

# Palmdale Water District

## 2016 Budget Workshop



November 9, 2015

## MOVIN' ON AND MOVIN' UP

- GETTING THROUGH THE LIES
- REMEMBER WHAT OUR JOB IS AND WHO IS IMPORTANT
- MAKING THE DIFFICULT CHOICES FOR THE LONG TERM
  - WHAT WE DO NOW MAKES THE FUTURE EASIER
  - WE WANT TO BE WATER SELF-SUFFICIENT
- FOCUSING ENERGY ON WHAT CAN BE CONTROLLED RATHER THAN WHAT CAN'T
- IMAGE AND HONESTY (RISING ABOVE THE LIES)
- WHAT WE HAVE ALWAYS DONE - ACCOMPLISHMENTS AND INTEGRITY AS AN ETHICAL, FACT-BASED, MORAL COMPASS FOR DECISION MAKING
- GETTING KNOCKED DOWN IS EASY, BUT GETTING BACK UP IS THE HARD PART
- FOLLOW THE 218 PLAN

## LEADERSHIP

- "YOU CAN'T MAKE DECISIONS BASED ON FEAR AND THE POSSIBILITY OF WHAT MIGHT HAPPEN." — MICHELLE OBAMA
- "THE BEST WAY TO PREDICT YOUR FUTURE IS TO CREATE IT" – ABRAHAM LINCOLN
- "YOU CAN NEVER PAY BACK, SO YOU SHOULD ALWAYS PAY IT FORWARD" – WOODY HAYES



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## WHAT'S AT STAKE?

- BOND RATING SECURITY
- SOUND FISCAL MANAGEMENT REGARDING LONG-TERM PLANNING
- FUTURE RATE ADJUSTMENTS THAT ARE SIGNIFICANTLY HIGHER THAN 5.5%
- AWARDED GRANTS AND LOW INTEREST THAT PROVIDE THE DISTRICT OPPORTUNITIES TO PLAN FOR FUTURE DROUGHT PROTECTION AND REDUCE OUR RELIABILITY ON STATE WATER
- FINANCIAL RESPONSIBILITY IS MAKING RATE ADJUSTMENTS TO ENSURE STABILITY OF THE AGENCY
- UNCERTAINTY REGARDING WATER SALES AND STATE WATER PRICING
- CONTINUING TO CUT INTO RESERVES TO EFFECTIVELY FUNCTION
- DISTRICT IMAGE TO COMMUNITY

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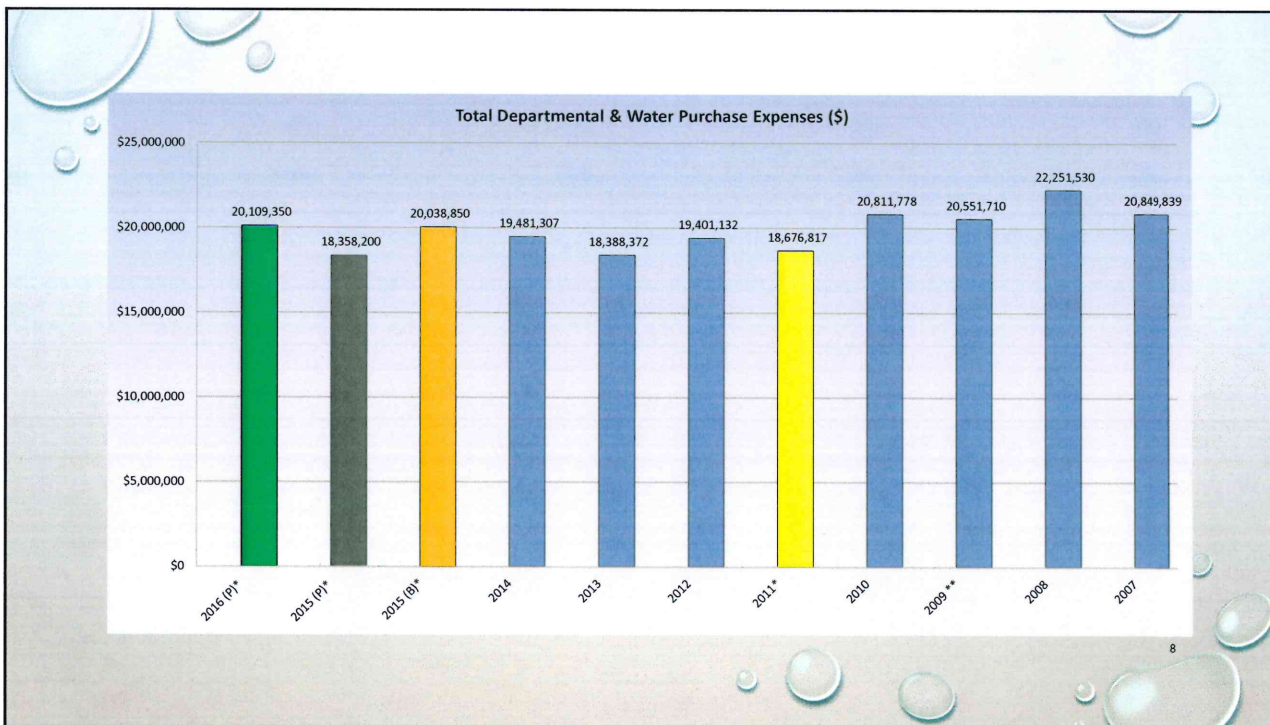


PALMDALE WATER DISTRICT 5-YEAR CASH FLOW (Aggregate)					
	Proposed 2016	Projected 2015	Audited Numbers		
			2014	2013	2012
Beginning Cash	10,909,526	12,989,419	12,216,474	8,852,185	9,463,250
<b>Operating Activities</b>					
Net Operating Revenues	22,118,000	21,016,000	23,341,636	24,125,011	23,126,334
Net Operating Expenses	20,634,350	19,782,245	22,405,397	20,665,315	22,232,461
<b>Net cash provided by operating activities</b>	1,483,650	1,233,755	936,239	3,459,696	893,873
<b>Other Sources and Uses of Cash</b>					
Assessments received	6,695,000	7,550,000	7,063,785	7,316,688	5,903,403
Payments for State Water Project	(3,274,746)	(3,278,807)	(2,390,962)	(2,821,029)	(2,832,287)
Capital Improvement Fees Received	50,000	354,000	13,548	244,949	1,257,817
Water Conservation	(200,000)	(200,000)	-	-	-
Proceeds on Issuance of Long Term Debt	-	-	-	-	-
Acquisition of Property, Plant & Equip - Current Yr	(1,290,982)	(3,513,739)	(1,249,083)	(1,817,663)	(2,572,722)
Acquisition of Property, Plant & Equip - Carryover	-	(654,148)	-	-	-
Committed Contracts on WRB Projects	(748,184)	-	-	-	-
Capital Leasing	(217,500)	(217,500)	(229,597)	(229,597)	(223,539)
Principal Paid on Long Term Debt	(1,557,553)	(1,518,421)	(1,472,774)	(1,778,719)	(1,220,000)
Interest Paid on Long Term Debt	(2,161,369)	(2,203,532)	(2,244,419)	(1,840,455)	(2,414,192)
State Grants and Other Income	183,000	318,000	300,744	315,499	571,895
Interest on Investments	35,000	50,500	45,464	34,920	24,687
<b>Net Cash Provided by Other Sources and Uses</b>	(2,487,334)	(3,313,648)	(163,294)	(575,407)	(1,504,938)
<b>Net Increase (Decrease) in Cash</b>	(1,003,684)	(2,079,893)	772,945	2,884,289	(611,065)
<b>Rate Stabilization Fund</b>	-	-	-	480,000	-
<b>Cash End of Year</b>	<b>9,905,842</b>	<b>10,909,526</b>	<b>12,989,419</b>	<b>12,216,474</b>	<b>8,852,185</b>
<b>Less Restricted Cash</b>	-	-	-	-	-
Acquisition of Property, Plant & Equip - Carryover	-	(360,000)	(654,148)	-	-
Committed Contracts on WRB Projects	-	(748,184)	-	-	-
<b>Available Operating Cash</b>	<b>9,905,842</b>	<b>9,801,342</b>	<b>12,335,271</b>	<b>12,216,474</b>	<b>8,852,185</b>

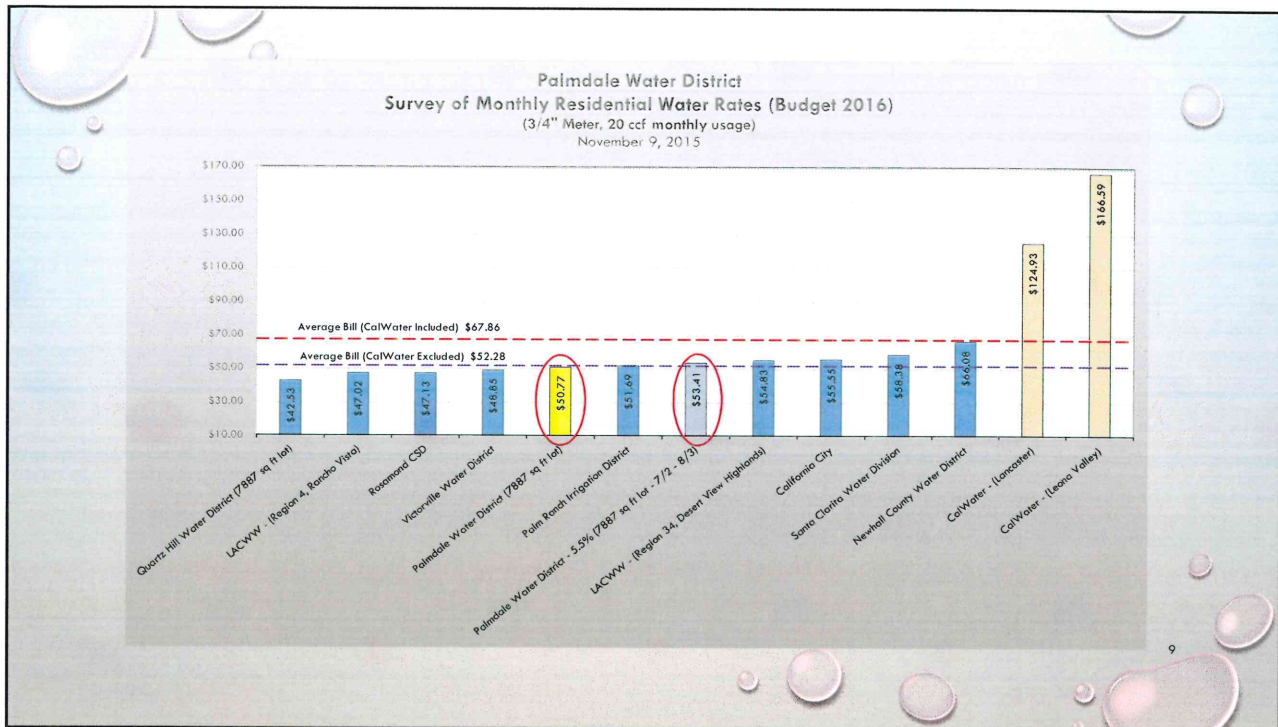
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PALMDALE WATER DISTRICT Historical & Projected Debt Service Coverage (\$000s) - w/Rate Increase (2015 & 2016)										
Fiscal Year Ending December 31	Audited 2009	Audited 2010	Audited 2011	Audited 2012	Audited 2013	Audited 2014	Projected 2015	Proposed 2016		
								5.50%	4.50%	3.50%
<b>OPERATING REVENUES</b>	21,025	21,641	21,660	22,597	24,125	23,342	21,016	22,118	21,891	21,718
Rate Increase	1,048	-	-	-	-	-	-	-	-	-
Rate Stabilization Fund	-	-	-	-	(480)	-	-	-	-	-
	22,073	21,641	21,660	22,597	23,645	23,342	21,016	22,118	21,891	21,718
<b>OPERATING EXPENSES</b>										
Gross operating expenses	20,814	23,092	20,481	22,216	20,665	22,405	19,782	20,634	20,634	20,634
Required Cutbacks	(1,494)	(576)	(477)	(43)	(217)	(509)	-	(280)	(510)	(680)
Overhead adjustment	(1,151)	(1,094)	(905)	(915)	(720)	(363)	(226)	(142)	(142)	(142)
SWP Fixed operations and maint	377	-	-	-	-	-	(878)	-	-	-
Capital portion included above	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>18,546</b>	<b>21,422</b>	<b>19,099</b>	<b>21,258</b>	<b>19,728</b>	<b>21,534</b>	<b>18,678</b>	<b>20,213</b>	<b>19,983</b>	<b>19,813</b>
	3,527	219	2,561	1,339	3,917	1,808	2,338	1,905	1,908	1,905
<b>NET OPERATING REVENUES</b>										
Ad valorem property taxes	2,447	1,932	1,519	1,704	2,573	2,132	2,150	2,350	2,350	2,350
Interest income	48	89	79	25	44	45	50	35	35	35
Capital improvement fees	37	149	1,226	1,258	245	14	254	50	50	50
Other income	405	1,243	529	843	421	306	11	5	5	5
<b>TOTAL NON-OPERATING INCOME</b>	<b>2,937</b>	<b>3,413</b>	<b>3,353</b>	<b>3,830</b>	<b>3,284</b>	<b>2,497</b>	<b>2,465</b>	<b>2,440</b>	<b>2,440</b>	<b>2,440</b>
<b>NET REV AVAILABLE FOR DEBT SERVICE</b>	<b>6,464</b>	<b>3,632</b>	<b>5,914</b>	<b>5,169</b>	<b>7,201</b>	<b>4,305</b>	<b>4,803</b>	<b>4,345</b>	<b>4,348</b>	<b>4,345</b>
<b>NET DEBT SERVICE</b>										
1998 Certificates of Participation	1,504	1,511	1,505	1,507	-	-	-	-	-	-
2004A Certificates of Participation	2,131	2,126	2,130	2,127	-	-	-	-	-	-
2012 Issue - Bank of Nevada	-	-	-	-	1,373	1,373	1,372	1,374	1,374	1,374
2013A Water Revenue Bond	-	-	-	-	2,247	2,344	2,350	2,345	2,345	2,345
2017 Issue	-	-	-	-	-	-	-	-	-	-
2012 Capital Lease	-	-	-	-	190	190	218	218	218	218
<b>TOTAL DEBT SERVICE</b>	<b>3,635</b>	<b>3,637</b>	<b>3,635</b>	<b>3,634</b>	<b>3,810</b>	<b>3,908</b>	<b>3,939</b>	<b>3,936</b>	<b>3,936</b>	<b>3,936</b>
<b>DEBT SERVICE COVERAGE</b>	<b>1.78</b>	<b>1.00</b>	<b>1.63</b>	<b>1.42</b>	<b>1.89</b>	<b>1.10</b>	<b>1.22</b>	<b>1.10</b>	<b>1.10</b>	<b>1.10</b>
<b>NET REV AVAILABLE AFTER D/S</b>	<b>2,829</b>	<b>(5)</b>	<b>2,278</b>	<b>1,535</b>	<b>3,391</b>	<b>397</b>	<b>863</b>	<b>409</b>	<b>411</b>	<b>409</b>

PALMDALE WATER DISTRICT 2016 BUDGET (16,500 Acre Foot - 5.5% Increase)						
	PROPOSED 2016	PROJECTED 2015	BUDGET <sup>1</sup> 2015	ACTUAL 2014	ACTUAL 2013	ACTUAL 2012
<b>Operating Revenue</b>						
Wholesale Water (AVEK & LCID)	160,000	100,000	225,000	218,627	192,316	50,345
Water Sales	7,345,000	6,745,000	8,550,500	8,283,444	9,025,493	8,732,110
Meter Fees	12,253,000	11,658,000	11,506,000	11,321,843	11,059,700	10,318,032
Water Quality Fees	1,000,000	893,000	1,146,500	1,564,800	1,650,551	1,658,418
Elevation Fees	400,000	370,000	525,000	477,654	553,631	563,499
Other	960,000	1,250,000	1,450,000	1,377,953	1,670,371	1,339,084
	<u>22,118,000</u>	<u>21,016,000</u>	<u>23,403,000</u>	<u>23,244,320</u>	<u>24,152,063</u>	<u>22,691,467</u>
<b>Operating Expenses</b>						
Directors	128,500	139,000	118,500	145,332	102,406	109,815
Administration	3,154,250	2,801,250	2,667,250	2,488,872	2,195,303	2,499,320
Engineering	1,275,500	1,202,500	1,252,150	1,086,084	1,265,376	1,155,799
Facilities	6,641,250	5,902,250	6,558,775	3,711,042	2,926,478	3,305,594
Operations	2,548,250	2,299,570	2,622,000	5,341,789	5,230,842	4,738,208
Finance	1,184,250	1,545,455	1,598,025	3,048,759	2,907,898	2,840,351
Water Conservation	305,000	298,750	284,000	180,027	237,710	223,804
Human Resources	444,800	415,775	381,850	252,531	199,673	192,206
Information Technology	874,000	742,100	784,350	840,237	638,953	721,173
Customer Care	1,403,750	1,157,550	1,121,950	-	-	-
Water Purchases	2,000,000	1,890,000	2,400,000	2,385,951	2,247,247	3,614,861
OAP Chrg (Prior Year)	150,000	(36,000)	250,000	683	436,485	-
Water Recovery	(475,000)	(575,000)	(100,000)	(427,519)	(611,563)	(394,902)
Water Quality (GAC Media)	1,000,000	1,121,045	1,146,500	1,204,922	1,133,176	1,550,184
Plant Expenditures	-	878,000	1,896,000	753,615	726,135	713,641
<b>Cash Expenses</b>	<u>20,634,350</u>	<u>19,782,245</u>	<u>22,981,350</u>	<u>21,012,326</u>	<u>19,636,120</u>	<u>21,270,054</u>
Depreciation	7,200,000	8,050,000	6,450,000	7,166,963	7,483,036	7,768,448
Post Employment Benefit (GASB 45)	2,250,000	2,203,000	2,000,000	1,999,825	1,659,752	1,716,709
Bad Debts	50,000	48,000	100,000	16,594	(19,586)	(104,725)
Service Costs Construction	125,000	107,000	125,000	(99,180)	88,060	168,706
Capitalized Construction	(1,000,000)	(1,050,000)	(1,000,000)	(1,432,862)	(1,238,379)	(992,970)
<b>Non-Cash Expenses</b>	<u>8,625,000</u>	<u>9,358,000</u>	<u>7,675,000</u>	<u>7,651,539</u>	<u>7,972,883</u>	<u>8,556,168</u>
<b>Net Operating Income(Loss)</b>	<u>(7,141,350)</u>	<u>(8,124,245)</u>	<u>(7,253,350)</u>	<u>(6,419,544)</u>	<u>(3,456,840)</u>	<u>(7,164,735)</u>

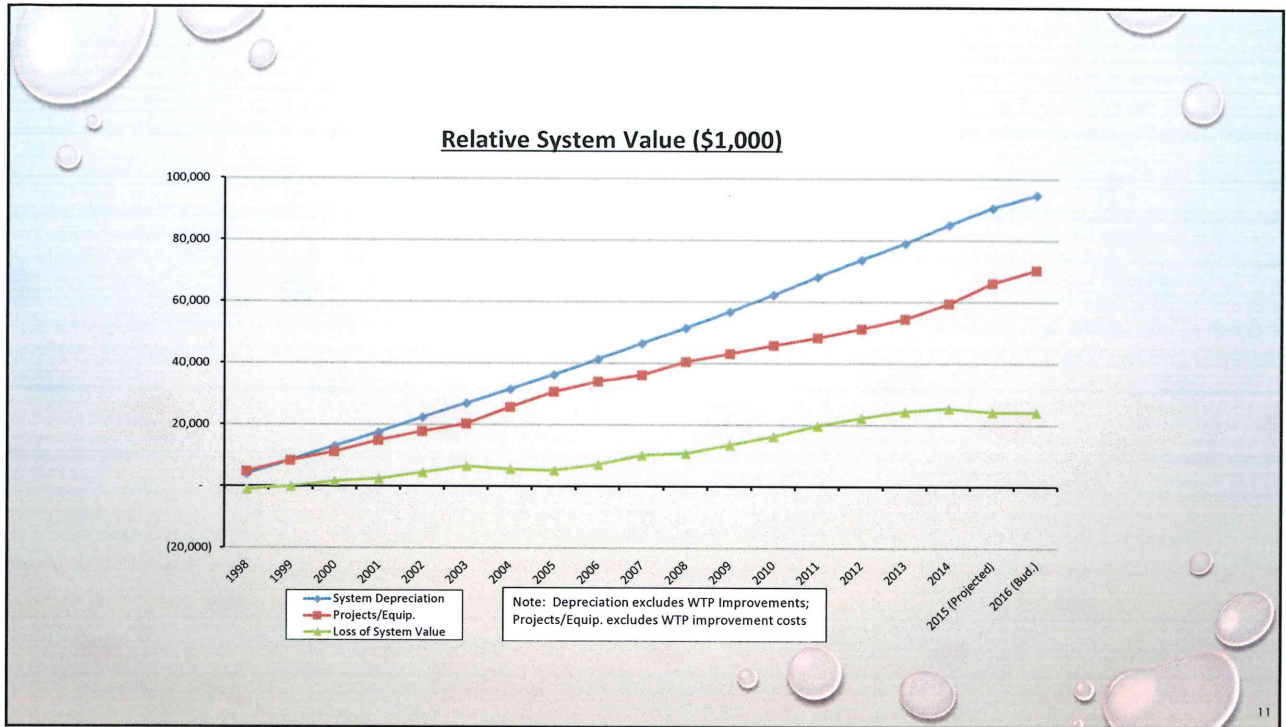




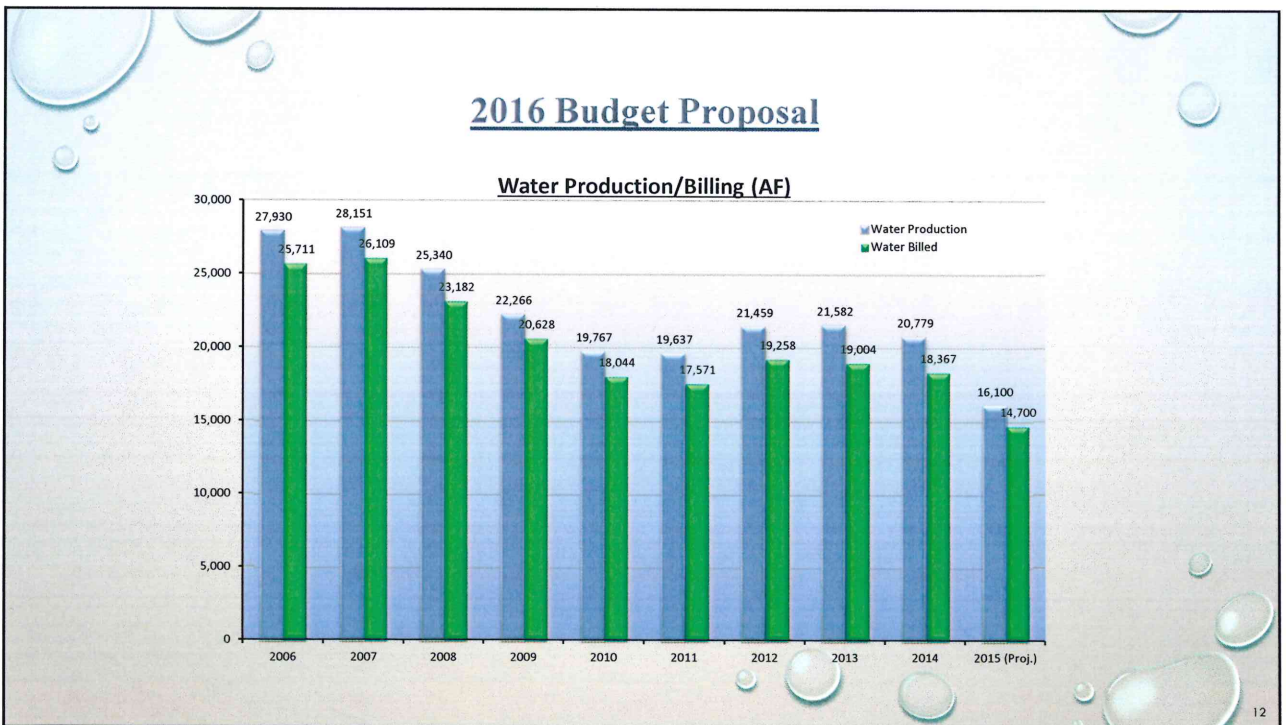


## IMPORTANT FACTS

- AVERAGE BILL FOR SFR JAN-SEP 2014, \$52.58; SAME PERIOD 2015 \$48.70 (5.5%=\$2.68)
  - **\$51.38 – NEW AVERAGE OR \$1.20 LESS**
- COLA IS CALCULATED AT .74%
- MAXIMUM STEP INCREASE AND NON-CUMULATIVE AWARDS IS CALCULATED AT 2.5%
- 2.7 MILLION LESS OPERATING COSTS THAN LAST YEAR
- REDUCED WATER PURCHASES TO KEEP COSTS DOWN



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## Are Funds Being Used Efficiently?

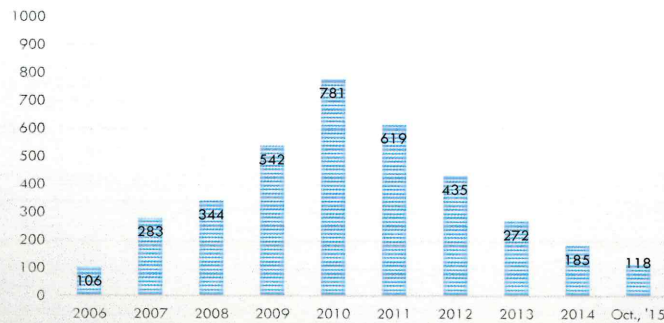
### Total Operating vs. Department Operating Expenses



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## Annual Mainline Leaks (2006 – 2015)

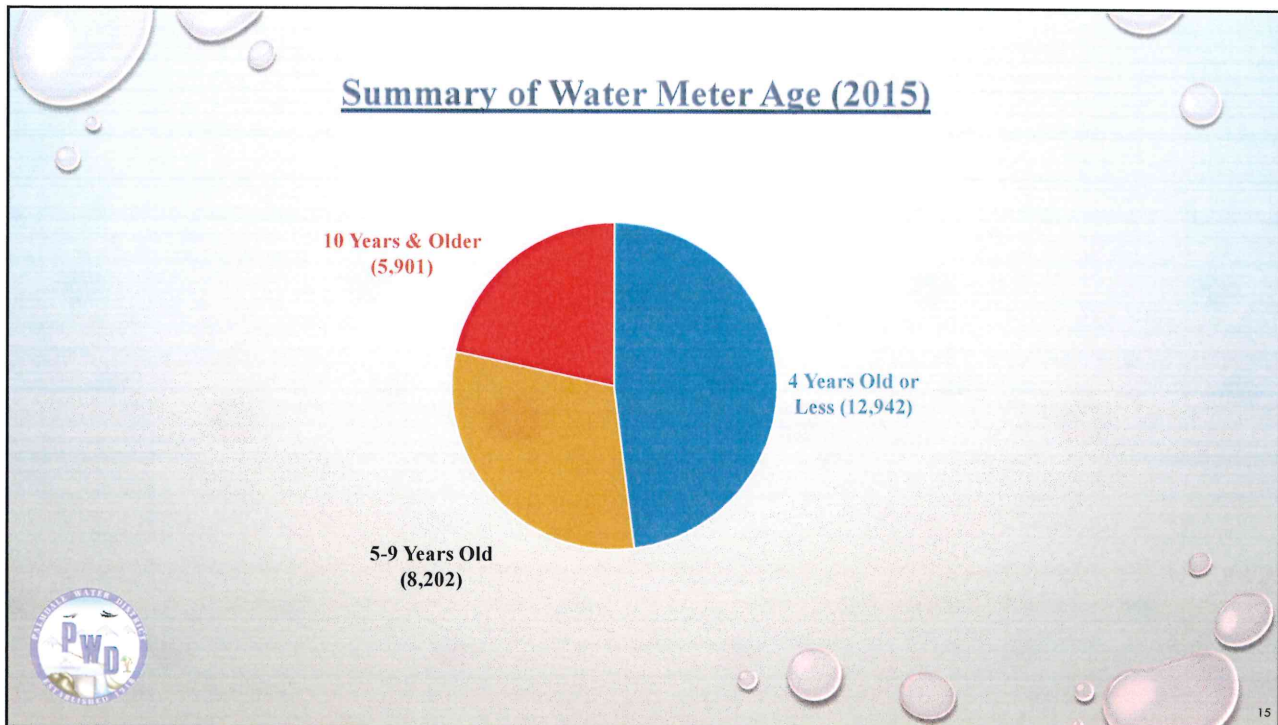
### Mainline Leak History



(Average Leak Repair Cost = \$1,500)

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## STAFF RECOMMENDATION

- FULL 5.5% RATE ADJUSTMENT AS THE BARTLES AND WELLS STUDY INDICATES FOR SUPPORT OF CURRENT AND FUTURE GROWTH AND PLANNING NEEDS, REINVESTMENT INTO INFRASTRUCTURE, ENSURE THAT THE DISTRICT'S BOND COVERAGE IS SATISFIED, ALLOW THE RESERVE LEVELS TO MAINTAIN AT THE RECOMMENDED MINIMUM, AND FOR THE DISTRICT EMPLOYEES TO CONTINUE TO FUNCTION AT A HIGH LEVEL BY PROVIDING ADEQUATE TOOLS AND SAFETY EQUIPMENT TO BOTH PROTECT AND INCREASE EFFICIENCY.
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