

# OPERATING & CAPITAL BUDGET

FISCAL YEAR 2017



**Water**  
*is life*



NEWHALL COUNTY  
WATER DISTRICT

*serving the community for over 60 years*

Adopted May 12, 2016





**OPERATING AND CAPITAL BUDGET**  
**FISCAL YEAR 2017**

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Maria Gutzeit - Vice President  
Kathy Colley - Director  
Daniel R. Mortensen - Director  
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Stephen L. Cole - General Manager  
Rochelle Patterson - Director of Finance/Administration  
Michael Alvord - Director of Operations

# OPERATING AND CAPITAL BUDGET

## FISCAL YEAR 2017

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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, 2015.

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 eight years.





## 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](mailto:mail@ncwd.org)

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

May 12, 2016

Honorable Board of Directors  
Newhall County Water District

I am pleased to present the Newhall County Water District Operating and Capital Budget for FY 2017, which was presented for review and adoption to the District's Board of Director's at a public meeting on May 12, 2016.

California continues to suffer from a severe - and by some measures, unprecedented drought. Although Northern California has received around average precipitation, Southern California remains arid. 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.

The problem affecting nearly 40 million people living in California is the ongoing drought and the drought restrictions limiting their water use. The Governor of California issued an Executive Order mandating urban consumers to reduce their water demand by 25% compared to their use in the year 2013. The stress the drought is causing on the California water system is providing a vital lesson in how conservation measures today will affect future water supplies.

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.

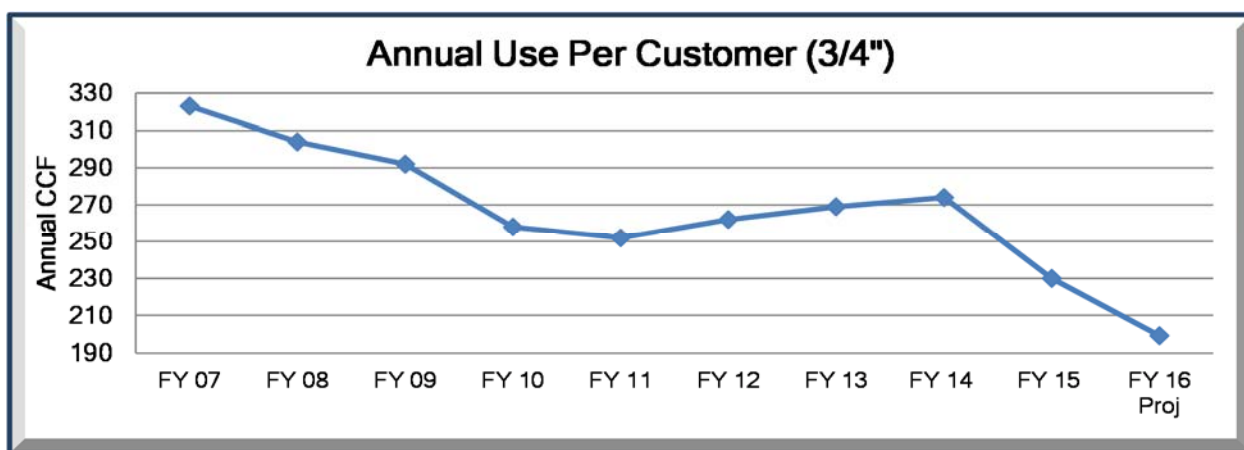


There is no such thing as "business as usual" at the District. The District has had the opportunity to learn some valuable lessons since 2008. Our world adjusted to the new reality of our situation. The District staff are working smarter and harder than ever to get things done - doing more with less 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.

The good news, District customers met the challenge of meeting the conservation goal outlined in the Governor's mandate, but as a result, water sales received were less than expected. Because water utilities are dependent on the sale of water to recoup costs,

reduced sales can result in deficits. 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. Although there is 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 one of the lowest recorded (predating the current drought) in FY 2011 of just 188,496 gallons. The District projects the average customer with a 3/4" meter to consume 147,356 gallons annually in FY 2016, a decrease of 22% from the low in FY 2011.



The FY 2017 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. The drought and subsequent 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 2017 and Capital Improvement Plan (CIP) projects proposed for FY 2017-21 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 and public Board meetings. The budget process is described in more detail on page 38.

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 capital 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.

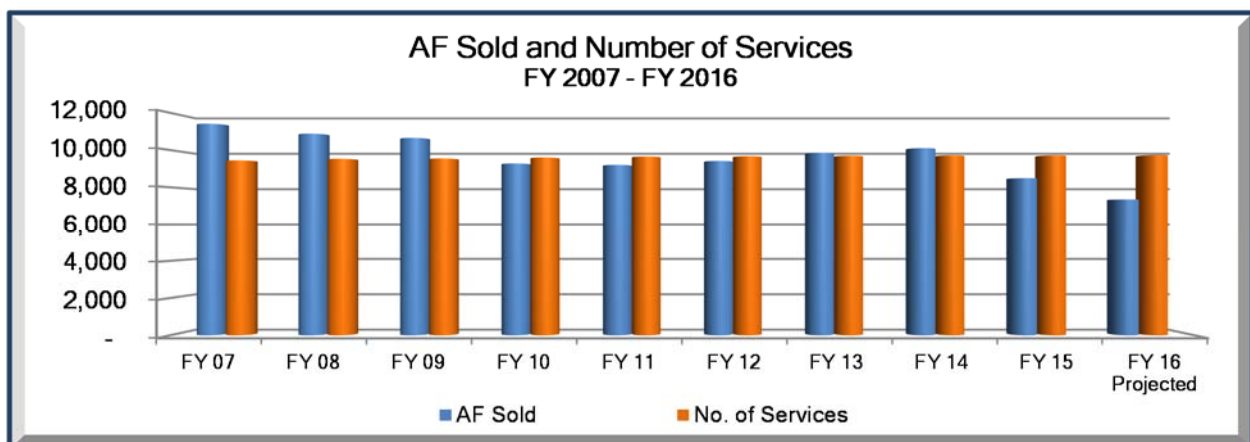
### DISTRICT HISTORY

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 2015, the District sold 8,491-acre feet of water, 16% less than the prior year. Approximately 40% 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 60% 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 2007. 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 36% reduction in water sold since FY 2007.



## BUDGET SUMMARY AND FORECAST

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 seven 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 seven years of belt tightening and cost containment and will continue to do more through this period of drought and financial instability. 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 the uncertainty of the State water restriction mandates and how the District customers will respond. 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

During the process of reviewing the budget for FY 2017, the District made the decision to implement the Water Revenue Adjustment Factor (WRAF) to proactively address the reduction in water sales. 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 2017 with water revenues expected to be \$11,099,384 (total revenues \$13,334,450), which is a 2% decrease from the previous budget year. Since FY 2011, the District had used an adjustment to the demand projection methodology used resulting in a more conservative projection of future revenues. This method used the last recorded nine months (July - March) of actual usage and three months projected usage (April - June) to more accurately estimate operating revenues. Due to the State mandate and emergency conservation regulations, the District will be projecting water revenues for FY 2017 - FY 2021 based on the 25% restriction (as compared to calendar year 2013) that was assigned to the District.

## 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 2017 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 \$13,334,450 Operating Budget, which is a decrease of 2% 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.

THESE COSTS-  
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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 2021.

Purchased Water - The District is expecting to purchase 2,038 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 WRAF (adjustment to the commodity rate) and are based on current estimates of future costs. The pass-throughs are allowed in accordance with Government Code Section 53756 and are subject to change based on actual costs. Pass-throughs capture cost changes largely beyond the control of the District. The fixed charge component of the wholesale water rate is expected to increase by 11% and the variable rate by 6% in July 2016 with additional increases 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 and appellate courts, which resulted in CLWA entering into a settlement agreement with the District and modified their rate structure. In FY 2016, the settlement money was used to offset the funds the District overpaid for purchased water not collected from the customers via the purchased water pass through. The remainder was used to pay down \$800,000 of principal balance on one of the District's debt issuances. The FY 2017 budget has assumed and projected the new CLWA rate structure will continue through FY 2021.

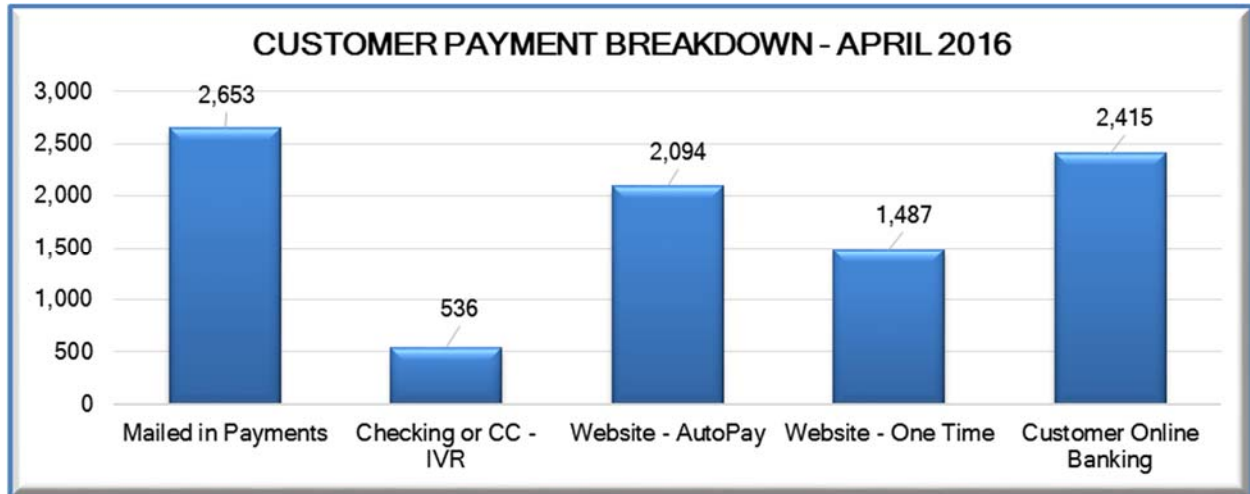
District Operations - The District operates and maintains over 146 miles of distribution and transmission main, 22 above ground steel reservoirs, 15 booster pump stations, and 11 active groundwater wells. To operate this extensive system, the District employs 30 individuals. These employees include water 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 5.5% from April 2015 through March 2016, 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.

AUTOMATED  
SYSTEMS HAVE  
MADE INQUIRIES  
MORE CONVENIENT  
TO CUSTOMERS

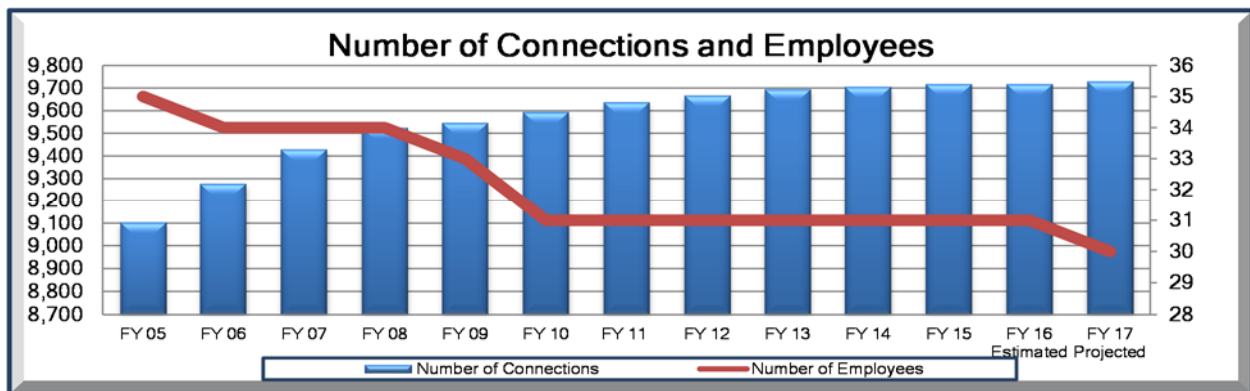
The District has actively developed new processes and applied technologies to automate systems and make inquiries more convenient and responsive to customer needs. These initiatives have been extremely successful in not only addressing call volume, but in reducing costs. Online self-service and paperless 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 2015, Field Services Representatives conducted more than 3,063 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 14% 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.

There was one employee reduction in FY 2016 and no new employee positions have been budgeted, and there are no vacant positions to be filled. Total salaries and benefits are forecast to be 2.6% higher in FY 2017 than budgeted in FY 2016. 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 2017 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 (2009), has seen a 61% overall trust return. The trust outperformed the expected interest return by 15% from the inception date through March 2016.

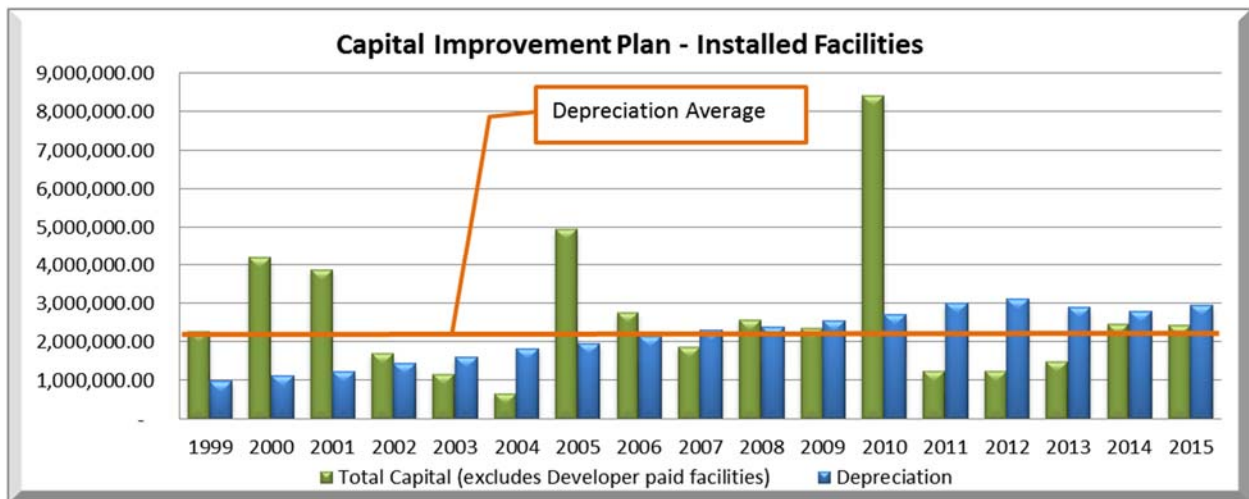
In summary, the total operating expenditures excluding debt service and CIP is expected to decrease by \$457,414 (5%) from the prior year's budget due to a change in the purchased water rate and reduced sales.

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 2017. 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 \$2,155,000, which is a 9% increase from the prior year. The Districts 5-year CIP project list is estimated at \$12,490,000 including projects, such as; pipeline replacements, booster station 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), the Capital fund, debt financing, and the master plan portion of the connection fee. Since FY 1999, the District has invested over \$45 million in its CIP program.

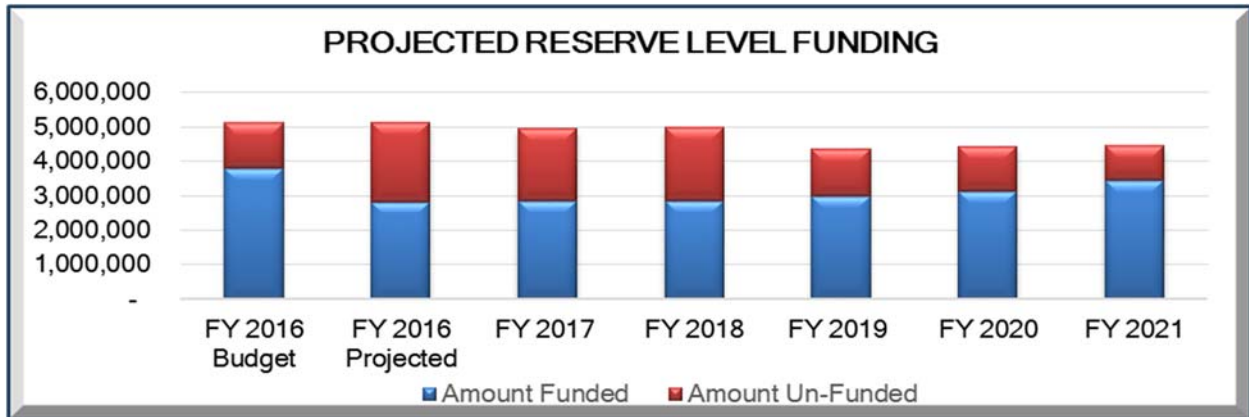


### Reserves

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 establish the Renewal and Replacement Capital Fund and remove the capital reserve, which changed the funding levels. The FY 2017 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.

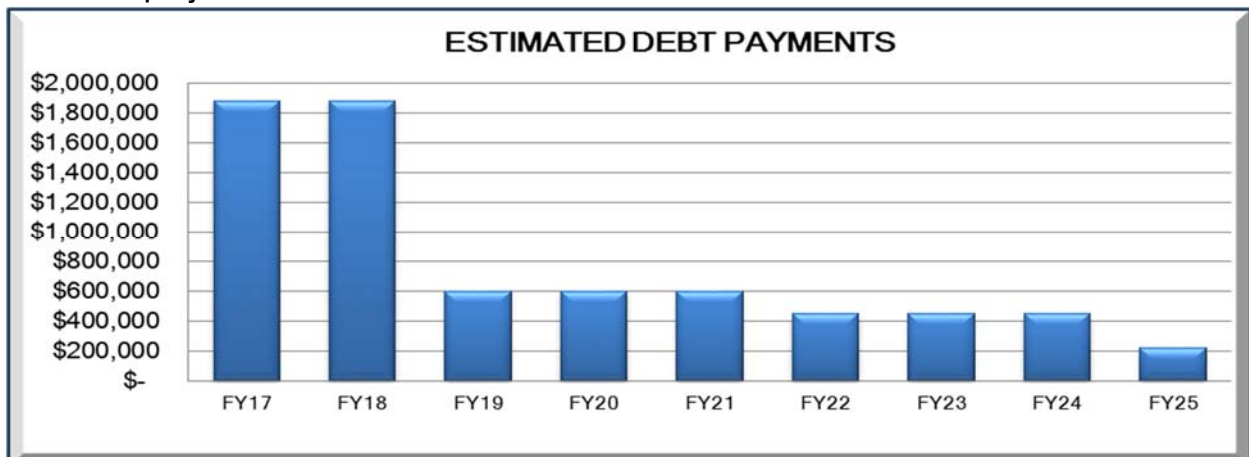
Reserve requirements are established by the District’s reserve policy and from time to time, some uses of reserves have been budgeted for specific purposes. It is projected no funds will be transferred into the reserve fund from operations and no utilization of reserves have been projected in FY 2017.

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 reallocation of those funds to other reserve categories bringing the reserve levels closer to those identified in the reserve policy. In FY 2016, the rate stabilization and operations reserve fund was utilized to offset the revenue shortfall, due to customers meeting the state mandated water restrictions. The amount needed from the reserve funds was \$999,470. The WRAF will be utilized to offset the revenue balancing account. If more funds are received than projected, those funds will be transferred to the reserve fund. 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 FY 2012 and again in FY 2016, the District had foresight to research the cost effectiveness of refinancing certain debt obligations and taking advantage of lower interest rates. The District paid nearly half of the principal balance owed on the CNB 2009 loan during the refinance. 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 \$1.7 million in interest over the term of the refinanced debt and reduce the maturity date with a small decrease in annual debt payments. As of July 1, 2016, the District will have outstanding long-term debt obligations of approximately \$7,162,763 (principal and interest) as shown in detail on page 95. A significant portion (\$1,281,059) 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 2017.





## WATER USE EFFICIENCY/CONSERVATION

The Santa Clarita Valley and surrounding areas have seen below to average rainfall between FY 2007-2015 and in August 2014, the Governor of California declared a drought and subsequently (April 2015) issued an executive order requiring a reduction in water consumption.



NCWD Employees at a Conservation Event

The State Water Resources Control Board (SWRCB) consequently developed regulations requiring the District to achieve a 28% reduction in water use from the same period in 2013. As part of the amendments to the regulations, the required conservation by District customers is currently 25%. District customers have responded to the regulations and through March 2016 have reduced their water demand by 28%. 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 to recover any shortage of revenue due to inflation attributed to fluctuations in real demand and to create a balancing account.

The District is still committed 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 36%. 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 recently updated to include turf removal and other indoor/outdoor 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 adding the ability to include dedicated landscape meters in the WET program.

## 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 in compliance with our current rate study 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 2017.

In the short-term, the FY 2017 revenue from water sales is projected to decrease by 8% primarily due to mandatory water conservation. The increase in new services for the next five years from FY 2017-21 is forecast to be 2%.

Forecasted water consumption in FY 2017 is expected to be 13% lower than what was budgeted in FY 2016. The District projects current customer usage will remain consistent with usage in FY 2016 through FY 2021. 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 2017 budget is balanced and adheres to adopted District financial policies. As with prior years, the FY 2017 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. 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.

### HIGHLIGHTS OF THE FY 2017 OPERATING BUDGET

- A balanced budget by meeting the needs of customers and the goals set by the District
- An updated CIP plan incorporating Master Plan goals
- Continuation of Resolution 2015-8 setting the water rates
- Institute the WRAF to recover revenue shortfall from FY 2016
- One reduction 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

## 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



Newhall County Water District Office

# USER'S GUIDE

This FY 2017 budget establishes a plan to provide for the District's current customers, our community, and the Strategic Plan goals of the District. In order to provide an effective foundation for the development of the FY 2017 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 2017 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 2017. 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 2017 through 2021 to be funded from the General Fund and Capital 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.

## VISION STATEMENT

The vision statement of the Newhall County Water District is to provide long-term availability of high quality water through leadership and collaborative partnerships.

## 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 an Assistant General Manager, oversees day-to-day activities of the Operations and Finance Departments. Under the direction of the Assistant General Manager, the Director of Finance and Administration oversees the department of Administrative Services, Finance, and Information Technology. These and other lines of reporting are shown on the organizational chart on page 36.

# USER'S GUIDE

## GENERAL INFORMATION

For FY 2017, the District will have a staff of 29 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 7,938 acre-feet of treated water to over 9,700 service connections in FY 2017. There are no developments projected to be completed in FY 2017, resulting in a zero percent growth rate.

The District owns, operates, and maintains more than 146 miles of distribution and transmission mains, 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 7,989,077 gallons of treated water on a daily basis. Of the District's 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 2015, the average high temperature was 79.10° F and the average low was 48.40° F. A below average 12.87 inches of rain fell in FY 2015.

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 provide a first-class water system.

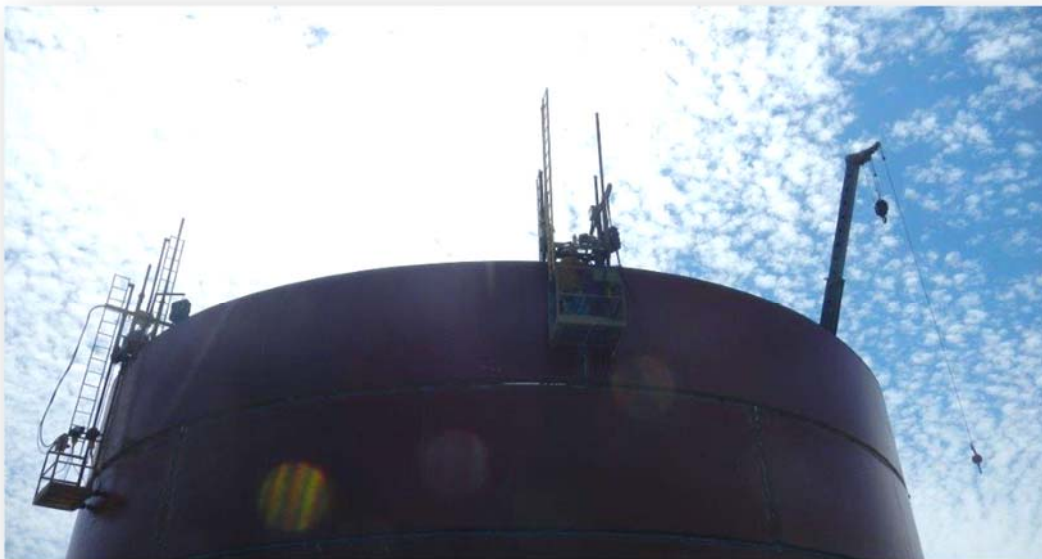
# BUDGETARY BASIS

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 2017 is balanced, as shown on page 86.



New Castaic Tank No. 3 - Under Construction



# 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 the 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:

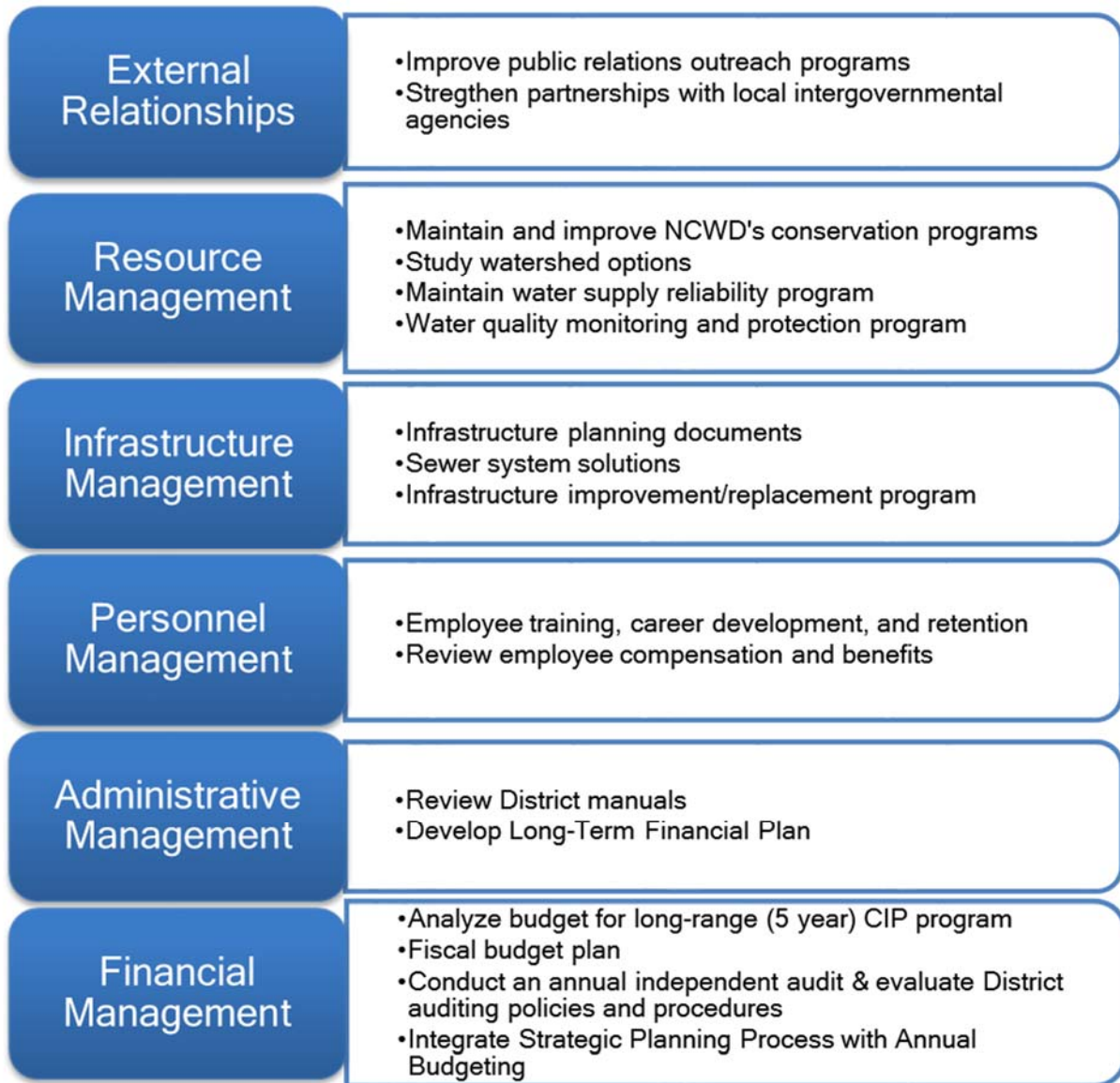
- Collaboration with partner agencies.
- Technology that can provide new opportunities.
- Environmental changes that can significantly affect District operations.
- Changes in Federal, State and local laws and land use policies that can have significant effects on District operations.
- Employee development 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:



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"> <li>1. Continuous website updates with current events</li> <li>2. Social media postings</li> <li>3. Developed mobile app, iConserve</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>1. Continue updates</li> </ol>
1.1.2	Maintain positive working relationship with the media	<ol style="list-style-type: none"> <li>1. Contacted media on a regular basis</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>1. Continue engagement</li> </ol>
1.1.3	Implement annual public relations plan	<ol style="list-style-type: none"> <li>1. Implement Public Outreach Plan</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>1. Update Public Outreach Plan</li> </ol>
1.1.4	Attend & participate in community events & programs	<ol style="list-style-type: none"> <li>1. Attended Earth/Arbor Day, CLWA Open House, Emergency Expo, SCV Community Expo, River Rally and Operation School Bell</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>1. Continue engagement</li> </ol>
1.1.5	Enhance customer relations	<ol style="list-style-type: none"> <li>1. Completed mobile app, iConserve</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>1. Continue Customer Service staff meetings</li> </ol>
1.2.1	Maintain positive relationship with local city, county & other inter-governmental agencies	<ol style="list-style-type: none"> <li>1. GM serves on SCV Water Committee</li> <li>2. GM serves as COC Water Systems Technology Committee Chair</li> <li>3. Regularly meet with County &amp; City Management</li> <li>4. NUCCM meeting quarterly w/all utility agencies</li> <li>5. Monthly water operations meeting w/all water agencies</li> <li>6. GM serves as a SCV Chamber Board member</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>1. Continue service/meetings</li> </ol>
1.2.2	Annually select opportunities to increase visibility within the community	<ol style="list-style-type: none"> <li>1. Implemented Public Outreach plan</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>1. Update Public Outreach Plan</li> </ol>
1.2.3	Attend & participate in ACWA, AWWA, CUWCC, & other water industry organizations meetings & events	<ol style="list-style-type: none"> <li>1. Water Use Efficiency Meetings at MWD regarding CUWCC and statewide issues</li> <li>2. SCV Water Committee</li> <li>3. SCV Family of Water Suppliers and Conservation Coordinators meetings</li> <li>4. ACWA Energy Committee</li> <li>5. ACWA Region 8 Board Chair</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>1. Continue engagement</li> </ol>
1.2.4	Pursue Legislative advocacy	<ol style="list-style-type: none"> <li>1. Met with legislative leaders to keep them informed of issues impacting the District</li> <li>2. Actively pursuing recommended positions</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>1. Develop Legislative Advocacy Plan for FY 2017</li> </ol>

# 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 <b>Next Action:</b> 1. Complete BMP reports
2.1.2	Implement the Santa Clarita Valley Water Use Efficiency Strategic Plan	1. Completed the Plan <b>Next Action:</b> 1. Implement 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 <b>Next Action:</b> 1. 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. Completed Water Efficiency Target (WET) Program <b>Next Action:</b> 1. Continue to review District website and make suggestions as new programs and information becomes available
2.1.5	Maximize customer participation in established conservation programs	1. Messages promoting conservation were added to monthly water bills and the District newsletter <b>Next Action:</b> 1. Continue to implement WET Program
2.2.1	Participate in the IRWMP	1. Attend meetings with the IRWMP coalition <b>Next Action:</b> 1. Participate in the Prop. 1 grant funding program
2.3.1	Work cooperatively with wholesaler (CLWA) to ensure necessary water banking programs, including consideration of local banking possibilities	1. Completed <b>Next Action:</b> 1. Continuing to communicate with CLWA
2.3.2	Assist in CLWA's completion of water recycling system master plan	1. Working with CLWA on Master Plan <b>Next Action:</b> 1. Complete Master Plan update
2.3.3	Provide progress reports to Board on implementation of recycled water program	1. Completed reconnaissance study to evaluate other resource options 2. Updated Board on Master Plan update <b>Next Action:</b> 1. Complete preliminary design of Phase 2C
2.3.4	Implement Sustainability Groundwater Management Act (SGMA)	<b>Next Action:</b> 1. Hold SGMA facilitation meetings 2. Form SGMA Agency
2.3.6	Actively pursue recharge projects to enhance the yield of local aquifers	1. Completed reconnaissance Study <b>Next Action:</b> 1. Incorporate recharge projects on recycled master plan
2.4.1	Attend & actively participate in the development of the regional 2015 UWMP	1. Preparing 2015 UWMP <b>Next Action:</b> 1. Complete 2015 UWMP
2.5.1	Monitor & report water quality as required by government regulations	1. Reporting as required <b>Next Action:</b> 1. Continue
2.5.2	Annually evaluate & update water supply & demand figures	1. Reviewed as part of the FY 2016 Budget 2. Complete annual water report <b>Next Action:</b> 1. Complete annual water report
2.5.3	Actively pursue the protection of local groundwater resources	<b>Next Action:</b> 1. Form SGMA Agency

# STRATEGIC ELEMENTS

## INFRASTRUCTURE MANAGEMENT

GOALS		ACTIONS
3.1.1	Maintain the Long-Range Capital Improvement Program (CIP)	1. Incorporated into FY 2016 budget <b>Next Action:</b> 1. Update for FY 2017 budget
3.1.2	Review & update Master Plan for the Newhall systems	<b>Next Action:</b> 1. Incorporate One Valley One Vision projections in Master Plans
3.1.3	Review & update NCWD's Standard Specifications to ensure adherence to current standards	1. Completed <b>Next Action:</b> 1. Maintain
3.3.1	Develop a feasible solution for the Sand Canyon Sewer System & Shadow Pines Sewer Lift Station	1. Worked 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 <b>Next Action:</b> 1. Apply for Grant funding 2. Relocate sewer line 3. Transfer ownership
3.4.1	Complete Fiscal year CIP	1. Incorporated into FY 2016 budget <b>Next Action:</b> 1. Complete
3.4.2	Complete Fiscal year maintenance activities	1. 85% complete <b>Next Action:</b> 1. Complete

# 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	<p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>Schedule to complete supervisory training courses</li> </ol>
4.1.2	Cross-train District employees	<ol style="list-style-type: none"> <li>New Maintenance employee cross-training with Construction and Water Quality Crew</li> <li>Customer Service Rep II cross-training with A/P</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>Continue cross-training as needed</li> </ol>
4.1.3	Monitor employee safety training program	<ol style="list-style-type: none"> <li>Continuing safety training requirements and completion dates</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>Continue</li> </ol>
4.1.4	Require District employees meet DDW operator certification requirements	<ol style="list-style-type: none"> <li>Providing training courses in-house</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>Monitor deadlines</li> </ol>
4.1.5	Conduct annual employee performance evaluations to provide feedback & enhance professional development	<ol style="list-style-type: none"> <li>Ongoing on each employee's anniversary date</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>Continue</li> </ol>
4.1.6	Evaluate options for implementing an employee incentive program	<ol style="list-style-type: none"> <li>Quarterly luncheon safety incentive program implemented</li> <li>Created and implemented Employee of the Year award</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>Continue to search for and implement employee incentive programs</li> </ol>
4.2.1	Complete annual compensation studies, including salary & benefit package value comparisons with similar competing agencies	<ol style="list-style-type: none"> <li>Evaluate salary and benefits offered by District with similar competing districts</li> <li>Completed December 2015</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>Complete in December 2016</li> </ol>
4.2.2	Utilize study results in determining compensation rates & in the recruiting process	<ol style="list-style-type: none"> <li>Completed with budget process</li> </ol> <p><b>Next Action:</b></p> <ol style="list-style-type: none"> <li>Continue to monitor</li> </ol>

# 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 February 2016  <b>Next Action:</b> 1. Maintain information, update FY 2018
5.1.2	Provide training for Board of Directors & management staff in Ethics Training every two years as required by AB1234	1. Board completed 2016  <b>Next Action:</b> 1. Complete training in 2018



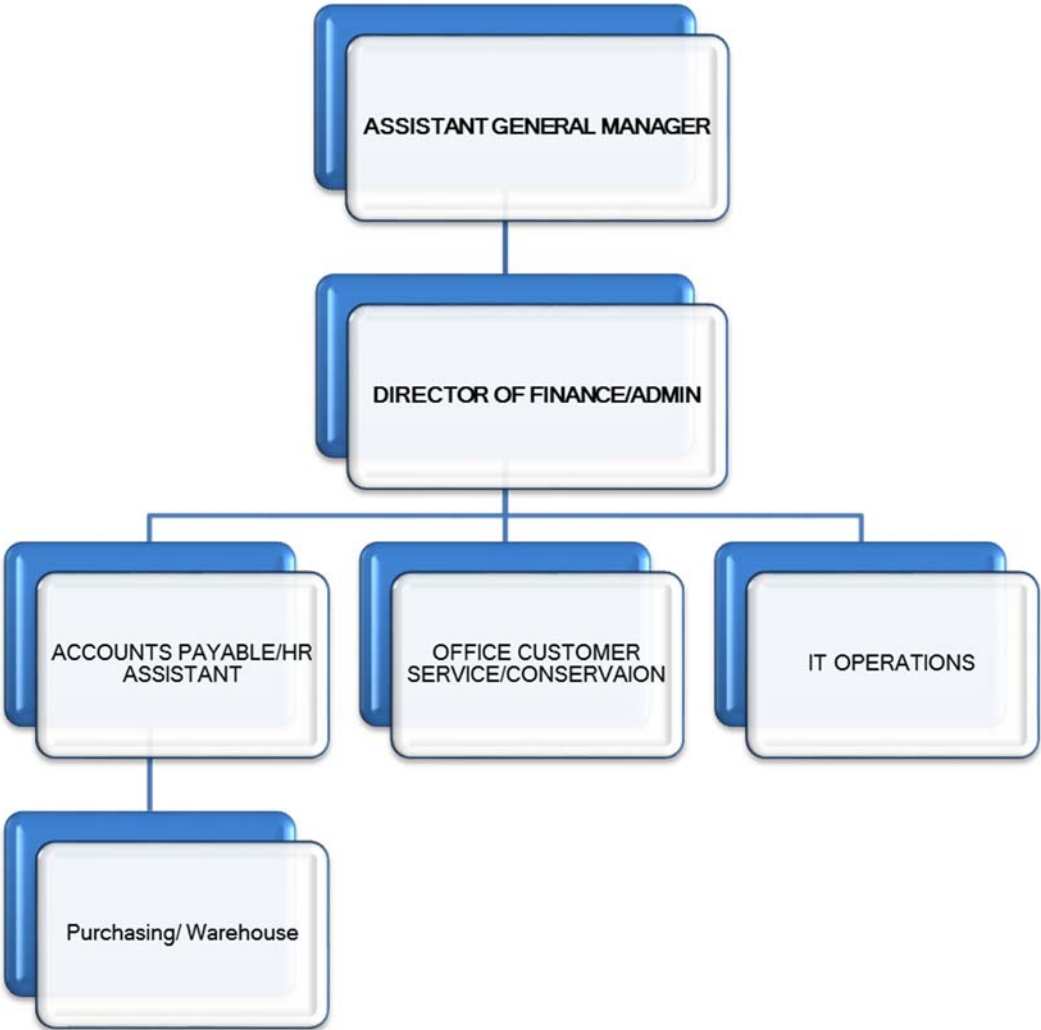
# STRATEGIC ELEMENTS

## FINANCIAL MANAGEMENT

GOALS		ACTIONS
6.1.1	Evaluate funding of capital improvement programs	1. Incorporated into FY 2016 budget <b>Next Action:</b> 1. Reviewing for FY 2017 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 <b>Next Action:</b> 1. Continue
6.2.1	Annually adopt fiscal budget plan	1. FY 2016 adopted. Received Government Financial Officers Association (GFOA) Distinguished Budget Presentation Award for presenting a qualifying budget document for eighth year <b>Next Action:</b> 1. Adopt FY 2017 budget in June 2016 and submit to GFOA for consideration
6.2.2	Annually evaluate reserve policy funding & incorporate into budget process	1. Updated February 2015 <b>Next Action:</b> 1. Incorporated in FY 2017 budget
6.2.3	Annually review & analyze legislative & regulatory impacts to budget forecasting	1. Reviewed for FY 2016 budget - Mandatory cutbacks <b>Next Action:</b> 1. Incorporated reduced usage in FY 2017 budget
6.2.4	Complete GASB 45 analysis of post-retirement benefit liability	1. Actuarial evaluation updated June 2016 2. District Other Post Employment Benefits (OPEB) are fully funded <b>Next Action:</b> 1. Perform Actuarial evaluation update June 2018
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. FY 2015, received Comprehensive Annual Financial Report award from GFOA for the sixth year <b>Next Action:</b> 1. Prepare for audit for FYE 2016 in July

# ADMINISTRATIVE SERVICES

The Administrative Services staff, under the general direction of the Assistant 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	4	\$ 435,264	\$ 280,875	\$ 716,139	52%
Customer Service	4	316,729	356,000	672,729	48%
TOTAL	<u>8</u>	<u>\$ 751,993</u>	<u>\$ 636,875</u>	<u>\$ 1,388,868</u>	<u>100%</u>

### **CORE SERVICES DESCRIPTION**

#### **Director of Finance/Administration**

Under administrative direction of the Assistant General Manager, the Director of Finance and Administration plans, organizes and directs the functions of personnel, finance, accounting services, customer service and information processing. This function provides the District with accurate financial services including governmental accounting, investments, special projects, contracts, retirement, debt issuance and preparation of the Annual Budget and the Comprehensive Annual Financial Report.

#### **Accounts Payable and Human Resources**

The Accounts Payable and Human Resources responsibilities include assistance in financial reporting and personnel matters. This function is also responsible for accounts payable, purchasing, 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's 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 Technician**

The Information Technician manages the development, maintenance, and use of computer systems, software, and networks for the processing and distribution of the District's data. The Technician provides guidance on supporting operations by means of new equipment such as, servers and server management. The Technician 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 2016 HIGHLIGHTS AND ACCOMPLISHMENTS**

- ⇒ Maintaining the Asset Capitalization Policy
- ⇒ Continuation of Payroll and Accounts Payable cross training
- ⇒ Received the District's sixth Comprehensive Annual Financial Report (CAFR) award
- ⇒ Received the Distinguished Budget Award for the eighth consecutive year
- ⇒ Maintained the District's annual work plan
- ⇒ Completed the annual District Statistics report
- ⇒ Continued working with vendor on the Maintenance Management Software
- ⇒ Developing a Long-Term Capital Reinvestment Study report

## **FINANCE AND ACCOUNTING**

### **FY 2016 HIGHLIGHTS AND ACCOMPLISHMENTS (continued)**

- ⇒ The SCADA upgrades for Newhall Tank 1&1A, Turnout N3, and Well 12 have been completed
- ⇒ The SCADA upgrades for Tesoro Tank 1&1A, Tank 2&2A, and N4 have been completed
- ⇒ Assisting with SCADA for new Castaic Booster 3 and Tank 3
- ⇒ Assisted with setting up and configuring the Maximo Asset Management Software
- ⇒ Assisted with Emergency/Disaster preparation and documentation
- ⇒ Correcting SCADA errors in-house
- ⇒ Configured a Windows Update Proxy server in order to have smoother Windows updates
- ⇒ The Water Budget (WET) project has been completed
- ⇒ Newhall Well 13 SCADA upgrade has been completed

### **FY 2016 OBJECTIVES**

- ⇒ Complete 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 SCADA installation
- ⇒ Continue to keep network hardware and software up to date
- ⇒ Continue to configure phone system with multiple redundancy for maximum up time

## FINANCE AND ACCOUNTING

	Actual FY 2014	Actual FY 2015	Adopted Budget FY 2016	Adopted Budget FY 2017	%
					Change
TOTAL COST	\$ 880,672	\$ 859,671	\$ 902,588	\$ 716,139	-20.7%

**PERSONNEL SERVICES**                      \$ (190,379)

The decrease is due to the reduction of one position in the Administrative Services department. The Accounting Manager position, including salary and benefits has been eliminated.

**OPERATING EXPENSES**                      \$ 3,930

This increase is primarily due to a small increase in office expenses.

PERSONNEL						
Title	Full Time	Part Time	FY 2014 FTE	FY 2015 FTE	FY 2016 FTE	Total Change
Director of Finance & Admin	1	0	1	1	1	0
Accounting Manager	0	0	1	1	0	-1
Accounts Payable Clerk II	0	0	1	1	0	-1
Accounts Payable/HR Assist	1	0	0	0	1	1
Information Systems Specialist	1	0	1	1	1	0
Warehouse/Purchasing Technician	1	0	1	1	1	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>-1</b>

## FINANCE AND ACCOUNTING

<u>PERSONNEL SERVICES</u>	Actual Expenditure FY 2014	Actual Expenditure FY 2015	Budget Allocation FY 2016	Board Adopted FY 2017	% Change
Regular Wages	\$ 429,471	\$ 423,121	\$ 432,660	\$ 301,650	-30.3%
Overtime	15,581	16,009	16,000	4,000	-75.0%
Longevity	3,904	-	7,426	2,870	-61.4%
Other Benefits	-	-	-	-	0.0%
FICA Taxes	34,345	33,593	34,891	23,602	-32.4%
Retirement - Employer	62,854	61,478	63,852	43,193	-32.4%
Group Insurance	66,131	67,360	68,346	58,077	-15.0%
Life, STD & LTD	4,905	2,475	2,468	1,872	-24.2%
TOTAL PERSONNEL SERVICES	617,191	\$ 604,037	625,643	435,264	-30.4%
<u>OPERATING EXPENSES</u>					
Professional Services-Accounting	64,842	44,438	50,000	50,000	0.0%
Office Expenses	26,103	33,340	26,800	31,875	18.9%
Computer Contracts	57,453	70,348	90,000	90,000	0.0%
Computer Software & Supply	10,646	16,148	15,000	15,000	0.0%
Professional Development-Training	4,968	6,693	5,645	6,000	6.3%
Uniforms	2,742	3,190	2,500	3,000	0.0%
Shop Tools & Supplies	7,344	5,651	7,000	7,500	7.1%
Maintenance of Shop Equipment	13,209	10,715	15,000	12,500	-16.7%
Maintenance & Repair Shop/Yard	76,174	65,111	65,000	65,000	0.0%
TOTAL OPERATING EXPENSES	263,481	255,634	276,945	280,875	1.4%
TOTAL EXPENDITURES	<u>\$ 880,672</u>	<u>\$ 859,671</u>	<u>\$ 902,588</u>	<u>\$ 716,139</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.		
<b>Objective:</b> 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 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Projected	FY 2016 Target Met?	FY 2017 Target
1	Operating Expenses/ Adopted Budget	99%	99%	102% or less	95%	★	102% or less
2	Number of Financial Audit Recommendations	0	0	0	0	★	0
3	Number of Adjusting Journal Entries from Audit	1	2	Less than 3	2	★	Less than 3
4	Years Consecutive GFOA Budget Award	6	7	8	8	★	9
5	Years Consecutive GFOA CAFR Award	4	5	6	6	★	7
6	Percent of Error Free Checks processed monthly	100%	100%	100%	99.9%	□	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.
2. Due to an upgrade to the check-printing program, one check run (33 checks) were processed missing the bank routing and account number.



## **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 2016 HIGHLIGHTS AND ACCOMPLISHMENTS**

- ⇒ Participated in the Earth Arbor Day, CLWA Open House, Emergency Expo and River Rally
- ⇒ Sponsored the SCV Chamber Expo and Operation School Bell
- ⇒ NCWD's rebate programs:
  - ⇒ HE Sprinkler Nozzle program has helped replace over 1,403 standard sprinkler nozzles
  - ⇒ Converted 14 drip irrigations through the drip conversion rebate program
  - ⇒ Performed 7 customized water efficiency rebates
  - ⇒ Performed 12 residential water use assessments
- ⇒ NCWD as a member of The SCV Family of Water Suppliers participate in the following rebates and programs:
  - ⇒ The Family Online Weather Based Irrigation Controller program has given out 273 free controllers
  - ⇒ The Family Lawn Replacement Program has received 138 applications with 40 completed projects
- ⇒ All work is scanned into the billing system for retention
- ⇒ Social Media (Facebook, Twitter)

### **FY 2017 OBJECTIVES**

- ⇒ Implement dedicated landscape 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 2014	Actual FY 2015	Adopted Budget FY 2016	Adopted Budget FY 2017	% Change
TOTAL COST	\$ 620,541	\$ 708,907	\$ 659,508	\$ 672,729	2.0%

**PERSONNEL SERVICES**                    \$ 9,237

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

**OPERATING EXPENSES**                    \$ 3,984

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.

<b>PERSONNEL</b>						
<b>Title</b>	<b>Full Time</b>	<b>Part Time</b>	<b>FY 2014 FTE</b>	<b>FY 2015 FTE</b>	<b>FY 2016 FTE</b>	<b>Total Change</b>
Cust Serv & Efficiency Coordinator	1	0	1	1	1	0
Cust Serv & Operations Assistant	0	0	1	1	0	-1
Customer Service Rep I	0	0	1	0	0	0
Customer Service Rep II	3	0	1	2	3	1
<b>Total</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>

## **CUSTOMER SERVICE**

<u>PERSONNEL SERVICES</u>	Actual Expenditure FY 2014	Actual Expenditure FY 2015	Budget Allocation FY 2016	Board Adopted FY 2017	% Change
Regular Wages	\$ 222,982	\$ 213,948	\$ 203,479	\$ 213,115	4.7%
Overtime	4,763	6,470	4,763	4,000	-16.0%
Longevity	2,320	4,621	2,320	3,468	49.5%
Other Benefits	-	-	-	-	0.0%
FICA Taxes	17,600	17,215	16,108	16,875	4.8%
Retirement - Employer	32,209	31,505	29,479	30,882	4.8%
Group Insurance	49,634	50,746	49,634	46,838	-5.6%
Life, STD & LTD	1,709	1,538	1,709	1,552	-9.2%
TOTAL PERSONNEL SERVICES	331,217	326,044	307,492	316,729	3.0%
 <u>OPERATING EXPENSES</u>					
Billing and Collecting	88,676	107,938	95,000	100,000	5.3%
Professional Development-Training	3,975	5,355	4,516	6,000	32.9%
BMP/MOU Expenses	79,531	71,075	100,000	50,000	-50.0%
Drought Related Expense	-	53,229	-	50,000	100.0%
Miscellaneous Expenses	109,806	136,453	140,000	140,000	0.0%
Maintenance of Office Equipment	7,336	8,813	12,500	10,000	-20.0%
TOTAL OPERATING EXPENSES	289,324	382,863	352,016	356,000	1.1%
 TOTAL EXPENDITURES	 <u>\$ 620,541</u>	 <u>\$ 708,907</u>	 <u>\$ 659,508</u>	 <u>\$ 672,729</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.		
<b>Objective:</b> To improve the quality and quantity of customer service inquires and to finds ways to reduce expenses by five%.					
	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*

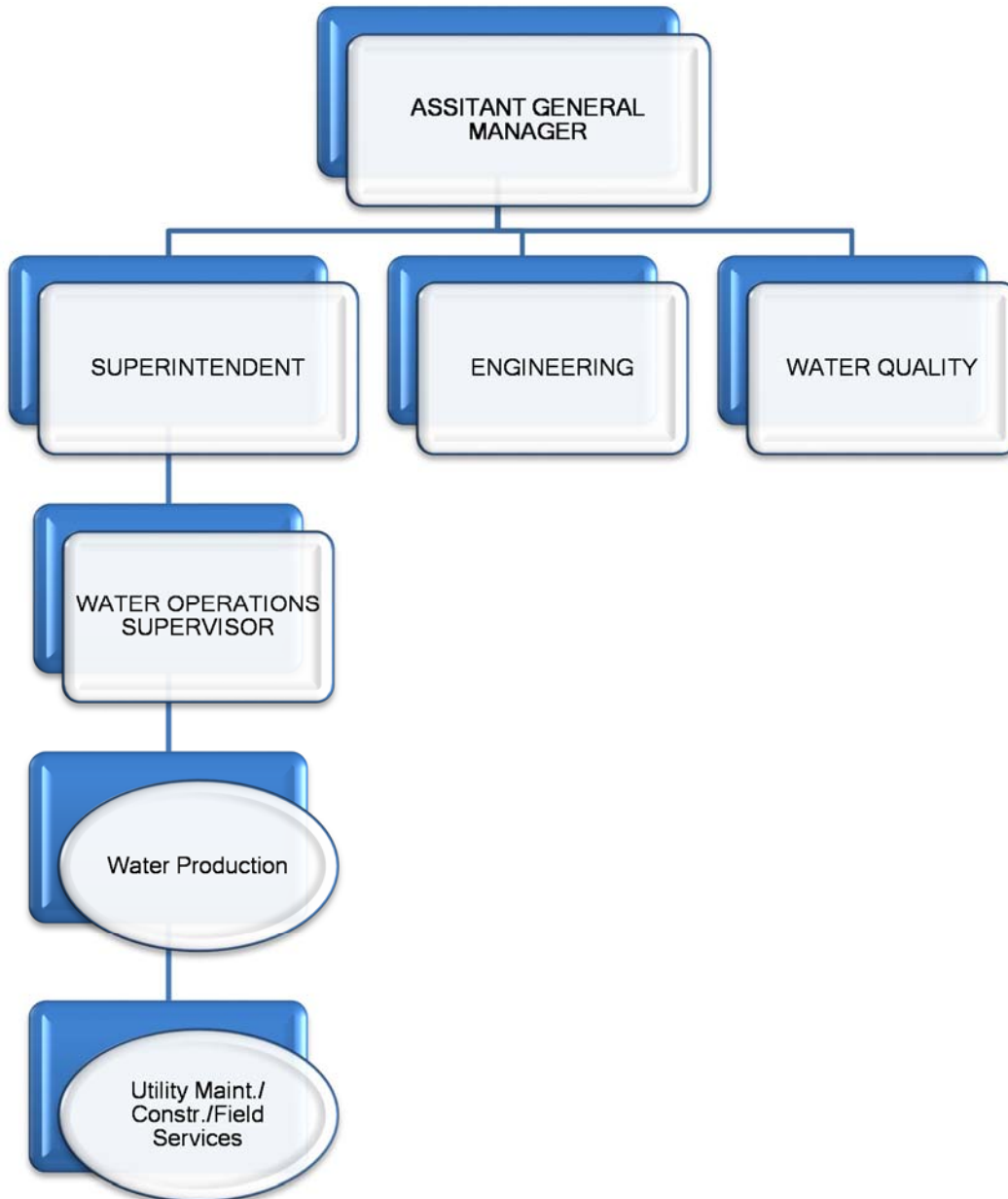
	Activity/Criteria	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Projected	FY 2016 Target Met?	FY 2017 Target
1	Account Write-Offs: Total amount of accounts written off each year	\$8,670	\$7,768	< \$40,258	\$8,117	★	< \$39,917
2	Electronic Payment Program accounts / Total accounts billed	68%	70%	> 65%	70%	★	> 70%
3	Electronic Payment Program cost each year	\$91,335	\$136,453	< \$150,000	\$141,876	★	< \$150,000
4	Average Monthly Customer Service Calls	180	169	< 275	237	★	< 275
5	Cost per account per year	\$63	\$69	< \$70	\$68	★	< \$70
6	Number of meters at year end	9,706	9,715	9,715	9,729	N/A	9,729

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

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

# 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	1,935,835	797,875	2,733,710	86%
WQ & Engineering	2	167,470	273,000	440,470	14%
TOTAL	20	\$ 2,103,305	\$ 1,070,875	\$ 3,174,180	100%

## **CORE SERVICES DESCRIPTION**

### **Assistant General Manager**

Under administrative direction of the General Manager, the Assistant General Manager 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 and Water Operations Supervisor**

The Superintendent and Water Operations Supervisor 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.

### **Maintenance and Construction 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/Production 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 Technician**

The Water Quality Technician 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.

## **OPERATIONS**

### **MISSION STATEMENT**

The mission of the 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 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 2016 HIGHLIGHTS & ACCOMPLISHMENTS**

- ⇒ Replaced approximately 1,500 feet of 8" diameter water main in Newhall along Shadeland Dr. and Logdell Ave
- ⇒ Installed approximately 8,000 feet of new water main for the new Castaic High School
- ⇒ Replaced approximately 700 ¾" - 2" meters which have exceeded their useful operating life
- ⇒ Upgraded SCADA system in the Tesoro System.
- ⇒ Replaced several old large compound meters with new ultra-sonic low flow measuring meters

### **FY 2017 OBJECTIVES**

- ⇒ Replace approximately 1,400 feet of 4" and 8" water main which has exceeded its useful operating life
- ⇒ Decommission and remove two (2) below ground pressure reducing stations
- ⇒ Rehabilitation of Well 12
- ⇒ Recoat exterior of Newhall Tank 2
- ⇒ Installation of pump 3 at Tesoro Turnout N-4
- ⇒ Add a new zone 3 booster pump station and tank in our Castaic system (developer funded)
- ⇒ Upgrade SCADA system at multiple facilities
- ⇒ Continue replacing ¾" - 2" meters which have exceeded their useful operating life, as well as large compound meters with new ultra-sonic low flow meters

## OPERATIONS

	Actual FY 2014	Actual FY 2015	Adopted Budget FY 2016	Adopted Budget FY 2017	%
					Change
TOTAL COST	\$2,764,559	\$2,662,612	\$ 2,615,990	\$ 2,733,710	4.5%

**PERSONNEL SERVICES**                      \$ 107,268

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

**OPERATING EXPENSES**                      \$ 10,452

Several categories had small increases due to additional maintenance, required services and employee training. Some accounts had small decreases due to routine maintenance being performed in the prior year.

<b>PERSONNEL</b>						
<b>Title</b>	<b>Full Time</b>	<b>Part Time</b>	<b>FY 2014 FTE</b>	<b>FY 2015 FTE</b>	<b>FY 2016 FTE</b>	<b>Total Change</b>
Assistant General Manager	1	0	0	0	1	1
Director of Operations	0	0	1	1	0	-1
Superintendent	1	0	1	1	1	0
Water Operations Supervisor	1	0	0	0	1	1
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	0	0	1	1	0	-1
Field Services Rep I	0	0	1	1	0	-1
Field Services Rep II	2	0	1	1	2	1
<b>Total</b>	<b>18</b>	<b>0</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>0</b>



## OPERATIONS

	Actual Expenditure FY 2014	Actual Expenditure FY 2015	Budget Allocation FY 2016	Board Adopted FY 2017	% Change
<u>PERSONNEL SERVICES</u>					
Regular Wages	\$ 1,262,933	\$ 1,150,595	\$ 1,105,362	\$ 1,199,669	8.5%
Overtime	140,102	142,429	166,000	164,500	-0.9%
Longevity	13,474	6,255	15,365	18,143	18.1%
Other Benefits	-	-	-		0.0%
FICA Taxes	108,363	99,395	98,435	105,747	7.4%
Retirement - Employer	198,311	181,899	180,142	193,524	7.4%
Group Insurance	239,641	252,673	255,304	246,507	-3.4%
Life, STD & LTD	7,423	7,968	7,960	7,745	-2.7%
<b>AL PERSONNEL SERVICES</b>	<b>1,970,247</b>	<b>1,841,214</b>	<b>1,828,567</b>	<b>1,935,835</b>	<b>5.9%</b>
<u>OPERATING EXPENSES</u>					
Maintenance & Repair Well Structures	14,137	5,511	5,150	4,750	-7.8%
Maintenance & Repair Wells	20,735	6,046	25,000	25,000	0.0%
Operation Controls	34,018	29,514	45,000	45,000	0.0%
Operation Miscellaneous	36,575	79,123	50,000	50,000	0.0%
Maintenance & Repair Pump Structures	21,146	9,076	10,000	7,500	-25.0%
Maintenance & Repair Pump Equipment	9,137	12,902	10,000	15,000	50.0%
Maintenance & Repair Treatment	22,876	27,208	20,000	20,000	0.0%
Backflow Prevention	(259)	2,408	1,000	1,000	0.0%
Maintenance & Repair Treatment Equip	47,422	27,015	20,000	20,000	0.0%
Maintenance & Repair Reservoirs	22,636	49,741	40,000	45,000	12.5%
Maintenance & Repair Mains	125,962	96,701	100,000	100,000	0.0%
Maintenance & Repair Sewer	15,668	18,203	17,500	17,500	0.0%
Maintenance & Repair Services	68,788	79,157	80,000	75,000	-6.3%
Maintenance & Repair Hydrants	9,225	23,605	12,500	10,000	-20.0%
Maintenance & Repair Meters	9,583	29,823	15,000	15,000	0.0%
Uniforms	24,673	28,709	22,500	27,000	20.0%
Shop Tools & Supplies	18,361	16,954	17,500	22,500	28.6%
Vehicle Operating	123,669	114,194	135,200	135,000	-0.1%
Other Operating & Safety	45,451	43,225	40,000	40,000	0.0%
Maintenance & Repair Vehicles	93,767	87,074	87,550	85,000	-2.9%
Office Expense	12,856	11,113	13,200	10,625	-19.5%
Professional Development Training	17,886	24,096	20,323	27,000	32.9%
<b>TOTAL OPERATING EXPENSES</b>	<b>794,312</b>	<b>821,398</b>	<b>787,423</b>	<b>797,875</b>	<b>1.3%</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,764,559</b>	<b>\$ 2,662,612</b>	<b>\$ 2,615,990</b>	<b>\$ 2,733,710</b>	

## 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.		
<b>Objective:</b> 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 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Projected	FY 2016 Target Met?	FY 2017 Target
1	Control Valve Maintenance: Total Maintained	63	60	> 25	75	★	> 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	450	> 300	890	★	> 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	≤ \$0.004	\$0.004	★	≤ \$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 2016 HIGHLIGHTS & ACCOMPLISHMENTS**

- ⇒ Underwater diving inspection of Pinetree Tank 3
- ⇒ Replaced Tesoro RMS Cells and upgraded power
- ⇒ Castaic Disinfection Facility upgrades and replacements
- ⇒ Completed new Portable Chlorination Trailer
- ⇒ Implemented Maximo Asset Management Program
- ⇒ Implemented Field Mapplet Valve Turning and Hydrant Maintenance Extensions
- ⇒ Completed Maximo Asset Management Pilot Study
- ⇒ Completed TAZ Demand Analysis for Newhall

### **FY 2017 OBJECTIVES**

- ⇒ Installation of disinfection system at Castaic Tank 3
- ⇒ Installation of recirculation system at Newhall Tank 6
- ⇒ Underwater diving inspections of Newhall Tanks 1B, 2, 3, 4, 4A, 5, 6, Castaic Tank 1D, and Tesoro Tanks 1, 1A, 2, and 2A
- ⇒ Implement mobile solution for Maximo Asset Management Program
- ⇒ Implement Water Rate Calculator software

**WATER QUALITY & ENGINEERING**

	Actual FY 2014	Actual FY 2015	Adopted Budget FY 2016	Adopted Budget FY 2017	% Change
TOTAL COST	\$ 431,620	\$ 370,455	\$ 428,948	\$ 440,470	2.7%

**PERSONNEL SERVICES**                      \$ 6,912

The increase is primarily due to promotional opportunities, performance increases and payroll taxes.

**OPERATING EXPENSES**                      \$ 4,610

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

PERSONNEL						
Title	Full Time	Part Time	FY 2014 FTE	FY 2015 FTE	FY 2016 FTE	Total Change
Water Quality Technician	1	0	1	1	1	0
Engineering Technician	1	0	1	1	1	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>

## **WATER QUALITY & ENGINEERING**

<u>PERSONNEL SERVICES</u>	Actual Expenditure FY 2014	Actual Expenditure FY 2015	Budget Allocation FY 2016	Board Adopted FY 2017	% Change
Regular Wages	\$ 144,959	\$ 109,191	\$ 114,219	\$ 122,381	7.1%
Overtime	-	41	-	-	0.0%
Longevity	2,944	-	1,326	1,338	100%
Other Benefits	-	-	-	-	0.0%
FICA Taxes	11,315	8,356	8,839	9,465	7.1%
Retirement - Employer	20,706	15,292	16,176	17,321	7.1%
Group Insurance	27,229	17,599	19,173	16,114	-16.0%
Life, STD & LTD	798	825	825	852	3.3%
TOTAL PERSONNEL SERVICES	207,951	151,305	160,558	167,470	4.3%
<u>OPERATING EXPENSES</u>					
Laboratory/Regulatory Fees	59,516	52,396	60,000	65,000	8.3%
Chemicals	111,702	116,413	110,000	105,000	-4.5%
Drafting & Mapping	7,626	2,174	3,390	3,000	-11.5%
Professional Services Engineering	44,825	48,167	95,000	100,000	5.3%
TOTAL OPERATING EXPENSES	223,669	219,150	268,390	273,000	1.7%
TOTAL EXPENDITURES	<u>\$ 431,620</u>	<u>\$ 370,455</u>	<u>\$ 428,948</u>	<u>\$ 440,470</u>	

## WATER QUALITY

Department Operations

Service Area Water Quality

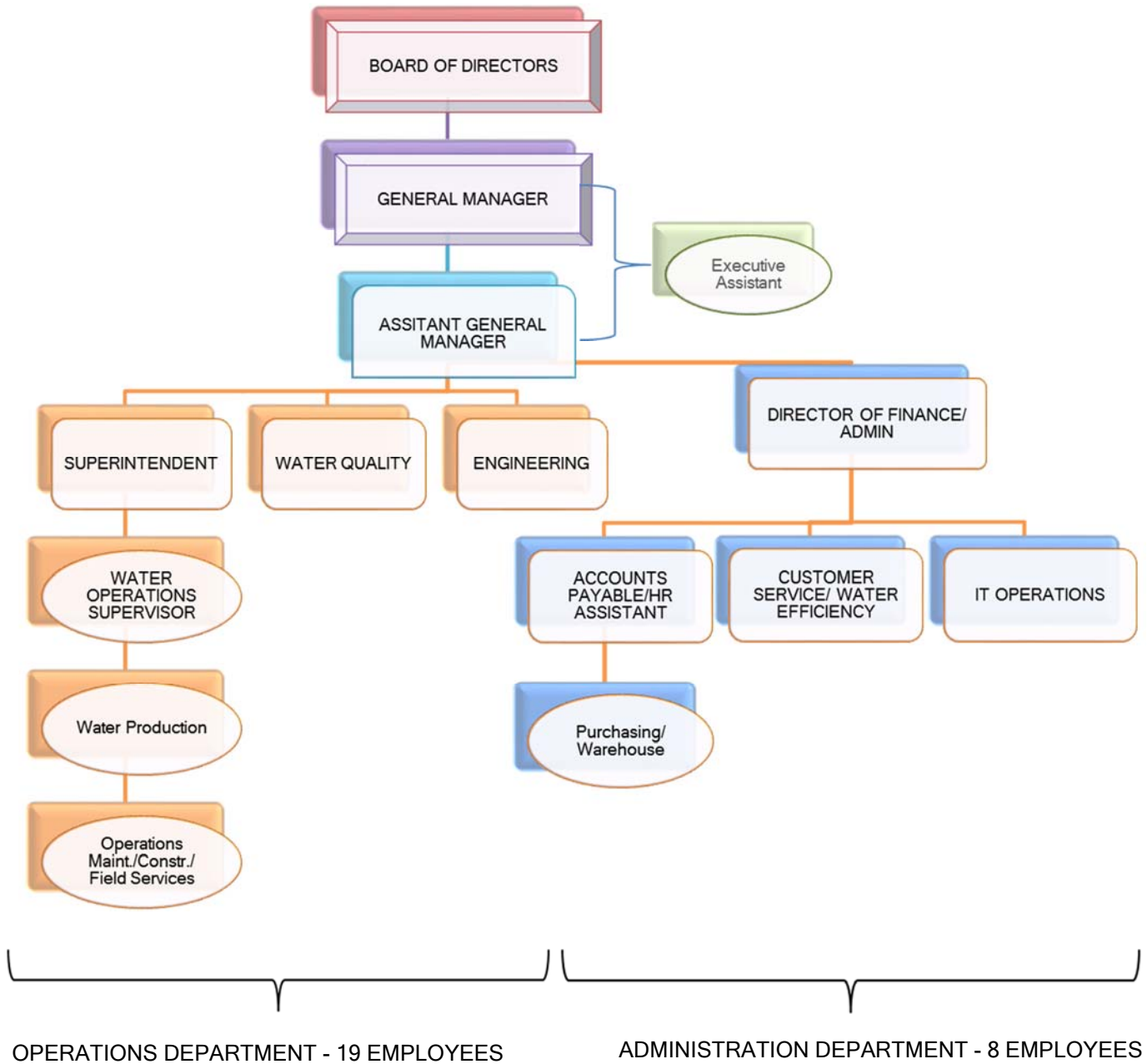
Cost Center Goal			Outcome Indicator		
To operate and maintain facilities to surpass drinking water regulations with a margin of safety to meet customer expectations.			To gain service improvements.		
<b>Objective:</b> To improve and/or maintain water quality conditions that support health standards.					
	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 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Projected	FY 2016 Target Met?	FY 2017 Target
1	Number of Positive BACT Samples	0	0	0	0	★	0
2	Percentage of routine tests with no negative samples	100%	100%	100%	100%	★	100%
3	Percentage of Produced Well Water	45%	60%	60%	60%	★	60%
4	Unaccounted Water Loss	5.1%	4.3%	< 10%	< 10%	★	< 10%
5	Water Quality complaints responded to within 24 hours	100%	100%	100%	100%	★	100%



## ORGANIZATIONAL CHART



# BUDGET CALENDAR

Meeting Date	Meeting Description
March 30, 2016	Adhoc meeting to discuss revenue projections
March 31, 2016	Budget worksheets for the Operating and Capital Budget were distributed to key staff
April 5, 2016	Staff budget committee reviewed proposed Operating and Capital Budget
April 11, 2016	Key staff submitted budget recommendations for Operating and Capital Budget
April 12, 2016	Public Finance Committee Meeting to review FY 2017 Budget
April 14, 2016	Public review of Capital Improvement Plan for FY 2017
April 28, 2016	FY 2017 Draft Budget circulated to key staff
May 6, 2016	FY 2017 Draft Budget released to Board and public
May 12, 2016	Staff presentation at District Board meeting. Board recommendation to adopt the Operating and Capital Budget for FY 2017.
May 18, 2016	District's General Manager presents the adopted Operating and Capital Budget for FY 2017 to staff



# BUDGET PROCESS

This budget process begins in February/March 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 and adjust to comply with the Governor's mandate requiring reduced consumption
- Determine the projected units to be consumed
- Calculate Service Charge by meter size
- Calculate CLWA purchased water pass-through
- Calculate adjustments to the Water Revenue Adjustment Factor (WRAF)

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 2017 budget is balanced and adheres to adopted District financial policies. A balanced budget is one, which total expenditures equal total revenues.

## **Reserve Policy - page 41**

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 47**

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 57**

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 66**

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.

# 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.

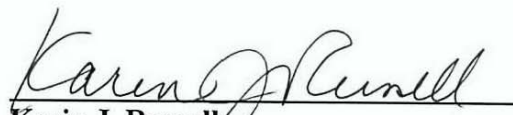
**RESOLVED FURTHER**, The Board of Directors instructs staff to add this resolution to the Policies, Rules and Regulations as Appendix Y.

**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

*(July 1, 2016)*

	*Reserve Requirement	*Amount Funded	Required Funding	% Funded
<b><u>Operations and Maintenance</u></b>	<b>\$1,394,389</b>	<b>\$132,561</b>	<b>\$1,261,828</b>	<b>9.51%</b>

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.

<b><u>Rate Stabilization</u></b>	<b>1,109,938</b>	<b>248,270</b>	<b>861,668</b>	<b>22.37%</b>
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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.

<b><u>Debt Service</u></b>	<b>944,777</b>	<b>944,777</b>	<b>0</b>	<b>100.00%</b>
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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.

<b><u>Emergency/Disaster</u></b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>0</b>	<b>100.00%</b>
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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.

<b>TOTAL RESERVES</b>	<b>\$4,949,104</b>	<b>\$2,825,608</b>	<b>\$2,123,496</b>	<b>57.09%</b>
	*Reserve Requirement	*Amount Funded	Required Funding	% Funded

*\*Based on FY 2017 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

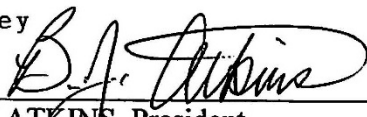
The Investment Policy shall be adopted by resolution of the District. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

**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



<b>POLICIES, RULES AND REGULATIONS</b>	
Title: <b>DEBT MANAGEMENT POLICY</b>	
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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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



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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



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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.

# ASSET CAPITALIZATION POLICY



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Title: <b>CAPITALIZATION POLICY FOR FIXED ASSETS</b>	
Policy No.: Appendix U	Section Nos.:1.0 – 4.1
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**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.



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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.



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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.



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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.

## PAST AND PRESENT

On January 13, 2013, the Newhall County Water District celebrated its 60<sup>th</sup> 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 2017, the District will serve potable water needs to 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 3,138-acre feet from CLWA (1,100-acre feet from the perchlorate settlement) in FY 2017. There are three factors the District used to determine the quantity of water to purchase:

- 1) Market Conditions
- 2) Mandatory Conservation
- 3) 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 had used the most current 12-month consumption (nine months actual and three months projected) by meter size to determine revenue projections and purchased water estimates. To project the FY 2017 water revenues, the District calculated the mandatory reduction of 25% from the recorded usage in 2013. The District conservatively projects the current drought restrictions will continue through FY 2017.

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 rate study took into account a 14% reduction in commodity sales and developed a Water Revenue Adjustment Factor (WRAF) 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 to recover any shortage of revenue due to inflation attributed to fluctuations in real demand and to create a balancing account. The current rates and structure can be found in the revenue section on page 100.

The District is projecting to purchase 16% less water than the previous year due to the reduction in demand caused by the drought. CLWA will be increasing their rates for wholesale water in FY 2017 and is projecting 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 2017 will be \$.6474 versus \$.6787 in FY 2016.

Based on current trends, the District is projecting no growth in FY 2017. In addition, the District has assumed customers (as a whole) will continue to respond to the Districts messages of conservation and efficient use of water and reduce consumption by 25% (from 2013 consumption). The District has already met and exceeded the conservation mandates as required in SBx7-7.

# 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) would respond to the District's messages of conservation and efficient use of water and reduce consumption by 25% from 2013 usage.

The total reduction in water use was not incorporated into the calculation estimate of revenues at proposed rates to recognize that customers may not respond exactly as expected when it comes to actual water use behavior. As a means to mitigate potential fluctuations in water commodity revenues, the District adopted Resolution 2015-5 that allows 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).

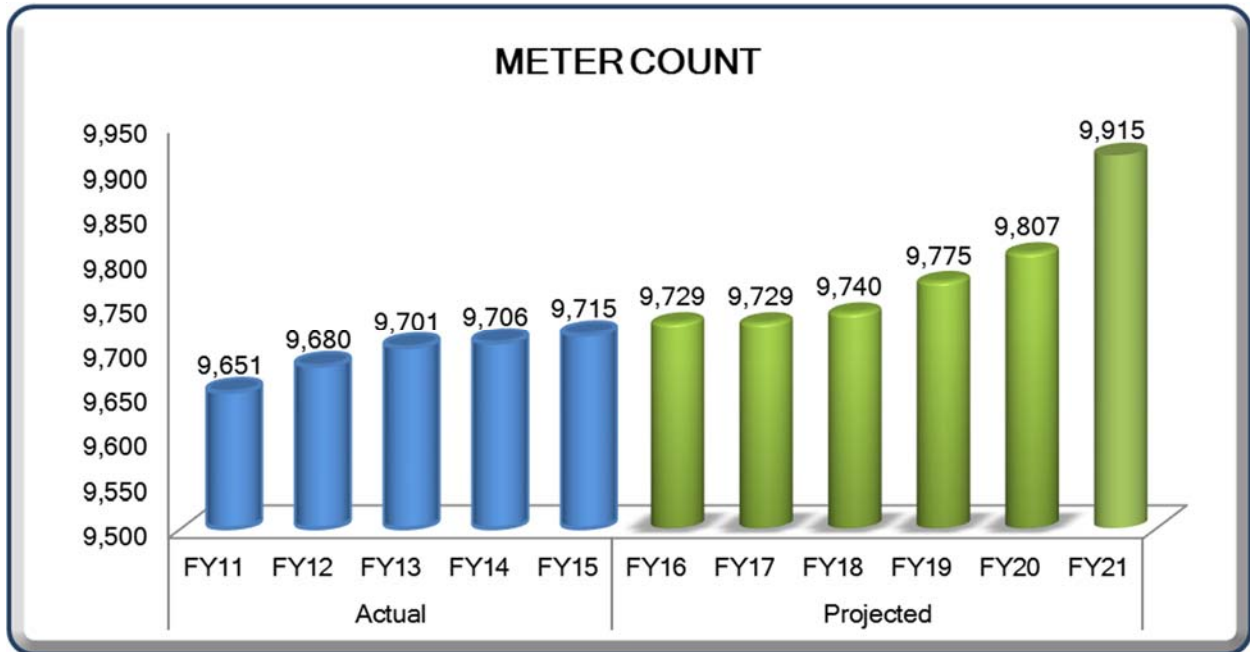
c = The **Projected Consumption** (in CCF) calculated for the period as adopted in NCWD's current budget.

## 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 175 meter connections (307 1" meter equivalents) will be added to the existing customer base, which would bring the total customers to 9,915.

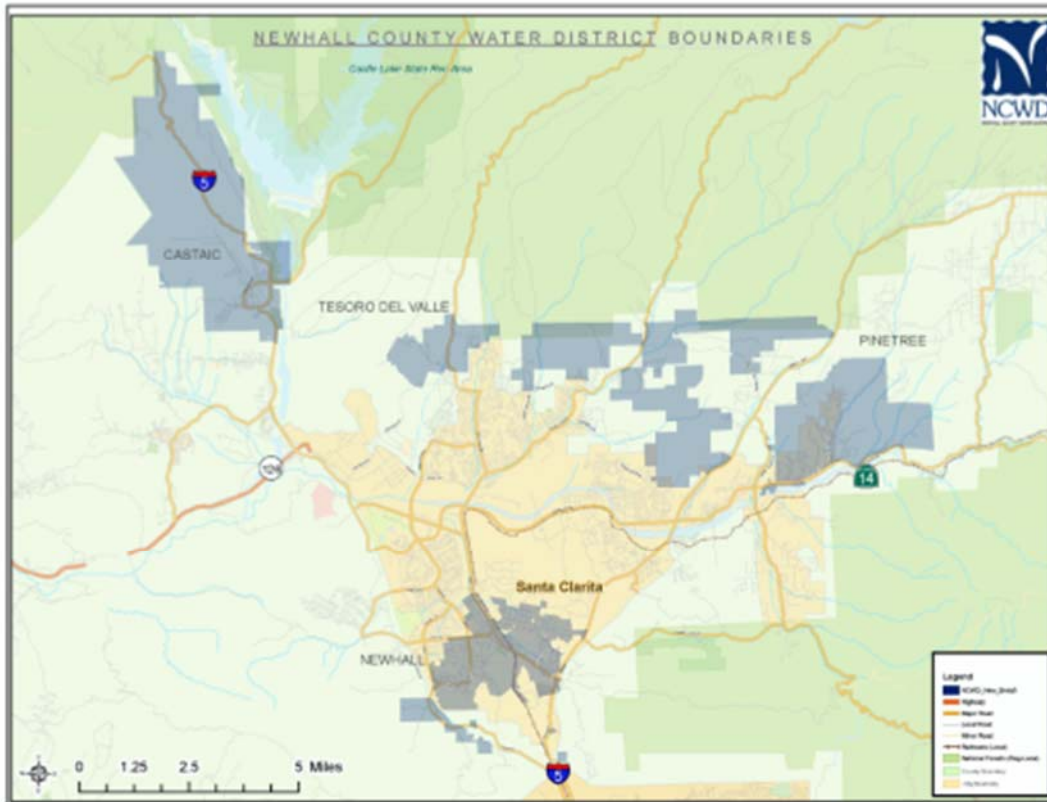


Of the new customers, 90% are projected in the Pinetree service area and 10% in the Newhall and Castaic service areas.

In FY 2017, the District is expected to spend \$2,155,000 on CIP, and projected an additional \$10,335,000 through FY 2021. The CIP 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, 88% are single-family residential customers. The District produces on an average day 8 million gallons of water and is projected to sell more than 2,423 million gallons in FY 2017.

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.

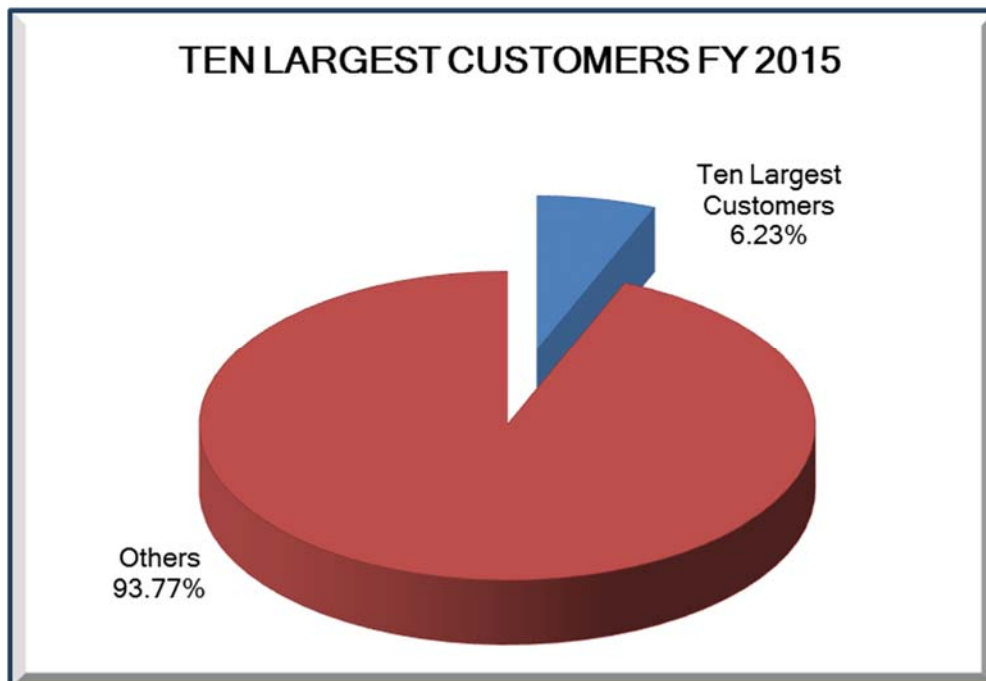
The Santa Clarita Valley has a seasonal climate. The average high temperature in FY 2015 was 79.10°F and the average low temperature was 48.40°F. In FY 2015, the rainfall was 12.87". As of March 2016, the area's median home price for a single-family residential unit was \$520,000 and the estimated median household income (last recorded November 2015) was \$93,135.

*Source: SCV Economic Development Corporation*



# TEN LARGEST CUSTOMERS

Customer Name	Customer Type	Annual Revenue	% of Water Sales
1 Stonegate Castaic HOA	Mobile Home Park	\$ 176,178	1.57%
2 The Village	Apartment-Master Meter	148,414	1.32%
3 Wm S Hart High School	Schools	77,643	0.69%
4 Polynesian MHP	Mobile Home Park	61,440	0.55%
5 The Master's College	Schools	57,779	0.52%
6 Lake Hills MHP	Mobile Home Park	37,680	0.34%
7 CalMark-Bell Development	Apartment-Master Meter	35,497	0.32%
8 Northlake HOA	Land-Single Family	35,393	0.32%
9 Peachland Owners Assoc.	Condo-Master Meter	33,886	0.30%
10 LACO Parks & Rec	Parks	33,713	0.30%
Total (10 Largest)		697,622	6.23%
Other Customers		10,507,237	93.77%
Total Water Sales		\$ 11,204,859	100.00%

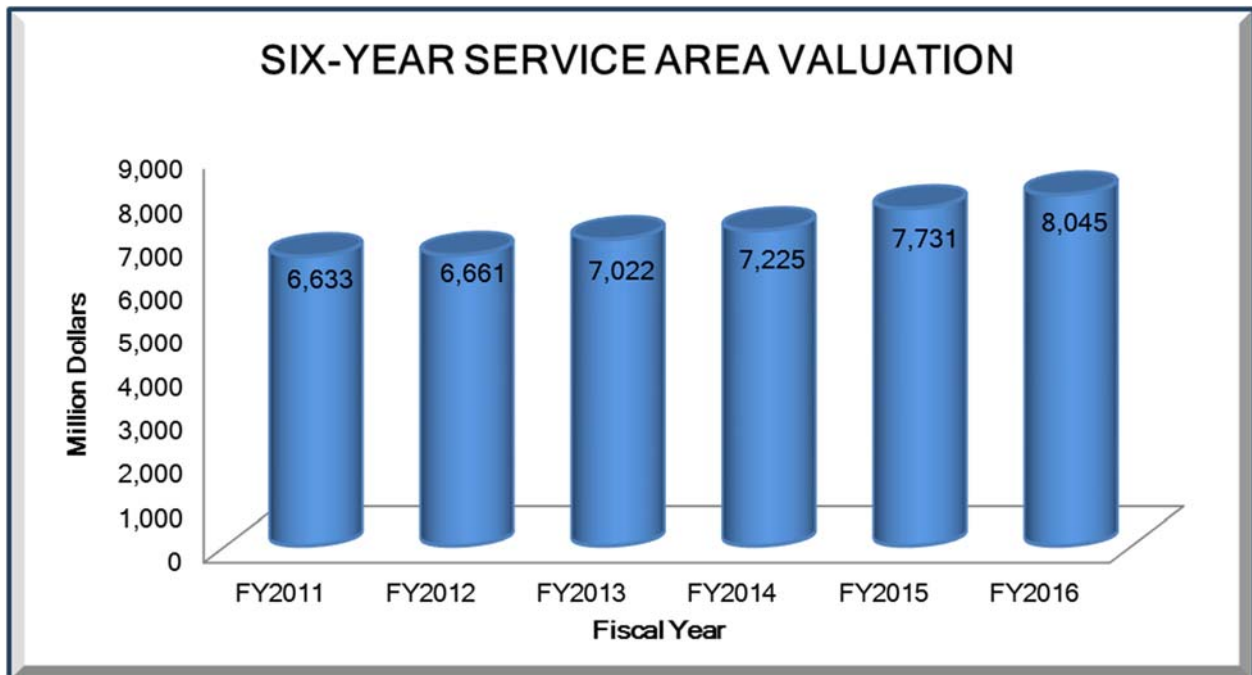


# PROPERTY TAX

Newhall County Water District's service area encompasses land, improvements, and property valued at over \$8 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 and the District receives a portion of the 1% allocation. As shown on the chart below, there is an 18% 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 property tax revenue represents approximately 4% of the District's annual revenue.



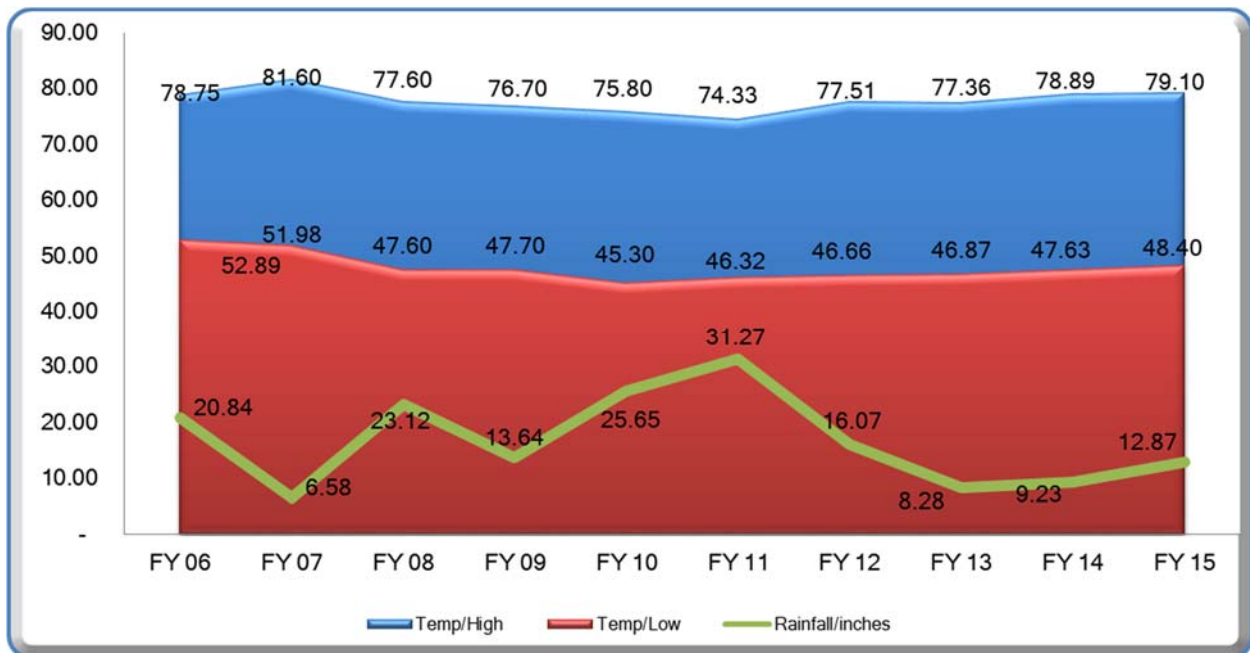
Source: County of Los Angeles Auditor - Controller/Tax Division

# 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 (1931-2014). 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.

In FY 2015, the area received less than average rainfall at 12.87 inches. So far this season, the area has seen less than average rainfall at 10.38 inches of rain.



Source: 2014 Santa Clarita Valley Water Report

# BUDGET SUMMARY

The Operating Budget section demonstrates in summary form the spirit of the FY 2017 budget. The summary shows the audited figures at June 30, 2015, projected cash balance as of July 1, 2016, the flow of funds during FY 2017, and projects the cash balance as of June 30, 2017. 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 84, Operating Revenues and Expenditures on page 85, Fund Balance Summary on page 86 and the Fund Balance Flow Chart on page 87. Beginning July 1, 2016, the rate adjustment approved by the Board of Directors on June 15, 2015 will continue to be implemented.

## **BUDGET SUMMARY**

The Operating Budget for FY 2017 is \$13,334,450 in comparison to the previous fiscal year budget of \$13,626,485; this is a decrease of \$292,035 or approximately 2%. The reasons for the change are a 17% decrease in Source of Supply, 5.8% decrease in Pumping and an 8.8% increase in the Capital Improvement Plan.

### **Revenues**

#### ***Water Sales***

Water rates established in Resolution 2015-8 were approved on June 15, 2015 and became effective on July 1, 2015. Mandatory drought restrictions have decreased commodity revenue by more than 14% 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. The WRAF per CCF in FY 2017 is projected at \$.3038.

Water sales represent revenue collected from the sale of water, including service charges, CLWA pass-through, WRAF adjustments and consumption charges. This section contains details of the water rate revenue projection used to estimate revenues for FY 2017.

The approved rates have been used to determine total revenues for FY 2017. It is estimated that 7,938 acre-feet of water will be sold during FY 2017. Budgeted water sales are projected to be \$11,099,384, a decrease of 8.1% 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 2017. These fees are shown on the Fund Balance Summary on page 86 and the Connection Fee Forecast on page 90.

### ***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 25% over the previous year budget as projected tax detachments are on hold. Property tax valuations are received from the Los Angeles County Auditor/Controller's office (shown on page 79).

### ***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 Capital Fund Balances is added to those funds and will be used within those funds. A .3% to a 2% return has been projected for FY 2017.

### **Expenditures**

#### ***Source of Supply***

The District is expecting to purchase 3,138-acre feet of water from CLWA (2,038-acre feet at the wholesale rate and 1,100-acre feet at \$167). The wholesale water rate is projected to increase July 1, 2016.

#### ***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 decrease by 5.8% in FY 2017 due to a projected reduction in power costs.

#### ***Labor and Benefits***

Labor and benefits (separated by category) are the wages and benefits for 30 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 decreased by 2%. Although some line items in this category have increased slightly due to increased costs, the majority of the cost decrease is in election expense and one administrative employee reduction. 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 14.3% or \$75,099 increase 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 increased primarily due to a projected reallocation of District labor. 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 93 - 95.

## **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, 2016, and the projected balance of June 30, 2017, based on the results of the budget and rate study report. This includes transfers between funds as shown on page 86 and the flow chart of funds on page 87.

### **Description of Funds**

#### ***Operating Fund***

The Operating Fund is a combination of funds 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.

#### ***Capital Fund***

The Capital 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 91.

#### ***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 41. 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

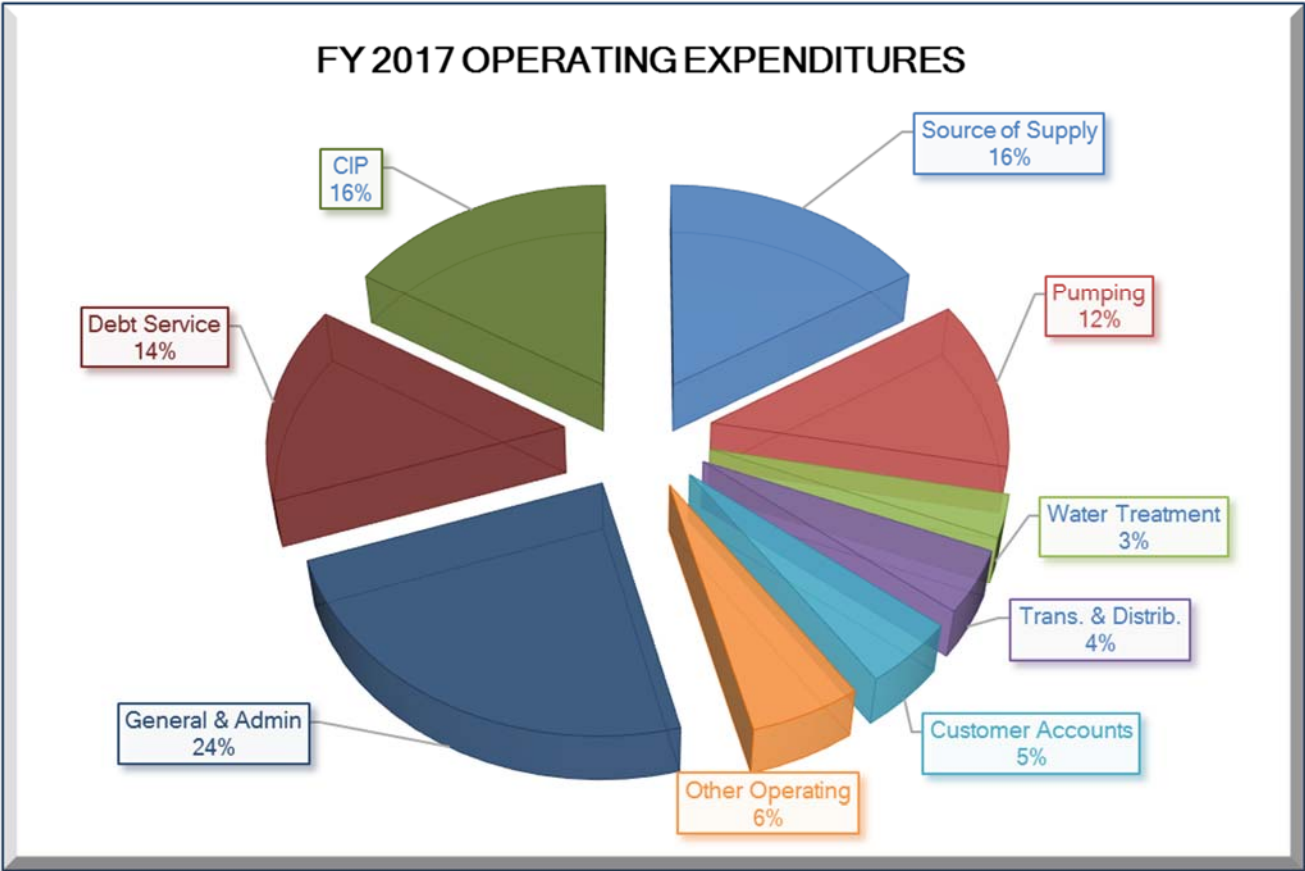
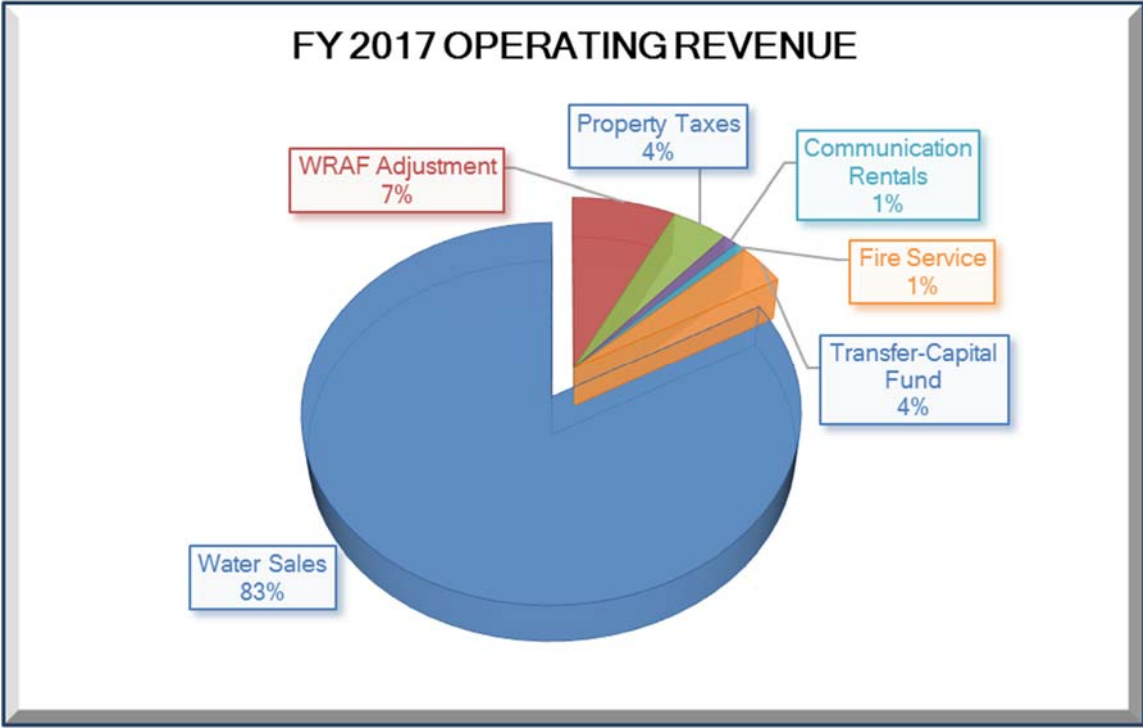
	FY 2015	FY 2016		FY 2017	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
<i>Beginning Balance</i>	\$ 1,212,344	\$ 500,000	\$ 313,513 <sup>1</sup>	\$ 500,000	\$ -	0.0%
<b>REVENUES</b>						
Water Sales	11,204,859	12,079,177	10,830,783	11,099,384	(979,793)	-8.1%
WRAF Adjustment	-	-	-	984,270	984,270	100.0%
Property Taxes	531,672	429,200	543,288	540,479	111,279	25.9%
Connection Fees (Master)	25,298	-	58,936	-	-	0.0%
Communication Rentals	262,050	222,307	191,369	135,280	(87,027)	-39.1%
Fire Service	incl in Sales	95,801	incl in Sales	102,903	7,102	7.4%
Transfer-Reserves	280,577	-	999,470	-	-	100%
Transfer-Capital Fund	98,429	800,000	800,000	472,134	(327,866)	100%
<b>TOTAL REVENUES</b>	<b>13,615,229</b>	<b>14,126,485</b>	<b>13,737,359</b>	<b>13,834,450</b>	<b>(292,035)</b>	<b>-2.1%</b>
<b>EXPENDITURES</b>						
Source of Supply	2,416,186	2,574,876	1,997,239	2,136,493	(438,383)	-17.0%
Pumping	1,646,541	1,716,450	1,587,787	1,616,212	(100,238)	-5.8%
Water Treatment	421,994	406,184	417,477	407,482	1,298	0.3%
Trans. & Distrib.	704,823	526,728	628,623	601,827	75,099	14.3%
Customer Accounts	677,296	634,422	664,143	633,056	(1,366)	-0.2%
Other Operating	673,226	672,784	719,374	740,748	67,964	10.1%
General & Admin	2,807,867	3,225,488	3,266,742	3,160,110	(65,378)	-2.0%
Debt Service	1,889,553	1,889,553	1,889,553	1,883,522	(6,031)	-0.3%
CIP	2,064,230	1,980,000	2,066,420	2,155,000	175,000	8.8%
<b>TOTAL EXPENDITURES</b>	<b>13,301,716</b>	<b>13,626,485</b>	<b>13,237,359</b>	<b>13,334,450</b>	<b>(292,035)</b>	<b>-2.1%</b>
<b>ENDING BALANCE</b>	<b>\$ 313,513</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ -</b>	

<sup>1</sup> Projected Beginning Balance - Operating Account



Main Replacement - Logdell

# OPERATING REVENUE & EXPENDITURES



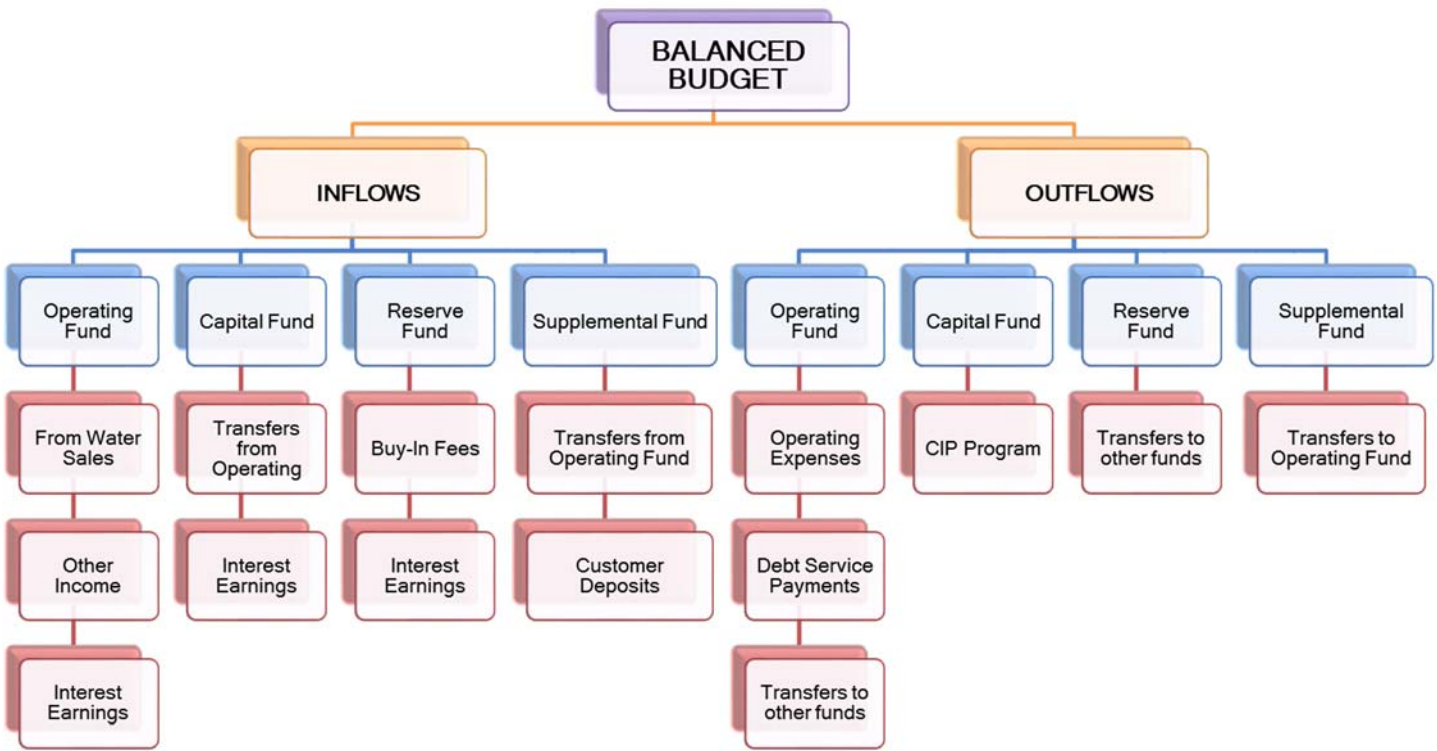


# FUND BALANCE SUMMARY

	Estimated	Estimated, Fiscal Year 2017		Projected
	Balance	Inflows	Outflows	Balance
	June 30, 2016			June 30, 2017
<b>OPERATING FUND</b>	\$ 500,000	\$ -	\$ -	\$ 500,000
Water Sales	-	11,099,384	-	11,099,384
WRAF Adjustment	-	984,270	-	984,270
Expenditures	-	-	9,295,927	(9,295,927)
Capital	-	-	1,682,868	(1,682,868)
Debt Service	-	-	1,883,522	(1,883,522)
Transfer to Reserves	-	-	-	-
Other	-	778,663	-	778,663
<b>Total Operating Fund</b>	<b>500,000</b>	<b>12,862,317</b>	<b>12,862,317</b>	<b>500,000</b>
<b>CAPITAL FUND</b>	<b>2,262,647</b>	<b>-</b>	<b>-</b>	<b>2,262,647</b>
Master Plan Fees	-	-	-	-
Transfer from Operations	-	1,682,868	-	1,682,868
CIP Projects	-	-	2,155,000	(2,155,000)
Other	-	25,532	-	25,532
<b>Total R&amp;R Fund</b>	<b>2,262,647</b>	<b>1,708,400</b>	<b>2,155,000</b>	<b>1,816,047</b>
<b>RESERVE FUND</b>	<b>2,825,608</b>	<b>-</b>	<b>-</b>	<b>2,825,608</b>
Buy-In Fees	-	-	-	-
Transfer from Operations	-	-	-	-
Other	-	29,874	-	29,874
<b>Total Reserve Fund</b>	<b>2,825,608</b>	<b>29,874</b>	<b>-</b>	<b>2,855,482</b>
<b>SUPPLEMENTAL FUND</b>				
Debt Holding Account	629,643	1,883,522	1,883,522	629,643
Deposit Holding Account	181,996	-	-	181,996
Other	-	-	-	-
<b>Total Supplemental Fund</b>	<b>811,639</b>	<b>1,883,522</b>	<b>1,883,522</b>	<b>811,639</b>
<b>TOTAL</b>	<b>\$ 6,399,894</b>	<b>\$ 16,484,113</b>	<b>\$ 16,900,839</b>	<b>\$ 5,983,168</b>

*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 2017-2021

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 reviews the 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 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 and Board 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 66), 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.

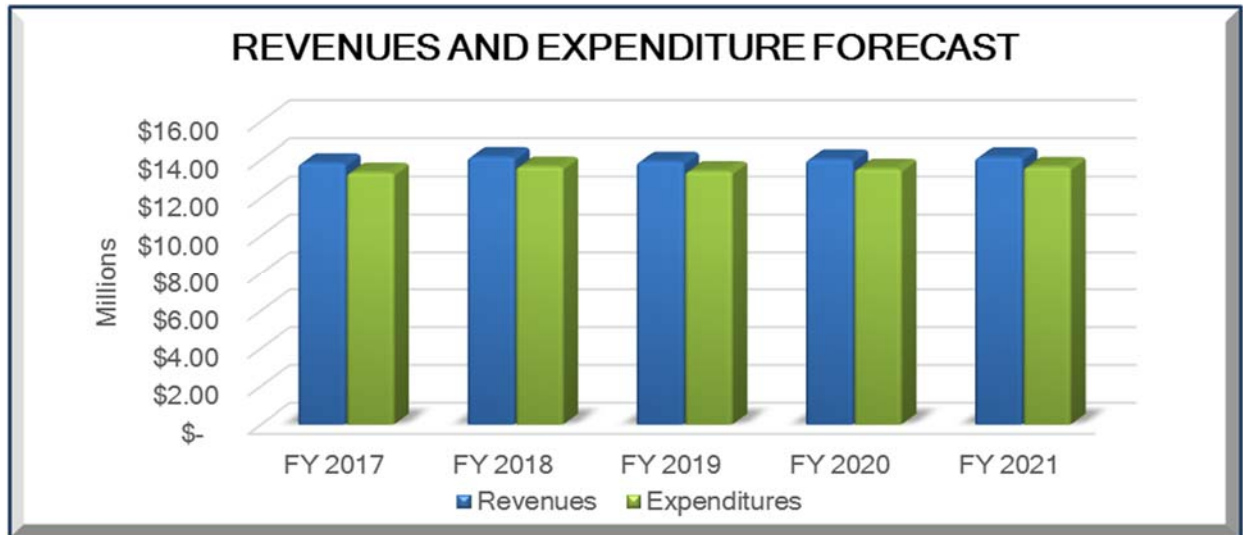
### Projected Cost of Purchased Water

The projected purchased water cost is based on the rates reported by CLWA and their report of projected cost increases. In April 2016, CLWA implemented a three-year rate adjustment. This is the first full fiscal year of the 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 2017	FY 2018	FY 2019	FY 2020	FY 2021
<i>Beginning Balance</i>	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
<b>REVENUES</b>					
Water Sales	11,099,384	11,446,820	11,631,700	11,745,903	11,838,683
WRAF Adjustment	984,270	984,270	984,270	984,270	984,270
Property Taxes	540,479	545,884	551,343	556,856	562,425
Connection Fees (Mtr Plan)	-	-	-	-	-
Communication Rentals	135,280	139,338	143,519	147,824	152,259
Fire Service	102,903	103,932	104,971	106,021	107,081
Transfer-Capital Fund	472,134	440,319	-	-	-
<b>TOTAL</b>	<b>\$ 13,834,450</b>	<b>\$ 14,160,563</b>	<b>\$ 13,915,803</b>	<b>\$ 14,040,874</b>	<b>\$ 14,144,718</b>
<b>EXPENDITURES</b>					
Source of Supply	\$ 2,136,493	\$ 2,095,335	\$ 2,113,817	\$ 2,148,444	\$ 2,164,699
Pumping	1,616,212	1,658,726	1,702,318	1,747,151	1,793,264
Water Treatment	407,482	424,474	433,749	443,267	453,034
Trans. & Distrib.	601,827	613,885	626,101	638,616	651,441
Customer Accounts	633,056	643,230	653,408	663,332	673,920
Other Operating	740,748	755,987	771,448	787,294	803,537
General & Admin	3,160,110	3,230,404	3,117,428	3,312,515	3,249,251
Debt Service	1,883,522	1,883,522	602,463	602,463	602,463
CIP	2,155,000	2,355,000	2,690,000	2,460,000	3,030,000
Transfer-Capital Fund	-	-	705,071	737,792	223,109
<b>TOTAL</b>	<b>\$ 13,334,450</b>	<b>\$ 13,660,563</b>	<b>\$ 13,415,803</b>	<b>\$ 13,540,874</b>	<b>\$ 13,644,718</b>
<b>ENDING BALANCE</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>

# CONNECTION FEE FORECAST

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
<b><u>Castaic</u></b>					
<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
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
	0	0	0	0	0
<b><u>Pinetree</u></b>					
<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
Buy In Fee	0	0	109,684	77,424	322,600
Master Plan Fee	0	0	0	0	0
	0	0	109,684	77,424	322,600
<b><u>Newhall</u></b>					
<u>Gate/King (1" Equiv.)</u>	0	0	10	64	64
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
	0	0	0	0	0
<i>Total Additions</i>	<i>0</i>	<i>11</i>	<i>44</i>	<i>88</i>	<i>164</i>
<b>Total Buy In Fees</b>	<b>0</b>	<b>0</b>	<b>109,684</b>	<b>77,424</b>	<b>322,600</b>
<b>Total Master Plan Fees</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Buy In and Master Plan Fees</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$109,684</b>	<b>\$ 77,424</b>	<b>\$322,600</b>

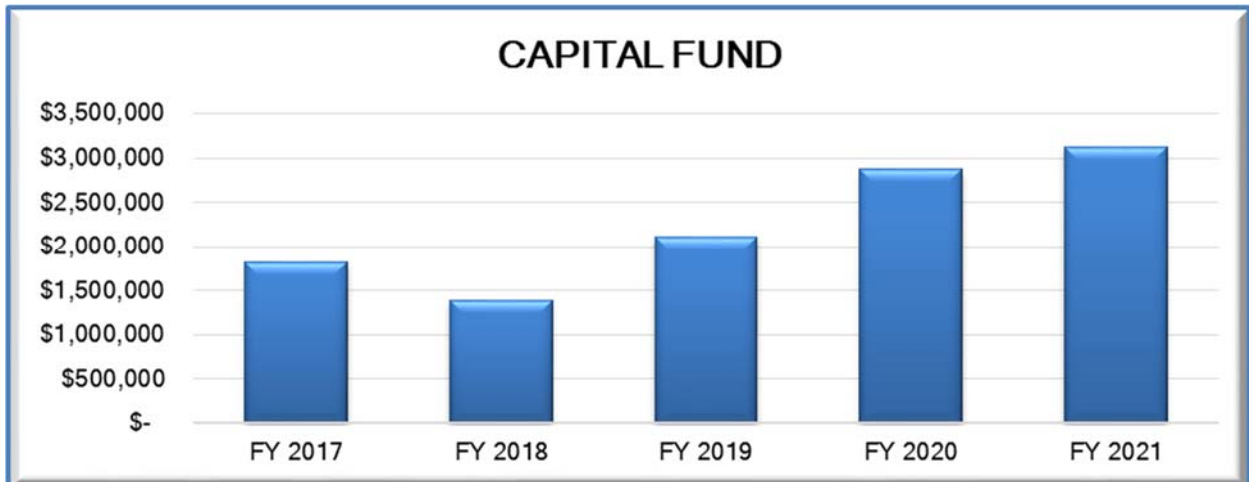
# CAPITAL FUND

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 Capital 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 Capital Fund.

	Year-End Forecast Balances				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Beginning Balance	\$ 2,262,647	\$ 1,816,045	\$ 1,394,976	\$ 2,114,834	\$ 2,875,043
Uses	(472,134)	(440,319)			
Additions:					
From Rates			705,071	737,792	223,109
Interest	25,532	19,250	14,787	22,417	30,475
<b>TOTAL</b>	<b>\$ 1,816,045</b>	<b>\$ 1,394,976</b>	<b>\$ 2,114,834</b>	<b>\$ 2,875,043</b>	<b>\$ 3,128,628</b>

*Note:*

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

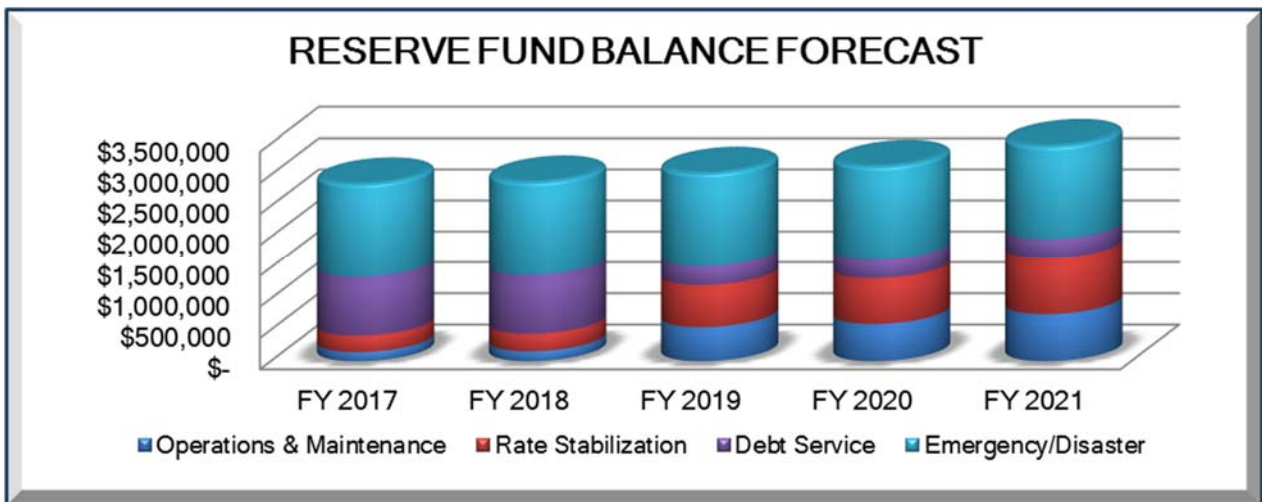


# RESERVE FUND BALANCE FORECAST

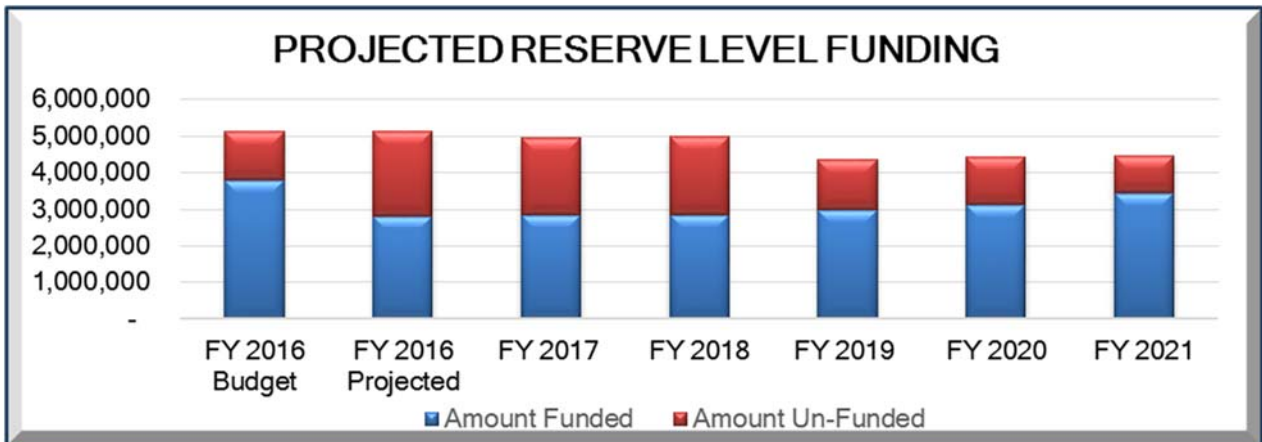
Reserve Fund	Year-End Forecast Balances				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Operations & Maintenance	\$ 145,350	\$ 158,284	\$ 545,226	\$ 594,837	\$ 752,678
Rate Stabilization	265,445	283,055	677,413	737,433	907,419
Debt Service	944,777	944,777	304,247	304,247	304,247
Emergency/Disaster	1,499,910	1,499,910	1,499,909	1,499,909	1,499,908
<b>TOTAL</b>	<b>\$ 2,855,482</b>	<b>\$ 2,886,027</b>	<b>\$ 3,026,795</b>	<b>\$ 3,136,426</b>	<b>\$ 3,464,252</b>

*Note:*

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



In FY 2016, the rate stabilization and operations reserve fund was utilized to offset the revenue shortfall, due to customers meeting the state mandated water restrictions. The amount needed from the reserve funds was \$999,470. 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, those funds will be distributed to the underfunded reserves.



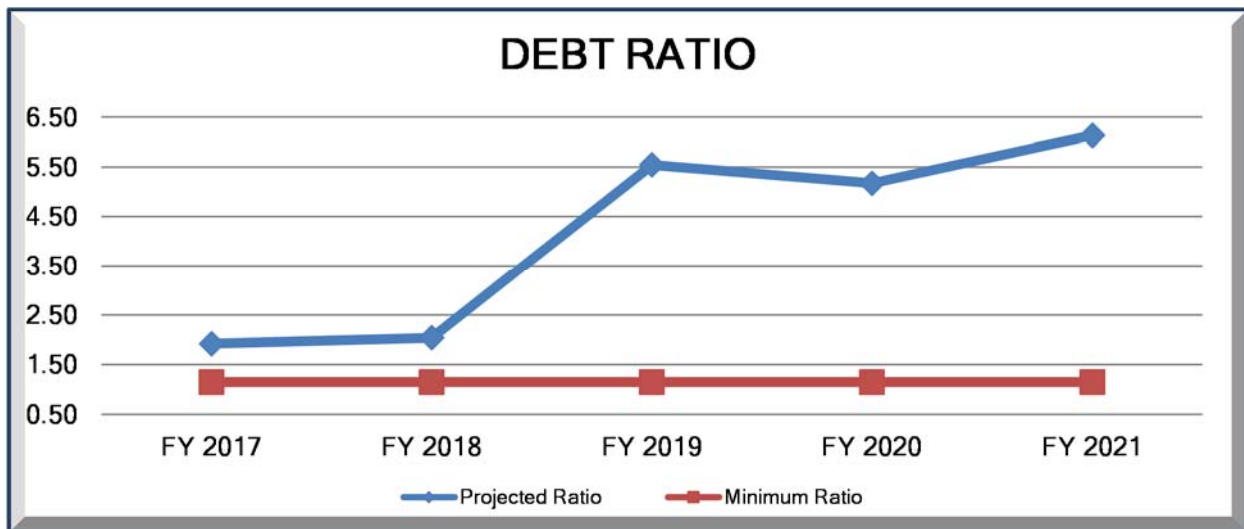
# DEBT MANAGEMENT

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 2017.

In FY 2012 and most recently in FY 2016, 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 \$1.7 million in interest over the term of the refinanced debt and reduced the maturity date with a small decrease 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 Capital 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.

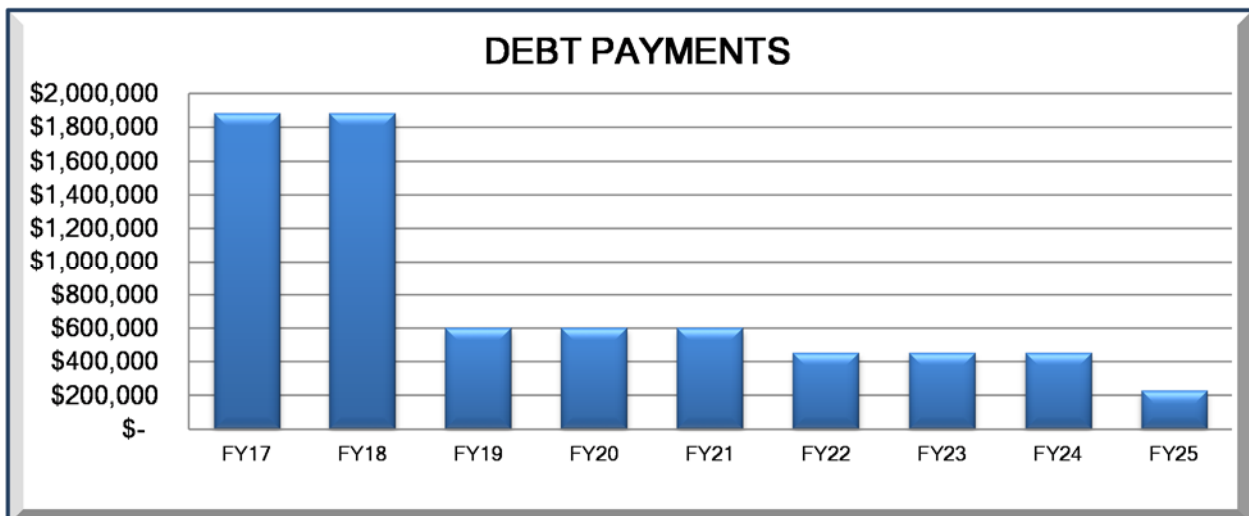




# SCHEDULE OF OUTSTANDING DEBT

Origination		Description	Maturity Date	Loan	Outstanding
#	Date			Amount	Prin. Balance
					6/30/2017
1	April 2016	Municipal Leasing Loan (CNB)	April 2021	696,477	563,748
2	Feb 2012	Municipal Leasing Loan (CNB)	Feb 2018	6,986,579	1,252,801
3	Oct 2012	Municipal Leasing Loan (CNB)	Oct 2024	5,500,000	3,027,641
<b>Total Outstanding Debt</b>				<b>\$ 13,183,056</b>	<b>\$ 4,844,190</b>

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 and appellate courts, which resulted in CLWA entering into a settlement agreement with the District. In FY 2016, the settlement money was used to offset the funds the District overpaid for purchased water and not collected from the customers via the purchased water pass through. The remainder was used to pay down \$800,000 of principal balance on one of the District's debt issuances.



# PRINCIPAL & INTEREST PAYMENTS BY DEBT

Due	3.00% CNB 2012	3.00% CNB 2007 (2012)	2.40% CNB 2016	Total
2016-17	\$ 1,281,059	\$ 453,809	\$ 148,653	\$ 1,883,522
2017-18	1,281,059	453,809	148,653	1,883,522
2018-19		453,809	148,653	602,463
2019-20		453,809	148,653	602,463
2020-21		453,809	148,653	602,463
2021-22		453,809	-	453,809
2022-23		453,809	-	453,809
2023-24		453,809	-	453,809
2024-25		226,905	-	226,905
<b>TOTAL</b>	<b>\$ 2,562,118</b>	<b>\$ 3,857,378</b>	<b>\$ 743,267</b>	<b>\$ 7,162,763</b>

### Principal Payments

2016-17	1,216,046	354,973	132,730	1,703,749
2017-18	1,252,801	365,702	135,934	1,754,438
2018-19		376,756	139,216	515,972
2019-20		388,143	142,577	530,721
2020-21		399,875	146,020	545,895
2021-22		411,961		411,961
2022-23		424,412		424,412
2023-24		437,240		437,240
2024-25		223,551		223,551

### Interest Payments

2016-17	65,013	98,836	15,924	179,773
2017-18	28,258	88,107	12,719	129,084
2018-19		77,054	9,437	86,491
2019-20		65,666	6,076	71,742
2020-21		53,934	2,634	56,568
2021-22		41,848		41,848
2022-23		29,397		29,397
2023-24		16,569		16,569
2024-25		3,353		3,353

# REVENUE SUMMARY

The District has projected it will provide water service to over 9,700 customers by the end of FY 2017. Seventy-four% of District's water sales revenue comes from single-family residential customers and the remaining 26% of revenue are comprised of multi-family residential, commercial, landscaping, municipal, fire, construction, and industrial. The District is expecting no growth in FY 2017.

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 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, the average has dramatically decreased. Since FY 2011, the District had used the most current 12-month consumption by meter size to determine revenue projections and purchased water estimates. To project the FY 2017 water revenues, the District calculated the mandatory reduction of 25% from the recorded usage in 2013. The District projects the current drought restrictions will continue through FY 2021.

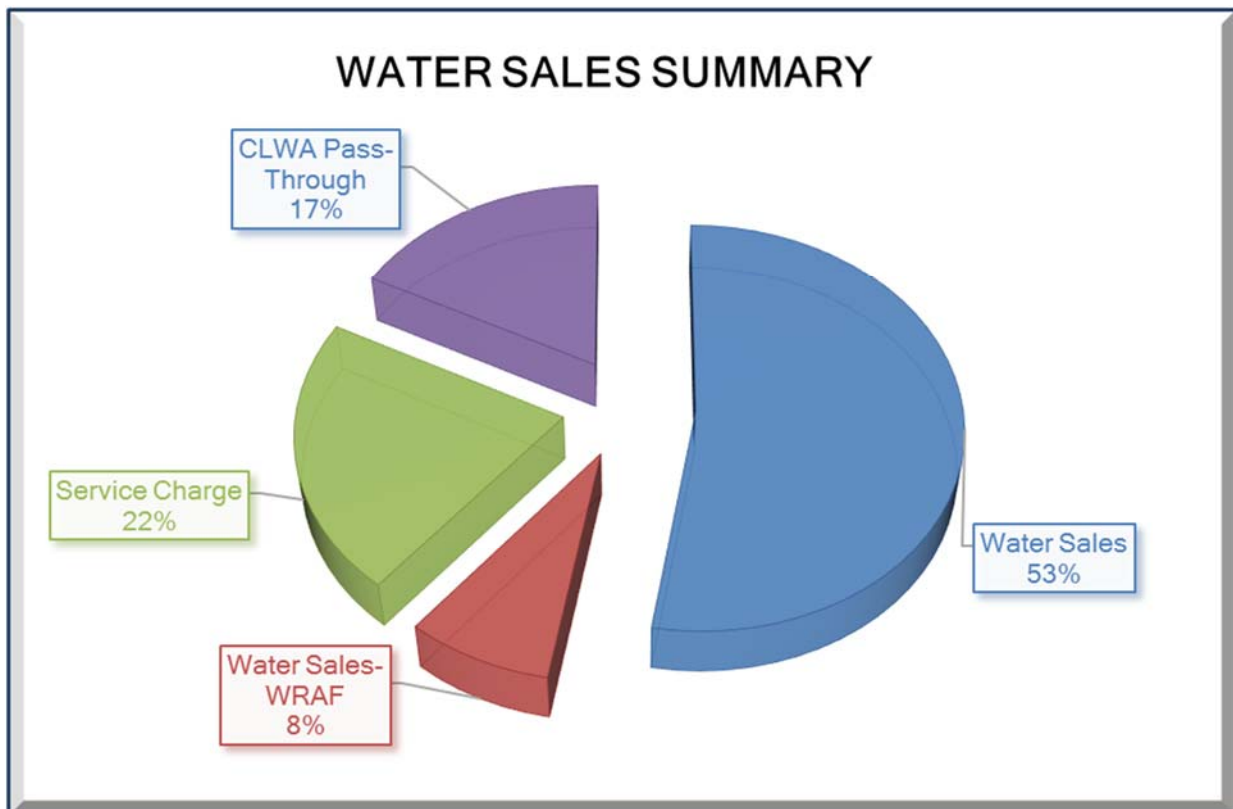
The total reduction in water use was not incorporated into the calculation estimate of revenues at proposed rates during the most recent rate study. As a means to mitigate potential fluctuations in water commodity revenues, the District adopted Resolution 2015-5 establishing a balancing account and the 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 and create a balancing account. The WRAF is projected to add \$.3038 per CCF to the commodity rate.

The District is projected to purchase 3,138 acre-feet (1,100 acre-feet from the perchlorate settlement) of water from CLWA in FY 2017. Per resolution 2012-5, the CLWA pass through charge is projected to decrease by 5% from the previous fiscal year. In FY 2013, the District challenged the rate structure of CLWA in court. As a direct result from the water rate lawsuit, a settlement was reached and a subsequent change in the wholesale water rate was adopted by CLWA. The rates for all customer classes are shown on page 100.

Unit sales represent approximately 61% (including WRAF adjustment) of the water sales budget. Other revenue sources include service charge (22%) and the CLWA pass through (17%). 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.

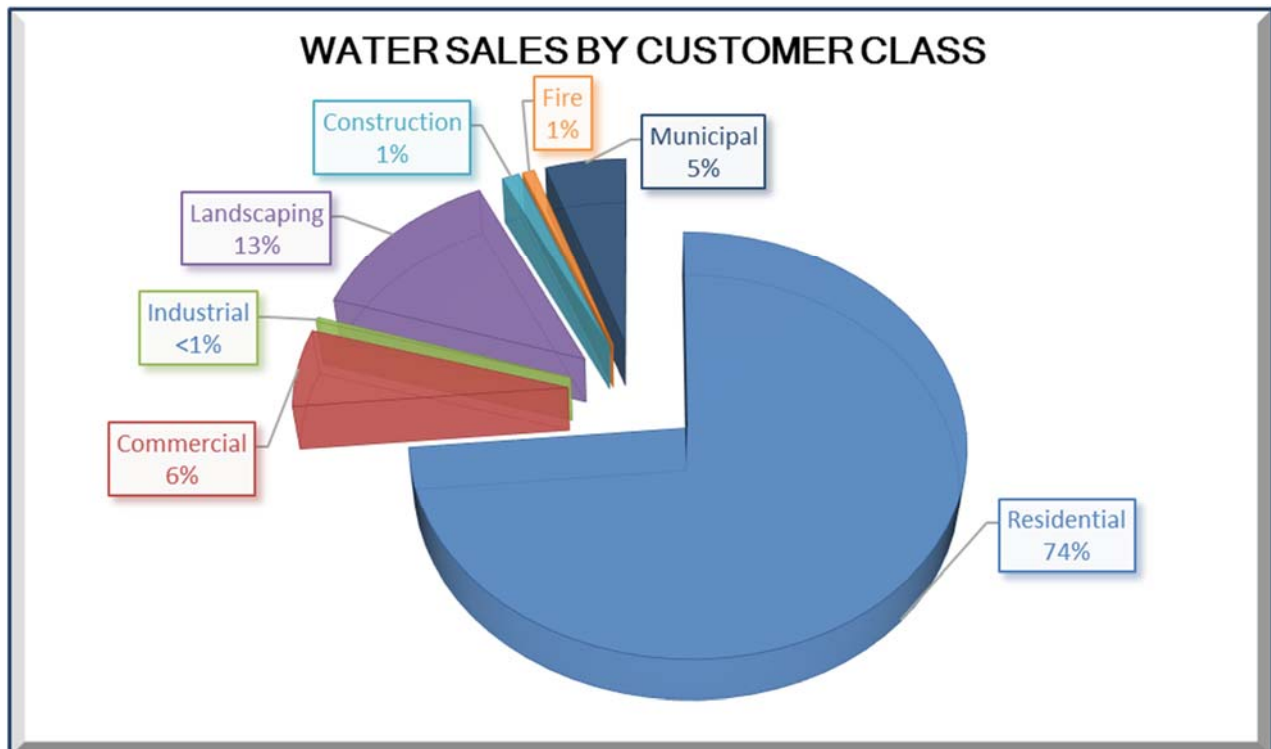
# WATER SALES BY CATEGORY

	FY 2016		FY 2017 Budget	Budget Variance	Variance %
	Budget	Projected			
<b>Water Sales:</b>					
Water Sales	\$ 6,918,829	\$ 5,961,367	\$ 6,374,427	\$ (544,402)	-7.9%
Water Sales-WRAF	-	-	984,270	984,270	100.0%
Service Charge	2,621,410	2,627,146	2,627,452	6,042	0.2%
CLWA Pass-Through	2,538,939	2,242,270	2,097,505	(441,434)	-17.4%
<b>Total</b>	<b>\$12,079,178</b>	<b>\$10,830,783</b>	<b>\$12,083,654</b>	<b>\$ 4,476</b>	<b>0.0%</b>



# WATER SALES BY CUSTOMER CLASS

	Actual				Projected FY 2016	Budget FY 2017
	FY 2012	FY 2013	FY 2014	FY 2015		
<b>Residential</b>	\$ 7,825,060	\$ 8,364,823	\$ 9,444,680	\$ 8,244,638	\$ 7,996,343	\$ 8,887,332
<b>Commercial</b>	627,599	647,114	727,093	672,810	\$ 658,546	\$ 725,041
<b>Industrial</b>	24,446	25,128	27,479	19,838	\$ 16,630	\$ 39,471
<b>Landscaping</b>	1,360,969	1,677,739	1,934,368	1,541,304	\$ 1,337,866	\$ 1,573,985
<b>Construction</b>	73,860	96,196	104,702	87,995	\$ 234,996	\$ 135,840
<b>Fire</b>	84,014	96,032	100,349	90,346	\$ 94,369	\$ 94,140
<b>Municipal</b>	514,610	575,522	669,593	547,928	\$ 492,033	\$ 627,845
<b>Total Water Sales</b>	<b>\$ 10,510,558</b>	<b>\$ 11,482,554</b>	<b>\$ 13,008,264</b>	<b>\$ 11,204,859</b>	<b>\$ 10,830,783</b>	<b>\$ 12,083,654</b>



# WATER UNIT HISTORY

## 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. From FY 2011 through FY 2015, the District used the last recorded year nine months of actual consumption and three months projected consumption by meter size for the calculation. To be consistent with the mandatory drought restrictions, FY 2017 water revenues were calculated to address the 25% mandatory reduction from the recorded usage in 2013. The District believes the drought conditions and level of conservation experienced will continue through FY 2021.

★ Used for FY 2017 Budget

		3/4" WS02	1" WS03	1 1/2" WS04	2" WS05	3" WS09	4" WS06	6" WS07	8" WS08	10" WS10	2 1/2" WS11	Total
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	1,888,524	371,886	196,292	849,841	451	112,876	62,682	162,640	28,248	25,360	3,698,800
	Aver Cust	8,200	839	143	426	1	18	10	10	3	21	9,671
	Use per Cust	230	443	1,373	1,995	451	6,271	6,268	16,264	9,416	1,208	382
FY 16	Use	1,628,258	306,667	167,851	719,506	200	97,879	52,930	151,795	31,648	83,127	3,239,861
3 Mths	Aver Cust	8,202	841	143	429	1	17	9	10	3	22	9,677
Ave	Use per Cust	199	365	1,174	1,677	200	5,758	5,881	15,180	10,549	3,779	335
10 Year Average												
2007-2016		272	511	1,538	2,662	267	7,799	6,995	19,276	21,955	1,220	in ccf
25% from 2013		<b>199</b>	<b>365</b>	<b>1,174</b>	<b>1,677</b>	<b>200</b>	<b>5,758</b>	<b>5,881</b>	<b>15,180</b>	<b>10,549</b>	<b>3,779</b>	<b>in ccf</b>

# WATER RATES

## Service Charge

Meter Size (in inches)	@July 1, 2016 Monthly Rates
3/4	\$ 15.75
1	\$ 26.30
1 1/2	\$ 52.45
2	\$ 83.95
2 1/2	\$ 126.00
3	\$ 157.50
4	\$ 262.55
6	\$ 524.95
8	\$ 839.95
10	\$ 1,207.55
<b>Fire Service</b>	
2	\$ 22.29
4	\$ 71.26
6	\$ 134.78
8	\$ 210.85

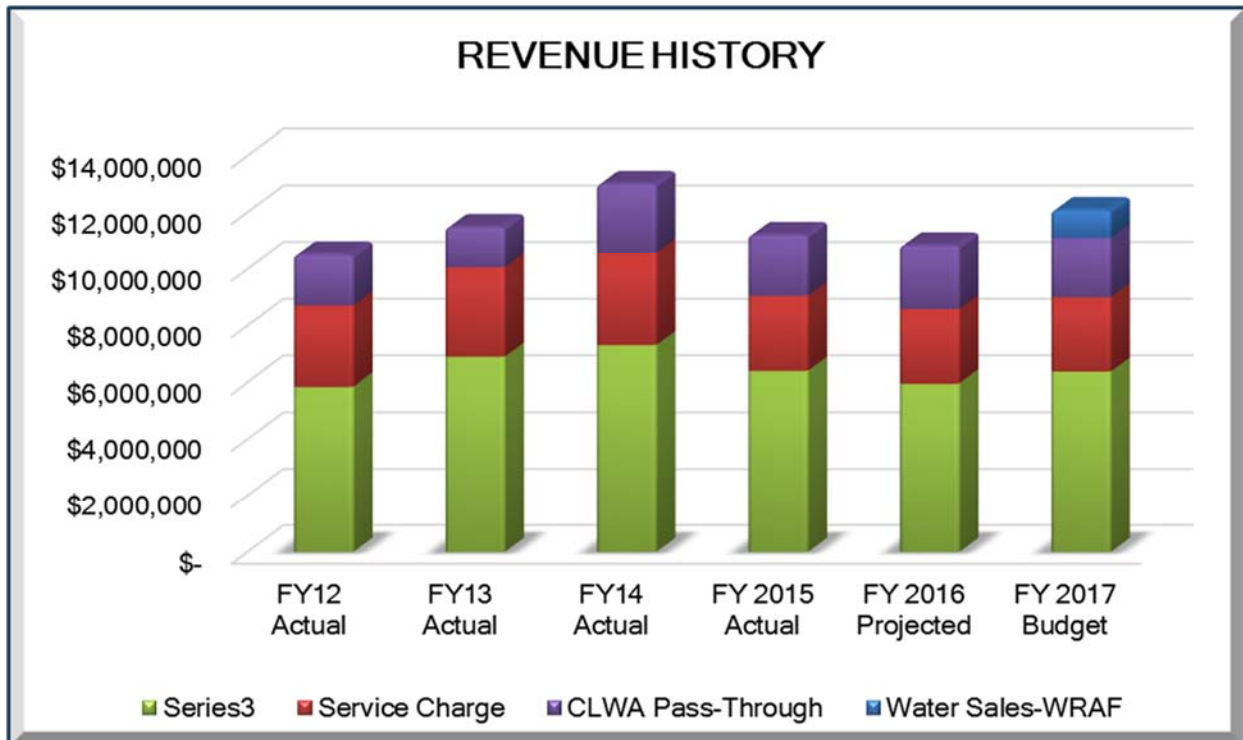
## Per Unit

Commodity Rate (Uniform Volume)	\$1.9675
CLWA Pass-Through	\$0.6474
WRAF Adjustment	\$0.3038

Unit = 748 gallons

# REVENUE HISTORY

	Actual				Projected	Budget
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Water Sales	\$ 5,850,090	\$ 6,900,772	\$ 7,310,308	\$ 6,396,261	\$5,961,367	\$ 6,374,427
Water Sales-WRAF	-	-	-	-	-	984,270
Service Charge	2,866,328	3,163,706	3,253,825	2,659,108	2,627,146	2,627,452
CLWA Pass-Thru	1,794,140	1,418,076	2,444,131	2,149,490	2,242,270	2,097,505
<b>Total</b>	<b>\$10,510,558</b>	<b>\$11,482,554</b>	<b>\$13,008,264</b>	<b>\$ 11,204,859</b>	<b>\$ 10,830,783</b>	<b>\$ 12,083,654</b>





# 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.

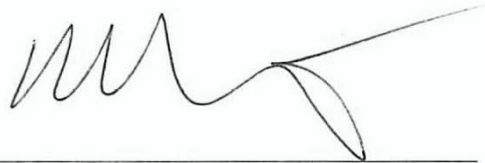
**FURTHER RESOLVED** that, the General Manager and staff are hereby further authorized and directed to take such other and further action as may be necessary and appropriate to implement the substance and purposes of this resolution immediately.

**PASSED AND ADOPTED** this 17<sup>th</sup> 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

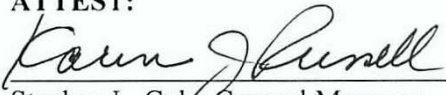
NOES: Directors Colley

ABSTAIN: Directors None



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

**ATTEST:**

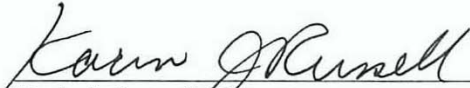


Stephen L. Cole, General Manager  
NEWHALL COUNTY WATER DISTRICT

**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 has been updated for FY 2017 in compliance with Resolution 2012-5. The true-up calculation was reconciled at FYE 2016 for prior year adjustments. The true-up calculation below will be used for future years.

### PASS THROUGH FORMULA FY 2016-2017

Price per Acre Foot (AF)	=	\$ 218.18
Projected Total Water Consumption for Fiscal Year (FY) in ccf (from draft budget)		3,239,861

Determination of the pass through for cost of CLWA Purchased Water

Price per Acre Foot		\$ 218.18
Projected AF to be purchased in FY from CLWA	x	2,038
Additional CLWA charges (Perchlorate & Fixed Costs)	+	\$ 1,652,856
Amount needed from rates	=	\$ 2,097,506
True-Up formula amount	+/-	
 Total	 =	 \$ 2,097,506
 Divide by Projected Total Water Consumption for FY	 /	 3,239,861
Pass through increase/(decrease) per ccf	=	\$ 0.6474

### TRUE-UP CALCULATION

Actual Total Water Consumption in ccf's from FY 12-13		
Pass Through amount per ccf for FY 12-13	x	
Total pass through collected in FY 12-13	=	\$ -
Actual purchased water costs incurred in FY 12-13	-	
Additional CLWA charges	+	\$
Amount over/(under) collected	=	\$ -

# RESOLUTION 2015-5

## WATER REVENUE ADJUSTMENT FACTOR

### RESOLUTION NO. 2015-5

#### RESOLUTION OF THE BOARD OF DIRECTORS OF NEWHALL COUNTY WATER DISTRICT RESCINDING RESOLUTION 2012-6 AND ENACTING A WATER REVENUE ADJUSTMENT FACTOR (WRAF)

**WHEREAS**, Newhall County Water District (“District”) is a retail water provider in the Santa Clarita Valley; and

**WHEREAS**, in 2012, the District Board of Directors (“Board”) enacted Resolution 2012-6 authorizing the pass through of the inflationary increases/decrease in water system operating costs. Resolution 2015-5 takes the place of and rescinds Resolution 2012-6 effective upon approval of said resolution.

**WHEREAS**, per California Government Code § 53756, an agency providing water service may adopt a schedule of fees or charges authorizing automatic pass through increases in wholesale charges for water or adjustments for inflation, if it complies with all of the following:

- It adopts a schedule of fees or charges for a property-related service for a period not to exceed five years pursuant to Section 53755.
- The schedule of fees or charges includes a clearly defined formula for adjusting for inflation. The inflation adjustment to a fee or charge for a property-related service shall not exceed the cost of providing that service.
- The schedule of fees or charges for an agency that purchases wholesale from a public agency may provide for automatic adjustments that pass through the adopted increases or decreases in the wholesale charges for water established by the other agency.
- Notices of any adjustment pursuant to the schedule shall be given pursuant to subdivision (a) of Section 53755, not less than 30 days before the effective date of the adjustment.

**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 inflation to customers in accordance with state law.

**FURTHER RESOLVED** that, effective July 1, 2016, the District shall institute a Water Revenue Adjustment Factor (WRAF), which will recover any shortage of revenue due to inflation attributed to fluctuations in real demand which, at the discretion of the Board, may be automatically passed through to customers pro rata on the basis of volume of water consumed. A per unit water Cost of Service Balancing Account shall be maintained by the District as defined in Section 8.3.4 of the District’s Policies, Rules and Regulations; and

# RESOLUTION 2015-5

## WATER REVENUE ADJUSTMENT FACTOR

**FURTHER RESOLVED** that, the adoption of this resolution and imposition of the 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 15<sup>th</sup> day of June 2015, by the Board of Directors of the Newhall County Water District, Resolution 2015-5 was adopted by the following vote:

AYES: Directors Atkins, Mortensen, Plambeck (Absent Director Colley)

NOES: Directors Gutzeit

ABSTAIN: Directors None

  
\_\_\_\_\_  
B. J. ATKINS, President of the  
Board of Directors of the  
NEWHALL COUNTY WATER DISTRICT

ATTEST:

  
\_\_\_\_\_  
Karin J. Russell, Board Secretary  
NEWHALL COUNTY WATER DISTRICT

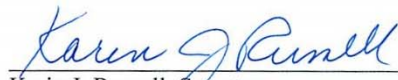


# RESOLUTION 2015-5

## WATER REVENUE ADJUSTMENT FACTOR

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. 2015-5 of the Board of Directors of Newhall County Water District adopted at a Special Meeting held on June 15, 2015, and that the same has not been amended or repealed.

  
\_\_\_\_\_  
Karin J. Russell, Secretary,  
Newhall County Water District

DATED: June 15, 2015

# RESOLUTION 2015-5

## WATER REVENUE ADJUSTMENT FACTOR

### Exhibit "A"

#### POLICIES, RULES AND REGULATIONS

- A. Changes to the District's Policies, Rules and Regulations: Section 8.3.4 is hereby updated with the following:

8.3.4 Water Revenue Adjustment Factor (WRAF):

Commencing on July 1, 2016, and continuing thereafter, and as provided in Resolution No. 2015-5, duly adopted by the Board of Directors on June 15, 2015 any increase/decrease in the Water Revenue Adjustment Factor (WRAF) which recovers any shortage of commodity revenue due to inflation attributed to fluctuations in real demand through application of the WRAF formula and may be passed through directly to District customers as a rate adjustment per Government Code Section 53756.

Such pass-through may, at the discretion of the Board, be automatically passed through to customers pro rata on the basis of volume of water consumed in accordance with illustrative formula as set forth in Appendix B.

- B. Changes to Appendix B: Paragraph 4 is hereby deleted and the following Paragraph 4 is inserted in place thereof:

4. Water Revenue Adjustment Factor: [Per Section 8.3.4]

A Water Revenue Adjustment Factor (WRAF) recovers any shortage in commodity revenue due to variation in water sales through application of the WRAF formula, in accordance with Government Code Section 53756.

The formula is:

$$\text{WRAF} = \frac{a - b}{c}$$

(c + d) / e = Demand Factor per unit a = Target Commodity Revenue (previous year)

b = Actual Revenue (previous year)

c = Commodity Revenue Adjustment

d = Unrecovered Adjustment (previous year)

e = Projected Consumption

1. The WRAF will be calculated as follows:

- (a) The **Target Commodity Revenue** from the previous period as identified in the Adopted Operating Budget.
- (b) The **Actual 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) **Actual Commodity Revenue** subtracted from the **Target Commodity Revenue**.
- (d) The amount equal to the unrecovered adjustment attributable to the previous period WRAF added to the **Commodity Revenue Adjustment**.

# RESOLUTION 2015-5

## WATER REVENUE ADJUSTMENT FACTOR

(e) The projected consumption 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. Entries to this account shall include:

1. Following the end of each period, the **Target Revenue** set for the period minus the **Actual Revenue** recorded in the general ledger for the period.

# RESOLUTION 2015-5

## WATER REVENUE ADJUSTMENT FACTOR

The Water Revenue Adjustment Factor (WRAF) pass through calculation has been implemented for FY 2017 in compliance with Resolution 2015-5. A total reduction in water use was not incorporated into the most recent rate study report. As a means to mitigate the shortfall in water commodity revenue from FY 2016, the District has calculated the automatic pass through that will be added to the commodity rate. The calculation is as follows:

### WRAF PASS THROUGH FORMULA FY 2017

Formula:  $a - b = c$ ,  $(c + d) / e = \text{Demand Factor per Unit}$

a = Target Commodity Revenue		\$	6,918,829
b = Actual Commodity Revenue	-		5,934,598 *
c = Commodity Revenue Adjustment		\$	984,231
c = Commodity Revenue Adjustment		\$	984,231
d = Unrecovered Adjustment (previous year)	+		-
			984,231
e = Projected Consumption (ccf)	/		3,239,862
Demand Factor per Unit	=	\$	0.3038

\*April - June Estimated

# EXPENDITURE SUMMARY

## **Source of Supply**

The source of supply category represents 16% of the total Expense Budget and shows a decrease of 17% from FY 2016. The reason for the decrease is due to a change of rates and rate structure for purchased water from CLWA and a decrease in water production due to mandatory drought conservation. 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 12% of the total Expense Budget and shows a decrease of 5.8% from FY 2016. The reason for the decrease is a projected reduction in pumping energy cost rates from Southern California Edison. This category provides funds for the cost of power to the District's wells, booster stations, and sewer lift station. 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 3% of the total Expense Budget and shows an increase of .3% from FY 2016. The primary increase in this category is due to a projected increase in laboratory and regulatory fees. 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 4% of the total Expense Budget and shows an increase of 14.3% from FY 2016. The primary reason for the increase is due to a reallocation of labor in order to complete planned maintenance projects in this 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 5% of the total Operating Budget and shows a slight decrease of .2% from FY 2016. The primary reason for the decrease is a reduction to overtime and the associated employee benefits. 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 6% of the total Expense Budget and shows an increase of 10.1% from FY 2016. The primary reason for the increase is due to a reallocation of labor and associated employee benefits. This category provides funds for the cost of general supervision, employee uniforms, tools and supplies for the shop/yard, gasoline and diesel fuel, drafting and mapping labor and material, safety supplies and equipment, labor and maintenance for the shop and yard, and maintenance and repair to the District's vehicle fleet.

## **General and Administrative**

The general and administrative category represents 24% of the total Expense Budget. A detailed listing of these expenses is shown on page 125. There is a slight decrease of 2% from FY 2016. The primary costs attributable to the decrease are due to no Board of Director election in FY 2017 and one less administrative employee. This category includes such items as director's fees, general and administrative labor, 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**

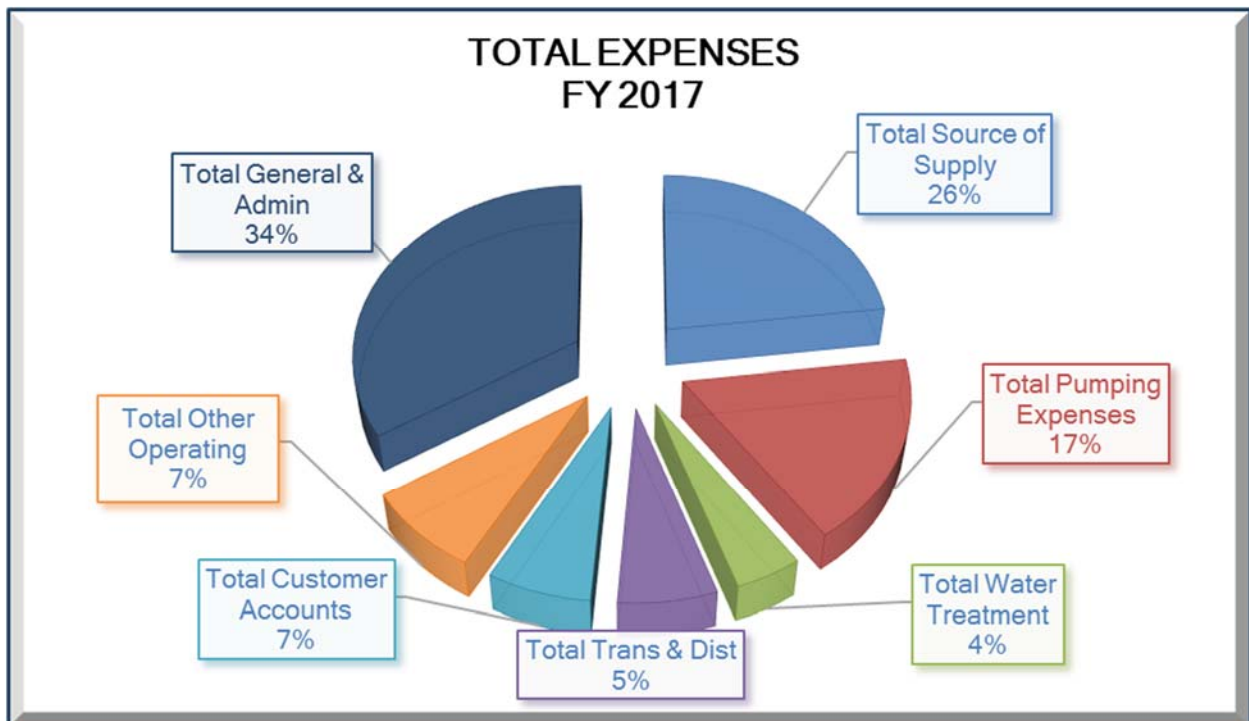
District personnel are spread amongst the categories where they are assigned to work. In each category, a percentage of the employee benefits is calculated and added to those categories. There was a less than 1% increase in labor and benefits from FY 2016. The increase is attributable to a 2% employee performance allowance and merit increases. It is noted the District's workers' compensation expense modification factor remains at a very low level of .71. The budget includes funding for labor and benefits for 30 full-time employees and 5 Board members. There was one employee reduction in FY 2016 and there are no employees projected to be added in FY 2017.

## **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.

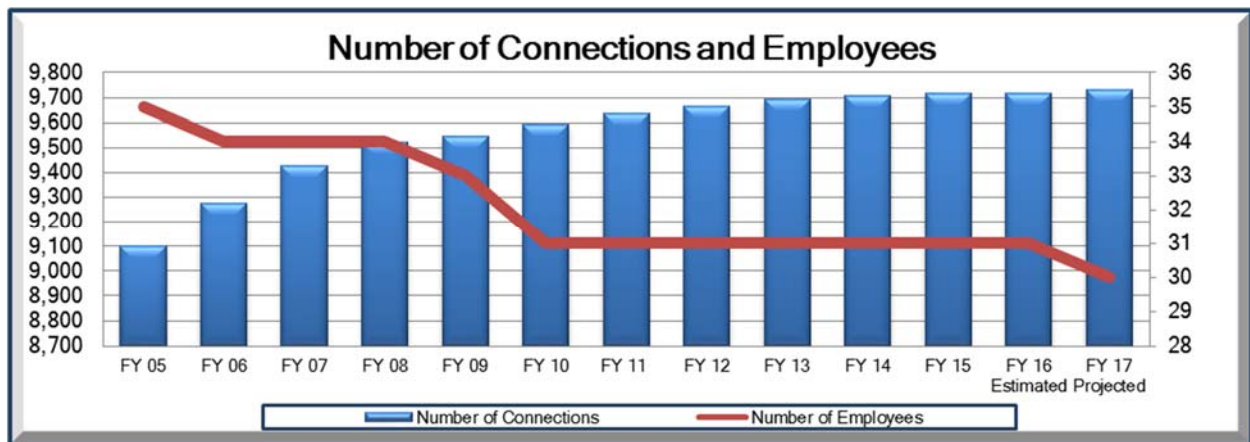
# EXPENDITURE SUMMARY

	FY 2015	FY 2016		FY 2017	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Total Source of Supply	\$2,416,186	\$2,574,876	\$1,997,239	\$ 2,136,493	\$ (438,383)	-17.0%
Total Pumping Expenses	1,646,541	1,716,450	1,587,787	1,616,212	(100,238)	-5.8%
Total Water Treatment	421,994	406,184	417,477	407,482	1,298	0.3%
Total Transmission & Dist	704,824	526,728	628,623	601,826	75,098	14.3%
Total Customer Accounts	677,296	634,422	664,143	633,056	(1,366)	-0.2%
Total Other Operating	673,226	672,784	719,374	740,748	67,964	10.1%
Total General & Admin	2,807,867	3,225,488	3,266,742	3,160,110	(65,378)	-2.0%
<b>Total Expenses</b>	<b>\$9,347,934</b>	<b>\$9,756,932</b>	<b>\$9,281,385</b>	<b>\$ 9,295,927</b>	<b>\$ (461,005)</b>	<b>-4.7%</b>



# WAGES AND BENEFITS

	FY 2015	FY 2016		FY 2017
	Actual	Budget	Projected	Budget
<b>Wages</b>	\$ 2,486,434	\$ 2,474,917	\$ 2,526,786	\$ 2,542,929
<b><u>Benefits</u></b>				
Pension	354,638	365,159	413,078	332,805
Employee Assistance Program	1,083	1,093	1,062	1,062
Worker's Compensation	101,856	95,839	82,923	88,401
Health Insurance	417,076	419,435	413,499	424,118
Dental Insurance	62,141	62,272	59,514	55,762
Vision Insurance	6,725	6,752	6,729	6,565
Life Insurance	9,117	14,089	7,022	13,517
Payroll Taxes	185,120	180,098	195,547	182,061
Longevity	22,151	27,000	37,180	27,000
Other Post Employment Benefits (GASB 45)	72,322	74,458	74,458	70,528
Total Benefits	1,232,229	1,246,195	1,291,012	1,201,819
<b>Total Wages and Benefits</b>	3,718,663	3,721,112	3,817,798	3,744,748
<b><u>Less CIP Wages and Benefits</u></b>				
Wages	180,162	218,585	118,905	219,730
Benefits Allocation	89,288	110,058	60,749	103,844
	269,450	328,643	179,654	323,574
<b>Operating Wages and Benefits</b>	\$ 3,449,213	\$ 3,392,469	\$ 3,638,144	\$ 3,421,174



*Doing More, With Less*



# DISTRICT POSITION COUNT

Summary Count by Year	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
	31	31	30
<b><u>Administration</u></b>			
General Manager	1	1	1
Director of Finance/Administration	1	1	1
Accounting Manager	1	1	0
Executive Assistant	1	1	1
Information Systems Specialist	1	1	1
Customer Service & Water Efficiency Coordinator	1	1	1
Accounting/Human Resource Assistant	0	0	1
Accounting Clerk II	1	1	0
Warehouse Technician	1	1	1
Customer Service Office Rep & Operations Assistant	1	1	0
Customer Service Office Rep	2	2	3
	<hr/> 11	<hr/> 11	<hr/> 10
<b><u>Operations</u></b>			
Assistant General Manager	0	0	1
Director of Operations	1	1	0
Superintendent	1	1	1
Water Operations Supervisor	0	0	1
Water Quality Specialist	1	1	1
Engineering Technician	1	1	1
Water System Supervisor	3	3	2
Customer Service Field Rep I	1	0	0
Customer Service Field Rep II	1	2	2
Water Production/Quality Tech I	0	0	0
Water Production/Quality Tech II	3	3	3
Water System Worker I	4	3	3
Water System Worker II	4	5	5
	<hr/> 20	<hr/> 20	<hr/> 20
<b>Total</b>	31	31	30

Note: In FY 2017, the position of Accounting Manager was eliminated due to retirement of one employee. New positions were created and were filled by existing staff. Additional position/transfer information can be found on pages 19, 23, 29 and 33.

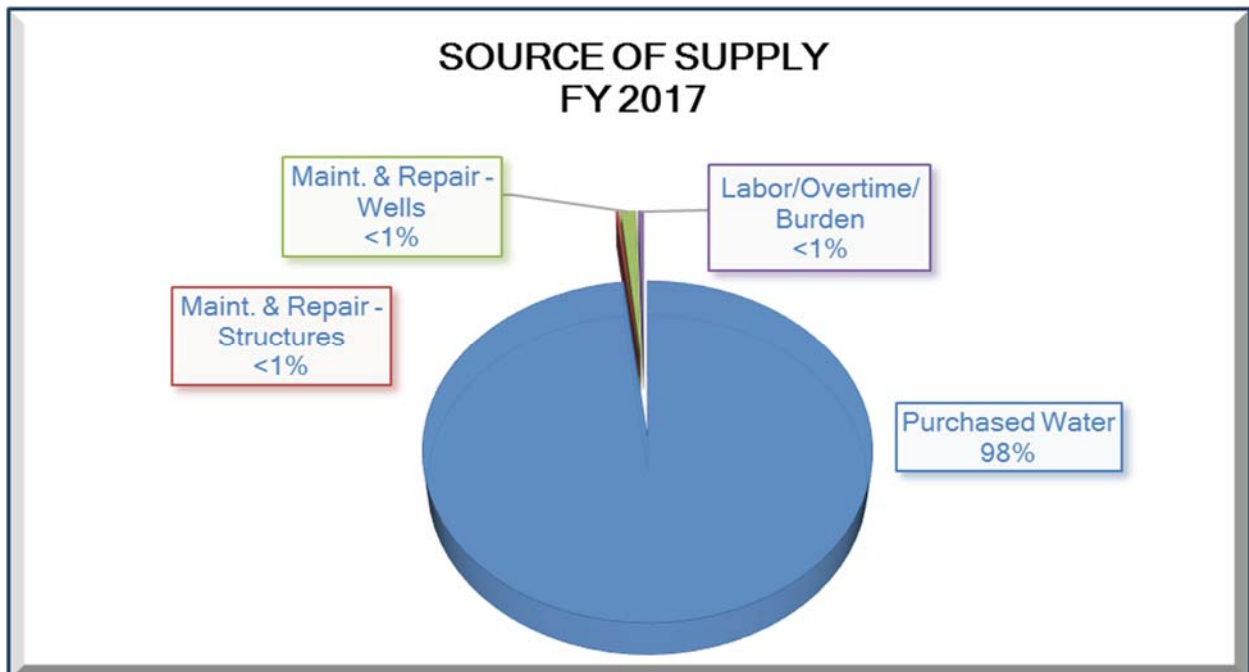
# OPERATING EXPENSES

## SOURCE OF SUPPLY

	FY 2015	FY 2016		FY 2017	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Purchased Water	\$2,397,424	\$2,538,939	\$1,954,572	\$2,097,506	\$ (441,433)	-17%
Maint. & Repair - Structures	5,511	5,150	210	4,750	(400)	-8%
Maint. & Repair - Wells	6,046	25,000	27,470	25,000	-	0%
Labor/Overtime/Burden	7,206	5,787	14,987	9,237	3,450	60%
<b>Source of Supply Total</b>	<b>\$2,416,186</b>	<b>\$2,574,876</b>	<b>\$1,997,239</b>	<b>\$2,136,493</b>	<b>\$ (438,383)</b>	<b>-17%</b>

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

*Purchased Water: Change in wholesale water rates and a reduction in water purchased due to mandatory water restrictions*

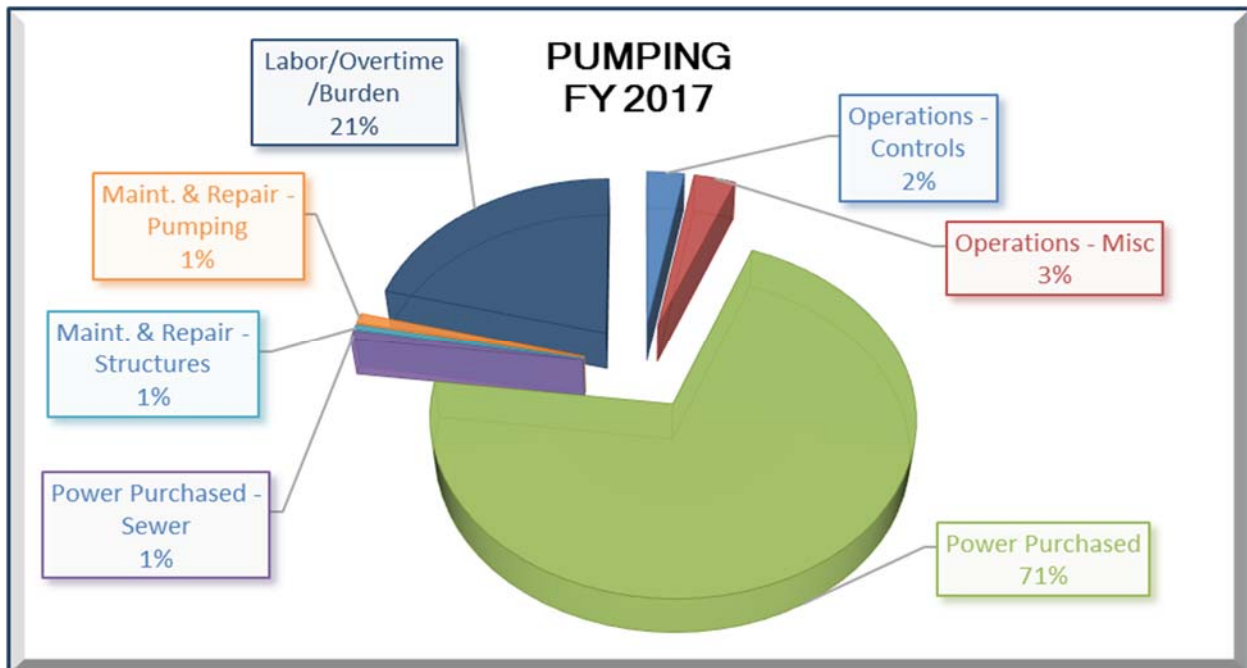


# OPERATING EXPENSES PUMPING

	FY 2015	FY 2016		FY 2017	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Operations - Controls	\$ 29,514	\$ 45,000	\$ 61,066	\$ 45,000	\$ -	0%
Operations - Misc	79,123	50,000	41,068	50,000	-	0%
Power Purchased	1,116,318	1,250,000	1,054,516	1,150,000	(100,000)	-8%
Power Purchased - Sewer	10,215	12,500	10,984	12,500	-	0%
Maint. & Repair - Structures	9,076	10,000	520	7,500	(2,500)	-25%
Maint. & Repair - Pumping	12,902	10,000	20,867	15,000	5,000	50%
Labor/Overtime/Burden	389,393	338,950	398,766	336,212	(2,738)	-1%
<b>Pumping Total</b>	<b>\$1,646,541</b>	<b>\$1,716,450</b>	<b>\$1,587,787</b>	<b>\$1,616,212</b>	<b>\$ (100,238)</b>	<b>-6%</b>

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

NONE



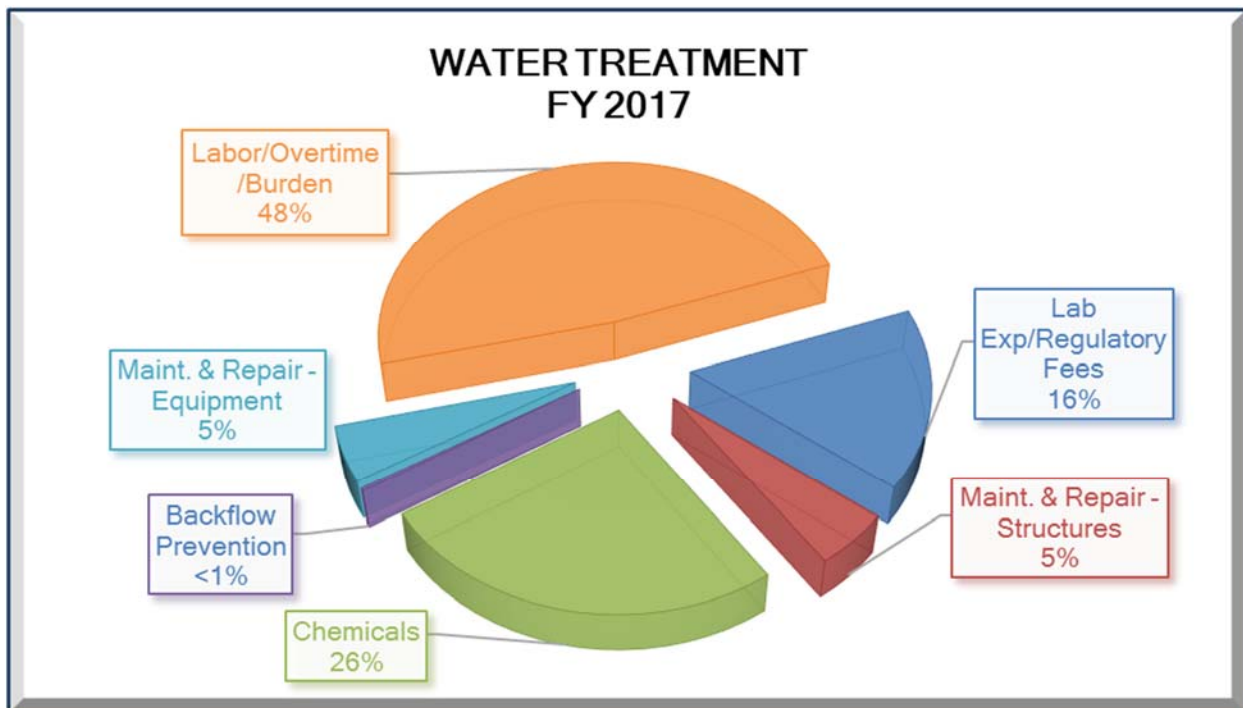
# OPERATING EXPENSES

## WATER TREATMENT

	FY 2015	FY 2016		FY 2017	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Lab Exp/Regulatory Fees	\$ 52,396	\$ 60,000	\$ 72,109	\$ 65,000	\$ 5,000	8%
Maint. & Repair - Structures	27,208	20,000	26,262	20,000	-	0%
Chemicals	116,413	110,000	105,835	105,000	(5,000)	-5%
Backflow Prevention	2,408	1,000	827	1,000	-	0%
Maint. & Repair - Equipment	27,015	20,000	20,501	20,000	-	0%
Labor/Overtime/Burden	196,554	195,184	191,944	196,482	1,298	1%
<b>Water Treatment Total</b>	<b>\$ 421,994</b>	<b>\$ 406,184</b>	<b>\$ 417,477</b>	<b>\$ 407,482</b>	<b>\$ 1,298</b>	<b>0%</b>

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

NONE

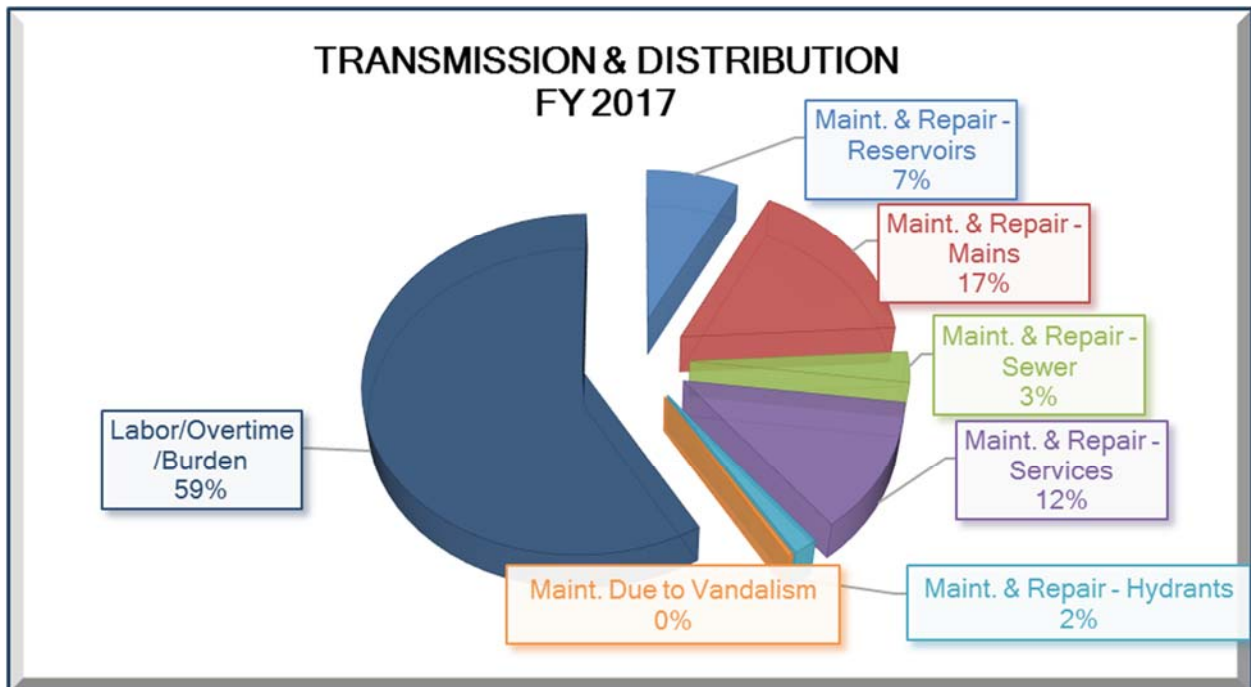


# OPERATING EXPENSES TRANSMISSION & DISTRIBUTION

	FY 2015	FY 2016		FY 2017	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Maint. & Repair - Reservoirs	\$ 49,741	\$ 40,000	\$ 73,599	\$ 45,000	\$ 5,000	13%
Maint. & Repair - Mains	96,701	100,000	71,596	100,000	-	0%
Maint. & Repair - Sewer	18,203	17,500	12,779	17,500	-	0%
Maint. & Repair - Services	79,157	80,000	53,726	75,000	(5,000)	-6%
Maint. & Repair - Hydrants	23,605	12,500	5,376	10,000	(2,500)	-20%
Maint. Due to Vandalism	702	2,000	-	2,000	-	0%
Labor/Overtime/Burden	436,714	274,728	411,597	352,327	77,599	28%
<b>Trans &amp; Distrib Total</b>	<b>\$ 704,823</b>	<b>\$ 526,728</b>	<b>\$ 628,673</b>	<b>\$ 601,827</b>	<b>\$ 75,099</b>	<b>14%</b>

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

*Labor/Overtime/Burden: Reallocation of labor and benefits to complete FY 2017 maintenance*



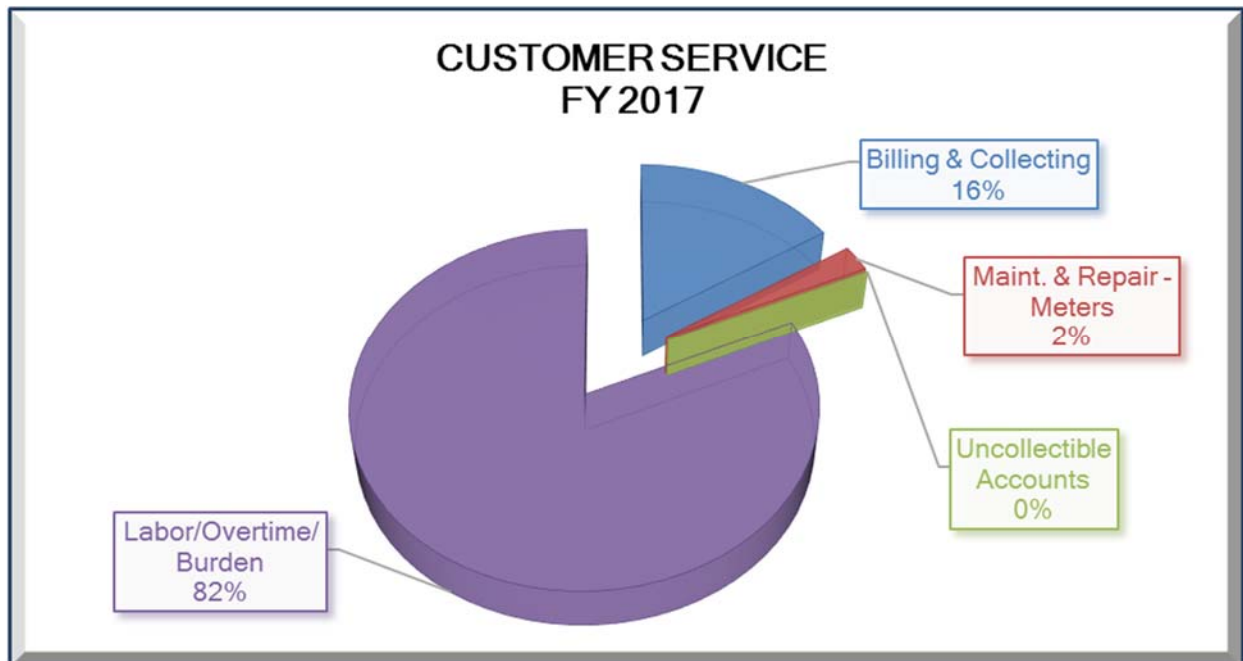
# OPERATING EXPENSES

## CUSTOMER SERVICE

	FY 2015	FY 2016		FY 2017	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Billing & Collecting	\$ 107,938	\$ 95,000	\$ 103,394	\$ 100,000	\$ 5,000	5%
Maint. & Repair - Meters	29,823	15,000	17,344	15,000	-	0%
Uncollectible Accounts	(692)	-	(1,151)	-	-	0%
Labor/Overtime/Burden	540,228	524,422	544,556	518,056	(6,366)	-1%
<b>Customer Accounts Total</b>	<b>\$ 677,296</b>	<b>\$ 634,422</b>	<b>\$ 664,143</b>	<b>\$ 633,056</b>	<b>\$ (1,366)</b>	<b>0%</b>

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

*NONE*



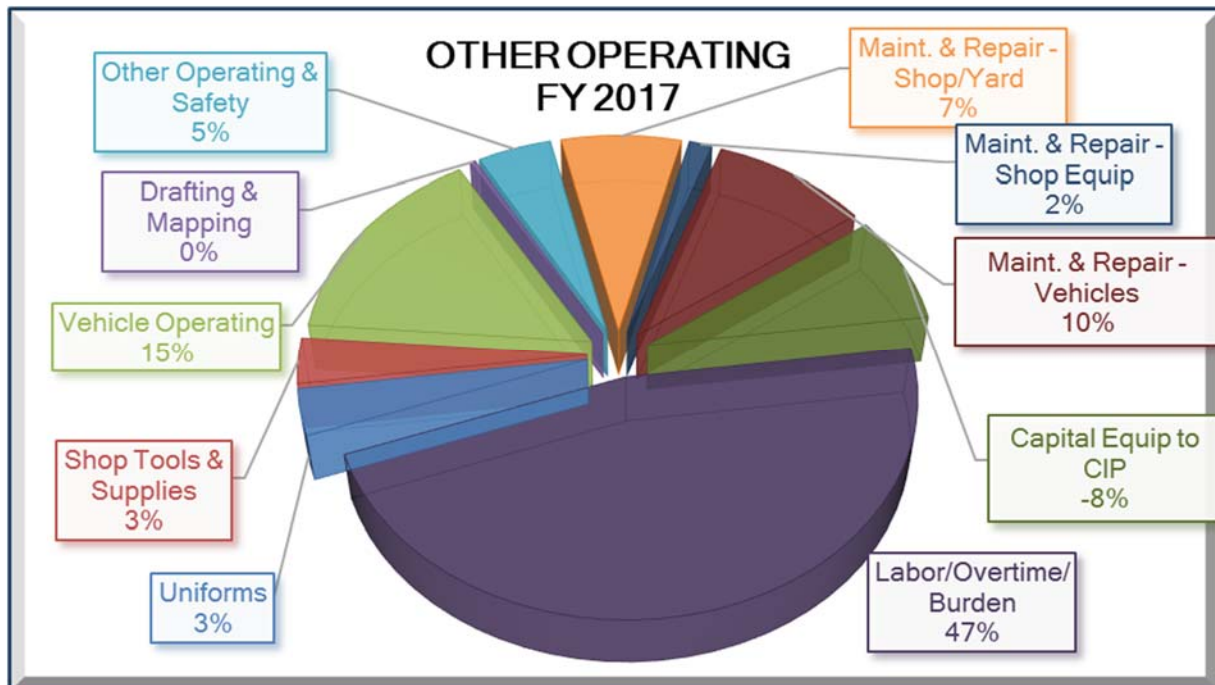
# OPERATING EXPENSES

## OTHER OPERATING

	FY 2015	FY 2016		FY 2017	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Uniforms	\$ 31,899	\$ 25,000	\$ 33,575	\$ 30,000	\$ 5,000	20%
Shop Tools & Supplies	22,605	35,000	19,941	30,000	(5,000)	-14%
Vehicle Operating	114,194	135,200	121,973	135,000	(200)	0%
Drafting & Mapping	2,174	3,390	548	3,000	(390)	-12%
Other Operating & Safety	43,225	40,000	52,921	40,000	-	0%
Maint. & Repair - Shop/Yard	65,111	65,000	41,435	65,000	-	0%
Maint. & Repair - Shop Equip	10,715	15,000	8,205	12,500	(2,500)	-17%
Maint. & Repair - Vehicles	87,074	87,550	112,342	85,000	(2,550)	-3%
Equipment Rentals	2,060	-	1,846	-	-	0%
Capital Equip to CIP	(69,851)	(75,000)	(54,422)	(70,000)	5,000	-7%
Labor/Overtime/Burden	364,019	341,644	381,010	410,248	68,604	20%
<b>Other Operating Total</b>	<b>\$ 673,226</b>	<b>\$ 672,784</b>	<b>\$ 719,374</b>	<b>\$ 740,748</b>	<b>\$ 67,964</b>	<b>10%</b>

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

*Labor/Overtime/Burden: Reallocation of labor and benefits to reflect employee job duties*



# OPERATING EXPENSES

## GENERAL & ADMINISTRATION

	FY 2015	FY 2016		FY 2017	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Director Fees	\$ 21,100	\$ 19,000	\$ 15,150	\$ 19,000	\$ -	0%
Office Expense	44,453	40,000	48,525	42,500	2,500	6%
Computer Software & Supply	16,148	15,000	19,410	15,000	-	0%
Community/Emp Relations	10,812	17,500	16,031	17,000	(500)	-3%
Insurance - Liability	186,576	196,240	185,659	190,000	(6,240)	-3%
Earthquake/Flood Insurance	79,483	83,000	62,771	75,000	(8,000)	-10%
Litigation	158,824	125,000	128,418	125,000	-	0%
Perchlorate Litigation	38,210	30,000	33,271	35,000	5,000	17%
Prof Service - Legal	138,815	170,000	207,918	185,000	15,000	9%
Prof Service - Accounting	44,438	50,000	32,796	50,000	-	0%
Prof Service - Engineering	48,167	95,000	100,805	100,000	5,000	5%
Prof Service - Public Outreach	34,053	70,000	24,731	20,000	(50,000)	-71%
Local Government Affairs	37,746	27,500	29,535	27,500	-	0%
Conferences/Seminars	14,009	18,000	14,895	18,000	-	0%
Special Projects - Board Appr.	27,759	35,000	-	35,000	-	0%
Prof Develop - Training	41,498	35,000	64,588	45,000	10,000	29%
Memberships	40,674	47,500	54,539	47,500	-	0%
Computer Contracts	70,348	90,000	67,467	90,000	-	0%
Inter Agency Evaluation	-	-	88,679	100,000	100,000	100%
Travel/Hotel	19,571	22,500	20,424	22,500	-	0%
Conservation/BMP	71,075	100,000	37,198	50,000	(50,000)	-50%
Drought Related Expenses	53,229	-	61,271	50,000	50,000	0%
Miscellaneous Expense	136,453	140,000	141,876	140,000	-	0%
Utilities	93,471	90,000	93,160	90,000	-	0%
Maint. & Repair - Office	43,606	70,000	36,740	62,500	(7,500)	-11%
Maintenance - Office Equip	8,813	12,500	5,700	10,000	(2,500)	-20%
Election Expense	-	85,000	179,041	-	(85,000)	100%
Overhead Allocation	(186,564)	(170,000)	(199,188)	(100,000)	70,000	-41%
Labor/Overtime/Burden	1,515,101	1,711,748	1,695,332	1,598,610	(113,138)	-7%
<b>General &amp; Admin Total</b>	<b>\$2,807,867</b>	<b>\$3,225,488</b>	<b>\$3,266,742</b>	<b>\$3,160,110</b>	<b>\$ (65,378)</b>	<b>-2.0%</b>



# OPERATING EXPENSES GENERAL & ADMINISTRATION

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

Prof Service - Public Outreach: The FY 2017 Budget was decreased and reallocated to the Inter Agency Evaluation line item. The District will continue to relay its drought messages through programs and education and projects in FY 2017.

Prof Development - Training: The District has and always will encourage employees to further their training and education. Several employees are taking advantage of advancing their training and education.

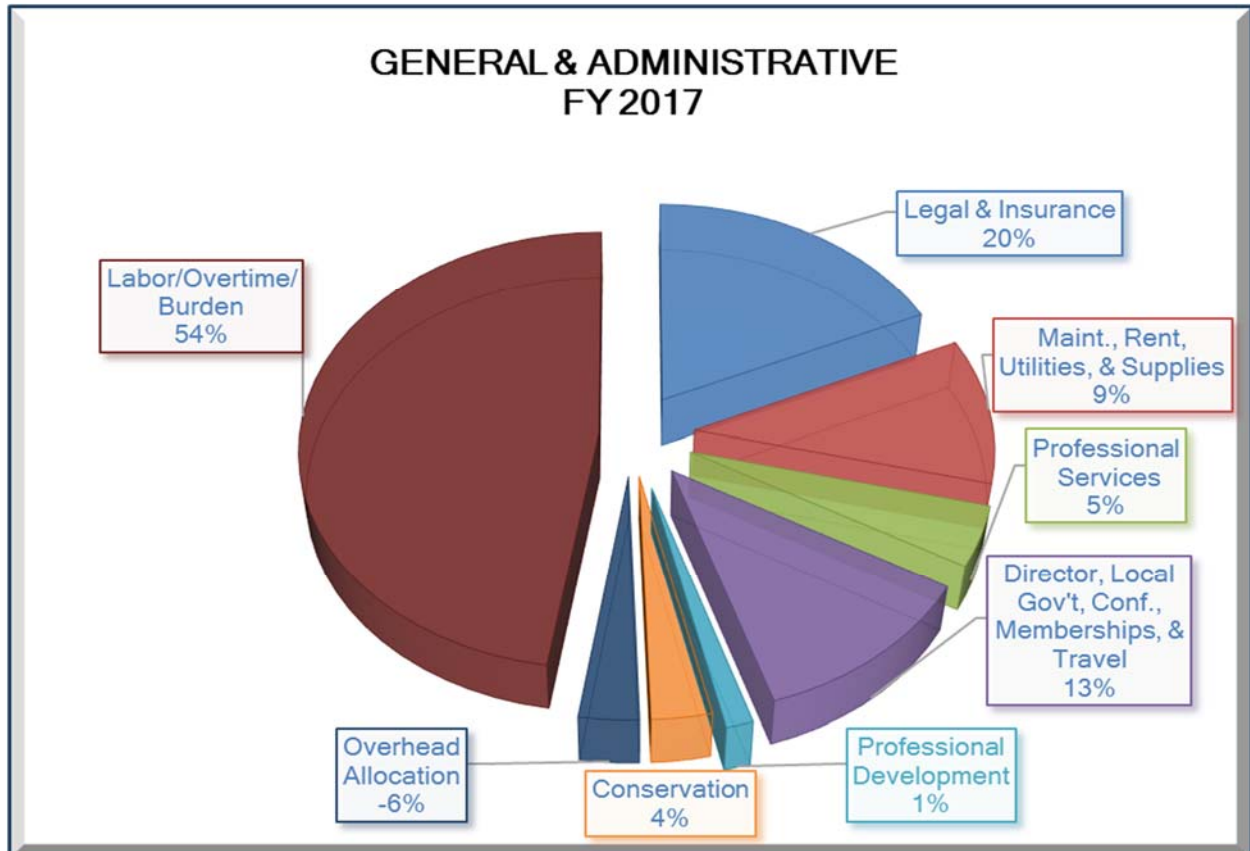
Inter Agency Evaluation: Funding for this account is for technical studies and public engagement. A portion of this account was transferred from the Prof Service - Public Outreach line item.

Conservation/BMP: A portion of this line item was transferred to a new budget line item account to recognize drought related expenses.

Drought Related Expenses: A portion of this line item was transferred from the Conservation/BMP account to recognize drought related expenses.

Election Expense: There is no bi-annual election for the Board of Director's in FY 2017

Overhead Allocation: In March 2016, the Board of Director's adopted a change to the overhead calculation for projects performed by the District.



# 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*



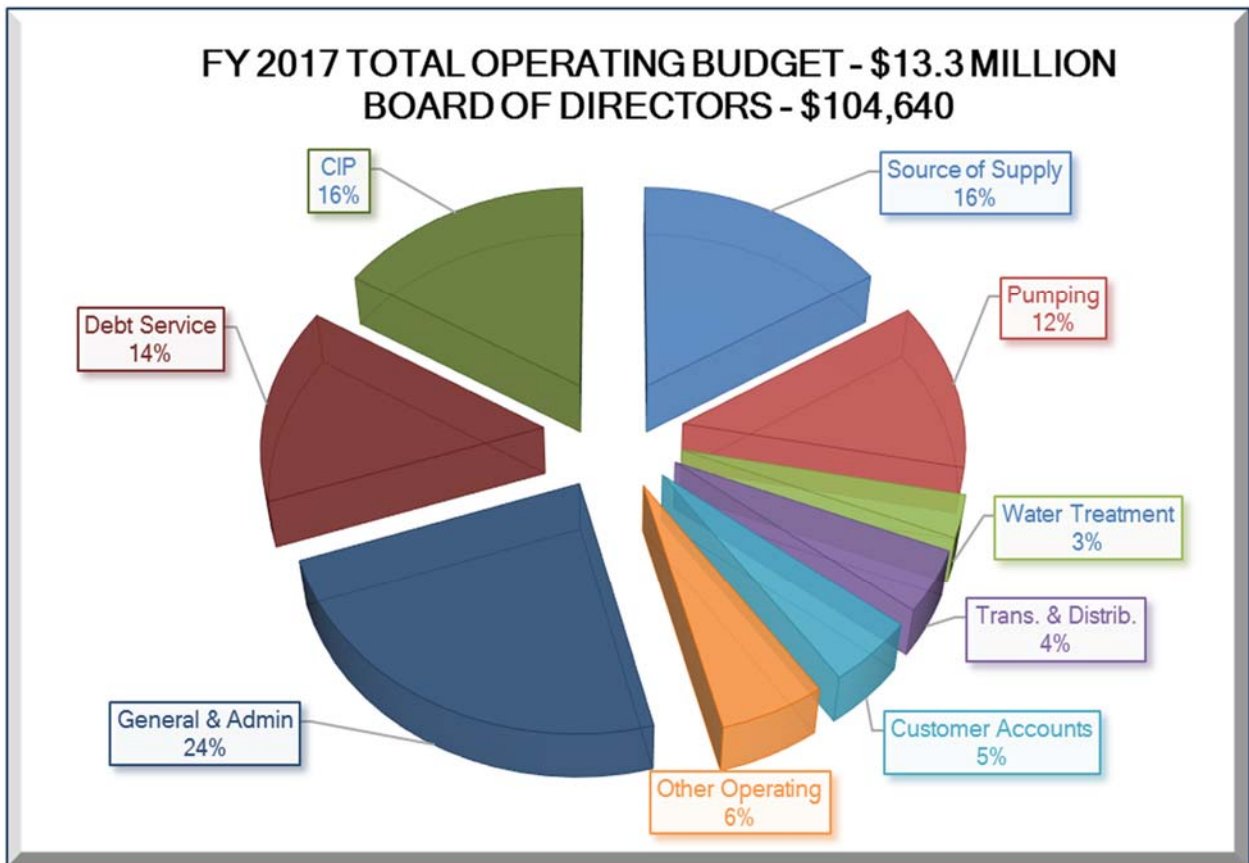
*Daniel R. Mortensen  
Director*



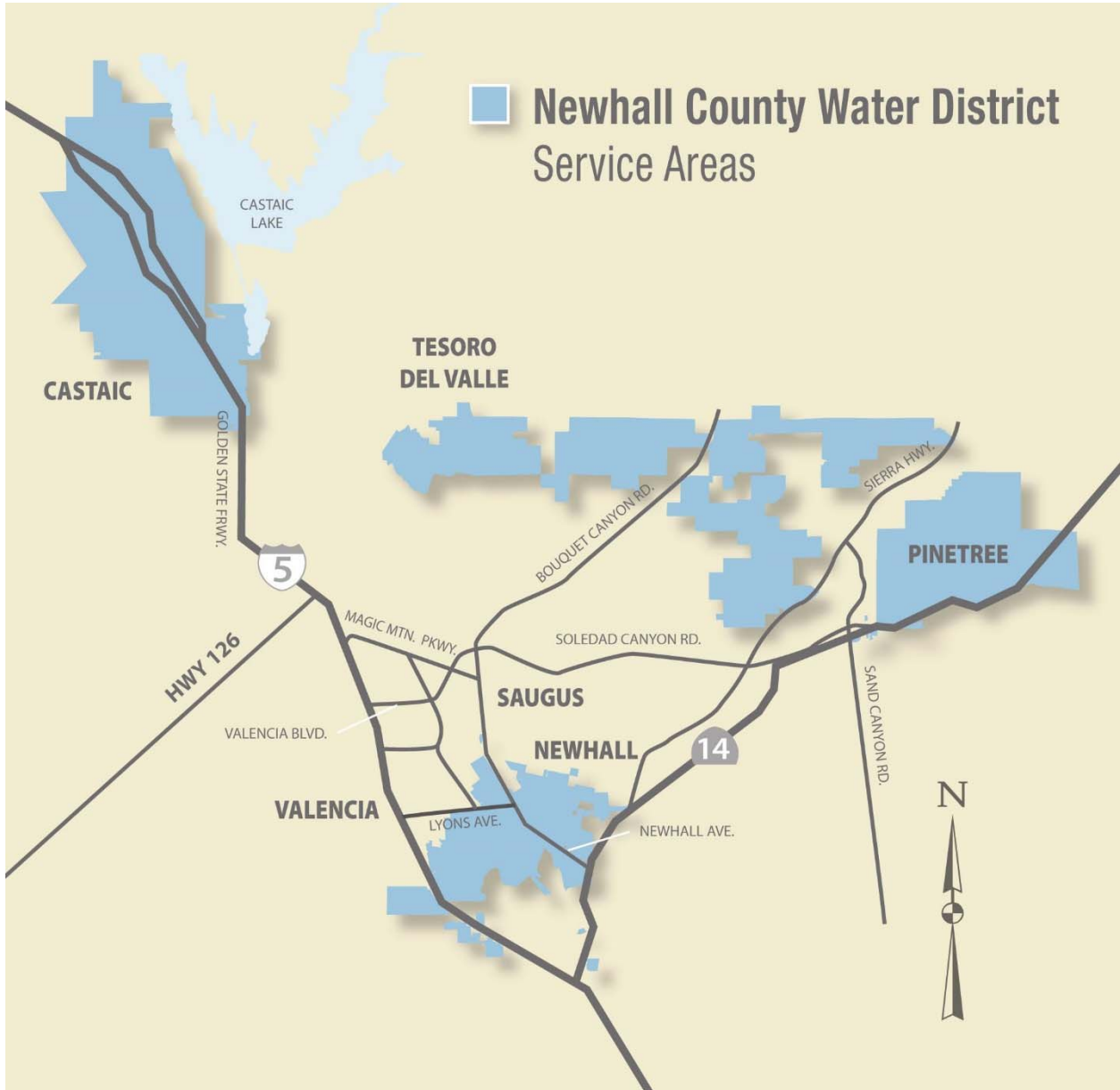
*Lynne Plambeck  
Director*

# BOARD OF DIRECTORS

	FY 2015	FY 2016		FY 2017
	Actual	Budget	Projected	Budget
Directors Fees	\$ 21,000	\$ 19,000	\$ 15,150	\$ 19,000
Benefits	64,648	64,648	59,367	60,640
Travel and Meetings	31,081	20,250	20,553	25,000
<b>TOTAL</b>	<b>\$ 116,729</b>	<b>\$ 103,898</b>	<b>\$ 95,070</b>	<b>\$ 104,640</b>



# DISTRICT BOUNDARY



# 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 are 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 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 CIP 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 Board of Director review and approval, funded projects are implemented.

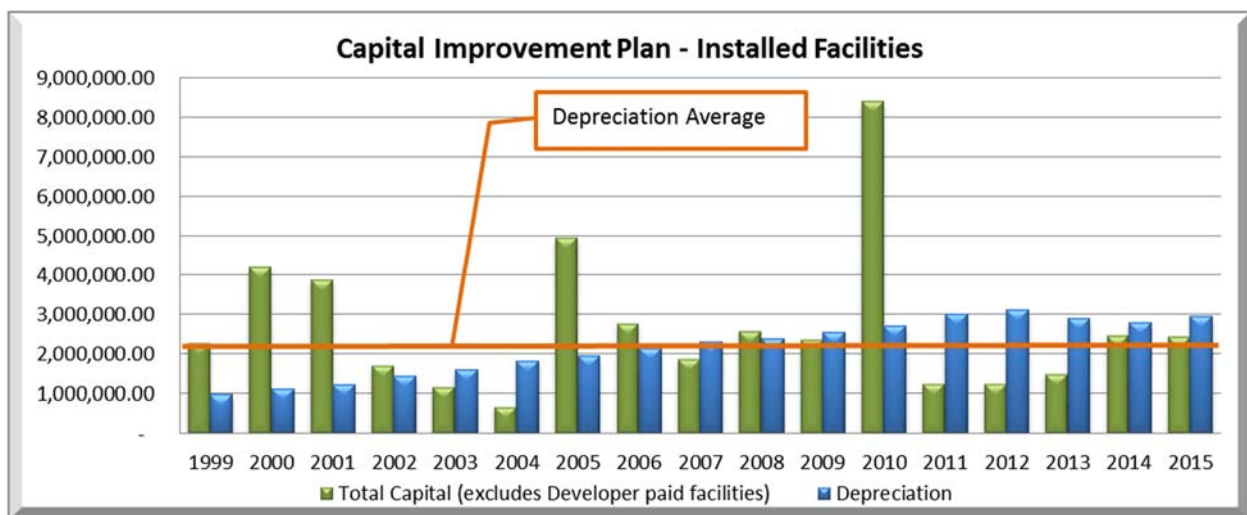
## THE CAPITAL IMPROVEMENT PROGRAM AND SHARED PLANNING

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 2021. The equivalent dwelling unit (EDU) growth rate has projected no new units in FY 2017. 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 9,729 customer accounts equate to a projected 15,757 EDUs.

The District has proactively replaced infrastructure over the past decade. Including many large-scale projects such as well, reservoir and pipeline replacements. In total, the District has reinvested \$45,825,304 in infrastructure replacement over the last 17 years. On average, \$2,695,606 has been installed annually.





The FY 2017 CIP plan includes three large replacement projects (pipeline replacements, meter replacements and well rehabilitation) accounting for 49% 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 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 2017, 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 Capital 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 \$12,490,000 in capital assets in the next five years. The FY 2017 Capital Budget is \$2,155,000. 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 2017, the impact on the Operating Budget is a decrease of \$30,559 and is presented on page C-12.

The CIP projects for FY 2017 are considered routine capital expenditures and will have a positive impact on the operating budget. Of the projects identified, there is one project considered new capital.

As shown in the Debt Maturity graph (page 94), the District will retire a substantial amount of debt by the end of 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 2017 CIP project list contains 14 projects. The cost of the work planned is \$2,155,000.

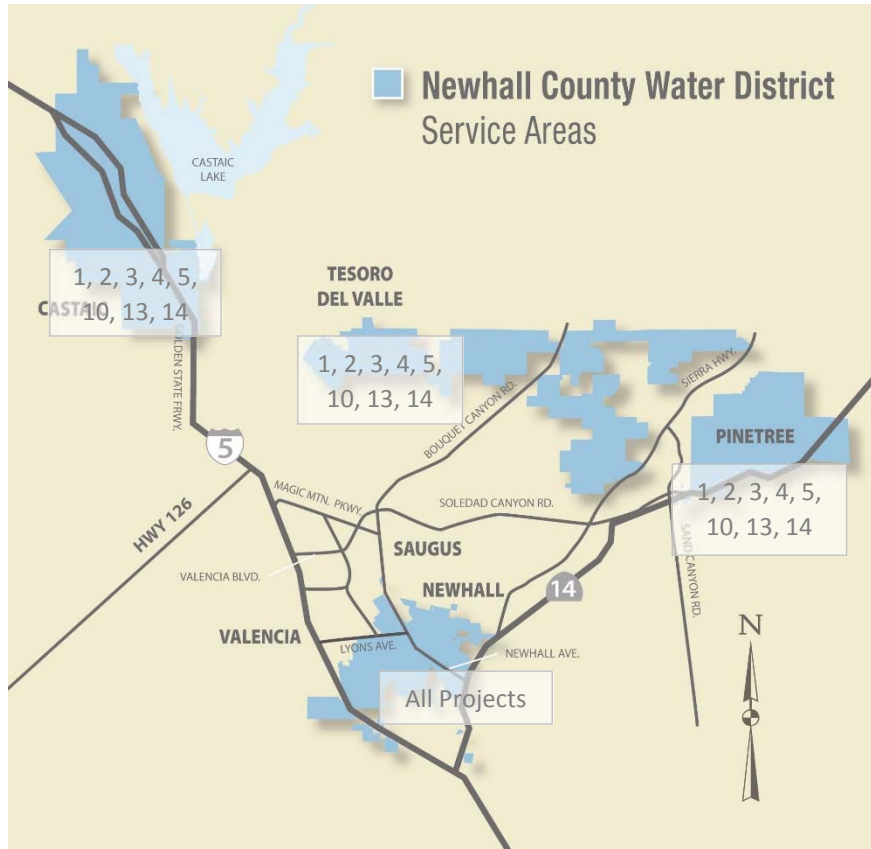
CIP projects are identified by five categories:

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

The Five-Year CIP and FY 2017 Capital Budget is consistent with the needs of the District and the strategic plan goals. The following shows how the \$2,155,000 of projects are broken down by location

## CIP PROJECTS

- |                                  |                                     |
|----------------------------------|-------------------------------------|
| 1. General Facility Replacements | 8. Newhall Well 12 Rehabilitation   |
| 2. Meter Replacements            | 9. Recycled Water Plan/Construction |
| 3. Appurtenance Replacements     | 10. SCADA                           |
| 4. Equipment Replacements        | 11. Office Equipment Replacements   |
| 5. Pump & Motor Replacements     | 12. Software Upgrades               |
| 6. Pipeline Replacements         | 13. GIS Upgrades                    |
| 7. Newhall Tank 2 Rehabilitation | 14. CMMS Software                   |



# FY 2016 CIP ACCOMPLISHMENTS

## Pipeline Replacements - Shadeland and Logdell

In FY 2016, the District completed the construction of pipeline replacements on Shadeland and Logdell in the Newhall Service Area. The project replaced over 1,440 feet of 6" steel pipe with 8" ductile iron pipe along with service and fire hydrant replacements. Portions of this pipe were over a half-century-old and had a propensity to develop leaks.

**Project Budget**                                 **\$ 556,000**

### Project Cost

Direct Purchases	\$ 168,531
Materials & Supplies	77,093
District Labor	77,222
District Equipment	19,243
Overhead Allocation	<u>20,488</u>
<b>TOTAL</b>	<b><u>\$ 362,577</u></b>



*Pipeline Replacement - Shadeland*

## 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. Residential and large meters have a tendency to register slower as they age, which has an impact on the District's revenue. In FY 2016, 712 meters, size ¾" to 2" are projected to be replaced.



*Meter Replacement – Master Meter*

**Project Budget**   **\$ 275,000**

### Project Cost (Projected)

Direct Purchases	\$ 3,236
Materials & Supplies	173,498
District Labor	36,478
District Equipment	6,640
Overhead Allocation	<u>17,735</u>
<b>TOTAL</b>	<b><u>\$ 237,587</u></b>

# CIP FUNDING SOURCE AND CATEGORY

The success of CIP 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 CIP 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 Capital 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.

## Capital Fund

The Capital Fund is used for the acquisition, construction, and maintenance of the District's physical assets. 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 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Operations	1,682,868	1,914,681	2,490,000	2,460,000	3,030,000	11,577,549
Capital Fund Transfer	472,132	440,319	-	-	-	912,451
<b>AVAILABLE</b>	<b>\$ 2,155,000</b>	<b>\$ 2,355,000</b>	<b>\$ 2,490,000</b>	<b>\$ 2,460,000</b>	<b>\$ 3,030,000</b>	<b>\$ 12,490,000</b>
Deferred	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 2,155,000</b>	<b>\$ 2,355,000</b>	<b>\$ 2,490,000</b>	<b>\$ 2,460,000</b>	<b>\$ 3,030,000</b>	<b>\$ 12,490,000</b>
Asset Replacement	\$ 1,525,000	\$ 1,575,000	\$ 1,610,000	\$ 1,580,000	\$ 1,600,000	\$ 7,890,000
Rehabilitation	245,000	225,000	500,000	325,000	675,000	1,970,000
New Capital	100,000	375,000	200,000	400,000	600,000	1,675,000
Upgrades	-	-	-	-	-	-
Technology	285,000	180,000	180,000	155,000	155,000	955,000
<b>TOTAL</b>	<b>\$ 2,155,000</b>	<b>\$ 2,355,000</b>	<b>\$ 2,490,000</b>	<b>\$ 2,460,000</b>	<b>\$ 3,030,000</b>	<b>\$ 12,490,000</b>

# CAPITAL IMPROVEMENT PROGRAM

## ASSET REPLACEMENT

Description	Area	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1 General Facility Replacements	D, R	\$ 100,000	\$ 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	90,000	90,000	90,000
4 Pump & Motor Repair & Replacements	D, R	150,000	100,000	100,000	100,000	100,000
5 Equipment Replacements	D, R	310,000	260,000	295,000	265,000	285,000
6 Pipeline Replacements	D, R	600,000	750,000	750,000	750,000	750,000
<b>Total Asset Replacements</b>		<b>1,525,000</b>	<b>1,575,000</b>	<b>1,610,000</b>	<b>1,580,000</b>	<b>1,600,000</b>

## REHABILITATION

Description	Area	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Castaic Tank No. 1A	C		75,000			
Castaic Tank No. 1D	C			500,000		
Castaic Well No. 7	C					150,000
7 Newhall Tank 2	N	35,000				275,000
Newhall Tank 6	N				175,000	
8 Newhall Well No. 12	N	210,000				
Newhall Well No. 13	N					250,000
Pinetree Well No. 4	P		150,000			
Pinetree Well No. 5	P				150,000	
<b>Total Rehabilitation</b>		<b>245,000</b>	<b>225,000</b>	<b>500,000</b>	<b>325,000</b>	<b>675,000</b>

## NEW CAPITAL

Description	Area	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Castaic Tank (Lower Zone)	C					150,000
Market Street Booster Station	N			200,000	200,000	250,000
Newhall Tank 1C	N		175,000			
Recycled Water Plan & Construction	D	100,000	200,000	200,000	200,000	200,000
<b>Total New Capital</b>		<b>100,000</b>	<b>375,000</b>	<b>200,000</b>	<b>400,000</b>	<b>600,000</b>

## TECHNOLOGY INVESTMENTS

Description	Area	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
10 SCADA	D, R	150,000	125,000	125,000	100,000	100,000
11 Office Equipment	D, R	50,000	25,000	25,000	25,000	25,000
12 Software Upgrades	D, R	10,000	10,000	10,000	10,000	10,000
13 Geographic Information System	D, R	25,000	20,000	20,000	20,000	20,000
14 CMMS Software	D	50,000				
<b>Total Technology</b>		<b>285,000</b>	<b>180,000</b>	<b>180,000</b>	<b>155,000</b>	<b>155,000</b>

## UPGRADES

Description	Area	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Total Upgrades</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>\$ 2,155,000</b>	<b>\$ 2,355,000</b>	<b>\$ 2,490,000</b>	<b>\$ 2,460,000</b>	<b>\$ 3,030,000</b>

**Five Year Total \$ 12,490,000**

*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 CIP yearly and follow a regular replacement schedule. Non-recurring projects are categorized as new construction or new additions to District facilities. In FY 2017, the total District recurring projects amount to \$1,760,000 or approximately 82% of the total FY 2017 CIP budget.

<u>Item No.</u>	<u>Description</u>	<u>Amount</u>	<u>Operational Budget Impacts - Recurring</u>
1	General Facility Replacements	\$ 100,000	-
2	Meter Replacements	275,000	(13,952)
3	Appurtanence Replacements	90,000	(1,100)
4	Pump & Motor Repair & Replacements	150,000	(6,240)
5	Equipment Replacements	310,000	(2,610)
6	Pipeline Replacements	600,000	(10,000)
10	SCADA	150,000	12,500
11	Office Equipment	50,000	3,000
12	Software Purchases	10,000	500
13	Geographic Information Systems	25,000	6,000
FY 2017 Total Recurring Purchases		\$ 1,760,000	\$ (11,902)

# 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 CIP 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, a significant percentage of the District's projects involve rehabilitation or upgrades of already existing infrastructure and equipment, and secondly, the new capital the District is projecting to construct will not negatively affect the operating budget.

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 2017 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.

	Area	Just	Cat	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>ASSET REPLACEMENT</b>								
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	(1,100)	(1,133)	(1,167)	(1,202)	(1,238)
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	(10,000)	(10,300)	(10,609)	(10,927)	(11,255)
<b>Total Asset Replacements</b>				<b>(33,902)</b>	<b>(33,980)</b>	<b>(34,056)</b>	<b>(33,714)</b>	<b>(33,236)</b>
<b>REHABILITATION</b>								
Castaic Tank No. 1A	C	B	O	-	-	-	-	-
Castaic Tank No. 1D	C	B	O	-	-	-	-	-
Castaic Well No. 7	C	B	O/E	-	-	-	-	(9,540)
7 Newhall Tank No. 2	N	B	O	-	-	-	-	-
Newhall Tank No. 6	N	B	O	-	-	-	-	-
8 Newhall Well No. 12	N	B	O/E	(18,657)	(19,217)	(19,793)	(20,387)	(20,999)
Newhall Well No. 13	N	B	O/E	-	-	-	-	(19,350)
Pinetree Well No. 4	P	B	O/E	-	(4,635)	(4,774)	(4,917)	(5,065)
Pinetree Well No. 5	P	B	O/E	-	-	-	(6,324)	(6,514)
<b>Total Rehabilitation</b>				<b>(18,657)</b>	<b>(23,852)</b>	<b>(24,567)</b>	<b>(31,628)</b>	<b>(61,468)</b>
<b>NEW CAPITAL</b>								
Castaic Tank (Lower Zone)	C	E	O	-	-	-	-	-
Market Street Booster Station	N	E/R	O/E	-	-	(34,945)	(36,026)	(37,107)
Newhall Tank No. 1C	N	E	O	-	-	-	-	-
9 Recycled Water Plan & Construction	D	E	C	-	-	(5,320)	(5,480)	(5,644)
<b>Total New Capital</b>				<b>-</b>	<b>-</b>	<b>(40,265)</b>	<b>(41,506)</b>	<b>(42,751)</b>
<b>TECHNOLOGY INVESTMENTS</b>								
10 SCADA	D, R	B	O/E	12,500	12,500	12,500	12,500	12,500
11 Office Equipment	D, R	B/R	O	3,000	3,000	3,000	3,000	3,000
12 Software Upgrades	D, R	B	O	500	500	500	500	500
13 Geographic Information System	D, R	B	O	6,000	6,000	6,000	6,000	6,000
14 CMMS Software	D	B/R	O	-	11,000	11,000	11,000	11,000
<b>Total Technology Upgrades</b>				<b>22,000</b>	<b>33,000</b>	<b>33,000</b>	<b>33,000</b>	<b>33,000</b>
<b>Total Operating Budget Cost Impacts</b>				<b>\$ (30,559)</b>	<b>\$ (24,832)</b>	<b>\$ (65,888)</b>	<b>\$ (73,848)</b>	<b>\$ (104,455)</b>

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

Just - Justification - Some projects have multiple justifications

E - Expansion, B - Betterment, R - Replacement

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

O - Operations & Maintenance, E - Energy, 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.

Describes the current stage of the project

Project ranking based on department request

Project Name

Identifies department, manager and project type (recurring vs. non-recurring)

Project Name

Service Area or Location of the project

A brief statement describing the project, its objectives and District need to be met

An image or rendering of the project

Summarizes the revenue received for the project

Identifies funding sources for the project

Funding schedule shows future budget requests and actual expenditures

Other information show the estimated start and end dates, account number and area


Summarizes the calculations made by requesting department to show future operating impacts and personnel costs

Other information show the estimated start and end dates, account number and area

<b>STRATEGIC GOAL:</b>								<b>LOCATION:</b>			
<b>STATUS:</b>											
<b>PRIORITY:</b>											
<b>DEPARTMENT:</b>											
<b>MANAGER:</b>											
<b>PROJECT TYPE:</b>											
<b>DESCRIPTION/JUSTIFICATION</b>											
<b>FUNDING SOURCES:</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>TOTAL</b>	<b>Previously Budgeted</b>	<b>Total Receipts Thru 04/30/15</b>		
Operating Fund		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
R&R Fund		-	-	-	-	-	-				
<b>TOTAL</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
<b>PROJECT COSTS</b>		<b>BUDGET</b>									
<b>PROJECT COMPONENTS:</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>Five Year Total</b>	<b>Previously Budgeted</b>	<b>Total Expensed Thru 04/30/15</b>		
Planning/Design		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Materials											
Labor/Equipment											
Outsource											
<b>TOTAL</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
<b>ANNUAL OPERATING IMPACT</b>							<b>OTHER INFORMATION</b>				
<b>DESCRIPTION:</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>Five Year Total</b>	<b>Start Date:</b>			
Operating Expenses		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	<b>Completion Date:</b>			
Personnel Costs								<b>Account Number:</b>			
<b>TOTAL</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	<b>Service Area:</b>			
<b>NOTES:</b>											

# CIP JUSTIFICATION

## General Facility Replacements

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	<b>New</b>		
<b>PRIORITY:</b>	<b>1</b>		
<b>DEPARTMENT:</b>	<b>Operations</b>		
<b>MANAGER:</b>	<b>Assistant General Manager</b>		
<b>PROJECT TYPE:</b>	<b>Recurring</b>		
<b>DESCRIPTION/JUSTIFICATION</b>			
<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. Replacement of asphalt, facility awnings and miscellaneous repairs are included in this CIP project.</p>			

FUNDING SOURCES:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 500,000</b>	Recurring	Recurring


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021				
Planning/Design								Recurring	Recurring
Materials	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 250,000			
Labor/Equipment	25,000	25,000	25,000	25,000	25,000	125,000			
Outsource	25,000	25,000	25,000	25,000	25,000	125,000			
<b>TOTAL</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 500,000</b>		Recurring	Recurring

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses							Completion Date:	06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	Service Area:	District Wide

<b>NOTES:</b>	Replacement of existing facilities - No impact on operating budget
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# CIP JUSTIFICATION

## Meter Replacements

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	New		
<b>PRIORITY:</b>	2		
<b>DEPARTMENT:</b>	Operations		
<b>MANAGER:</b>	Assistant General Manager		
<b>PROJECT TYPE:</b>	Recurring		
<b>DESCRIPTION/JUSTIFICATION</b>			
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.			

FUNDING SOURCES:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 1,375,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 275,000</b>	<b>\$ 275,000</b>	<b>\$ 275,000</b>	<b>\$ 275,000</b>	<b>\$ 275,000</b>	<b>\$ 1,375,000</b>	Recurring	Recurring


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021				
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			
<b>TOTAL</b>	<b>\$ 275,000</b>	<b>\$ 275,000</b>	<b>\$ 275,000</b>	<b>\$ 275,000</b>	<b>\$ 275,000</b>	<b>\$ 1,375,000</b>	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ (13,952)	\$ (14,867)	\$ (15,764)	\$ (16,227)	\$ (16,537)	\$ (77,347)	Completion Date:	06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ (13,952)</b>	<b>\$ (14,867)</b>	<b>\$ (15,764)</b>	<b>\$ (16,227)</b>	<b>\$ (16,537)</b>	<b>\$ (77,347)</b>	Service Area:	District Wide

<b>NOTES:</b>	Replacement of existing facilities - Addition to revenue due to meters reading accurately
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# CIP JUSTIFICATION

## Appurtenance Replacement

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	New		
<b>PRIORITY:</b>	3		
<b>DEPARTMENT:</b>	Operations		
<b>MANAGER:</b>	Assistant General Manager		
<b>PROJECT TYPE:</b>	Recurring		
<b>DESCRIPTION/JUSTIFICATION</b>			
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 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 450,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>\$ 450,000</b>	Recurring	Recurring


PROJECT COSTS	BUDGET								
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16	
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			
<b>TOTAL</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>\$ 450,000</b>	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ (1,100)	\$ (1,133)	\$ (1,167)	\$ (1,202)	\$ (1,238)	\$ (5,840)	Completion Date:	06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ (1,100)</b>	<b>\$ (1,133)</b>	<b>\$ (1,167)</b>	<b>\$ (1,202)</b>	<b>\$ (1,238)</b>	<b>\$ (5,840)</b>	Service Area:	District Wide

<b>NOTES:</b>	Replacement of existing facilities - Replaced appurtenances require less maintenance
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# CIP JUSTIFICATION

## Pump and Motor Replacements

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	New		
<b>PRIORITY:</b>	4		
<b>DEPARTMENT:</b>	Operations		
<b>MANAGER:</b>	Assistant General Manager		
<b>PROJECT TYPE:</b>	Recurring		
<b>DESCRIPTION/JUSTIFICATION</b>			
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 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 150,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 550,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 150,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 550,000</b>	Recurring	Recurring

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021				
Planning/Design							Recurring	Recurring	
Materials	\$ 25,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 65,000			
Labor/Equipment	35,000	10,000	10,000	10,000	10,000	75,000			
Outsource	90,000	80,000	80,000	80,000	80,000	410,000			
<b>TOTAL</b>	<b>\$ 150,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 550,000</b>	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ (2,610)	\$ (2,480)	\$ (2,356)	\$ (2,238)	\$ (2,126)	\$ (11,810)	Completion Date:	06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ (2,610)</b>	<b>\$ (2,480)</b>	<b>\$ (2,356)</b>	<b>\$ (2,238)</b>	<b>\$ (2,126)</b>	<b>\$ (11,810)</b>	Service Area:	District Wide

<b>NOTES:</b>	Replacement of existing facilities - Reduced operating expense due to pumps and motors being installed that will increase power efficiency.
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# CIP JUSTIFICATION

## Equipment Replacements

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	New		
<b>PRIORITY:</b>	5		
<b>DEPARTMENT:</b>	Operations		
<b>MANAGER:</b>	Assistant General Manager		
<b>PROJECT TYPE:</b>	Recurring		
<b>DESCRIPTION/JUSTIFICATION</b>			
<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) administrative/office vehicle, (1) dump truck and (1) maintenance crew utility truck.</p>			

FUNDING SOURCES:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 310,000	\$ 260,000	\$ 295,000	\$ 265,000	\$ 285,000	\$ 1,415,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 310,000</b>	<b>\$ 260,000</b>	<b>\$ 295,000</b>	<b>\$ 265,000</b>	<b>\$ 285,000</b>	<b>\$ 1,415,000</b>	Recurring	Recurring

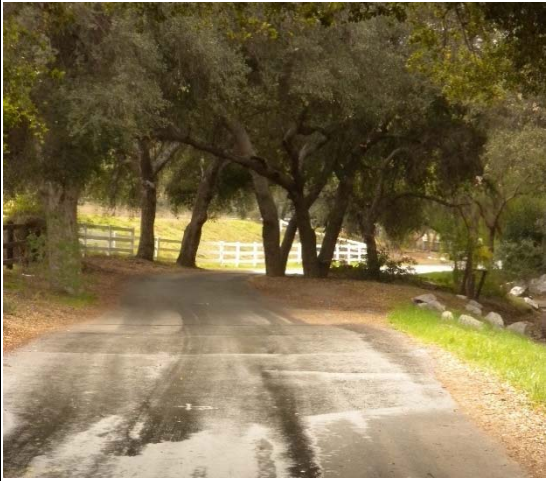
PROJECT COSTS	BUDGET						Previously Budgeted	Total Expensed Thru 04/30/16
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16
Planning/Design							Recurring	Recurring
Materials	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Labor/Equipment	-	-	-	-	-	-		
Outsource	310,000	260,000	295,000	265,000	285,000	1,415,000		
<b>TOTAL</b>	<b>\$ 310,000</b>	<b>\$ 260,000</b>	<b>\$ 295,000</b>	<b>\$ 265,000</b>	<b>\$ 285,000</b>	<b>\$ 1,415,000</b>	Recurring	Recurring

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ (6,240)	\$ (5,200)	\$ (4,160)	\$ (3,120)	\$ (2,080)	\$ (20,800)	Completion Date:	06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ (6,240)</b>	<b>\$ (5,200)</b>	<b>\$ (4,160)</b>	<b>\$ (3,120)</b>	<b>\$ (2,080)</b>	<b>\$ (20,800)</b>	Service Area:	District Wide

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

## Pipeline Replacements

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	<b>New</b>		
<b>PRIORITY:</b>	<b>6</b>		
<b>DEPARTMENT:</b>	<b>Operations</b>		
<b>MANAGER:</b>	<b>Assistant General Manager</b>		
<b>PROJECT TYPE:</b>	<b>Recurring</b>		
<b>DESCRIPTION/JUSTIFICATION</b>			
<p>1) 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> <p>2) To replace pipeline on Middlebank in the Newhall Service Area. The existing 6" steel pipe has been in service for over 60 years and is listed as a priority replacement. The new pipeline will be 8" in diameter and be ductile iron pipe.</p>			

FUNDING SOURCES:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 127,868	\$ 309,681	\$ 750,000	\$ 750,000	\$ 750,000	\$ 2,687,549	Recurring	Recurring
Capital Fund	472,132	440,319	-	-	-	912,451		
<b>TOTAL</b>	<b>\$ 600,000</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>	<b>\$ 3,600,000</b>	Recurring	Recurring


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021				
Planning/Design	\$ 14,522	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 114,522	Recurring	Recurring	
Materials	114,495	105,000	105,000	105,000	105,000	534,495			
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			
<b>TOTAL</b>	<b>\$ 600,000</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>	<b>\$ 3,600,000</b>	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ (8,000)	\$ (8,200)	\$ (8,459)	\$ (8,755)	\$ (9,061)	\$ (42,475)	Completion Date:	06/30/17
Personnel Costs	(2,000)	(2,100)	(2,150)	(2,172)	(2,194)	(10,616)	Account Number:	TBD
<b>TOTAL</b>	<b>\$ (10,000)</b>	<b>\$ (10,300)</b>	<b>\$ (10,609)</b>	<b>\$ (10,927)</b>	<b>\$ (11,255)</b>	<b>\$ (53,091)</b>	Service Area:	Newhall

<b>NOTES:</b>	Replacement of existing facilities -Minimal impact on operating budget due to reduced leak repairs caused by pipe failure
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# CIP JUSTIFICATION

## Newhall Tank No. 2

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	Newhall
<b>STATUS:</b>	<b>New</b>		
<b>PRIORITY:</b>	7		
<b>DEPARTMENT:</b>	Operations		
<b>MANAGER:</b>	Assistant General Manager		
<b>PROJECT TYPE:</b>	Rehabilitation		
<b>DESCRIPTION/JUSTIFICATION</b>			
To provide funds to coat the exterior of Newhall Tank No. 2 to increase its projected useful life.			

FUNDING SOURCES:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 35,000	\$ -	\$ -	\$ -	\$ 175,000	\$ 210,000	Rehab	-
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 35,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 175,000</b>	<b>\$ 210,000</b>		

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021				
Planning/Design	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 21,000	Rehab	-
Materials	-	-	-	-	-	5,000	5,000		
Labor/Equipment	-	-	-	-	-	5,000	5,000		
Outsource	34,000	-	-	-	-	145,000	179,000		
<b>TOTAL</b>	<b>\$ 35,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 175,000</b>	<b>\$ 210,000</b>		


ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Completion Date:	06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	Service Area:	Newhall

<b>NOTES:</b>	No impact on operating budget
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# CIP JUSTIFICATION

## Newhall Well No. 12

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	Newhall
<b>STATUS:</b>	New		
<b>PRIORITY:</b>	8		
<b>DEPARTMENT:</b>	Operations		
<b>MANAGER:</b>	Assistant General Manager		
<b>PROJECT TYPE:</b>	Rehabilitation		
<b>DESCRIPTION/JUSTIFICATION</b>			
To provide funds to rehabilitate Newhall Well No. 12 to increase its projected useful life and increase efficiency.			

FUNDING SOURCES:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 210,000	\$ -	\$ -	\$ -	\$ -	\$ 210,000	Rehab	-
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 210,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 210,000</b>		

PROJECT COSTS	BUDGET								
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16	
Planning/Design	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000	Rehab	-	
Materials	10,000	-	-	-	-	10,000			
Labor/Equipment	5,000	-	-	-	-	5,000			
Outsource	190,000	-	-	-	-	190,000			
<b>TOTAL</b>	<b>\$ 210,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 210,000</b>			

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ (18,657)	\$ (19,217)	\$ (19,793)	\$ (20,387)	\$ (20,999)	\$ (99,053)	Completion Date:	06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ (18,657)</b>	<b>\$ (19,217)</b>	<b>\$ (19,793)</b>	<b>\$ (20,387)</b>	<b>\$ (20,999)</b>	<b>\$ (99,053)</b>	Service Area:	Newhall

<b>NOTES:</b>	Rehabilitation of existing facility - Reduced operating expense due to pumps and motors being rehabilitated that will increase power efficiency.
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# CIP JUSTIFICATION

## Recycled Water Plan and Construction

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	New		
<b>PRIORITY:</b>	9		
<b>DEPARTMENT:</b>	Operations		
<b>MANAGER:</b>	Assistant General Manager		
<b>PROJECT TYPE:</b>	New Capital		
<b>DESCRIPTION/JUSTIFICATION</b>			
To plan and design Phase 2C of the Valley's recycled water program by extending recycled water into Newhall County Water District's service area.			

FUNDING SOURCES:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 100,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 900,000	New Capital	-
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 100,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 900,000</b>		

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021				
Planning/Design	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	New Capital	-
Materials	-	80,000	80,000	80,000	80,000	80,000	320,000		
Labor/Equipment	-	45,000	45,000	45,000	45,000	45,000	180,000		
Outsource	-	75,000	75,000	75,000	75,000	75,000	300,000		
<b>TOTAL</b>	<b>\$ 100,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 900,000</b>		

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ -	\$ -	\$ (5,320)	\$ (5,480)	\$ (5,644)	\$ (16,444)	Completion Date:	06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,320)</b>	<b>\$ (5,480)</b>	<b>\$ (5,644)</b>	<b>\$ (16,444)</b>	Service Area:	District Wide

<b>NOTES:</b>	No immediate impact on operating budget until construction phase. Savings to chemical expense beginning in FY 2019.
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# CIP JUSTIFICATION

## SCADA Upgrades

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	New		
<b>PRIORITY:</b>	10		
<b>DEPARTMENT:</b>	Operations		
<b>MANAGER:</b>	Assistant General Manager		
<b>PROJECT TYPE:</b>	Recurring		
<b>DESCRIPTION/JUSTIFICATION</b>			
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 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 150,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 650,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 150,000</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>	<b>\$ 650,000</b>	Recurring	Recurring


PROJECT COSTS	BUDGET					Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021			
Planning/Design	-	-	-	-	-	-	Recurring	Recurring
Materials	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 5,000		
Labor/Equipment	20,000	20,000	20,000	20,000	20,000	100,000		
Outsource	129,000	104,000	104,000	104,000	104,000	545,000		
<b>TOTAL</b>	<b>\$ 150,000</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>	<b>\$ 650,000</b>	Recurring	Recurring

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 62,500	Completion Date:	06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ 12,500</b>	<b>\$ 12,500</b>	<b>\$ 12,500</b>	<b>\$ 12,500</b>	<b>\$ 12,500</b>	<b>\$ 62,500</b>	Service Area:	District Wide

**NOTES:** Upgrade of existing program - Operating impacts are due to added annual program maintenance and offset by operational efficiencies.

# CIP JUSTIFICATION

## Office Equipment Upgrades

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	New		
<b>PRIORITY:</b>	11		
<b>DEPARTMENT:</b>	Administration		
<b>MANAGER:</b>	Director of Finance/Administration		
<b>PROJECT TYPE:</b>	Recurring		
<b>DESCRIPTION/JUSTIFICATION</b>			
<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 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 50,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 150,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 50,000</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 150,000</b>	Recurring	Recurring


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expended Thru 04/30/16
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021				
Planning/Design	-	-	-	-	-	-	-	Recurring	Recurring
Materials	\$ 500	\$ 500	\$ 250	\$ 250	\$ 250	\$ 1,750			
Labor/Equipment	-	-	-	-	-	-			
Outsource	49,500	24,500	24,750	24,750	24,750	148,250			
<b>TOTAL</b>	<b>\$ 50,000</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 150,000</b>		Recurring	Recurring

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	Completion Date:
Operating Expenses	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 15,000		07/01/16 06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>	<b>\$ 15,000</b>	Service Area:	District Wide

<b>NOTES:</b>	Upgrade of existing hardware - Operating impacts are due to added annual hardware maintenance contracts
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# CIP JUSTIFICATION

## Software Upgrades

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	New		
<b>PRIORITY:</b>	12		
<b>DEPARTMENT:</b>	Administration		
<b>MANAGER:</b>	Director of Finance/Administration		
<b>PROJECT TYPE:</b>	Recurring		
<b>DESCRIPTION/JUSTIFICATION</b>			
<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 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 50,000</b>	Recurring	Recurring

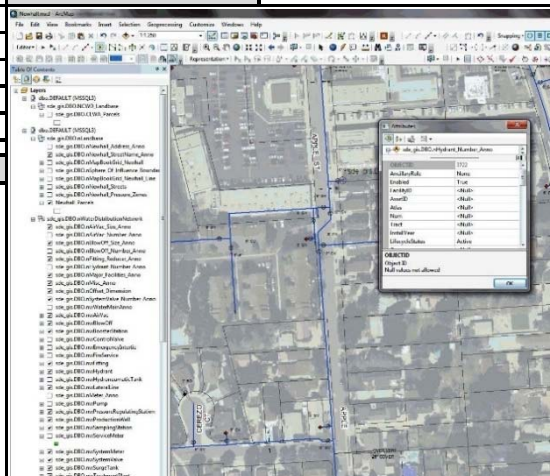
PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021				
Planning/Design	-	-	-	-	-	-	Recurring	Recurring	
Materials	\$ 500	\$ 250	\$ 250	\$ 250	\$ 250	\$ 1,500			
Labor/Equipment	-	-	-	-	-	-			
Outsource	9,500	9,750	9,750	9,750	9,750	48,500			
<b>TOTAL</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 50,000</b>	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 2,500	Completion Date:	06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 2,500</b>	Service Area:	District Wide

<b>NOTES:</b>	Upgrade of existing software - Operating impacts are due to added annual software maintenance contracts
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# CIP JUSTIFICATION

## Geographical Information System Upgrades

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	<b>New</b>		
<b>PRIORITY:</b>	<b>13</b>		
<b>DEPARTMENT:</b>	<b>Operations</b>		
<b>MANAGER:</b>	<b>Assistant General Manager</b>		
<b>PROJECT TYPE:</b>	<b>Recurring</b>		
<b>DESCRIPTION/JUSTIFICATION</b>			
<p>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.</p>			

FUNDING SOURCES:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 25,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 105,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 25,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 105,000</b>	Recurring	Recurring


PROJECT COSTS	BUDGET					Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021			
Planning/Design	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Recurring	Recurring
Materials	-	-	-	-	-	-		
Labor/Equipment	-	-	-	-	-	-		
Outsource	25,000	20,000	20,000	20,000	20,000	105,000		
<b>TOTAL</b>	<b>\$ 25,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 105,000</b>	Recurring	Recurring

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 30,000	Completion Date:	06/30/17
Personnel Costs							Account Number:	TBD
<b>TOTAL</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ 30,000</b>	Service Area:	District Wide

**NOTES:** Upgrade of existing software - Operating impacts are due to added annual software maintenance contracts and offset by operational efficiencies

# CIP JUSTIFICATION

## Computersized Maintenance Management Software (CMMS)

<b>STRATEGIC GOAL:</b>	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	<b>LOCATION:</b>	District Wide
<b>STATUS:</b>	<b>New</b>		
<b>PRIORITY:</b>	<b>14</b>		
<b>DEPARTMENT:</b>	<b>Operations</b>		
<b>MANAGER:</b>	<b>Assistant General Manager</b>		
<b>PROJECT TYPE:</b>	<b>New</b>		
<b>DESCRIPTION/JUSTIFICATION</b>			
<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 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/16
Operating Fund	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 60,000	\$ 61,052
Capital Fund	-	-	-	-	-	-		
<b>TOTAL</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,000</b>	<b>\$ 60,000</b>	<b>\$ 61,052</b>

PROJECT COSTS	BUDGET							
PROJECT COMPONENTS:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/16
Planning/Design	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Materials	-	-	-	-	-	-	-	-
Labor/Equipment	-	-	-	-	-	-	-	-
Outsource	50,000	-	-	-	-	50,000	60,000	61,052
<b>TOTAL</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,000</b>	<b>\$ 60,000</b>	<b>\$ 61,052</b>

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five Year Total	Start Date:	07/01/16
Operating Expenses	\$ -	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 44,000	Completion Date:	06/30/17
Personnel Costs							Account Number:	0300-00-0987
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 11,000</b>	<b>\$ 11,000</b>	<b>\$ 11,000</b>	<b>\$ 11,000</b>	<b>\$ 44,000</b>	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 2017 BUDGET

	A	B	C	D		
	OPERATIONS	CAPITAL FUND	RESERVES	SUPPLEMENT	TOTAL	
1	<b>CASH AND INVESTMENT BALANCE 7/1/2016</b>	\$ 500,000	\$ 2,262,647	\$ 2,825,608	\$ 811,639	\$6,399,894
	<b><u>OPERATIONS</u></b>					
2	Water Sales	11,099,384				11,099,384
3	WRAF Adjustment	984,270				984,270
4	Water Operations	(9,295,927)				(9,295,927)
5	Sub Total After Water Operations	3,287,727	2,262,647	2,825,608	811,639	9,187,621
	<b><u>OTHER REVENUE SOURCES</u></b>					
6	Property Taxes	540,480				540,480
7	Interest Earnings		25,532	29,874		55,406
8	Communication Rentals	135,280				135,280
9	Fire Service	102,903				102,903
10	Master Plan Fees					-
11	Buy-In Fees					-
	<b><u>DEBT SERVICE</u></b>					
12	Debt Service - CNB	(1,883,522)				(1,883,522)
13	Sub Total Prior to Capital	2,182,868	2,288,179	2,855,482	811,639	8,138,168
	<b><u>CAPITAL PROJECTS</u></b>					
14	From Operations to Capital Fund	(1,682,868)	1,682,868			-
15	Capital Projects		(2,155,000)			(2,155,000)
	<b><u>RESERVES</u></b>					
16	Transfer to Reserves					
	<b>CASH AND INVESTMENT BALANCE 6/30/2017</b>	\$ 500,000	1,816,047	\$ 2,855,482	\$ 811,639	5,983,168

# QUICK SUMMARY - REVENUE

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Service Charge	2,627,452	2,663,711	2,693,882	2,711,864	2,736,267
CLWA Pass Through	2,097,505	2,055,336	2,072,781	2,106,342	2,121,497
UFR	6,374,427	6,727,773	6,865,037	6,927,697	6,980,919
Total Commodity	8,471,932	8,783,109	8,937,818	9,034,039	9,102,416
Total Revenue	11,099,384	11,446,820	11,631,700	11,745,903	11,838,683
3/4"	1,550,178	1,576,726	1,606,371	1,625,920	1,657,839
1"	265,420	268,952	271,475	272,080	272,080
1 1/2"	90,004	91,205	92,063	92,235	92,235
2"	432,175	437,992	442,059	442,934	442,934
3"	1,890	1,915	1,933	1,937	1,937
4"	53,560	54,280	54,784	54,892	54,892
6"	56,695	57,456	57,991	58,104	58,104
8"	100,794	102,149	103,098	103,301	103,301
10"	43,472	44,056	44,465	44,553	44,553
2 1/2"	33,264	33,710	34,024	34,090	34,090
Total Service Charge	2,627,452	2,668,441	2,708,263	2,730,046	2,761,965
G&A	1,857,288	1,885,298	1,913,856	1,942,975	1,972,669
Customer Accounts	633,600	643,576	653,757	663,684	674,275
Total G&A & Cust	2,490,888	2,528,874	2,567,613	2,606,659	2,646,944
	136,564	139,567	140,650	123,387	115,021
ccf	3,239,861	3,245,272	3,250,645	3,263,779	3,288,853
Water Loss %	6.3%	6.3%	6.3%	6.3%	6.3%
Water Production Need	3,457,696	3,463,471	3,469,205	3,483,222	3,509,982
Water Loss	217,835	218,199	218,560	219,443	221,129
Total CCF	3,457,696	3,463,471	3,469,205	3,483,222	3,509,982

# QUICK SUMMARY - EXPENDITURES

	Recorded	ADOPTED BUDGET	PROJECTED 06/30/16	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)							
					2014-2015	2015-2016	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
<b>OPERATING EXPENSES</b>												
Total Source of Supply	2,416,186	2,574,876	1,997,239	2,136,493	2,095,335	2,113,817	2,148,444	2,164,699	2,197,362			
Total Pumping Expenses	1,646,541	1,716,450	1,587,787	1,616,212	1,658,726	1,702,318	1,747,151	1,793,264	1,840,692			
Total Water Treatment	421,994	406,184	417,477	407,482	424,474	433,749	443,267	453,034	463,055			
Total Trans & Distribution	704,823	526,728	628,623	601,827	613,885	626,101	638,616	651,441	664,585			
Total Customer Accounts	677,296	634,422	664,143	633,056	643,230	653,408	663,332	673,920	684,726			
Total Other Operating Exp	673,226	672,784	719,374	740,748	755,987	771,448	787,294	803,537	820,190			
Total A&G Expense	2,807,867	3,225,488	3,266,742	3,160,110	3,230,404	3,117,428	3,312,515	3,249,251	3,452,687			
Total Depreciation	2,934,846	2,825,016	2,961,424	2,996,942	3,086,850	3,179,456	3,274,839	3,373,085	3,474,277			
Total Operating Expenses	12,282,781	12,581,948	12,242,809	12,292,869	12,508,891	12,597,725	13,015,459	13,162,233	13,597,574			
Operating Expenses	12,282,781	12,581,948	12,242,809	12,292,869	12,508,891	12,597,725	13,015,459	13,162,233	13,597,574			
Subtract Depreciation	(2,934,846)	(2,825,016)	(2,961,424)	(2,996,942)	(3,086,850)	(3,179,456)	(3,274,839)	(3,373,085)	(3,474,277)			
Net Water Operations w/o Depreciation	9,347,934	9,756,932	9,281,385	9,295,927	9,422,041	9,418,269	9,740,619	9,789,148	10,123,297			

SOURCE OF SUPPLY										
Purchased Water	5130	2,397,424	2,538,939	1,954,572	2,097,506	2,055,335	2,072,780	2,106,340	2,121,497	2,153,032
M&R Structures	5165	5,511	5,150	210	4,750	4,893	5,040	5,191	5,347	5,507
M&R Wells	5175	6,046	25,000	27,470	25,000	25,750	26,523	27,319	28,139	28,983
Source of Supply - Labor		3,153	1,849	7,414	3,772	3,810	3,848	3,886	3,925	3,964
Overtime	5196	1,665	2,000	2,505	2,500	2,525	2,550	2,576	2,602	2,628
Labor Burden		2,388	1,938	5,068	2,964	3,022	3,076	3,132	3,189	3,248
<b>TOTAL SOURCE OF SUPPLY</b>		2,416,186	2,574,876	1,997,239	2,136,493	2,095,335	2,113,817	2,148,444	2,164,699	2,197,362

PUMPING EXPENSES										
Operation Controls	5215	29,514	45,000	61,066	45,000	46,350	47,741	49,173	50,648	52,167
Operation Misc	5225	79,123	50,000	41,068	50,000	51,500	53,045	54,636	56,275	57,963
Power Purchased	5230	1,116,318	1,250,000	1,054,516	1,150,000	1,184,500	1,220,035	1,256,636	1,294,335	1,333,165
Power Purchased - Sewer Lift	5235	10,215	12,500	10,984	12,500	12,625	12,751	12,879	13,008	13,138
M&R Structures	5265	9,076	10,000	520	7,500	7,725	7,957	8,196	8,442	8,695
M&R Pumping Equip	5275	12,902	10,000	20,867	15,000	15,450	15,914	16,391	16,883	17,389
M&R Electric Motor	5295	0	0	0	0	0	0	0	0	0
Pumping Expenses - Labor		198,089	155,436	195,136	158,310	159,893	161,492	163,107	164,738	166,385
Overtime	5296	62,274	70,000	68,785	70,000	70,700	71,407	72,121	72,842	73,570
Labor Burden		129,031	113,514	134,845	107,902	109,983	111,976	114,012	116,093	118,219
<b>TOTAL PUMPING EXPENSES</b>		1,646,541	1,716,450	1,587,787	1,616,212	1,658,726	1,702,318	1,747,151	1,793,264	1,840,692

WATER TREATMENT EXPENSES										
Lab Exp/Regulatory Fees	5315	52,396	60,000	72,109	65,000	75,062	77,314	79,633	82,022	84,483
Misc Exp - Maintenance of S&I	5325	27,208	20,000	26,262	20,000	20,600	21,218	21,855	22,511	23,186
Chemicals	5330	116,413	110,000	105,835	105,000	108,150	111,395	114,737	118,179	121,724
Backflow Prevention	5345	2,408	1,000	827	1,000	1,030	1,061	1,093	1,126	1,160
M&R Equipment	5375	27,015	20,000	20,501	20,000	20,600	21,218	21,855	22,511	23,186
Water Treatment - Labor		127,442	124,817	124,456	130,424	131,728	133,045	134,375	135,719	137,076
Overtime	5396	3,983	5,000	2,580	3,000	3,030	3,060	3,091	3,122	3,153
Labor Burden		65,131	65,367	64,907	63,058	64,274	65,438	66,628	67,844	69,087
<b>TOTAL WATER TREATMENT</b>		421,994	406,184	417,477	407,482	424,474	433,749	443,267	453,034	463,055

# QUICK SUMMARY - EXPENDITURES

		Recorded	ADOPTED BUDGET	PROJECTED 06/30/16	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)				
OPERATING EXPENSES	G/L #	2014-2015	2015-2016	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
<b>TRANSMISSION &amp; DISTRIBUTION</b>										
M&R Reservoir	5415	49,741	40,000	73,599	45,000	46,350	47,741	49,173	50,648	52,167
M&R Mains	5425	96,701	100,000	71,596	100,000	103,000	106,090	109,273	112,551	115,928
M&R Sewer	5435	18,203	17,500	12,779	17,500	18,025	18,566	19,123	19,697	20,288
M&R Services	5455	79,157	80,000	53,726	75,000	77,250	79,568	81,955	84,414	86,946
M&R Hydrants	5475	23,605	12,500	5,376	10,000	10,300	10,609	10,927	11,255	11,593
Maintenance Due to Vandalism	5495	702	2,000	0	2,000	2,060	2,122	2,186	2,252	2,320
Trans & Distribution Labor		269,775	152,722	239,722	207,253	209,326	211,419	213,533	215,668	217,825
Overtime	5496	22,228	30,000	32,658	32,000	32,320	32,643	32,969	33,299	33,632
Labor Burden		144,711	92,006	139,167	113,074	115,254	117,343	119,477	121,657	123,886
<b>TOTAL TRANS &amp; DISTRIBUTION</b>		<b>704,823</b>	<b>526,728</b>	<b>628,623</b>	<b>601,827</b>	<b>613,885</b>	<b>626,101</b>	<b>638,616</b>	<b>651,441</b>	<b>664,585</b>
<b>CUSTOMER ACCOUNTS</b>										
Billing & Collecting	5525	107,938	95,000	103,394	100,000	103,000	106,090	108,810	112,074	115,436
M&R Meters	5555	29,823	15,000	17,344	15,000	15,450	15,914	16,391	16,883	17,389
Uncollectible Accounts	5560	(692)	0	(1,151)	0	0	0	0	0	0
Customer Accounts - Labor		312,787	298,794	313,158	303,794	306,832	309,900	312,999	316,129	319,290
Overtime	5596	48,429	50,000	47,253	48,000	48,480	48,965	49,455	49,950	50,450
Labor Burden		179,012	175,628	184,145	166,262	169,468	172,539	175,677	178,884	182,161
<b>TOTAL CUSTOMER ACCOUNTS</b>		<b>677,296</b>	<b>634,422</b>	<b>664,143</b>	<b>633,056</b>	<b>643,230</b>	<b>653,408</b>	<b>663,332</b>	<b>673,920</b>	<b>684,726</b>
<b>OTHER OPERATING EXPENSES</b>										
Uniforms	5705	31,899	25,000	33,575	30,000	30,900	31,827	32,782	33,765	34,778
Shop Tools & Supplies	5706	22,605	35,000	19,941	30,000	30,900	31,827	32,782	33,765	34,778
Vehicle Operating	5715	114,194	135,200	121,973	135,000	139,050	143,222	147,519	151,945	156,503
Drafting & Mapping	5725	2,174	3,390	548	3,000	3,090	3,183	3,278	3,376	3,477
Other Operating/ Safety	5735	43,225	40,000	52,921	40,000	41,200	42,436	43,709	45,020	46,371
M&R Shop & Yard	5755	65,111	65,000	41,435	65,000	66,950	68,959	71,028	73,159	75,354
M&R Shop Equipment	5765	10,715	15,000	8,205	12,500	12,875	13,261	13,659	14,069	14,491
M&R Vehicles	5775	87,074	87,550	112,342	85,000	87,550	90,177	92,882	95,668	98,538
Equipment Rentals	5778	2,060	0	1,846	0	0	0	0	0	0
Capital Equipment to CIP	5797	(69,851)	(75,000)	(54,422)	(70,000)	(72,100)	(74,263)	(76,491)	(78,786)	(81,150)
Other Operating Expense - Labor		235,549	218,228	243,854	269,585	272,281	275,004	277,754	280,532	283,337
Overtime	5796	7,848	9,000	8,315	9,000	9,090	9,181	9,273	9,366	9,460
Labor Burden		120,623	114,416	128,841	131,663	134,201	136,634	139,119	141,658	144,253
<b>TOTAL OTHER OPR EXPENSES</b>		<b>673,226</b>	<b>672,784</b>	<b>719,374</b>	<b>740,748</b>	<b>755,987</b>	<b>771,448</b>	<b>787,294</b>	<b>803,537</b>	<b>820,190</b>

# QUICK SUMMARY - EXPENDITURES

OPERATING EXPENSES	G/L #	Recorded	ADOPTED BUDGET	PROJECTED 06/30/16	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)				
		2014-2015	2015-2016	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
<b>GENERAL &amp; ADMINISTRATIVE</b>										
Director Fees	7105	21,100	19,000	15,150	19,000	19,570	20,157	20,762	21,385	22,027
Office Expenses	7115	44,453	40,000	48,525	42,500	43,775	45,088	46,441	47,834	49,269
Computer Software & Supply	7118	16,148	15,000	19,410	15,000	15,450	15,914	16,391	16,883	17,389
Community/ Employee Relations	7120	10,812	17,500	16,031	17,000	17,510	18,035	18,576	19,133	19,707
Insurance - Premiums & Claims	7125	186,576	196,240	185,659	190,000	195,700	201,571	207,618	213,847	220,262
Insurance - Earthquake & Flood	7126	79,483	83,000	62,771	75,000	77,250	79,568	81,955	84,414	86,946
Litigation	7149	158,824	125,000	128,418	125,000	100,000	50,000	51,500	53,045	54,636
Perchlorate Litigation	7150	38,210	30,000	33,271	35,000	36,050	37,132	38,246	39,393	40,575
Prof Services - Legal	7151	138,815	170,000	207,918	185,000	125,000	128,750	132,613	136,591	140,689
Prof Services - Accounting	7152	44,438	50,000	32,796	50,000	51,500	53,045	54,636	56,275	57,963
Prof Services - Engineering	7153	48,167	95,000	100,805	100,000	75,000	77,250	79,568	81,955	84,414
Prof Services - Public Relations	7154	34,053	70,000	24,731	20,000	20,600	21,218	21,855	22,511	23,186
Prof Services - Consulting	7155	0	0	0	0	0	0	0	0	0
Logal Government Affairs	7156	37,746	27,500	29,535	27,500	28,325	29,175	30,050	30,952	31,881
Conferences/Seminars	7158	14,009	18,000	14,895	18,000	18,540	19,096	19,669	20,259	20,867
Special Projects - Board Approved	7159	27,759	35,000	0	35,000	36,050	37,132	38,246	39,393	40,575
Prof Development - Education	7160	41,498	35,000	64,588	45,000	46,350	47,741	49,173	50,648	52,167
Memberships	7161	40,674	47,500	54,539	47,500	48,925	50,393	51,905	53,462	55,066
Computer Software Contracts	7163	70,348	90,000	67,467	90,000	92,700	95,481	98,345	101,295	104,334
Inter Agency Evaluation	7164	0	0	88,679	100,000	103,000	106,090	109,273	112,551	115,928
Travel/ Hotel	7165	19,571	22,500	20,424	22,500	23,175	23,870	24,586	25,324	26,084
BMP/ MOU Expense	7170	71,075	100,000	37,198	50,000	51,500	53,045	54,636	56,275	57,963
Drought Related Expense	7171	53,229	0	61,271	50,000	51,500	53,045	54,636	56,275	57,963
Misc Expenses	7191	136,453	140,000	141,876	140,000	144,200	148,526	152,982	157,571	162,298
Utilities	7215	93,471	90,000	93,160	90,000	92,700	95,481	98,345	101,295	104,334
M&R General Plant	7221	43,606	70,000	36,740	62,500	64,375	66,306	68,295	70,344	72,454
Maint of Office Equipment	7225	8,813	12,500	5,700	10,000	10,300	10,609	10,927	11,255	11,593
Election Expense	7305	0	85,000	179,041	0	125,000	0	130,000	0	135,000
Expense Credits	7901	(186,564)	(170,000)	(199,188)	(100,000)	(103,000)	(106,090)	(109,273)	(112,551)	(115,928)
General & Administrative - Labor		796,524	836,922	845,937	775,672	783,429	791,263	799,176	807,168	815,240
Vacation/ Sick/ Floating		214,094	297,564	267,499	301,889	304,908	307,957	311,037	314,147	317,288
Overtime	7196	2,433	4,000	8,609	8,000	8,080	8,161	8,243	8,325	8,408
Labor Burden		502,049	573,262	573,287	513,049	522,942	532,419	542,103	551,997	562,109
<b>TOTAL G&amp;A EXPENSES</b>		<b>2,807,867</b>	<b>3,225,488</b>	<b>3,266,742</b>	<b>3,160,110</b>	<b>3,230,404</b>	<b>3,117,428</b>	<b>3,312,515</b>	<b>3,249,251</b>	<b>3,452,687</b>

# QUICK SUMMARY - EXPENDITURES

		Recorded	ADOPTED BUDGET	PROJECTED 06/30/16	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)				
OPERATING EXPENSES	G/L #	2014-2015	2015-2016	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
<b>LABOR BURDEN</b>										
<b>LABOR BY COST AREA</b>										
Source of Supply		4,818	3,849	9,919	6,272	6,335	6,398	6,462	6,527	6,592
Pumping		260,363	225,436	263,921	228,310	230,593	232,899	235,228	237,580	239,955
Water Treatment		131,424	129,817	127,036	133,424	134,758	136,105	137,466	138,841	140,229
Transmission & Distribution		292,003	182,722	272,380	239,253	241,646	244,062	246,502	248,967	251,457
Customer Accounts		361,216	348,794	360,411	351,794	355,312	358,865	362,454	366,079	369,740
Other Operating		243,397	227,228	252,169	278,585	281,371	284,185	287,027	289,898	292,797
General & Administrative		1,013,052	1,138,486	1,122,045	1,085,561	1,096,417	1,107,381	1,118,456	1,129,640	1,140,936
Capital		180,162	218,585	118,905	219,730	226,322	233,112	240,105	247,308	254,727
		2,486,434	2,474,917	2,526,786	2,542,929	2,572,754	2,603,007	2,633,700	2,664,840	2,696,433
<b>EMPLOYEE BENEFITS</b>										
EAP	7127	1,083	1,093	1,062	1,062	1,094	1,127	1,161	1,196	1,232
Longevity	7128	22,151	27,000	37,180	27,000	27,270	27,543	27,818	28,096	28,377
Vision Ins	7129	6,725	6,752	6,729	6,565	6,762	6,965	7,174	7,389	7,611
Health Ins	7131	417,076	419,435	413,499	424,118	436,842	449,947	463,445	477,348	491,668
Life Ins	7132	9,117	14,089	7,022	13,517	13,923	14,341	14,771	15,214	15,670
Dental Ins	7133	62,141	62,272	59,514	55,762	57,435	59,158	60,933	62,761	64,644
Workers Comp Ins	7134	101,856	95,839	82,923	88,401	91,053	93,785	96,599	99,497	102,482
Pensions	7135	368,088	365,159	413,078	332,805	336,133	339,494	342,889	346,318	349,781
Payroll Taxes	7141,42	185,120	180,098	195,547	182,061	183,882	185,721	187,578	189,454	191,349
Pension Expense	7121,30	(13,450)	0	0	0					
OPEB (GASB 45)	7148	72,322	74,458	74,458	70,528	72,695	73,422	74,156	74,898	75,647
<b>TOTAL EMPLOYEE BENEFITS</b>		1,232,228	1,246,195	1,291,012	1,201,819	1,227,089	1,251,503	1,276,524	1,302,171	1,328,461
<b>EMPL BENE BURDEN PER LABOR \$ (TOTAL)</b>		49.56%	50.35%	51.09%	47.26%	47.70%	48.08%	48.47%	48.86%	49.27%
LABOR		2,157,412	2,086,332	2,237,176	2,150,699	2,172,207	2,193,928	2,215,867	2,238,026	2,260,405
OVERTIME		148,860	170,000	170,705	172,500	174,225	175,967	177,728	179,506	181,301
CAPITAL LABOR		180,162	218,585	118,905	219,730	226,322	233,112	240,105	247,308	254,727
<b>TOTAL LABOR</b>		2,486,434	2,474,917	2,526,786	2,542,929	2,572,754	2,603,007	2,633,700	2,664,840	2,696,433
Depreciation		2,934,846	2,825,016	2,961,424	2,996,942	3,086,850	3,179,456	3,274,839	3,373,085	3,474,277

# QUICK SUMMARY – FY 2017 CIP

	<u>Description</u>	<u>FY 2017</u>
1	General Facility Replacements	\$ 155,000
2	Meter Replacements	275,000
3	Appurtanence Replacements	90,000
4	Equipment Replacements	145,000
5	Pump & Motor Repair & Replacements	150,000
6	Pipeline Replacements	600,000
7	Newhall Tank 2 - Rehabilitation	50,000
8	Newhall Well 12 - Rehabilitation	250,000
9	Recycled Water Plan & Construction	200,000
10	SCADA	125,000
11	Office Equipment	30,000
12	Software Upgrades	10,000
13	Geographic Information System	25,000
14	CMMS Software	50,000

**Total FY 2017 CIP \$ 2,155,000**

# 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 Revenue Adjustment Factor (WRAF): 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.

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
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## 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

DDW	Department of Drinking Water
DVP	Delivery versus Payment
DWASP	Drinking Water Source Assessment Program
DWR	Department of Water Resources

## E

EDU	Equivalent Dwelling Unit
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## 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  
WRAF Water Revenue Adjustment Factor

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