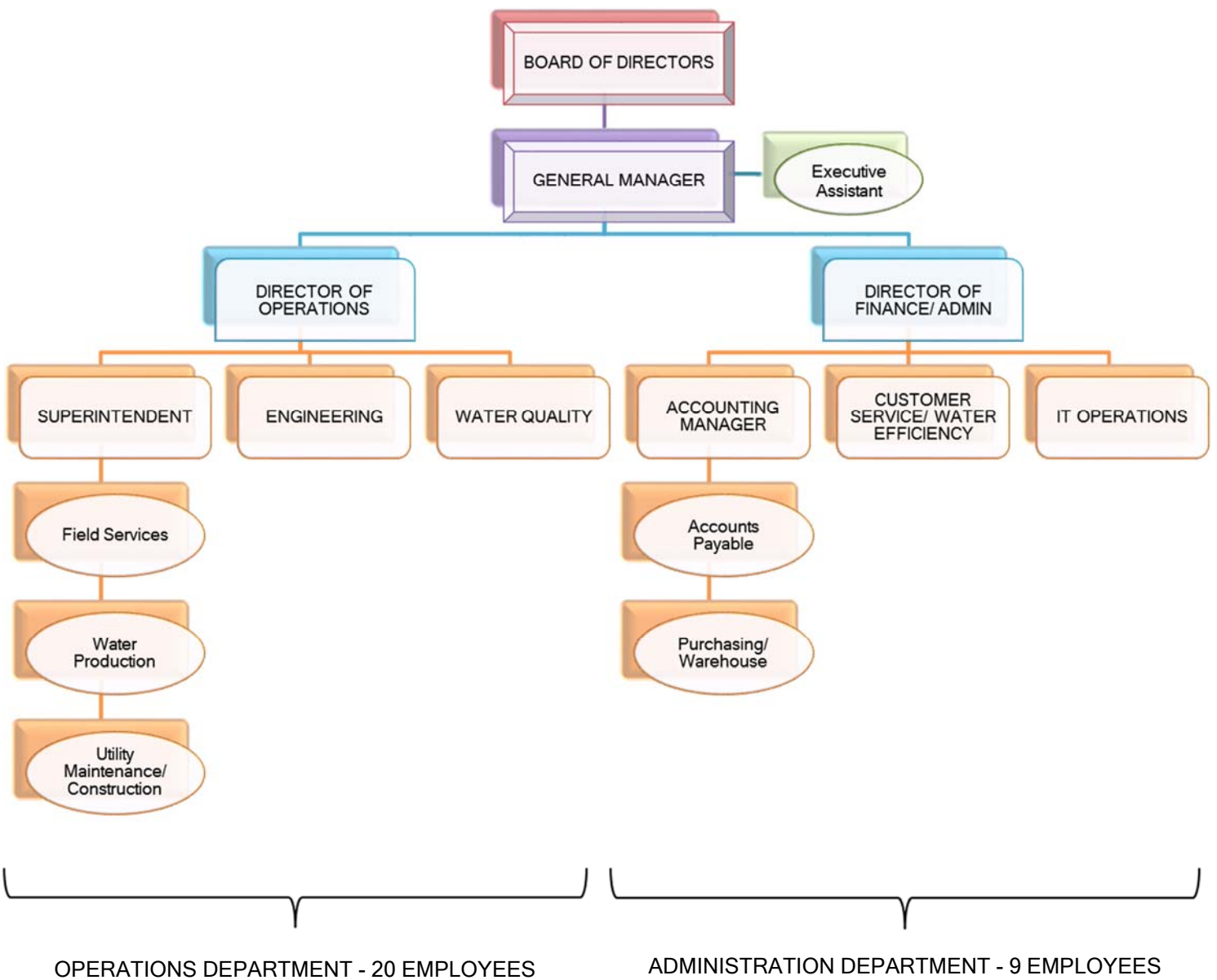
Cost Center Goal			Outcome Indicator		
To operate and maintain facilities to surpass drinking water regulations with a margin of safety to meet customer expectations.			To gain service improvements.		
Objective: To improve and/or maintain water quality conditions that support health standards.					
	Input Indicators	Output Indicators	Efficiency Indicator	Service Quality Indicator	Outcome Indicator
Indicator	Budget and/or Projections	Actual Number/ Percentage	Cost/Service Improvements	Percent Service Improvements	Percent of Cost/Service Improvements
Indicator Calculation	Personnel Services + Operating Expenses and Equipment	Percentage	Percent of Improvement	Percent of Service Improvement	Percent of Service Improvements

PERFORMANCE INDICATORS

	Activity/Criteria	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Projected	FY 2015 Target Met?	FY 2016 Target
1	Number of Positive BACT Samples	0	0	0	0	★	0
2	Percentage of routine tests/ number of negative samples	100%	100%	100%	100%	★	100%
3	Percentage of Produced Well Water/ Purchased Water	44%	45%	61%	61%	★	60%
4	Unaccounted Water Loss	6.7%	5.1%	Less than 10%	6.3%	★	Less than 10%
5	Water Quality complaints responded to within 24 hours	100%	100%	100%	100%	★	100%



ORGANIZATIONAL CHART





BUDGET CALENDAR

Meeting Date	Meeting Description
March 4, 2015	Met with District Accountant to review FY 2015 Budget and FY 2016 Projections
March 5, 2015	Budget worksheets for the Operating and Capital Budget were distributed to key staff
March 5, 2015	Staff budget committee reviewed proposed Capital Budget
March 9, 2015	Key staff submitted budget recommendations for Operating and Capital Budget
March 17, 2015	Finance Department performed a preliminary review of submitted recommendations
March 24, 2015	Staff meeting to review FY 2015 Budget and FY 2016 Projections
March 26, 2015	Public Finance Committee Meeting to review FY 2016 Budget
April 1, 2015	Public Special Meeting to review draft FY 2016 Budget
April 9, 2015	Public Board Meeting to review FY 2016 Budget
June 15, 2015	Staff presentation at a District Special Board meeting. Board recommendation to adopt the Operating and Capital Budget for FY 2016.
June 16, 2015	District's General Manager presents the adopted Operating and Capital Budget for FY 2016 to staff

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BUDGET PROCESS

This budget process begins in February of each year and is the product of a comprehensive team effort from every level within the organization. Each year the Finance Department prepares Expenditure Line Item Budget Worksheets for distribution to key staff (managers and supervisors). These worksheets give key staff the necessary information to project their department's budget by category. The category budget includes items needed to perform the operation of the department and fulfill the Strategic Plan goals. Included in the worksheets are historical trends, past year's budget and audited expenses, current year's transactions and projected balance.

Based on the information provided and accounting for any changes for anticipated purchases the requested amount from the worksheet is entered into the budget system and compared to last year's budget. Any large changes need to be accompanied by backup documents from each department (Administration or Operations) to justify the increased or decreased expense. For some recurring expenditures (labor, benefits, power), a 1% - 3% inflation assumption is used for future years projections.

The method to determine the revenue projection takes into account significant factors such as, projected growth, conservation, and usage history. The steps used to project the District's water sales revenue are:

- Verify new service connections and size (provided by the General Manager) added to the projected amount of connections for the current year
- Separate connection type: Residential or Commercial
- Gather the most current 12 month consumption (actual and projected) by meter size
- Determine the projected units to be consumed
- Calculate Service Charge by meter size
- Calculate CLWA purchased water pass-through

The District also has other revenue sources that are calculated for the fiscal year. The other revenues include communication site rentals, property taxes, interest earnings, and fire service revenue. Other revenues comprise approximately 6% of the total revenues of the District.

The Operations Department prepares a list of CIP projects to be presented to the General Manager. Based on the recommendations from staff and the budget committee, each CIP project will be prioritized based on necessity. The Operations Department will also update the future project list and will incorporate costs due to construction cost increases or a change of scope in the project.



BUDGET PROCESS

Each year, the Finance Department performs a Wage Rate Analysis survey to review wages, by position, with other water districts of comparable size. This survey is used as a tool to determine if the current wages are competitive, new positions need to be created, a change in job description, or if a reclassification of a current position is needed. If necessary, the results of this survey are presented to the Personnel Committee and then to the Board of Directors, in a public forum. Upon their approval, the Finance Department enters these changes, as well as any cost of living or benefit changes, into the budget system.

Inflation assumptions are added into the budget system to project expenses for the next four years. Once all the components have been calculated, the Finance Department inputs all of the information into the budget system and presents the budget to the Finance Committee or to the full Board of Directors at a special meeting, in a public forum. Comments and changes recommended by the staff, Committee or Board are incorporated into the final budget document and then presented to the Board of Directors for adoption. By planning four years in advance, the District provides the opportunity to smooth future rate adjustments.

During the year, each department receives a monthly budget and detail cost report that is essential to monitor and control costs. Any major changes, in excess of the adopted budget are presented to the Board of Director's for review and acceptance. This process has kept the departments informed on a monthly basis so they can track existing expenses and plan for future projects more effectively.



Administration Building



SUMMARY OF FINANCIAL POLICIES

This section includes a brief summary of the District's Reserve Policy, Investment Policy, Debt Management Policy and the Asset Capitalization Policy.

It is the intent of the Financial Policies section to define a sound financial plan when developing annual budgets. The FY 2016 budget is balanced and adheres to adopted District financial policies. A balanced budget is one, which total expenditures equal total revenues.

Reserve Policy - page 42

It is the policy of the Board of Directors to maintain prudent reserve amounts in order to maintain needed operations and maintenance, rate stabilization, debt service, and emergency funds in the event of an unanticipated event or disaster. The appropriate amount of reserves for a given fund varies by fund due to the differences in services required. The policy explains how the reserves are funded and what the reserve can be used for. It also explains the difference between funds as well as the target funding level. The reserve funding level is updated each year as part of the budget process.

Investment Policy - page 48

The District annually reviews and updates the District's Investment Policy. It is the policy of the District to invest funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of the District funds. The policy follows the "prudent investor" standard of the California Government Code 53600.3.

Debt Management Policy - page 58

The Debt Management Policy was established to serve as a guideline for the use of debt for financing the District infrastructure and project needs. The District does not have legal debt limits. As described in the policy, beginning on page 60, debt is issued and managed prudently in order to maintain a sound financial position and protect credit quality. The policy identifies the criteria for issuing new debt that includes the Standards for Use and guidelines to determine when refinancing of outstanding debt will be beneficial to the District and its customers.

Asset Capitalization Policy - page 67

The purpose of the Asset Capitalization Policy is to establish a financial accounting for capitalizing land, land improvements, buildings, equipment, reservoirs, pipelines and appurtenances, vehicles and intangible assets of the District. All purchases for any fixed assets including, related professional services, materials, and labor, must adhere to the methods, authority and dollar limits of the policy.

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RESERVE POLICY

RESOLUTION NO. 2014-7

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
NEWHALL COUNTY WATER DISTRICT
REVISING RESOLUTION NO. 2009-10
ESTABLISHING ITS RESERVE POLICY**

WHEREAS, the Newhall County Water District (District) provides retail water service to customers within its boundaries; and,

WHEREAS, the District maintains funds in unrestricted and Board restricted accounts for such purposes as capital improvement and replacement projects, operations and maintenance expenses, debt service, emergency and disaster response, rate stabilization; and,

WHEREAS, the prudent management of the District requires that reserve funds be established and maintained to fund scheduled and unscheduled expenses, that the amount of funds specifically dedicated to each purpose be identified; and the reserve funding levels be periodically reviewed to ensure they will be adequate to meet the projected needs of the District; and

WHEREAS, the Board of Directors has reviewed the recommendations of staff, and determined that it is in the best interest of the District to establish dedicated reserve funds for the various purposes identified by the staff and to implement a formal policy regarding the level of funding and the use of reserve funds.

NOW THEREFORE, the Board of Directors of the Newhall County Water District does hereby resolve that the following reserve policy be adopted and implemented as follows:

**Newhall County Water District
Reserve Policy**

1. The District will maintain sufficient revenues to meet its operating expenses, debt service, depreciation expenses, and prescribed reserves.
2. The District will hold cash and/or investments in reserve as authorized by the District's Investment Policy, and state and federal laws.
3. The District reserves will be adjusted each year based on the operating surplus (deficit) at the conclusion of each fiscal year, according to reserve fund prioritization.

The District will maintain a reserve of cash and/or investments for purposes, shown immediately below.

RESERVE funds are to be used for purposes identified to ensure the continued orderly operation of the District's water system. They include, but are not limited to the following:

Operations and Maintenance

The O&M Reserve Fund is intended to provide a mechanism for the District to immediately undertake unanticipated operation and maintenance activities and encompass cash flow fluctuations, including emergency repairs. The ideal level for the O&M Reserve Fund is 15% of total annual operating expenses.

Rate Stabilization

The Rate Stabilization Reserve Fund is intended to supplement District revenues to meet District expenses, including purchased water and power, during periods of extraordinary operating revenue deficits in lieu of a rate increase. The ideal level for the Rate Stabilization Reserve Fund is 10% of District annual operating revenue.

Debt Service

The Debt Service Reserve Fund is intended to provide funds to meet the District's debt service obligations and maintain revenues at levels sufficient to meet the rate covenant requirements. The ideal level for the Debt Service Reserve Fund will equal six month's debt service.

Emergency/Disaster

The Emergency/Disaster Reserve Fund is intended to establish a contingency amount to sustain the District in the event of a disaster/emergency. Funding will be used to repair or replace damaged District facilities and supplement operations during the emergency/disaster period. The ideal level for the Emergency/Disaster Reserve fund is 100% of the earthquake/flood insurance deductible.

The Director of Finance/Administration shall invest funds held in the Operation and Maintenance Reserve Fund, Rate Stabilization Reserve Fund, Debt Service Reserve Fund, and Emergency/Disaster Reserve Fund in accordance with the District's Investment Policy.


4. District reserves will be funded on a priority basis using currently available revenues, with restricted reserve funds receiving first priority funding status over unrestricted reserve funds.
5. The District Reserve Policy shall become effective on the date adopted. By direction of the Board, the District staff shall take all actions necessary to implement this policy and establish the designated funds.

RESOLVED FURTHER, The District reserves the right to amend or terminate the within policy at any time.

RESOLVED FURTHER, The Board of Directors instructs staff to add this resolution to the Policies, Rules and Regulations as Appendix Y.

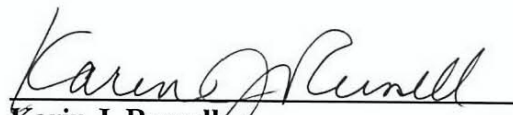
PASSED, APPROVED AND ADOPTED Resolution No. 2014-7 at a regular meeting of the Board of Directors of Newhall County Water District held on February 13, 2014, and was adopted by the following vote:

AYES:	Directors ATKINS, COLLEY, GUTZEIT, MORTENSEN, PLAMBECK
NOES:	Directors
ABSTAIN:	Directors



**B. J. ATKINS, President,
Board of Directors of the
Newhall County Water District**


ATTEST:



**Karin J. Russell
Secretary of the Board of Directors of
Newhall County Water District**

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss.

I, Karin J. Russell, Secretary of Newhall County Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution 2014-7 of the Board of Directors of Newhall County Water District adopted at a Regular Meeting held on February 13, 2014, and that the same has not been amended or repealed.



Karin J. Russell, Secretary,
NEWHALL COUNTY WATER DISTRICT

DATED: February 13, 2014



FUNDING LEVELS

(projected at July 1, 2015)

	*Reserve Requirement	*Amount Funded	Required Funding	% Funded
<u>Operations and Maintenance</u>	\$1,463,540	\$424,733	\$1,038,807	29.02%
The O&M Reserve Fund is intended to provide a mechanism for the District to immediately undertake unanticipated operation and maintenance activities and encompass cash flow fluctuations, including emergency repairs. The ideal level for the O&M Reserve Fund is 15% of the operating expenses.				
<u>Rate Stabilization</u>	1,207,918	931,068	276,850	77.08%
The Rate Stabilization Reserve Fund is intended to supplement District revenues to meet District expenses, including purchased water and power, during periods of extraordinary operating revenue deficits in lieu of a rate increase. The ideal level for the Rate Stabilization Reserve Fund is 10% of the operating revenue.				
<u>Debt Service</u>	944,777	944,777	0	100.00%
The Debt Service Reserve Fund is intended to provide funds to meet the District's debt service obligations and maintain revenues at levels sufficient to meet the rate covenant requirements. The ideal level of for the Debt Service Reserve Fund will equal six months annual debt service.				
<u>Emergency/Disaster</u>	1,500,000	1,500,000	0	100.00%
The Emergency/Disaster Reserve Fund is intended to establish a contingency amount to sustain the District in the event of a disaster/emergency. Funding will be used to repair or replace damaged District facilities and supplement operations during the emergency/disaster period. The ideal level for the Emergency/Disaster Reserve fund is 100% of the earthquake/flood insurance deductible.				
TOTAL RESERVES	\$5,116,235	\$3,800,578	\$1,315,657	74.28%
	*Reserve Requirement	*Amount Funded	Required Funding	% Funded

**Based on FY 2016 Draft Budget*



INVESTMENT POLICY

RESOLUTION NO. 2015-1

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NEWHALL COUNTY WATER DISTRICT ESTABLISHING ITS INVESTMENT POLICY

1.0 POLICY

WHEREAS; the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and

WHEREAS; the legislative body of a local agency may invest monies of the local agency in accordance with the provisions of California Government Code Sections 53601 et seq.; and

WHEREAS; the Director of Finance/Administration of the Newhall County Water District ("District"), acting under the direction and authority of the Finance Committee of the District, shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the Board of Directors at a public meeting;

NOW THEREFORE, it shall be the policy of the District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

2.0 SCOPE

This investment policy applies to all financial assets of the District. These funds are accounted for in the annual District audit.

3.0 PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price

changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 Liquidity: The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

4.3 Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code 53600, et seq. Overall accountability and authority for implementation of this policy shall remain with the Board of Directors of the District and overseen by the District's Finance Committee. The day-to-day responsibility for management and implementation of the investment program is hereby delegated to the Director of Finance/Administration, who, where and when appropriate, shall establish written procedures for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance/Administration. The Director of Finance/ Administration shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code 53600.3, the Director of Finance/Administration is a trustee and a fiduciary subject to the prudent investor standard.

6.0 ETHICS AND CONFLICTS OF INTEREST

The Director of Finance/Administration and officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Director of Finance/Administration will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the Director of Finance/Administration shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Director of Finance/Administration shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Investment Policy.

The District is a local agency authorized to invest surplus monies in the Local Agency Investment Fund (LAIF). LAIF is a special trust fund in the custody of the State Treasurer and the Local Investment Advisory Board created under Government Code Section 16429.2, which advises the State Treasurer on the investment and reinvestment of LAIF deposits. Each local agency with LAIF deposits has a separate account within LAIF, but the total deposits in LAIF are managed as a pooled investment account. The securities eligible for LAIF investments are statutorily specified in Government Code Section 16430 and are more conservative than those investments permitted under Government Code Section 53601, which governs the management of invested surplus monies by local agencies. Accordingly, the Director of Finance/Administration need not be concerned with the qualifications of those financial institutions and broker/dealers with whom LAIF transacts business.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The District is empowered by California Government Code 53601 et seq. to invest in the following:

- 8.1 Bonds issued by the District.
- 8.2 United States Treasury Bills, Notes and Bonds.

8.3 Registered state warrants or treasury notes or bonds issued by the State of California.

8.4 Registered treasury notes or bonds of any of the 49 United States in addition to California, including bonds payable solely out of revenues from revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

8.5 Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies. The LAIF is an approved pooled investment account.

8.6 Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

8.7 Bankers acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers acceptances may not exceed 180 days maturity or 40% of the District's money that may be invested pursuant to this policy. However, no more than 30% of the District's money can be invested in the bankers acceptances of any single commercial bank.

8.8 Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally-recognized statistical-rating organization. The entity that issues the commercial paper shall either be:

8.8.1 organized and operating within the United States, shall have total assets in excess of Five Hundred Million Dollars (\$500,000,000), and shall issue debt, other than commercial paper, if any, that is rated "A" or higher by a nationally-recognized statistical-rating organization; or

8.8.2 organized within the United States as a special-purpose corporation, trust, or limited liability company, have program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally-recognized statistical-rating organization.

Eligible commercial paper shall have a maximum maturity of 270 days or less. The District shall invest no more than 25% of its money in eligible commercial paper. The District shall purchase no more than 10% of the outstanding commercial paper of any single corporate issue.

8.9 (i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102

of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank; and (ii) certificates of deposit at a commercial bank, savings bank, savings and loan association or credit union that uses a private sector entity that assists in the placement of such certificates of deposit, pursuant to Government Code Section 53601.8.

Purchases of negotiable certificates of deposit under (i) of this section and certificates of deposit under (ii) of this section may together not exceed 30% of the District's money which may be invested pursuant to this policy. The Board of Directors and the Director of Finance/Administration are prohibited from investing District funds, or funds in the District's custody, in negotiable certificates of deposit issued by a state or federal credit union if a member of the Board of Directors, or any person with investment decision-making authority within the District also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

8.10 Repurchase/Reverse Repurchase Agreements of any securities authorized by Section 53061. Securities purchased under these agreements shall be no less than 102% of market value and are subject to the special limits in California Government Code 53601(j).

8.11 Medium term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of 5 years or less, issued by corporations organized and operating with the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rate "A" or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this policy and may not exceed 30% of the District's money which may be invested pursuant to this policy.

8.12 Shares of beneficial interest issued by diversified management companies (mutual funds) investing in the securities and obligations authorized by this policy, and shares in money market mutual funds, subject to the restrictions of California Government Code Section 53601(l). The purchase price of investments under this subdivision shall not exceed 20% of the District's investments under this policy. However, no more than 10% of the District's money may be invested in any one mutual fund.

8.13 Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with

the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

8.14 Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

8.15 Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20% of the District's money that may be invested pursuant to this policy.

8.16 Any other investment security authorized under the provisions of California Government Code Sections 5922 and 53601.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as otherwise provided in Government Code Section 53601.

The District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

8.17 Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized under Government Code Section 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible, the joint powers authority issuing the shares must have retained an investment advisor that is registered or exempt from registration with the Securities and Exchange Commission, have not less than five years of experience in investing in the securities and obligations authorized under Government Code Section 53601, and have assets under management in excess of five hundred million dollars (\$500,000,000).

8.18 Proposition 1A receivables sold pursuant to California Government Code Section 53999. A "Proposition 1A receivable" constitutes the right to payment of moneys due or to become due to a local agency, pursuant to clause (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of Section 25.5 of Article XIII of the California Constitution and Section 100.06 of the Revenue and Taxation Code.

8.19 United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

9.0 COLLATERALIZATION

All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(i)(2).

10.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement.

11.0 DIVERSIFICATION

The District will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

11.1 Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.

11.2 Maturities selected shall provide for stability of income and liquidity.

11.3 Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

12.0 REPORTING

The Director of Finance/Administration shall submit to each member of the Board of Directors an investment report at least quarterly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third party contracted managers. The report will also include the source of the portfolio valuation. For funds which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the District will meet its expenditure obligations for the next six months as required by Government Code Section 53646(b)(2) and (3), respectively. The Director of Finance/Administration shall maintain a complete and timely record of all investment transactions.

13.0 INVESTMENT POLICY ADOPTION

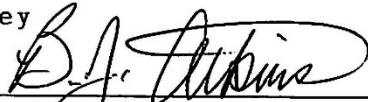
The Investment Policy shall be adopted by resolution of the District. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

PASSED, APPROVED AND ADOPTED at a Regular Meeting of the Board of Directors of Newhall County Water District held on January 15, 2015, Resolution No. 2015-1 was adopted by the following vote:

AYES: Directors Atkins, Gutzeit, Mortensen, and Plambeck

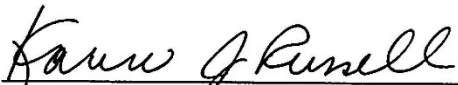
NOES: Directors None

ABSTAIN: Directors Colley



BJ ATKINS, President,
Board of Directors of the
Newhall County Water District


ATTEST:



Karin J. Russell
Secretary of the Board of Directors

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss.

I, Karin J. Russell, Secretary of the Newhall County Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. 2015 -1 of the Board of Directors of Newhall County Water District adopted at a Regular Meeting held on January 15, 2015, and that the same has not been amended or repealed.



Karin J. Russell
Board Secretary, Newhall County Water District

DATED: January 15, 2015



DEBT MANAGEMENT POLICY



POLICIES, RULES AND REGULATIONS	
Title: DEBT MANAGEMENT POLICY	
Policy No.: Appendix M	Section Nos.: 1.0 – 1.4
Approval Date: 05/2009	Effective Date: 05/2009
Approved By: Board of Directors	

1.0 INTRODUCTION

The District's overriding goal in issuing debt is to respond to and to provide for the infrastructure and capital project needs of its customers while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality. The District issues debt instruments, administers District-held debt proceeds and makes debt service payments, acting with prudence and diligence, and attention to prevailing economic conditions. This policy documents the District's goals for the use of debt instruments and provides guidelines for the use of debt for financing the District infrastructure and project needs.

The District believes that debt is an equitable means of financing projects and represents an important means of providing for the infrastructure and project needs of the District's customers. Debt will be used to finance projects (i) if it meets the District's goal of equitable treatment of all customers, both current and future, (ii) if it is the most cost- effective means available to the District, and (iii) if it is fiscally prudent, responsible, and diligent under the prevailing economic conditions. The pay-as-you go method of using current revenues to pay for long-term infrastructure and other projects is often considered the preferred means of financing when sufficient revenues and reserves can be available and long-term borrowing rates are higher than expected cash reserve fund earnings. The District will endeavor to pay for all infrastructure and other projects from a combination of current revenues, available reserves, and prudently issued debt.

The District's debt management policy is designed to:

- (1) Establish parameters for issuing debt;
- (2) Provide guidance to decisions makers:
 - o with respect to all options available to finance infrastructure and other capital projects;
 - o so that the most prudent, equitable and cost effective method of financing can be chosen;
- (3) Document the objectives to be achieved by staff both prior to issuance and subsequent to issuance;
- (4) Promote objectivity in the decision-making process; and
- (5) Facilitate the financing process by establishing important policy decisions in advance.

The District will adhere to the following legal requirements for the issuance of public



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debt:

- (1) The state law which authorizes the issuance of the debt;
- (2) The federal and state laws which govern the eligibility of the debt for tax-exempt status;
- (3) The federal and state laws which govern the issuance of taxable debt;
- (4) The federal and state laws which govern disclosure, sale and trading of the debt.

2.0 GENERAL MANAGEMENT POLICIES

The District will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting and rate setting process.

In recognition of periodic changes in the cost of providing service to system users, service costs and fees will be reviewed annually and adjusted commensurately.

The District will present any proposed adjustments to existing rates, fees and charges at public meetings, and will consider recommendations and input from the public as it relates to such proposed changes.

All District funds will be invested according to the Annual Statement of Investment Policy of the District.

Necessary appropriations for annual debt service requirements will be routinely included in the District's annual budget.

The District will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible rates.

3.0 FINANCIAL MANAGEMENT POLICIES

The District utilizes Master Plans to determine its long-term infrastructure and other project needs for the next twenty years. The District's Master Plans are updated at least every five years or more frequently when necessary. The District evaluates each project in relation to established levels of reserves, current rate structure, expected asset life/replacement timeline, and available revenue sources to ensure that adequate financial resources are available to support the District's financial obligations.

- (1) The District will evaluate financing for each capital project on a case-by-case basis.
- (2) The District will seek to pay for all capital projects from current revenues and available reserves prior to or in combination with the use of debt.
- (3) The District will seek to issue debt only in the case where there is an identified



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source of repayment. Debt will be issued to the extent that (i) projected fixed revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such fixed revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.

- (4) Debt issuance for a capital project will not be considered unless such issuance has been incorporated into the District Master Plans.
- (5) User Fees and Water Rates will be set at adequate levels, which are fair and nondiscriminatory, to generate sufficient revenues to pay all operating and maintenance costs, to maintain sufficient operating reserves, and to pay debt service costs, if necessary.
- (6) Property Assessments and Connection Fees will be maintained at a level sufficient to finance a portion of growth-related capital costs and cover related annual debt service requirements and be utilized to finance a portion of replacement costs and related annual debt service payments.

4.0 DEBT AND CAPITAL MANAGEMENT POLICIES

The policies included in this section formally establish parameters for evaluating, issuing, and managing the District's debt. The policies outlined below are not intended to serve as a list of rules to be applied to the District's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management.

In issuing debt, the District objectives will be to:

- (1) Achieve the lowest cost of capital
- (2) Ensure ratepayer equity
- (3) Maintain high credit ratings and access to credit enhancement
- (4) Preserve financial flexibility

4.1 Standards for Use of Debt Financing

When appropriate, the District will use long-term debt financing to:

- (1) achieve an equitable allocation of capital costs/charges between current and future system users;
- (2) to provide more manageable rates in the near and medium terms; and
- (3) to minimize rate volatility.

For growth-related projects, debt financing will be utilized, as needed, to better match the cost of anticipated facility needs with timing of expected new connections to the system and spread the costs evenly over time.



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The District shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life.

Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.

4.2 Financing Criteria

Each debt issuance will be evaluated on an individual basis within the framework of the District's long-term financial plan, as well as within the context of the District's overall financing objectives and current market conditions.

The District will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions.

Credit Enhancement — The District will consider the use of credit enhancement on a case-by-case basis. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

Cash-Funded Reserve vs. Surety — The District may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund when deemed prudent and advantageous. The District may permit the use of guaranteed investment agreements for the investment of reserve funds pledged to the repayment of any District debt when it is approved by the Board of Directors.

Call Provisions — In general, the District's securities should include optional call provisions. The District will avoid the sale of non-callable, long-term fixed rate bonds, absent careful evaluation of the value of the call option.

Additional Bonds Test/Rate Covenant — is established to efficiently balance a strong credit rating and the cost of such covenants to rate payers. The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and these policies.

Short-Term Debt — The District may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.

Use of Variable Rate Debt — The District will not issue variable interest rate debt unless: (i) the proposed debt, (a) can be converted to a fixed rate, or (b) is hedged (the District has an offsetting position, or investment to insulate itself from adverse interest rate changes either for an interim period, or to maturity) by use of a put-type mode, swap agreement or hedging mechanism (e.g., interest



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rate cap), or (ii) all outstanding (unhedged) variable rate debt, including the proposed new variable debt, does not exceed 100% of the District's "hedge position" in aggregate. For this purpose, the District's hedge position will be calculated as the District's unrestricted cash reserves multiplied by **130%**.

Investment of Bond Proceeds — Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction, unless further restricted or limited in the District's Investment Policy. The District will seek to maximize investment earnings within the investment parameters set forth in the respective debt financing documentation. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a "net" debt service basis, where appropriate.

4.3 Refinancing Outstanding Debt

The District shall have the responsibility to evaluate potential refunding opportunities presented by underwriting and/or financial advisory firms. The District will consider the following issues when analyzing potential refinancing opportunities:

Debt Service Savings — The District shall establish a target savings level equal to 3% of par refunded on a net present value (NPV) basis. This figure should serve only as a guideline; the District must evaluate each refunding opportunity on a case by-case basis, and must take into consideration:

- (1) the time to maturity,
- (2) size of the issue,
- (3) current interest rate environment,
- (4) annual cash flow savings
- (5) the value of the call option.

The decision to take all savings upfront or on a deferred basis must be explicitly approved by the District's Finance Committee and Board of Directors.

Restructuring — The District may seek to refinance a bond issue on a non-economic basis, in order to restructure debt, to mitigate irregular debt service payments, accommodate revenue shortfalls, release reserve funds, comply with and/or eliminate rate/bond covenants, or terminate a swap.

Term/Final Maturity — The District may consider the extension of the



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Approved By: Board of Directors	

final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is legal. The term of the bonds should not extend beyond the reasonably expected useful life of the asset being financed. The District may also consider shortening the final maturity of the bonds. The remaining useful life of the assets and the concept of inter-generational equity should guide these decisions.

Escrow Structuring — The District shall utilize the least costly securities available in structuring each escrow. A certificate will be required from a third party agent who is not acting as a broker-dealer, stating that the securities were purchased through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Series Securities (SLGS), and that the price paid was reasonable and within Federal guidelines.

When evaluating the economic viability of an economic versus legal defeasance, the District shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The District shall take all necessary steps to optimize the yield on its refunding escrows investments and avoid negative arbitrage.

4.4 Method of Issuance

The District will determine, on a case-by-case basis, whether to sell its bonds competitively through negotiation.

Competitive Sale — In a competitive sale, the District's bonds shall be awarded to the bidder providing the lowest true interest cost ("TIC"), as long as the bid adheres to requirements set forth in the official notice of sale.

Negotiated Sale — The District recognizes that some securities are best sold through negotiation. In consideration of a negotiated sale, the District shall assess the following circumstances:

- (1) Issuance of variable rate or taxable bonds;
- (2) Complex structures or credit considerations (such as non-rated bonds), which require a strong pre-marketing effort. Significant par value, which may limit the number of potential bidders unique/proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process;
- (3) Market volatility, such that the District would be better served by flexibility in the timing of its sale in a changing interest rate



POLICIES, RULES AND REGULATIONS	
Title: DEBT MANAGEMENT POLICY	
Policy No.: Appendix M	Section Nos.: 1.0 – 1.4
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environment;

- (4) When an underwriter has identified new financing opportunities or presented alternative structures that financially benefit the District;
- (5) As a result of an underwriter's familiarity with the project/financing, that enables the District to take advantage of efficiency and timing considerations.

Private Placement — From time to time the District may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

4.5 Market Communication, Debt Administration and Reporting Requirements

Rating Agencies — The Finance Manager shall be responsible for maintaining the District's relationships with Standard & Poor's Ratings Services, Fitch Ratings and Moody's Investment Service. The District may, from time to time, choose to deal with one, two, or all of these agencies as circumstances dictate.

In addition to general communication, the Finance Manager shall: (1) meet or confer with credit analysts at least once each fiscal year, and (2) prior to each competitive or negotiated sale, offer conference calls with agency analysts in connection with the planned sale.

Board Communication — The Finance Manager shall include in an annual report to the Board of Directors feedback from rating agencies and/or investors regarding the District's financial strengths and weaknesses and recommendations for addressing any weaknesses.

Continuing Disclosure — The District shall remain in compliance with Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefit of its bondholders within 270 days of the close of the fiscal year. The inability to make timely filings must be disclosed and would be a negative reflection on the District. While also relying on a timely audit and preparation of the District's annual report, the Finance Manager will ensure the District's timely filing with each Nationally Recognized Municipal Securities Information Repository.

Record-Keeping — A copy of all debt-related records shall be retained at



POLICIES, RULES AND REGULATIONS	
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the District's offices. At minimum, these records shall include all official statements, bid documents, bond documents / transcripts, resolutions, trustee statements, leases, and title reports for each District financing (to the extent available). To the extent possible, the District shall retain an electronic copy of each document - preferably in pdf or CD-ROM format.

Arbitrage Rebate — The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code Arbitrage Rebate Requirements. The Finance Manager shall ensure that all bond proceeds and investments are tracked in a manner which facilitates accurate calculation; and, if a rebate payment is due, such payment is made in a timely manner.

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ASSET CAPITALIZATION POLICY



POLICIES, RULES AND REGULATIONS	
Title: CAPITALIZATION POLICY FOR FIXED ASSETS	
Policy No.: Appendix U	Section Nos.:1.0 – 4.1
Approval Date: 04/2011	Effective Date: 04/2011
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POLICIES, RULES AND REGULATIONS	
Title: CAPITALIZATION POLICY FOR FIXED ASSETS	
Policy No.: Appendix U	Section Nos.:1.0 – 4.1
Approval Date: 04/2011	Effective Date: 04/2011
Approved By: Board of Directors	

1.0 INTRODUCTION

1.1 Purpose:

This guideline is to establish a financial accounting capitalization policy adopted by the Board of Directors. Unless otherwise determined or directed by the Board of Directors, this policy specifies the manner for capitalizing land, land improvements, buildings, equipment, reservoirs, pipelines and appurtenances, vehicles and intangible assets of the District. All purchases for any fixed assets including, related professional services, materials, and labor, must adhere to the methods, authority and dollar limits of this policy as outlined in this Appendix U.

This policy may be amended from time to time by action of the Board of Directors.

1.2 Definitions:

- **Fixed Asset** – To qualify as a Fixed Asset it must meet all the following requirements:
 1. Must have a useful life of longer than one year
 2. Cost must exceed \$5,000

- **Betterment of a Fixed Asset** – To qualify as Betterment of a fixed asset, the cost must be at least \$5,000, AND the addition/improvement must meet at least one of the following criteria:
 1. Extends the useful life of the asset
 2. Increases the quantity of service provided by the asset
 3. Enhances the quality of service provided by the asset

- **Group Purchase** – To qualify as a Group Purchase for items which are individually less than the capitalization amount:
 1. Must qualify as a fixed asset
 2. Items must be similar in nature

- **New Construction** – Qualifies as a Fixed Asset and will be capitalized regardless of value.



POLICIES, RULES AND REGULATIONS	
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2.0 CAPITALIZATION POLICY

This policy applies to land, land improvements, buildings, equipment, pipelines and appurtenances, vehicles and intangible assets used in the operations of Newhall County Water District (District). Capitalized assets include the following:

2.1 Land:

Cost to be capitalized includes all costs connected with acquisition and incurred to prepare the land for its intended purpose. These costs include but are not limited to purchase price, real estate commissions, legal fees, escrow fees, title investigations, title insurance, and surveying, clearing, draining and filling land and clean-up or decontamination cost.

2.2 Land Improvements:

Cost to be capitalized includes the cost of landscaping, utility systems and paving. All land improvements associated with new construction will be capitalized.

2.3 Building – New Construction:

The cost to be capitalized includes, but is not limited to the cost of professional services, materials, and labor and site preparation.

1. Infrastructure costs such as pipeline, utility improvements, sidewalks and paving are capitalized.
2. If debt is used to finance the new construction, net interest expense and the amortization of loan organization costs incurred during the construction period should be capitalized.
3. Construction projects are considered “construction in progress” until they are at least 90% complete, or the project is operational and placed in use, or the construction has been certified as substantially complete. The project is then removed from construction in progress and capitalized.

2.4 Equipment:

This category of asset classification is used for all costs associated with the purchase of tangible property having a useful life of more than one year and a cost in



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excess of \$5,000 per individual unit. Unit charges may also include the cost of installation, transportation, and taxes.

1. Tangible property includes furniture, fixtures, computer equipment and software. In addition to the net invoice price of an asset, all costs associated with modifications, attachments, accessories, or auxiliary apparatus necessary to make the property usable for its intended purpose may also be capitalized, but only if incurred at the time of initial equipment purchase. All subsequent costs of this nature to maintain the equipment, will be expensed.
2. This category also includes all costs per unit related to the external purchase of software applications and the associated implementation costs (including initial licensing fees) having a useful life of at least one year. (Fees paid for the renewal of software licensing and maintenance will be expensed.)

2.5 Reservoirs, Pipeline and Appurtenances:

The costs to be capitalized include the cost of new reservoirs, pipeline construction, replacement of pipelines, and all other appurtenances connected to the pipeline. In addition to the net invoice price of the material, all costs associated with the project, including, but not limited to engineering, inspection, equipment rental, professional services, paving, labor and benefits are to be capitalized.

1. All appurtenances, not included in pipeline projects, installed and labeled as New Construction shall be capitalized, regardless of value.
2. Reservoirs, pipeline and appurtenances that are replaced for the Betterment of the asset must exceed the unit cost of \$5,000, unless the pipeline and appurtenances comply with the criteria for a group purchase.
3. Appurtenances include, but are not limited to fire hydrants, meters, services, valves, air release valves or sample taps.

2.6 Vehicles and Equipment:

All vehicle and equipment purchases are to be capitalized. This category also includes mobile and stationary equipment having a useful life of more than one year. All mobile or stationary equipment requiring DMV registration will be capitalized, regardless of value.



POLICIES, RULES AND REGULATIONS	
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1. In addition to the net invoice price of the asset, all costs associated with modifications, attachments, accessories, or auxiliary apparatus necessary to make the vehicles or equipment usable for its intended purpose may also be capitalized, but only if incurred at the time of initial equipment purchase. All subsequent costs of this nature to maintain the equipment, will be expensed.
2. In the event the District enters into a capital lease for vehicles and equipment, the asset will be capitalized at the net present value of the lease payments and recorded in the fixed asset system in the same manner as other purchased assets. Payments related to operating leases will be expensed.

2.7 Intangible Assets:

An intangible asset is not physical in nature. It has value, but it cannot be physically touched. There are many different types of intangible assets and they can be classified as either indefinite or definite depending on the specifics of the particular asset. Included in this category are the District Master Plans, Integrated Regional Water Management Plans and water rights.

These assets are to be recorded at actual cost in the year the cost was incurred. When plans become outdated and are revised, the new cost will be added to fixed assets and the previous cost removed.

2.8 Conveyed/Donated Assets:

Land, land improvements, buildings, equipment, pipelines and appurtenances, vehicles and intangible assets constructed or purchased by another party and given to the District through contractual means will be capitalized at the fair market or appraised value at the time the asset is conveyed and/or donated.

3.0 RETIREMENT POLICY

Assets are retired, at their book value, from fixed assets when it has been determined the asset is no longer operable, has been replaced, or is no longer available for use. Identification of retiring assets is done through the budgeting and/or auditing process as is verified by the appropriate department.

4.0 DEPRECIATION

The District depreciates all assets by the straight-line method over their useful life and is based on the Standard Practice U4 table as supplied by the California Public Utilities Commission.



POLICIES, RULES AND REGULATIONS	
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Standard Practice U4 table estimated useful lives for District assets by category are:

Category No.	Description	Estimated Useful Life
131	Wells-Structures	21 – 28 Years
133	Wells	29 – 38 Years
141	Pumping-Structures	33 – 35 Years
142	Pumping Equipment	14 – 34 Years
151	Treatment-Structures	32 – 42 Years
152	Treatment Equipment	18 – 37 Years
162	Reservoirs	48 – 50 Years
163	Pipeline (T&D)	50 – 52 Years
165	Services	27 – 29 Years
166	Meters	26 – 29 Years
167	Hydrants	27 – 29 Years
171	Structures/Buildings	43 Years
172	Office Furniture	5 Years
173	Vehicles	8 Years
176	Communications	7 Years
178	Tools	4 Years
179	Other	9 Years
180	Sewer Plant	51 Years
182	Intangible Plant	41 – 49 Years

4.1 Responsibility:

The Finance Department is responsible for the calculation, maintenance and storage of this information.

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PAST AND PRESENT

On January 13, 2013, the Newhall County Water District celebrated its 60th anniversary. In the early 1950's, local business and civic leaders agreed it was in the public's best interest to form a community water district. After considerable scrutiny, the issue was put in the hands of the voters. Newhall's population at the time was estimated at 3,500. On January 13, 1953, the voters agreed to form a new district. What was once known as the Newhall Water Company became Newhall County Water District.

In 1953, the District consisted of six wells that fed a 360,000-gallon redwood tank situated in the middle of Newhall's mercantile district. Over the course of 56 years, the District has grown with the changing times of the valley. From the early years to the present day, the District has seen fit to adopt an aggressive building and maintenance program to continuously provide customers with high-quality water at a fair price.

Today, the District serves potable water to a population over 45,000 people through more than 9,700 service connections. The District owns and maintains 146 miles of transmission and distribution pipeline, 22 above ground welded steel reservoirs, 15 booster pump stations, and 11 active groundwater wells.

The original six wells purchased with the Newhall Water Company servicing 870 connections and capable of a combined production of 725 gallons per minute have all been replaced. Sadly, the vintage aboveground redwood reservoir was dismantled in 1963. The District still serves the original area of Newhall along with the addition of parts of Canyon Country (Pinetree), Valencia (Tesoro), and Castaic.

Along with ongoing maintenance, there are many CIP projects. These projects include pipeline replacements, meter replacements and miscellaneous facility replacements that are planned for this budget year. The District is also expecting work will continue in FY 2016 to develop projects as part of the Integrated Regional Water Management Plan (IRWMP). This plan is designed to bring diverse groups together to develop a comprehensive solution to regional water challenges.



ECONOMIC CONDITIONS

In FY 2015, the District serviced the potable water needs of a stable population by pumping groundwater from the District's alluvial and Saugus Formation wells and purchasing water from Castaic Lake Water Agency (CLWA) who receives it from the State Water Project (SWP). The District takes delivery of water through several SWP connections.

The District is projecting to purchase 3,766-acre feet from CLWA (1,100-acre feet from perchlorate settlement) in FY 2016. There are three factors the District used to determine the quantity of water to purchase:

- Market Conditions
- Voluntary and Mandatory Conservation
- Well Production & Basin Yield

Prior to FY 2011, the District used a 10 year rolling average of consumption by meter size to determine water revenue and the amount of acre feet that needed to be purchased from the wholesaler to serve the District's customers, but due to the a reduction in demand from mandatory conservation, that average has dramatically decreased. Since FY 2011, the District uses the most current 12-month consumption (nine months actual and three months projected) by meter size to determine revenue projections and purchased water estimates. The District projects the current drought restrictions will continue through FY 2016.

On June 15, 2015, the District adopted changes to the water rate, based on the updated Report of Revenue Requirements and Water Rates, to become effective July 1, 2015. The updated rates takes into account the 15% reduction in commodity sales the District has endured in FY 2015. The current rates and structure can be found in the revenue section on page 102.

The District is projecting to purchase 10% less water than the previous year due to the reduction in demand caused by the drought. CLWA will be increasing their revenue for wholesale water 3.0% in FY 2016, and is projected to increase each year. The District has established a pass through mechanism to recover costs associated with purchased water (Resolution 2012-5). The unit (CCF) charge for FY 2016 will be \$.6787.

Based on current trends, the District is projecting no growth in FY 2016. In addition, the District has assumed customers (as a whole) will respond to the Districts messages of conservation and efficient use of water and reduce consumption by 28% (from FY 2013 consumption). The District has already met the conservation mandates as required in SBx7-7.

District staff has recognized customers (as a whole), might not respond exactly as expected when it comes to actual water use behavior.



ECONOMIC CONDITIONS

The updated Report on Revenue Requirements and Water Rates provided an analysis of the District's rates and revenues for FY 2016 through FY 2020 and assumed the District's customers (as a whole) will respond to the District's messages of conservation and efficient use of water and reduce consumption by 28% (25% used in the report) from FY 2013 usage.

The total reduction in water use was not incorporated into the calculation estimate of revenues at proposed rates. As a means to mitigate potential fluctuations in water commodity revenues, the District adopted Resolution 2015-5 that will allow the District to make adjustments in the rise and fall of commodity revenues and create a balancing account.

WATER REVENUE ADJUSTMENT FACTOR

Effective July 1, 2015, the District shall institute a Water Revenue Adjustment Factor (WRAF), designed to adjust the commodity rate due to inflation or deflation in unit cost attributed to fluctuations in real demand, which, at the discretion of the Board, may be automatically passed through to customers pro rata based on volume of water consumed.

The WRAF formula is: $(a - b) / c = \text{Demand Factor per unit}$

a = The **Target Commodity Revenue** from the previous period as identified in the Adopted Operating Budget. The Target Commodity Revenue will include the net revenues collected from the previous period WRAF adjustment, if any.

b = The **Actual Commodity Revenue** recorded in the general ledger for water consumed by NCWD's Customers for the period (excluding revenue from the purchased water pass through).

c = The **Projected Consumption** (in CCF) calculated for the period as adopted in NCWD's current budget.

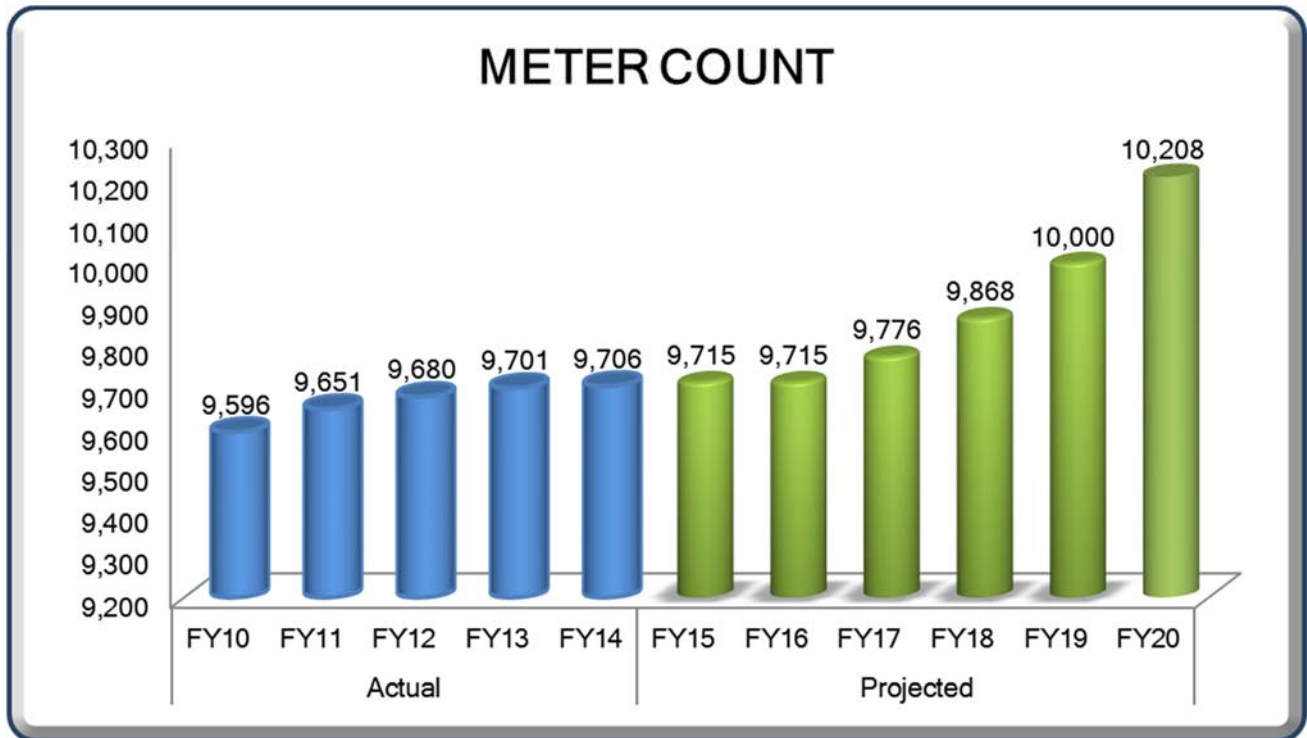
BALANCING ACCOUNT

A per unit water cost of service Balancing Account shall be maintained by the District. Following the end of each period, the Target Commodity Revenue set for the period minus the Actual Commodity Revenue recorded in the general ledger for the period will be calculated and applied to the Balancing Account. The entry may be positive or negative.



FUTURE OUTLOOK

In the next five years, the District is projecting that 442 meter connections (651 1" meter equivalents) will be added to the existing customer base, which would bring the total customers to 10,208.



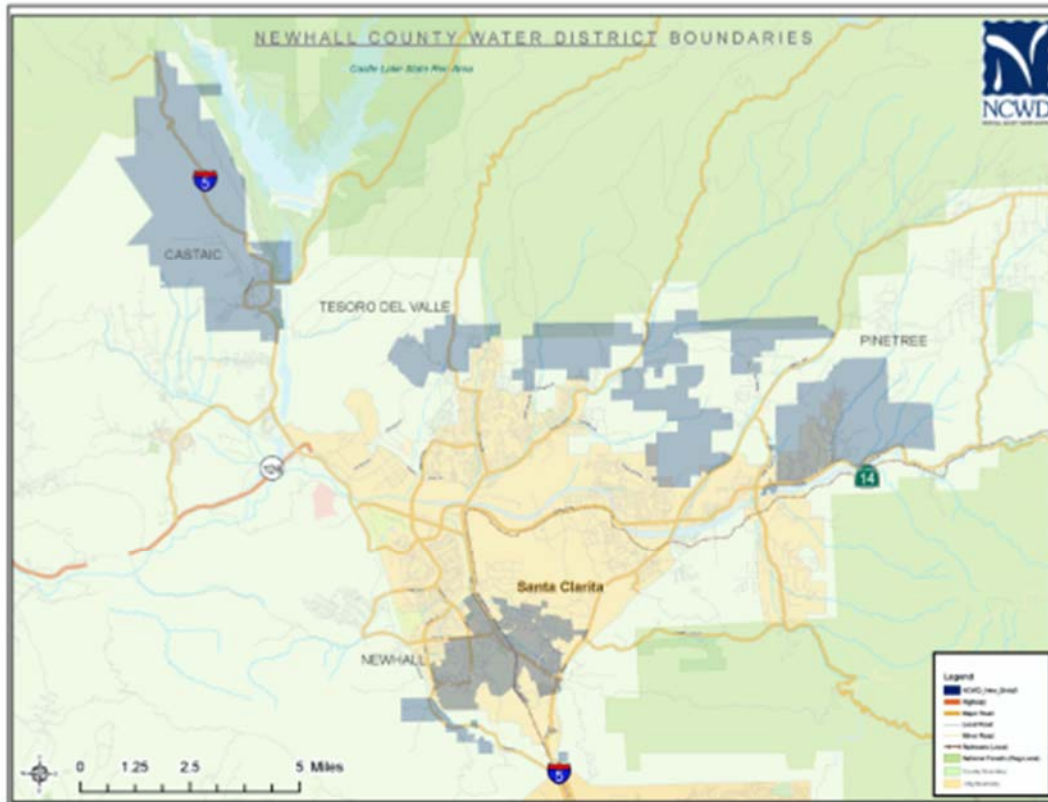
Of the new customers, 92% are projected in the Pinetree service area, 7% in the Newhall service area and 1% in the Castaic service area.

In FY 2016, the District is expected to spend \$1,980,000 on CIP, and projected an additional \$8,035,000 through FY 2020. The plan addresses the needs of the District and enhances the quality of service to our customers. The plan places emphasis on replacements and rehabilitations.



DISTRICT DEMOGRAPHICS

The Newhall County Water District boundaries shown in the map below encompass 37 square miles within the Santa Clarita Valley and unincorporated Los Angeles County.



The District serves potable water to over 9,700 service connections with a population over 45,000 people, 87% are single-family residential customers. The District produces on an average day 9.5 million gallons of water and is projected to sell more than 2,798 million gallons in FY 2016.

The District owns and operates 22 aboveground welded steel reservoirs with a capacity of 24.7 million gallons, 11 active wells with a production of 10,175 gallons per minute, 15 booster pump stations with a production of 48,935 gallons per minute, and over 146 miles of distribution and transmission main.

The Santa Clarita Valley has a seasonal climate. The average high temperature in FY 2014 was 78.89°F and the average low temperature was 47.63°F. In FY 2014, the rainfall was 9.16". As of April 2015, the area's median home price for a single-family residential unit was \$500,000 and the estimated median household income (last recorded November 2014) was \$86,027.

Source: SCV Economic Development Corporation



TEN LARGEST CUSTOMERS

Customer Name	Customer Type	Annual Revenue	% of Water Sales
1. Stonegate MHP	Mobile Home Park	\$ 198,418	1.5%
2. The Village	Apartment-Master Meter	137,038	1.1%
3. Tesoro del Valle HOA	Landscaping	99,991	0.8%
4. Wm S Hart High School	Schools	87,645	0.7%
5. City of Santa Clarita	Landscaping	75,180	0.6%
6. Stetson Ranch HOA	Landscaping	70,219	0.5%
7. Polynesian MHP	Mobile Home Park	66,857	0.5%
8. Stonecrest HOA	Landscaping	53,450	0.4%
9. The Master's College	Schools	49,206	0.4%
10. Lake Hills MHP	Mobile Home Park	45,935	0.4%
Total		<u>\$ 883,939</u>	<u>6.8%</u>

FY 2014 Water Sales

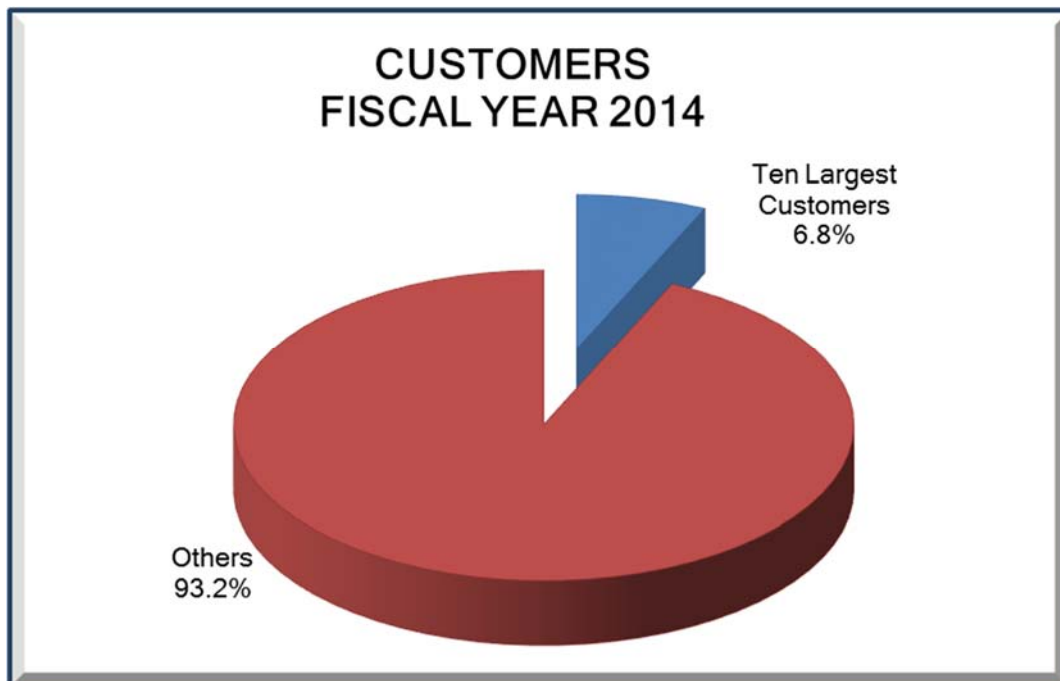
\$ 13,008,264

Ten Largest Customers

6.8%

Others

93.2%



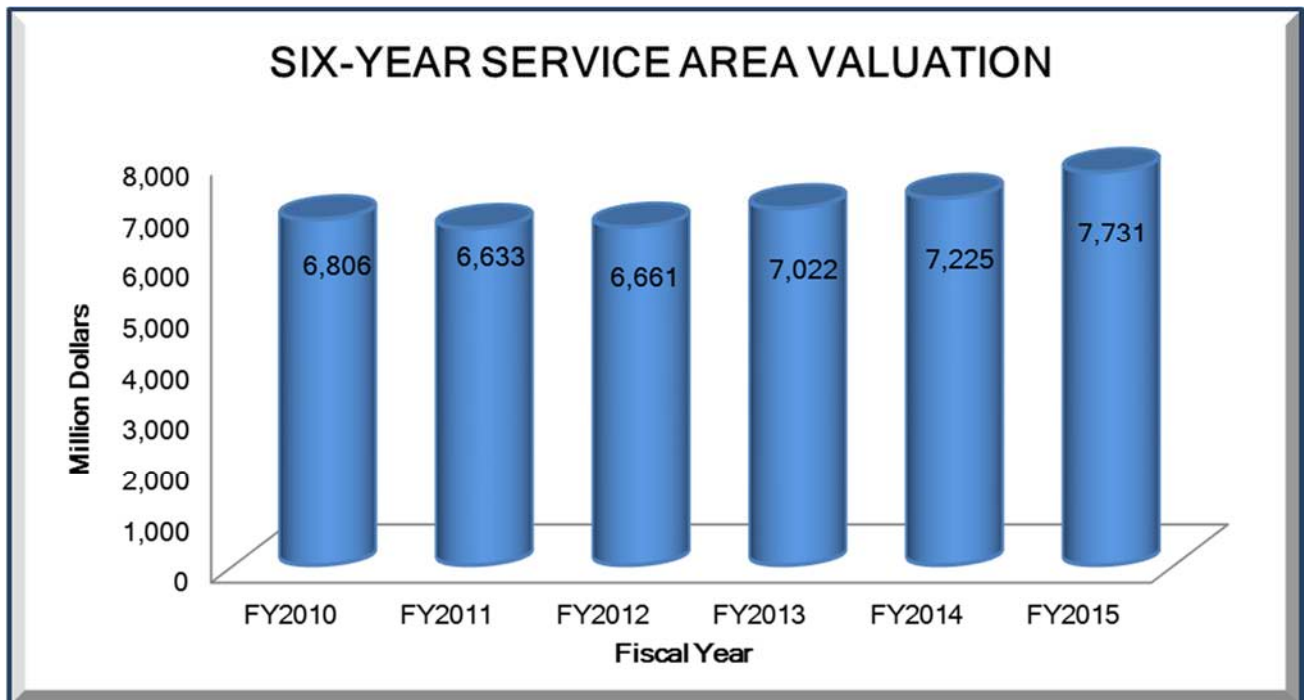


PROPERTY TAX

Newhall County Water District's service area encompasses land, improvements, and property valued at over \$7.7 billion of assessed valuation. Properties are assessed at 100% of their full value less any exemptions such as, exemption from taxation under the law and homeowner's exemptions. As shown on the chart below, there is a 14% increase since FY 2011 in the assessed value of properties in the District's service area. The assessed home values have recovered from the low caused by the recession in FY 2011. There is some growth of new homes expected in the next five years as the economy still recovers.

The District receives a portion of the 1% allocation. Property tax revenues are projected to reduce by 18% when expected property tax detachments are completed.

The property tax revenue represents approximately 3.3% of the District's annual revenue.



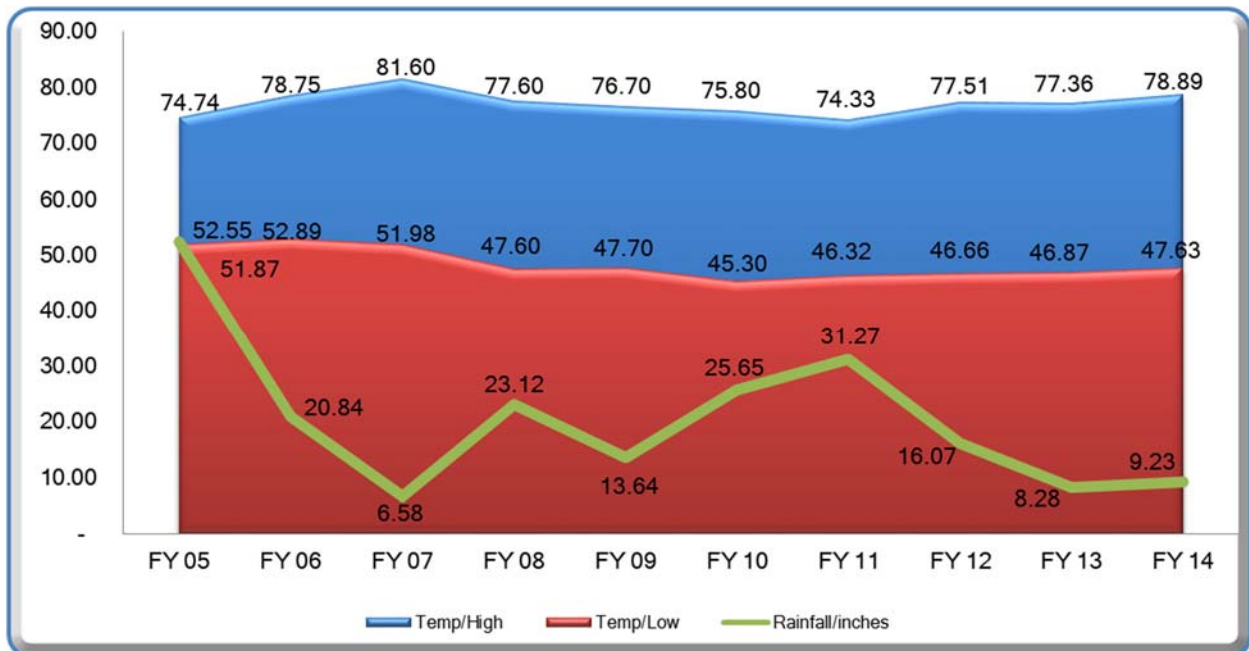


RAINFALL AND TEMPERATURE

The Santa Clarita Valley is characterized as having an arid climate. Historically, intermittent periods of less-than-average precipitation have typically been followed by periods of greater-than-average precipitation in a cyclical pattern, with each wetter or drier period typically lasting from one to five years, as shown in green on the table below.

The long-term average precipitation is 17.5 inches (1931-2013). In general, periods of less-than-average precipitation have been longer and more moderate than periods of greater-than-average precipitation. The precipitation records were taken from Newhall-Soledad 32c gage and the KCANEWHA2 gage, which data is representative of rainfall for the area served by Newhall County Water District.

There was a 49% decrease in inches (7.79”) of rainfall from FY 2012 to FY 2013. In FY 2014, the area received less than average rainfall at 9.16 inches. So far this season, the area has seen less than average rainfall at 10.55 inches of rain.





BUDGET SUMMARY

The Operating Budget section demonstrates in summary form the spirit of the FY 2016 budget. The summary shows the audited figures at June 30, 2014, projected cash balance as of July 1, 2015, the flow of funds during FY 2016, and projects the cash balance as of June 30, 2016. The District does not possess appropriated government funds and utilizes accounting principles fitting an enterprise fund to record its activities.

Included in this section is the Operating and Capital Budget Summary on page 86, Operating Revenues and Expenditures on page 87, Fund Balance Summary on page 88 and the Fund Balance Flow Chart on page 89. Beginning July 1, 2015, the rate adjustment approved by the Board of Directors on June 15, 2015 will become effective.

BUDGET SUMMARY

The Operating Budget for FY 2016 is \$13,626,485 in comparison to the previous fiscal year budget of \$13,466,814; this is an increase of \$159,670 or approximately 1.2%. The primary reason for the change is small increases in Source of Supply, Pumping, General and Administration costs.

Revenues

Water Sales

Water rates established in Resolution 2015-8 were approved on June 15, 2015 and become effective July 1, 2015. Mandatory drought restrictions have decreased commodity revenue by 15% over the prior year. In an effort to proactively address the decrease, the District approved new water rates to reflect the current conditions facing the District. To address fluctuations in commodity revenue, the District established Resolution 2015-5, implementing a Water Revenue Adjustment Factor (WRAF) and balancing account.

Water sales represent revenue collected from the sale of water, including service charges, CLWA pass-through and consumption charges. This section contains details of the water rate revenue projection used to estimate revenues for FY 2016.

The approved rates have been used to determine total revenues for FY 2016. It is estimated that 8,588 acre-feet of water will be sold during FY 2016. Budgeted water sales are projected to be \$12,079,177, a decrease of 2.5% from the previous year's budget. Additional schedules relating to water sales are included in the Revenues and Expenditures section of this budget.

Connection Fees

Connection fees are charges collected for new water service connections. The fee is separated by two components, the master plan and the buy-in and vary depending upon meter size and service area. No new connection fees are projected in FY 2016. These fees are shown on the Fund Balance Summary on page 88 and the Connection Fee Forecast on page 92.

Tax Revenues

The District receives a portion of the 1% property tax revenues on properties within the District's boundaries. Property tax revenues are expected to increase by 1% over the previous year budget, but are projected to reduce by 18% (from FY 2015 projected receivable) when expected property tax detachments are completed. Property tax valuations are received from the Los Angeles County Auditor/Controller's office (shown on page 80).

Non-Operating Revenues

Non-Operating Revenues are revenues not directly related to the operation of the District, and include such items as communication rentals and fire service revenue.

Interest

Interest is earned by each fund that is invested in various institutions. Interest income on General Fund balances is considered general use revenue and interest income earned on Reserve Fund and R&R Fund Balances is added to those funds and will be used within those funds. A .3% - 1.6% return has been projected for FY 2016.

Expenditures

Source of Supply

The District is expecting to purchase 3,766-acre feet of water from CLWA (2,666-acre feet at the wholesale rate and 1,100-acre feet at \$167). The wholesale water rate is projected to increase July 1, 2015.

Pumping

Power is the cost associated with extraction of groundwater and the transmission and distribution of water to customers. The pumping costs to distribute water vary with elevation and will increase/decrease as water sales increase/decrease. This account is projected to increase by 7.5% in FY 2016 due to an increase power costs.

Labor and Benefits

Labor and benefits (separated by category) are the wages and benefits for 31 full-time employees. Labor costs are reduced by the number of hours charged to CIP projects and developer deposit projects. Other Post Employment Benefit (OPEB) liability is included in the benefits category. The detail of actual personnel and payroll related expenses is included in the Operating Expenditures by Category section.

Administrative Expenses

Administrative expenses are costs incurred directly related to District administrative operations. This category increased by 5.6%. Although some line items in this category have increased slightly due to increased costs, the majority of the costs increased in the computer software, fees and charges, and election expense accounts. Additional details are supplied in the Operating Expenditures by Category section.

Materials and Maintenance

Materials and maintenance expense is the cost associated with the operation and maintenance of the District facilities. There is a 6.9% decrease in the maintenance and repair of the District's water treatment facilities and transmission and distribution pipelines, which includes treatment of potable water supply and maintenance and repair of over 146 miles of water mains and appurtenances. This category decreased primarily due to a projected reduction in the maintenance of mains account. Additional details are supplied in the Operating Expenditure by Category section.

Debt Service

Debt Service is the principal and interest expense associated with the existing debt. Debt payments are shown in the Five-Year Forecast section on pages 95 - 97.

FUND BALANCE SUMMARY

The District does not have appropriated governmental funds, but defines four types of significant funds used in the basic operation of the District. This schedule shows each fund's balance at June 30, 2015, and the projected balance of June 30, 2016, based on the results of the budget and rate study report. This includes transfers between funds as shown on page 88 and the flow chart of funds on page 89.

Description of Funds

Operating Fund

The Operating Fund is a combination of cash generated by the District including revenues from water sales, property taxes, communication rentals, fire services, and interest earnings. This fund also includes the District's day-to-day activities along with debt payments and a portion of the funds being transferred to the capital fund.

Renewal & Replacement Fund (R&R Fund)

The R&R Fund is used for the acquisition, construction, and maintenance of the District's physical plant. The fund includes any projected master plan fees and the amount of cash transferred from the Operating Fund utilized to complete the construction of the projected CIP projects. Accumulating money uniformly over time prior to the actual need for replacements provides a way to shave the peak costs, and spread all the cost more evenly over a period of time. The level of the fund is shown on page 93.

Description of Funds (continued)

Reserve Fund

The reserve fund was established by the Board of Director's in an effort to set aside funds to meet any unexpected costs that may arise in the future as well in the event of an emergency. The level of the fund is defined in the Reserve Policy on page 42. The funds may contain transfers in/out from the operating fund; funds transferred out of the reserve fund for specific purposes and any interest earnings.

Supplemental Fund

The supplemental fund account includes amounts being held by the District, but are not restricted by law or contract. Currently, the funds are deposits made monthly into the fund to cover semi-annual debt payments and money pledged by customers to hold as a deposit for their water account or construction meter account and will be returned, if applicable, to the customer as outlined in Section 7 and Appendix D of the District's Policies, Rules and Regulations.



OPERATING & CAPITAL BUDGET SUMMARY

	FY 2014	FY 2015		FY 2016	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
<i>Beginning Balance</i>	\$ 388,447	\$ 921,909	\$ 808,268 ¹	\$ 500,000	\$ (421,909)	-45.8%
REVENUES						
Water Sales	13,008,264	12,387,199	11,574,761	12,079,177	(308,022)	-2.5%
Property Taxes	497,330	424,950	524,404	429,200	4,250	1.0%
Interest Earnings	624	1,976	1,197	2,006	30	1.5%
Connection Fees (Master)	7,004	-	-	-	-	0.0%
Communication Rentals	224,886	217,949	221,925	222,307	4,358	2.0%
Fire Service	incl in Sales	92,866	incl in Sales	93,795	929	1.0%
Transfer - Reserves	-	-	280,577	-	-	100%
Transfer - R&R Fund	-	341,874	-	800,000	458,126	100%
TOTAL REVENUES	14,126,555	14,388,723	13,411,132	14,126,485	(262,238)	-1.8%
EXPENDITURES						
Source of Supply	2,634,483	2,498,801	2,619,835	2,574,876	76,075	3.0%
Pumping	1,547,971	1,596,812	1,627,877	1,716,450	119,638	7.5%
Water Treatment	368,991	403,472	358,421	406,184	2,712	0.7%
Trans. & Distrib.	555,625	570,278	547,931	526,728	(43,550)	-7.6%
Customer Accounts	607,679	624,705	579,451	634,422	9,717	1.6%
Other Operating	689,742	679,438	705,018	672,784	(6,654)	-1.0%
General & Admin	2,821,820	3,053,755	2,806,996	3,225,488	171,733	5.6%
Debt Service	1,889,553	1,889,553	1,889,553	1,889,553	-	0.0%
CIP	2,214,342	2,150,000	1,776,049	1,980,000	(170,000)	-7.9%
TOTAL EXPENDITURES	13,330,206	13,466,814	12,911,132	13,626,485	159,670	1.2%
ENDING BALANCE	\$ 796,349	\$ 921,909	\$ 500,000	\$ 500,000	\$ (421,908)	

¹ Projected Beginning Balance - Operating Account

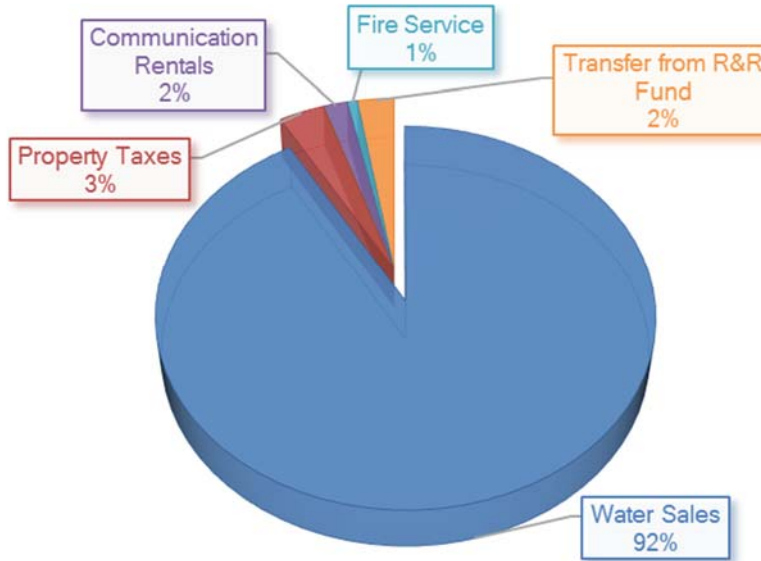


Large Meter Replacement - Castaic

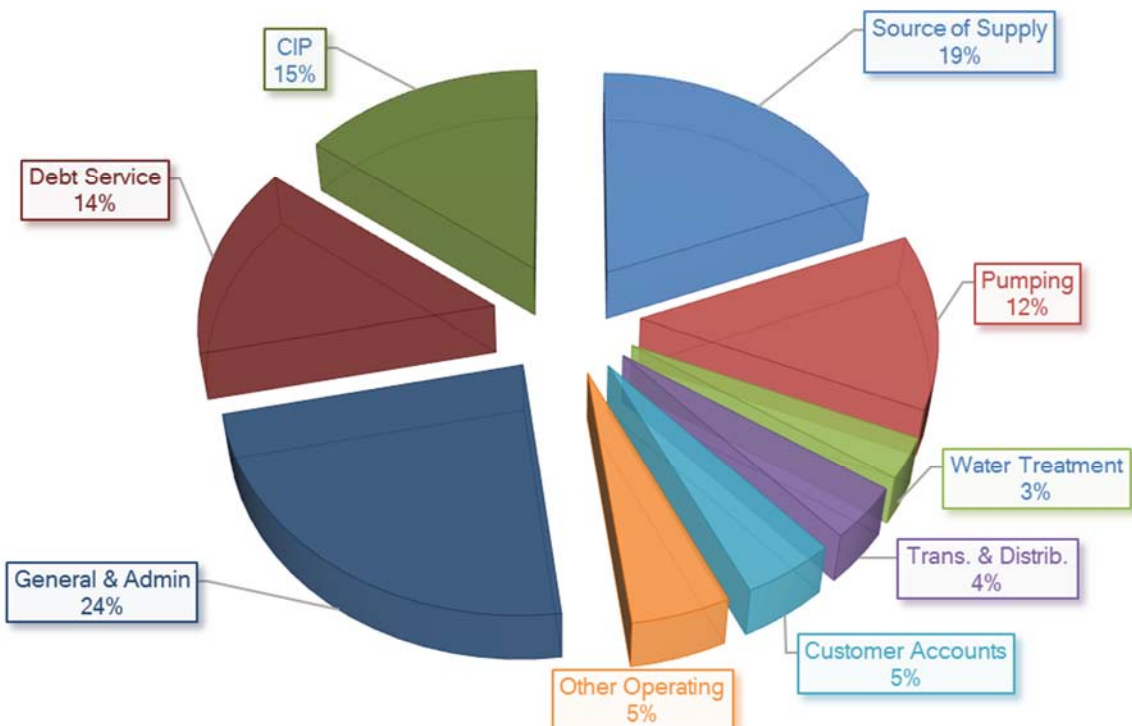


OPERATING REVENUE & EXPENDITURES

FY 2016 OPERATING REVENUE



FY 2016 OPERATING EXPENDITURES





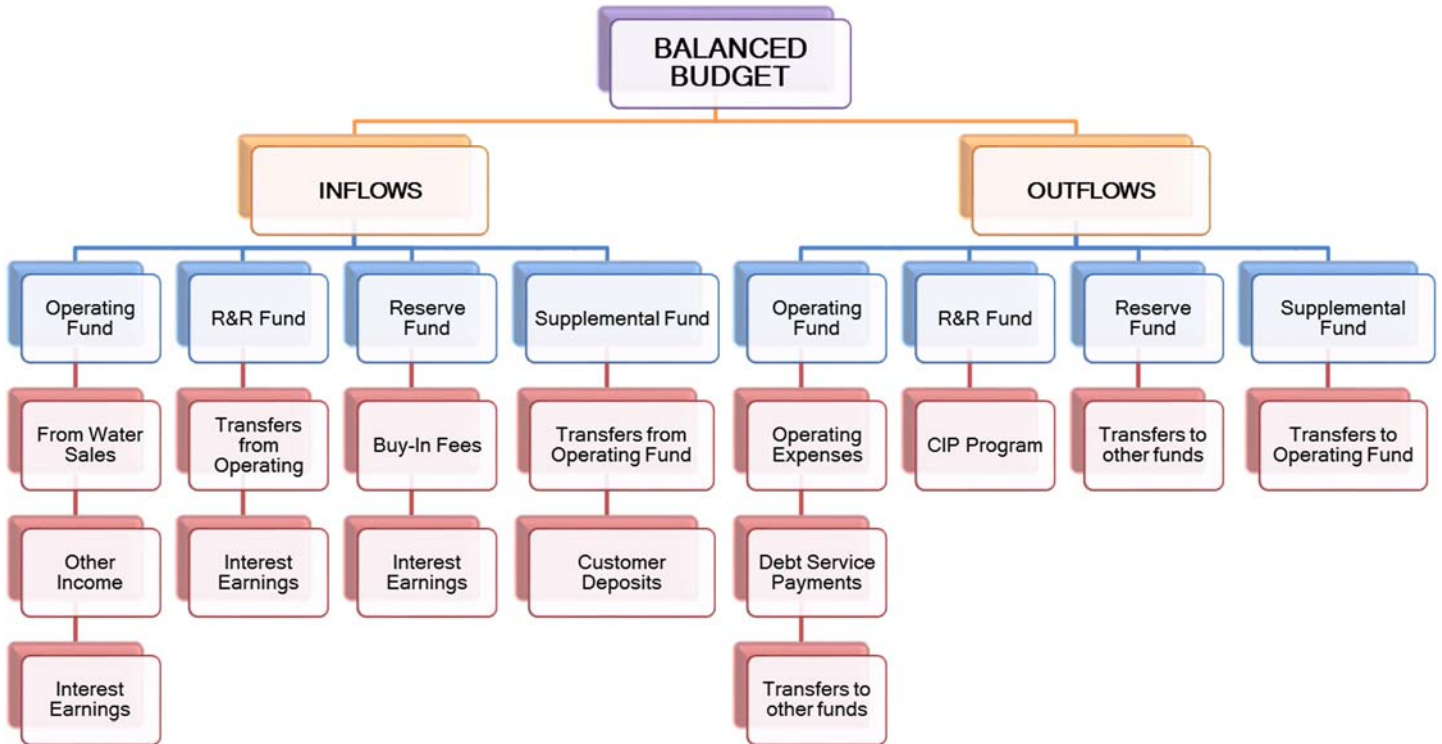
FUND BALANCE SUMMARY

	Estimated	Estimated, Fiscal Year 2016		Projected
	Balance	Inflows	Outflows	Balance
	June 30, 2015			June 30, 2016
OPERATING FUND	\$ 500,000	\$ -	\$ -	\$ 500,000
Revenues	-	12,079,177	-	12,079,177
Expenditures	-	-	9,756,932	(9,756,932)
Capital	-	-	1,180,000	(1,180,000)
Debt Service	-	-	1,889,553	(1,889,553)
Transfer to Reserves	-	-	-	-
Other	-	747,308	-	747,308
Total Operating Fund	500,000	12,826,485	12,826,485	500,000
R & R FUND	2,195,627	-	-	2,195,627
Master Plan Fees	-	-	-	-
Transfer from Operations	-	1,180,000	-	1,180,000
CIP Projects	-	-	1,980,000	(1,980,000)
Other	-	28,892	-	28,892
Total R&R Fund	2,195,627	1,208,892	1,980,000	1,424,519
RESERVE FUND	3,800,578	-	-	3,800,578
Buy-In Fees	-	-	-	-
Transfer from Operations	-	-	-	-
Other	-	19,383	-	19,383
Total Reserve Fund	3,800,578	19,383	-	3,819,961
SUPPLEMENTAL FUND				
Debt Holding Account	784,645	1,889,553	1,889,553	784,645
Deposit Holding Account	162,392	-	-	162,392
Other	-	-	-	-
Total Supplemental Fund	947,037	1,889,553	1,889,553	947,037
TOTAL	\$ 7,443,242	\$ 15,944,313	\$ 16,696,038	\$ 6,691,517

Note: OTHER can include property taxes, interest earnings, communication rentals, or fire service.



FUND BALANCE FLOW CHART





FIVE-YEAR FORECAST

Financial Forecast for Fiscal Years 2016-2020

This financial forecast is designed to provide a general understanding of how revenues and expenditures are expected to influence the District over the next five years. Revenue and expenditure projections are reviewed in relation to their effect on funding Capital Improvement Program (CIP) and Operating Fund balances. In April 2015, the District updated the Report on Revenue Requirements and Water Rates that subsequently set the water rates for FY 2016 through FY 2020. Each year as part of the budget process, the Finance Department conducts a rate analysis in order to make future projections and determine recommended rates. The revenue requirement study looked at CIP projections, debt expense, projected revenue, cost increases, and growth projections.

The District reviews CIP projects to make sure they will serve the needs of all customers over the next five years and at the betterment and expansion needs from now until ultimate build-out. The capital projects and the funding for them are reviewed and prioritized annually by the Engineering Committee or Special Meeting through the budget process and then revisited throughout the year by the Board of Directors.

As new capital assets are brought into service (see Asset Capitalization Policy, page 67), they are managed by an asset management system which is crucial to tracking and maintaining the history of over 146 miles of distribution and transmission main, 22 above ground welded steel reservoirs, 15 booster pump stations, 11 active wells, meters and services for over 9,700 customers, and general plant.

The District also maintains a database, which tracks depreciation of the assets. The depreciation schedules are used to better anticipate the remaining life of each individual asset to determine when replacement may be needed. The impact of CIP on the Operating Budget is addressed in the CIP section of the budget.

Projected Cost of Purchased Water

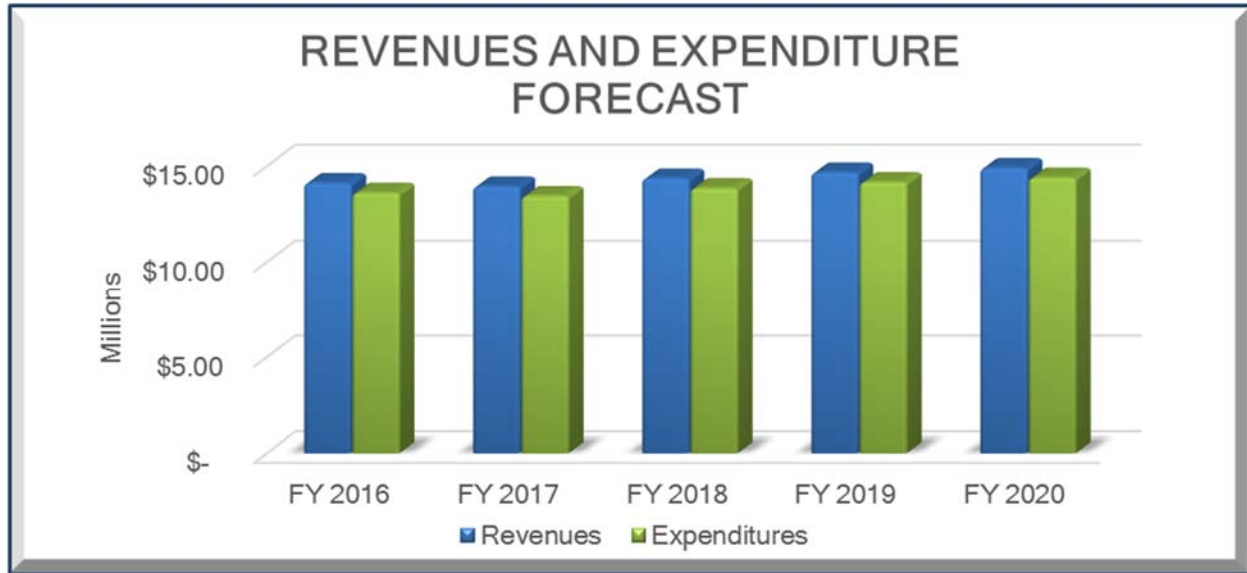
The projected purchased water cost is based on the rates reported by CLWA and their report of projected cost increases. In July 2013, CLWA implemented a three-year rate adjustment. This is the final year of the current rate period.

The District's Resolution No. 2012-5 outlines Government Code Section 53756 which provides for the automatic adjustment and pass through of increases or decreases in inflation and the wholesale cost of water which defines a "True Up" calculation that may be used each year when calculating the pass through rates.



GENERAL FUND FORECAST

This forecast incorporates both cost increases for expenditures and revenue increases for revenues, as well as any growth projections.



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<i>Beginning Balance</i>	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
REVENUES					
Water Sales	12,079,177	12,582,870	13,097,809	13,400,157	13,625,275
Property Taxes	429,200	433,491	437,824	442,204	446,626
Interest Earnings	2,006	2,036	2,077	2,098	2,119
Connection Fees (Mtr Plan)	-	-	-	-	-
Communication Rentals	222,307	226,754	231,289	235,915	240,633
Fire Service	93,795	94,733	95,680	96,637	97,603
Transfer from R&R Fund	800,000	113,362	-	-	-
TOTAL	\$ 14,126,485	\$ 13,953,246	\$ 14,364,680	\$ 14,677,011	\$ 14,912,256
EXPENDITURES					
Source of Supply	\$ 2,574,876	\$ 2,577,588	\$ 2,585,671	\$ 2,598,625	\$ 2,615,704
Pumping	1,716,450	1,761,656	1,803,922	1,855,381	1,911,859
Water Treatment	406,184	428,155	437,575	447,241	457,161
Trans. & Distrib.	526,728	537,636	548,943	560,539	572,431
Customer Accounts	634,422	653,513	663,831	688,360	705,525
Other Operating	672,784	687,298	701,923	716,921	732,304
General & Admin	3,225,488	3,102,847	3,221,271	3,205,391	3,362,719
Debt Service	1,889,553	1,889,553	1,889,553	608,494	608,494
CIP	1,980,000	1,815,000	1,840,000	2,215,000	2,165,000
Transfer to R&R Fund	-	-	171,991	1,281,059	1,281,059
TOTAL	\$ 13,626,485	\$ 13,453,246	\$ 13,864,680	\$ 14,177,011	\$ 14,412,256
ENDING BALANCE	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000



CONNECTION FEE FORECAST

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<u>Castaic</u>					
<u>Castaic High School (1" Equiv)</u>	0	11	0	0	0
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
	<hr/>				
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
	0	0	0	0	0
<u>Pinetree</u>					
<u>Spring Canyon</u>	0	0	34	24	100
Buy In Fee	0	0	109,684	77,424	322,600
Master Plan Fee	0	0	0	0	0
	<hr/>				
<u>Tick Canyon</u>	0	0	50	100	100
Buy In Fee	0	0	173,900	347,800	347,800
Master Plan Fee	0	0	0	0	0
	<hr/>				
Buy In Fee	0	0	283,584	425,224	670,400
Master Plan Fee	0	0	0	0	0
	0	0	283,584	425,224	670,400
<u>Newhall</u>					
<u>Gate/King (1" Equiv.)</u>	0	10	64	64	64
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
	<hr/>				
<u>Disney Studios (1" Equiv.)</u>	0	30	0	0	0
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
	<hr/>				
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
	0	0	0	0	0
<u>Tesoro</u>					
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
	<hr/>				
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
	0	0	0	0	0
	<hr/>				
<i>Total Additions</i>	<i>0</i>	<i>51</i>	<i>148</i>	<i>188</i>	<i>264</i>
Total Buy In Fees	0	0	283,584	425,224	670,400
Total Master Plan Fees	0	0	0	0	0
	<hr/>				
Total Buy In and Master Plan Fees	\$ -	\$ -	\$283,584	\$425,224	\$670,400



RENEWAL & REPLACEMENT FUND

In the event water revenues are not adequate to allow funding for the entire capital improvements identified, those projects can be funded with the proceeds from the R&R Fund. Accumulating money uniformly over time prior to the actual need for replacements provides a way to shave the peak costs, and spread all the cost more evenly over a period of time. The table below projects uses and additions of the R&R Fund.

	Year-End Forecast Balances				
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Beginning Balance	\$ 2,195,627	\$ 1,424,519	\$ 1,333,219	\$ 1,528,101	\$ 2,844,138
Uses	(800,000)	(113,362)			
Additions:					
From Rates			171,991	1,281,059	1,281,059
Interest	28,892	22,062	22,891	34,978	56,204
TOTAL	\$ 1,424,519	\$ 1,333,219	\$ 1,528,101	\$ 2,844,138	\$ 4,181,401

Note:

In FY 2018, a significant portion of the debt service is paid-off and those funds will be transferred to the R&R Fund on a continuing basis to achieve pay-as-you-go financing.



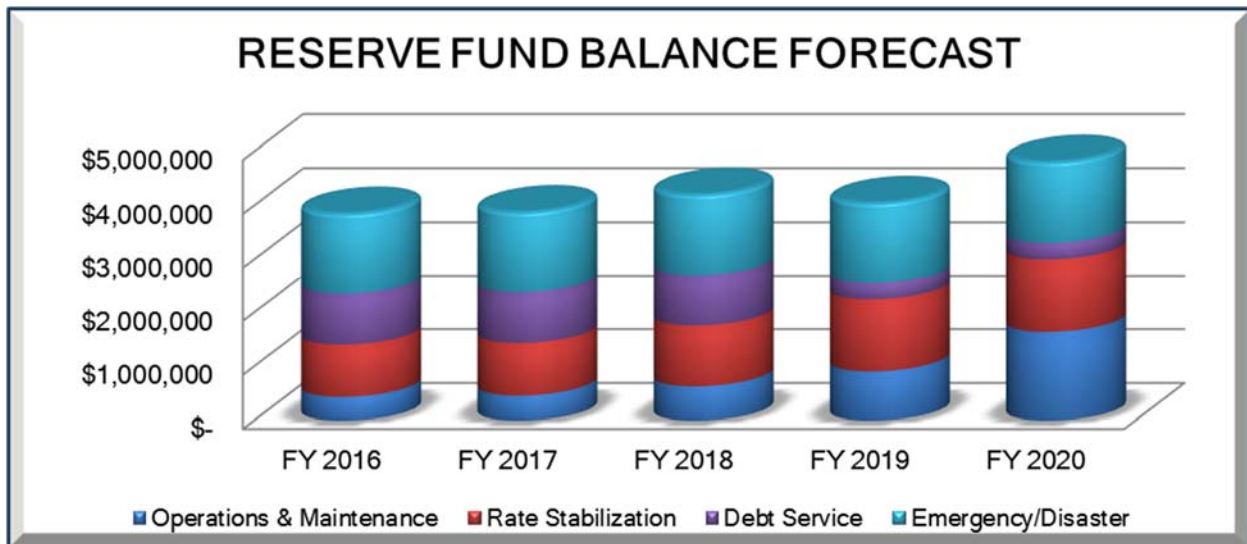
RESERVE FUND BALANCE FORECAST

Year-End Forecast Balances

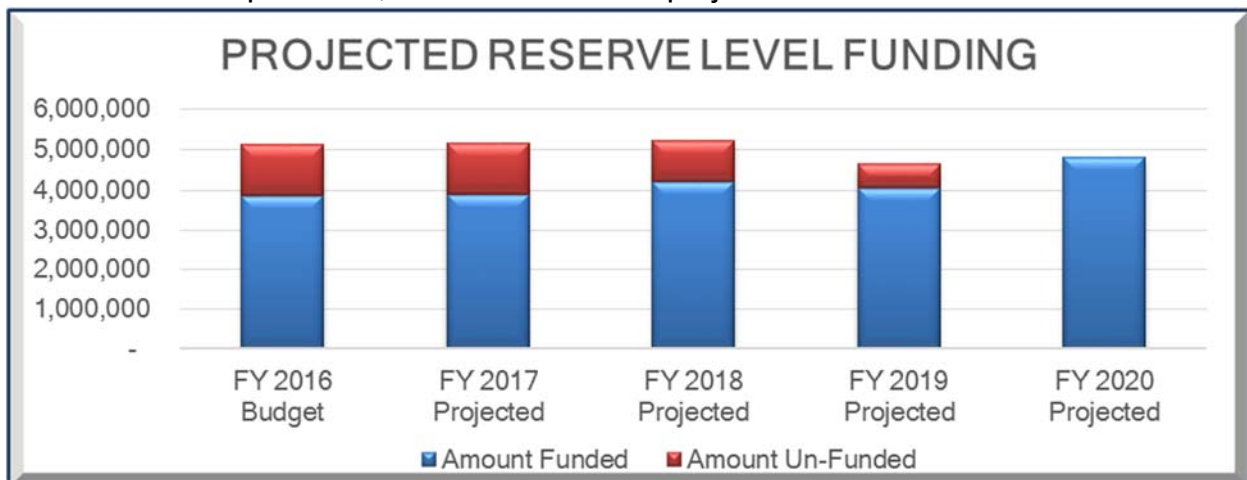
Reserve Fund	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Operations & Maintenance	\$ 439,368	\$ 460,999	\$ 632,558	\$ 908,102	\$ 1,643,741
Rate Stabilization	935,816	942,835	1,094,764	1,305,411	1,327,231
Debt Service	944,777	944,777	944,777	304,247	304,247
Emergency/Disaster	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
TOTAL	\$ 3,819,961	\$ 3,848,612	\$ 4,172,099	\$ 4,017,760	\$ 4,775,219

Note:

Changes to Reserve Funds - Buy-in Fees, Interest Earnings and Transfers to/from Operations



In FY 2018, a significant portion of debt will be paid off and per the reserve policy, 50% of the outstanding annual debt payments are held in the reserve fund. Due to the reduction in the reserve requirement, the reserve fund is projected to be 100% funded in FY 2020.





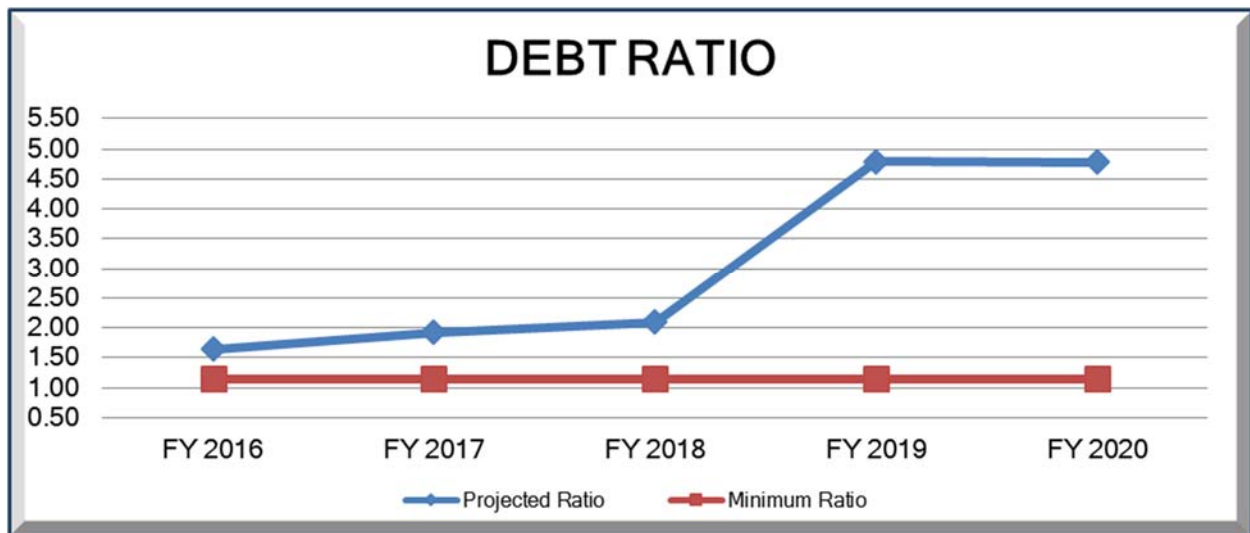
DEBT MANAGEMENT

The District's primary debt management policy objective is to keep the level of indebtedness within available resources and within limits that allow the District to meet the debt service coverage ratios required by the loan covenants. There are no debt limits identified, as long as the debt is within the limits as noted in the loan covenants. Currently, there are three outstanding loans. The District will gradually retire per scheduled principal and interest payments. There is no new debt anticipated for FY 2016.

In 2012, the District had foresight to research the cost effectiveness of refinancing certain debt obligations and taking advantage of lower interest rates. As a result, the District will save nearly \$1.3 million in interest over the term of the refinanced debt and reduced the maturity date with a very small increase in annual debt payments.

The District's debt service obligations have a significant effect upon the District's current and future water rates. As loans mature, the amount needed to pay the debt service will be added to the General Fund and transferred to the R&R Fund with the goal to reach pay-as-you-go financing to fund its CIP. A significant portion of debt service is scheduled to be retired in FY 2018 making this goal within reach.

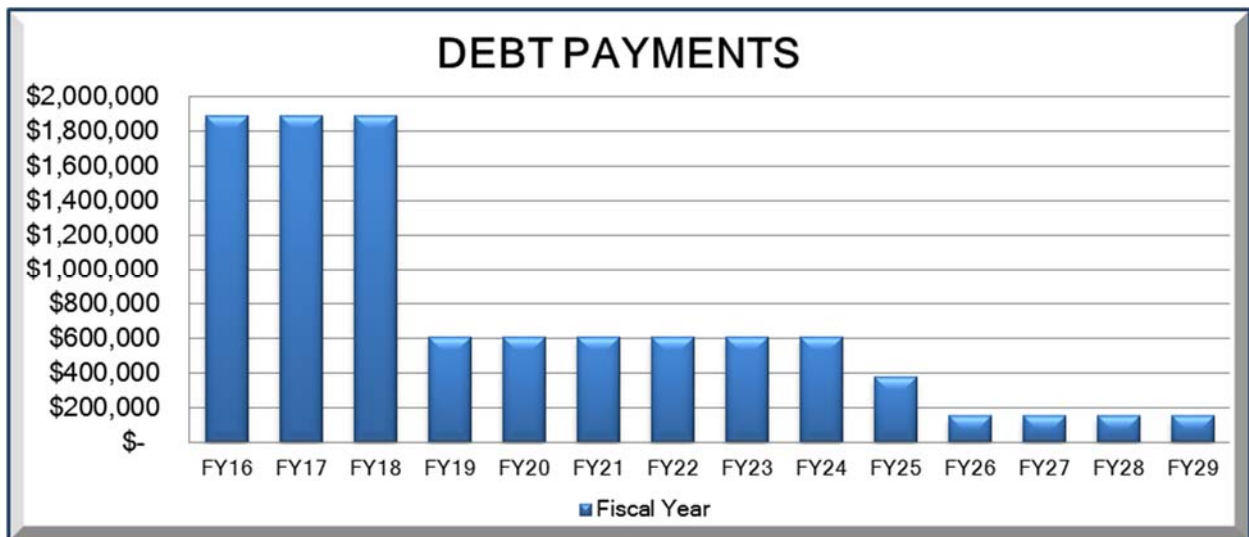
Per the loan covenants, the District must maintain a minimum ratio of 1.15. This means that the District's revenues must exceed the District's expenses by 15%. The graph below indicates the Debt Coverage Ratio Forecast for the next five years.





SCHEDULE OF OUTSTANDING DEBT

Origination #	Date	Description	Maturity Date	Loan Amount	Outstanding Prin. Balance 6/30/2016
1	Apr 2009	Municipal Leasing Loan (CNB)	April 2029	2,000,000	1,496,477
2	Feb 2012	Municipal Leasing Loan (CNB)	Feb 2018	6,986,579	2,468,847
3	Oct 2012	Municipal Leasing Loan (CNB)	Oct 2024	5,500,000	3,382,614
Total Outstanding Debt				\$ 14,486,579	\$ 7,347,938





PRINCIPAL & INTEREST PAYMENTS BY DEBT

Due	CNB 2012	CNB 2007	CNB 2009	Total
2015-16	\$ 1,281,059	\$ 453,809	\$ 154,685	\$ 1,889,553
2016-17	1,281,059	453,809	154,685	1,889,553
2017-18	1,281,059	453,809	154,685	1,889,553
2018-19		453,809	154,685	608,494
2019-20		453,809	154,685	608,494
2020-21		453,809	154,685	608,494
2021-22		453,809	154,685	608,494
2022-23		453,809	154,685	608,494
2023-24		453,809	154,685	608,494
2024-25		226,905	154,685	381,589
2025-26			154,685	154,685
2026-27			154,685	154,685
2027-28			154,685	154,685
2028-29			154,685	154,685
TOTAL	\$ 3,843,177	\$ 4,311,187	\$ 2,165,585	\$ 10,319,949

Due	CNB 2012	CNB 2007	CNB 2009	Total
Principal Payments				
2015-16	1,180,369	344,559	82,220	1,607,148
2016-17	1,216,046	354,973	86,088	1,657,107
2017-18	1,252,801	365,702	90,137	1,708,641
2018-19		376,756	94,377	471,133
2019-20		388,143	98,817	486,960
Interest Payments				
2015-16	100,690	109,250	72,465	282,404
2016-17	65,013	98,836	68,597	232,446
2017-18	28,258	88,107	64,547	180,912
2018-19		77,054	60,307	137,361
2019-20		65,666	55,868	121,534



REVENUE SUMMARY

The District has projected it will provide water service to over 9,700 customers by the end of FY 2016. Seventy-four percent of District's water sales revenue comes from single-family residential customers and the remaining 26 percent of revenue are comprised of multi-family residential, commercial, landscaping, municipal, fire, construction, and industrial. The District is expecting no growth in FY 2016.

Billing units (CCF = 748 gallons) are expected to decrease by 13% from the previous year's budget due to the effects of the drought mandates. Prior to FY 2011, the District used a 10-year rolling average of consumption by meter size to determine the water revenue. To be consistent with the updated Report on Revenue Requirements and Water Rates (establishing water rates for FY 2016-2020), the District is using the last recorded nine months of actual consumption and three months projected consumption by meter size for the projection. The rainfall as of April 2015 was 10.55 inches, which is 1.32 inches more than the previous year, but 6.95 inches less than the average year.

The District's Board of Directors approved a water rate adjustment, which will become effective on July 1, 2015. The updated rates takes into account the 15% reduction in commodity sales the District has endured in FY 2015. The District is hoping customers (as a whole) will respond to the District's messages of conservation and efficient use of water and reduce consumption by 28% (25% used in the updated Report on Revenue Requirements and Water Rates) from FY 2013 usage.

The total reduction in water use was not incorporated into the calculation estimate of revenues at proposed rates. As a means to mitigate potential fluctuations in water commodity revenues, the District adopted Resolution 2015-5 that will allow the District to make adjustments in the rise and fall of commodity revenues and create a balancing account. In July 2015, the CLWA pass through charge is projected to increase per the wholesale agency projected rates. The rates for all customer classes are shown on page 102.

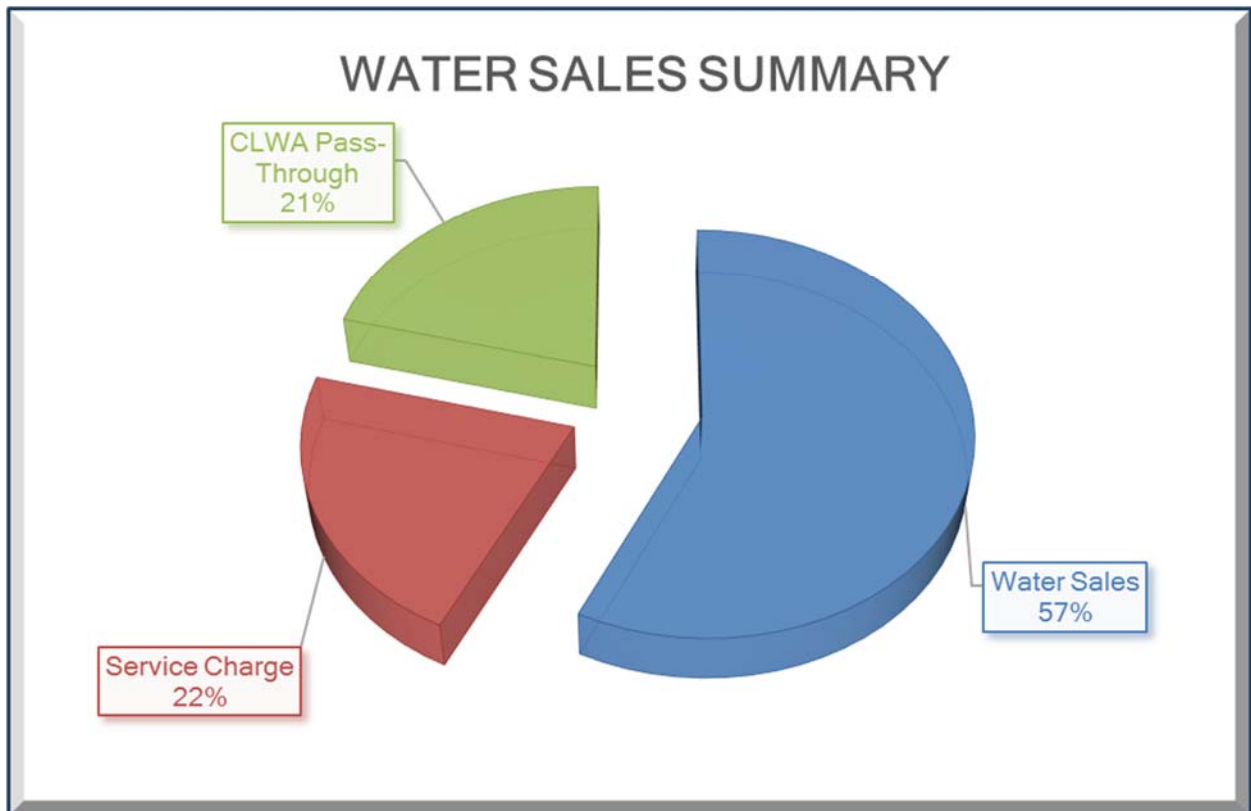
Unit sales represent approximately 57% of the water sales budget. Other revenue sources include: service charge (22%) and the CLWA pass through (21%). All customers are required to pay a fixed service charge based on meter size. Consistent with the District's previous rate design practices, the customer accounts category will continue to be recovered through the service charge as well as costs in the general and administrative category that would remain unaffected or for the most part, unchanged if there was a variation in the actual amount of water sales. For example, if the District were to experience a variation in actual water sales compared to expected water sales, insurance costs would remain unaffected.

The District is projected to purchase 3,766 acre-feet (1,100 acre-feet from the perchlorate settlement) of water from CLWA in FY 2016. The pass through calculation is established in District Resolution No. 2012-5.



WATER SALES BY CATEGORY

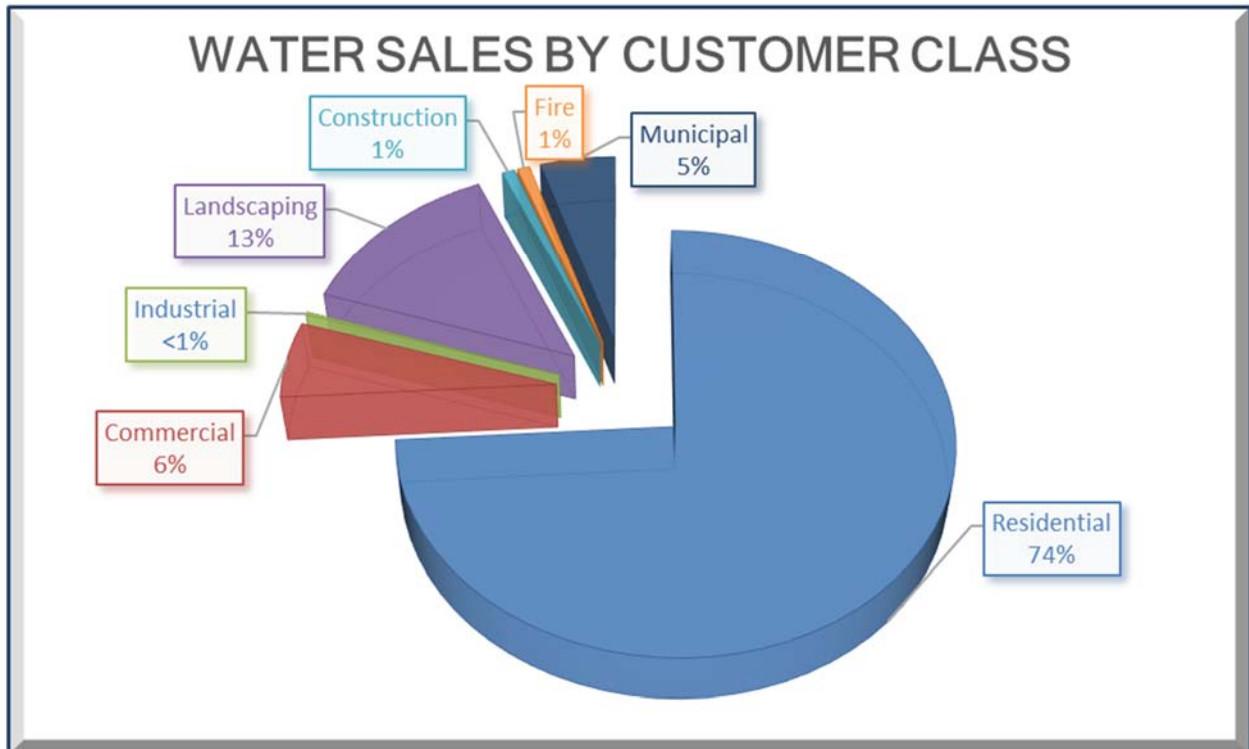
	FY 2015		FY 2016	Budget	Variance
	Budget	Projected	Budget	Variance	%
Water Sales:					
Water Sales	\$ 7,380,509	\$ 6,814,312	\$ 6,918,829	\$ (461,680)	-6.3%
Service Charge	2,542,323	2,658,003	2,621,410	\$ 79,087	3.1%
CLWA Pass-Through	2,464,367	2,102,446	2,538,939	\$ 74,572	3.0%
Total	\$12,387,199	\$11,574,761	\$12,079,178	\$ (308,021)	-2.5%





WATER SALES BY CUSTOMER CLASS

	Actual				Projected FY 2015	Budget FY 2016
	FY 2011	FY 2012	FY 2013	FY 2014		
Residential	\$ 7,365,192	\$ 7,825,060	\$ 8,364,823	\$ 9,444,680	\$ 8,566,597	\$ 8,939,920
Commercial	606,996	627,599	647,114	727,093	\$ 679,055	\$ 708,648
Industrial	25,253	24,446	25,128	27,479	\$ 24,498	\$ 25,566
Landscaping	1,208,466	1,360,969	1,677,739	1,934,368	\$ 1,561,288	\$ 1,629,328
Construction	57,854	73,860	96,196	104,702	\$ 93,158	\$ 97,218
Fire	80,108	84,014	96,032	100,349	\$ 92,970	\$ 97,021
Municipal	476,275	514,610	575,522	669,593	\$ 557,195	\$ 581,477
Total Water Sales	\$ 9,820,143	\$ 10,510,558	\$ 11,482,554	\$ 13,008,264	\$ 11,574,761	\$ 12,079,178





WATER UNIT HISTORY BY METER SIZE

Prior to FY 2011, the District used a 10 year rolling average of consumption by meter size to determine the water revenue and the amount of acre feet needed to be purchased from the wholesaler to serve the District's customers, but due to voluntary conservation and drought mandates, the average has significantly decreased. To be consistent with the updated Report on Revenue Requirements and Water Rates (establishing water rates for FY 2016-2020), the District is using the last recorded year nine months of actual consumption and three months projected consumption by meter size for the calculation. The District believes the drought conditions and level of conservation experienced will continue through FY 2016.

★ *Used for FY 2016 Budget*

		3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	2 1/2"	Total
		WS02	WS03	WS04	WS05	WS09	WS06	WS07	WS08	WS10	WS11	
FY 06	Use	2,313,079	415,273	179,729	954,233	241	157,217	105,986	224,615	86,936	28,771	4,466,080
	Aver Cust	7,656	801	122	254	1	18	11	11	3	26	8,903
	Use per Cust	302	518	1,473	3,757	241	8,734	9,635	20,420	28,979	1,107	502
FY 07	Use	2,532,789	475,626	218,904	1,079,917	186	169,173	77,365	233,798	88,362	93,547	4,969,667
	Aver Cust	7,840	815	128	331	1	18	10	11	3	28	9,185
	Use per Cust	323	584	1,710	3,263	186	9,399	7,737	21,254	29,454	3,341	541
FY 08	Use	2,430,074	449,564	227,087	1,076,176	209	158,243	76,585	229,494	69,101	20,664	4,737,197
	Aver Cust	7,999	827	134	408	1	19	10	10	3	27	9,438
	Use per Cust	304	544	1,695	2,638	209	8,329	7,659	22,949	23,034	765	502
FY 09	Use	2,351,365	450,003	224,826	1,056,842	123	142,598	70,378	233,485	88,532	19,927	4,638,079
	Aver Cust	8,043	831	135	412	1	30	18	14	3	24	9,511
	Use per Cust	292	542	1,665	2,565	123	4,753	3,910	16,678	29,511	830	488
FY 10	Use	2,081,248	391,635	197,872	902,342	155	124,781	64,971	206,078	57,243	14,337	4,040,662
	Aver Cust	8,076	833	137	414	1	17	10	10	3	20	9,521
	Use per Cust	258	470	1,444	2,180	155	7,340	6,497	20,608	19,081	717	424
FY 11	Use	2,045,062	379,317	195,847	932,645	127	128,147	65,042	195,360	55,240	10,645	4,007,432
	Aver Cust	8,125	833	140	414	1	16	10	10	3	19	9,571
	Use per Cust	252	455	1,399	2,253	127	8,009	6,504	19,536	18,413	560	419
FY 12	Use	2,135,875	399,241	207,608	881,887	129	137,737	68,259	185,311	68,398	15,462	4,099,907
	Aver Cust	8,157	836	142	414	1	17	11	11	3	21	9,613
	Use per Cust	262	478	1,462	2,130	129	8,102	6,205	16,846	22,799	736	426
FY 13	Use	2,201,860	415,041	221,739	963,212	303	139,987	70,699	186,073	65,010	26,608	4,290,532
	Aver Cust	8,175	835	143	417	1	17	11	11	3	20	9,633
	Use per Cust	269	497	1,551	2,310	303	8,235	6,427	16,916	21,670	1,330	445
FY 14	Use	2,238,787	431,751	219,285	1,037,155	349	137,117	75,206	188,724	38,822	31,892	4,399,088
	Aver Cust	8,183	839	144	424	1	18	10	10	3	22	9,654
	Use per Cust	274	515	1,523	2,446	349	7,618	7,521	18,872	12,941	1,450	456
FY 15	Use	1,905,986	381,335	198,432	864,748	466	110,853	65,455	163,105	27,012	23,579	3,740,971
3 mths	Aver Cust	8,188	830	147	431	1	21	10	12	3	19	9,662
	Use per Cust	233	459	1,350	2,006	466	5,279	6,546	13,592	9,004	1,241	387
10 Year Average												
2006-2015		281	512	1,536	2,663	269	7,699	7,023	19,009	21,913	1,224	in ccf



WATER RATES

Service Charge

Meter Size (in inches)	@ July 1, 2015 Monthly Rates
3/4	\$ 15.52
1	\$ 25.92
1 1/2	\$ 51.68
2	\$ 82.72
2 1/2	\$ 124.15
3	\$ 155.19
4	\$ 258.70
6	\$ 517.25
8	\$ 827.64
10	\$ 1,189.85
Fire Service	
2	\$ 22.07
4	\$ 70.21
6	\$ 132.79
8	\$ 207.73

Per Unit

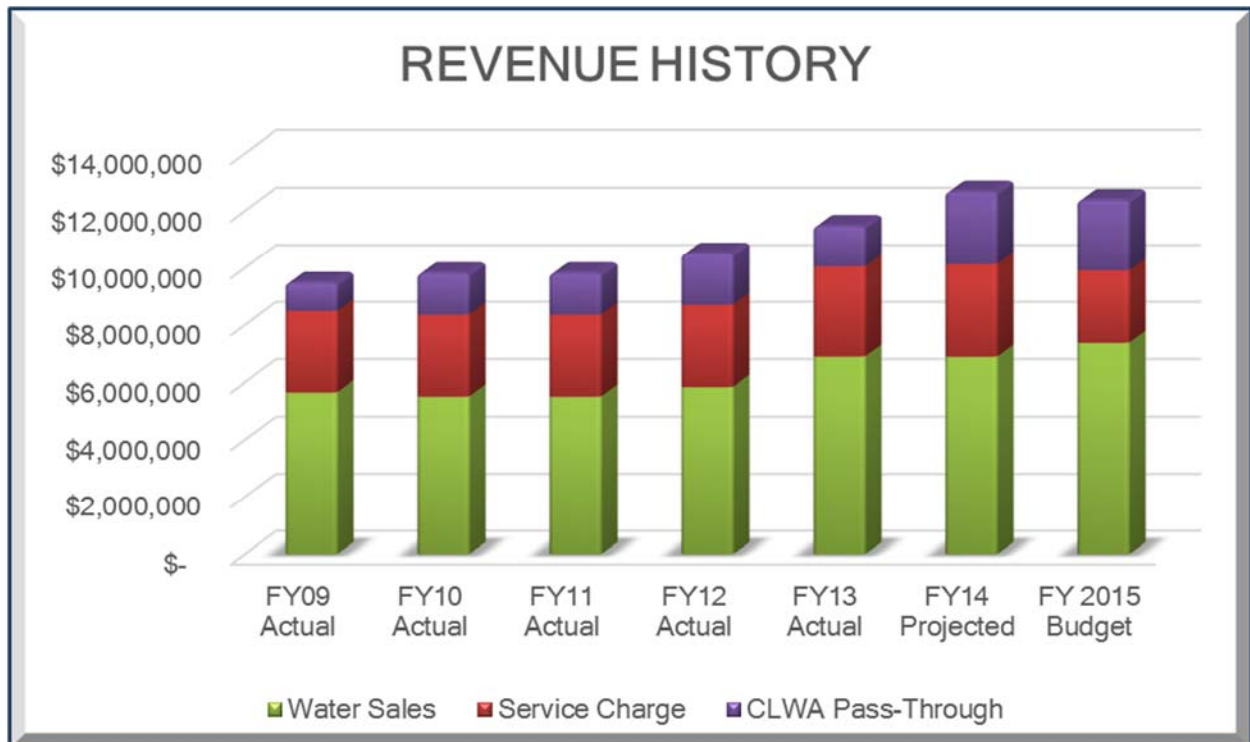
Commodity Rate (Uniform Volume)	\$1.8495
CLWA Pass-Through	\$0.6787

Unit = 748 gallons



REVENUE HISTORY

	Actual				Projected	Budget
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Water Sales	\$ 5,517,800	\$ 5,850,090	\$ 6,900,772	\$ 7,310,308	\$ 6,814,312	\$ 6,918,829
Service Charge	2,853,002	2,866,328	3,163,706	3,253,825	2,658,003	2,621,410
CLWA Pass-Thru	1,449,341	1,794,140	1,418,076	2,444,131	2,102,446	2,538,939
Total	\$ 9,820,143	\$ 10,510,558	\$ 11,482,554	\$ 13,008,264	\$ 11,574,761	\$ 12,079,178





RESOLUTION 2012-5

PURCHASED WATER PASS THROUGH

RESOLUTION NO. 2012-5

RESOLUTION OF THE BOARD OF DIRECTORS OF NEWHALL COUNTY WATER DISTRICT RESCINDING RESOLUTION 2003-17 AND AUTHORIZING THE PASS THROUGH OF THE INCREASED/DECREASED COST OF STATE WATER PROJECT WATER

WHEREAS, Castaic Lake Water Agency (“CLWA”) is the wholesale water provider and State Water Project (“SWP”) contractor in the Santa Clarita Valley; and

WHEREAS, Newhall County Water District (“District”) is a retail water provider in the Santa Clarita Valley and one of the major customers of CLWA; and

WHEREAS, in 1998, the District Board of Directors enacted Ordinance No. 111, amending Ordinance No. 104, to establish a procedure for the periodic adjustment of the Districts water rates, fees and charges; and

WHEREAS, in 2003, the District Board of Directors adopted Resolution No. 2003-17 to establish a process for the automatic pass through of increases/decreases in the cost of purchasing SWP water from CLWA based on the price per acre foot of water charged by CLWA and the projected amount of water to be purchased from CLWA during each year; and

WHEREAS, in 2008, the California Legislature enacted Government Code Section 53756 which, among other things, permits a water retailer to pass through increases in the wholesale charges for water, and establishes a process to implement such changes; and

WHEREAS, because Ordinance No. 111, at least in part, concerns the same subject matter as Government Code Section 53756, and could conflict with state law, the District Board of Directors has by Ordinance No. 114 rescinded Ordinance No. 111 effective May 13, 2012; and

WHEREAS, the overall cost of providing water service to District customers has continued to increase over and above the increased cost of purchasing SWP water and the District has, in compliance with all legal requirements, adopted Resolution No. 2012-4 implementing a new water rate structure for the three year period beginning July 1, 2012 and ending June 30, 2014; and

WHEREAS, with the adoption of the new water rate structure pursuant to Resolution No. 2012-4, Resolution No. 2003-17 is superseded and no longer needed; and

WHEREAS, pursuant to Government Code Section 53756, it is in the best interest of the District and its customers to provide for the automatic adjustment of the new water rate structure to pass through increases or decreases in the wholesale cost of water.



RESOLUTION 2012-5

PURCHASED WATER PASS THROUGH

NOW, THEREFORE, BE IT RESOLVED that, Resolution No. 2003-17 is hereby rescinded and of no further force and effect; and

FURTHER RESOLVED that, effective May 17, 2012, any change in the pricing structure of CLWA for wholesale water (excluding any changes in laboratory fees and charges) which results in an overall net increase or decrease in the total price per acre foot of purchased State Water Project water shall be automatically passed through to customers pro rata on the basis of volume of water consumed; and

FURTHER RESOLVED that, the adoption of this resolution and imposition of the expense pass through noted herein, involves no potential for adverse effect, either individually or cumulatively, on wildlife, including wild animals, plants, fish, amphibians, or related ecological communities, and as a result thereof no fee is payable to the Department of Fish and Game pursuant to *Fish and Game Code Section 711.4*; and

FURTHER RESOLVED that, the *California Environmental Quality Act* (“CEQA”) does not apply to the matters referred to in this resolution in that it relates to an adjustment to existing water rates and charges, the proceeds of which are for the purpose of meeting the District’s operating expenses and other financial needs and requirements of the District; and

FURTHER RESOLVED that, in order to implement the pass-through authorized herein, the General Manager is hereby authorized and directed to make appropriate changes to the District’s Policies, Rules and Regulations and Appendix B therein, based on the changes noted on Exhibit “A” attached hereto.

FURTHER RESOLVED that, the General Manager and staff are hereby further authorized and directed to take such other and further action as may be necessary and appropriate to implement the substance and purposes of this resolution immediately.

PASSED AND ADOPTED this 17th day of May 2012, by the Board of Directors of the Newhall County Water District, Resolution 2012-5 was adopted by the following vote:.

AYES: Directors Atkins, Gutzeit, Mortensen, Plambeck

NOES: Directors Colley

ABSTAIN: Directors None

MARIA GUTZEIT, President of the
Board of Directors of the
NEWHALL COUNTY WATER DISTRICT

ATTEST:

Stephen L. Cole, General Manager
NEWHALL COUNTY WATER DISTRICT

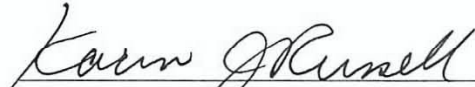


RESOLUTION 2012-5

PURCHASED WATER PASS THROUGH

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss.

I, KARIN J. RUSSELL, Secretary of the Newhall County Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No.2012-5, of the Board of Directors of Newhall County Water District adopted at a Regular Meeting held on May 17, 2012, and that the same has not been amended or repealed.



 Karin J. Russell, Secretary,
 Newhall County Water District

DATED: May 17, 2012



RESOLUTION 2012-5

PURCHASED WATER PASS THROUGH

Exhibit "A"

POLICIES, RULES AND REGULATIONS

- A. Changes to the District's Policies, Rules and Regulations: Section 8.3.9 is hereby deleted and the following Section 8.3.9 is inserted in place thereof:

8.3.9 Pass-through of Increased/Decreased Cost of Castaic Lake Water Agency Wholesale Purchased Water:

As provided in Resolution No. 2012-5, duly adopted by the Board of Directors on May 17, 2012, any increase/decrease in the cost of purchased water from CLWA shall be passed through directly to District customers as a rate adjustment per Government Code Section 53756. Such pass through shall be automatically passed through to customers pro rata on the basis of volume of water consumed in accordance with the illustrative formula as set forth in Appendix B.

- B. Changes to Appendix B: Paragraph 6 is hereby deleted and the following Paragraph 6 is inserted in place thereof:

6. CLWA Purchased Water Pass-through: [Per Section 8.3.9]

All commodity charges include pass-through calculations for purchased wholesale water. The pass-through charges are based on current estimates of future costs, and in accordance with Government Code Section 53756, are subject to change based on the actual costs.

PASS THROUGH FORMULA

Price per Acre Foot (AF) increase from \$ _____ to \$ _____	=	\$ _____
Projected Total Water Consumption for Fiscal Year (FY) in ccf (from adopted budget)		_____

Determination of the pass through for increased cost of CLWA Purchased Water

Increase per Acre Foot (from \$ _____ to \$ _____)		\$ _____
Projected AF to be purchased in FY from CLWA	x	_____
Additional CLWA charges	+	_____
Amount needed from rates	=	\$ _____
True-Up formula amount	+/-	\$ _____
 Total	 =	 \$ _____
 Divide by Projected Total Water Consumption for FY	 /	 _____
Pass through increase/(decrease) per ccf	=	\$ _____



RESOLUTION 2012-5

PURCHASED WATER PASS THROUGH

EXAMPLE CALCULATION FOR FY XX-XX: (2013-14)

Price per Acre Foot (AF) increase from \$ 507 to \$ 540	= \$ 33
Projected Total Water Consumption for Fiscal Year (FY) in ccf (from adopted budget)	3,935,420

Determination of the pass through for increased cost of CLWA
Purchased Water

Increase per Acre Foot (from \$ 507 to \$ 540)	\$ 33
Projected AF to be purchased in FY from CLWA	x 3,287
Additional CLWA charges	+
Amount need from rates	= \$ 108,471
True-Up formula amount (see below)	+/- \$ (23,108)
 Total	 = \$ 85,363
 Divide by Projected Total Water Consumption for FY	 / 3,935,420
Pass through increase/(decrease) per ccf	= \$ 0.022

TRUE-UP CALCULATION

Actual Total Water Consumption in ccf's from FY XX-XX	
Pass Through amount per ccf for FY XX-XX	x \$
Total pass through collected in FY XX-XX	= \$
Actual purchased water costs incurred in FY XX-XX	- \$
Additional CLWA charges	+ \$
Amount over/(under) collected	= \$

EXAMPLE CALCULATION FOR FY XX-XX: (2012-13)

Actual Total Water Consumption in ccf's from FY XX-XX (12-13)	4,000,000
Pass Through amount per ccf for FY XX-XX (12-13)	x \$ 0.310
Total pass through collected in FY XX-XX (12-13)	= \$ 1,240,000
Actual purchased water costs incurred in FY XX-XX (12-13)	- \$ 1,216,892
Additional CLWA charge	+ \$ -
Amount over/(under) collected	= \$ 23,108



RESOLUTION 2012-5

PURCHASED WATER PASS THROUGH

The pass through calculation is not needed in FY 2016 due to the adoption of Resolution No. 2015-8 that established rates for FY 2016. The calculation below will be used for future years.

PASS THROUGH FORMULA

Price per Acre Foot (AF) increase from \$ _____ to \$ _____	=	
Projected Total Water Consumption for Fiscal Year (FY) in ccf (from adopted budget)		

Determination of the pass through for increased cost of CLWA
Purchased Water

Increase per Acre Foot (from \$ _____ to \$ _____)		
Projected AF to be purchased in FY from CLWA	x	
Sub Total	=	
Additional CLWA charges (Perchlorate & Fixed Costs)	+	
Amount needed from rates	=	
True-Up formula amount	+/-	
 Total	 =	
Divide by Projected Total Water Consumption for FY	/	
Pass through increase/(decrease) per ccf	=	



EXPENDITURE SUMMARY

Source of Supply

The source of supply category represents 26% of the total Expense Budget and shows an increase of 3.0% from FY 2015. The reason for the increase is due to the scheduled rate increase for purchased water from CLWA. This category also includes labor and materials to maintain the District wells, as well as labor and maintenance to the well structures and surrounding well site.

Pumping

The pumping category represents 18% of the total Expense Budget and shows an increase of 7.5% from FY 2015. The reason for the increase is pumping energy costs due to an increase in Southern California Edison rates. This category provides funds for the cost of power to the District's wells, booster stations, and sewer lift stations. This category also provides funds for labor and maintenance of the District's pumping equipment, structures, Cla-Val's, and SCADA.

Water Treatment

The water treatment category represents 4% of the total Expense Budget and shows an increase of 0.7% from FY 2015. The primary increase in this category is due to additional chemicals needed to treat the increased production of well water. This category provides funds for costs associated with bacteriological sampling and special analysis as noted in Title 22, as well as State Water Resources - Division of Drinking Water fees for the Newhall, Castaic, Pinetree, and Tesoro service areas. This category also includes labor and maintenance for the District's treatment facilities and purchase of chemicals, salt, etc. necessary for the water treatment operations.

Transmission & Distribution

The transmission and distribution category represents 5% of the total Expense Budget and shows a decrease of 7.6% from FY 2015. The primary reason for the decrease is due to a reduction in the maintenance of mains account. Several pipelines that have shown failures in the past have been replaced. This category provides funds for labor and maintenance of the District's reservoirs, mains, sewer collection system, services, and hydrants.

Customer Accounts

The customer accounts category represents 7% of the total Operating Budget and shows a slight increase of 1.6% from FY 2015. The primary reason for the increase is due to additional meter maintenance and changes in postage for mailing of water bills. This category provides funds for labor and supervision for billing, collecting, connects, disconnects, investigations, meter reading and applications. It also includes funds for the outsourcing of printing and mailing water bills, meter reconstruction, testing, repairs and calibrations.



EXPENDITURE SUMMARY

Other Operating

The other operating category represents 7% of the total Expense Budget and shows a slight decrease of 1.0% from FY 2015. This category provides funds for the cost of the employee uniforms, tools and supplies for the shop/yard, gasoline and diesel, drafting and mapping labor and material, safety supplies and equipment, labor and maintenance for the shop and yard, maintenance and repair to the District's vehicle fleet, and general supervision.

General and Administrative

The general and administrative category represents 33% of the total Expense Budget. A detailed listing of these expenses is shown on page 121. There is a 5.6% increase from FY 2015. The primary costs attributable to the increase is the cost associated with the bi-annual Board of Director election, electronic fees and charges for processing customer bills and software maintenance agreements. This category includes such items as director's fees, office supplies, computer software, supplies and contracts, community and employee relations, liability insurance, litigation and general legal costs, professional services, conferences and seminars, professional development, training, conservation, and other general office expenses.

The safety needs of the District's customers and employees and compliance with regulatory agencies are of utmost importance to the District and these costs are considered necessary expenses. Some of the general and administrative expenses are more discretionary than others, such as insurance or regulatory fees, which are mandatory; whereas the District may be better able to control other expenses such as training or business meetings to some extent.

Labor and Benefits

District personnel are spread amongst the categories where they are assigned to work. In each category, a percentage of the employee benefits is calculated and added to those categories. There was a less than 1.0% increase in labor and benefits from FY 2015. The increase is attributable to a 1.0% employee performance allowance and merit increases. It is noted the District's workers' compensation expense modification factor remains at a very low level of .85. The budget includes funding for labor and benefits for 31 full-time employees and 5 Board members. There are no employees projected to be added in FY 2016.

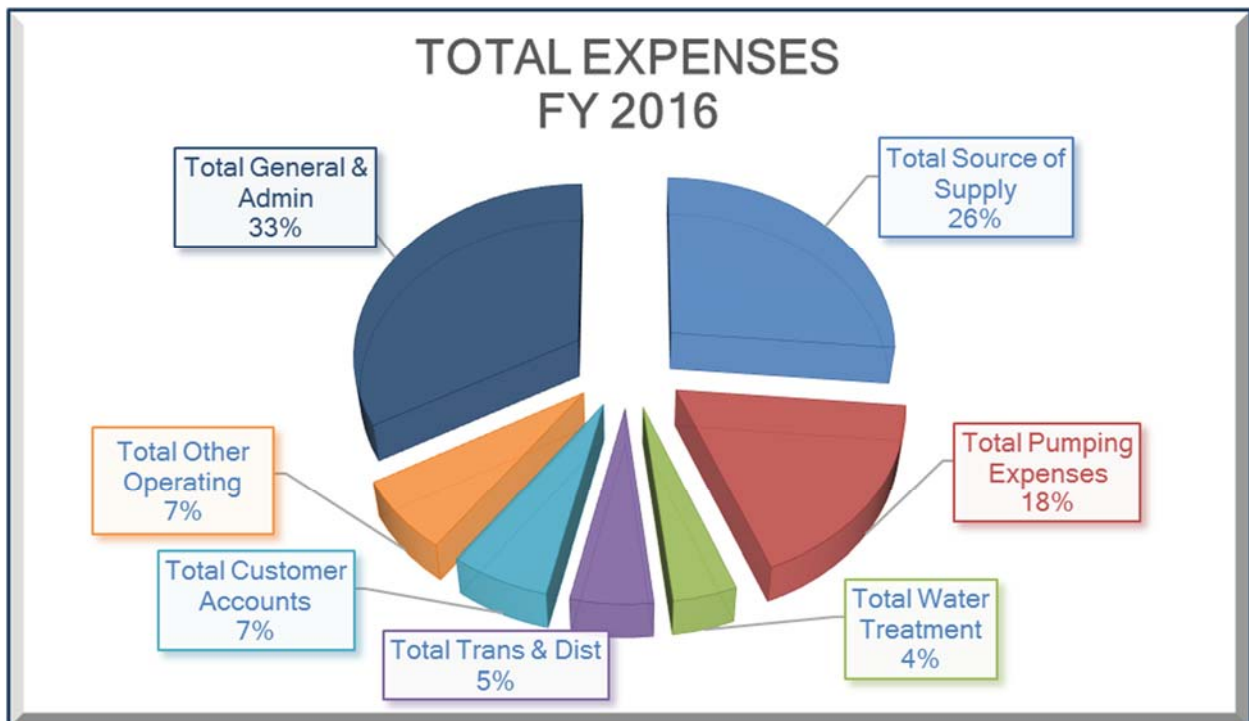
Strategic Planning

The Board of Directors approves the strategic goals and objectives. Departments then incorporate these into their budgets to ensure adequate funds are available for implementation.



EXPENDITURE SUMMARY

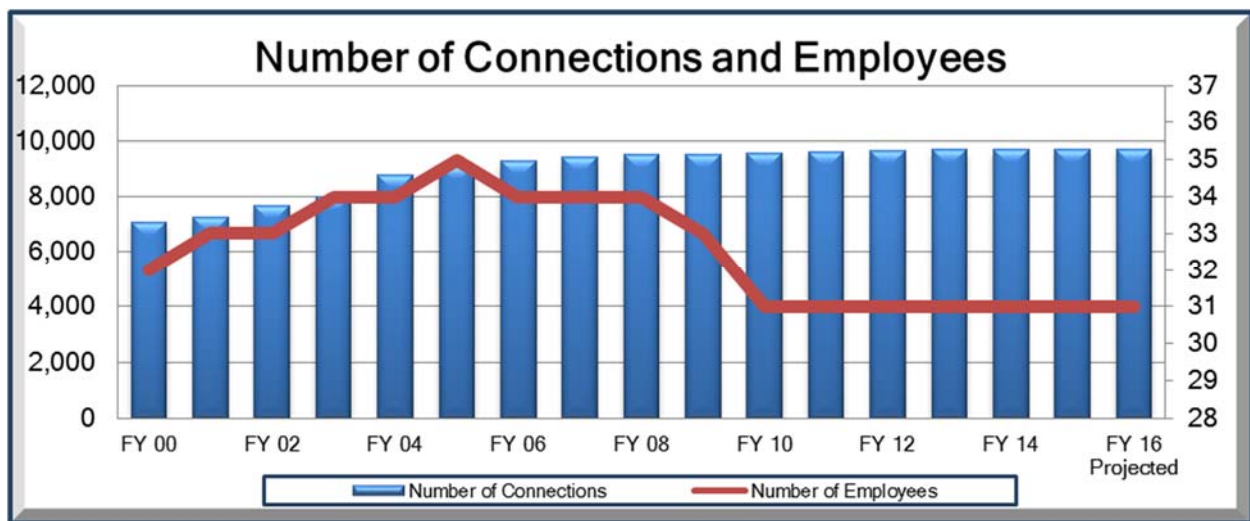
	FY 2014	FY 2015		FY 2016	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Total Source of Supply	\$2,634,484	\$2,498,801	\$2,414,458	\$ 2,574,876	\$ 76,075	3.0%
Total Pumping Expenses	1,547,971	1,596,812	1,740,627	1,716,450	119,638	7.5%
Total Water Treatment	368,991	403,472	407,144	406,184	2,712	0.7%
Total Transmission & Dist	555,625	570,278	570,961	526,728	(43,550)	-7.6%
Total Customer Accounts	607,679	624,705	676,392	634,422	9,717	1.6%
Total Other Operating	689,742	679,438	663,975	672,784	(6,654)	-1.0%
Total General & Admin	2,821,820	3,053,755	2,805,199	3,225,488	171,733	5.6%
Total Expenses	\$9,226,312	\$9,427,261	\$9,278,756	\$ 9,756,932	\$ 329,671	3.5%





WAGES AND BENEFITS

	FY 2014 Actual	FY 2015 Budget	FY 2015 Projected	FY 2016 Budget
Wages	\$ 2,414,801	\$ 2,434,273	\$ 2,564,308	\$ 2,474,917
Benefits				
Pension	356,089	364,398	402,747	365,159
Employee Assistance Program	1,300	1,093	1,078	1,093
Worker's Compensation	106,759	107,040	94,946	95,839
Health Insurance	393,983	423,114	412,868	419,435
Dental Insurance	65,156	66,517	63,131	62,272
Vision Insurance	6,553	6,752	6,711	6,752
Life Insurance	10,174	10,649	10,153	14,089
Payroll Taxes	189,248	176,050	186,519	180,098
Longevity	24,019	22,000	16,829	27,000
Other Post Employment Benefits (GASB 45)	53,669	72,322	72,322	74,458
Total Benefits	1,206,950	1,249,935	1,267,304	1,246,195
Total Wages and Benefits	3,621,751	3,684,208	3,831,612	3,721,112
Less CIP Wages and Benefits				
Wages	225,391	215,764	221,712	218,585
Benefits Allocation	112,650	110,795	109,570	110,058
	338,041	326,559	331,282	328,643
Operating Wages and Benefits	\$ 3,283,710	\$ 3,357,649	\$ 3,500,330	\$ 3,392,469



Doing More, With Less



DISTRICT POSITION COUNT

Summary Count by Year	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
	31	31	31
<u>Administration</u>			
General Manager	1	1	1
Director of Finance/Administration	1	1	1
Accounting Manager	1	1	1
Executive Assistant	1	1	1
Information Systems Specialist	1	1	1
Customer Service & Water Efficiency Coordinator	1	1	1
Accounting Clerk II	1	1	1
Warehouse Technician	1	1	1
Customer Service Office Rep & Operations Assistant	1	1	1
Customer Service Office Rep	2	2	2
	<hr/>	<hr/>	<hr/>
	11	11	11
<u>Operations</u>			
Director of Operations	1	1	1
Superintendent	1	1	1
Water Quality Specialist	1	1	1
Engineering Technician	1	1	1
Water System Supervisor	3	3	3
Customer Service Field Rep I	1	1	0
Customer Service Field Rep II	1	1	2
Water Production/Quality Tech I	0	0	0
Water Production/Quality Tech II	3	3	3
Water System Worker I	4	4	3
Water System Worker II	4	4	5
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	20	20	20
 Total	 31	 31	 31



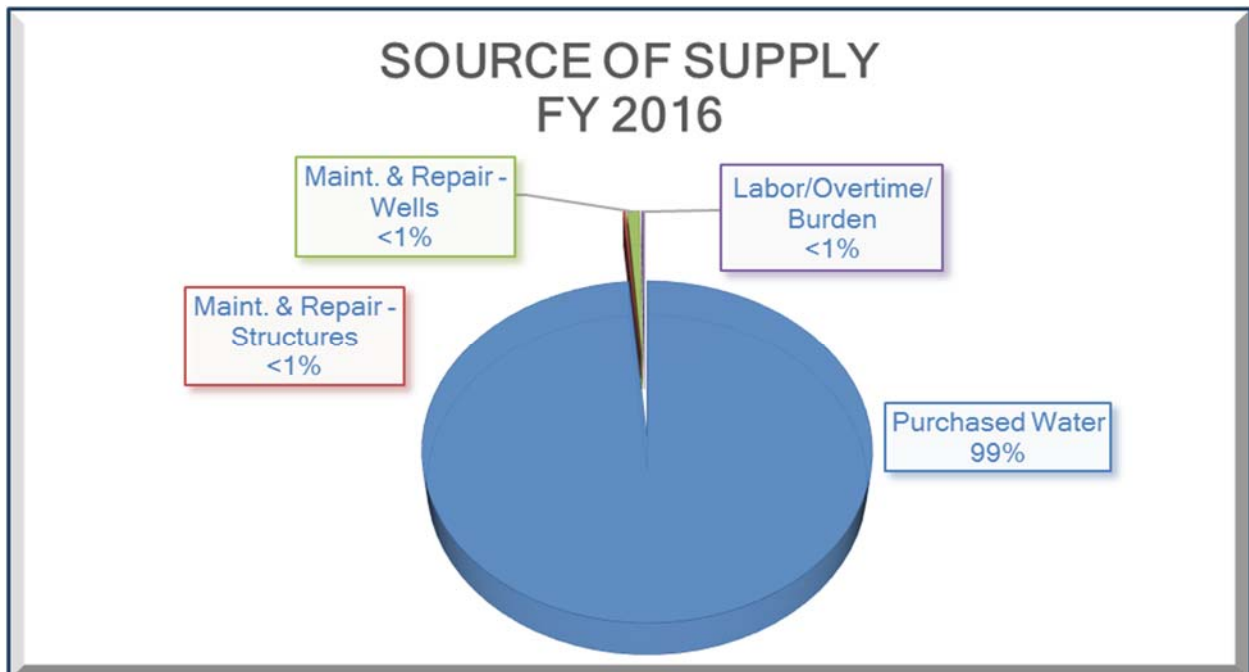
OPERATING EXPENSES

SOURCE OF SUPPLY

	FY 2014	FY 2015		FY 2016	Budget Variance	Variance %
	Actual	Budget	Projected	Budget		
Purchased Water	\$2,581,147	\$2,464,366	\$2,395,117	\$2,538,939	\$ 74,573	3%
Maint. & Repair - Structures	14,137	5,150	1,965	5,150	-	0%
Maint. & Repair - Wells	20,735	25,000	7,036	25,000	-	0%
Labor/Overtime/Burden	18,464	4,285	10,340	5,787	1,502	35%
Source of Supply Total	\$2,634,482	\$2,498,801	\$2,414,458	\$2,574,876	\$ 76,075	3%

Significant Changes - Over/Under 10% Change and more than \$10,000

NONE



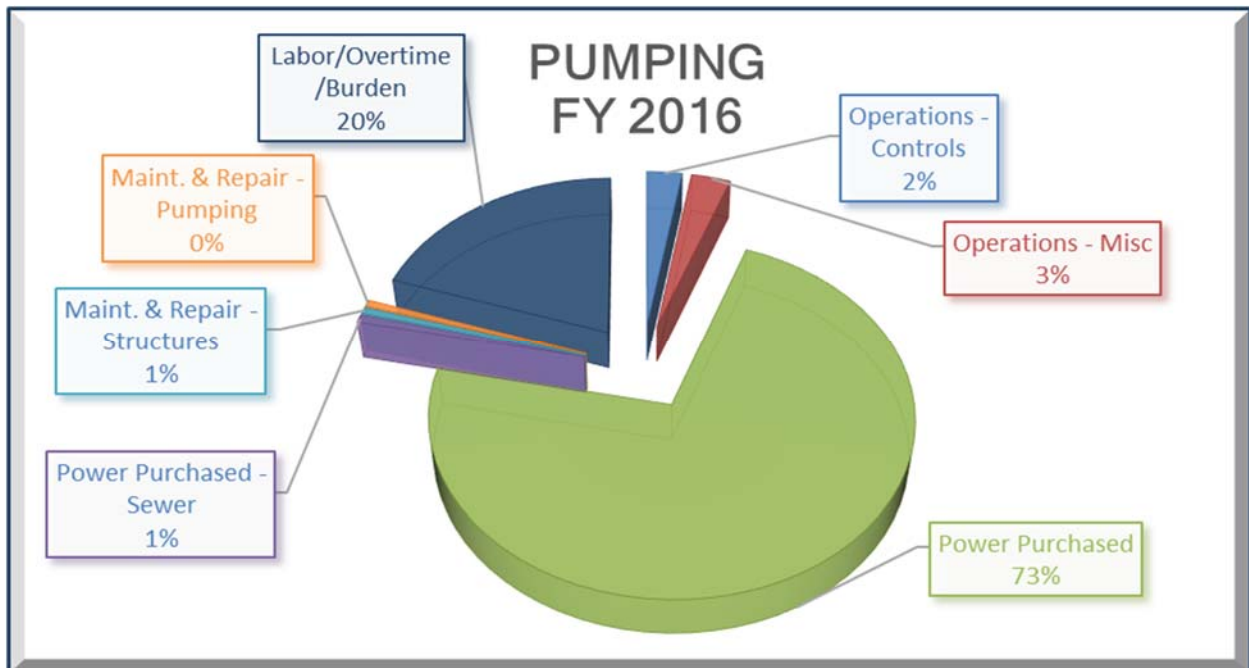


OPERATING EXPENSES

PUMPING

	FY 2014	FY 2015		FY 2016	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Operations - Controls	\$ 34,018	\$ 35,000	\$ 22,881	\$ 45,000	\$ 10,000	29%
Operations - Misc	36,575	48,000	79,748	50,000	2,000	4%
Power Purchased	1,040,731	1,143,640	1,242,383	1,250,000	106,360	9%
Power Purchased - Sewer	9,233	14,000	9,791	12,500	(1,500)	-11%
Maint. & Repair - Structures	21,146	15,000	428	10,000	(5,000)	-33%
Maint. & Repair - Pumping	9,137	15,000	8,516	10,000	(5,000)	-33%
Labor/Overtime/Burden	397,131	326,172	376,880	338,950	12,778	4%
Pumping Total	\$1,547,971	\$1,596,812	\$1,740,627	\$1,716,450	\$ 119,638	7%

Significant Changes - Over/Under 10% Change and more than \$10,000
Operations - Controls: Additional cost projected for SCADA maintenance





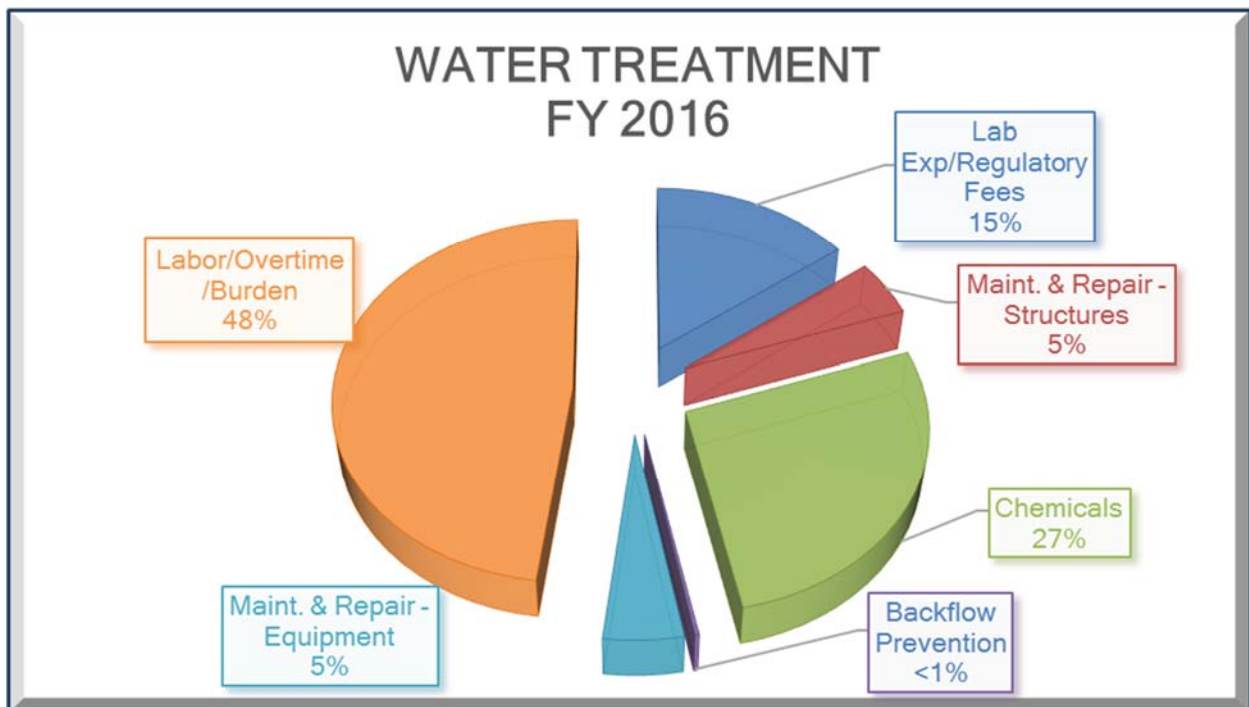
OPERATING EXPENSES WATER TREATMENT

	FY 2014	FY 2015		FY 2016	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Lab Exp/Regulatory Fees	\$ 59,516	\$ 72,500	\$ 53,369	\$ 60,000	\$ (12,500)	-17%
Maint. & Repair - Structures	22,876	15,000	27,404	20,000	5,000	33%
Chemicals	111,702	97,850	114,793	110,000	12,150	12%
Backflow Prevention	(259)	1,000	2,593	1,000	-	0%
Maint. & Repair - Equipment	47,422	25,000	7,299	20,000	(5,000)	-20%
Labor/Overtime/Burden	127,733	192,122	201,687	195,184	3,062	2%
Water Treatment Total	\$ 368,990	\$ 403,472	\$ 407,144	\$ 406,184	\$ 2,712	1%

Significant Changes - Over/Under 10% Change and more than \$10,000

Lab Exp/Regulatory Fees: A reduction in sampling requirements are projected in FY 2016

Chemicals: Additional chemicals projected to maintain water quality





OPERATING EXPENSES TRANSMISSION & DISTRIBUTION

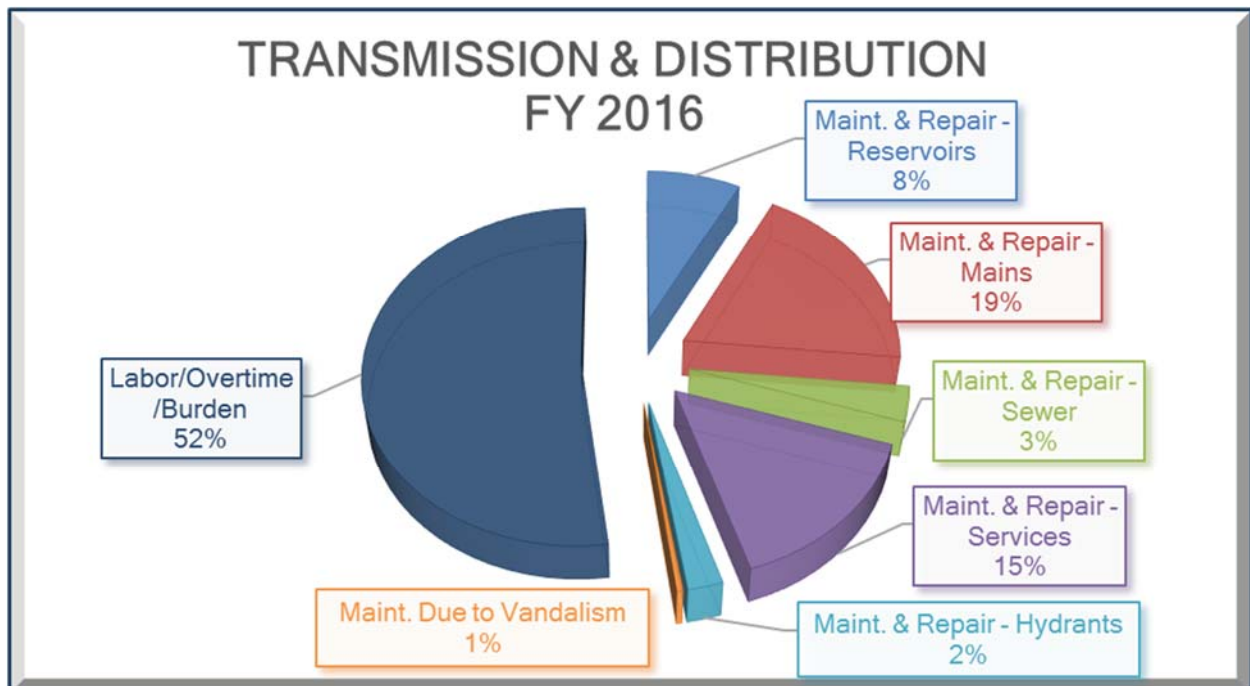
	FY 2014	FY 2015		FY 2016	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Maint. & Repair - Reservoirs	\$ 22,636	\$ 50,000	\$ 14,385	\$ 40,000	\$ (10,000)	-20%
Maint. & Repair - Mains	125,962	123,600	80,767	100,000	(23,600)	-19%
Maint. & Repair - Sewer	15,668	27,500	3,919	17,500	(10,000)	-36%
Maint. & Repair - Services	68,788	82,500	69,743	80,000	(2,500)	-3%
Maint. & Repair - Hydrants	9,225	10,000	12,665	12,500	2,500	25%
Maint. Due to Vandalism	239	2,500	1,071	2,000	(500)	-20%
Labor/Overtime/Burden	313,107	274,178	388,411	274,728	550	0%
Trans & Distrib Total	\$ 555,625	\$ 570,278	\$ 570,961	\$ 526,728	\$ (43,550)	-8%

Significant Changes - Over/Under 10% Change and more than \$10,000

Maint. & Repair - Reservoirs: Projected reduction to maintenance of reservoir structures

Maint. & Repair - Mains: Major pipelines have been replaced through the Capital Improvement Program resulting in reduced maintenance costs

Maint. & Repair - Sewer: Bi-annual maintenance not scheduled for FY 2016



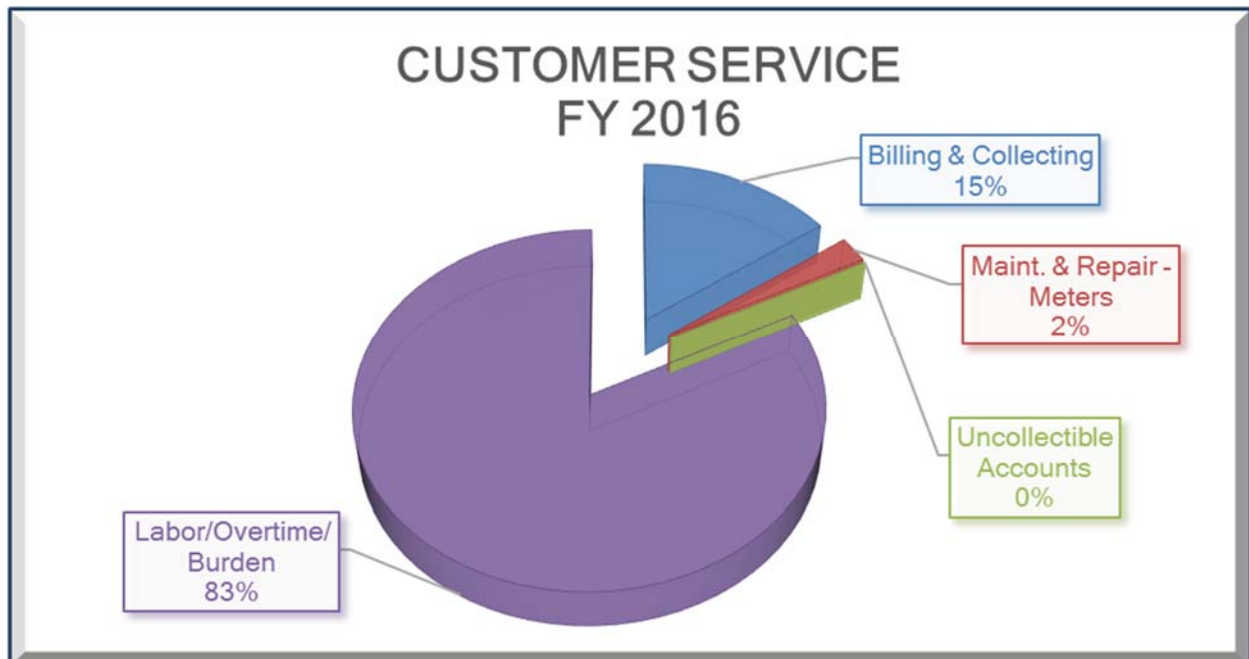


OPERATING EXPENSES CUSTOMER SERVICE

	FY 2014	FY 2015		FY 2016	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Billing & Collecting	\$ 88,673	\$ 92,500	\$ 96,528	\$ 95,000	\$ 2,500	3%
Maint. & Repair - Meters	9,583	9,000	30,863	15,000	6,000	67%
Uncollectible Accounts	312	500	(2,224)	-	(500)	-100%
Labor/Overtime/Burden	509,112	522,705	551,225	524,422	1,717	0%
Customer Accounts Total	\$ 607,679	\$ 624,705	\$ 676,392	\$ 634,422	\$ 9,717	2%

Significant Changes - Over/Under 10% Change and more than \$10,000

NONE





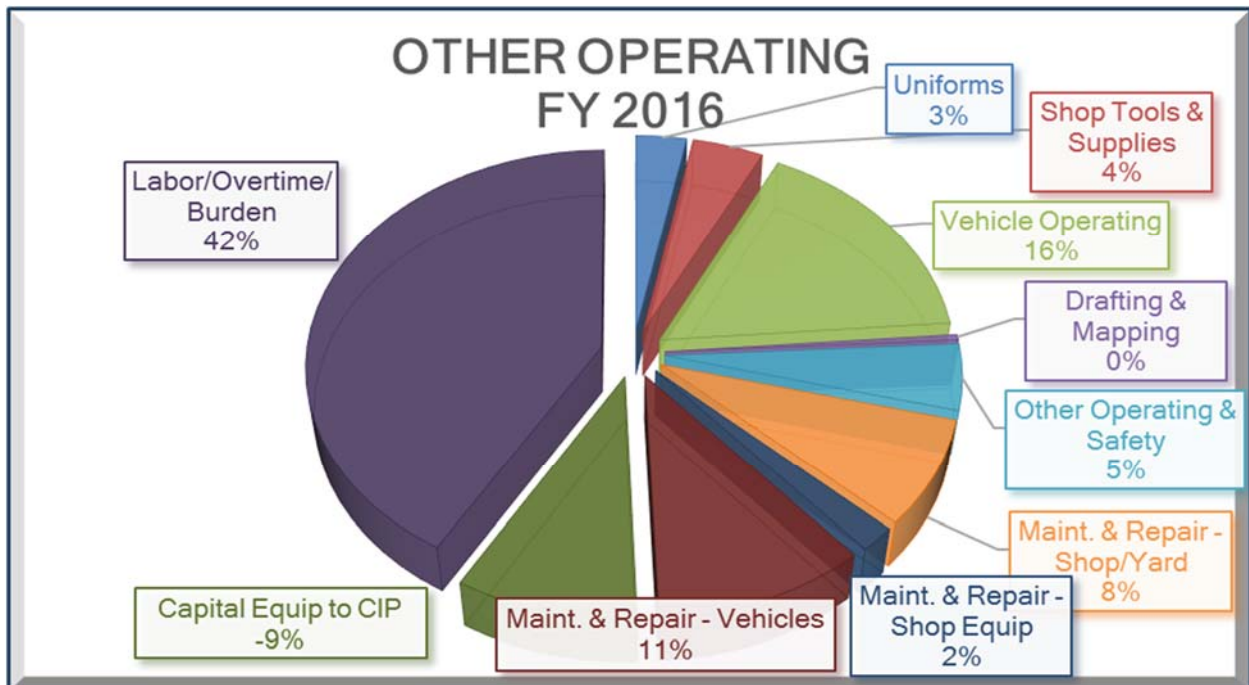
OPERATING EXPENSES OTHER OPERATING

	FY 2014	FY 2015		FY 2016	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Uniforms	\$ 27,415	\$ 25,000	\$ 28,263	\$ 25,000	\$ -	0%
Shop Tools & Supplies	36,721	35,000	21,776	35,000	-	0%
Vehicle Operating	123,669	145,000	122,198	135,200	(9,800)	-7%
Drafting & Mapping	7,626	3,500	1,509	3,390	(110)	-3%
Other Operating & Safety	45,451	40,000	41,921	40,000	-	0%
Maint. & Repair - Shop/Yard	76,174	46,350	67,525	65,000	18,650	40%
Maint. & Repair - Shop Equip	13,029	15,000	11,266	15,000	-	0%
Maint. & Repair - Vehicles	93,767	87,550	78,034	87,550	-	0%
Equipment Rentals	1,026	2,000	2,549	-	(2,000)	-100%
Capital Equip to CIP	(91,989)	(60,000)	(92,442)	(75,000)	(15,000)	25%
Labor/Overtime/Burden	356,852	340,038	381,376	341,644	1,606	0%
Other Operating Total	\$ 689,742	\$ 679,438	\$ 663,975	\$ 672,784	\$ (6,654)	-1%

Significant Changes - Over/Under 10% Change and more than \$10,000

Maint. & Repair - Shop/Yard: Repairs projected at modular operations facility

Capital Equip to CIP: Due to a reduction in the Capital Improvement Program budget, there is a corresponding decrease to this account





OPERATING EXPENSES

GENERAL & ADMINISTRATION

	FY 2014	FY 2015		FY 2016	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Director Fees	\$ 15,300	\$ 15,000	\$ 19,950	\$ 19,000	\$ 4,000	27%
Office Expense	38,959	35,000	42,952	40,000	5,000	14%
Computer Software & Supply	10,646	7,500	16,288	15,000	7,500	100%
Community/Emp Relations	16,113	18,000	15,029	17,500	(500)	-3%
Insurance - Liability	190,558	200,000	188,960	196,240	(3,760)	-2%
Earthquake/Flood Insurance	77,744	80,000	83,195	83,000	3,000	4%
Litigation	116,950	120,000	147,913	125,000	5,000	4%
Perchlorate Litigation	17,373	30,000	28,781	30,000	-	0%
Prof Service - Legal	178,737	180,000	142,915	170,000	(10,000)	-6%
Prof Service - Accounting	64,842	50,000	39,296	50,000	-	0%
Prof Service - Engineering	44,828	100,000	45,712	95,000	(5,000)	-5%
Prof Service - Public Outreach	41,372	72,000	35,322	70,000	(2,000)	-3%
Local Government Affairs	33,450	25,000	28,003	27,500	2,500	10%
Prof Develop - Education	4,390	-	-	-	-	0%
Conferences/Seminars	12,845	18,000	17,695	18,000	-	0%
Special Projects - Board Appr.	-	35,000	26,674	35,000	-	0%
Prof Develop - Training	26,413	30,000	37,212	35,000	5,000	17%
Memberships	38,931	46,350	49,481	47,500	1,150	2%
Computer Contracts	57,453	80,000	75,765	90,000	10,000	13%
Travel/Hotel	19,529	22,500	18,234	22,500	-	0%
Conservation/BMP	79,531	100,000	48,657	100,000	-	0%
Drought Related Expenses	-	-	34,634	-	-	0%
Miscellaneous Expense	109,806	105,000	142,761	140,000	35,000	33%
Utilities	86,945	84,000	94,610	90,000	6,000	7%
Maint. & Repair - Office	46,900	47,250	43,695	70,000	22,750	48%
Maintenance - Office Equip	7,336	15,000	9,364	12,500	(2,500)	-17%
Election Expense	124,031	-	-	85,000	85,000	100%
Overhead Allocation	(200,466)	(160,000)	(221,181)	(170,000)	(10,000)	6%
Labor/Overtime/Burden	1,561,305	1,698,155	1,593,282	1,711,748	13,593	1%
General & Admin Total	\$2,821,820	\$3,053,755	\$2,805,199	\$3,225,488	\$ 171,733	5.6%



OPERATING EXPENSES GENERAL & ADMINISTRATION

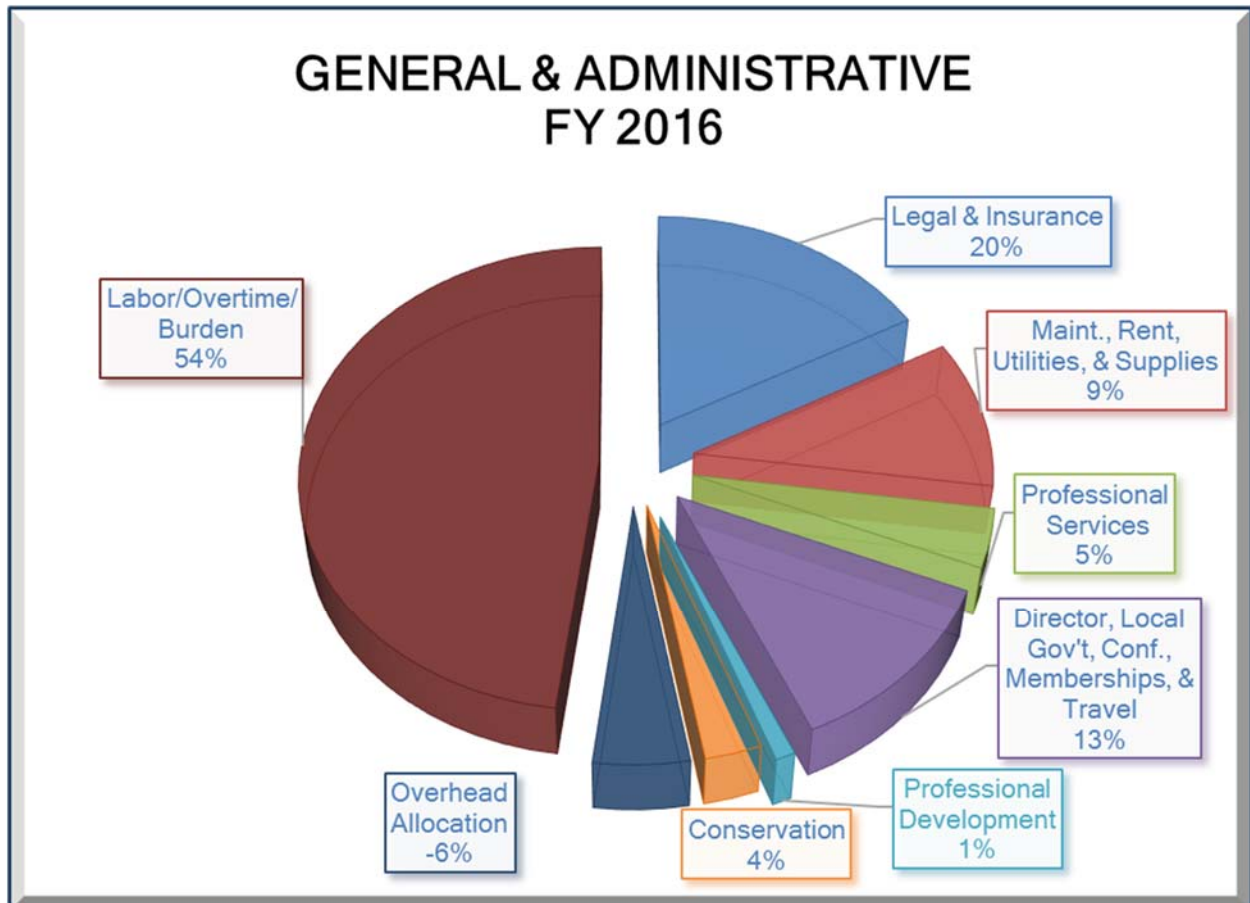
Significant Changes - Over/Under 10% Change and more than \$10,000

Computer Contracts: Due to the addition of software packages, there are added costs for annual maintenance contracts

Miscellaneous Expense: This account includes bank fees, including the fees for electronic customer payment collection. Costs will increase as customers are added to this service.

Maint. & Repair - Office: Additional maintenance scheduled at Administration Building

Election Expense: This is the cost for the bi-annual Board of Director's election



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BOARD OF DIRECTORS

MISSION STATEMENT

The District's mission is to provide quality water service at a reasonable cost by practicing careful stewardship of natural resources, utilizing innovative measures, and providing a quality-working environment.



*B.J. Atkins
President*



*Maria Gutzeit
Vice President*



*Kathy Colley
Director*



*Daniel R. Mortensen
Director*

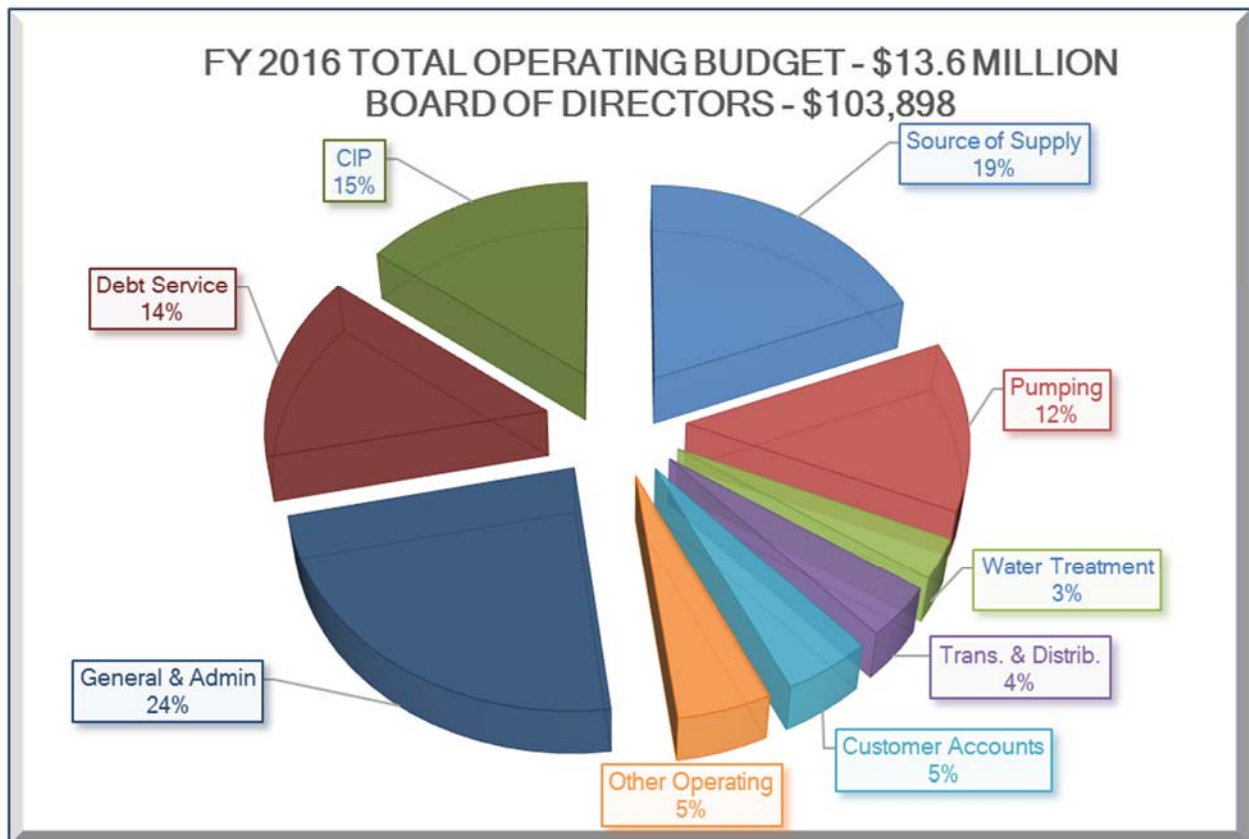


*Lynne Plambeck
Director*



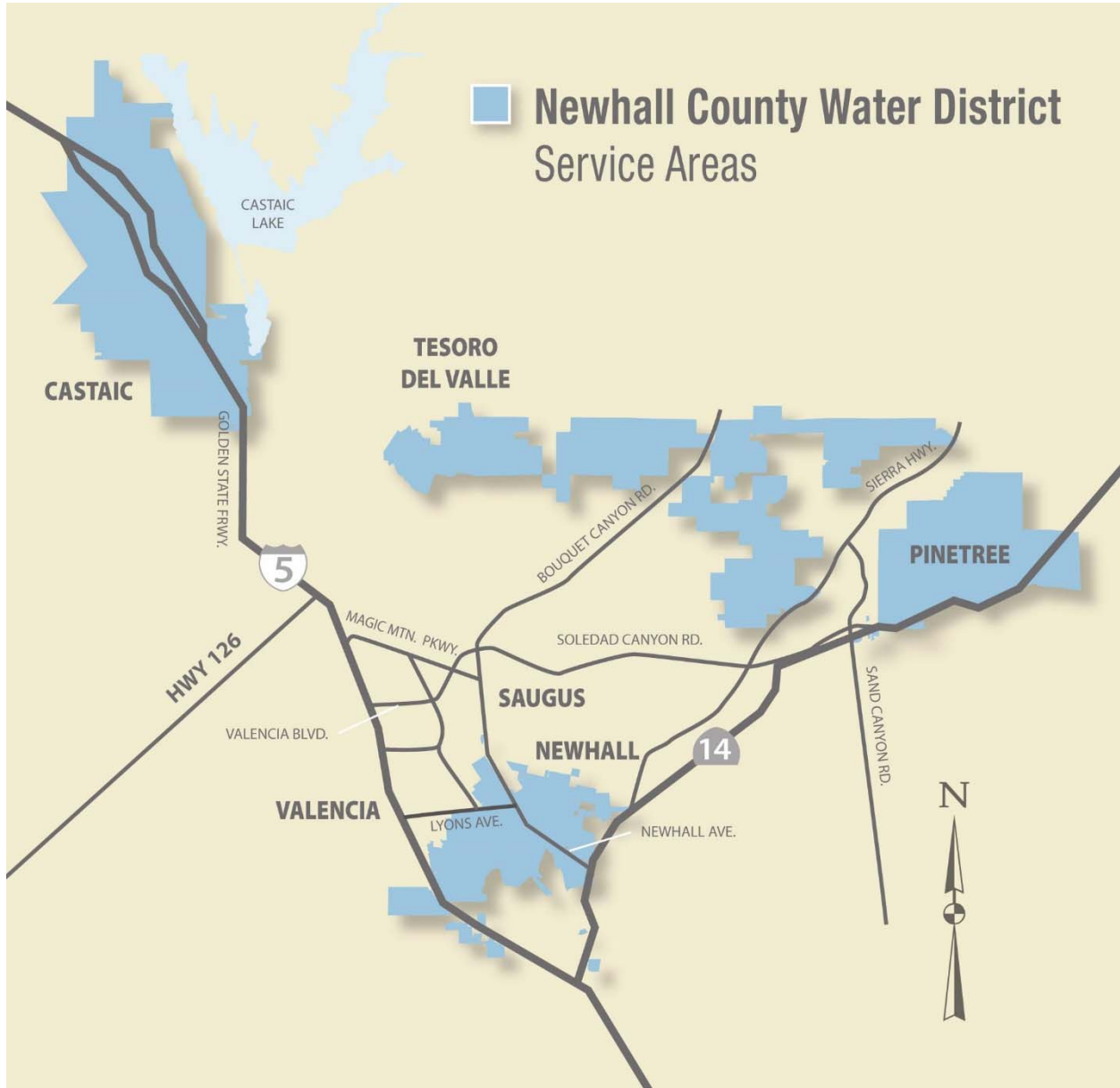
BOARD OF DIRECTORS

	FY 2014	FY 2015		FY 2016
	Actual	Budget	Projected	Budget
Directors Fees	\$ 15,300	\$ 13,800	\$ 15,600	\$ 19,000
Benefits	53,454	61,819	58,799	64,648
Travel and Meetings	17,586	19,369	16,411	20,250
TOTAL	\$ 86,340	\$ 94,988	\$ 90,810	\$ 103,898





DISTRICT BOUNDARY



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CAPITAL IMPROVEMENT PROGRAM



CAPITAL IMPROVEMENT PROGRAM

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CAPITAL IMPROVEMENT PROGRAM

INTRODUCTION

INTRODUCTION

The Capital Improvement Program (CIP) concentrates on the development of a long-range framework in which physical projects may be planned while at the same time implementing projects within the District's financial capabilities. The comprehensive program is prepared for the ensuing five years and is based upon the requirements of the District customers for many types of public improvements. Each department is responsible for submitting all project requests and estimates to the General Manager for review and approval for recommendation to the Board of Directors.

PURPOSE

The primary purpose of the Capital Improvement Program includes:

- Development of long-range framework in which physical projects are planned, evaluated and presented in an order sequence
- Coordination of the capital related projects of District departments to ensure equitable distributions of projects with regard to the needs of the District customers
- Timing of related projects and the fiscal ability of the District to undertake projects
- Assistance of the District staff and Board of Directors in the determination of project requests
- Funding with regard to short and long-range plans
- Provision of information regarding planned capital projects to the residence of the Newhall County Water District.

DEFINITIONS

Capital Improvement: Any major expenditure on physical assets, which generally falls into one of the following categories: land and non-structural improvements; new reservoir, booster or well facilities; major repairs; and major equipment.

Capital Improvement Project: Accounts for the acquisition, construction, and maintenance of the District's physical assets. Capital assets are land, structures, equipment, and intellectual property, including associated planning and design work related directly to an individual project. Capital assets are identified in the Asset Capitalization Policy and exclude items that are acquired during the normal course of operations, such as operating material and supplies to maintain existing assets. A Capital Improvement Project generally exceeds \$5,000 and has a useful life of one (1) year or more.

Capital Improvement Budget: A list of projects, together with cost amounts and sources of funds for the coming fiscal year, regardless of project status. Including, the acquisition cost of a capital asset, its purchase price and all other costs incurred to bring it to a form and location suitable for its intended use.

METHODOLOGY

Projects included in the Capital Improvement Program were derived from needs assessments performed by District staff. Departments submitted projects that encompassed both the improvement of the District's physical needs as well as the improvement of the particular programs and services they provide to the customers of the District. Using a CIP justification form, each department estimated the project's cost, gave an explanation and justification of the project, identified costs, which would span five years, and identified any annual impact on the operating budget. After initial compilation, the projects were organized. The Finance Department assisted the General Manager in the assessment and priority ranking of projects for Board of Director consideration. After the Board of Director review and approval, funded projects are implemented.

THE CAPITAL IMPROVEMENT PROGRAM AND SHARED PLANNING

It is important for the District to coordinate the timing of its capital projects with the City of Santa Clarita (City) and other agencies in an effort to avoid duplication, which will save the cost of inefficiencies. For example, pipeline projects are coordinated with the City, when possible, to minimize the amount of asphalt repair costs.

CIP FUND DEVELOPMENT

The District provides water service to an estimated population of over 45,000, which is expected to increase nominally by the end of FY 2020. The equivalent dwelling unit (EDU) growth rate has projected no new units in FY 2016. The EDU is the demand created by a typical single-family dwelling requiring a 3/4" water meter with a 1" service line. A business creates a demand equivalent to several single-family dwellings, thus the term equivalent dwelling unit. Presently, our projected 9,715 customer accounts (excludes fire service accounts) equate to a projected 14,166 EDUs.

The District has proactively been replacing infrastructure over the past decade. Including many large-scale projects such as well, reservoir and pipeline replacements. In total, the District has reinvested \$43,122,729 in infrastructure replacement over the last 16 years. On average, \$2,695,171 has been installed annually.

The FY 2016 CIP plan includes two large replacement projects accounting for 51% of the budget. Recondition at the District's disinfection facilities are planned and major pipeline replacements will be completed in Newhall Service Area. The justification for each project includes labeling as an asset replacement, rehabilitation, new capital, technology investment, or upgrade.

FINANCIAL PROJECTIONS

The financial projections used to develop the CIP are based on staff's best prediction of future needs of the District facilities. These financial projections are jointly developed by the Operations and Finance/Administration Departments. They are updated annually to reflect changes in the economic environment.

For FY 2016, the CIP plan is financially balanced. This means the plan identifies the sources of revenue to complete the project list. There are years when the District has “carryover” capital funds. Due to timing of completion of certain projects there may be funds remaining at the end of the fiscal year. Those funds are transferred to the Renewal & Replacement (R&R) Fund and are used to complete the remaining projects. To maintain the present system and to be prepared to serve future customers requires the District to invest \$10,015,000 in capital assets in the next five years. The FY 2016 Capital Budget is \$1,980,000. The District is responsible for providing water service to the public, including the construction of needed improvements or infrastructure. The District must furnish and maintain capital facilities and equipment.

Future financial constraints make it challenging for the District to fund every project on its priority list. Therefore, implementation timetables are established to stagger projects over time based on the District’s strategic goals and the estimated financial resources expected for the future. As projects are completed and placed into service, there may be an impact on the Operating Budget by increasing cost in the areas of maintenance, energy or chemicals. Of the projects to be completed in FY 2016, the impact on the Operating Budget is negligible (decrease of \$802) and is presented on page C-12.

The CIP projects for FY 2016 are considered routine capital expenditures and will have a minor to no impact on the operating budget. Of the projects identified, there are no projects considered new capital.

As shown in the Debt Maturity graph (page 96), the District will retire a substantial amount of debt in FY 2018. This will give the District flexibility in funding future projects through the realization of reduced debt expense and move towards pay-as-you-go financing for CIP projects.

PROJECT RANKING & PRIORITIZATION

The District evaluates each potential Capital Project based on nine (9) criteria to determine priority and ranking of all projects requested in the CIP. The criteria’s are:

- Department Priority - the ranking provided by the project’s originating/supervising department out of all potential projects for that department and project type
- Ongoing Operating Impact - the annual recurring impact to the operations budget of the District as estimated by the originating department
- Consistency with Strategic Planning/Vision - measures the fit with the District’s mission, vision, goals and objectives, including assets exceeding their useful life
- Disaster Prevention - provides a means of mitigating District loss or injury, or provides a means of minimizing the areas or situations affected by a disaster
- Environmental Impact - the factors which a construction project would have on the environment
- Federal/State Mandates - the requirement of Federal or State law(s), which will be met by the project
- Inter-Governmental Cooperation or Public/Private Potential - project provides opportunity for funding contributions or shared resources
- Funding Availability/Viability - the fund balance available now or in the future for the allocation of project costs over time and critical need

- Available Grant Funds - the relative amount of grant funding from all sources available with reasonable certainty in order to offset project costs

This plan represents a comprehensive and direct statement of the physical asset policies of the District. The program has great significance in that it touches the life of each person we service through the provision of health, safety and infrastructure. By their nature, capital assets impose incremental costs of use and ownership in the future, requiring use of public funds.

Newhall County Water District's CIP serves to:

- Build and maintain capital infrastructure economically
- Complete projects on schedule and within budget
- Provide for an annual update on the CIP schedule
- Allow for additions of projects and adjustments due to changing priorities
- Work with the City of Santa Clarita and other agencies to prioritize projects
- Address community needs
- Coordinate department resources and equipment
- Effectively communicate the justification, description and costs of projects
- Identify funding sources, capital and ongoing expenditures for all projects
- Allow sufficient time to identify project funding

Only projects that meet the definition of a capital improvement project are included in the CIP. Capital improvements are defined as physical assets, constructed or purchased, generally exceeding \$5,000 and has an expected useful life of one (1) year or more. Each year, the capital plan is not reconstructed; it is reviewed and updated to reflect changes in the physical or economic environment. This technique assists the District with its planning process and setting long-term capital goals.

LINKING THE CAPITAL PLAN TO THE VISION

Planning for capital improvements is a matter of prudent financial management as well as a sound development plan. The extent to which an infrastructure improvement meets the strategic plan and vision for the future of the District is a crucial factor in determining priority of the overall plan. Projects are linked to the District's core values and vision of its strategic plan.



KEY CIP PROJECTS

The FY 2016 CIP project list contains 11 projects. The cost of the work planned is \$1,980,000. The following shows how the \$1,980,000 of projects are broken down by category and location.

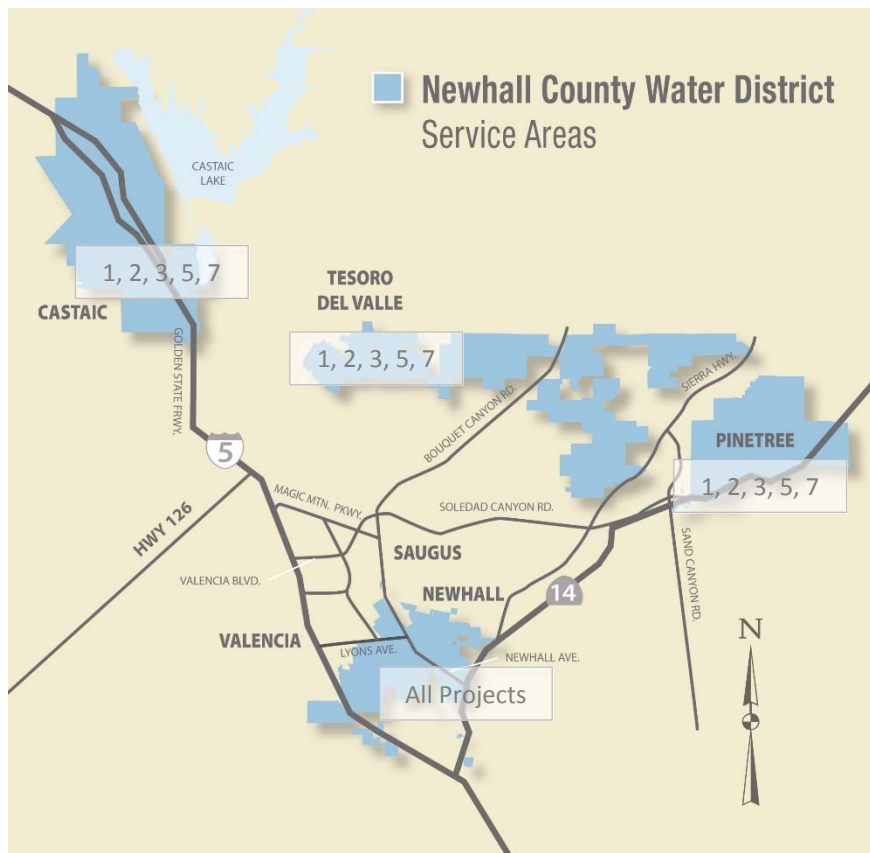
There are five categories:

- | | |
|----------------------|---------------------------|
| 1. Asset Replacement | 4. Technology Investments |
| 2. Rehabilitation | 5. Upgrades |
| 3. New Capital | |

The Five-Year CIP and FY 2016 Capital Budget is consistent with the needs of the District and the strategic plan goals.

CIP PROJECTS

- | | |
|----------------------------------|----------------------|
| 1. General Facility Replacements | 7. SCADA Upgrades |
| 2. Meter Replacements | 8. Office Equipment |
| 3. Appurtenance Replacements | 9. Software Upgrades |
| 4. Equipment Replacements | 10. GIS Upgrades |
| 5. Pump & Motor Replacements | 11. CMMS Software |
| 6. Pipeline Replacements | |





FY 2015 CIP ACCOMPLISHMENTS

Newhall Avenue Pipeline

In FY 2015, the District completed construction on phase two and three of the pipeline replacement project on Newhall Avenue. This project converted zone 1 to zone 2 and replaced over 2,100 feet of ductile iron pipe. Portions of this pipe were half-century-old and had a propensity to develop leaks.

Project Budget **\$ 975,000**

Project Cost

Direct Purchases	\$ 481,230
Materials & Supplies	184,689
District Labor	133,524
District Equipment	44,611
Overhead Allocation	<u>50,309</u>
TOTAL	<u>\$ 894,363</u>



Pipeline Replacement - Newhall Avenue

Meter Replacement Program

Meters that have exceeded their operational recommendation for usage and meter transceiver unit's (MXU) that are out of warranty are being replaced as part of the Meter Replacement Program. Several large meter replacements are included in this project. Residential and large meters have a tendency to register slower as they age, which has an impact on the District's revenue. In FY 2015, 352 meters, size ¾" to 2" and seven large meters, size 4" to 10" have been replaced.



Large Meter Replacement - Valle del Oro

Project Budget **\$ 275,000**

Project Cost (Projected)

Direct Purchases	\$ 1,445
Materials & Supplies	213,923
District Labor	34,458
District Equipment	4,069
Overhead Allocation	<u>15,234</u>
TOTAL	<u>\$ 269,129</u>



CIP FUNDING SOURCE AND CATEGORY

The success of the Capital Improvement Program depends on the close coordination of the physical plan with a financial plan. Projects may be financed through regular funds such as the Operating Fund, which frequently are insufficient for very large Capital Improvement Projects and which must compete with recurring operating requirements. It has become practical to pay for some very large Capital Improvements on a pay-as-you-go basis. The Renewal and Replacement (R&R) Fund was established for this purpose.

Operating Fund

The Operating Fund is the general fund of the District and serves as the primary reporting vehicle for current operations. The Operating Fund, by definition, accounts for all current financial resources not required by law or to be accounted for in another fund. The major sources of revenue for the Operating Fund include water sales, property taxes, communication leases and fire service revenue.

Renewal and Replacement (R&R) Fund

The R&R Fund is used for the acquisition, construction, and maintenance of the District's physical plant. The fund includes any projected master plan fees and the amount of cash transferred from the Operating Fund utilized to complete the construction of the projected CIP projects. Accumulating money uniformly over time prior to the actual need for replacements provides a way to shave the peak costs, and spread all the cost more evenly over a period of time.

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL
Operations	1,180,000	1,701,638	1,840,000	2,215,000	2,165,000	9,101,638
R&R Fund Transfer	800,000	113,362	-	-	-	913,362
AVAILABLE	\$ 1,980,000	\$ 1,815,000	\$ 1,840,000	\$ 2,215,000	\$ 2,165,000	\$ 10,015,000
Deferred	-	-	-	-	-	-
TOTAL	\$ 1,980,000	\$ 1,815,000	\$ 1,840,000	\$ 2,215,000	\$ 2,165,000	\$ 10,015,000
Asset Replacement	\$ 1,692,000	\$ 1,410,000	\$ 1,310,000	\$ 1,410,000	\$ 1,485,000	\$ 7,307,000
Rehabilitation	-	250,000	425,000	500,000	275,000	1,450,000
New Capital	-	-	-	200,000	325,000	525,000
Upgrades	-	-	-	-	-	-
Technology	288,000	155,000	105,000	105,000	80,000	733,000
TOTAL	\$ 1,980,000	\$ 1,815,000	\$ 1,840,000	\$ 2,215,000	\$ 2,165,000	\$ 10,015,000



CAPITAL IMPROVEMENT PROGRAM

ASSET REPLACEMENT

Description	Area	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
1 General Facility Replacements	D, R	\$ 447,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
2 Meter Replacements	D, R	275,000	275,000	275,000	275,000	275,000
3 Appurtenance Replacements	D, R	90,000	90,000	50,000	90,000	90,000
4 Pump & Motor Repair & Replacements	D, R	100,000	100,000	80,000	100,000	100,000
5 Equipment Replacements	D, R	224,000	95,000	55,000	95,000	170,000
6 Pipeline Replacements	D, R	556,000	750,000	750,000	750,000	750,000
Total Asset Replacements		1,692,000	1,410,000	1,310,000	1,410,000	1,485,000

REHABILITATION

Description	Area	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Newhall Well No. 12	N		250,000			
Pinetree Well No. 4	P			150,000		
Pinetree Reservoir 3	P					275,000
Castaic Reservoir No. 1D	C				500,000	
Newhall Reservoir 2	N			275,000		
Total Rehabilitation		-	250,000	425,000	500,000	275,000

NEW CAPITAL

Description	Area	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Castaic Tank 1	C					75,000
Market Street Booster Station	N				200,000	250,000
Total New Capital		-	-	-	200,000	325,000

TECHNOLOGY INVESTMENTS

Description	Area	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
7 SCADA	D, R	125,000	75,000	50,000	50,000	25,000
8 Office Equipment	D, R	46,000	50,000	25,000	25,000	25,000
9 Software Upgrades	D, R	32,000	10,000	10,000	10,000	10,000
10 Geographic Information System	D, R	25,000	20,000	20,000	20,000	20,000
11 CMMS Software	D	60,000				
Total Technology		288,000	155,000	105,000	105,000	80,000

UPGRADES

Description	Area	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total Upgrades		-	-	-	-	-
		\$ 1,980,000	\$ 1,815,000	\$ 1,840,000	\$ 2,215,000	\$ 2,165,000

Five Year Total \$ 10,015,000

N - Newhall, C - Castaic, P - Pinetree, D - District Wide, R- Re-Occurring



RECURRING CIP PURCHASES

The District's Capital Projects can be categorized as recurring or non-recurring. The recurring projects are included in the Capital Improvement Program yearly and follow a regular replacement schedule. Non-recurring projects are categorized as new construction or new additions to District facilities. In FY 2015, the total District recurring projects amounted to \$1,920,000 or nearly 100% of the total FY 2015 CIP budget.

<u>Item No.</u>	<u>Description</u>	<u>Amount</u>
1	General Facility Replacements	\$ 447,000
2	Meter Replacements	275,000
3	Appurtenance Replacements	90,000
4	Equipment Replacements	224,000
5	Pump & Motor Repair & Replacements	100,000
6	Pipeline Replacements	556,000
7	SCADA	125,000
8	Office Equipment	46,000
9	Software Purchases	32,000
10	Geographic Information Systems	25,000
FY 2016 Total Recurring Purchases		<u>\$ 1,920,000</u>



CIP JUSTIFICATION EXPENDITURES

The impact of capital project operating costs on the annual budget requires careful consideration. Operating costs are a fundamental element of the District's Capital Improvement Program and the overall budget development process. One of the purposes of a budget document is to describe the impact of significant non-routine capital expenditures on a government's current and future operating budgets. For most municipal and county governments, non-routine capital improvements consist of expansion of facilities, which often result in higher operating costs. The District's CIP is different in two respects. First, almost all of the District's projects involve rehabilitation or upgrades of already existing infrastructure and equipment, and secondly, the District is not projecting to expand any facilities.

Reliable operating cost estimates are necessary from the onset of each budget cycle, as the District must determine specific ongoing expenses it will incur once a project has been completed. Similar to prior years, the FY 2016 CIP projects consist of asset replacements and technology investments. The projects presented have met their useful life and require replacement and no expected operational savings or increases have been projected other than noted below.

ASSET REPLACEMENT

Description	Area	Just	Cat	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
1 General Facility Replacements	D, R	R/B	O	\$ -	\$ -	\$ -	\$ -	\$ -
2 Meter Replacements	D, R	R/B	O	(13,952)	(14,867)	(15,764)	(16,227)	(16,537)
3 Appurtenance Replacements	D, R	R/B	O	-	-	-	-	-
4 Pump & Motor Repair & Replacements	D, R	R/B	O/E	(2,610)	(2,480)	(2,356)	(2,238)	(2,126)
5 Equipment Replacements	D, R	R/B	O	(6,240)	(5,200)	(4,160)	(3,120)	(2,080)
6 Pipeline Replacements	D, R	R/B	O	-	-	-	-	-
Total Asset Replacements				(22,802)	(22,547)	(22,280)	(21,585)	(20,743)

REHABILITATION

Description	Area	Just	Cat	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Newhall Well No. 12	N	B	O/E	-	-	(11,887)	(11,293)	(10,728)
Pinetree Well No. 4	P	B	O/E	-	-	-	-	(5,944)
Pinetree Reservoir 3	P	B	O	-	-	-	-	-
Newhall Reservoir 1C	N	B	O	-	-	-	-	-
Castaic Reservoir No. 1D	C	B	O	-	-	-	-	-
Newhall Reservoir 2	N	B	O	-	-	-	-	-
Total Rehabilitation				-	-	(11,887)	(11,293)	(10,728)

NEW CAPITAL

Description	Area	Just	Cat	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Market Street Booster Station	N	E/R	O/E	-	-	-	36,026	37,107

TECHNOLOGY INVESTMENTS

Description	Area	Just	Cat	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
7 SCADA	D, R	B	O/E	12,500	12,500	12,500	12,500	12,500
8 Office Equipment	D, R	B/R	O	3,000	3,000	3,000	3,000	3,000
9 Software Upgrades	D, R	B	O	500	500	500	500	500
10 Geographic Information System	D, R	B	O	6,000	6,000	6,000	6,000	6,000
11 CMMS Software	D	B/R	O	-	11,000	11,000	11,000	11,000
Total Technology Upgrades				22,000	33,000	33,000	33,000	33,000

Total Operating Budget Cost Impacts \$ (802) \$ 10,453 \$ (1,167) \$ 36,148 \$ 38,636

N - Newhall, C - Castaic, P - Pinetree, D - District Wide, R - Re-Occurring

Just - Justification - Some projects have multiple justifications

Cat - Category - The category in which the new costs will impact

E - Expansion

O - Operations & Maintenance

B - Betterment

E - Energy

R - Replacement

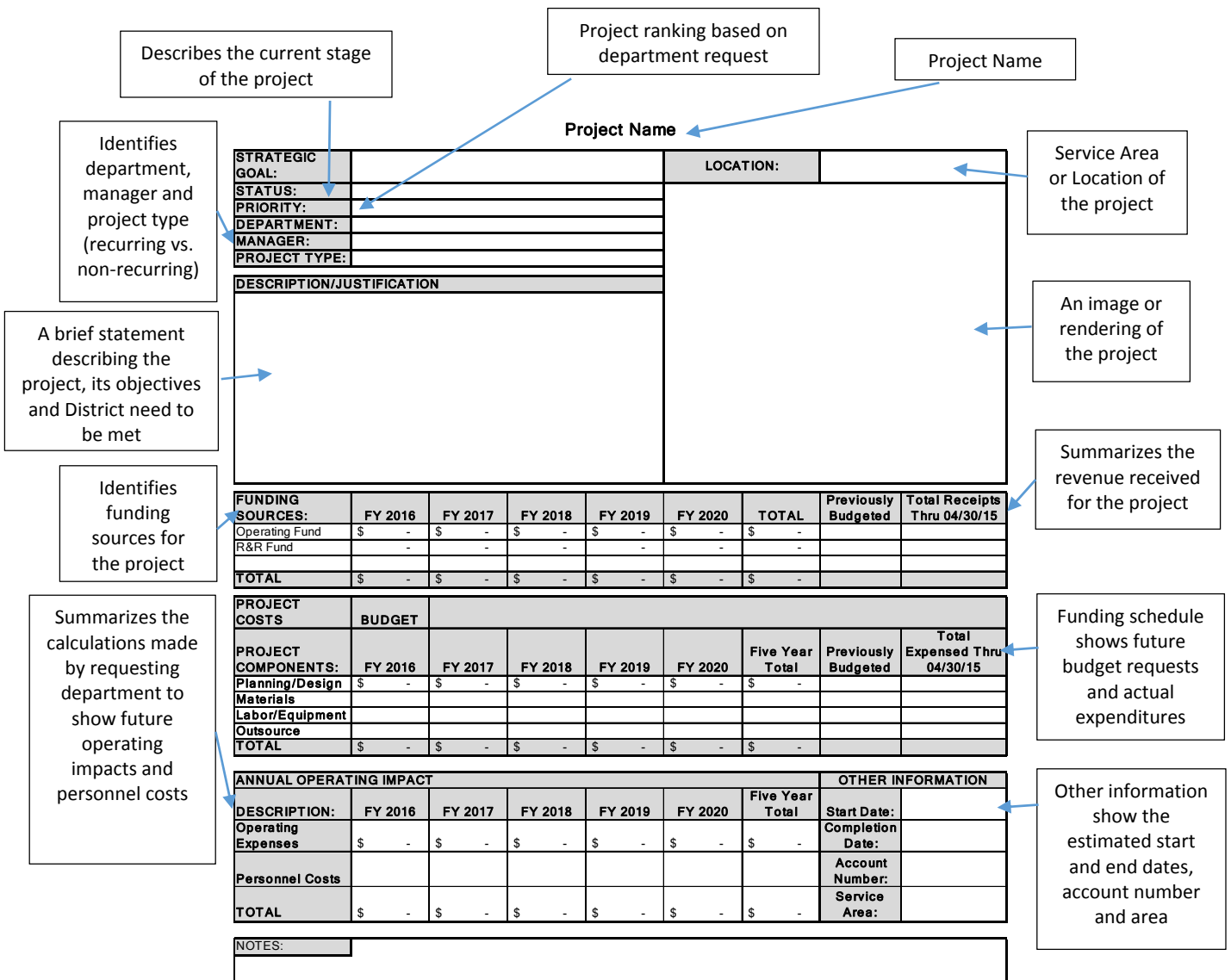
C - Chemical



CIP JUSTIFICATION FORM

The Capital Improvement Program was created utilizing the information reflected on the CIP Justification forms. The forms facilitate data entry and centralize the information on one form. The completed forms provide all the information for compiling the recommended annual CIP and provide a tool for ongoing project information and reporting.

All information provided for each project is used to prioritize, recommend and implement the project. The project forms are updated throughout the process and implementation years, and are used for reporting and presentation.





CIP JUSTIFICATION

General Facility Replacements

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	1		
DEPARTMENT:	Operations		
MANAGER:	Director of Operations		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION	<p>For asset management replacement for the entire water system, not individually identified. The purpose of this project is to extend asset life, improve water quality and/or efficiencies.</p>		

FUNDING SOURCES:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/15
Operating Fund	\$ 203,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 603,000	Recurring	Recurring
R&R Fund	244,000	-	-	-	-	244,000.00		
TOTAL	\$ 447,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 847,000	Recurring	Recurring

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expended Thru 04/30/15
PROJECT COMPONENTS:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020				
Planning/Design	\$ 42,000					\$ 42,000	Recurring	Recurring	
Materials	300,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	500,000			
Labor/Equipment	65,000	25,000	25,000	25,000	25,000	165,000			
Outsource	40,000	25,000	25,000	25,000	25,000	140,000			
TOTAL	\$ 447,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 847,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Start Date:	07/01/15
Operating Expenses							Completion Date:	06/30/16
Personnel Costs							Account Number:	TBD
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Service Area:	District Wide

NOTES:	Replacement of existing facilities - No impact on operating budget
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CIP JUSTIFICATION

Meter Replacements

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	2		
DEPARTMENT:	Operations		
MANAGER:	Director of Operations		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION	<p>For asset management replacement for the entire water system, not individually identified. The purpose of this project is to replace meters and MXU's that have met their asset life, for better accuracy and reduced service interruption.</p>		

FUNDING SOURCES:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/15
Operating Fund	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 1,375,000	Recurring	Recurring
R&R Fund	-	-	-	-	-	-		
TOTAL	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 1,375,000	Recurring	Recurring

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/15
PROJECT COMPONENTS:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020				
Planning/Design							Recurring	Recurring	
Materials	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 100,000			
Labor/Equipment	16,000	16,000	16,000	16,000	16,000	80,000			
Outsource	239,000	239,000	239,000	239,000	239,000	1,195,000			
TOTAL	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 1,375,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Start Date:	07/01/15
Operating Expenses	\$ (13,952)	\$ (14,867)	\$ (15,764)	\$ (16,227)	\$ (16,537)	\$ (77,347)	Completion Date:	06/30/16
Personnel Costs							Account Number:	TBD
TOTAL	\$ (13,952)	\$ (14,867)	\$ (15,764)	\$ (16,227)	\$ (16,537)	\$ (77,347)	Service Area:	District Wide

NOTES:	Replacement of existing facilities - Addition to revenue do to meters reading accurately
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CIP JUSTIFICATION

Appurtenance Replacement

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	3		
DEPARTMENT:	Operations		
MANAGER:	Director of Operations		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
For asset management replacement of valves, services, hydrants, blow-offs, etc. District wide, not individually identified. The purpose of this project is to extend asset life, maintain fire flow, improve water quality and/or efficiencies.			

FUNDING SOURCES:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/15
Operating Fund	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 450,000	Recurring	Recurring
R&R Fund	-	-	-	-	-	-		
TOTAL	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 450,000	Recurring	Recurring

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/15
PROJECT COMPONENTS:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/15	
Planning/Design							Recurring	Recurring	
Materials	\$ 49,000	\$ 49,000	\$ 49,000	\$ 49,000	\$ 49,000	\$ 245,000			
Labor/Equipment	13,000	13,000	13,000	13,000	13,000	65,000			
Outsource	28,000	28,000	28,000	28,000	28,000	140,000			
TOTAL	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 450,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Start Date:	07/01/15
Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Completion Date:	06/30/16
Personnel Costs							Account Number:	TBD
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Service Area:	District Wide

NOTES:	Replacement of existing facilities - No impact on operating budget
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CIP JUSTIFICATION

Equipment Replacements

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	4		
DEPARTMENT:	Operations		
MANAGER:	Director of Operations		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
<p>The continued replacement of District vehicles and equipment is warranted by age (between 7 - 10 years old), and/or high mileage (over 100,000), and/or high repair and maintenance costs. The District is projected to replace (1) field services utility truck, (1) field services supervisor utility truck and (1) construction crew utility truck.</p>			

FUNDING SOURCES:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/15
Operating Fund	\$ 224,000	\$ 95,000	\$ 95,000	\$ 95,000	\$ 170,000	\$ 679,000	Recurring	Recurring
R&R Fund	-	-	-	-	-	-		
TOTAL	\$ 224,000	\$ 95,000	\$ 95,000	\$ 95,000	\$ 170,000	\$ 679,000	Recurring	Recurring

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/15
PROJECT COMPONENTS:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020				
Planning/Design							Recurring	Recurring	
Materials	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Labor/Equipment	-	-	-	-	-	-			
Outsource	224,000	95,000	95,000	95,000	170,000	679,000			
TOTAL	\$ 224,000	\$ 95,000	\$ 95,000	\$ 95,000	\$ 170,000	\$ 679,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Start Date:	07/01/15
Operating Expenses	\$ (6,240)	\$ (5,200)	\$ (4,160)	\$ (3,120)	\$ (2,080)	\$ (20,800)	Completion Date:	06/30/16
Personnel Costs							Account Number:	TBD
TOTAL	\$ (6,240)	\$ (5,200)	\$ (4,160)	\$ (3,120)	\$ (2,080)	\$ (20,800)	Service Area:	District Wide

NOTES:	Replacement of existing equipment - Reduced operating expense due to reduced maintenance and fuel costs.
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CIP JUSTIFICATION

Pump and Motor Replacements

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	5		
DEPARTMENT:	Operations		
MANAGER:	Director of Operations		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
To repair or replace pumps or motors at wells and booster stations, as needed. The purpose of this project is to reduce loss of production from wells and booster stations and increase efficiency.			

FUNDING SOURCES:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/15
Operating Fund	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000	Recurring	Recurring
R&R Fund	-	-	-	-	-	-		
TOTAL	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000	Recurring	Recurring

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expended Thru 04/30/15
PROJECT COMPONENTS:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020				
Planning/Design							Recurring	Recurring	
Materials	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000			
Labor/Equipment	10,000	10,000	10,000	10,000	10,000	50,000			
Outsource	80,000	80,000	80,000	80,000	80,000	400,000			
TOTAL	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Start Date:	07/01/15
Operating Expenses	\$ (2,610)	\$ (2,480)	\$ (2,356)	\$ (2,238)	\$ (2,126)	\$ (11,810)	Completion Date:	06/30/16
Personnel Costs							Account Number:	TBD
TOTAL	\$ (2,610)	\$ (2,480)	\$ (2,356)	\$ (2,238)	\$ (2,126)	\$ (11,810)	Service Area:	District Wide

NOTES: Replacement of existing facilities - Reduced operating expense due to pumps and motors being installed that will increase power efficiency.



CIP JUSTIFICATION

Pipeline Replacements

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	Newhall
STATUS:	New		
PRIORITY:	6		
DEPARTMENT:	Operations		
MANAGER:	Director of Operations		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
<p>To replace pipeline at Cross Street and Wildwood Road in the Newhall Service Area. The existing 4" steel pipe has been in service for over 50 years. This pipeline was determined to have the highest priority for replacement. The new pipeline will be 12" in diameter and be ductile iron pipe.</p>			

FUNDING SOURCES:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/15
Operating Fund		\$ 636,638	\$ 750,000	\$ 750,000	\$ 750,000	\$ 2,886,638	Recurring	Recurring
R&R Fund	\$ 556,000	113,362	-	-	-	669,362		
TOTAL	\$ 556,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 3,556,000	Recurring	Recurring

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expended Thru 04/30/15
PROJECT COMPONENTS:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020				
Planning/Design	\$ 14,522	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 114,522	Recurring	Recurring	
Materials	70,495	105,000	105,000	105,000	105,000	490,495			
Labor/Equipment	220,670	250,000	250,000	250,000	250,000	1,220,670			
Outsource	250,313	370,000	370,000	370,000	370,000	1,730,313			
TOTAL	\$ 556,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 3,556,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Start Date:	07/01/15
Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Completion Date:	06/30/16
Personnel Costs							Account Number:	TBD
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Service Area:	Newhall

NOTES:	Replacement of existing facilities -No short-term impact on operating budget
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CIP JUSTIFICATION

SCADA Upgrades

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	7		
DEPARTMENT:	Operations		
MANAGER:	Director of Operations		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
To continue upgrading the District's SCADA system at reservoirs, booster stations, wells and various other sites. These upgrades allow for better communication between sites, advanced reporting features and to keep pace with technological changes.			

FUNDING SOURCES:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/15
Operating Fund	\$ 125,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 325,000	Recurring	Recurring
R&R Fund	-	-	-	-	-	-		
TOTAL	\$ 125,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 325,000	Recurring	Recurring

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expended Thru 04/30/15
PROJECT COMPONENTS:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020				
Planning/Design	-	-	-	-	-	-	Recurring	Recurring	
Materials	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 5,000			
Labor/Equipment	20,000	10,000	10,000	10,000	10,000	60,000			
Outsource	104,000	39,000	39,000	39,000	39,000	260,000			
TOTAL	\$ 125,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 325,000	Recurring	Recurring	


ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Start Date:	07/01/15
Operating Expenses	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 62,500	Completion Date:	06/30/16
Personnel Costs							Account Number:	TBD
TOTAL	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 62,500	Service Area:	District Wide

NOTES: Upgrade of existing program - Operating impacts are due to added annual program maintenance



CIP JUSTIFICATION

Office Equipment Upgrades

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	8		
DEPARTMENT:	Administration		
MANAGER:	Director of Finance/Administration		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION	<p>The continual upgrading of hardware, including desktop computers, laptop computers, servers, routing and switching equipment, wireless bridges, tablets, projectors, and large printer, provides the District users the necessary tools to process information efficiently. Desktop workstations and laptops are being purchased with extended warranties allowing us to extend the life cycle for computer replacement. Due to the cost of desktop workstations decreasing, it has enabled the District to remain in a proactive position for current technological advances.</p>		

FUNDING SOURCES:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/15
Operating Fund	\$ 46,000	\$ 50,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 171,000	Recurring	Recurring
R&R Fund	-	-	-	-	-	-		
TOTAL	\$ 46,000	\$ 50,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 171,000	Recurring	Recurring

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/15
PROJECT COMPONENTS:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020				
Planning/Design	-	-	-	-	-	-	-	Recurring	Recurring
Materials	\$ 500	\$ 500	\$ 250	\$ 250	\$ 250	\$ 1,750			
Labor/Equipment	-	-	-	-	-	-			
Outsource	45,500	49,500	24,750	24,750	24,750	169,250			
TOTAL	\$ 46,000	\$ 50,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 171,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Start Date:	07/01/15
Operating Expenses	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 15,000	Completion Date:	06/30/16
Personnel Costs							Account Number:	TBD
TOTAL	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 15,000	Service Area:	District Wide

NOTES:	Upgrade of existing hardware - Operating impacts are due to added annual hardware maintenance contracts
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CIP JUSTIFICATION

Software Upgrades

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	9		
DEPARTMENT:	Administration		
MANAGER:	Director of Finance/Administration		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION	<p>To purchase software to upgrade the District's Microsoft Exchange Server and Office programs and update antivirus software. The software packages will upgrade existing computer applications and enhance reliability and security. Savings and flexibility are increased by purchasing open-ended licenses.</p>		

FUNDING SOURCES:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/15
Operating Fund	\$ 32,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 72,000	Recurring	Recurring
R&R Fund	-	-	-	-	-	-		
TOTAL	\$ 32,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 72,000	Recurring	Recurring

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expended Thru 04/30/15
PROJECT COMPONENTS:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020				
Planning/Design	-	-	-	-	-	-	-	Recurring	Recurring
Materials	\$ 500	\$ 250	\$ 250	\$ 250	\$ 250	\$ 1,500			
Labor/Equipment	-	-	-	-	-	-			
Outsource	31,500	9,750	9,750	9,750	9,750	70,500			
TOTAL	\$ 32,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 72,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Start Date:	07/01/15
Operating Expenses	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 2,500	Completion Date:	06/30/16
Personnel Costs							Account Number:	TBD
TOTAL	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 2,500	Service Area:	District Wide

NOTES:	Upgrade of existing software - Operating impacts are due to added annual software maintenance contracts
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CIP JUSTIFICATION

Geographical Information System Upgrades

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	10		
DEPARTMENT:	Operations		
MANAGER:	Director of Operations		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
To enhance the District's Geographical Information Systems. These funds will provide water modeling, ability to identify leak frequency, asset management and the computerization of District maps.			

FUNDING SOURCES:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/15
Operating Fund	\$ 25,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 105,000	Recurring	Recurring
R&R Fund	-	-	-	-	-	-		
TOTAL	\$ 25,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 105,000	Recurring	Recurring

PROJECT COSTS	BUDGET					Five Year Total	Previously Budgeted	Total Expended Thru 04/30/15
PROJECT COMPONENTS:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020			
Planning/Design	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Recurring	Recurring
Materials	-	-	-	-	-	-		
Labor/Equipment	-	-	-	-	-	-		
Outsource	25,000	20,000	20,000	20,000	20,000	105,000		
TOTAL	\$ 25,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 105,000	Recurring	Recurring


ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Start Date:	07/01/15
Operating Expenses	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 30,000	Completion Date:	06/30/16
Personnel Costs							Account Number:	TBD
TOTAL	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 30,000	Service Area:	District Wide

NOTES: Upgrade of existing software - Operating impacts are due to added annual software maintenance contracts



CIP JUSTIFICATION

Computersized Maintenance Management Software (CMMS)

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	11		
DEPARTMENT:	Operations		
MANAGER:	Director of Operations		
PROJECT TYPE:	New		
DESCRIPTION/JUSTIFICATION			
<p>CMMS software will maintain a computer database of information about the District's assets and maintenance operations. This information is intended to help District employees do their jobs more effectively (for example, determining which facilities require maintenance) and to help management make informed decisions (for example, calculating the cost of repair versus preventive maintenance for each asset, possibly leading to better allocation of resources). The CMMS software will produce status reports and documents giving details or summaries of maintenance activities.</p>			

FUNDING SOURCES:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/15
Operating Fund	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000	New	New
R&R Fund	-	-	-	-	-	-		
TOTAL	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000	New	New

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/15
PROJECT COMPONENTS:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020				
Planning/Design	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	New	New	
Materials	-	-	-	-	-	-			
Labor/Equipment	-	-	-	-	-	-			
Outsource	60,000	-	-	-	-	60,000			
TOTAL	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000	New	New	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Five Year Total	Start Date:	07/01/15
Operating Expenses	\$ -	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 44,000	Completion Date:	06/30/16
Personnel Costs							Account Number:	TBD
TOTAL	\$ -	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 44,000	Service Area:	District Wide

NOTES: New software - Operating impacts are due to added annual software maintenance contract starting in year two.



APPENDIX



QUICK SUMMARY – FY 2016 BUDGET

		A	B	C	D	
		OPERATIONS	R&R FUND	RESERVES	SUPPLEMENTAL	TOTAL
1	CASH AND INVESTMENT BALANCE 7/1/2015	\$ 500,000	\$ 2,195,627	\$ 3,800,578	\$ 947,037	\$ 7,443,242
	<u>OPERATIONS</u>					
2	Water Sales	12,079,177				12,079,177
3	Water Operations	(9,756,932)				(9,756,932)
4	Sub Total After Water Operations	2,822,245	2,195,627	3,800,578	947,037	9,765,487
	<u>OTHER REVENUE SOURCES</u>					
5	Property Taxes	429,200				429,200
6	Interest Earnings	2,006	28,892	19,383		50,281
7	Communication Rentals	222,307				222,307
8	Fire Service	93,795				93,795
9	Master Plan Fees					-
10	Buy-In Fees					-
	<u>DEBT SERVICE</u>					
11	Debt Service - CNB	(1,889,553)				(1,889,553)
12	Sub Total Prior to Capital	1,680,000	2,224,519	3,819,961	947,037	8,671,517
	<u>CAPITAL PROJECTS</u>					
13	From Operations to R&R Fund	(1,180,000)	1,180,000			-
14	Capital Projects		(1,980,000)			(1,980,000)
	<u>RESERVES</u>					
15	Transfer to Reserves					
	CASH AND INVESTMENT BALANCE 6/30/2016	\$ 500,000	1,424,519	\$ 3,819,961	\$ 947,037	6,691,517



QUICK SUMMARY - REVENUE

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Service Charge	2,621,410	2,670,035	2,734,267	2,796,022	2,852,667
CLWA Pass Through	2,538,939	2,540,677	2,547,752	2,559,668	2,575,684
UFR	6,918,829	7,372,158	7,815,790	8,044,467	8,196,924
Total Commodity	9,457,768	9,912,835	10,363,542	10,604,135	10,772,608
Total Revenue	12,079,178	12,582,870	13,097,809	13,400,157	13,625,275
3/4"	1,524,648	1,557,176	1,606,487	1,657,729	1,712,070
1"	258,325	261,948	265,434	267,924	268,522
1 1/2"	91,164	92,522	93,757	94,639	94,815
2"	427,828	434,189	440,034	444,120	444,999
3"	1,862	1,890	1,915	1,933	1,937
4"	65,192	66,163	67,052	67,675	67,808
6"	62,070	62,994	63,840	64,434	64,560
8"	119,180	120,953	122,579	123,718	123,961
10"	42,835	43,472	44,056	44,465	44,553
2 1/2"	28,306	28,728	29,113	29,385	29,442
Total Service Charge	2,621,410	2,670,035	2,734,267	2,796,022	2,852,667
G&A	1,986,988	2,016,522	2,070,436	2,107,662	2,147,142
Customer Accounts	634,422	653,513	663,831	688,360	705,525
Total G&A & Cust	2,621,410	2,670,036	2,734,267	2,796,022	2,852,667
	(0)	(1)	(0)	(0)	(0)
ccf	3,740,971	3,747,023	3,770,068	3,809,175	3,861,783
Water Loss %	6.3%	6.3%	6.3%	6.3%	6.3%
Water Production Need	3,992,498	3,998,957	4,023,552	4,065,288	4,121,433
Water Loss	251,527	251,934	253,484	256,113	259,650
Total CCF	3,992,498	3,998,957	4,023,552	4,065,288	4,121,433



QUICK SUMMARY - EXPENDITURES

	Recorded	ADOPTED BUDGET	PROJECTED 06/30/14	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)				
	2013-2014	2014-2015	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
OPERATING EXPENSES									
TOTAL SOURCE OF SUPPLY	2,634,483	2,498,801	2,414,458	2,574,876	2,577,589	2,585,671	2,598,623	2,615,703	2,616,799
TOTAL PUMPING EXPENSES	1,547,971	1,596,812	1,740,627	1,716,450	1,761,656	1,803,922	1,855,381	1,911,859	1,962,813
TOTAL WATER TREATMENT	368,991	403,472	407,144	406,184	428,155	437,575	447,241	457,161	467,340
TOTAL TRANS & DISTRIBUTION	555,625	570,278	570,961	526,728	537,636	548,943	560,539	572,431	584,628
TOTAL CUSTOMER ACCOUNTS	607,679	624,705	676,392	634,422	653,513	663,831	688,360	705,525	717,103
TOTAL OTHER OPR EXPENSES	689,742	679,438	663,975	672,784	687,298	701,923	716,921	732,304	748,085
TOTAL A&G EXPENSES	2,821,820	3,053,755	2,805,199	3,225,488	3,102,847	3,221,271	3,205,391	3,362,719	3,346,598
TOTAL DEPRECIATION	2,772,774	2,825,016	2,772,774	2,825,016	2,909,766	2,997,059	3,086,971	3,179,580	3,274,968
TOTAL OPERATING EXPENSES	11,999,087	12,252,277	12,051,530	12,581,948	12,658,460	12,960,196	13,159,427	13,537,283	13,718,335
OPERATING EXPENSES	11,999,087	12,252,277	12,051,530	12,581,948	12,658,460	12,960,196	13,159,427	13,537,283	13,718,335
SUBTRACT DEPRECIATION	(2,772,774)	(2,825,016)	(2,772,774)	(2,825,016)	(2,909,766)	(2,997,059)	(3,086,971)	(3,179,580)	(3,274,968)
NET WATER OPERATIONS W/OUT DEPRECIATION	9,226,312	9,427,261	9,278,756	9,756,932	9,748,694	9,963,137	10,072,456	10,357,703	10,443,367
SOURCE OF SUPPLY									
PURCHASED WATER	5130	2,581,147	2,464,366	2,395,117	2,538,939	2,540,677	2,547,753	2,559,670	2,575,684
M & R STRUCTURES-EXPENSE	5165	14,137	5,150	1,965	5,150	5,305	5,464	5,628	5,797
M & R WELLS-EXPENSES	5175	20,735	25,000	7,036	25,000	25,750	26,523	27,319	28,139
SOURCE OF SUPPLY - LABOR		12,011	1,831	4,423	1,849	1,867	1,886	1,905	1,924
OVERTIME	5196	300	1,000	2,497	2,000	2,020	2,040	2,060	2,081
LABOR BURDEN		6,153	1,454	3,420	1,938	1,970	2,005	2,041	2,078
TOTAL SOURCE OF SUPPLY		2,634,483	2,498,801	2,414,458	2,574,876	2,577,589	2,585,671	2,598,623	2,615,703
PUMPING EXPENSES									
OP'N CONTROLS-EXPENSES	5215	34,018	35,000	22,881	45,000	46,350	47,741	49,173	50,648
OP'N MISC-EXPENSES	5225	36,575	48,000	79,748	50,000	51,500	53,045	54,636	56,275
POWER PURCHASED	5230	1,040,731	1,143,640	1,242,383	1,250,000	1,287,500	1,321,743	1,365,003	1,413,104
POWER PURCHASED - SEWER LIFT STA.	5235	9,233	14,000	9,791	12,500	12,625	12,751	12,879	13,008
M & R STRUCTURES-EXPENSES	5265	21,146	15,000	428	10,000	10,300	10,609	10,927	11,255
M & R PUMPING EQ-EXPENSES	5275	9,137	15,000	8,516	10,000	10,300	10,609	10,927	11,255
M&R ELECTRIC MOTORS-EXP	5295	0	0	0	0	0	0	0	0
PUMPING EXPENSES - LABOR		203,748	155,512	183,802	155,436	156,990	158,560	160,146	161,747
OVERTIME	5296	61,039	60,000	68,425	70,000	70,700	71,407	72,121	72,842
LABOR BURDEN		132,344	110,660	124,653	113,514	115,391	117,457	119,569	121,725
TOTAL PUMPING EXPENSES		1,547,971	1,596,812	1,740,627	1,716,450	1,761,656	1,803,922	1,855,381	1,911,859
WATER TREATMENT EXPENSES									
LABORATORY EXP./REGULATORY FEES	5315	59,516	72,500	53,368	60,000	75,062	77,314	79,633	82,022
MISC EXPENSES - MAINT. OF S & I	5325	22,876	15,000	27,404	20,000	20,600	21,218	21,855	22,511
CHEMICALS	5330	111,702	97,850	114,793	110,000	113,300	116,699	120,200	123,806
BACKFLOW PREVENTION	5345	(259)	1,000	2,593	1,000	1,030	1,061	1,093	1,126
M&R EQUIPMENT-EXPENSES	5375	47,422	25,000	7,299	20,000	20,600	21,218	21,855	22,511
WATER TREATMENT EXPENSES - LABOR		80,823	121,941	130,487	124,817	126,065	127,326	128,599	129,885
OVERTIME	5396	4,343	5,000	4,492	5,000	5,050	5,101	5,152	5,204
LABOR BURDEN		42,567	65,181	66,708	65,367	66,448	67,638	68,854	70,096
TOTAL WATER TREATMENT		368,991	403,472	407,144	406,184	428,155	437,575	447,241	457,161



QUICK SUMMARY - EXPENDITURES

OPERATING EXPENSES	G/L #	Recorded	ADOPTED BUDGET	PROJECTED 06/30/14	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)				
		2013-2014	2014-2015	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
TRANSMISSION & DISTRIBUTION										
M&R RESERVOIRS-EXPENSES	5415	22,636	50,000	14,385	40,000	41,200	42,436	43,709	45,020	46,371
M&R MAINS-EXPENSES	5425	125,962	123,600	80,767	100,000	103,000	106,090	109,273	112,551	115,928
M&R SEWER COLLECTION MAINS - EXP	5435	15,668	27,500	3,919	17,500	18,025	18,566	19,123	19,697	20,288
M&R SERVICES-EXPENSES	5455	68,788	82,500	69,743	80,000	82,400	84,872	87,418	90,041	92,742
M&R HYDRANTS-EXPENSES	5475	9,225	10,000	12,665	12,500	12,875	13,261	13,659	14,069	14,491
MAINTENANCE DUE TO VANDALISM	5495	239	2,500	1,071	2,000	2,060	2,122	2,186	2,252	2,320
TRANSMISSION & DISTRIBUTION - LABOR		177,936	151,158	231,374	152,722	154,249	155,791	157,349	158,922	160,511
OVERTIME	5496	30,828	30,000	28,570	30,000	30,300	30,603	30,909	31,218	31,530
LABOR BURDEN		104,343	93,020	128,467	92,006	93,527	95,202	96,913	98,661	100,447
TOTAL TRANS & DISTRIBUTION		555,625	570,278	570,961	526,728	537,636	548,943	560,539	572,431	584,628
CUSTOMER ACCOUNTS										
BILLING & COLLECTING-EXP	5525	88,673	92,500	96,528	95,000	97,850	100,786	108,810	112,074	115,436
CUSTOMER RELATIONS	5540	0	0	2,873	0	0	0	0	0	0
M&R METERS-EXPENSES	5555	9,583	9,000	30,863	15,000	20,000	20,600	30,218	37,125	38,239
UNCOLLECTIBLE ACCOUNTS	5560	312	500	(2,224)	0	0	0	0	0	0
CUSTOMER ACCOUNTS - LABOR		296,780	300,368	315,446	298,794	305,000	308,050	311,131	314,242	317,384
OVERTIME	5596	42,670	45,000	51,539	50,000	50,500	51,005	51,515	52,030	52,550
LABOR BURDEN		169,662	177,337	181,367	175,628	180,163	183,390	186,686	190,054	193,494
TOTAL CUSTOMER ACCOUNTS		607,679	624,705	676,392	634,422	653,513	663,831	688,360	705,525	717,103
OTHER OPERATING EXPENSES										
UNIFORMS	5705	27,415	25,000	28,263	25,000	25,750	26,523	27,319	28,139	28,983
SHOP TOOLS & SUPPLIES-EXP	5706	36,721	35,000	21,776	35,000	36,050	37,132	38,246	39,393	40,575
VEHICLE OPERATING-EXPENSES	5715	123,669	145,000	122,198	135,200	139,256	143,434	147,737	152,169	156,734
DRAFTING & MAPPING-EXPENSE	5725	7,626	3,500	1,509	3,390	3,492	3,597	3,705	3,816	3,930
OTHER OPR & SAFETY EXPENSE	5735	45,451	40,000	41,921	40,000	41,200	42,436	43,709	45,020	46,371
M&R SHOP & YARD-EXP	5755	76,174	46,350	67,525	65,000	66,950	68,959	71,028	73,159	75,354
M&R SHOP EQUIP-EXPENSES	5765	13,029	15,000	11,266	15,000	15,450	15,914	16,391	16,883	17,389
M&R VEHICLES-EXPENSES	5775	93,767	87,550	78,034	87,550	90,592	93,310	96,109	98,992	101,962
EQUIPMENT RENTALS	5778	1,026	2,000	2,549	0	0	0	0	0	0
CAPITAL EQUIPMENT TO CWIP	5797	(91,989)	(60,000)	(92,442)	(75,000)	(77,250)	(79,568)	(81,955)	(84,414)	(86,946)
OTHER OPERATING EXPENSES - LABOR		229,485	216,674	246,381	218,228	220,410	222,614	224,840	227,088	229,359
OVERTIME	5796	8,447	8,000	8,855	9,000	9,090	9,181	9,273	9,366	9,460
LABOR BURDEN		118,921	115,364	126,140	114,416	116,308	118,391	120,519	122,693	124,914
TOTAL OTHER OPR EXPENSES		689,742	679,438	663,975	672,784	687,298	701,923	716,921	732,304	748,085



QUICK SUMMARY - EXPENDITURES

OPERATING EXPENSES	G/L #	Recorded	ADOPTED BUDGET	PROJECTED 06/30/14	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)				
		2013-2014	2014-2015	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
GENERAL & ADMINISTRATIVE										
DIRECTORS FEES	7105	15,300	15,000	19,950	19,000	19,570	20,157	20,762	21,385	22,027
OFFICE EXPENSES	7115	38,959	35,000	42,952	40,000	41,200	42,436	43,709	45,020	46,371
COMPUTER SOFTWARE & SUPPLY	7118	10,646	7,500	16,288	15,000	15,450	15,914	16,391	16,883	17,389
COMMUNITY/EMPLOYEE RELATIONS	7120	16,113	18,000	15,029	17,500	18,025	18,566	19,123	19,697	20,288
INSURANCE - PREMIUMS & CLAIMS	7125	190,558	200,000	188,960	196,240	202,950	224,970	229,962	236,861	243,967
INSURANCE - EARTHQUAKE/FLOOD	7126	77,744	80,000	83,195	83,000	85,000	95,000	105,000	115,000	120,000
LITIGATION	7149	116,950	120,000	147,913	125,000	100,000	50,000	51,500	53,045	54,636
PERCHLORATE LITIGATION	7150	17,373	30,000	28,781	30,000	30,900	31,827	32,782	33,765	34,778
PROF SERVICES-LEGAL	7151	178,737	180,000	142,915	170,000	125,000	128,750	132,613	136,591	140,689
PROF SERVICES-ACCT	7152	64,842	50,000	39,296	50,000	51,500	53,045	54,636	56,275	57,963
PROF SERVICES-ENG	7153	44,825	100,000	45,712	95,000	75,000	77,250	79,568	81,955	84,414
PROF SERVICES-PUBLIC RELATIONS	7154	41,372	72,000	35,322	70,000	72,100	74,263	76,491	78,786	81,150
PROF SERVICES-CONSULT (OFF & FIELD)	7155	0	0	0	0	0	0	0	0	0
LOCAL GOVT AFFAIRS	7156	33,450	25,000	28,003	27,500	28,325	29,175	30,050	30,952	31,881
PROF DEVELOPMENT-EDUCATION	7157	4,390	0	0	0	0	0	0	0	0
CONFERENCES/SEMINARS	7158	12,845	18,000	17,695	18,000	18,540	19,096	19,669	20,259	20,867
SPECIAL PROJECTS-BOARD APPROVED	7159	0	35,000	26,674	35,000	36,050	37,132	38,246	39,393	40,575
PROFESSIONAL DEVELOPMENT - TRAINING	7160	26,413	30,000	37,212	35,000	36,050	37,132	38,246	39,393	40,575
MEMBERSHIPS	7161	38,931	46,350	49,481	47,500	48,925	50,393	51,905	53,462	55,066
COMPUTER CONTRACTS	7163	57,453	80,000	75,765	90,000	92,700	95,481	98,345	101,295	104,334
TRAVEL/HOTEL	7165	19,529	22,500	18,234	22,500	23,175	23,870	24,586	25,324	26,084
BMP/MOU EXPENSES	7170	79,531	100,000	48,657	100,000	103,000	106,090	109,273	112,551	115,928
DROUGHT RELATED EXPENSES	7171	0	0	34,634	0	0	0	0	0	0
MISC EXPENSES- NOT RELATED	7191	109,806	105,000	142,761	140,000	144,200	148,526	152,982	157,571	162,298
RENT	7205	0	0	0	0	0	0	0	0	0
UTILITIES	7215	86,945	84,000	94,610	90,000	92,700	95,481	98,345	101,295	104,334
M&R GENERAL PLT-EXPENSES	7221	46,900	47,250	43,695	70,000	72,100	74,263	76,491	78,786	81,150
MAINT OF OFFICE EQUIPMENT	7225	7,336	15,000	9,364	12,500	12,875	13,261	13,659	14,069	14,491
ELECTION EXPENSE	7305	124,031	0	0	85,000	0	85,000	0	85,000	0
EXPENSE CREDITS	7901	(200,466)	(160,000)	(221,181)	(170,000)	(175,100)	(180,353)	(185,764)	(191,337)	(197,077)
GENERAL & ADMINISTRATIVE - LABOR		778,559	819,816	837,899	836,922	845,291	853,744	862,281	870,904	879,613
VACATION/SICK/FLOATING		256,650	297,209	227,242	297,564	300,540	303,545	306,580	309,646	312,742
OVERTIME	7196	5,791	5,000	1,164	4,000	4,040	4,080	4,121	4,162	4,204
LABOR BURDEN		520,306	576,130	526,977	573,262	582,741	593,177	603,839	614,731	625,861
TOTAL G&A EXPENSES		2,821,820	3,053,755	2,805,199	3,225,488	3,102,847	3,221,271	3,205,391	3,362,719	3,346,598



QUICK SUMMARY - EXPENDITURES

OPERATING EXPENSES	G/L #	Recorded	ADOPTED BUDGET	PROJECTED 06/30/14	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)				
		2013-2014	2014-2015	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
LABOR BURDEN										
LABOR BY COST AREA										
SOURCE OF SUPPLY		12,311	2,831	6,920	3,849	3,887	3,926	3,965	4,005	4,045
PUMPING EXPENSES		264,787	215,512	252,227	225,436	227,690	229,967	232,267	234,589	236,934
WATER TREATMENT EXPENSES		85,166	126,941	134,979	129,817	131,115	132,427	133,751	135,089	136,440
TRANSMISSION & DISTRIBUTION		208,764	181,158	259,944	182,722	184,549	186,394	188,258	190,140	192,041
CUSTOMER ACCOUNTS		339,450	345,368	366,985	348,794	355,500	359,055	362,646	366,272	369,934
OTHER OPERATING EXPENSES		237,932	224,674	255,236	227,228	229,500	231,795	234,113	236,454	238,819
GENERAL & ADMINISTRATIVE		1,041,000	1,122,025	1,066,305	1,138,486	1,149,871	1,161,369	1,172,982	1,184,712	1,196,559
CAPITAL		225,391	215,764	221,712	218,585	225,143	231,897	238,854	246,020	253,401
		2,414,801	2,434,273	2,564,308	2,474,917	2,507,255	2,536,830	2,566,836	2,597,281	2,628,173
EMPLOYEE BENEFITS										
EMPL BENEFITS EAP	7127	1,300	1,093	1,078	1,093	1,126	1,160	1,195	1,231	1,268
EMPL BENEFITS LONGEVITY PAY	7128	24,019	22,000	16,829	27,000	27,270	27,543	27,818	28,096	28,377
EMPL BENEFITS VISION INS	7129	6,553	6,752	6,711	6,752	6,955	7,164	7,379	7,600	7,828
EMPL BENEFITS HEALTH INS	7131	393,983	423,114	412,868	419,435	432,018	444,979	458,328	472,078	486,240
EMPL BENEFITS LIFE INS	7132	10,174	10,649	10,153	14,089	14,512	14,947	15,395	15,857	16,333
EMPL BENEFITS DENTAL INS	7133	65,156	66,517	63,131	62,272	64,140	66,064	68,046	70,087	72,190
EMPL BENEFITS WC INS	7134	106,759	107,040	94,946	95,839	98,714	101,675	104,725	107,867	111,103
EMPL BENEFITS PENSIONS	7135	356,089	364,398	402,747	365,159	368,811	372,499	376,224	379,986	383,786
PAYROLL TAXES	41,42	189,248	176,050	186,519	180,098	181,899	183,718	185,555	187,411	189,285
OTHER POST EMPLOYMENT (GASB45)	7148	53,669	72,322	72,322	74,458	75,203	75,955	76,715	77,482	78,257
TOTAL EMPLOYEE BENEFITS		1,206,949	1,249,935	1,267,304	1,246,195	1,270,648	1,295,704	1,321,380	1,347,695	1,374,667
EMPL BENE BURDEN PER LABOR \$ (TOTAL)		49.98%	51.35%	49.42%	50.35%	50.68%	51.08%	51.48%	51.89%	52.31%
LABOR		2,035,992	2,064,509	2,177,054	2,086,332	2,110,412	2,131,516	2,152,831	2,174,358	2,196,100
OVERTIME		153,418	154,000	165,542	170,000	171,700	173,417	175,151	176,903	178,672
CAPITAL LABOR		225,391	215,764	221,712	218,585	225,143	231,897	238,854	246,020	253,401
TOTAL LABOR		2,414,801	2,434,273	2,564,308	2,474,917	2,507,255	2,536,830	2,566,836	2,597,281	2,628,173
DEPRECIATION		2,772,774	2,825,016	2,772,774	2,825,016	2,909,766	2,997,059	3,086,971	3,179,580	3,274,968



QUICK SUMMARY – FY 2016 CIP

	Description	FY 2016
1	General Facility Replacements	\$ 447,000
2	Meter Replacements	275,000
3	Appurtanence Replacements	90,000
4	Equipment Replacements	224,000
5	Pump & Motor Repair & Replacements	100,000
6	Pipeline Replacements	556,000
7	SCADA	125,000
8	Office Equipment	46,000
9	Software Upgrades	32,000
10	Geographic Information System	25,000
11	CMMS Software	60,000

Total FY 2016 CIP \$ 1,980,000



GLOSSARY

The Fiscal Budget contains terminology that is unique to public finance and budgeting. The following budget glossary provides assistance in understanding these terms.

Accounting System: The set of records, which are used to record, classify and report information on the financial status and operations of the District.

Accrual Basis of Accounting: The basis of accounting under which transactions are recognized when they occur, regardless of the timing of cash receipts and disbursements.

Acre-Foot: The volume of water that will cover one acre to a depth of one foot. One acre-foot equals 435.6 CCF or 325,850 gallons.

Assessed Valuation: The value placed upon real estate or other property as a basis for levying taxes.

Assets: Resources owned or held by Newhall County Water District that has monetary value.

Audit: A systematic examination of resource utilization concluding in a written report. It is a test of management's internal accounting controls and is intended to ascertain whether financial statements fairly represent the financial position of the District.

Balanced Budget: A balanced financial plan, for a specified period of time that matches all planned revenues and expenditures with various services. The District uses a fiscal year beginning each July 1 and ending each June 30 for budgetary and financial reporting purposes.

Buy-in Fees: The buy-in connection fee is used to collect funds from newly connecting customers in an amount sufficient to replace the capacity in back-up facilities required to serve the new customer.

Capital Budget: The portion of the annual budget that appropriates funds for the purchase of capital equipment items and capital improvements. These expenditures are separated from regular operating items, such as salaries, maintenance, utilities, and office supplies.



GLOSSARY

Capital Improvement Program: A long-range plan of the District for the construction, rehabilitation, and modernization of the District-owned and operated facilities.

Castaic Lake Water Agency: The Castaic Lake Water Agency is the area's wholesaler, which imports water from the State Water Project and is used to supplement the retailer's groundwater.

Communication Rentals: The District receives money for each of the cell towers located at the District's facilities. The terms vary by contract and the revenues are monitored on a monthly basis.

Connection Fees: The connection fee charge represents the contributive share of the cost to expand existing facilities, or construct new water facilities. In other words, the amount of water the District needs to supply to its customers is directly related to their demand on the system.

Customer Class: All customers are classified based on the type of service used. For example, the water rate per unit is determined by a classification such as residential versus business.

Debt Service: The District's obligation to pay the principal and interest of bonds and loans according to a predetermined payment schedule.

Depreciation: The expiration of the in-service life of capital assets attributable to wear and tear, deterioration, action of physical elements, inadequacy, obsolescence or the portion of the cost of a capital asset which is charged as an expense during a particular period.

Enterprise Fund: Recognizes expenses when liability is incurred and records revenues when earned.

Expenditures/Expenses: These terms refer to the outflow of funds paid or to be paid for an asset, good or services obtained regardless of when actually paid for.

Fire Service: Water service is provided by the District solely for use in fire hydrants or fire sprinkler systems from lines or laterals connected to the District's water mains. There are two fire service rates, regular or special.

Fiscal Year: Twelve-month term designating the beginning and ending period for recording financial transactions. The District has specified July 1 to June 30 as its fiscal year.



GLOSSARY

Fund Balance: The current funds on hand resulting from the historical collection and use of monies. The difference between assets and liabilities reported in the District's Operating Fund plus residual equities or balances and changes therein, from the result of operations.

Generally Accepted Accounting Principles (GAAP): Uniform minimum standards of, and guidelines for, external financial accounting and reporting. GAAP encompasses the conventions, rules and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. The primary authoritative statements on the application of GAAP to state and local governments are Government Accounting Standard Board (GASB) pronouncements.

GIS: Geographic Information System. An organized collection of computer hardware, software and geographic data designed to efficiently capture, store, update, manipulate, analyze, and display all forms of geographically referenced information.

Interest Earnings: Earnings from the investment portfolio. Per District policy, interest income will be allocated to the fund where the interest was earned.

Master Plan Fees: The master plan fee is a portion of the connection fee and establishes a fee to construct facilities outlined in the District's Master Plan for each service area.

Operating Budget: The portion of the budget that pertains to daily operations that provide basic governmental services. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel and fuel, and does not include purchases of major capital plant or equipment, which is budgeted for separately in the Capital Budget.

Operating Fund: The District's operating fund is an enterprise fund comprised of the District's general fund, water sales revenue, master plan fees, and other revenue. Enterprise funds account for operations that provide services on a continuous basis and are substantially finance by revenues derived from user charges.

Other Revenue: Other revenue consists of property taxes, communication rentals, interest earnings, and fire service revenues.

Property Tax: In 1978, Proposition 13 limited general levy property tax rates for all taxing authorities to a total rate of 1% of full cash value. Subsequent legislation, AB8, established that the receipts from the 1% levy were to be distributed to taxing agencies according to approximately the same proportions received prior to Proposition 13. All of the property tax now received by the District is unrestricted and added to the operating fund.



GLOSSARY

Reserve Fund: The District maintains Reserve Funds per the District's policy for designated restricted and unrestricted accounts. Unrestricted Reserve Funds are "general use" funds designated by the Board. Restricted reserves are those that are Board Mandated, set aside for a particular purpose, and cannot be used for any other purpose, unless Board chooses otherwise.

Revenue: Monies that the District receives as income, including such items as water sales and other revenues. Estimated revenues are those expected to be collected during the fiscal year.

SCADA: Acronym for **supervisory control and data acquisition** is a system for gathering and analyzing real time data. SCADA systems are used to monitor and control a plant or equipment at water distribution facilities. A SCADA system gathers information, such as a power failure at a booster station, transfers the information back to a central computer, alerting the operations staff that a power failure has occurred, carrying out necessary analysis and control, such as determining if, the failure is critical, and displaying the information in a logical and organized fashion.

Service Charge: Each water service customer pays a monthly service charge to cover the cost of reading and maintaining meters and services, billing, and the fixed general and administrative expenses. The charge is based on the size of the meter.

State Water Project: A water development and distribution system owned and operated by the State of California Department of Water Resources, to transport water from northern California to southern California. It entails the development of an aqueduct system and power associated with pumping the water.

Strategic Goal: A discreet aim for future achievement that is necessary to meet a component of Newhall County Water District's mission.

Supplemental Fund: Funds that are not restricted by law or contract, which the District holds for future refunds/expenditures.

Water Rates: Rates vary amongst residential and non-residential customers and are measured in units. The water rates for residential customers are based on an accelerated tier structure. As more units are consumed, a higher rate is charged. All non-residential customers are charged a flat rate per unit. A unit of water is 100 cubic feet or 748 gallons of water.

Water System: The whole and each and every part of the water system of Newhall County Water District, comprising all facilities of the supply, storage, treatment and distribution of water, together with all additions, extensions and improvements to such system.



LIST OF ACRONYMS

A

ACWA	Association of California Water Agencies
AF	Acre-Foot/Feet
AWWA	American Water Works Association

B

BMP	Best Management Practices
-----	---------------------------

C

CalPERS	California Public Employees' Retirement System
CAFR	Comprehensive Annual Financial Report
CCF	Hundred Cubic Feet
CDPH	California Department of Public Health
CF	Cubic Feet
CIP	Capital Improvement Program
CLWA	Castaic Lake Water Agency
CNB	City National Bank/Municipal Leasing
CPI	Consumer Price Index

D

DPH	Department of Public Health
DVP	Delivery versus Payment
DWASP	Drinking Water Source Assessment Program
DWR	Department of Water Resources

E

EDU	Equivalent Dwelling Unit
-----	--------------------------

F

FEMA	Federal Emergency Management Agency
FICA	Federal Insurance Compensation Act
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association of the United States & Canada
GIS	Geographical Information System
GPM	Gallons per Minute
GPS	Global Positioning System

H

HCF	Hundred Cubic Feet
HOA	Home Owners Association
HR	Human Resources



LIST OF ACRONYMS

I	
IRWMP	Integrated Regional Water Management Plan
IT	Information Technology
L	
LAFCO	Local Agency Formation Committee
LAIF	Local Agency Investment Fund
LLC	Limited Liability Company
LACO	Los Angeles County
M	
M&R	Maintenance and Repair
MG	Million Gallons
MGD	Million Gallons per Day
MOU	Memorandum of Understanding
MXU	Meter Transceiver Unit
N	
NPDES	National Pollutant Discharge Elimination System
O	
O&M	Operations and Maintenance
OPEB	Other Post-Employment Benefits
P	
PA	Pumping and Agriculture
PS	Pump Station
R	
RWQCB	Regional Water Quality Control Board
S	
S&I	Structures and Improvements
SCADA	Supervisory Control and Data Acquisition
SCE	Southern California Edison
SCV	Santa Clarita Valley
SWP	State Water Project
W	
WD	Water District



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