

# PALMDALE WATER DISTRICT

2029 East Avenue Q • Palmdale, California 93550 • Telephone (661) 947-4111

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## Board of Directors

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July 3, 2013

***Agenda for a Meeting  
of the Finance Committee of the Palmdale Water District  
Committee Members: Gloria Dizmang-Chair, Steve Cordova  
to be held at the District's office at 2029 East Avenue Q, Palmdale***

***Wednesday, July 10, 2013***

***5:00 p.m.***

**NOTE:** To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Dawn Deans at 661-947-4111 x1003 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

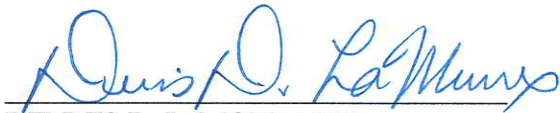
Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale. Please call Dawn Deans at 661-947-4111 x1003 for public review of materials.

**PUBLIC COMMENT GUIDELINES:** The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the District to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance to take action on any item.

- 1) Roll call.
- 2) Adoption of agenda.
- 3) Public comments.
- 4) Action Items: (The public shall have an opportunity to comment on any action item as each item is considered by the Committee prior to action being taken.)

- 4.1) Consideration and possible action on approval of minutes of meeting held June 12, 2013.
- 4.2) Discussion and overview of Cash Flow Statement and Current Cash Balances as of May 31, 2013. (Financial Advisor Egan)
- 4.3) Discussion and overview of Financial Statements, Revenue and Expense and Departmental Budget Reports for May 31, 2013. (Finance Manager Williams)
- 4.4) Discussion and overview of committed contracts issued. (Engineering Manager Knudson)
- 4.5) Discussion and overview of Reserve Policy. (Chair Dizmang/Financial Consultant Egan/Finance Manager Williams)
- 5) Information items.
- 6) Board members' requests for future agenda items.
- 7) Adjournment.



DENNIS D. LaMOREAUX,  
General Manager

DDL /dd

**PALMDALE  
WATER DISTRICT  
BOARD MEMORANDUM**

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<b>DATE:</b>	July 3, 2013	July 10, 2013
<b>TO:</b>	FINANCE COMMITTEE	Committee Meeting
<b>FROM:</b>	Mr. Bob Egan, Financial Advisor	
<b>RE:</b>	<i><b>AGENDA ITEM NO. 4.2 – DISCUSSION AND OVERVIEW OF CASH FLOW STATEMENT AND CURRENT CASH BALANCES AS OF MAY 31, 2013</b></i>	

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Attached is the Investment Funds Report and current cash balance as of May 31, 2013. The reports will be reviewed in detail at the Finance Committee meeting.

Cash is up \$568,000 from April from some of the following factors:

Water sales are up \$300,000 from the original cash flow projection, increasing cash collections as well. There were capital improvement fees received of \$48,031 and a DWR refund of \$35,285.

Other items on the cash flow are consistent with prior months, and we still show an increase of cash over budget at year end of over \$2,000,000.

PALMDALE WATER DISTRICT  
INVESTMENT FUNDS REPORT

				May 31, 2013				
DESCR							May-13	April-13
A/C #							VALUE	VALUE
CASH								
0-0103	Citizens/US Bank - Checking						730,319.25	758,683.91
0-0104	Citizens- Merchant						112,316.31	137,552.76
						Bank cash	842,635.56	896,236.67
0-0119	PETTY CASH						300.00	300.00
0-0120	CASH ON HAND						3,400.00	3,400.00
	TOTAL CASH						846,335.56	896,236.67
INVESTMENTS								
0-0110	UBS ACCOUNT SS 11469 GG							
	UBS RMA Government Portfolio						5,510,082.81	4,924,228.79
	UBS Bank USA Dep acct						250,000.00	250,000.00
	1998 Debt Reserve Fund							
	FHLB par 1.4Mil matures 10/18/13 3.625% interest						1,418,284.00	1,422,596.00
	Accrued interest						6,061.86	1,691.62
							7,184,428.67	6,598,516.41
0-1110	UBS ACCOUNT SS 11475 GG							
	UBS Bank USA Dep acct						181,526.74	133,492.32
	UBS RMA Government Portfolio						0.00	0.00
							181,526.74	133,492.32
0-0115	LAIF						11,690.59	11,690.59
0-0111	UBS ACCOUNT SS 11432 GG							
	UBS Bank USA Dep acct						250,000.00	49,010.68
	UBS RMA Government Portfolio						299,793.29	0.00
	Accrued interest						7,432.65	5,913.20
	US GOVERNMENT SECURITIES:							
		ISSUE		EXPIR			MARKET	MARKET
		DATE	ISSUER	DATE	RATE	PAR	VALUE	VALUE
			FNMA	10/26/15	1.625	500,000	514,180.00	515,665.00
			FNMA	06/28/17	1.125	500,000	493,290.00	499,215.00
			FNMA	07/17/17	1.2	500,000	496,115.00	501,145.00
		Called	FNMA	08/22/17	0.625	500,000	0.00	500,105.00
			FHLB	12/28/17	0.95	500,000	494,660.00	500,630.00
						2,500,000.00	1,998,245.00	2,516,760.00
	TOTAL MANAGED ACCOUNT						2,555,470.94	2,571,683.88
	TOTAL INVESTMENTS						9,933,116.94	9,315,383.20
GRAND TOTAL CASH AND RESTRICTED CASH							10,779,452.50	10,211,619.87
						Incr (Decr)	567,832.63	
		Checking		846,336				
		UBS MM		7,365,955		BNY Mellon		
		LAIF		11,691		Construction	8,500,000.00	
		UBS Investment		2,555,471		Issuance	8,959.16	
		Restricted		0			8,508,959.16	
		Total		10,779,453				



REVISED 06/28/13	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	
	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>YTD</u>
Water Sales	1,650,519	1,596,949	1,675,412	1,839,852	1,983,700	2,048,500	2,340,300	2,454,000	2,452,200	2,221,000	2,054,200	1,759,700	24,076,331
	1,650,519	1,596,949	1,675,412	1,839,852	1,983,700	2,048,500	2,340,300	2,454,000	2,452,200	2,221,000	2,054,200	1,759,700	
Beginning Balance	9,001,455	9,043,624	9,364,314	7,809,930	10,211,620	10,779,452	10,546,754	10,461,791	10,844,487	9,068,955	8,476,287	8,684,869	
Water Receipts	2,428,492	1,596,949	1,905,179	1,839,852	1,931,246	2,048,500	2,340,300	2,454,000	2,452,200	2,221,000	2,054,200	1,759,700	25,031,618
Other													
Total Operating Revenue	2,428,492	1,596,949	1,905,179	1,839,852	1,931,246	2,048,500	2,340,300	2,454,000	2,452,200	2,221,000	2,054,200	1,759,700	
Operating Expenses:													
Total Operating Expenses excl GAC	1,953,262	1,477,034	1,514,430	1,096,787	1,587,231	1,718,600	1,729,200	1,776,600	1,725,700	1,839,550	1,794,100	2,255,100	20,467,594
													3,608,737
Non-Operating Revenue Expenses:													
Assessments, net	620,213	287,572	2,234	1,883,965	585,806	2,800	394,200	143,000			113,500	2,383,600	6,416,890
Special Avek CIF Payment													0
Interest	(5,316)	(6,054)	1,396	(424)	(16,103)	2,100	2,100	1,900	2,100	2,100	2,100	2,100	(12,002)
Grant Re-imbursement						485,000							485,000
Capital Improvement Fees		44,176	(116,241)	0	48,031	12,500	12,500	12,500	12,500	12,500	12,500	12,500	63,466
													0
DWR Refund				59,514	35,285								94,799
Other /Palmdale Redevel Agency	9,828	54,653	6,774	13,488	16,165								100,908
Total Non-Operating Revenues	624,724	380,347	(105,836)	1,956,543	669,184	502,400	408,800	157,400	14,600	14,600	128,100	2,398,200	7,149,062
Capital Expenditures	(194,434)		(61,168)	(103,645)	(54,481)	(105,667)	(123,352)	(5,000)		(319,100)			(966,847)
GAC	(233,893)				(216,776)	(289,713)	(301,893)	(267,486)	(218,000)				(1,527,761)
SWP Capitalized	(629,459)	(156,354)	(180,606)	(156,354)	(156,354)	(156,400)	(656,400)	(156,400)	(184,600)	(156,400)	(156,400)	(156,400)	(2,902,127)
Prepaid Insurance (paid) refunded			(65,835)										(65,835)
Bond Payments Interest			(1,010,820)						(829,635)				(1,840,455)
Principal			(517,540)						(1,261,179)				(1,778,719)
System Work for AVEK													0
Butte payments						(490,000)				(490,000)			(980,000)
Capital leases		(23,218)	(3,327)	(37,919)	(17,756)	(23,218)	(23,218)	(23,218)	(23,218)	(23,218)	(23,218)	(23,218)	(244,746)
Legal adjudication fees													0
Total Cash Ending Balance	9,043,624	9,364,314	7,809,930	10,211,620	10,779,452	10,546,754	10,461,791	10,844,487	9,068,955	8,476,287	8,684,869	10,408,051	(10,306,490)
											Budget	8,193,078	451,310
											diff	2,214,973	

# **PALMDALE WATER DISTRICT BOARD MEMORANDUM**

**DATE:** July 2, 2013 **July 10, 2013**  
**TO:** FINANCE COMMITTEE **Finance Committee Meeting**  
**FROM:** Michael Williams, Finance Manager/CFO  
**VIA:** Mr. Dennis LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM 4.3 – DISCUSSION AND OVERVIEW OF FINANCIAL STATEMENTS, REVENUE AND EXPENSE AND DEPARTMENTAL BUDGET REPORTS FOR MAY 31, 2013***

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## **Discussion:**

Presented here are Balance Sheet and Profit/Loss Statement for the period ending May 31, 2013. Also included are Year-To-Year Comparisons, and Month-To-Month Comparisons for both revenue and expense. Finally, I have provided individual departmental budget reports for the month of May, 2013.

This is the fifth month of the District's Budget Year 2013. The target percentage is 41.6%. Revenues ideally are at or above, and expenditures ideally are below.

## **Balance Sheet:**

- Page 1 is our balance sheet on May 31, 2013. Here there are a few major changes; the 2013A Water Revenue Bonds were issued. We show the new money available for projects and the costs associated with the issue under the assets section. Under the Liability section we show the retirement of the 2004 COP's and the combined 2013A issue.

## **Profit/Loss Statement:**

- Page 3 is our profit/loss statement on May 31, 2013.
- Operating revenue is at 38% of budget.
- Cash operating expense is at 34% of budget.
- All departments are operating at or below the target 41.6% in their respective budget with the exception of Engineering, which is at 43%. This is due to the payment for the GIS project.
- Also included is the make-up of other operating revenues.

## **Year-To-Year Comparison P&L:**

- Page 7 is our comparison of May, 2012 to May, 2013.
- Total operating revenue is up by \$332K, or 20%. This is due to increased consumption.
- Operating expenditures are up by \$184K, or 14%.
- Page 8 is a graphic presentation of the water consumption comparison. Units billed in acre feet were up by 228, or 16%. Units consumed per connection were up by 4. Total operating revenue per unit consumed was up by \$0.10, or 3%.

**Revenue Analysis Year-To-Date:**

- Page 9 is our comparison of revenue, year-to-date.
- Operating revenue through May, 2013 is up by \$1.1MM, or 15%, compared to 2012.
- Total revenue is up \$91K, or .8%. The reason for this is the huge difference in capital improvement fees. Last year this time we had collected \$1.2MM in fees as compared to the current negative position because of the refunding of fees.

**Expense Analysis Year-To-Date:**

- Page 11 is our comparison of expense, year-to-date.
- Cash Operating Expenses through May, 2013 are down by \$1.6MM, or 22%, compared to 2012. This is due primarily to the reduction in legal and adjudication expense under Administration and reduced expenses in Facilities and water purchases. In fact, every department has reduced expenses year-to-date.
- Total Expenses are down by \$3MM, or 20%, compared to 2012. This is due to reductions in a few areas such as depreciation, OPEB and interest on long term debt.

**Departments:**

- Pages 14 through 22 are detailed budgets of each department. As stated earlier, all departments are below the target 41.6%, with the exception of Engineering on page 16.

**Non-Cash Definitions:**

**Depreciation:** This is the spreading of the total expense of a capital asset over the expected life of that asset.

**OPEB Accrual Expense:** Other Post Employment Benefits (OPEB) is the recognized annual required contribution to the benefit. The amount is actuarially determined in accordance with the parameters of GASB 45. The amount represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year.

**Bad Debt:** The uncollectible accounts receivable that has been written off.

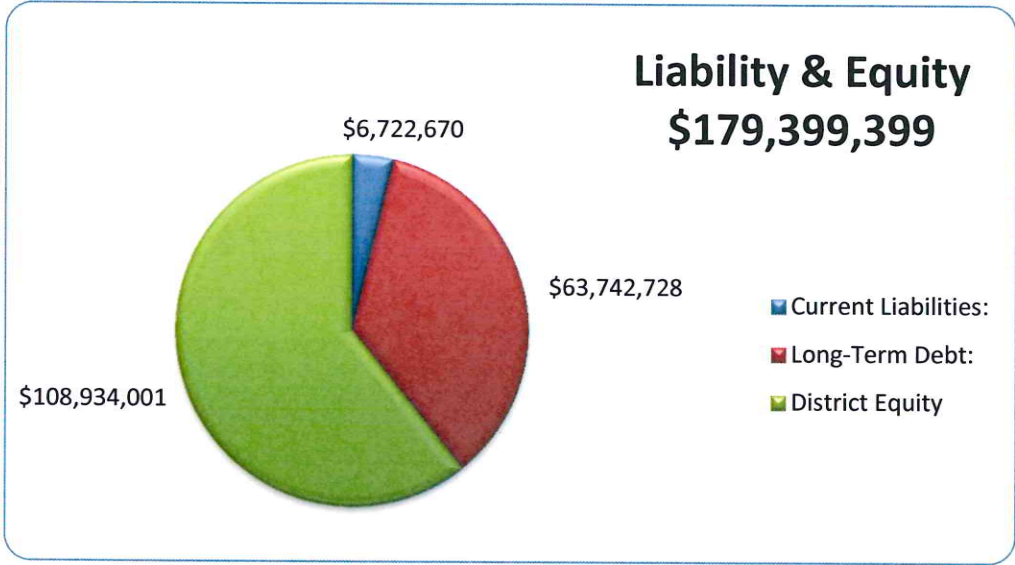
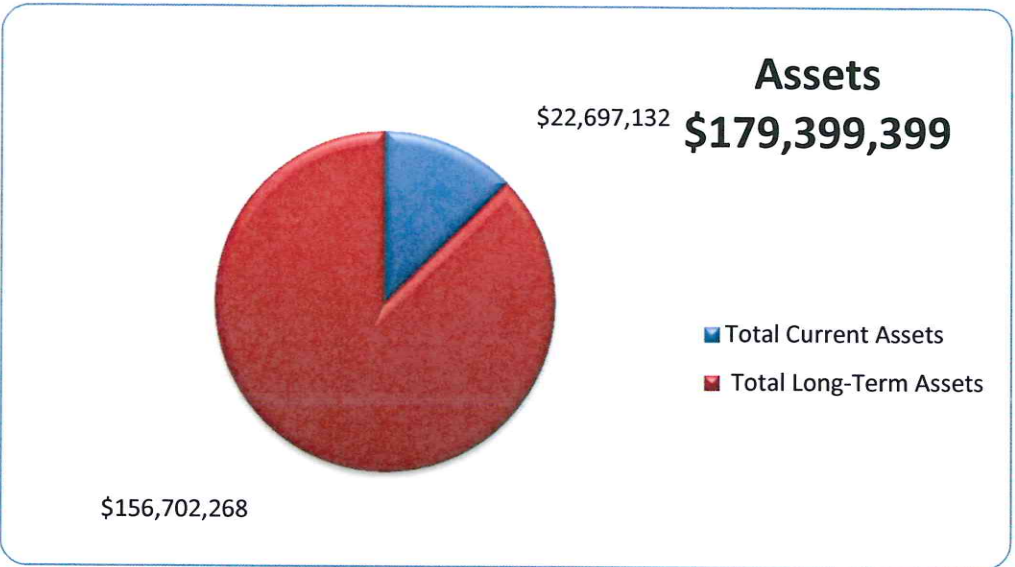
**Service Cost Construction:** The value of material, parts & supplies from inventory used to construct, repair and maintain our asset infrastructure.

**Capitalized Construction:** The value of our labor force used to construct our asset infrastructure.

**Palmdale Water District**  
**Balance Sheet Report**  
**For the Five Months Ending 5/31/2013**

	<u>May 2013</u>	<u>April 2013</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 843,427	\$ 899,937
Investments	9,933,117	9,315,383
2013A Bonds - Project Funds	8,500,000	-
	<u>\$ 19,276,544</u>	<u>\$ 10,215,320</u>
<b>Receivables:</b>		
Accounts Receivables - Water Sales	\$ 1,537,464	\$ 1,363,570
Accounts Receivables - Miscellaneous	251,908	259,811
Allowance for Uncollected Accounts	(49,317)	(49,317)
	<u>\$ 1,740,056</u>	<u>\$ 1,574,064</u>
Interest Receivable	\$ 9	\$ 9
Assessments Receivables	623,294	1,209,100
Meters, Materials and Supplies	955,850	883,316
Prepaid Expenses	101,378	127,165
<b>Total Current Assets</b>	<b>\$ 22,697,132</b>	<b>\$ 14,008,974</b>
<b>Long-Term Assets:</b>		
Property, Plant, and Equipment, net	\$ 117,874,069	\$ 118,259,753
Participation Rights in State Water Project, net	37,187,358	37,175,749
Bond Issuance Cost, Net	263,277	769,707
2013A Bonds - Cost of Issuance	1,135,017	-
2013A Bonds - Insurance & Surety Bond	242,547	-
<b>Total Long-Term Assets</b>	<b>\$ 156,702,268</b>	<b>\$ 156,205,210</b>
<b>Total Assets</b>	<b>\$ 179,399,399</b>	<b>\$ 170,214,184</b>
<b>LIABILITIES AND DISTRICT EQUITY</b>		
<b>Current Liabilities:</b>		
Current Interest Installment of Long-term Debt	\$ 63,280	\$ 176,110
Current Principal Installment of Long-term Debt	1,424,665	1,079,665
Accounts Payable and Accrued Expenses	5,068,062	4,971,051
Deferred Assessments	166,663	583,330
<b>Total Current Liabilities</b>	<b>\$ 6,722,670</b>	<b>\$ 6,810,156</b>
<b>Long-Term Debt:</b>		
Pension-Related Debt	\$ 1,141,041	\$ 1,141,041
OPEB Liability	6,709,091	6,560,962
2013A Water Revenue Bonds	44,429,235	-
2012 - Certificates of Participation	10,965,154	10,958,357
2004 - Certificates of Participation	-	35,399,703
2011 - Capital Lease Payable	498,207	525,362
<b>Total Long-Term Liabilities</b>	<b>\$ 63,742,728</b>	<b>\$ 54,585,425</b>
<b>Total Liabilities</b>	<b>\$ 70,465,398</b>	<b>\$ 61,395,581</b>
<b>District Equity</b>		
Revenue from Operations	\$ (498,703)	\$ (614,101)
Retained Earnings	109,432,704	109,432,704
<b>Total Liabilities and District Equity</b>	<b>\$ 179,399,399</b>	<b>\$ 170,214,184</b>

# BALANCE SHEET AS OF MAY 31, 2013





**Palmdale Water District**  
**Consolidated Profit and Loss Statement**  
**For the Five Months Ending 5/31/2013**

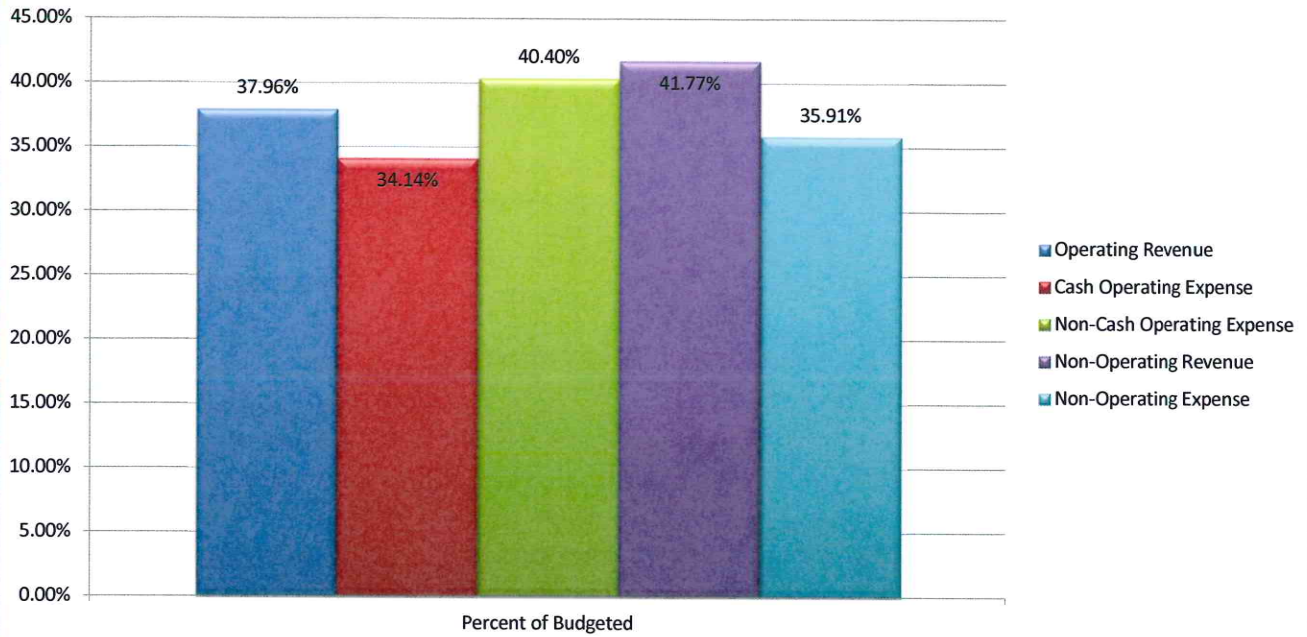
	Thru April	May	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
<b>Operating Revenue:</b>						
Wholesale Water	\$ 8,779	\$ 12,765	\$ 21,543		\$ 175,000	12.31%
Water Sales	1,912,480	749,238	2,661,718		8,198,000	32.47%
Meter Fees	3,682,386	919,065	4,601,451		11,232,000	40.97%
Water Quality Fees	363,607	143,767	507,374		1,638,000	30.98%
Elevation Fees	109,556	47,584	157,140		550,000	28.57%
Other	685,924	111,281	797,205		1,250,000	63.78%
<b>Total Water Sales</b>	<b>\$ 6,762,731</b>	<b>\$ 1,983,700</b>	<b>\$ 8,746,431</b>	<b>\$ -</b>	<b>\$ 23,043,000</b>	<b>37.96%</b>
<b>Cash Operating Expenses:</b>						
Directors	\$ 34,593	\$ 9,326	\$ 43,919		\$ 117,500	37.38%
Administration	718,627	137,115	855,741		2,602,000	32.89%
Engineering	429,739	90,518	520,257		1,215,750	42.79%
Facilities	913,927	269,209	1,183,136		3,298,500	35.87%
Operations	1,327,567	523,061	1,850,628		4,944,250	37.43%
Finance	844,317	216,325	1,060,641		2,789,000	38.03%
Water Conservation	72,792	17,676	90,468		239,750	37.73%
Human Resources	40,561	15,572	56,133		209,600	26.78%
Information Technology	223,083	51,635	274,718		728,000	37.74%
Water Purchases	833,091	42,710	875,801		2,600,000	33.68%
Water Recovery	(267,302)	(691)	(267,993)		(100,000)	267.99%
Capitalized Expenditures	377,171	68,257	445,427		836,500	53.25%
GAC Filter Media Replacement	216,776	3,463	220,239		1,638,000	13.45%
<b>Total Cash Operating Expenses</b>	<b>\$ 5,764,941</b>	<b>\$ 1,444,175</b>	<b>\$ 7,209,116</b>	<b>\$ -</b>	<b>\$ 21,118,850</b>	<b>34.14%</b>
<b>Non-Cash Operating Expenses:</b>						
Depreciation	\$ 2,363,457	\$ 590,291	\$ 2,953,748		\$ 7,250,000	40.74%
OPEB Accrual Expense	660,891	165,223	826,113		2,000,000	41.31%
Bad Debts	4,836	174	5,009		100,000	5.01%
Service Costs Construction	(48,104)	(2,760)	(50,864)		125,000	-40.69%
Capitalized Construction	(244,767)	(65,211)	(309,978)		(1,000,000)	31.00%
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 2,736,312</b>	<b>\$ 687,716</b>	<b>\$ 3,424,028</b>	<b>\$ -</b>	<b>\$ 8,475,000</b>	<b>40.40%</b>
<b>Net Operating Profit/(Loss)</b>	<b>\$ (1,738,522)</b>	<b>\$ (148,191)</b>	<b>\$ (1,886,713)</b>	<b>\$ -</b>	<b>\$ (6,550,850)</b>	<b>28.80%</b>
<b>Non-Operating Revenues:</b>						
Assessments (Debt Service)	\$ 1,674,210	\$ 313,371	\$ 1,987,581		\$ 4,300,000	46.22%
Assessments (1%)	551,869	103,296	655,165		1,500,000	43.68%
DWR Fixed Charge Recovery	59,514	35,285	94,799		100,000	94.80%
Interest	(1,239)	(16,103)	(17,342)		25,000	-69.37%
Capital Improvement Fees	(72,065)	48,031	(24,034)		150,000	-16.02%
State Grants	-	-	-		485,000	0.00%
Other	90,365	16,165	106,530		150,000	71.02%
<b>Total Non-Operating Revenues</b>	<b>\$ 2,302,654</b>	<b>\$ 500,045</b>	<b>\$ 2,802,699</b>	<b>\$ -</b>	<b>\$ 6,710,000</b>	<b>41.77%</b>
<b>Non-Operating Expenses:</b>						
Interest on Long-Term Debt	\$ 746,411	\$ (98,052)	\$ 648,359		\$ 2,111,000	30.71%
Amortization of SWP	576,364	144,745	721,109		1,679,000	42.95%
Water Conservation Programs	33,102	12,119	45,221		150,000	30.15%
<b>Total Non-Operating Expenses</b>	<b>\$ 1,355,877</b>	<b>\$ 58,812</b>	<b>\$ 1,414,689</b>	<b>\$ -</b>	<b>\$ 3,940,000</b>	<b>35.91%</b>
<b>Net Earnings</b>	<b>\$ (791,745)</b>	<b>\$ 293,042</b>	<b>\$ (498,703)</b>	<b>\$ -</b>	<b>\$ (3,780,850)</b>	<b>13.19%</b>



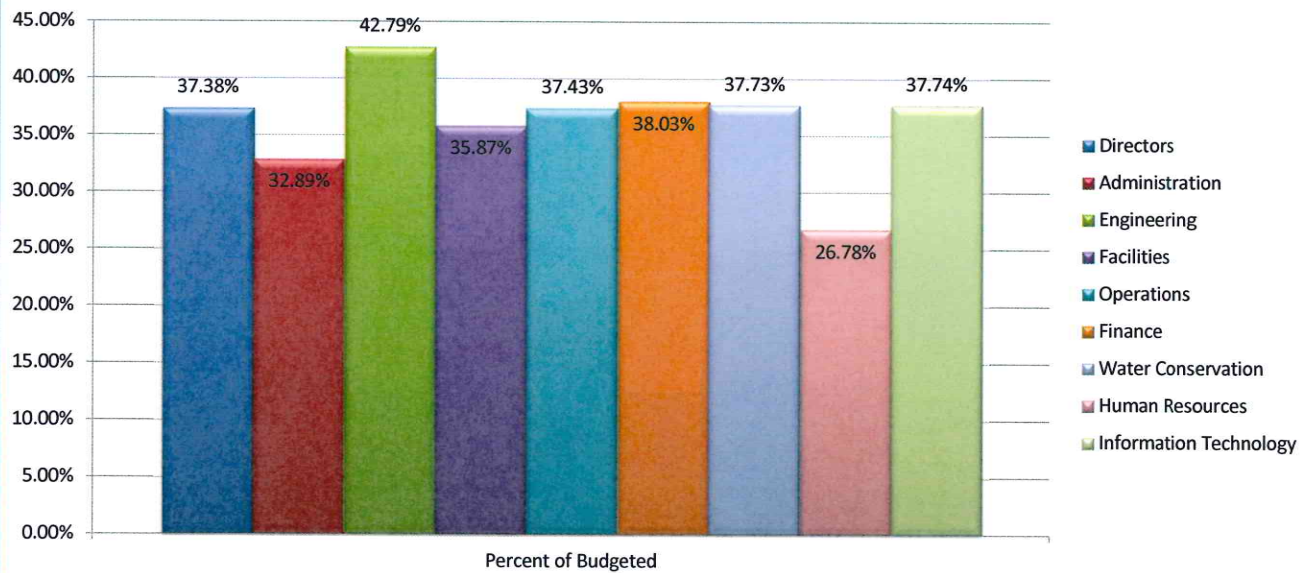
OTHER OPERATING REVENUE
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5/8" Meter Charge	\$80.00
Account Setup Charge	\$3,150.00
Account Setup Charge/CC	\$2,965.00
After Hours Service Call	\$240.00
Construction Meter Install	\$750.00
Credit Check	\$20.00
Door tag fee for Paperwork	\$20.00
Door Tag Fee	\$49,680.00
Grind Down Angle Stop	\$230.00
Lock Broken or Missing	\$300.00
Meter Exchange 1" to 5/8"	\$240.00
Non-Compliance Fee Backflow	\$200.00
Pulled Meter Service Charge	\$480.00
Repair Angle Stop After Hours	\$600.00
Repair Angle Stop	\$2,200.00
Service Charge for Meter Testing	\$65.00
Shut-Off Charge	\$9,210.00
Shut-Off Processing Fee	\$220.00
Standard Trip Charge	\$600.00
Unauthorized Use of Water	\$178.91
Late Fees	\$39,874.65
NSF Fee	\$1,075.00
	<u>\$112,378.56</u>

### P & L BUDGET vs. ACTUAL



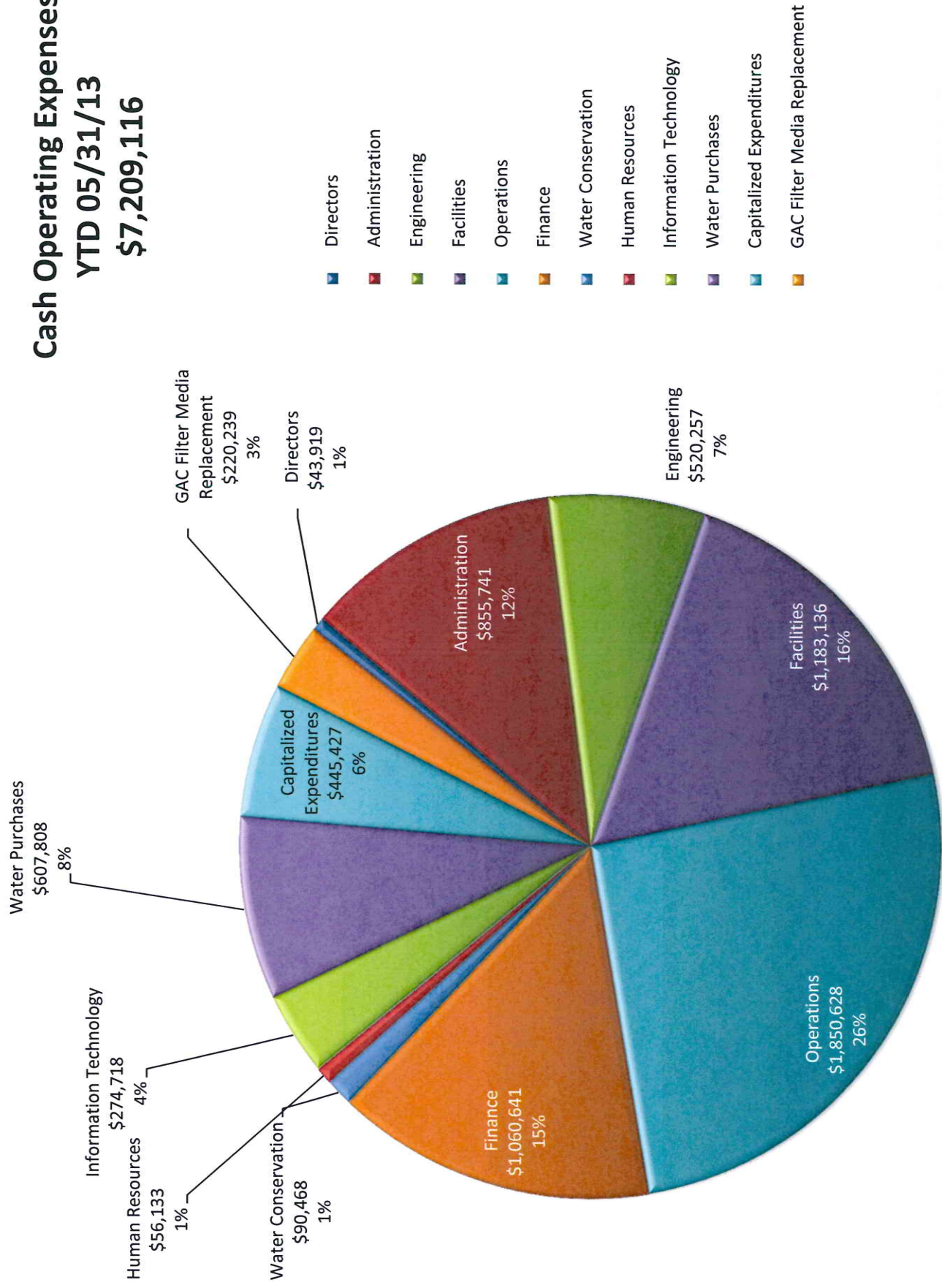
### DEPARTMENTAL - BUDGET vs. ACTUAL



# Cash Operating Expenses

## YTD 05/31/13

### \$7,209,116

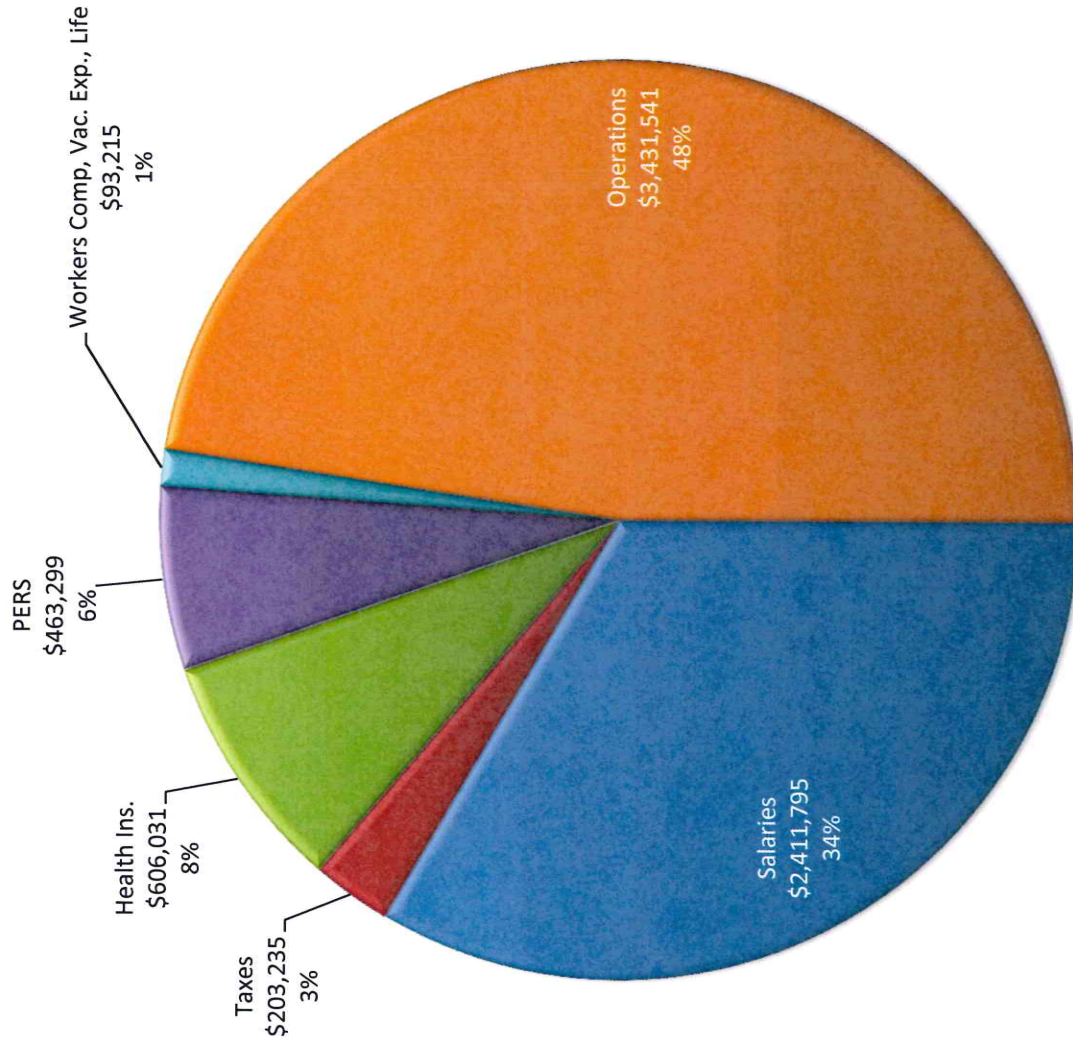




# Personnel to Operations Exp

YTD 05/31/13

\$7,209,116



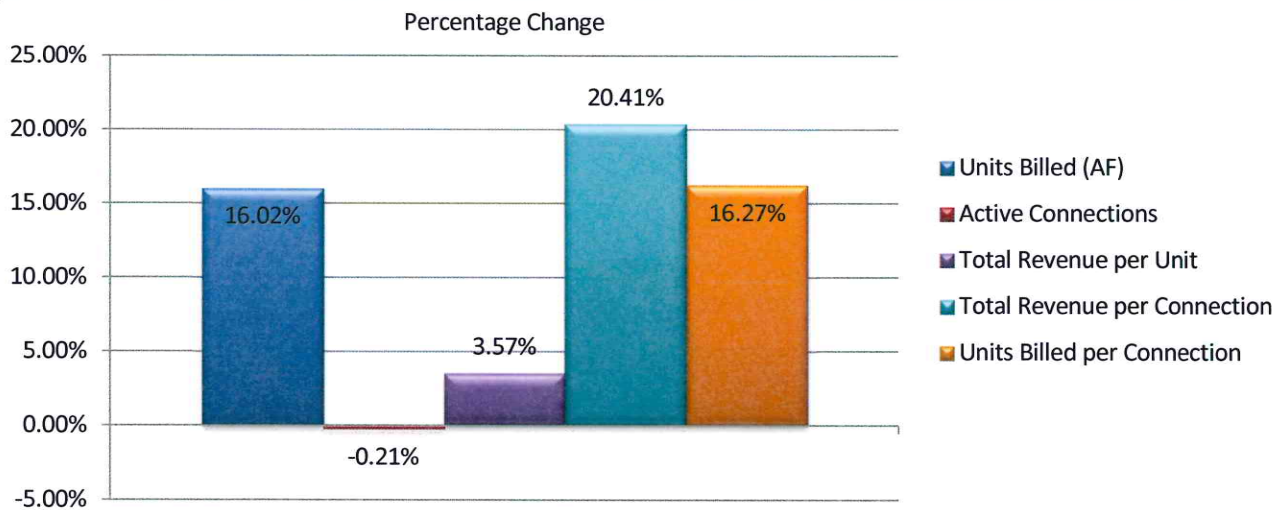
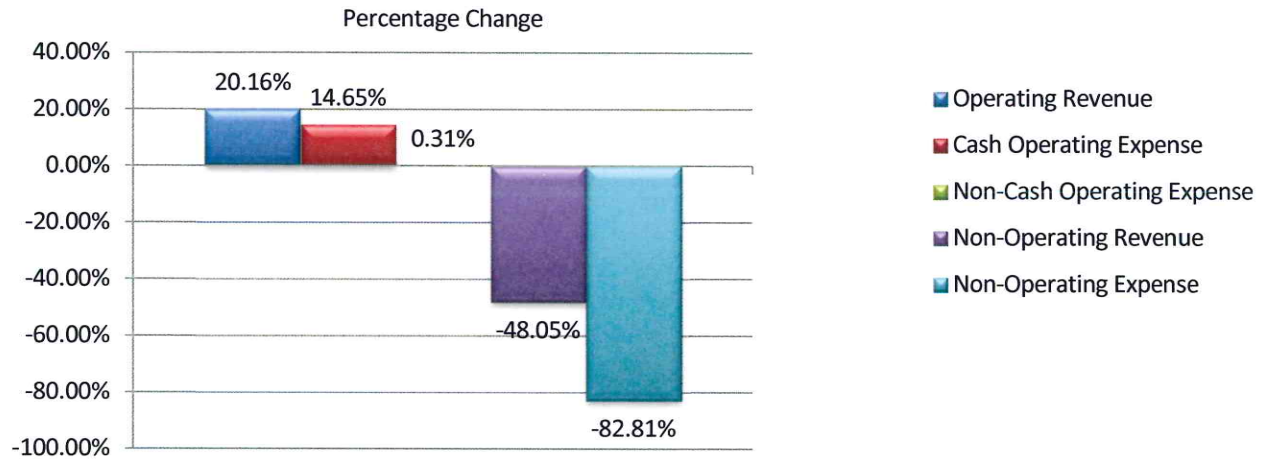
- Salaries
- Taxes
- Health Ins.
- PERS
- Workers Comp, Vac. Exp., Life
- Operations

**Palmdale Water District**  
**Profit and Loss Statement**  
**Year-To-Year Comparison - May**

	2012 May	2013 May	Change	% Change	Consumption Comparison		
					Units Billed	2012 619,342	2013 718,584
<b>Operating Revenue:</b>							
Wholesale Water	\$ -	\$ 12,765	\$ 12,765		Active	26,313	26,258
Water Sales	494,220	749,238	255,019	51.60%	Vacant	1,329	1,086
Meter Fees	861,461	919,065	57,604	6.69%			
Water Quality Fees	123,790	143,767	19,977	16.14%			
Elevation Fees	42,060	47,584	5,525	13.13%	Rev/unit	\$ 2.67	\$ 2.76
Other	129,348	111,281	(18,066)	-13.97%	Rev/con	\$ 62.74	\$ 75.55
<b>Total Water Sales</b>	<b>\$ 1,650,878</b>	<b>\$ 1,983,700</b>	<b>\$ 332,822</b>	<b>20.16%</b>	Unit/con	23.54	27.37
<b>Cash Operating Expenses:</b>							
Directors	\$ 8,774	\$ 9,326	\$ 551	6.29%			
Administration	158,743	137,115	(21,628)	-13.62%			
Engineering	82,573	90,518	7,945	9.62%			
Facilities	276,629	269,209	(7,420)	-2.68%			
Operations	375,969	523,061	147,092	39.12%			
Finance	209,550	216,325	6,775	3.23%			
Water Conservation	16,986	17,676	690	4.06%			
Human Resources	14,083	15,572	1,489	10.57%			
Information Technology	40,228	51,635	11,407	28.35%			
Water Purchases	96,594	42,710	(53,884)	-55.78%			
Water Recovery	(36,235)	(691)	35,544	-98.09%			
Capitalized Expenditures	15,725	68,257	52,532	334.07%			
GAC Filter Media Replacement	-	3,463	3,463				
<b>Total Cash Operating Expenses</b>	<b>\$ 1,259,619</b>	<b>\$ 1,444,175</b>	<b>\$ 184,556</b>	<b>14.65%</b>			
<b>Non-Cash Operating Expenses:</b>							
Depreciation	\$ 579,627	\$ 590,291	\$ 10,664	1.84%			
OPEB Accrual Expense	147,678	165,223	17,545	11.88%			
Bad Debts	(513)	174	687	-133.85%			
Service Costs Construction	15,295	(2,760)	(18,055)	-118.05%			
Capitalized Construction	(56,484)	(65,211)	(8,727)	15.45%			
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 685,603</b>	<b>\$ 687,716</b>	<b>\$ 2,113</b>	<b>0.31%</b>			
<b>Net Operating Profit/(Loss)</b>	<b>\$ (294,344)</b>	<b>\$ (148,191)</b>	<b>\$ 146,153</b>	<b>-49.65%</b>			
<b>Non-Operating Revenues:</b>							
Assessments	\$ 416,668	\$ 416,667	\$ (1)	0.00%			
DWR Fixed Charge Recovery	-	35,285	35,285				
Interest	1,539	(16,103)	(17,642)	-1146.25%			
Capital Improvement Fees	531,216	48,031	(483,186)	-90.96%			
State Grants	-	-	-				
Other	13,118	16,165	3,047	23.23%			
<b>Total Non-Operating Revenues</b>	<b>\$ 962,541</b>	<b>\$ 500,045</b>	<b>\$ (462,496)</b>	<b>-48.05%</b>			
<b>Non-Operating Expenses:</b>							
Interest on Long-Term Debt	\$ 208,555	\$ (98,052)	\$ (306,607)	-147.02%			
Amortization of SWP	128,945	144,745	15,800	12.25%			
Water Conservation Programs	4,602	12,119	7,518	163.37%			
<b>Total Non-Operating Expenses</b>	<b>\$ 342,101</b>	<b>\$ 58,812</b>	<b>\$ (283,290)</b>	<b>-82.81%</b>			
<b>Net Earnings</b>	<b>\$ 326,095</b>	<b>\$ 293,042</b>	<b>\$ (33,053)</b>	<b>-10.14%</b>			

# YEAR-TO-YEAR COMPARISON

## May '12 -To- May '13



	2012	2013	Change	
Units Billed (AF)	1,422	1,650	228	16.02%
Active Connections	26,313	26,258	-55	-0.21%
Non-Active	1,329	1,086	-243	-18.28%
Total Revenue per Unit	\$2.67	\$2.76	\$0.10	3.57%
Total Revenue per Connection	\$62.74	\$75.55	\$12.81	20.41%
Units Billed per Connection	23.54	27.37	4	16.27%



**Palmdale Water District**

**Revenue Analysis**

**For the Five Months Ending 5/31/2013**

2013

**2012 to 2013 Comparison**

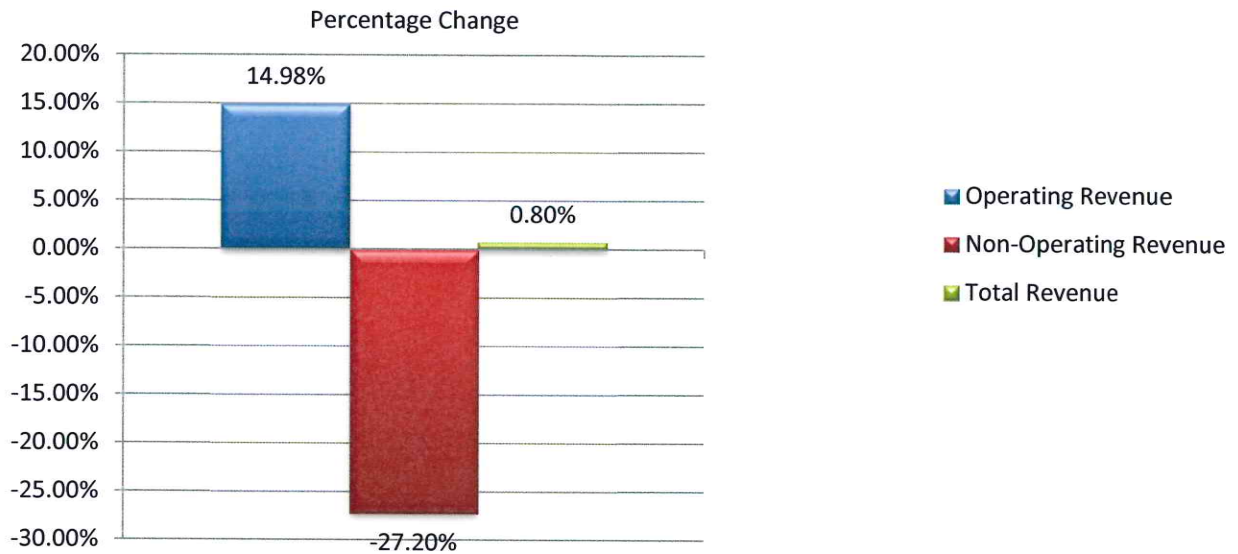
	Thru April	May	Year-to-Date	Adjusted Budget	% of Budget	Thru April	May	Year-to-Date	% Change
<b>Operating Revenue:</b>									
Wholesale Water	\$ 8,779	\$ 12,765	\$ 21,543	\$ 175,000	12.31%	\$ 8,779	12,765	21,543	
Water Sales	1,912,480	749,238	2,661,718	8,198,000	32.47%	359,332	255,019	614,351	30.01%
Meter Fees	3,682,386	919,065	4,601,451	11,232,000	40.97%	241,146	57,604	298,750	6.94%
Water Quality Fees	363,607	143,767	507,374	1,638,000	30.98%	3,419	19,977	23,396	4.83%
Elevation Fees	109,556	47,584	157,140	550,000	28.57%	(5,703)	5,525	(178)	-0.11%
Other	685,924	111,281	797,205	1,250,000	63.78%	199,420	(18,066)	181,354	29.45%
<b>Total Water Sales</b>	<b>\$ 6,762,731</b>	<b>\$ 1,983,700</b>	<b>\$ 8,746,431</b>	<b>\$ 23,043,000</b>	<b>37.96%</b>	<b>\$ 806,393</b>	<b>\$ 332,822</b>	<b>\$ 1,139,216</b>	<b>14.98%</b>
<b>Non-Operating Revenues:</b>									
Assessments (Debt Service)	\$ 1,674,210	\$ 313,371	\$ 1,987,581	\$ 4,300,000	46.22%	\$ 424,207	\$ 870	\$ 425,077	27.20%
Assessments (1%)	551,869	103,296	655,165	2,155,165	30.40%	135,201	(871)	134,330	25.79%
DWR Fixed Charge Recovery	59,514	35,285	94,799	100,000	94.80%	(376,404)	35,285	(341,119)	-78.25%
Interest	(1,239)	(16,103)	(17,342)	25,000	-69.37%	(12,268)	(17,642)	(29,910)	-237.98%
Capital Improvement Fees	(72,065)	48,031	(24,034)	150,000	-16.02%	(765,352)	(483,186)	(1,248,537)	-101.96%
State Grants	-	-	-	485,000	0.00%	-	-	-	
Other	90,365	16,165	106,530	150,000	71.02%	9,817	3,047	12,864	13.73%
<b>Total Non-Operating Revenues</b>	<b>\$ 2,302,654</b>	<b>\$ 500,045</b>	<b>\$ 2,802,699</b>	<b>\$ 7,365,165</b>	<b>38.05%</b>	<b>\$ (584,799)</b>	<b>\$ (462,496)</b>	<b>\$ (1,047,295)</b>	<b>-27.20%</b>
<b>Total Revenue</b>	<b>\$ 9,065,385</b>	<b>\$ 2,483,745</b>	<b>\$ 11,549,130</b>	<b>\$ 30,408,165</b>	<b>37.98%</b>	<b>\$ 221,594</b>	<b>\$ (129,674)</b>	<b>\$ 91,920</b>	<b>0.80%</b>

2012

	Thru April	May	Year-to-Date	Adjusted Budget	% of Budget	Thru April	May	Year-to-Date	% of Budget
<b>Operating Revenue:</b>									
Wholesale Water	\$ -	\$ -	\$ -	\$ 175,000	0.00%				
Water Sales	1,553,148	494,220	2,047,368	8,145,000	25.14%				
Meter Fees	3,441,240	861,461	4,302,701	10,400,000	41.37%				
Water Quality Fees	360,188	123,790	483,978	1,550,000	31.22%				
Elevation Fees	115,258	42,060	157,318	525,000	29.97%				
Other	486,504	129,348	615,851	1,250,000	49.27%				
<b>Total Water Sales</b>	<b>\$ 5,956,338</b>	<b>\$ 1,650,878</b>	<b>\$ 7,607,216</b>	<b>\$ 21,870,000</b>	<b>34.78%</b>				
<b>Non-Operating Revenues:</b>									
Assessments (Debt Service)	\$ 1,250,003	\$ 312,501	\$ 1,562,504	\$ 4,000,000	39.06%				
Assessments (1%)	\$ 416,668	\$ 104,167	\$ 520,835	\$ 1,500,000	34.72%				
DWR Fixed Charge Recovery	435,918	-	435,918	-					
Interest	11,029	1,539	12,569	60,000	20.95%				
Capital Improvement Fees	693,287	531,216	1,224,504	1,286,848	95.16%				
State Grants	-	-	-	250,000	0.00%				
Other	80,548	13,118	93,665	100,000	93.67%				
<b>Total Non-Operating Revenues</b>	<b>\$ 2,887,453</b>	<b>\$ 962,541</b>	<b>\$ 3,849,994</b>	<b>\$ 7,196,848</b>	<b>53.50%</b>				
<b>Total Revenue</b>	<b>\$ 8,843,791</b>	<b>\$ 2,613,419</b>	<b>\$ 11,457,210</b>	<b>\$ 29,066,848</b>	<b>39.42%</b>				

# REVENUE COMPARISON YEAR-TO-DATE

May '12-To-May '13



Palmdale Water District

Operating Expense Analysis

For the Five Months Ending 5/31/2013  
2013

2012 to 2013 Comparison

	Thru April	May	Year-to-Date	Adjusted Budget	% of Budget	Thru April	May	Year-to-Date	% Change
<b>Cash Operating Expenses:</b>									
Directors	\$ 34,593	\$ 9,326	\$ 43,919	\$ 117,500	37.38%	\$ (14,448)	\$ 1,843	\$ (12,605)	-22.30%
Administration	718,627	137,115	855,741	2,602,000	32.89%	(530,410)	(85,430)	(615,840)	-41.85%
Engineering	429,739	90,518	520,257	1,215,750	42.79%	(34,055)	1,117	(32,938)	-5.95%
Facilities	913,927	269,209	1,183,136	3,298,500	35.87%	(425,137)	14,281	(410,857)	-25.78%
Operations	1,327,567	523,061	1,850,628	4,944,250	37.43%	(443,195)	175,194	(268,001)	-12.65%
Finance	844,317	216,325	1,060,641	2,789,000	38.03%	(278,007)	(15,573)	(293,581)	-21.68%
Water Conservation	72,792	17,676	90,468	239,750	37.73%	(12,494)	(464)	(12,958)	-12.53%
Human Resources	40,561	15,572	56,133	209,600	26.78%	(54,615)	(9,751)	(64,366)	-53.42%
Information Technology	223,083	51,635	274,718	728,000	37.74%	223,083	15,784	(34,000)	-11.01%
Water Purchases	833,091	42,710	875,801	2,600,000	33.68%	(410,662)	(53,884)	(464,546)	-34.66%
Water Recovery	(267,302)	(691)	(267,993)	(100,000)	267.99%	13,348	256,719	270,067	-50.19%
Capitalized Expenditures	377,171	68,257	445,427	836,500	53.25%	269,151	65,299	334,451	301.37%
GAC Filter Media Replacement	216,776	3,463	220,239	1,638,000	13.45%	(3,053)	3,463	410	
<b>Total Cash Operating Expenses</b>	<b>\$ 5,764,941</b>	<b>\$ 1,444,175</b>	<b>\$ 7,209,116</b>	<b>\$ 21,118,850</b>	<b>34.14%</b>	<b>\$ (1,700,495)</b>	<b>\$ 368,599</b>	<b>\$ (1,604,763)</b>	<b>-22.26%</b>
<b>Non-Cash Operating Expenses:</b>									
Depreciation	\$ 2,363,457	\$ 590,291	\$ 2,953,748	\$ 7,250,000	40.74%	\$ (572,970)	\$ 15,321	\$ (557,649)	-15.88%
OPEB Accrual Expense	660,891	165,223	826,113	2,826,113	29.23%	(238,389)	17,545	(220,844)	-21.09%
Bad Debts	4,836	174	5,009	105,009	4.77%	1,512	(215)	1,297	34.94%
Service Costs Construction	(48,104)	(2,760)	(50,864)	74,136	-68.61%	(43,898)	(25,573)	(69,471)	-373.37%
Capitalized Construction	(244,767)	(65,211)	(309,978)	(1,309,978)	23.66%	80,329	(19,243)	61,086	-16.46%
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 2,736,312</b>	<b>\$ 687,716</b>	<b>\$ 3,424,028</b>	<b>\$ 8,945,280</b>	<b>38.28%</b>	<b>\$ (773,416)</b>	<b>\$ (12,165)</b>	<b>\$ (785,581)</b>	<b>-22.94%</b>
<b>Non-Operating Expenses:</b>									
Interest on Long-Term Debt	\$ 746,411	\$ (98,052)	\$ 648,359	\$ 2,111,000	30.71%	\$ (296,363)	\$ (306,607)	\$ (602,970)	-48.19%
Amortization of SWP	576,364	144,745	721,109	1,679,000	42.95%	(68,361)	15,800	(52,561)	-6.79%
Water Conservation Programs	33,102	12,119	45,221	150,000	30.15%	14,054	3,538	17,592	0.86%
<b>Total Non-Operating Expenses</b>	<b>\$ 1,355,877</b>	<b>\$ 58,812</b>	<b>\$ 1,414,689</b>	<b>\$ 3,940,000</b>	<b>35.91%</b>	<b>\$ (350,670)</b>	<b>\$ (287,269)</b>	<b>\$ (637,939)</b>	<b>-31.08%</b>
<b>Total Expenses</b>	<b>\$ 9,857,130</b>	<b>\$ 2,190,703</b>	<b>\$ 12,047,833</b>	<b>\$ 34,004,130</b>	<b>35.43%</b>	<b>\$ (2,824,581)</b>	<b>\$ 69,165</b>	<b>\$ (3,028,283)</b>	<b>-20.09%</b>



Palmdale Water District

Operating Expense Analysis

For the Five Months Ending 5/31/2013

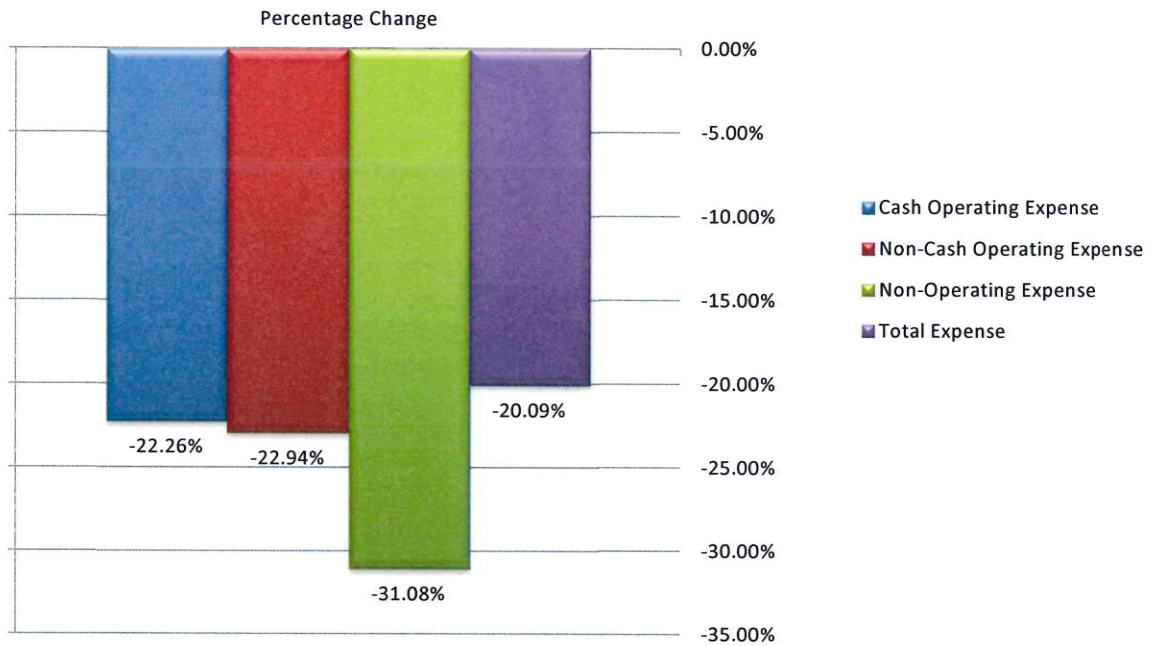
2012 to 2013 Comparison

2012

	Thru April	May	Year-to-Date	Adjusted Budget	% of Budget
<b>Cash Operating Expenses:</b>					
Directors	\$ 49,041	\$ 7,483	\$ 56,524	\$ 154,000	36.70%
Administration	1,249,037	222,545	1,471,582	3,547,000	41.49%
Engineering	463,794	89,401	553,195	1,169,000	47.32%
Facilities	1,339,064	254,928	1,593,993	3,490,500	45.67%
Operations	1,770,762	347,867	2,118,629	5,113,750	41.43%
Finance	1,122,324	231,898	1,354,222	2,788,750	48.56%
Water Conservation	85,285	18,140	103,425	223,500	46.28%
Human Resources	95,176	25,322	120,499	267,850	44.99%
Information Technology	272,867	35,851	308,717	736,750	41.90%
Water Purchases	1,243,753	96,594	1,340,347	2,800,000	47.87%
Water Recovery	(280,650)	(257,410)	(538,060)	(200,000)	269.03%
Capitalized Expenditures	108,019	2,957	110,977	412,500	26.90%
GAC Filter Media Replacement	219,829	-	219,829	1,550,000	14.18%
<b>Total Cash Operating Expenses</b>	<b>\$ 7,738,303</b>	<b>\$ 1,075,576</b>	<b>\$ 8,813,879</b>	<b>\$ 22,053,600</b>	<b>39.97%</b>
<b>Non-Cash Operating Expenses:</b>					
Depreciation	\$ 2,936,427	\$ 574,970	\$ 3,511,397	\$ 7,800,000	45.02%
OPEB Accrual Expense	899,280	147,678	1,046,958	2,000,000	52.35%
Bad Debts	3,324	388	3,712	100,000	3.71%
Service Costs Construction	(4,207)	22,813	18,607	125,000	14.89%
Capitalized Construction	(325,096)	(45,968)	(371,064)	(1,000,000)	37.11%
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 3,509,728</b>	<b>\$ 699,881</b>	<b>\$ 4,209,609</b>	<b>\$ 9,025,000</b>	<b>46.64%</b>
<b>Non-Operating Expenses:</b>					
Interest on Long-Term Debt	\$ 1,042,774	\$ 208,555	\$ 1,251,329	\$ 2,490,000	50.25%
Amortization of SWP	644,725	128,945	773,670	1,680,000	46.05%
Capital Lease	-	-	-	212,000	-
Water Conservation Programs	19,048	8,581	27,629	150,000	-
<b>Total Non-Operating Expenses</b>	<b>\$ 1,706,547</b>	<b>\$ 346,081</b>	<b>\$ 2,052,628</b>	<b>\$ 4,532,000</b>	<b>45.29%</b>
<b>Total Expenses</b>	<b>\$ 12,954,578</b>	<b>\$ 2,121,538</b>	<b>\$ 15,076,116</b>	<b>\$ 35,610,600</b>	<b>42.34%</b>

## EXPENSE COMPARISON YEAR-TO-DATE

May '12-To-May '13



**Palmdale Water District**  
**2013 Directors Budget**  
For the Five Months Ending Friday, May 31, 2013

	YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-01-4000-000 Directors Pay	\$ 19,500	\$ 45,000	\$ -	\$ 25,500	43.33%
Employee Benefits					
1-01-4005-000 Payroll Taxes	1,492	5,500		4,008	27.12%
1-01-4010-000 Health Insurance	21,222	57,000		35,778	37.23%
Subtotal (Benefits)	22,714	62,500	-	35,778	36.34%
Total Personnel Expenses	<u>\$ 42,214</u>	<u>\$ 107,500</u>	<u>\$ -</u>	<u>\$ 61,278</u>	<u>39.27%</u>
OPERATING EXPENSES:					
1-01-4050-000 Directors Travel, Seminars & Meetings	1,705	10,000		8,295	17.05%
Subtotal Operating Expenses	1,705	10,000	-	8,295	17.05%
Total O & M Expenses	<u>\$ 43,919</u>	<u>\$ 117,500</u>	<u>\$ -</u>	<u>\$ 69,573</u>	<u>37.38%</u>



**Palmdale Water District**  
**2013 Administration Budget**  
For the Five Months Ending Friday, May 31, 2013

YTD ACTUAL	ORIGINAL BUDGET	ADJUSTMENTS	ADJUSTED BUDGET	PERCENT
2013	2013	2013	REMAINING	USED

Personnel Budget:

1-02-4000-000 Salaries	\$ 192,255	\$ 471,500	\$ 279,245	40.78%
1-02-4000-100 Overtime	3,654	5,000	1,346	73.08%
1-02-4000-200 On-Call	22,699	60,000	37,301	37.83%
Subtotal (Salaries)	\$ 218,608	\$ 536,500	\$ 317,892	40.75%

Employee Benefits

1-02-4005-000 Payroll Taxes	16,423	41,000	24,577	40.06%
1-02-4010-000 Health Insurance	33,567	80,750	47,183	41.57%
1-02-4015-000 PERS	38,466	90,750	52,284	42.39%
1-02-4020-000 Worker's Compensation	28,916	160,000	131,084	18.07%
1-02-4025-000 Vacation Benefit Expense	60,955	35,000	(25,955)	174.16%
1-02-4030-000 Life Insurance	3,344	7,500	4,156	44.59%
Subtotal (Benefits)	\$ 181,671	\$ 415,000	\$ 233,329	43.78%

Total Personnel Expenses

\$ 400,279	\$ 951,500	\$ -	\$ 551,221	42.07%
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OPERATING EXPENSES:

1-02-4050-000 Staff Travel	\$ 3,569	\$ 8,000	\$ 4,431	44.62%
1-02-4050-100 General Manager Travel	2,503	5,000	2,498	50.05%
1-02-4060-000 Staff Conferences & Seminars	1,150	3,000	1,850	38.33%
1-02-4060-100 General Manager Conferences & Seminars	1,430	4,500	3,070	31.78%
1-02-4070-000 Employee Expense	13,501	40,000	26,499	33.75%
1-02-4080-000 Other Operating	35	20,000	19,965	0.18%
1-02-4110-000 Consultants	24,518	134,000	109,482	18.30%
1-02-4125-000 Insurance	114,612	325,000	210,388	35.27%
1-02-4130-000 Bank Charges	48,249	130,000	81,751	37.11%
1-02-4135-000 Groundwater Adjudication	91,311	400,000	308,689	22.83%
1-02-4140-000 Legal Services	49,837	250,000	200,163	19.93%
1-02-4150-000 Accounting Services	18,485	20,000	1,515	92.43%
1-02-4155-000 Contracted Services	14,090	40,000	25,911	35.22%
1-02-4165-000 Memberships/Subscriptions	18,712	110,000	91,288	17.01%
1-02-4175-000 Permits	1,625	20,000	18,375	8.13%
1-02-4180-000 Postage	8,732	30,000	21,268	29.11%
1-02-4190-100 Public Relations - Publications	19,299	30,000	10,701	64.33%
1-02-4190-900 Public Relations - Other	353	1,000	647	35.30%
1-02-4200-000 Advertising	1,136	5,000	3,864	22.72%
1-02-4205-000 Office Supplies	6,093	20,000	13,907	30.47%
1-02-4215-200 Natural Gas - Office Building	1,814	5,000	3,186	36.28%
1-02-4220-200 Electricity - Office Building	14,408	50,000	35,592	28.82%
Subtotal Operating Expenses	\$ 455,462	\$ 1,650,500	\$ 1,195,038	27.60%

Total Departmental Expenses

\$ 855,741	\$ 2,602,000	\$ -	\$ 1,746,259	32.89%
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**Palmdale Water District**  
**2013 Engineering Budget**  
For the Five Months Ending Friday, May 31, 2013

	YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-03-4000-000 Salaries	\$ 301,133	\$ 749,000		\$ 447,867	40.20%
1-03-4000-100 Overtime	2,128	6,000		3,872	35.47%
Subtotal (Salaries)	\$ 303,261	\$ 755,000		\$ 451,739	40.17%
Employee Benefits					
1-03-4005-000 Payroll Taxes	25,473	58,000		32,527	43.92%
1-03-4010-000 Health Insurance	68,982	165,500		96,518	41.68%
1-03-4015-000 PERS	60,793	143,250		82,457	42.44%
Subtotal (Benefits)	\$ 155,248	\$ 366,750	\$ -	\$ 211,502	42.33%
Total Personnel Expenses	\$ 458,509	\$ 1,121,750	\$ -	\$ 663,241	40.87%
OPERATING EXPENSES:					
1-03-4050-000 Staff Travel	\$ 1,762	\$ 3,000		\$ 1,238	58.73%
1-03-4060-000 Staff Conferences & Seminars	1,460	2,500		1,040	58.40%
1-03-4155-000 Contracted Services	2,530	12,000		9,470	21.08%
1-03-4165-000 Memberships/Subscriptions	557	2,000		1,443	27.87%
1-03-4250-000 General Materials & Supplies	591	2,500		1,909	23.62%
1-03-8100-100 Computer Software - Maint. & Support	54,848	72,000		17,152	76.18%
Subtotal Operating Expenses	\$ 61,748	\$ 94,000	\$ -	\$ 32,252	65.69%
Total Departmental Expenses	\$ 520,257	\$ 1,215,750	\$ -	\$ 695,493	42.79%

**Palmdale Water District  
2013 Facilities Budget  
For the Five Months Ending Friday, May 31, 2013**

	YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-04-4000-000 Salaries	\$ 478,869	\$ 1,339,000		\$ 860,131	35.76%
1-04-4000-100 Overtime	16,304	40,000		23,696	40.76%
Subtotal (Salaries)	\$ 495,173	\$ 1,379,000		\$ 883,827	35.91%
<b>Employee Benefits</b>					
1-04-4005-000 Payroll Taxes	42,940	105,000		62,060	40.90%
1-04-4010-000 Health Insurance	167,952	384,000		216,048	43.74%
1-04-4015-000 PERS	99,117	254,500		155,383	38.95%
Subtotal (Benefits)	\$ 310,009	\$ 743,500	\$ -	\$ 433,491	41.70%
Total Personnel Expenses	\$ 805,182	\$ 2,122,500	\$ -	\$ 1,293,622	37.94%
<b>OPERATING EXPENSES:</b>					
1-04-4050-000 Staff Travel	\$ 246	\$ 2,500		2,254	9.85%
1-04-4060-000 Staff Conferences & Seminars	2,225	3,000		775	74.17%
1-04-4155-000 Contracted Services	5,779	28,500		22,721	20.28%
1-04-4215-200 Natural Gas - Buildings	1,224	4,500		3,276	27.19%
1-04-4220-200 Electricity - Buildings	5,768	30,000		24,232	19.23%
1-04-4225-000 Maint. & Repair - Vehicles	8,126	45,000		36,874	18.06%
1-04-4230-100 Maint. & Rep. Office Building	648	18,000		17,352	3.60%
1-04-4235-110 Maint. & Rep. Equipment	3,567	7,500		3,933	47.56%
1-04-4235-400 Maint. & Rep. Operations - Wells	18,653	150,000		131,347	12.44%
1-04-4235-405 Maint. & Rep. Operations - Boosters	38,472	50,000		11,528	76.94%
1-04-4235-410 Maint. & Rep. Operations - Shop Bldgs	6,197	10,000		3,803	61.97%
1-04-4235-415 Maint. & Rep. Operations - Facilities	7,057	15,000		7,943	47.05%
1-04-4235-420 Maint. & Rep. Operations - Water Lines	121,009	350,000		228,991	34.57%
1-04-4235-425 Maint. & Rep. Operations - Littlerock Dam	35,743	20,000		(15,743)	178.71%
1-04-4235-430 Maint. & Rep. Operations - Palmdale Dam	12,699	26,500		13,801	47.92%
1-04-4235-435 Maint. & Rep. Operations - Palmdale Canal	-	3,000		3,000	0.00%
1-04-4235-455 Maint. & Rep. Operations - Heavy Equipment	11,189	35,000		23,811	31.97%
1-04-4235-460 Maint. & Rep. Operations - Storage Reservoirs	-	5,000		5,000	0.00%
1-04-6000-000 Waste Disposal	14,140	40,000		25,860	35.35%
1-04-6100-100 Fuel and Lube - Vehicle	30,284	130,000		99,716	23.30%
1-04-6100-200 Fuel and Lube - Machinery	7,307	43,000		35,693	16.99%
1-04-6200-000 Uniforms	8,645	20,000		11,355	43.23%
1-04-6300-100 Supplies - Misc.	16,278	47,500		31,222	34.27%
1-04-6300-800 Supplies - Construction Materials	12,253	65,000		52,747	18.85%
1-04-6400-000 Tools	5,809	12,000		6,191	48.41%
1-04-7000-100 Leases -Equipment	4,637	15,000		10,363	30.91%
Subtotal Operating Expenses	\$ 377,954	\$ 1,176,000	\$ -	\$ 798,046	32.14%
Total Departmental Expenses	\$ 1,183,136	\$ 3,298,500	\$ -	\$ 2,091,668	35.87%



**Palmdale Water District**  
**2013 Operation Budget**  
For the Five Months Ending Friday, May 31, 2013

	YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-05-4000-000 Salaries	\$ 585,156	\$ 1,608,500		\$ 1,023,344	36.38%
1-05-4000-100 Overtime	27,882	61,500		33,618	45.34%
Subtotal (Salaries)	\$ 613,039	\$ 1,670,000		\$ 1,056,961	36.71%
<b>Employee Benefits</b>					
1-05-4005-000 Payroll Taxes	51,836	128,000		76,164	40.50%
1-05-4010-000 Health Insurance	147,520	378,500		230,980	38.97%
1-05-4015-000 PERS	117,335	307,000		189,665	38.22%
Subtotal (Benefits)	\$ 316,691	\$ 813,500	\$ -	\$ 496,809	38.93%
Total Personnel Expenses	\$ 929,730	\$ 2,483,500	\$ -	\$ 1,520,152	37.44%
<b>OPERATING EXPENSES:</b>					
1-05-4050-000 Staff Travel	\$ 81	\$ 8,000		\$ 7,919	1.01%
1-05-4060-000 Staff Conferences & Seminars	-	9,500		9,500	0.00%
1-05-4120-100 Training - Lab Equipment	-	4,500		4,500	0.00%
1-05-4120-200 Training - SCADA Network	-	9,000			
1-05-4155-000 Contracted Services	61,551	59,000		(2,551)	104.32%
1-05-4175-000 Permits	6,123	45,000		38,877	13.61%
1-05-4215-100 Natural Gas - Wells & Boosters	54,395	160,000		105,605	34.00%
1-05-4215-200 Natural Gas - WTP	2,006	3,000		994	66.88%
1-05-4220-100 Electricity - Wells & Boosters	426,941	1,285,000		858,059	33.22%
1-05-4220-200 Electricity - WTP	44,754	125,000		80,246	35.80%
1-05-4230-110 Maint. & Rep. - Office Equipment	147	500		353	29.49%
1-05-4235-110 Maint. & Rep. Operations - Equipment	6,451	15,000		8,549	43.01%
1-05-4235-410 Maint. & Rep. Operations - Shop Bldgs	1,400	6,000		4,600	23.34%
1-05-4235-415 Maint. & Rep. Operations - Facilities	23,202	38,000		14,798	61.06%
1-05-4235-445 Maint. & Rep. Operations - Telemetry	2,053	2,250		197	91.25%
1-05-4235-450 Maint. & Rep. Operations - Hypo Generator	9,411	10,000		589	94.11%
1-05-4236-000 Palmdale Lake Management	1,163	15,000		13,837	7.75%
1-05-4270-300 Telecommunication - Other	1,136	2,750		1,614	0.00%
1-05-4300-300 Testing - Edison	-	9,000		9,000	16.14%
1-05-6000-000 Waste Disposal	1,453	22,000		20,547	21.51%
1-05-6200-000 Uniforms	4,731	10,000		5,269	39.28%
1-05-6300-100 Supplies - Misc.	3,928	15,000		11,072	11.26%
1-05-6300-200 Supplies - Hypo Generator	1,689	6,750		5,061	9.32%
1-05-6300-300 Supplies - Electrical	629	3,500		2,871	0.00%
1-05-6300-400 Supplies - Telemetry	-	7,500		7,500	222.62%
1-05-6300-600 Supplies - Lab	16,697	35,000		18,303	226.79%
1-05-6300-700 Outside Lab Work	79,378	60,000		(19,378)	2.80%
1-05-6400-000 Tools	1,682	6,500		4,818	
1-05-6500-000 Chemicals	169,688	485,000		315,312	0.04%
1-05-7000-100 Leases -Equipment	209	3,000		2,791	
Subtotal Operating Expenses	\$ 920,898	\$ 2,460,750	\$ -	\$ 1,530,852	37.42%
Total Departmental Expenses	\$ 1,850,628	\$ 4,944,250	\$ -	\$ 3,051,004	37.43%

**Palmdale Water District  
2013 Finance Budget  
For the Five Months Ending Friday, May 31, 2013**

	YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-06-4000-000 Salaries	\$ 569,937	\$ 1,482,000		\$ 912,063	38.46%
1-06-4000-100 Overtime	14,278	20,000		5,722	71.39%
Subtotal (Salaries)	\$ 584,216	\$ 1,502,000		\$ 917,784	38.90%
<b>Employee Benefits</b>					
1-06-4005-000 Payroll Taxes	50,354	115,000.00		333,396	13.12%
1-06-4010-000 Health Insurance	139,615	383,750		142,885	49.42%
1-06-4015-000 PERS	118,511	282,500		547,739	17.79%
Subtotal (Benefits)	\$ 308,481	\$ 666,250	\$ -	\$ 1,024,019	46.30%
Total Personnel Expenses	\$ 892,696	\$ 2,168,250	\$ -	\$ 1,936,082	41.17%
<b>OPERATING EXPENSES:</b>					
1-06-4050-000 Staff Travel	\$ 123	\$ 250		128	49.00%
1-06-4060-000 Staff Conferences & Seminars	495	1,000		505	49.50%
1-06-4155-300 Contracted Services	2,228	10,000		7,772	22.28%
1-06-4155-100 Contracted Services - Infosend	77,775	205,000		127,225	37.94%
1-06-4165-000 Memberships/Subscriptions	-	500		500	0.00%
1-06-4230-110 Maintenance & Repair - Office Equipment	-	1,000		1,000	0.00%
1-06-4235-440 Maint. & Rep. Operations - Large Meters	5,561	10,000		4,439	55.61%
1-06-4235-470 Maint. & Rep. Operations - Meter Exchanges	58,946	175,000		116,054	33.68%
1-06-4250-000 General Material & Supplies	3,964	4,000		36	99.11%
1-06-4260-000 Business Forms	4,207	10,000		5,793	42.07%
1-06-4270-100 Telecommunication - Office	4,416	30,000		25,584	14.72%
1-06-4270-200 Telecommunication - Cellular Stipend	5,835	17,000		11,165	34.32%
1-06-4270-300 Telecommunication - Cellular	213	3,000		2,787	7.11%
1-06-4300-200 Testing - Large Meter Testing	2,985	21,500		18,515	13.88%
1-06-7000-100 Leases - Equipment	1,197	3,000		1,803	39.89%
Subtotal Operating Expenses	\$ 167,945	\$ 491,250	\$ -	\$ 323,305	34.19%
Total Departmental Expenses	\$ 1,060,641	\$ 2,659,500	\$ -	\$ 2,259,387	39.88%

**Palmdale Water District**  
**2013 Water Conservation Budget**  
For the Five Months Ending Friday, May 31, 2013

YTD ACTUAL	ORIGINAL BUDGET	ADJUSTMENTS	ADJUSTED BUDGET	PERCENT
2013	2013	2013	REMAINING	USED

Personnel Budget:

1-07-4000-000 Salaries	\$ 58,872	\$ 153,000	\$ 94,128	38.48%
1-07-4000-100 Overtime	611	1,000	389	61.10%
Subtotal (Salaries)	\$ 59,483	\$ 154,000	\$ 94,517	38.63%

Employee Benefits

1-07-4005-000 Payroll Taxes	5,001	11,750	6,749	42.56%
1-07-4010-000 Health Insurance	9,830	22,750	12,920	43.21%
1-07-4015-000 PERS	12,460	29,250	16,790	42.60%
Subtotal (Benefits)	\$ 27,290	\$ 63,750	\$ -	42.81%

Total Personnel Expenses

\$ 86,773	\$ 217,750	\$ -	\$ 130,588	39.85%
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OPERATING EXPENSES:

1-07-4050-000 Staff Travel	\$ -	\$ 1,000	\$ 1,000	0.00%
1-07-4060-000 Staff Conferences & Seminars	598	1,000	402	59.80%
1-07-4190-300 Public Relations - Landscape Workshop/Training	201	1,000	799	20.05%
1-07-4190-400 Public Relations - Contests	709	1,000	291	70.86%
1-07-4190-500 Public Relations - Education Programs	890	5,000	4,110	17.79%
1-07-4190-700 Public Relations -General Media	-	3,000	3,000	0.00%
1-07-4190-900 Public Relations - Other	180	5,000		
1-07-6300-100 Supplies - Misc.	1,118	5,000	3,882	22.36%
Subtotal Operating Expenses	\$ 3,695	\$ 22,000	\$ -	16.79%

Total Departmental Expenses

\$ 90,468	\$ 239,750	\$ -	\$ 144,073	37.73%
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**Palmdale Water District**  
**2013 Human Resources Budget**  
**For the Five Months Ending Friday, May 31, 2013**

	YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-08-4000-000 Salaries	\$ 35,675	\$ 84,000		\$ 48,325	42.47%
Employee Benefits					
1-08-4005-000 Payroll Taxes	2,729	6,500		3,771	41.99%
1-08-4010-000 Health Insurance	-	18,000		18,000	0.00%
1-08-4015-000 PERS	-	16,000		16,000	0.00%
Subtotal (Benefits)	\$ 2,729	\$ 40,500	\$ -	\$ 37,771	6.74%
Total Personnel Expenses	\$ 38,404	\$ 124,500	\$ -	\$ 86,096	30.85%
OPERATING EXPENSES:					
1-08-4050-000 Staff Travel	\$ -	\$ 500		\$ 500	0.00%
1-08-4060-000 Staff Conferences & Seminars	-	500		500	0.00%
1-08-4090-000 Temporary Staffing	8,370	-		(8,370)	
1-08-4095-000 Employee Recruitment	1,217	3,000		1,783	40.55%
1-08-4100-000 Employee Retention	420	1,500		1,080	28.00%
1-08-4105-000 Employee Relations	3,121	3,500		379	89.18%
1-08-4110-000 Consultants	-	1,000		1,000	0.00%
1-08-4120-100 Training-Safety Consultants	2,423	38,000		35,577	6.38%
1-08-4121-000 Safety Program	-	1,000		1,000	0.00%
1-08-4165-000 Membership/Subscriptions	449	1,600		1,151	28.06%
1-08-4165-100 HR/Safety Publications	-	1,000		1,000	0.00%
1-08-6300-500 Supplies - Safety	1,730	33,500		31,770	5.16%
Subtotal Operating Expenses	\$ 17,730	\$ 85,100	\$ -	\$ 67,370	20.83%
Total Departmental Expenses	\$ 56,133	\$ 209,600	\$ -	\$ 153,467	26.78%

**Palmdale Water District**  
**2013 Information Technology Budget**  
**For the Five Months Ending Friday, May 31, 2013**

	YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-09-4000-000 Salaries	\$ 81,336	\$ 204,000		\$ 122,664	39.87%
1-09-4000-100 Overtime	1,504	2,500		996	60.17%
Subtotal (Salaries)	\$ 82,840	\$ 206,500		\$ 123,660	40.12%
Employee Benefits					
1-09-4005-000 Payroll Taxes	6,987	16,000		9,013	43.67%
1-09-4010-000 Health Insurance	17,343	41,250		23,907	42.04%
1-09-4015-000 PERS	16,617	39,250		22,633	42.34%
Subtotal (Benefits)	\$ 40,947	\$ 96,500	\$ -	\$ 55,553	42.43%
Total Personnel Expenses	\$ 123,787	\$ 303,000	\$ -	\$ 178,217	40.85%
OPERATING EXPENSES:					
1-09-4050-000 Staff Travel	\$ 115	\$ 3,000		2,885	3.83%
1-09-4060-000 Staff Conferences & Seminars	11,088	15,000		3,912	73.92%
1-09-4155-300 Contracted Services - Computer Vendors	56,448	108,000		51,552	52.27%
1-09-4165-000 Memberships/Subscriptions	-	500		500	0.00%
1-09-8000-100 Computer Equipment - Computers	4,719	45,000		40,281	10.49%
1-09-8000-200 Computer Equipment - Laptops	-	10,000		10,000	0.00%
1-09-8000-300 Computer Equipment - Monitors	-	2,000		2,000	0.00%
1-09-8000-400 Computer Equipment - Printers	12	2,500		2,488	0.48%
1-09-8000-500 Computer Equipment - Toner Cartridges	582	3,000		2,418	19.40%
1-09-8000-600 Computer Equipment - Other	3,308	35,000		31,692	9.45%
1-09-8100-100 Computer Software - Maint. and Support	6,059	70,000		63,941	8.66%
1-09-8100-140 Computer Software - Starnik	39,500	86,000			
1-09-8100-150 Computer Software - Cogsdale Maint and Support	26,790	30,000		3,210	89.30%
1-09-8100-200 Computer Software - Software and Upgrades	2,311	15,000		12,689	15.40%
Subtotal Operating Expenses	\$ 150,931	\$ 425,000	\$ -	\$ 227,569	35.51%
Total Departmental Expenses	\$ 274,718	\$ 728,000	\$ -	\$ 405,786	37.74%

# ENGINEERING DEPARTMENT COMMITTED CONTRACTS AND PAYOUT SCHEDULE - JULY, 2013

## Project Commitment and Payout Summary

Work Order No.	Description	Contractor/Consultant/ Supplier	Contractual Commitment	Payout to Date
401-13	Water Supply Fee Analysis	Carollo Engineers	\$ 25,000 \$	0
600-12	3600' Hydro-Pneumatic Tank Replacement	Superior Tank Solutions	\$ 79,000 \$	0
RCP04	Annual Tank Maintenance Program	Superior Tank Solutions	\$ 319,100 \$	0
600-09	16th, 17th, 18th St. E. Water Main Replacement Project - Material Cost Only	HD Supply	\$ 113,352 \$	113,352
401-12	Water Meter Exchange Program	Tejon Constructors	\$ 50,000 \$	48,890

## Project Payout Detail (Actual/Projected)

Work Order No.	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
401-13							\$ 20,000	\$ 5,000				
600-12							\$ 79,000					
RCP04										\$ 319,100		
600-09							\$ 113,352					
401-12	\$ 21,895	\$ 11,438					\$ 15,557					
<b>Totals:</b>	\$ 21,895	\$ 11,438	\$ 0	\$ 0	\$ 0	\$ 0	\$ 227,909	\$ 5,000	\$ 0	\$ 319,100	\$ 0	\$ 0



# WATER QUALITY FUND COMMITTED CONTRACTS AND PAYOUT SCHEDULE - JULY, 2013

## Water Quality Fund - Commitment and Payout Summary

Project ID	Description	Contractor/Consultant/ Supplier	Contractual Commitment	Payout to Date
WQF-1	GAC Replacement @ WTP - CX Reactivated	Siemens	\$ 216,776	0
WQF-2	GAC Replacement @ WTP	Calgon Carbon	\$ 868,328	433,552
WQF-3	Localized GAC @ Underground Booster Station - Vessel	Prominent	\$ 88,812	0
WQF-4	Localized GAC @ Underground Booster Station - Site Improvements	BV Construction	\$ 77,952	46,542
WQF-5	Localized GAC @ Underground Booster Station - Structural Design	JT/AESI	\$ 7,000	6,075
WQF-6	Localized GAC @ Underground Booster Station - Initial GAC Supply	TBD	TBD	0

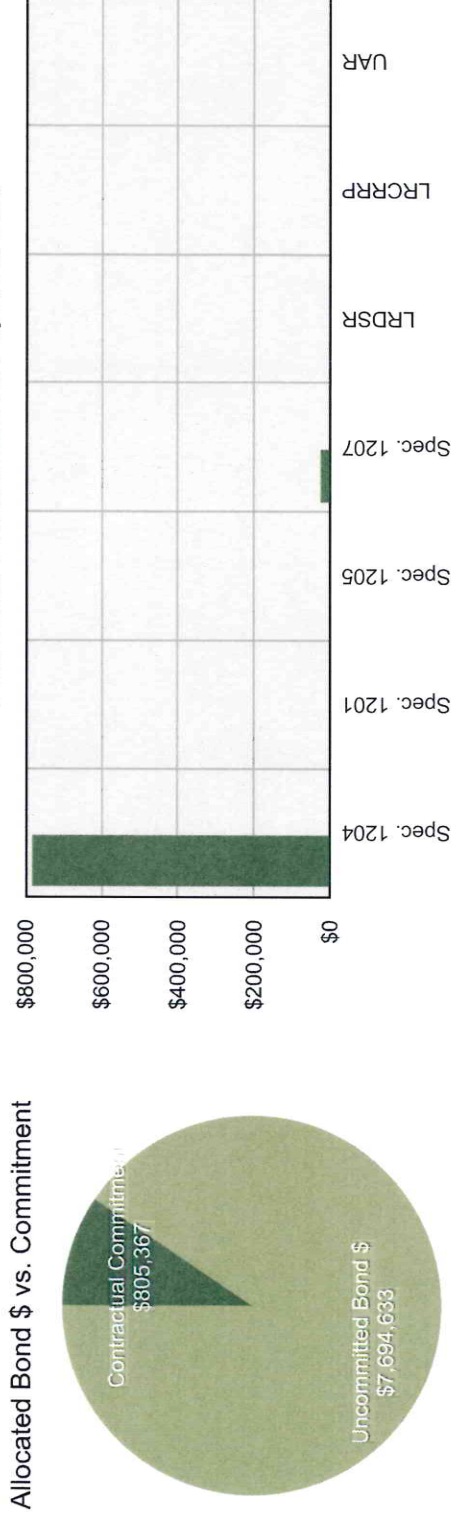
## Water Quality Fund - Payout Detail (Actual/Projected)

Project ID	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
WQF-1								\$ 216,776				
WQF-2					\$ 216,776		\$ 433,552		\$ 218,000			
WQF-3							\$ 77,000	\$ 11,812				
WQF-4						\$ 46,542	\$ 27,512	\$ 3,898				
WQF-5						\$ 6,075	\$ 925					
WQF-6								\$ 35,000				
<b>Totals:</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 216,776</b>	<b>\$ 52,617</b>	<b>\$ 538,989</b>	<b>\$ 267,486</b>	<b>\$ 218,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

# PWD WATER REVENUE BONDS - SERIES 2013A

● Contractual Commitment 
 ● Uncommitted Bond \$ 
 ■ Contractual Commitment 
 ■ Payout to Date

Contractual Commitment vs. Payout to Date



## Project Commitment and Payout Summary

Project	Work Order No.	Description	CEQA	Allocated Bond \$	Contractual Commitment	Payout to Date	Uncommitted Bond \$
Spec. 1204	603-12	Ave. Q - Q-3, Division and Sumac	4/28/13	\$725,000	\$781,857	\$0	(\$56,857)
Spec. 1201	606-11	20th, Puerta, Sweetbriar, and 22nd St. E.	5/8/13	\$1,450,000	\$0	\$0	\$1,450,000
Spec. 1205	605-12	Frontier, 31st St. E., etc. between Ave. Q and Q-4	5/8/13	\$1,200,000	\$0	\$0	\$1,200,000
Spec. 1207	607-12	10th St. E. between Ave. P and Palmdale Blvd.	6/16/13	\$1,400,000	\$23,510	\$0	\$1,376,490
LRDSR	501-04	Littlerock Sediment Removal (EIR/EIS/Permits)	TBD	\$975,000	\$0	\$0	\$975,000
LRCRRP	400-12	Littlerock Recharge and Recovery (Feasibility)	TBD	\$1,500,000	\$0	\$0	\$1,500,000
UAR	TBD	Upper Amargosa Recharge (Project Capacity)	11/20/12	\$1,250,000	\$0	\$0	\$1,250,000
Totals:				\$8,500,000	\$805,367	\$0	\$7,694,633

- 1) Resolution No. 09-03 “Palmdale Water District’s Reserve Policy” adopted March 11, 2009;
- 2) Resolution No. 05-9 “Resolution of the Board of Directors of the Palmdale Water District Setting Restrictions on Specified District Funds” adopted November 21, 2005;
- 3) Sample Reserve Policies from Helix Water District, Marina Coast Water District, and Nevada Irrigation District;
- 4) Reserve Policy survey results through CSMFO dated September 30, 2011; and
- 5) California Special Districts Association “Special District Reserve Guidelines.”



## RESOLUTION NO. 09-03

### PALMDALE WATER DISTRICT'S RESERVE POLICY

WHEREAS, the Board of Directors wants to ensure that the District will at all times have sufficient funding available to meet its operating, capital and debt service cost obligations.

WHEREAS, the Board of Directors recognizes the need to establish the finances necessary to secure additional water supply for the benefit of existing and future customers.

WHEREAS, the Board of Directors is establishing sound financial policies to promote favorable bond ratings in capital markets so that municipal bonds can be used for the future financing of projects.

WHEREAS, the Board of Directors need to include requirements imposed by law for the handling of developer related fees.

WHEREAS, the Board of Directors wants financial planning to address the planned needs for capital projects and equipment purchases.

WHEREAS, the Board of Directors wants to charge existing customers a fair share of the cost for the future replacement of facilities that are used to provide them service.

WHEREAS, the Board of Directors wants some reserve for unanticipated and unforeseeable expenses.

WHEREAS, the Board of Directors wants to avoid significant rate fluctuations in the future.

WHEREAS, the Board of Directors recognizes a need for long term strategic financial policies.

WHEREAS, this action rescinds Resolution No.'s 05-9 and 08-31 and establishes the Palmdale Water District Reserve Policy as follows:

#### *Legally Restricted Reserves:*

The Water Facilities Connection Fees and Water Supply Connection Fees are subject to the requirements of the Mitigation Fee Act (AB 1600). The funds may not be used to support ongoing operations of the District. The District is legally required to account for these funds separately. An annual report is required to show balance forward, fees collected, income earned, expenditures, and future commitments. All funds collected must be committed or expended within five years of being collected or they must be refunded.

### *1. Water Facilities Connection Fees:*

PWD will maintain a connection fee account with funds collected from developers to pay for the new facilities necessary to deliver water service to newly developed property. These fees are for offsite improvements such as the development's fair share cost of wells, reservoirs, transmission mains, treatment plant capacity, and other necessary facilities. The fees are collected at rates established by the Board of Directors based upon specific engineering studies. The rates charged are based on a project's equivalent capacity unit (ECU) basis. These funds are restricted to the design and construction of capital facilities for water delivery.

### *2. Water Supply Connection Fees:*

PWD will maintain a connection fee account with funds collected from developers to pay for developing additional sources of water needed to support the water demands of new development. The District will use the funds to pursue a variety of supply sources including projects that produce additional imported water, water transfers, recycled water, conservation, groundwater rights, water banking, or any other project that increases water supply.

### *3. Debt Service Reserve Funds:*

This fund is governed by legal bond covenants for the District's revenue bonds. Bond covenants require that this fund be maintained at a level sufficient to fund maximum annual debt service payments. These funds are held by the bond trustee during the term of the bonds and are to be used in the event that the District is unable to meet its required semi-annual debt service obligation. Reserve funds for each revenue bond issue will be used to make the last two semi-annual debt service payments for that issue. Annual interest earnings on bond reserve funds shall be applied to each year's debt service payments. Reserve funds related to state revolving fund loans shall be treated identically to revenue bond reserve funds as these loans are contractually defined as parity debt to the District's senior lien bonds.

As part of the 1998 bond documents, the District purchased insurance to secure an improved interest rate for the bonds. The insurance company was required to maintain a financial reserve to meet the lender's requirements. The municipal bond market was affected by the subprime mortgage crisis. During the crisis, our monoline insurer (FGIC) incurred heavy losses and consequently the credit rating of the insurer was downgraded. As a result, the District is required to maintain a reserve in lieu of insurance equivalent to the annual principal and interest of the bonds.

### *4. Dam Self Insurance:*

The District has set aside \$5 million for self-insurance of the Littlerock Dam as part of the 1998 Bond Documents. If the 1998 COP issue is refinanced, this reserve will be eliminated and the moneys will be available to the Board as an unrestricted reserve.

***Board Restricted Funds:***

Board designated funds are set to accomplish systematic and strategic goals or provide for prudent management of operations. The Board of Directors has complete discretion in the management and designation of self adopted funds. Such funds can be modified, transferred, or altered by Board action.

***5. Rate Stabilization Fund:***

This fund is governed by legal bond covenants for the District's revenue bonds. The purpose of the fund is to assist in smoothing rates to pay PWD debt service and to assure that minimum debt service coverage ratios required by the District's bond covenants would be met in the future. Funds deposited into this reserve are treated as operating revenues in the year of deposit and will be treated as such in years of use for the purposes of computing the District's debt service coverage ratio.

This fund is applied in the five-year financial plan and annual rate model along with other reserve funds to smooth future rate increases. This fund provides a buffer should revenue estimates in any year not meet projections. The Rate Stabilization Fund will be drawn down to smooth rate increases. Specifically, they will be applied in any year where other revenues are not sufficient to meet the required debt service coverage ratio. They will also be applied if meeting only minimum coverage levels could result in the District's bond ratings being downgraded.

***6. O&M Operating Reserve:***

The O&M Operating Reserve will vary over time with a goal of maintaining three months average operating expenses excluding depreciation. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time revenues from the same service are collected from customers.

***7. Supplemental Water Supply Fund:***

To ensure water supply reliability, an additional water supply of at least 8,000 acre-feet is to be obtained for existing customers. This increase is necessary due to the decreased reliability of the State Water Project (63% reliability) and to offset supply losses related to restrictions on groundwater pumping in the Antelope Valley. Water rates will be set at a sufficient level to pay for the added water supply assuming a cost of \$3,500 per acre-foot plus financing costs to be paid through bond financing. Annual payments are estimated at \$2.25 million for \$28 million in principal repaid at 5% over 20 years. The funds can be used on any project that develops new supply, conserves existing supplies, or reuses water.

***8. Asset Replacement Fund:***

This fund pays for the replacement of existing facilities and equipment as it reaches the end of its useful life or for major repairs that extend the useful life of facilities.

The 2009 budget shows depreciation of \$5.1 million for the year. The policy is to "fund depreciation" at 100% beginning in 2009.

*9. Conservation Program Fund:*

This fund is set aside for conservation programs or programs that develop new water supply. The fund may pay for rebates, design, construction, equipment, or program related operating costs. It will be funded from "penalty tiers" by the incremental variable amounts charged customers for water use above their base allocation.

*10. Water Quality Service Fee:*

This fee pays for water quality improvements including ongoing operating costs of granular activated carbon (GAC) and water quality efforts including operating expenses, studies, design, and construction.

*11. Unrestricted Reserves:*

Unrestricted reserves represent a remainder balance of cash that is not yet designated for some use by the Board of Directors.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Palmdale Water District as follows:


The Palmdale Water District Reserve Policy is hereby approved retroactive to December 2008, and the General Manager is directed to follow this Reserve Policy in managing available funds and investments of the District. Each fiscal year budget will report on the status of the reserve over the previous year and budget for proposed sources and uses for each reserve.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District at a regular meeting held on this 11<sup>th</sup> day of March, 2009 by the following vote:

Ayes: Jeff Storm, David Gomez, Linda Godin, Richard Wells, Raul Figueroa  
Nocs: None  
Absent: None  
Abstain: None

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Secretary, Board of Directors



Handwritten: 10/1/05

RESOLUTION NO. 05-9  
RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE PALMDALE WATER DISTRICT  
SETTING RESTRICTIONS ON SPECIFIED DISTRICT FUNDS

WHEREAS, the current law imposes upon the District a substantial number of regulations relating to its development, production, transmission and distribution of water; and

WHEREAS, compliance with the mandates requires appropriation of District funds; and

WHEREAS, the District currently has funds to be used for such purposes but has not specifically restricted the use of the funds; and

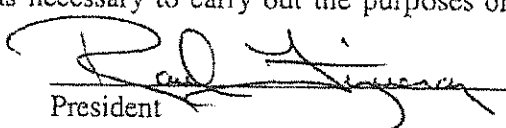
WHEREAS, revised government accounting rules require the proper classification of net assets.

NOW, THEREFORE, the Board of Directors determines that it is in the best interest of the District and its inhabitants to establish the following funds described further in the attached definitions as restricted funds of the District:

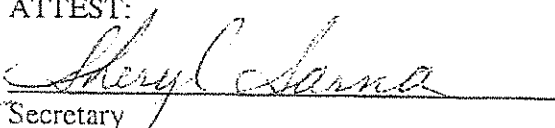
Rate Stabilization Fund	
(10% of prior year Water Revenues):	\$1,560,000
Operations and Maintenance Reserve	
(25% of prior year O & M for emergencies):	\$3,446,000
(25% of prior year O & M for operations):	\$3,446,000
Capital Improvement Working Fund	
(Double Estimated CIF for 2006):	\$4,000,000
Emergency Repair Working Fund	
(5% of prior net Capital Assets):	\$3,386,000
Little Rock Dam Self Insurance:	\$5,000,000
Palmdale Dam Self Insurance:	<u>\$5,000,000</u>
	<u>\$25,838,000</u>

FURTHER RESOLVED, that the Financial Committee of the District is directed to designate the foregoing net assets as restricted.

RESOLVED FURTHER, that the General Manager is hereby authorized and directed to take such other and further action as necessary to carry out the purposes of this Resolution.

  
President

ATTEST:

  
Secretary

**Palmdale Water District  
Restricted Funds Policy**

**Restricted Reserves**

**Rate Stabilization Fund**

The Rate Stabilization fund would operate as a buffer to the assessment rate during periods where there are unexpected increases in operating costs or decreases in revenues. This fund would absorb these types of fluctuations and help stabilize the assessment rate.

This fund would change annually based on 10% of prior years water revenues.

**Operations and Maintenance Reserve**

The Operating Fund is used to pay for all operating expenses, including repairs and maintenance.

This fund would be split between two components the first being 25% of prior years O & M for operating needs and 25% of prior years O & M for emergencies.

**Capital Improvement Working Fund**

This fund, based on double the estimated capital improvement funds expected to be received the following year, reserves the amounts expected to be disbursed on capital improvements which have historically exceeded the funds received.

**Emergency Repair Working Fund**

This fund is provided for District needs in the event of natural or catastrophic disasters to cover emergency repairs and purchase any replacement pipes and other items.

This fund will fluctuate based on 5% of prior year net capital assets.

**Littlerock Dam and Palmdale Dam Self Insurance**

The District has been required to restrict five million for the Littlerock Dam as part of the 1998 Bond Documents.

A similar amount is suggested, although not required, for the Palmdale Dam to cover the initial costs of repair or replacement in the event of a natural or catastrophic disaster.

Helix Water District  
RESERVE FUND GUIDELINES  
2010

Background

Helix Water District's (District) total operating and capital costs will exceed one billion dollars over the next twenty years. For this reason, District financial policies must be closely considered in order to guarantee that the District can meet the future financial requirements of customer demand and system reliability for the District's 2030 population. A key part of the District's financial preparedness rests on sound reserve guidelines.

Helix, as an irrigation district, operates as a single enterprise, with a single enterprise fund. The District refers to "reserves" as all cash and investments belonging to the District's fund at any given time—also called working capital.

This fund is divided into the following categories:

**Unallocated Reserve Funds** – funds for future operations and PAYGO capital needs

**Allocated Reserve Funds** – funds used in current operations

**Designated Reserve Funds** – funds designated for special purposes and projects

**Restricted Reserve Funds** – legally restricted bond covenant funds

Reserve Guidelines

Adequate designations of reserves--funds set aside for various legitimate purposes--are critical to the successful and stable, short and long-term operation of the District.

Adequate reserves for District operations ensure that customers experience both stable rates for service and the security that the District can respond to emergencies, especially regarding water quality issues. Adequate reserves ensure that the District will at all times have sufficient funding available to meet its operating, capital and debt service cost obligations, together with future debt or capital obligations, as well as any unfunded mandates, including costly regulatory requirements.

The District manages its working capital in a manner that allows the District to fund costs consistent with its annually updated Ten-Year Capital Improvement Program and Five-Year Financial Plan, and that avoids significant rate fluctuations due to changes in cash flow requirements.

The ability of the District to maintain reserve funds is a critical factor in providing reliable service, mitigating rate increases, and ensuring overall financial strength.

Adequate reserves directly affect the District's bond rating and ultimately the ability to access debt markets at favorable interest rates, thereby ensuring the ability to finance and construct the infrastructure necessary to renew existing systems and expand service levels to meet future needs.

Annually, during the budget adoption process, the District's Board of Directors (Board) approves the appropriate levels and uses for reserve funds based upon the needs of the District's customers.

## **UNALLOCATED RESERVE FUNDS**

### **Operating Funds - "General Fund"**

The purpose of the Operating Fund, commonly termed the "General Fund," is to provide working capital for the annual PAYGO Capital Improvement Program, planning for the Ten-Year Capital Improvement Program and for bond coverage. The General Fund also provides the working capital to fund day-to-day operations and water purchases, as well as unforeseen emergency repairs to the District's infrastructure. Its funds enable the District to maintain a policy of minimal orderly rate increases, usually at or below inflation, consistent with the Board's rate setting policy.

District reserve guidelines are to maintain the General Fund at a level prescribed in the annual Five-Year Projection. The General Fund will be targeted to maintain a reserve equivalent of ten percent of net operating revenues in the 5<sup>th</sup> year of the financial projection. Water rates are set annually to achieve this targeted minimum ending balance; however, it is acknowledged that fund balances will fluctuate from month to month. Since water rates are set once a year, the ten percent goal in the 5<sup>th</sup> year serves as both a minimum and maximum figure and leads to smooth rate changes.

## **ALLOCATED RESERVE FUNDS**

The allocated funds represent the District's payments promised under current operations. These funds cover invoices received by the District, contractual payments, or capital projects that have been appropriated by the Board. These funds are also adjusted for water revenues that have been recorded but are pending collection from customers.



## **DESIGNATED RESERVE FUNDS**

These designated funds, combined with working capital, will be drawn down over time and replenished annually according to the specific need for which each fund is intended.

The designated funds which are reviewed annually in each year's water rate calculation as part of the Five-Year Financial Projection currently include but are not limited to:

- Rate Stabilization Reserve Fund
- Capital Reserve Fund
- Friedgen Scholarship Fund
- PERS Reserve Fund
- OPEB Reserve Fund
- Arbitrage Reserve Fund
- Lake Jennings Recreation Reserve Fund
- Building Maintenance Reserve Fund
- Capacity Fee Reserve Fund

Use of these funds is redirected by the Board as the needs of the District change, and when the fund's special needs are met, the fund balances are transferred to the General Fund.

The fund levels are monitored during budget preparation, during water rate setting, and when a major change in conditions threatens the reserve levels established within these guidelines. Target levels for designated reserves should not exceed the actual needs of the reserve. Staff monitors reserve levels which are not at targeted levels, and/or identifies courses of action to bring reserve levels within desired levels. The balance of reserve funds is important for Board consideration and do have an influence on available resources and rates.

### **Rate Stabilization Reserve Fund**

The purpose of the Rate Stabilization Reserve Fund is to provide funds for the incremental and orderly adjustment of the annual water rate, so as to offset large increases in rates from extraordinary circumstances (drought, lawsuits, or other unbudgeted occurrences). Gradual and small increases in rates enable customers to budget for future years and not be overwhelmed by unusual increases that can result from unexpected environmental and economic changes. Decreases in the rate stabilization reserve balance make the District more vulnerable to risk and the Board determines the level of risk that is desirable.

The Rate Stabilization Reserve Fund is also used to assure that minimum debt service coverage ratios required by the District's bond covenants will be met throughout the term of the District's debt obligation. The funds will be applied in any year when other revenues are not sufficient to meet the required debt service coverage ratio of 1.20. The funds may also be applied if meeting only minimum coverage levels could result in the District's bond ratings being downgraded.

The Rate Stabilization Reserve Fund will be maintained at a target balance that is between 5% and 10% of water billing revenue. The fund may be replenished annually from unallocated reserves to a target maximum of 10% of revenue. Any excess can be returned to the General Fund or other designated reserves, prior to the end of each fiscal year.

The Rate Stabilization Reserve Fund is a critical management tool to provide funds necessary to maintain a smooth water rate pattern over a long period of time.

### **Capital Reserve Fund**

The purpose of this fund is to hold funds that are intended for general use on Capital projects. The funds come from contributions from other agencies or from funds that were budgeted on capital projects in prior years but unspent. This fund is spent directly on capital expenditures over the current or future year's normal "PAYGO" budget and is not held in reserve for any other purpose.

This Capital Reserve Fund is drawn down annually as planned capital expenditures above normal PAYGO amounts are made. At the end of each fiscal year, any unspent budgeted Capital PAYGO will be reallocated to this fund and will be used in the following year's Capital Budget. Annual replenishment is reported to the Board as part of preliminary and final budget approvals.

Currently, this fund is providing an accumulation of funds to be applied to the master planned Cast-Iron Pipeline Replacement Project, an \$83 million project planned over a fourteen-year period for the removal of approximately 355,000 feet of cast-iron pipe remaining in the District's distribution system. The contributions from the San Diego County Water Authority, grants, and other appropriate revenue sources will be set aside in this fund.

### **Friedgen Scholarship Fund**

The purpose of this fund is to provide funds to award the annual Robert Friedgen Scholarship of \$1,000. The fund is increased by any interest earned on an annual basis. The minimum amount maintained in the fund is \$20,300, which represents the amount of the original fund donation.

### **PERS Reserve Fund**

The purpose of the PERS designated reserve is to set aside funds to cover future amortized unfunded liability costs that exceed budgeted funds. This fund may be replenished as needed from unallocated reserves when the District must adjust spending to cover projected actuarial costs that have changed due to a change in District PERS rates resulting from investment losses, increased retirements, or the availability of surplus funds (i.e. superfund status).

**OPEB Reserve Fund**

The purpose of this designated reserve fund is to provide “savings” for the future costs of the District’s Other Post Employment Benefits (OPEB) in accordance with GASB 45, namely retirement health costs that are earned by employees and paid during the employees’ retirement. The fund may be increased by each year’s actuarially determined Annual Required Contribution (ARC) and not to exceed the Actuarial Accrued Liability of the OPEB costs. Ultimately this fund may be transferred to a trust fund controlled by a trustee outside of the District in order to comply with GASB 45.

**Arbitrage Reserve Fund**

The purpose of this designated reserve is to set aside funds each year in order to pay required arbitrage fees on interest earned on the District’s 2009 Revenue Bonds. The arbitrage fees are calculated and paid once every five years.

**Lake Jennings Recreation Reserve Fund**

The purpose of this fund is to receive net revenue from the Lake Jennings Recreation Program operations less amortized capital expenditures made since 2005. The fund will only be used for Lake Jennings recreation facility improvements.

**Building Maintenance Reserve Fund**

The purpose of this designated reserve is to set aside funds each year in order to pay for building maintenance projects in future years. Each year an amount will be added to the annual budget to set aside in this fund and accumulated with future years’ allocations. This reserve will be funded and used in accordance with each department’s Building Maintenance Plan.

**Capacity Fee Reserve Fund**

The purpose of this designated reserve is to set aside funds collected each year from the District’s Capacity Fees. The District started collecting Capacity Fees on July 1, 2009. The Buy-In Capacity Fees must be spent on future projects to maintain the District’s current water distribution system. The New Water Capacity Fees must be spent on future projects that develop new sources of water supplies.

**Other Project Specific Capital Funds**

If contributions or general funds are earmarked to a specific project, these new reserve funds can be established. The accumulation of funds will come from sources that have been deemed specific to the project. The fund will only be used for the specific project and the fund balance will not exceed the total estimated project cost.

**RESTRICTED RESERVE FUNDS****Debt Service Reserve Fund – 2009 Revenue Bonds**

The Debt Service Reserve Fund includes legally restricted funds for bond reserves and holds the reserve requirements for the 2009 Revenue Bonds. This fund is governed by

legal bond covenants which require that the fund be maintained at a level sufficient to fund maximum annual debt service payments. These funds are held by the bond trustee during the term of the bonds and are to be used in the event that the District is unable to meet its required semi-annual debt service payment obligation. Absent such an emergency, reserve funds will be used to make the last two semi-annual debt service payments.

Industry benchmarking states that debt to gross revenues should remain under 8%. However, the Board may determine a debt service cap that will be a higher percentage based on needs of the District. Current debt service is \$1,907,000, or 3% of gross revenues.

Debt issues are used for capital projects which cannot be funded on a PAYGO basis. Long-term debt is not used to fund current operating costs. Debt issues are limited to the amount needed for specific capital projects, do not exceed the useful life of the project, and do not exceed an amount that can be supported by the existing and projected revenue base.

#### Summary

The reserve fund guidelines state that designated reserves will be maintained to allow for funding of the District's operating, capital, and debt service obligations, as well as funding for unforeseen events. Reserves will be established, replenished, and used only in a manner which allows the District to fund costs consistent with the Capital Improvement Program, Five-Year Financial Projection, and other Board adopted master plans, and in a manner that requires minimal annual adjustment to water rates (i.e. "low and smooth"). The District's Reserve Fund Guidelines are annually reviewed and adjusted to meet the needs of the District's customers.



## MARINA COAST WATER DISTRICT RESERVE FUND POLICY - 2009

### *Purpose of Reserve Policy*

Adequate designations of reserves--funds set aside for various legitimate purposes--are critical to the successful and stable, short and long-term operation of the Marina Coast Water District.

Adequate reserves for District operations ensure that customers experience both stable rates for service and the security that the District can respond to emergencies, especially regarding water and wastewater quality issues. Adequate reserves ensure that the District will at all times have sufficient funding available to meet its operating, capital and debt service cost obligations, together with future debt or capital obligations, as well as any unfunded mandates, including costly regulatory requirements.

The District manages its working capital in a manner that allows the District to fund costs consistent with its annually updated five year capital improvement program and five year rate study financial plan, and that avoids significant rate fluctuations due to changes in cash flow requirements. The ability of the Marina Coast Water District to maintain reserve funds is a critical factor in providing reliable service, mitigating rate increases, and ensuring overall financial strength.

Adequate reserves directly affect the District's bond rating and ultimately the ability to access debt markets at favorable interest rates, thereby ensuring the ability to finance and construct the infrastructure necessary to renew existing systems and expand service levels to meet future needs.

Annually during the budget adoption process, the Marina Coast Water District Board approves the appropriate levels and uses for reserve funds based upon the needs of the District.

### *Legally Restricted Reserves*

#### *Capital Reserve Fund*

The purpose of this fund is to hold funds that are intended for general use on Capital projects. The funds come from contributions from other agencies or from funds that were budgeted on capital projects in prior years but unspent. This fund is spent directly on capital expenditures over the current or future year's normal capital budget and is not held in reserve for some other purpose.

Included in this fund is also the connection fee with funds collected from developers to pay for the new facilities necessary to deliver water and wastewater service to newly developed property. These fees are for offsite improvements such as the development's fair share cost of wells, reservoirs, transmission mains, treatment plant capacity, wastewater facilities and other

necessary facilities. The fees are collected at rates established by the Board of Directors based upon specific financial rate studies. The rates charged are based on a project's equivalent dwelling unit (EDU) basis. These funds are restricted to the design and construction of capital facilities for water and wastewater delivery.

This Capital Reserve Fund is drawn down annually as planned capital expenditures amounts are made. At the end of each fiscal year any unspent budgeted capital amount will be reallocated to this fund and will be used in the following year's capital budget. Annual replenishment is reported to the Board of Directors as part of preliminary and final budget approvals.

#### ***Debt Service Reserve Fund***

This fund is governed by legal bond covenants for the District's revenue bonds. Bond covenants require that this fund be maintained at a level sufficient to fund maximum annual debt service payments. These funds are held by the bond trustee during the term of the bonds and are to be used in the event that the District is unable to meet its required semi-annual debt service obligation. Reserve funds for each revenue bond issue will be used to make the last two semi-annual debt service payments for that issue. Annual interest earnings on bond reserve funds shall be applied to each year's debt service payments. Any reserve funds related to state revolving fund loans shall be treated identically to revenue bond reserve funds as these loans are contractually defined as parity debt to the District's senior lien bonds.

#### ***Board Restricted Funds***

##### ***Rate Stabilization Fund***

This fund is governed by legal bond covenants for the District's revenue bonds. The purpose of the fund is to assist in smoothing rates to pay MCWD debt service and to assure that minimum debt service coverage ratios required by the District's bond covenants would be met in the future. Funds deposited into this reserve are treated as operating revenues in the year of deposit and will be treated as such in years of use for the purposes of computing the District's debt service coverage ratio.

This fund is applied in the five-year financial plan and annual rate model along with other reserve funds to smooth future rate increases. This fund will provide a buffer should revenue estimates in any year not meet projections. The Rate Stabilization Fund will be drawn down to smooth rate increases. Specifically, they will be applied in any year where other revenues are not sufficient to meet the required debt service coverage ratio. They will also be applied if meeting only minimum coverage levels could result in the District's bond ratings being downgraded.

##### ***O&M Operating Reserve Fund***

The O&M Operating Reserve will vary over time with a goal of maintaining six months average operating expenses excluding depreciation. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time revenues from the same service are collected from customers.

##### ***Capital Replacement Reserve Fund***

This fund pays for the replacement of existing facilities and equipment as it reaches the end of its useful life or for major repairs that extend the useful life of facilities. The purpose of this policy

is to "fund depreciation" at 100% in future.

***Unrestricted Reserves***

Unrestricted reserves also termed "General Reserves" represent a remainder balance of cash that is not yet designated for some use by the Board of Directors.

***Summary***

The reserve fund policy state that designated reserves will be maintained to allow for funding of the District's operating, capital and debt service obligations, as well as funding for unforeseen events. Reserves will be established, replenished, and used only in a manner which allows the District to fund costs consistent with the Capital Improvement Plan, Five-Year Financial Plan and Rate Study, and other Board adopted actions, and in a manner that requires minimal annual adjustment to water and wastewater rates. The District's reserve fund policy shall be periodically reviewed and adjusted to meet the needs of the District.

Resolution No. 2009--XX  
Resolution of the Board of Directors  
Marina Coast Water District  
Adopting the Reserve Fund Policy

June 9, 2009

RESOLVED by the Board of Directors ("Directors") of the Marina Coast Water District ("District"), at a regular meeting duly called and held on June 9, 2009 at the business office of the District, 11 Reservation Road, Marina, California as follows:

WHEREAS, the Board of Directors wants to ensure that the District will at all times have sufficient funding available to meet its operating, capital and debt service cost obligations; and,

WHEREAS, the Board of Directors recognizes the need to establish the finances necessary to secure additional water and wastewater supply for the benefit of existing and future customers; and,

WHEREAS, the Board of Directors is establishing sound financial policies to promote favorable bond ratings in capital markets so that municipal bonds can be used for the future financing of projects; and,

WHEREAS, the Board of Directors need to include requirements imposed by law for the handling of developer related fees; and,

WHEREAS, the Board of Directors wants financial planning to address the planned needs for capital projects and equipment purchases; and,

WHEREAS, the Board of Directors wants some reserve for unanticipated and unforeseeable expenses; and,

WHEREAS, the Board of Directors wants to avoid significant rate fluctuations in the future; and,

WHEREAS, the Board of Directors recognizes a need for long term strategic financial policies.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

The Marina Coast Water District Reserve Policy is hereby approved and the General Manager is directed to follow this Reserve Policy in managing available funds and investments of the District. Each fiscal year budget will report on the status of the reserve over the previous year and budget for proposed sources and uses for each reserve.

PASSED AND ADOPTED on June 9, 2009, by the Board of Directors of the Marina Coast Water District by the following roll call vote:



Ayes: Directors\_\_\_\_\_

Noes: Directors\_\_\_\_\_

Absent: Directors\_\_\_\_\_

Abstained: Directors\_\_\_\_\_

\_\_\_\_\_  
Howard Gustafson, President

ATTEST:

\_\_\_\_\_  
Jim Heitzman, Secretary

CERTIFICATE OF SECRETARY

The undersigned Secretary of the Board of the Marina Coast Water District hereby certifies that the foregoing is a full, true and correct copy of Resolution No. 2009-XX adopted June 9, 2009.

\_\_\_\_\_  
Jim Heitzman, Secretary

# Memorandum

for the Regular Meeting of the Board of Directors, August 24, 2011

TO: The Board of Directors

FROM: Marie G. Owens, Finance Manager/Treasurer

DATE: August 17, 2011

SUBJECT: Reserve Definitions and Balances



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## *Finance*

**RECOMMENDED ACTION:** Review and discuss the reserve definitions and balances and recommend changes.

**BACKGROUND:** Attached is the District's current reserve definitions and the respective unaudited balances as of July 31, 2011.

**BUDGETARY IMPACT:** No budget impact.

NEVADA IRRIGATION DISTRICT  
SCHEDULE OF RESERVE BALANCES

TOTAL  
7/31/2011  
WATER  
FUND 10  
RESERVES DESIGNATE RESTRICTED ITEM

Total Cash Balance	(19,366.89)			
10150 Investments (Working Capital)	10,407,789.21			1
1825x Fiscal Agent Cash		888,865.56		2
18510 Customer Deposits		1,484.22		3
31010 Comprehensive Insurance Reserve	7,500,000.00			4
32020 Accrued Leave Reserve	2,431,410.90			5
32030 OPEB Reserve	1,908,000.00			6
33010 State D-Grunsky Reserve		120,000.00		7
33090 Voter Apprd Debt Reserve		25,823.56		8
33510 PG&E Contract Par B-15 Reserve		250,000.00		9
34011 Operating, Repair/Replacement Reserve	6,854,314.90			10
34052 Raw Water System Expansion Reserve		2,000,000.00		11
34053 Treated System Expansion Reserve		8,675,619.97		12
34060 Watershed Stewardship Reserve	2,695,671.03			13
34080 Hydroelectric Relicensing Reserve	3,439,123.68			14
	<u>17,242,737.22</u>	<u>17,974,205.61</u>	<u>11,961,793.31</u>	
TOTAL			<u>47,178,736.14</u>	

NEVADA IRRIGATION DISTRICT  
WORKING CAPITAL & RESERVE ACCOUNTS  
Approved 1/13/99, revised 3/28/01, 6/23/04, 10/27/04 and 11/29/06

Preamble: The District desires to maintain a minimum overall reserve target balance of \$40 million, exclusive of restricted reserves. The District recognized it is acceptable to drop below target levels on a temporary basis, so long as the District takes action to achieve the targets over the long run.

**RESTRICTED RESERVES – WATER:**

**SYSTEM EXPANSION RESERVE** – (Established 12/17/78, Rev. 12/12/79, 3/28/84, 11/13/85, 4/27/88, 1/13/99)

The System Expansion Reserve is established to provide funds for qualifying new projects and expansion of existing District facilities. Amounts authorized for expenditure shall be transferred to the Working Capital Fund. The fund shall consist of the following components.

- I. **Raw Water System** - the following monies shall be deposited to this component:
  - (a) - All acreage fees received from annexations.
  - (b) - Surplus of the annual budget, up to an annual deposit of \$750,000.
  - (c) - Interest earned from this component.
  - (d) - A minimum balance of \$2,000,000 will be maintained in this reserve for unanticipated expansion related capital needs.
- II. **Treated Water System** – All capacity fees received shall be deposited to this component together with all interest earned from this component. A minimum balance of \$2,000,000 will be maintained in this reserve for unanticipated expansion-related capital needs.

**VOTER APPROVED DEBT SERVICE RESERVE**

**PG&E CONSOLIDATED CONTRACT = PAR B-15** – (Established 11/26/86)

The PG&E Consolidated Contract Reserve Fund shall be established with a minimum of \$250,000 to pay for water purchased from Pacific Gas & Electric Company. This reserve is a condition of the amendment of paragraph B-15 of Part II of the District's Yuba River Consolidated Contract. The amendment will delete the requirement to maintain a \$500,000 credit account currently held by PG&E without interest.

**IMPROVEMENT DISTRICTS** – loan documents

**CUSTOMER DEPOSITS**

NEVADA IRRIGATION DISTRICT  
WORKING CAPITAL & RESERVE ACCOUNTS  
Approved 1/13/99, revised 3/28/01, 6/23/04, 10/27/04 and 11/29/06

**DESIGNATED RESERVES – WATER:**

**ACCRUED LEAVE RESERVE - (Established 12/12/79)**

The fund shall be adjusted by the change in the value of the unfunded accrued vacation, sick leave and compensatory time on record as of the last day of each budget year. Interest earned on this fund shall be deposited to the Working Capital Fund.

**HYDROELECTRIC RELICENSING RESERVE - (Established 12/13/95, Rev 6/23/04, 11/29/06)**

Through 2013, up to \$500,000 annually shall be transferred from any excess funds generated in the hydroelectric division to the Hydroelectric Relicensing Reserve after first funding any deficit in the recreation division (11/29/06). Interest earned shall remain in the fund.

Funds in the reserve shall be used for relicensing expenses and after July 1, 2013, for any major replacement or repair of the facilities connected to the hydroelectric plants, at which time the reserve name will become the Hydroelectric Operating and Capital Reserve.

**OPERATING, REPAIR/REPLACEMENT AND RATE STABILIZATION RESERVE  
(Established by another name 10/27/04, revised 11/29/06)**

**OPERATING, REPAIR/REPLACEMENT AND RATE STABILIZATION RESERVE** - The reserve may be used along with rate increases to fund anticipated deficits in the operations and maintenance portion of the water division providing rate stability to the District's customers and to fund major non-recurring repair/replacements as well as unplanned and unforeseen contingency expenditures. One half (1/2) of the net property taxes estimated to be received on the land assessed value only, shall be deposited to this fund. Interest earned on this fund shall be credited to the operations and maintenance portion of the water division's budget. The reserve balance should be approximately 25% of budgeted 3-year average annual operations and maintenance expenditures and \$5 million for emergency capital needs.

**WATERSHED STEWARDSHIP RESERVE (Established 1/13/99, revised 11/29/06):**

The Watershed Stewardship Reserve shall be used for any expenditure incurred in the maintenance and improvement of the District's watershed. The reserve shall be funded as follows:

1. Net revenues from all timber sales residual dollars from the Building Reserve (included in amount).
2. Interest earned on this fund shall remain in this fund  
(11/29/06). Targeted reserve balance is \$3,000,000.



NEVADA IRRIGATION DISTRICT  
WORKING CAPITAL & RESERVE ACCOUNTS  
Approved 1/13/99, revised 3/28/01, 6/23/04, 10/27/04 and 11/29/06

**INSURANCE AND CATASTROPHIC OCCURRENCE RESERVE** (Established 4/22/09)

To provide fund reserves to help, a) pay for claims in excess of insurance coverage limits, and b) provide immediate funds in case of a catastrophic occurrence. This reserve should have a minimum reserve balance of \$2,000,000 and a maximum balance of \$7,500,000. Interest earned on this reserve shall remain the reserve until the maximum balance is achieved. When the balance falls below \$5,000,000, each subsequent annual budget shall contain an appropriation of \$250,000 until the maximum balance is achieved.

**OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY RESERVE** (Established 4/22/09)

To provide fund reserves to cover the cost of retiree benefits other than PERS retirement including the semi-annual cost of living adjustment for retirees who retired under the AETNA Plan. The minimum balance in the reserve should be at least equal to the subsequent year's annual required contribution assuming a 7.75% discount rate, 20-year amortization plus \$100,000.

**UNDESIGNATED RESERVES - WATER:**

**WORKING CAPITAL** - (Established 12/12/79, Rev. 3/28/84)

The working capital fund shall consist of Treasurer's Cash, Payroll Fund, Petty Cash Funds, and any other Impress Cash Funds, which may be established. All receipts and expenditures shall be processed through this fund.

**RESTRICTED RESERVES - HYDRO:**

**BOND TRUSTEE FUNDS**

**BOND DEBT SERVICE FUND** - loan documents

**UNDESIGNATED RESERVES - HYDRO:**

**WORKING CAPITAL** - (Established 12/12/79, Rev. 3/28/84)

The working capital fund shall consist of Treasurer's Cash, Payroll Fund, Petty Cash Funds, and any other Impress Cash Funds, which may be established. All receipts and expenditures shall be processed through this fund.

## Michael A. Williams

---

**From:** members-bounces@csmfo.org on behalf of Elizabeth Ooms-Graziano <eooms-graziano@scwater.org>  
**Sent:** Friday, September 30, 2011 4:16 PM  
**To:** members@csmfo.org  
**Subject:** [Members] Reserve Policy Results  
**Attachments:** RE: Reserve Policies; RE: Reserve Policies; Reserve Policies; RE: [Members] Reserve Policies; ATT02725.txt

Dear CSMFO Members:

Thank you to all that responded. Please note there's a correction in my original statement on September 15<sup>th</sup> where I stated "Based on our preliminary audit, our total reserves (which includes both the Operating Expense Fund and Rate Stabilization Fund) is at 67% of our annual operating expense." It's actually our spendable reserves before depreciation so it also includes unrestricted funds for capital expenditures and not just the Operating Expense Fund and Rate Stabilization Fund per our policy guidelines. Below are the responses I received:

City of Santa Ana – GFOA guidelines , approximately 2 months worth of operations (specific to the general fund) plus capital requirements.

Gregory Baird, AWI Consulting – 1.4 to 1.7 debt ratio is good for AA rating although rate covenant maybe at 1.2.

Dublin San Ramon Services District - Operating Expense Fund minimum of 17% of Operating expenses, target of 33% we generally stay around our target level here

Rate Stabilization Fund minimum of 17% of Operating expenses, target of 33%  
Below minimum

Replacement & Improvement fund – 1% of the replacement value of the assets  
+ 2 times the greater of the average six-year project costs in the CIP or the  
replacement model (whichever is greater) + 2 years of debt service (when  
applicable) ((Simple I know!)) we are BELOW TARGET

Hi Desert Water District – 66% of operating.

Yorba Linda Water District – Water Operating Reserve - 5-8% of annual operating budget total (plan to increase to 8-13% next budget, with hopes of increasing over time)

Water Emergency Reserve - \$1,000,000 - \$4,000,000 total (funded at \$1M, no current plans to increase)

Water Capital Replacement Reserve - \$1,820,000 annually per our most recent Asset Management Plan recommendations (annual water depreciation is \$4.6M, so I believe this is lower than it needs to be)

Water Maintenance Reserve - \$200,000 annually out of the \$1.82M from Water Capital Replacement (good level)

Employee Liability Reserve - \$100,000 annually (to pay down OPEB and cover retirement payouts of comp absences – next year OPEB liability should be eliminated)

David Brodsky, KNN Public Finance – see attached email.

Zone 7 Water Agency – see attached email.

Nevada Irrigation District – see attached email.

Sacramento Suburban Water District – see attached email.

Have a great weekend everyone!

Thanks

***Elizabeth Ooms-Graziano***

Retail Administrative Officer

Santa Clarita Water Division

26521 Summit Circle

Santa Clarita, CA 91350

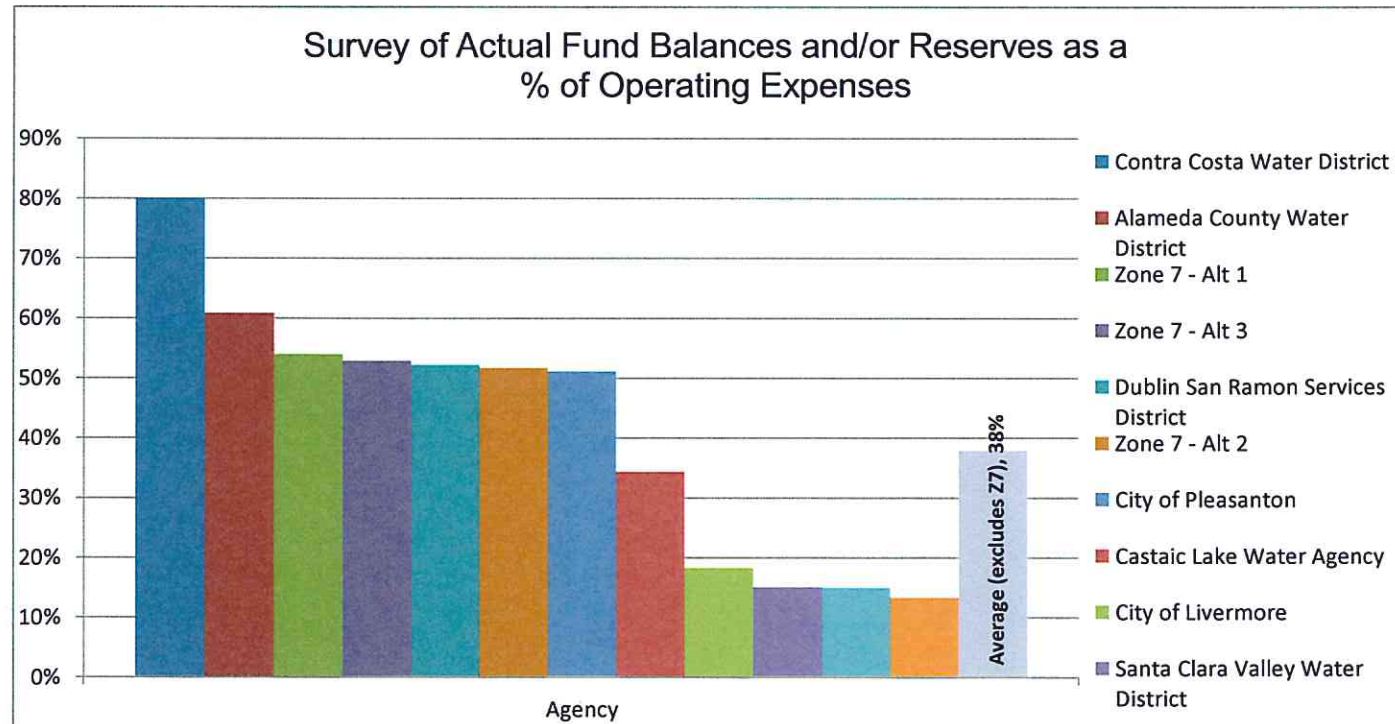
Phone: (661) 964-3982

Fax: (661) 286-4333

email: [eooms-graziano@scwater.org](mailto:eooms-graziano@scwater.org)

Survey of Fund Balances and/or Reserves as a % of Operating Expenses

Agency	FYE	Type of Reserve	Reserve Amount	Operating Expenses	Ratio	Source
Contra Costa Water District	2012	Rate Stabilization Fund	\$56,886,000	\$71,101,968	80%	FY11/FY12 Budget
Alameda County Water District	2012	General and Reserves Fund Cash Balance	\$52,477,700	\$86,216,200	61%	FY 11/12 & FY 12/13 Budget
Zone 7 - Alt 1	2012	Operating/Rate Stabilization Reserve & Undesignated Fund Balance	\$18,114,012	\$33,542,069	54%	Zone 7 2012 Water Rate Model
Zone 7 - Alt 3	2012	Operating/Rate Stabilization Reserve & Undesignated Fund Balance	\$17,734,747	\$33,542,069	53%	Zone 7 2012 Water Rate Model
Dublin San Ramon Services District	2012	Water Operations Fund Working Capital and Rate Stabilization	\$8,919,675	\$17,096,490	52%	FY 2012 and 2013 Operating Budget
Zone 7 - Alt 2	2012	Operating/Rate Stabilization Reserve & Undesignated Fund Balance	\$17,338,211	\$33,542,069	52%	Zone 7 2012 Water Rate Model
City of Pleasanton	2012	Water Enterprise Fund Balance	\$9,123,517	\$17,849,846	51%	FY 2012 and 2013 Budget
Castaic Lake Water Agency	2012	Operating Reserve	\$4,030,900	\$11,731,904	34%	FY 11/12 Budget
City of Livermore	2012	General Fund Operating Reserve	\$13,100,000	\$71,678,654	18%	City of Livermore Two-Year Financial Plan F
Santa Clara Valley Water District	2012	Operating and Capital Reserve	\$23,025,976	\$152,710,820	15%	FY11/FY12 Budget
Palmdale Water District	2011	O&M Operating Reserve	\$3,258,847	\$21,750,550	15%	2011 Budget
Sonoma	2012	Operations and Maintenance Fund Balance Reserve	\$5,159,864	\$38,821,612	13%	FY 11/12 Budget
Average (excludes Z7)					38%	





California Special  
Districts Association  
*Districts Stronger Together*

# Special District Reserve Guidelines

SECOND EDITION



A GUIDE TO DEVELOPING A PRUDENT RESERVE.





## Acknowledgements

**In preparing the Special District Reserve Guidelines, the California Special Districts Association (CSDA) greatly benefited from individuals who were generous with their time and insightful with their views. Our task force consisted of finance staff and general managers from independent special districts, as well as professional financial consultants.**

CSDA extends its appreciation to its special district task force members:

- Paul Hughes of South Tahoe Public Utilities District
- Jeff Ramos of Cosumnes Community Services District
- John Rossi of Western Municipal Water District
- Rainy Selamat of Olivenhain Municipal Water District
- Ward Winchell of Southgate Recreation & Park District


To the finance professionals on our task force, who significantly contributed to the development of the principles and guidelines, CSDA extends its sincere gratitude. The contributions of the following were invaluable:

- David Becker, CPA, of James Marta & Company
- Eric S. Berman, MSA, CPA, CGMA of Brown Armstrong Accountancy Corporation
- Russ Powell, Senior Vice President of Economic & Planning Systems, Inc.
- Jim Marta, CPA, of James Marta & Company
- Saul Rosenbaum of the investment banking firm, Prager Sealy & Co, LLC
- Tim Schaefer of the public financial advisory firm, Fieldman, Rolapp & Associates

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## The Formation of Special District Reserve Guidelines

### Answering a Call, Fulfilling a Need

The genesis for CSDA's Special District Reserve Guidelines was a 2000 Little Hoover Commission report entitled, '*Special Districts: Relics of the Past or Resources for the Future?*' The report included a section on special district reserves with an introductory finding that stated: "*Hundreds of independent special districts have banked multi-million dollar reserves that are not well publicized and often not considered in regional or statewide infrastructure planning.*"

The 2000 report raised a number of issues relating to special district reserves including:

- Lack of guidelines and consistency
- Lack of visibility and publication of district financial information
- Lack of understanding among constituents and policymakers of district finances
- Lack of districts incorporating reserve information into infrastructure planning

News media reacted to the Little Hoover Commission report with banner headlines claiming that "obscure" public agencies have "hoarded" billions in reserves. Legislative hearings on special district finances were held and interest was spiked among grand juries, leading them to investigate how special districts within their counties handle reserves.

Ultimately, the Little Hoover Commission recommended that guidelines for prudent reserves be established, and that investment policies and practices be reviewed to determine if additional oversight was warranted.



...many independent special districts already have established reserve policies and most, if not all, special district officials recognize their fiduciary responsibilities and take them seriously.

## **CSDA Reserve Guidelines Task Force**

Although special district advocacy organizations disagreed with some of the Little Hoover Commission's findings and data interpretation, CSDA concurred that the establishment of reserve guidelines would assist special district governing officials and administrators in fulfilling their fiduciary responsibilities. To accomplish this, CSDA formed a task force in 2001 to identify both the essential elements of a reserve policy and the issues to be discussed during policy development.

The Special District Reserve Guidelines were developed by the task force as a tool for special district governing officials and administrators to assist them in fulfilling their commitment to provide cost-effective and efficient public services for the communities they serve.

## **Special District Reserve Guidelines**

### **Second Edition**

Today, with over a decade having passed since CSDA convened its original task force in 2001, many special districts have utilized the guidelines to evaluate their reserve policies, develop new reserve policies, and/or promote comprehensive and easily understood policies.

Through this decade-long process, special districts have gained new insights on improved best practices. Furthermore, certain accounting practices and terminologies have evolved. Therefore, in order to ensure the most accurate and updated guidelines, and in continuance of efforts to promulgate widespread adoption, CSDA commissioned a second task force in 2012 to produce a Special District Reserve Guidelines, Second Edition. CSDA encourages district officials to incorporate these new guideline elements into their policies, where applicable, based on size and services offered.

In developing and updating the second edition, the CSDA task force recognized that many independent special districts already have established reserve policies and most, if not all, special district officials recognize their fiduciary responsibilities and take them seriously. What may have generated most of the concern regarding special district reserves in 2000 is not lack of policy, but lack of outreach to constituents and others regarding district operations. It is essential that special districts continue to promote understanding outside their boardroom and perform outreach on district financial management to facilitate understanding among the public, media and legislators.



Reserves are the foundation of the sustainable delivery of core services.

## Introduction

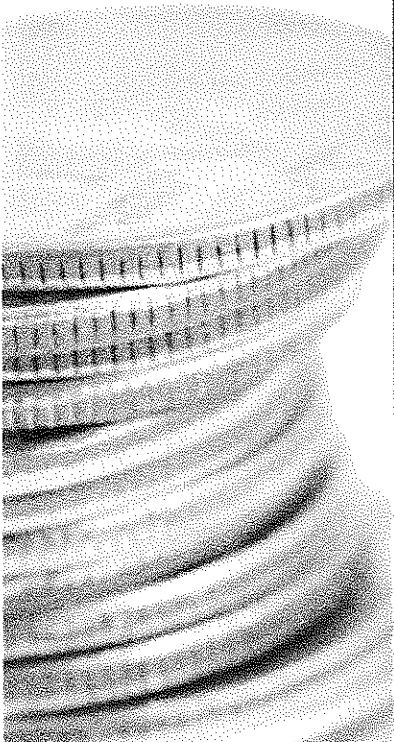
### *Importance of Maintaining a Reserve*

Reserves are the foundation of the sustainable delivery of core services. Through prudent reserves, special districts offer taxpayers and ratepayers significant benefits including:

1. Savings to balance budgets
2. Emergency preparedness
3. Stable rates
4. Well-maintained infrastructure
5. Investment in the future

The fundamental question in maintaining a reserve is, how much is enough? In other words, when are reserves too low and when are they too high? These can be delicate questions because unwarranted reserves could undermine taxpayer and ratepayer support, while insufficient reserves could jeopardize the district's long-term sustainability.

There is also the question of where reserve funds should be spent. Pressure to expend reserves on making current services cheaper, rather than planning for the future, is all too frequent. Adopting a reserve policy will assist your agency in answering these fundamental questions.





## **Reasons for Adopting a Reserve Policy**

In addition to the over-arching taxpayer and ratepayer benefits of reserves noted earlier, there are many specific reasons for a special district to adopt reserve policies:

### **Shared Vision:**

A formally adopted policy promulgates a shared understanding of the proper level and use of reserves, which facilitates healthy working relationships.

### **Objectivity:**

Revenue decisions represent some of the most controversial and difficult choices that governing boards must face. Utilizing reserve policies reduces political gamesmanship and promotes responsible long-term planning.

### **Fiscal Justification:**

Inevitably, public agencies will face scrutiny over whether to raise or reduce rates, taxes or fees. Having reserve policies in place prior to such occasions serves as a valuable tool for both making and explaining difficult decisions.

### **Public Awareness:**

Keeping the public informed about what you do is a fundamental responsibility for any public agency. They are the boss, after all, and all of us understand from personal experience that our jobs are a lot easier and a lot less stressful when the boss knows about and approves of what you are doing. Adopting a policy can help the district better communicate to the public the motives for adopting a reserve, as well as convey the reasons for maintaining the reserve at a certain level.



## **Important questions about reserves**

The fundamental question in maintaining a reserve is, how much is enough? In other words, when are reserves too low and when are they too high? These can be delicate questions because unwarranted reserves could undermine taxpayer and ratepayer support, while insufficient reserves could jeopardize the district's long-term sustainability.



## Prudent Accumulation and Management of Reserves: Developing Policy

**Each special district should develop and adopt a reserve policy.**

The Special District Reserve Guidelines reflect the common belief among special districts that there should be a clear and well-articulated rationale for the accumulation and management of reserve funds. Each special district should develop and adopt a reserve policy as a commitment to financial prudence and careful stewardship of community assets. It is critical to understand that a reserve fund is designated by a public agency to carry out specific purposes in a manner consistent with other financial policies, budgetary practices, district programs, and legal requirements.

### ***Reserve Policy Objectives:***

1. To provide adequate funding to meet the agency's short-term and long-term plans.
2. To minimize adverse annual and multi-year budgetary impacts from anticipated and unanticipated expenditures, thus minimizing the possibility of unplanned service fees or rate fluctuations.
3. To strengthen the financial stability of the agency against present and future uncertainties in an ever-changing environment.

### ***Foundational Elements of a Reserve Policy:***

Prior to developing a reserve policy, a district should first establish the three prerequisites below.

1. Clear, organizational philosophy/mission.
2. Policy-oriented board of directors, with long-term focus on fiscal sustainability.
3. Standardized method of financial reporting, such as Governmental Accounting Standards Board (GASB) Statement Nos. 34 and/or 54.

Communicating regularly  
about district financials and  
reserve priorities creates trust.

**Principles for Developing a Reserve Policy:**

1. **Identify the uniqueness of the district.**
  - a. Consider district goals, needs and constraints.
  - b. Utilize life-cycle analysis if district is capital intensive.
  - c. Regularly measure condition of assets.
2. **Form a complete understanding of the district's core business and significant cost drivers for district operations.**
3. **Engage in strategic planning.**
  - a. By developing, regularly evaluating and, when necessary, modifying strategic plans, districts can more efficiently plan and shape their futures. Strategic planning can help district boards anticipate and adapt to changing environmental, regulatory and demographic conditions. This assists districts in establishing appropriate reserve funds and adopting adequate target levels.
  - b. Seek community input in the strategic planning process, i.e., ratepayers and taxpayers, business groups, community organizations, other public agencies serving the same constituency, etc.
4. **Make communicating a priority.**
  - a. A regular newsletter and annual report are good starting points; it is critical for districts to reach out to the public and explain their financial position.
  - b. Seek input through customer surveys, community meetings, and other meaningful engagement.
  - c. Inform customers and constituents of output and seek their input in evaluating policies.
5. **Recognize that a good reserve policy must be consistent with other financial policies, such as a balanced operating budget and investment policies.**
6. **Create and maintain a well-developed capital improvement plan.**
7. **Estimate the ebb and flow, or "seasonality," of cash-flow during the fiscal year and build a basic understanding of the degree of short-term borrowing necessary to meet such needs.**
8. **Clearly identify reserves—both categories and purposes.** Set target levels for reserves that are consistent with the district's mission, the district's uniqueness and the philosophy of the district's board and community.
9. **A broad reserve policy may include many elements or sub-policies. Some areas that may need sub-policies include:**
  - a. Rate-stabilization funds
  - b. Fees and charges
  - c. Debt issuance and management
  - d. Deferred maintenance
  - e. Level of unrestricted (contingency) funds
  - f. Long-term repair and replacement



Every district has unique circumstances and a proper fund balance should be considered on a case-by-case basis.

## Fund Balance and Net Position/Net Assets

There are many factors that must be considered when establishing an appropriate fund balance and ensuring the prudent management of your district's finances. Every district has unique circumstances and a proper fund balance should be considered on a case-by-case basis. Thoughtfully accounting for variables such as your district's revenue sources and income volatility will assist your district in determining its reserve amount. On the following pages are issues that should be considered when adopting a reserve level.





## Specific Considerations for Budgeting and Allocating Fund Balance or Net Position/Net Assets

### Considerations

#### 1. Define the special district's fiscal objectives:

- a. Short-term
- b. Long-term
- c. Operating
- d. Capital

#### 2. Identify where funds are used:

- a. Operating revenues are the general-purpose funds through which ongoing activities are funded.
- b. Special-purpose revenues often are legally restricted for a particular use. For example, a special assessment for infrastructure must be separately accounted for and spent on designated infrastructure costs.
- c. Debt proceeds should be used to fund costs that provide a benefit across fiscal years. The issuance of debt allows the district to allocate these costs by spreading the debt service to these periods. Debt proceeds should never be used for short-term operating costs because this would entail allocating current operating costs to future periods.
- d. One-time revenues should be used for one-time expenses. If a special district gets one-time revenues and uses it to provide additional full-time positions or to fund on-going operating costs, it may lead to a budget crisis when the one-time funding runs out.



### One-time Revenue

According to the Government Finance Officers Association, "Examples of one-time revenue include: infrequent sales of government assets, bond refunding savings, infrequent revenues from development and grants. These revenue may be available for more than one year (e.g., a three-year grant) but are expected to be non-recurring."

### One-time Expenditures

According to the Government Finance Officers Association, "Examples of expenditures which a government may wish to use one-time revenue include start up costs, stabilization (e.g. to cover expenditures that temporarily exceed revenues), early debt retirement, and capital purchases."

## Components of Fund Balance

In governmental funds, "reserves" typically comprise a portion of the total fund balance. Fund balance reporting standards play a part in describing how much of fund balance might be available for a reserve and how much is limited to other purposes.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, changes how fund balance has traditionally been reported.

In the past, reporting of fund balance focused on whether resources were available for appropriation (i.e., budgeting) and distinguished between "unreserved fund balance" (i.e., available for appropriation) and "reserved fund balance" (i.e., not available for appropriation). GASB Statement No. 54 changes the focus to the "extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent" and establishes five different components of fund balance:

### COMPONENTS OF FUND BALANCE

NONSPENDABLE FUND BALANCE	RESTRICTED FUND BALANCE	COMMITTED FUND BALANCE	ASSIGNED OR DESIGNATED FUND BALANCE	UNASSIGNED OR UNDESIGNATED FUND BALANCE
This category is inherently nonspendable, such as the long-term portion of loans receivable, the principle of an endowment and inventories.	This classification has externally enforceable limitations on the use of fund balance, imposed by parties such as creditors, grantors or laws or regulations of other governments.	This encompasses limitations imposed by the special district upon itself at its highest level of decision making (e.g., governing board through a resolution). For example, the governing board might commit a portion of fund balance to a "stabilization fund" to provide a cushion against unknown economic shocks and revenue declines.	This portion is earmarked for an intended use. The intent is established at either the highest level of decision making or by a body or official designated for that purpose. For example, a share of fund balance might be assigned to offset a gap in the budget stemming from a decline in revenues or an allotment could be assigned for an upcoming special project.	This comprises all fund balances that are left after considering the other four categories. Use is least constrained in this category of fund balance.

+      ←-----→      -  
CONSTRAINED

Unassigned fund balance is typically the primary subject of a reserve policy. However, committed and assigned fund balance may also be thought of as part of a reserve policy as the governing board or management, respectively, has some control over the balances. Conversely, restricted fund balances or nonspendable fund balances are fundamentally constrained, making it unnecessary to place parameters on them through reserve policy in order to achieve prudent savings and expenditures of public resources.

It is recommended that every district establish policies regarding minimum fund balance and spending priorities in order to communicate to users the importance of a reserve for economic uncertainties, why it consists of amounts that are unassigned and that it is not available for spending.

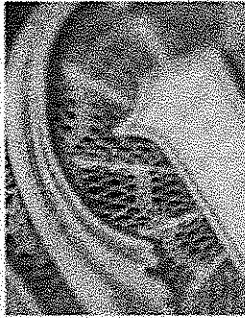
Districts' policies should specify the order in which fund balances are spent when more than one amount is available for a specific purpose. Where such policies do not exist, GASB 54 prescribes that the default order in which these amounts should be spent is committed, assigned, and then unassigned.



#### **GASB 54**

According to the Governmental Accounting Standards Board, statement No. 54 was issued after, "...research revealed that the existing standards guiding fund balance reporting were being interpreted inconsistently by different governments. Consequently, the fund balance information reported by many governments also was inconsistent. It also became clear that the understandability of fund balance information was affected and that financial statement users were unable to readily interpret reported fund balance information."

*GASB fact sheet about Fund Balance Reporting and Governmental Fund Type Definitions*



#### **Sample Policy Language**

The "X" district maintains a minimum unassigned fund balance of not less than "X" percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The district believes a reserve of this level is prudent to maintain a high bond rating and to protect the district from the effects of fluctuations in property tax revenues to which special districts are vulnerable. Because amounts in the nonspendable, restricted, committed and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

## Reserve Level Targets

A reserve policy must set a target level of reserves to maintain. The target is typically defined in terms of unrestricted fund balance as a percentage of either regular operating revenues or regular operating expenditures. The choice between revenue and expenditures as a basis depends on which element is more predictable. A government that relies heavily on property taxes typically would choose revenues, whereas a government with a less predictable revenue portfolio might choose expenditures. In either case, the base should only reflect operating numbers and should remove the effect of unusual spikes or drops that would distort long-term trends.

With the basis of the target defined, the next step is to select a reserve-level target number. The Government Finance Officers Association (GFOA) offers guidance as to the amount of unassigned fund balance governments should maintain in their general fund operating revenues or regular general fund operating expenditures, regardless of size. As special-purpose governments, special districts should carefully balance such general advice with the unique circumstances associated with the district's operational environment.

In considering what constitutes adequate reserves, a special district may want to establish key benchmarks or ratios. Many industries have key equity target formulas or ratios that establish minimums to provide a red flag warning when equity may be too low. Some of those ratios may include the following:

- Debt to Equity
- Property Taxes to Equity
- Current Ratio
- Capital Outlay to Equity
- Capital Outlay to Operating Expenses

Certain districts may establish their own ratios based on the unique aspects of the district or an operating environment that may be different than other organizations in their industry.



### Local Conditions as a Basis

The Government Finance Officers Association notes that fund balance is ultimately a local decision based on local conditions. "...Finance staff should analyze the risks that influence the need for maintaining reserves as a hedge against uncertainty and loss."

*(p. 57, GFOA, Financial Policies)*

## Articulating Financial Position and Decisions

Is this organization in good financial shape? That depends on the condition of the current assets and the short-term and long-term needs of the organization as they relate to its resources. If there exists significant current infrastructure needs, then financing may be required. Is enough set aside for contingencies? If water costs increase by 10 percent, or new environmental or health standards are issued, how will that affect total net assets?

Governmental entities collect, hold and expend resources in public trust. If too little is collected, they risk failing to meet mandated needs. If too much is collected, they overburden the public and tie up resources that taxpayers and ratepayers could use in the economy. Historically, governments have been known to spend most of their resources each year and too often fail to properly plan for long-term needs. Special districts should carefully examine their operations and budget to ensure that expenses, such as capital needs and contingencies, are anticipated and appropriate resources are set aside.

Some governments, either through good fortune or good planning, have reserved net assets for future plans and needs. What most governments have failed to do, as emphasized in the 2000 Little Hoover Commission's report, is to effectively communicate their plans for the net assets and explain why the balance is appropriate.

Each special district needs to:

1. Analyze its financial position.
2. Examine its current and long-term needs, including a capital improvement plan.
3. Establish its target fund balance or net assets.
4. Outline its goals and needs through policy, budgets and enhanced financial statement note disclosures.
5. Anticipate public scrutiny of financial statements and proactively communicate how finances are being used in a manner the public can easily digest.

## Conclusion

It is recommended that special districts, at minimum, conduct a review of their reserve policy annually to ensure it meets the needs of the district and is in compliance with any requirements/standards that may have changed.

Each special district's financial and legal professionals should review reserve policies prior to adoption to ensure they are in compliance with all current laws and regulations. Reserve policy should be established based on each district's unique financial situation. Any reserve policy needs to be reviewed regularly as the financial environment within which it functions is dynamic and there may be applicable legislative or regulatory changes.

The 2000 Little Hoover Commission report concluded that there was a disconnect between special districts and their constituents and other local government entities. Therefore, it is important that each agency not only develop a reserve policy, but ensure that stakeholders know and understand the district's financial position and decision-making process.

Districts should consider preparation of a public outreach program to communicate financial and program information on a regular basis to affected or interested populations. How involved each respective public outreach program is for a district is typically determined by the size and complexity of the district. A first step may be as simple as adding the information to an agency's website or the development of an annual report. CSDA encourages districts to take the next step and proactively engage the public to ensure its awareness.

We hope you find these guidelines helpful and if you have any comments or suggestions on how we can improve this document, please contact us at 877.924.2732.





## Addendum I: Glossary

**Assigned Fund Balance:** Amounts that are intended to be used by the special district for specific purposes but do not meet the criteria to be classified as restricted or committed.

**Capital Improvement Program (CIP):** A short-range plan that identifies capital projects and equipment purchases, provides a planning schedule and identifies options for financing the plan.

**Committed Fund Balance:** Amounts that can only be used for the specific purposes as determined by a formal action of the special district's highest level of decision-making authority.

**Net assets:** The amount of assets in excess of liabilities. For non-enterprise fund types, this excess is referred to as "fund balance." For enterprise-fund types, this excess is referred to as "net assets" or, as of July 1, 2012, "net position."

**Nonspendable Fund Balance:** Amounts that cannot be spent or where cash has been spent previously to produce a fund balance – for example, inventory, pre-paid expenses or restricted assets.

**Pay-Go:** Is the practice of financing expenditures with funds that are currently available rather than borrowed.

**Restricted Fund Balance:** Amounts that can only be spent for specific purposes which are stipulated outside the control of the special districts, such as the constitution, external resource providers (such as granting entities) or enabling legislation.

**Unassigned Fund Balance:** The residual of all other funds that are not nonspendable, restricted, committed or assigned. Unassigned balances are not in special revenue, capital projects, permanent or debt service funds unless the fund is in deficit.



## Addendum II: Special District Reserves Talking Points

### **PRUDENT RESERVES MAKE FOR SOUND BUDGETING**

For countless families, saving for a rainy day is common-sense. For special districts, reserve funds are not just money in a bank; they are fundamental resources for ensuring reliable core services and community security.

#### *How Taxpayers and Ratepayers Benefit*

Special districts designate money toward savings in order to balance their budget, respond to emergencies, keep rates affordable, maintain current infrastructure and plan for future public works projects.

- **Balancing Budgets** – Over the course of the fiscal year, short-term reserves help balance the ebb and flow of revenues verse expenditures.
- **Emergency Preparation** – In the event of a disaster, communities can't afford not to have savings readily available to quickly repair critical local infrastructure and bring core services back online.
- **Affordable Rates** – With appropriate savings, special districts are able to use resources wisely and smooth out the highs and the lows of volatile economic conditions, rather than spend their entire surplus and then seek new revenue or jeopardize services.
- **Infrastructure Maintenance** – Reserves mean the pipes are fixed, roofs are patched, and worn equipment is replaced without going back to the taxpayers or ratepayers to pay for routine upkeep.
- **Planning for the Future** – A long-term, thoughtful approach to public infrastructure requires the foresight to plan for, and discipline to save for, future needs.

#### *Reserves are Much More than Liquid Assets*

- What comprises a reserve fund? Reserve fund balances and net assets are not just cash and investments. They also include the net value of capital facilities, land and equipment measured from the very inception of the district.
- Assigned funds are budgeted for specific long-term public needs as planned by the board of directors.
- Committed funds are set aside via established policies for specific uses such as cash-flow, capital improvements, contingencies, and rate stabilization.
- Restricted funds are limited by legal or contractual requirements, or cannot otherwise be spent.

#### *Best Practices for Sensible Budgets*

- Historically, governmental agencies and departments have been known to spend everything they have before the end of the fiscal year in order to justify increased future allocations from their larger bureaucracy.
- Special districts are different because they empower core local service providers with budgetary control, encouraging efficiency and fiscal restraint rather than punishing it.
- The CSDA Reserve Guidelines Task Force identified both the essential elements of reserve policies and key issues to be discussed during reserve policy development to assist districts in fulfilling their commitment to provide cost-effective and efficient public services to their communities.



## Addendum III: Capital Planning

A Capital Improvement Program (CIP), also referred to as a capital plan, exists to identify and prioritize a special district's need for capital goods. A CIP should prioritize the importance and timing of the various assets to be acquired. In addition, a CIP should contemplate how those goods will be paid for – cash (equity) or debt. A capital plan is a strategic and comprehensive plan for the acquisition and implementation of the district's capital assets over time. In that sense, it is different from a finance plan, which focuses on individual acquisitions and how to pay for them.

To fulfill their mission, every district makes capital investments. Debt, especially tax-exempt debt, is recognized as an important and continuing source of a district's capital to fund improvements necessary to achieve its mission and strategic objectives. A CIP provides the framework by which decisions will be made regarding the use of cash and debt to finance capital projects.

Debt is defined to include all short and long-term obligations, guarantees and instruments that have the effect of committing the district to future payments. The assumption of debt, both direct and indirect, is subject to the district's approval. Any debt issued by subsidiary entities is subject to these policies. In satisfying their fiduciary responsibilities, it is important that a district's board and management know the extent of debt obligations.

### CIP Objectives

1. To provide guidelines to management on the use of reserves and debt to support a special district's capital needs while achieving the lowest overall cost of capital.
2. To provide selected financial measures, with specific targets, to ensure that the district continues to operate within appropriate financial parameters while allowing the agency to maintain financial stability and the highest acceptable credit rating that permits it to issue debt at favorable rates.
3. To bridge the cash flow gap between the district's available funds and its capital needs when the assumption of debt is deemed prudent.

### Creating a Capital Plan

1. Establish goals
2. Assess needs
3. Determine pay-go or borrow
4. Identify methods available for funding
5. Design the loan—the tactical plan
6. Organize approach

*Details on the following pages.*

## Establish Goals

The key elements in setting clear capital plan goals include:

1. ***Understanding the role of the planning horizon.*** Planning horizons are important considerations in well-developed capital plans. For example, it makes little sense to try to plan for a 10-year or 20-year horizon if innovation, technology, demographics or legislative threats to the plan occur frequently or on short notice. Conversely, agencies that are in low-technology businesses and stable demographic circumstances can more effectively and more appropriately plan for long periods. Planning horizons should mirror long-term repair and replacement requirements of existing facilities.
2. ***Integrating the use (or lack thereof) of reserves.*** The extent to which a particular district has accumulated reserves will dramatically impact the CIP. The development of, and adherence to, strong reserve policies can greatly simplify funding choices for a capital plan, but blind adherence to arbitrary reserve levels can be just as inhibiting as no reserves at all. The key is to make reserve accumulation, or depletion, work in harmony with the CIP, operating budget and risk management of the district.
3. ***Recognizing the repetitive nature of implementing the CIP.*** A capital plan is by its nature repetitive. For that reason, many districts choose to review and update it annually, usually as an adjunct to deliberation of the operating budget. This keeps the CIP current and tempered by present information on the priorities of the district.

## Assess Needs

Every capital plan starts with a needs assessment. The assessment should be based on a comprehensive review of the agency's assets at the time an asset is recorded and an estimated useful life is assigned to each asset. This information later will be used as an indicator of when an asset is scheduled to be replaced. Estimated future replacement costs need to be obtained in order to reasonably estimate CIP fund requirements within an agency's long term financial plan.

## Determining Pay-Go or Borrow

The "pay-go" method of using current revenues to pay for long-term infrastructure and other projects is often considered when sufficient revenues and reserves are available and long-term borrowing rates are higher than expected cash reserve fund earnings.

On the other side of the spectrum, the "pay-as-you-use" or "borrow" strategy limits the need for building of major amounts of equity in capital assets. Such accumulation can be less economically efficient, particularly for those districts that are capital intense and whose capital goods are "used up" over long periods of time. Similarly, financing of smaller capital goods, or those with short or uncertain useful lives, is also inefficient. The rationale behind the borrow approach is that the district's stakeholders should "pay" for the assets required to deliver the goods or services of the agency over a time period that more closely mirrors the useful life of those assets.

Most districts use a blended approach based on their debt management policy. Often, a district's approach is dictated as much by affordability as by philosophy, given that few public bodies are capable of paying cash for all capital assets.

### **Identify Methods Available for Financing**

Once the goals have been set, the needs assessed and the decision whether to pay cash or finance the asset has been made, some thought must be given to the method of financing. For example, even if an asset is to be procured for cash, and the cash is on hand in a reserve set aside for that purpose, a decision still must be made on whether to replenish or restore that reserve, and over what time period and from what source it will be replenished.

Choosing to issue debt means that the following choices must be made: form of debt, mode (fixed or variable rate), repayment terms and method of sale. These are the tactical decisions that often blur the understanding of the strategic elements of the capital plan.

### **Design the Loan The Tactical Plan**

If a decision is made to borrow, an array of choices will follow. Some districts choose to borrow from banks or private lenders; others choose public offerings of debt. Lease financing may be considered as an alternate to bond financing. Some districts pool their needs with other similarly situated districts in order to reduce costs through economies of scale.

Regardless of the choice of lenders or approach matching the useful life of the financed asset to the borrowing term is an important consideration. Common sense tells us that we should hesitate to finance automobiles with 30-year bonds. By the same token, a water treatment plant with a design-life of 50 years can be safely and prudently financed over long periods of time. Still, debt issuances over 30 years are rare.

This element of the CIP should also carefully consider other needs within the strategic plan when pledging assets or revenues to lenders. A generous package to a lender on today's asset may make tomorrow's asset financing problematic or impossible. The key is to ensure that each tactical financing plan within the capital plan works harmoniously with other elements of the plan and is flexible enough to allow for the inherently changing nature of the CIP.

### **Organize the Approach**

The successful capital planning process looks a great deal like the successful budgeting process. The end-result articulates the goals and objectives of the organization to all stakeholders and relies on an accurate and unbiased assessment of needs. It provides for an evaluation of the desired assets to distinguish between "wants" and "needs." It is written and shared with the district's stakeholders.

The capital plan is revisited often and provisions for changing or amending it are straightforward. Finally, it incorporates periodic analysis of results and achievements for management and the governing body.

## **Summary**

A CIP need not be elaborate or weighty to be effective. Many effective capital plans consist of a single spreadsheet and several paragraphs of supporting text. The development of the program is vital to the efficient use of capital. It is a key ingredient in a lender's assessment of management's effectiveness and control. It is among the most important tools an elected official possesses to discharge the duties of office.

Readers who are interested in additional information about the development of capital plans should consider a variety of books, and other information sources, on the topic. Some suggested examples are shown in the attached resource listing at the back of this document.



## Addendum IV: Resources

The Government Finance Officers Association (GFOA) is a great source for more information regarding various government financial matters, including fund balance and financial reporting. GFOA has an extensive publications department. View a list of its full offerings at [www.gfoa.org](http://www.gfoa.org). The following publications may be useful:

1. "An Elected Official's Guide to Financial Reporting"
2. "Best Practice – Replenishing Fund Balance in the General Fund"
3. "Governmental Accounting, Auditing, and Financial Reporting"
4. "Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting"

The Governmental Accounting Standards Board (GASB) has a number of user guides written by the standard setter for use in many types of governments. These include:

1. *An Analyst's Guide to Government Financial Statements—revised, updated, and significantly expanded*
2. *What You Should Know about the Finances of Your Government's Business-Type Activities—a completely new guide for 2012*
3. *What You Should Know about Your Local Government's Finances*

In addition, in 2013, GASB is expecting to publish a guide directed at "Business-Type Activities." Most special districts in California are "Business-Type Activities."





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