

**NEWHALL COUNTY
WATER DISTRICT
OPERATING & CAPITAL
BUDGET
FISCAL YEAR 2018**



**PROUDLY SERVING
THE COMMUNITY
FOR 65 YEARS**



Adopted May 18, 2017



OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2018

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B. J. Atkins - Vice President
Kathy Colley - Director
Daniel R. Mortensen - Director
Lynne Plambeck - Director

Management

Stephen L. Cole - General Manager
Michael Alvord - Assistant General Manager
Rochelle Patterson - Director of Finance/Administration

OPERATING AND CAPITAL BUDGET

FISCAL YEAR 2018

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AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Newhall County Water District, California for the Annual Budget beginning July 01, 2016.

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

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





NEWHALL COUNTY WATER DISTRICT

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

May 18, 2017

Honorable Board of Directors
Newhall County Water District

I am pleased to present the Newhall County Water District Operating and Capital Budget for FY 2018, which was presented for review and adoption to the District's Board of Director's at a public meeting on May 18, 2017.

Most of California has recovered from the past six years of drought. The recent rains have restored life to the parched lawns and dusty hillsides. The State's snowpack has made a historical recovery, which caused the Governor of California to lift the drought emergency for a majority of the state. Just a year ago, we were complying with mandatory water restrictions. Since the drought had gone on for so long, by recent historical standards, there is a lingering question; will there be a lasting impact on the way people think about water conservation?

For the past year, the Santa Clarita Valley received more than the average annual amount of rainfall, but we are still below what is needed to fill the groundwater water basin to make a full recovery. Our customers reacted to the conservation message and rose to the occasion. Valley wide, customers conserved 20-25%, compared to consumption in 2013.

We are moving from an era in which we thought about water as a single-use product - something plentiful, something we can take for granted. There is no way of knowing if we are at the beginning of another six-year drought, which is why the District will continue to reach out and educate its customers. This budget assumes that customers will continue their water saving efforts. The drought emergency is over, but the next drought could be around the corner. Water use efficiency must remain a way of life.



Castaic Lake - September 2014



Castaic Lake - April 2017

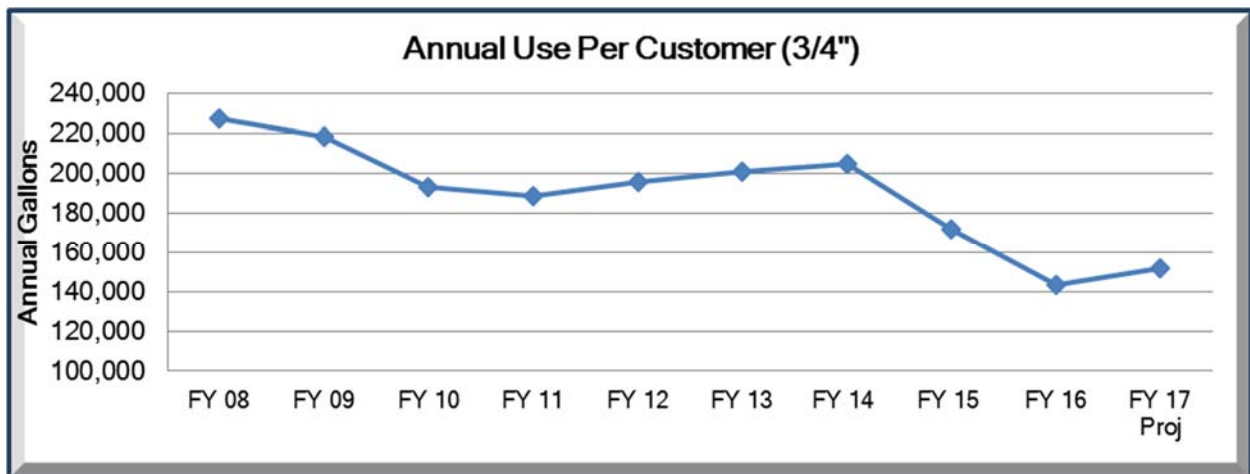
The District's long-standing commitment to living within our means through both good and bad times has enabled us to maneuver through this drought without major impacts on our customers. It should be clearly understood we have not been immune to its effects. The District continues to evaluate the way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



There is no such thing as “business as usual” at the District. We have had the opportunity to learn some valuable lessons since the 2008 recession. Our world adjusted to the new reality of our situation. Staff is working smarter and harder than ever to get things done - doing more with less and in a more competitive environment. The Board of Directors and staff continue to evaluate and implement innovative strategies and have worked

hard to implement creative solutions to serve our employees and customers. Through this process, we have also realized the importance of moving forward despite our challenges.

In FY 2008, the average customer with a 3/4” meter consumed 227,392 gallons of water annually as compared to one of the lowest recorded (predating the current drought) in FY 2011 of just 188,496 gallons. The District projects the average customer with a 3/4” meter to consume 151,844 gallons annually in FY 2018, a decrease of 19% from the low in FY 2011.



The FY 2018 budget reflects a continuation and expansion of strategies by maintaining critical expenditures and streamlining operations, while continuing to provide high service-level standards.

This budget is designed to help fulfill the District's mission to provide quality water service at a reasonable cost, by practicing careful stewardship of natural resources, utilizing innovative measures, and providing a quality-working environment. Finally, while this budget is focused exclusively on revenues and expenses related to NCWD's service to its customers, the District is also on a constructive pathway to creating a new era of water management for the Santa Clarita Valley. We expand on this potential below.

Management Objectives

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

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

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

The budget message is organized into the following categories:

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

BUDGET PLANNING

The budget is intended to serve as a policy document, a financial plan, a communications device, and an operations guide. It provides a comprehensive summary of all District activities proposed for FY 2018 and Capital Improvement Plan (CIP) projects proposed for FY 2018-22 planning years. This year's budget is reflective of District needs as identified by the Board of Directors and District staff during the budget review process.

This budget is the product of a comprehensive team effort from every level within the organization and included several budget study sessions, a public Finance Committee meeting and public Board meetings. The budget process is described in more detail on page 38.

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

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

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

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

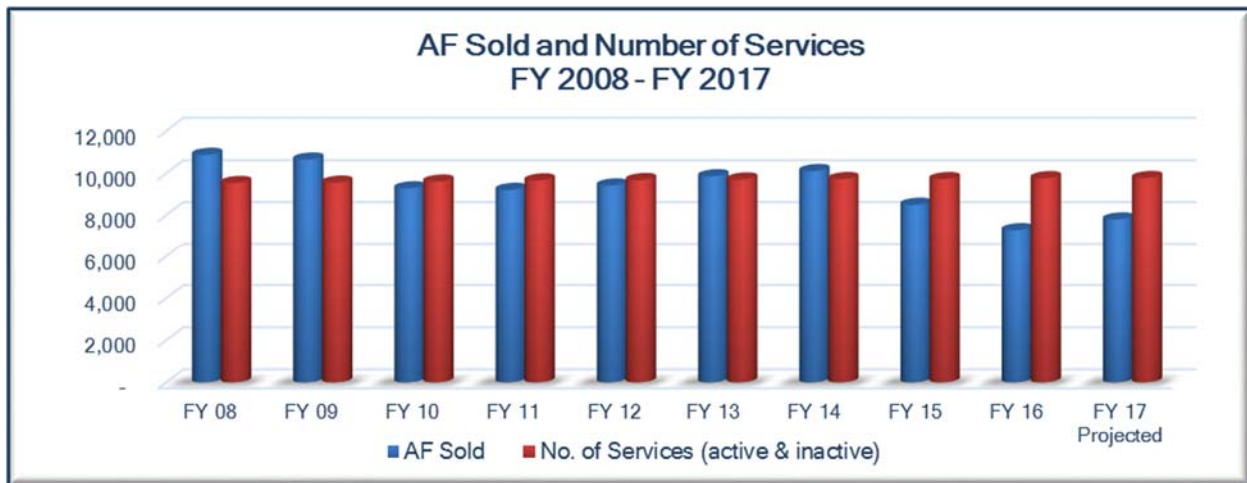
DISTRICT HISTORY

In FY 2018, the District will be celebrating its 65th anniversary. Since the formation of the District in 1953, it has experienced considerable growth and change. The Santa Clarita Valley, at one time a miniature snapshot of the Wild West, has flourished into a beautifully planned residential community filled with homes, businesses and growing families.



Today, the District provides water service to a population of over 45,000 customers through more than 9,700 connections within a 37-square mile radius in portions of the City of Santa Clarita and unincorporated Los Angeles County. In FY 2016, the District sold 7,274-acre feet of water, 14% less than the prior year. Approximately 43% of the potable water was purchased from Castaic Lake Water Agency (CLWA) who receives water from the State Water Project (SWP) along with other imported sources and the remaining 57% was supplied from local groundwater sources.

The following graph shows the number of services (including fire service accounts) and annual acre-feet (AF) sold since FY 2007. Historically, water sales were a function of weather and population. More recently, the effect of the economy, current drought and mandatory water use restrictions has caused a 36% reduction in water sold since FY 2007.



BUDGET SUMMARY AND FORECAST

Southern California has seen its share of highs and lows. This budget is presented nearly eight years after the most challenging period in District history. Like many who were affected by the downturn in the housing market, drought conditions and the increasing cost of goods and supplies, the District has had to adjust its budget to accommodate changing economic conditions. The most recent recession helped prepare the District to react quickly to the emergency water restrictions set forth by the Governor of California. We have eight years of belt tightening and cost containment experience and will continue to do more through this period of financial unpredictability. We believe we have emerged with a budget meeting the needs of our customers. It sets our spending and staffing to affordable and sustainable levels while maintaining a high level of quality service.

The adopted rates and assumptions have been used by the District in the preparation of its five-year water revenue projections. Further pressure comes from the uncertainty of the direction the State may take on future water conservation goals and how the District customers will respond. The budget emphasizes short and long-term planning recognizing slow growth and associated costs within the District's fiscal constraints. It is the responsibility of the District to make sure expenses do not exceed revenues to ensure a balanced budget.

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

Operating Revenue

During the process of reviewing the budget for FY 2018, the District will continue to implement the Water Revenue Adjustment Factor (WRAF) to proactively address the reduction in water sales. The rates are designed to appropriately recover water system cost, address customer affordability issues for the average customer, and promote the efficient use of water resources. The rate adjustment aims to protect the District's long-term financial stability through June 2020 with the anticipation of a new rate study that will take effect in FY 2021. The adopted rates eliminate the District's use of operating reserves, which are maintained to support the financial position of the District.

The District is expecting to add four new services in FY 2018 with water revenues expected to be \$11,930,215 (total revenues \$13,554,984), which is a 7% increase from the previous budget year. Since FY 2011, the District had used an adjustment to the demand projection methodology resulting in a more conservative projection of future revenues. This method used the last recorded nine months (July - March) of actual usage and three months projected usage (April - June) to more accurately estimate operating revenues. Since the State mandate and emergency conservation regulations, the District is not expecting customers to return to their pre-drought usage, but will continue to voluntarily conserve. The District will be projecting water revenues for FY 2018 - FY 2022 based on the previous mandate of a 25% reduction (as compared to calendar year 2013).

Operating Expenditures

The last few years of economically challenging conditions and most recent drought have a direct effect on nearly every aspect of the District's operations. Every department has worked to analyze processes, systems, and structures to identify opportunities and implement plans to reduce costs. Many plans have made the District more adaptable, effective and responsive to customer needs.

These cost-containment efforts have permeated the District's organizational culture, with staff at every level committing to do more with less and watching for opportunities to reduce costs. The budget for FY 2018 reflects a continuation of strategies to restrict non-critical expenditures and streamline operations, which have the positive impact of improving the District's future expenditure projections.

THESE COSTS-
CONTAINMENT EFFORTS
HAVE PERMEATED THE
DISTRICT'S
ORGANIZATIONAL
CULTURE, WITH STAFF AT
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WITH LESS

The \$13,554,984 Operating Budget, which is an increase of 2% from the previous budget year, consists of three components; operating expenses, capital, and debt service. These categories include forecasting the costs of purchased water, purchased power, insurance, vehicle operating costs, asset maintenance, employee costs, and the increase of day-to-day business responsibilities.

The District is still eyeing FY 2018 to see a large reduction in debt service payments. One of the three debt obligations matures and lessens the pressure on the operating fund. The overarching philosophy of the District is to retire a majority of the debt and employ a practice of "pay-as-you-go" financing. There is no new debt projected through FY 2022.

Purchased Water - The District is expecting to purchase 3,240 acre feet (plus 1,100 acre feet through the perchlorate settlement) of water from CLWA. The District's pass-through charges include the CLWA Surcharge and WRAF (adjustment to the commodity rate) and are based on current estimates of future costs. The pass-throughs are allowed in accordance with Government Code Section 53756 and are subject to change based on actual costs. Pass-throughs capture cost changes largely beyond the control of the District. The fixed charge component of the wholesale water rate is expected to increase by 10% and the variable rate by 2% in January 2018 with additional increases projected for future years.

District Operations - The District operates and maintains approximately 155 miles of distribution and transmission main, 22 above ground storage tanks, 12 booster pump stations, 4 purchased water turnouts, and 11 active groundwater wells. To operate this extensive system, the District employs 30 individuals. These employees include water system operators, production and distribution teams, construction teams, and customer and support services staff.

Within Operations, District staff conducts non-revenue water (water loss) audits on a monthly basis. The District's non-revenue water was estimated to be 7% from April 2016 through March 2017, which is a highly commendable range within the industry.

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

AUTOMATED
SYSTEMS HAVE
MADE INQUIRIES
MORE CONVENIENT
TO CUSTOMERS

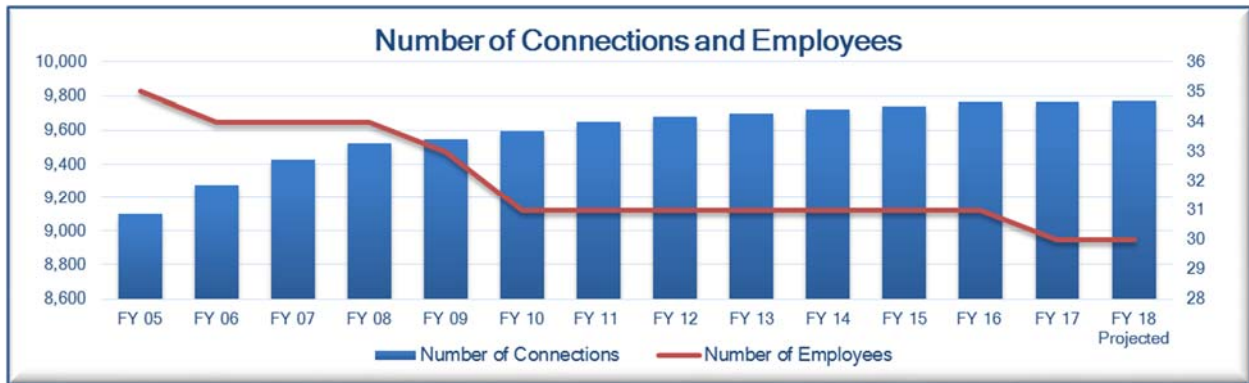
The District has actively developed new processes and applied technologies to automate systems and make inquiries more convenient and responsive to customer needs. These initiatives have been extremely successful in not only addressing call volume, but in reducing costs. Online self-service and paperless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



In FY 2016, Field Services Representatives conducted more than 3,129 total work orders including field investigations, turn-ons/shut offs, and maintenance work. The District had made substantial efforts to be flexible when working with customers impacted by the drought restrictions, continuing to offer educational materials, courtesy notifications and utilizing other customer account management tools.

Salaries/Benefits -The District has continued to focus on providing quality service to our customers despite the fact the District has reduced its workforce by over 14% since FY 2005. The District staff has done an outstanding job of reducing budgets and analyzing financial needs to conform to the dollars available. The District has quality personnel with the experience to lead the District into the future.

No new employee positions have been budgeted, and there is one vacant position to be filled. Total salaries and benefits are forecast to be 1% lower in FY 2018 than budgeted in FY 2017. The implementation of new technology and outsourcing of certain functions provided the District the ability to streamline staffing without affecting customer service or reliability. Merit and a performance allowance is forecast for existing employees and are included in the FY 2018 expense budget.



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

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

The District also addressed its fully unfunded liability for retiree health insurance in FY 2010, and eliminated the risk of incurring future Other Post Employment Benefit (OPEB) liability by moving from a defined benefit to a defined contribution program. The OPEB trust fund, since inception (2009), has seen an 80% overall trust return. The trust outperformed the expected interest return by 26% from the inception date through March 2017.

In summary, the total operating expenditures excluding debt service and CIP is expected to increase by \$289,518 (3%) from the prior year’s budget due to a change in the amount of water purchased and an increase in the wholesale water rate.

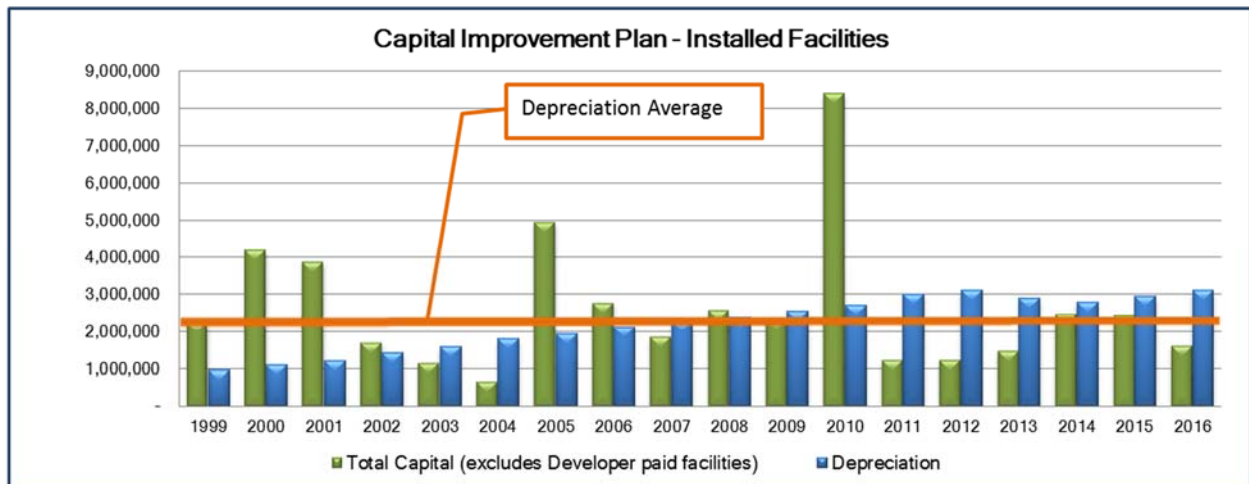
In summary, the total operating expenditures excluding debt service and CIP is expected to increase by \$289,518 (3%) from the prior year’s budget due to a change in the amount of water purchased and an increase in the wholesale water rate.

Capital Improvement Plan

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

The challenge facing the District is to invest in capital replacement at a level, which keeps pace with depreciation. The 5-year plan addresses the needs of the District and enhances the quality of service to customers. The adopted CIP budget includes any carryover capital projects approved in prior fiscal year budgets and new projects scheduled to start in FY 2018. It has been District policy to review all capital projects as part of the budget process and identify all funding requirements for the upcoming fiscal year.

This year’s plan places emphasis on completion of pipeline replacements, equipment replacements, meter replacements and recurring projects. CIP is expected to be \$2,555,000, which is a 19% increase from the prior year. The Districts 5-year CIP project list is estimated at \$13,460,000 including projects, such as; pipeline replacements, booster station and reservoir rehabilitations. Each year the projects are reviewed and prioritized based on need and available funding. CIP funding typically comes from four sources, the general fund (water revenues), the capital fund, debt financing, and the master plan portion of the connection fee. Since FY 1999, the District has invested over \$47 million in its CIP program.



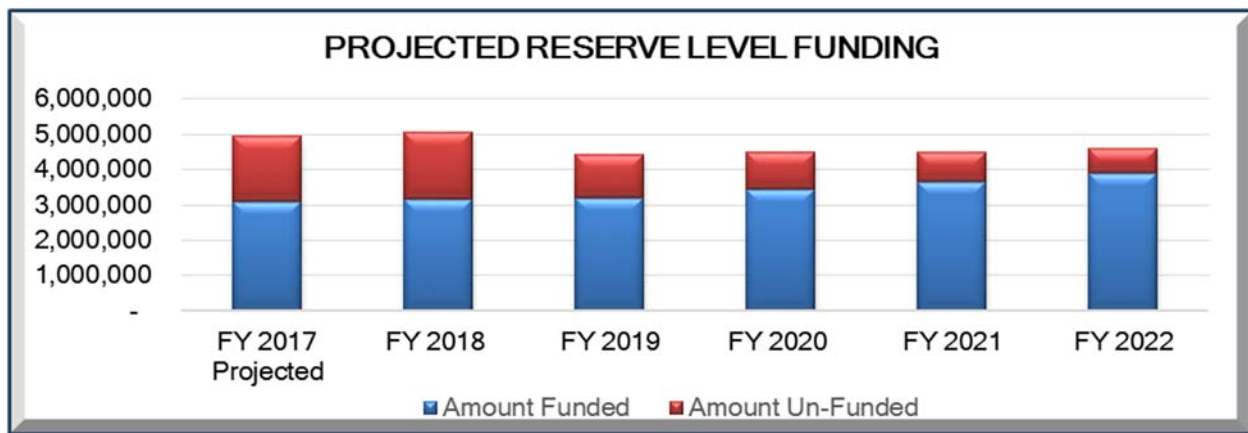
Reserves

The District’s reserve funds includes several categories. The reserve policy sets the limit for each reserve based on total operating revenue. In FY 2010, the District acquired a \$10 million earthquake and flood insurance policy. The reserve policy was modified to reflect this added security and the limits, per fund, were subsequently reduced. In FY 2014, the reserve policy was again modified to establish the Capital Fund and remove the capital reserve, which changed the funding levels. The FY 2018 budget projects no contribution to reserves from the buy-in portion of the connection fee. Interest earned on the reserve funds are added back to the fund.

Reserve requirements are established by the District’s reserve policy and from time to time, some uses of reserves have been budgeted for specific purposes. It is projected no funds will be transferred into the reserve fund from operations and no utilization of reserves have been projected in FY 2018.

The reserve policy requires 50% of the outstanding annual debt payments to be held in the reserve fund. At the end of FY 2018, a significant portion of debt will be paid off, which will result in a reduction in the reserve requirement and allow for the reallocation of those funds to other reserve categories bringing the reserve levels closer to those identified in the reserve policy.

In FY 2016, the rate stabilization and operations reserve fund was utilized to offset the revenue shortfall, due to customers meeting the state mandated water restrictions. The implementation of the Water Revenue Adjustment Factor (WRAF) adjustment was utilized to offset the revenue balancing account. If more funds are received than projected, those funds will be transferred to the reserve fund. The graph below illustrates the projected operating reserves. Maintaining a healthy operating reserve is paramount in these uncertain times to ensure the District's strategic economic flexibility.

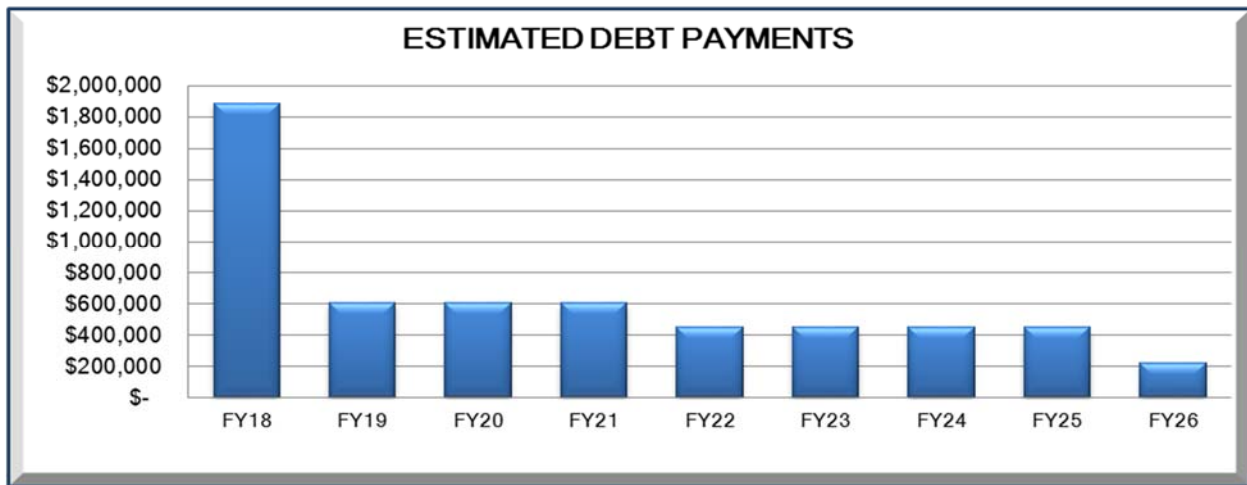


Debt Service

In FY 2012 and again in FY 2016, the District had foresight to research the cost effectiveness of refinancing certain debt obligations and taking advantage of lower interest rates. The District paid nearly half of the principal balance owed on the CNB 2009 loan during the refinance.

The goal of the District is to reach pay-as-you-go financing to fund its CIP. As a result, the District will save nearly \$1.7 million in interest over the term of the refinanced debt and reduce the maturity date with a small decrease in annual debt payments. As of July 1, 2017, the District will have outstanding long-term debt obligations of approximately \$6,540,843 (principal and interest) as shown in detail on page 96.

A significant portion (\$1,281,059) of the overall debt service payments are projected to be reduced beginning in FY 2019 due to the debt maturing and being paid off. There is no new debt projected for FY 2018.



WATER USE EFFICIENCY/CONSERVATION

The Santa Clarita Valley and surrounding areas had seen below to average rainfall between FY 2007-2016. Through education and conservation messaging, District customers met and exceeded the goal the Governor of California set in his executive order requiring a reduction in water consumption.

During the drought, the State Water Resources Control Board (SWRCB) developed regulations, and subsequent amendments.

- On June 11, 2015, the District adopted Resolution 2015-3 to comply with the State Board’s Emergency Water Conservation Regulations. Among other things, this Resolution identified prohibited water use activities, watering day restrictions, and the State Board’s placement of the District in to Tier 7, which required a 28% water use reduction, per the emergency water conservation regulations.
- On May 9, 2016, the Governor issued an Executive Order that directed the State Board to adjust and extend its emergency water conservation regulations.
- On May 16, 2016, the State Board issued their updated emergency water conservation regulations, which extended specific prohibited water use activities and recognizes differing water supply conditions for many communities. In recognizing these differing water supply conditions, the State Board has a process for urban water suppliers to complete a “Self-Certification” form, which calculates supply reliability for three additional years of drought.
- District staff completed the State Board’s Self-Certification form and calculated a conservation standard of zero (0) percent.

District customers responded to the conservation message and through March 2017 have reduced their water demand by 23% on a rolling annual basis compared to 2013. As a means to mitigate potential fluctuations in water commodity revenues due to additional conservation, the District adopted Resolution 2015-5 that allows the District to make adjustments to recover any shortage of revenue due to inflation attributed to fluctuations in real demand and to create a balancing account.

The District is still committed to meet State Senate Bill x7-7, which requires a 20% demand reduction by the year 2020. Since the base years 1997-2006, the District has seen water demand reduce by 33%. The District and other Santa Clarita Valley area water agencies joined forces and developed a Water Use Efficiency Strategic Plan (Plan) which includes programs and projects designed to educate the area residents on regional water conservation. The Plan was recently updated to include turf removal and other indoor/outdoor conservation measures.

In January 2015, the Water Efficiency Target (WET) tool was implemented for residential customers. WET continues to be a tool used to help customers save water and money by using a science and technology based program, providing residential customers with a target water use number every month. This helps customers understand precisely what is needed for their homes.

The District will be adding the ability to include dedicated landscape meters in the WET program.

FUTURE OF WATER GOVERNANCE IN THE REGION

The District has been working with Castaic Lake Water Agency for more than two years to settle litigation and create a new water governance structure. This process has led to legislation (SB 634 - Wilk) that, if passed and signed into law, would create the Santa Clarita Valley Water District - a new water district for the region.

The purpose of this new district is to begin to unify and modernize water governance in the Santa Clarita Valley. Currently, in addition to NCWD, three other water retailers and one wholesale agency compose a patchwork of water providers that can lead to redundancies, service inefficiencies, conflict, excess costs and reduced economies of scale that limit optimized water management in the region.

According to a comprehensive Governance & Finance Study (the Study), the new district would save costs - upwards of \$14 million in its first 10 years. It would enhance service by integrating currently disparate systems. It would create economies of scale to ensure the development of new water supplies, including a regional recycled water system. It would create a new, modernized water governance structure that is California Voting Rights Act-compliant and provides an equal voice for all corners of the Santa Clarita Valley.

As reported in the Study, the District anticipated limited short-term costs in both its FY 2017 and FY 2018 budgets. These costs are far less than the anticipated litigation that would have advanced if the District and CLWA had not reached compromise. Overall, the new district will save NCWD significant amounts in both the short- and long-term.

ECONOMIC CONSIDERATIONS

As we are emerging from one of the worst dry periods in recorded history, the District is doing its part in conveying the importance of conservation to its customers. The District has planned for the same amount of conservation in FY 2018 as was experienced in FY 2017, has adjusted its rates in compliance with our current rate study and will continue to implement the Water Revenue Adjustment Factor, in an effort to mitigate the fluctuations in water sales.

The District has also made significant efforts in the last few years to increase its ability to respond to changes in the economy, environment and customer base through the efficient use of existing assets, the optimization of available resources and greater focus on customer knowledge. Efforts are being made to identify additional opportunities to reduce costs, improve processes, and appropriately adjust expenditures.

Signs of the area's slow recovery are evident in the District's projections for new service connection applications in future years, account growth and water consumption. Specifically, it is projected that four new service connections will be added in FY 2018.

In the short-term, the FY 2018 revenue from water sales is projected to increase by 7.5% primarily due to the planned rate adjustments and additional customers. The increase in new services for the next five years from FY 2018-22 is forecast to be 4% in total.

Forecasted water consumption in FY 2018 is expected to be 2% higher than what was budgeted in FY 2017. The District projects current customer usage will remain consistent with usage in FY 2018 through FY 2022. The District will continue educating customers to apply water use efficiency measures to help ensure a reliable supply will be available to all customers.

The FY 2018 budget is balanced and adheres to adopted District financial policies. As with prior years, the FY 2018 budget will serve as a roadmap and planning document to support revenues and expenditures throughout the year.

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

Our success as an organization is vastly enhanced by the practices and policies put in place by the Board of Directors to ensure the strength and stability of the District even as we move forward through uncertain times. We are fully confident that with these policies and practices, supported by dedicated and talented staff, we will achieve continued success as an organization and thus assure the well-being of the people we serve.

HIGHLIGHTS OF THE FY 2018 OPERATING BUDGET

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Stephen L. Cole
General Manager



USER'S GUIDE

This FY 2018 budget establishes a plan to provide for the District's current customers, our community, and the Strategic Plan goals of the District. In order to provide an effective foundation for the development of the FY 2018 budget, the District staff coordinated budget-preparation workshops with key staff and consultants to review the District's overall financial condition/revenue projections.

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

Budget Foreword

The Budget Foreword is a "getting to know" section of the District's FY 2018 budget and contains general information about the District, the District's Core Values, Strategic Plan and Elements, Department Performance Measures and Accomplishments, the Budget Profile, Calendar, and Budget Process.

Policies

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

History

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

Financial Summaries

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

Five-Year Forecast

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

USER'S GUIDE

Revenues and Expenditures

This section presents calculations for the estimated total revenues and expenditures for FY 2018. Estimates are based on historical trend, current position, and the economic forecasts. Revenue projections include the adopted rates and rate design as approved in Resolution 2015-8.

Capital Budget

This section contains a detailed list of capital projects identified for FY 2018 through 2022 to be funded from the General Fund and Capital Fund. This section will include the CIP schedule, funding source and justification.

Appendix

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



NEWHALL COUNTY WATER DISTRICT

ABOUT

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

The District boundaries encompass approximately 37-square miles in portions of the City of Santa Clarita and unincorporated Los Angeles County. The District provides treated water to areas of Newhall, Canyon Country (Pinetree), Saugus (Tesoro), and Castaic.

MISSION STATEMENT

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

GOVERNANCE

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

ORGANIZATIONAL STRUCTURE

The General Manager reports directly to the Board of Directors and through an Assistant General Manager, oversees day-to-day activities of the Operations and Finance Departments. Under the direction of the Assistant General Manager, the Director of Finance and Administration oversees the department of Administrative Services, Finance, and Information Technology. These and other lines of reporting are shown on the organizational chart on page 37.

USER'S GUIDE

GENERAL INFORMATION

For FY 2018, the District will have a staff of 29 full-time employees under the leadership of the General Manager. The District provides treated water to a population of more than 45,000 people. The District is projected to sell 8,040 acre-feet of treated water to nearly 10,000 service connections in FY 2018. There is little development projected to be completed in FY 2018, resulting in a less than one percent growth rate.

The District owns, operates, and maintains more than 155 miles of distribution and transmission mains, 22 above ground welded steel reservoirs, 12 booster pump stations, four purchased water turnouts and 11 active groundwater wells. The District projects to purchase approximately 54% of water from CLWA and pump the remaining 46% from groundwater.

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

On average, the District produces 6,966,224 gallons of treated water on a daily basis. Of the District's total connections, 88% are single family residential, 4% are commercial and municipal, and 3% are landscaping. The remainder is made up of multi-family residential, construction water and fire service revenue accounts. The Santa Clarita Valley has a temperate climate. In FY 2016, the average high temperature was 77.91° F and the average low was 47.83° F. A below average 10.87 inches of rain fell in FY 2016.

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

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

BUDGETARY BASIS

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

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

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

The District's budget is balanced, when for a specified period of time, the total sum of money collected in a year is equal to the amount it spends on goods, services, capital and debt. The FY 2018 is balanced, as shown on page 87.



New Castaic Tank No. 3

CORE VALUES

CUSTOMERS

We are committed to an efficient and cost effective operation.

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

EXCELLENCE

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

PROFESSIONALISM

We are committed to responsible regional and community relationships.

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

PRESERVATION

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

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

We are committed to long range planning.



STRATEGIC PLAN

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

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

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

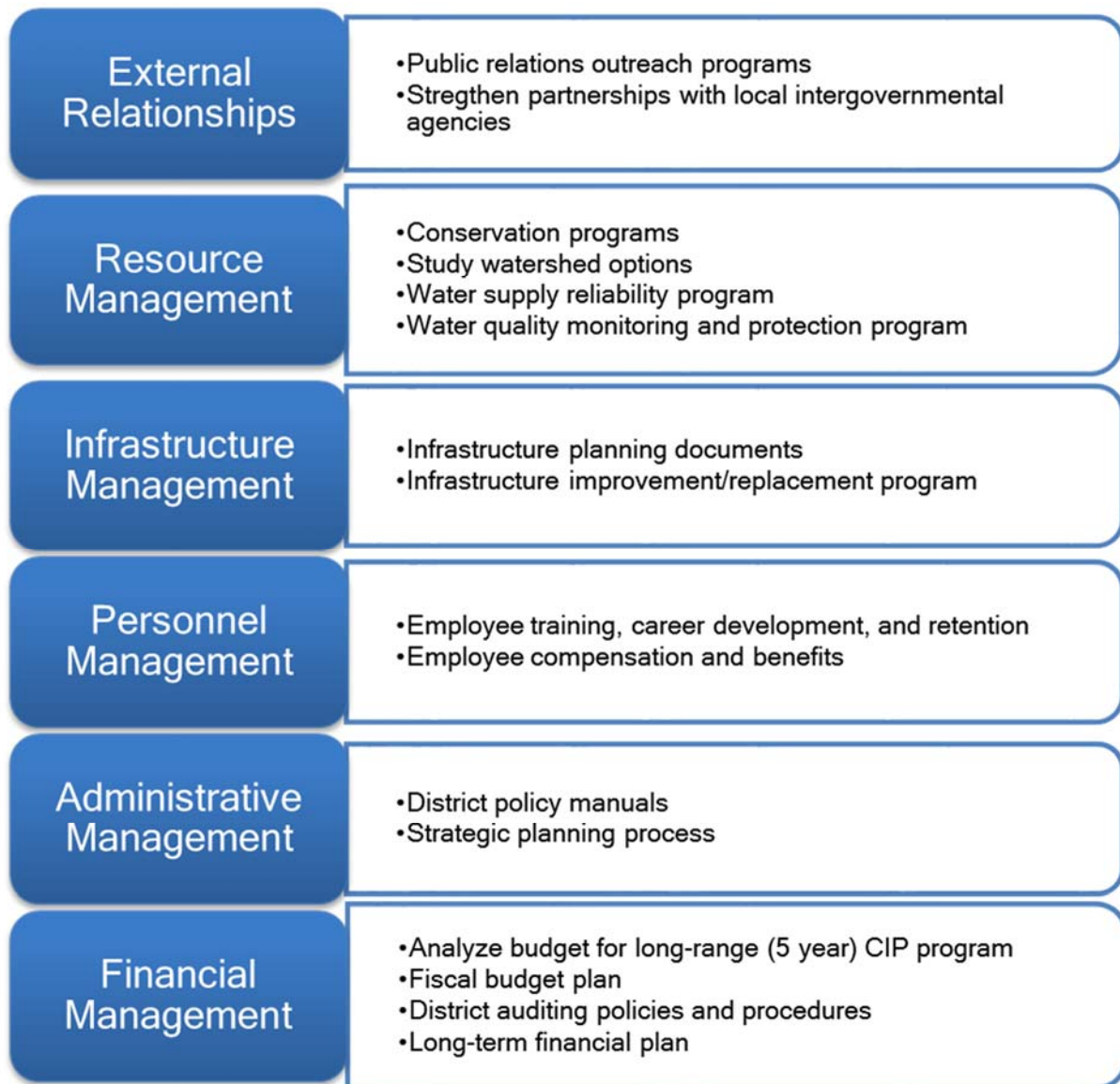
- Collaboration with partner agencies.
- Technology that can provide new opportunities.
- Environmental changes that can significantly affect District operations.
- Changes in Federal, State and local laws and land use policies that can have significant effects on District operations.
- Employee development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

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



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

The six Strategic Elements and Goals are listed below:



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

STRATEGIC ELEMENTS

EXTERNAL RELATIONSHIPS

GOALS		ACTIONS
1.1.1	Electronic Media Enhancement	1. Continuous website updates with current events 2. Social media postings Next Action: 1. Continue updates
1.1.2	Maintain positive working relationship with the community and media	1. Contacted media on a regular basis 2. Implemented Public Outreach plan Next Action: 1. Continue engagement 2. Update Public Outreach plan
1.1.3	Implement annual public relations plan	1. Implement Public Outreach Plan Next Action: 1. Update Public Outreach Plan
1.1.4	Attend & participate in community events & programs	1. Attended Earth/Arbor Day, CLWA Open House, Emergency Expo, SCV Community Expo and River Rally Next Action: 1. Continue engagement
1.1.5	Enhance customer relations	1. Completed mobile app, iConserve Next Action: 1. Continue Customer Service staff meetings/training
1.2.1	Maintain positive relationship with local city, county & other inter-governmental agencies	1. GM serves on SCV Water Committee 2. Assitant GM serves on COC Water Systems Technology Committee 3. Regularly meet with County & City Management 4. NUCCM meeting quarterly w/all utility agencies 5. Monthly water operations meeting w/all water agencies 6. GM serves as a SCV Chamber Board member Next Action: 1. Continue service/meetings
1.2.2	Attend & participate in ACWA, AWWA & other water industry organizations meetings & events	1. Water Use Efficiency Meetings 2. SCV Water Committee 3. SCV Family of Water Suppliers and Conservation Coordinators meetings 4. ACWA Energy Committee 5. ACWA Region 8 Board Chair Next Action: 1. Continue engagement 2. Board members to sit on ACWA Committees
1.2.3	Pursue Legislative advocacy	1. Met with legislative leaders to keep them informed of issues impacting the District 2. Actively pursuing recommended positions Next Action: 1. Develop Legislative Advocacy Plan for FY 2018

STRATEGIC ELEMENTS

RESOURCE MANAGEMENT

GOALS		ACTIONS
2.1.1	Complete bi-annual report on progress of water efficiency requirements of the	1. Reports submitted Next Action: 1. Continue to update water efficiency reports
2.1.2	Implement the Santa Clarita Valley Water Use Efficiency Strategic Plan	1. Implemented the Plan Next Action: 1. Update the Plan
2.1.3	Seek grants or other possible funding sources to expand NCWD's water efficiency programs	1. Submitted Prop 84 Grant Project Next Action: 1. Continue to pursue future funding opportunities (recycled water & sewer relocation)
2.1.4	Incorporate & improve NCWD's conservation outreach efforts, including website	1. Participated in the Earth/Arbor Day with the City of Santa Clarita 2. Completed Water Efficiency Target (WET) Program Next Action: 1. Continue to review District website and make suggestions as new programs and information becomes available
2.1.5	Maximize customer participation in established conservation programs	1. Messages promoting conservation were added to monthly water bills and the District newsletter Next Action: 1. Continue to implement WET Program 2. Incorporate dedicated landscape customers in the WET Program
2.2.1	Participate in the IRWMP	1. Attend meetings with the IRWMP coalition 2. Host meetings at NCWD Next Action: 1. Participate in the Prop. 1 grant funding program
2.3.1	Work cooperatively with wholesaler (CLWA) to ensure necessary water banking programs, including consideration of local banking possibilities	1. Completed Next Action: 1. Continuing to communicate with CLWA
2.3.2	Assist in CLWA's completion of water recycling system master plan	1. Working with CLWA on Master Plan Next Action: 1. Complete Master Plan update
2.3.3	Provide progress reports to Board on implementation of recycled water program	1. Completed reconnaissance study to evaluate other resource options 2. Updated Board on Master Plan update Next Action: 1. Complete preliminary design of Phase 2C
2.3.4	Implement Sustainability Groundwater Management Act (SGMA)	1. Held SGMA facilitation meetings Next Action: 2. Form SGMA Agency (Board approval of MOU in May)
2.3.6	Actively pursue recharge projects to enhance the yield of local aquifers	1. Completed reconnaissance Study 2. Incorporated recharge projects on recycled mater plan Next Action: 1. Feasibility study in process
2.4.1	Attend & actively participate in the development of the regional 2015 UWMP	1. Completed 2015 UWMP Next Action: 1. Gather data to update 2020 UWMP
2.5.1	Monitor & report water quality as required by government regulations	1. Reporting as required Next Action: 1. Continue
2.5.2	Annually evaluate & update water supply & demand figures	1. Reviewed as part of the FY 2017 Budget 2. Complete annual water report Next Action: 1. Complete annual water report
2.5.3	Actively pursue the protection of local groundwater resources	Next Action: 1. Form SGMA Agency

STRATEGIC ELEMENTS

INFRASTRUCTURE MANAGEMENT

GOALS		ACTIONS
3.1.1	Maintain the Long-Range Capital Improvement Program (CIP) & complete fiscal year CIP	1. Incorporated into FY 2017 budget 2. Completed Next Action: 1. Update for FY 2018 budget
3.1.2	Review & update Master Plan for the Newhall systems	1. Completed TAZ projections in Master Plans Next Action: 1. Complete Master Plans
3.1.3	Review & update NCWD's Standard Specifications to ensure adherence to current standards	1. Completed Next Action: 1. Maintain
3.3.1	Develop a feasible solution for the Sand Canyon Sewer System & Shadow Pines Sewer Lift Station	1. Worked with City and County to develop solution 2. Completed draft relocation plan 3. Completed Harris cost allocation study 4. Completed CEQA & relocation design as part of Prop 84 Grant 5. Transferred portion of sewer to City Next Action: 1. Apply for Grant funding 2. Relocate sewer line 3. Transfer ownership of additional sections
3.4.1	Complete Fiscal year maintenance activities	1. 85% complete Next Action: 1. Complete

STRATEGIC ELEMENTS

PERSONNEL MANAGEMENT

GOALS		ACTIONS
4.1.1	Complete supervisory training courses to ensure supervisors have the skills/knowledge & abilities necessary to perform effectively	Next Action: 1. Schedule to complete supervisory training courses
4.1.2	Cross-train District employees	1. New Maintenance employee cross-training with Construction and Water Quality Crew 2. Customer Service Rep II cross-training with A/P Next Action: 1. Continue cross-training as needed
4.1.3	Monitor employee safety training program	1. Completed safety training requirements and completion dates Next Action: 1. Continue program
4.1.4	Require District employees meet DDW operator certification requirements	1. Providing training courses in-house Next Action: 1. Monitor deadlines
4.1.5	Conduct annual employee performance evaluations to provide feedback & enhance professional development	1. Ongoing on each employee's anniversary date 2. Revamped performance evaluations Next Action: 1. Continue
4.1.6	Evaluate options for implementing an employee incentive program	1. Quarterly luncheon safety incentive program implemented 2. Created and implemented Employee of the Year award Next Action: 1. Continue to search for and implement employee incentive programs
4.2.1	Complete annual compensation studies, including salary & benefit package value comparisons with similar competing agencies	1. Evaluated salary and benefits offered by District with similar competing districts Next Action: 1. Complete in December 2017
4.2.2	Utilize study results in determining compensation rates & in the recruiting process	1. Completed with budget process Next Action: 1. Continue to monitor

STRATEGIC ELEMENTS

ADMINISTRATIVE MANAGEMENT

GOALS		ACTIONS
5.1.1	Monitor the District's Policy, Procedures, Safety & Employee Manuals to assure updates are included & content is consistent throughout	1. Emergency Response Directory completed in February 2016 Next Action: 1. Maintain information, update FY 2018
5.1.2	Provide training for Board of Directors & management staff in Ethics Training every two years as required by AB1234	1. Board completed 2016 Next Action: 1. Complete training in 2018

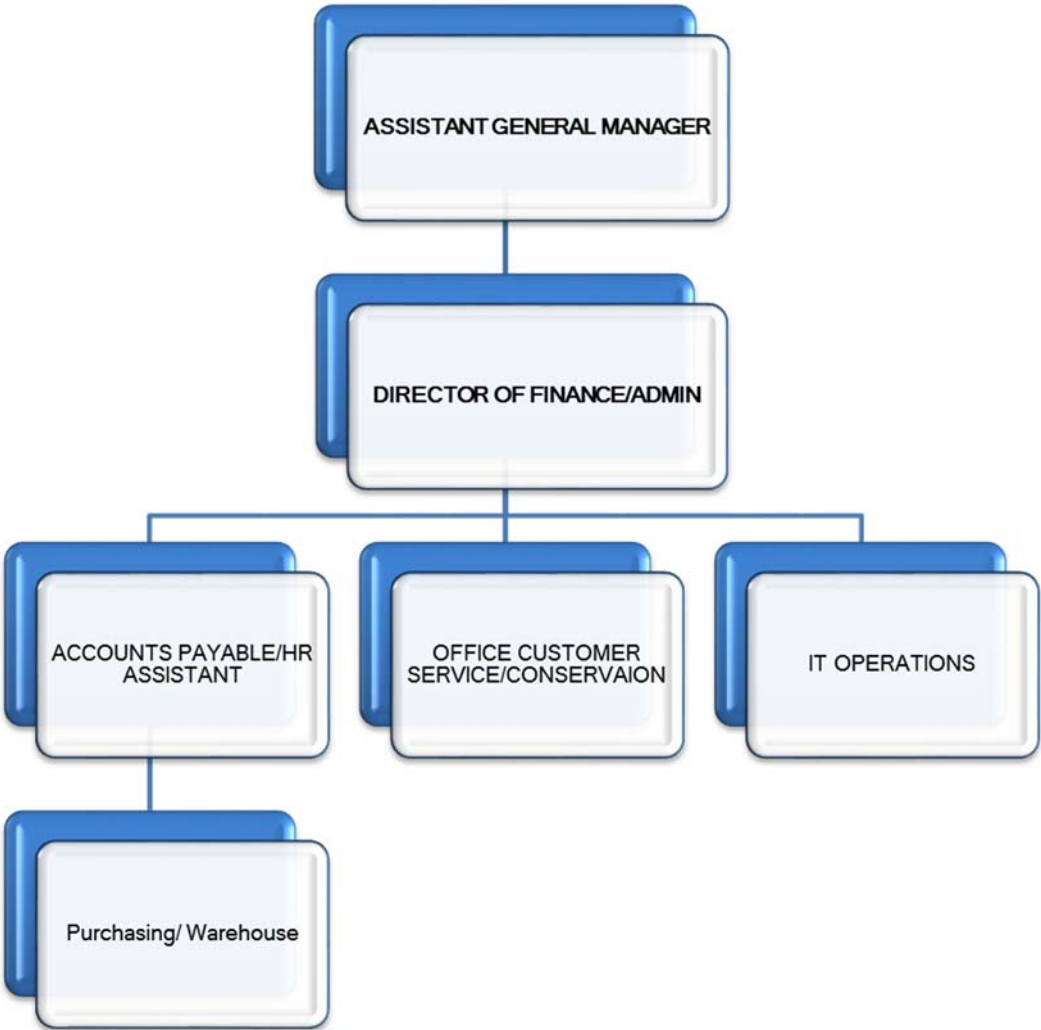
STRATEGIC ELEMENTS

FINANCIAL MANAGEMENT

GOALS		ACTIONS
6.1.1	Evaluate funding of capital improvement programs	1. Incorporated into FY 2017 budget Next Action: 1. Reviewing for FY 2018 budget
6.1.2	Annually review & update master plan & buy in fees	1. Updated Fixed Asset database Next Action: 1. Complete update of Master Plan updates
6.1.3	Monitor developer agreements to be sure they are financially supporting the District's funding of its long-term master plans	1. No changes Next Action: 1. Continue
6.2.1	Annually adopt fiscal budget plan	1. FY 2017 adopted 2. Received Government Financial Officers Association (GFOA) Distinguished Budget Presentation Award for presenting a qualifying budget document for ninth year Next Action: 1. Adopt FY 2018 budget in June 2017 and submit to GFOA for consideration
6.2.2	Annually evaluate reserve policy funding & incorporate into budget process	1. Updated February 2015 Next Action: 1. Incorporate in FY 2018 budget
6.2.3	Annually review & analyze legislative & regulatory impacts to budget forecasting	1. Reviewed for FY 2017 budget - Mandatory water usage cutbacks Next Action: 1. Incorporated reduced usage in FY 2018 budget
6.2.4	Complete GASB 45 analysis of post-retirement benefit liability	1. Actuarial evaluation updated June 2016 2. District Other Post Employment Benefits (OPEB) are fully funded Next Action: 1. Perform Actuarial evaluation update June 2018
6.3.1	Conduct an annual audit by an independent consultant to report District financial status in compliance with GASB regulations	1. Received & filed 2. FY 2016, received Comprehensive Annual Financial Report award from GFOA for the seventh year Next Action: 1. Prepare for audit for FYE 2017 in July

ADMINISTRATIVE SERVICES

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



ADMINISTRATIVE SERVICES

PERFORMANCE MEASURES

CORE SERVICES	FTE'S	PERSONNEL COST	OPERATIONAL COST	TOTAL EXPENDITURE	PROGRAM % OF TOTAL EXPENDITURE
Finance, Accounting & IT	4	\$ 508,083	\$ 256,083	\$ 764,166	52%
Customer Service	4	371,423	325,333	696,756	48%
TOTAL	<u>8</u>	<u>\$ 879,506</u>	<u>\$ 581,416</u>	<u>\$ 1,460,922</u>	<u>100%</u>

CORE SERVICES DESCRIPTION

Director of Finance/Administration

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

Accounts Payable and Human Resources

The Accounts Payable and Human Resources responsibilities include assistance in financial reporting and personnel matters. This function is also responsible for accounts payable, purchasing, cash disbursements, payroll processing, fixed asset reporting and miscellaneous accounts receivable.

Warehouse/Purchasing

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

Information Technician

The Information Technician manages the development, maintenance, and use of computer systems, software, and networks for the processing and distribution of the District's data. The Technician provides guidance on supporting operations by means of new equipment such as, servers and server management. The Technician deals with how to react to failures; how to develop and monitor efficiency; and how to maximize the effectiveness and optimizing the cost of service.

Customer Service

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

FINANCE AND ACCOUNTING

MISSION STATEMENT

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

PROGRAM SERVICES

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

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

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

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

FY 2017 HIGHLIGHTS AND ACCOMPLISHMENTS

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

FINANCE AND ACCOUNTING

FY 2017 HIGHLIGHTS AND ACCOMPLISHMENTS (continued)

- ⇒ SCADA upgrades for Castaic Tank 1D, Booster 1, Well 7, and Well 2 have been completed
- ⇒ SCADA upgrades for the Castaic Disinfection Facility have been completed
- ⇒ Assisted with SCADA for new Castaic Booster 3 and Tank 3
- ⇒ Assisted with upgrading the ArcGIS software to the latest version
- ⇒ Assisted with upgrading the accounting software to the latest version
- ⇒ Assisted with upgrading the billing software to the latest version
- ⇒ The phone system has been configured with multiple redundancies for maximum uptime
- ⇒ In the process of upgrading our domain to Windows 2012
- ⇒ Identifying SCADA requirements for the Needham Ranch project

FY 2018 OBJECTIVES

- ⇒ Complete the implementation of the new Maintenance Management Software
- ⇒ Participate in EnerNOC energy curtailment program
- ⇒ Research award qualifications for National Purchasing Institute and other programs
- ⇒ Prioritize and complete work plan items
- ⇒ Submit CAFR and Annual Budget for award consideration
- ⇒ Complete the Long-Term Capital Reinvestment Study report
- ⇒ Continue to upgrade our SCADA system
- ⇒ Continue to keep network hardware and software up to date
- ⇒ Complete the upgrade of our domain to Windows 2012

FINANCE AND ACCOUNTING

	Actual FY 2015	Actual FY 2016	Adopted Budget FY 2017	Adopted Budget FY 2018	% Change
TOTAL COST	\$ 885,849	\$ 884,894	\$ 763,148	\$ 764,166	0.1%

PERSONNEL SERVICES \$ 25,810

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

OPERATING EXPENSES \$ (24,792)

Several operating expense categories decreased due to a small reductions in Professional Services-Accounting, Office Expenses and Maintenance of Shop and Yard.

PERSONNEL							
Title	Full Time	Part Time	FY 2015 FTE	FY 2016 FTE	FY 2017 FTE	FY 2018 FTE	Total Change
Director of Finance & Admin	1	0	1	1	1	1	0
Accounting Manager	0	0	1	1	0	0	0
Accounts Payable Clerk II	0	0	1	1	0	0	0
Accounts Payable/HR Assist	1	0	0	0	1	1	0
Information Systems Specialist	1	0	1	1	1	1	0
Warehouse/Purchasing Technician	1	0	1	1	1	1	0
Total	4	0	5	5	4	4	0

FINANCE AND ACCOUNTING

<u>PERSONNEL SERVICES</u>	Actual Expenditure FY 2015	Actual Expenditure FY 2016	Budget Allocation FY 2017	Board Adopted FY 2018	% Change
Regular Wages	\$ 444,101	\$ 478,146	\$ 344,364	\$ 363,101	5.4%
Overtime	8,290	9,649	-	-	0.0%
Longevity	7,271	3,235	2,035	-	-100.0%
Other Benefits	-	-	-	-	0.0%
FICA Taxes	35,164	37,564	26,500	27,777	4.8%
Retirement - Employer	64,353	68,744	48,496	50,834	4.8%
Group Insurance	66,131	68,346	58,981	64,341	9.1%
Life, STD & LTD	4,905	2,468	1,898	2,030	7.0%
TOTAL PERSONNEL SERVICES	630,215	\$ 668,152	482,273	508,083	5.4%
<u>OPERATING EXPENSES</u>					
Prof Services-Accounting/Audit	44,438	36,206	50,000	40,000	-20.0%
Office Expenses	33,340	34,614	31,875	26,250	-17.6%
Computer Contracts	70,348	66,760	90,000	90,000	0.0%
Computer Software & Supply	16,148	15,257	15,000	15,000	0.0%
Professional Development-Training	6,693	7,835	6,000	5,333	-11.1%
Uniforms	3,190	1,668	3,000	2,000	0.0%
Shop Tools & Supplies	5,651	7,279	7,500	7,500	0.0%
Maintenance of Shop Equipment	10,715	7,893	12,500	10,000	-20.0%
Maintenance & Repair Shop/Yard	65,111	43,165	65,000	60,000	-7.7%
TOTAL OPERATING EXPENSES	255,634	220,677	280,875	256,083	-8.8%
TOTAL EXPENDITURES	<u>\$ 885,849</u>	<u>\$ 888,829</u>	<u>\$ 763,148</u>	<u>\$ 764,166</u>	

FINANCE AND ACCOUNTING

Department Administration

Service Area Finance and Accounting

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

PERFORMANCE INDICATORS

	Activity/Criteria	FY 2015 Actual	FY 2016 Actual	FY 2017 Target	FY 2017 Projected	FY 2017 Target Met?	FY 2018 Target
1	Operating Expenses/ Adopted Budget	99%	91%	102% or less	95%	★	102% or less
2	Number of Financial Audit Recommendations	0	0	0	0	★	0
3	Number of Adjusting Journal Entries from Audit	1	2	Less than 3	0	★	Less than 3
4	Years Consecutive GFOA Budget Award	7	8	9	9	★	10
5	Years Consecutive GFOA CAFR Award	5	6	7	7	★	8
6	Percent of Error Free Checks processed	100%	100%	100%	100%	★	100%

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

1. Due to reduction in water purchases caused by drought conservation and increased rainfall, less water needed to be purchased.

CUSTOMER SERVICE

MISSION STATEMENT

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

PROGRAM SERVICES

A division of the Administrative Services Department, Customer Service is responsible for the accurate billing of water services, the processing of payments and customer inquiries, complaints, and various issues via walk-ins, telephone, and correspondence. This division provides these services to nearly 10,000 customers and maintains an environment that promotes quality customer service to all customers in the most effective and efficient manner. This division is also responsible for working with internal staff and public interest groups on the principles and practices of water conservation and environmental awareness.

FY 2017 HIGHLIGHTS AND ACCOMPLISHMENTS

- ⇒ Participated in the Earth Arbor Day, CLWA Open House, Emergency Expo and River Rally
- ⇒ Implemented an electronic application process
- ⇒ NCWD's rebate programs (cumulative):
 - ⇒ HE Sprinkler Nozzle program has helped replace over 1,824 standard sprinkler nozzles
 - ⇒ Converted 24 irrigations through the drip conversion rebate program
 - ⇒ Performed 14 customized water efficiency rebates
 - ⇒ Performed 24 residential water use assessments
- ⇒ NCWD as a member of The SCV Family of Water Suppliers participate in the following rebates and programs:
 - ⇒ The Family Online Weather Based Irrigation Controller program has given out 299 free controllers
- ⇒ Developed monthly leak notification letters
- ⇒ All work is scanned into the billing system for retention
- ⇒ Social Media (Facebook, Twitter)

FY 2018 OBJECTIVES

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

CUSTOMER SERVICE

	Actual FY 2015	Actual FY 2016	Adopted Budget FY 2017	Adopted Budget FY 2018	% Change
TOTAL COST	\$ 734,021	\$ 707,258	\$ 707,871	\$ 696,756	-1.6%

PERSONNEL SERVICES \$ 19,552

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

OPERATING EXPENSES \$ (30,667)

This decrease is primary due to elimination of the Drought Related Expense account. Since the drought restrictions have been lifted, costs associated with this account have been excluded.

PERSONNEL							
Title	Full Time	Part Time	FY 2015 FTE	FY 2016 FTE	FY 2017 FTE	FY 2018 FTE	Total Change
Cust Serv & Efficiency Coordinator	0	0	1	1	1	0	-1
Cust Serv & Efficiency Supervisor	1	0	0	0	0	1	1
Cust Serv & Operations Assistant	0	0	1	1	0	0	0
Customer Service Rep I	0	0	1	0	0	0	0
Customer Service Rep II	3	0	1	2	3	3	0
Total	4	0	4	4	4	4	0

CUSTOMER SERVICE

<u>PERSONNEL SERVICES</u>	Actual Expenditure FY 2015	Actual Expenditure FY 2016	Budget Allocation FY 2017	Board Adopted FY 2018	% Change
Regular Wages	\$ 235,507	\$ 243,067	\$ 242,003	\$ 250,522	3.5%
Overtime	6,470	6,384	4,000	6,000	50.0%
Longevity	4,621	1,177	3,468	3,416	-1.5%
Other Benefits	-	-	-	-	0.0%
FICA Taxes	18,865	19,173	19,085	19,885	4.2%
Retirement - Employer	34,524	35,088	34,926	36,391	4.2%
Group Insurance	49,634	50,754	46,838	53,611	14.5%
Life, STD & LTD	1,538	1,538	1,552	1,597	2.9%
TOTAL PERSONNEL SERVICES	351,158	357,181	351,871	371,423	5.6%
<u>OPERATING EXPENSES</u>					
Billing and Collecting	107,938	91,016	100,000	100,000	0.0%
Professional Development-Training	5,355	7,835	6,000	5,333	-11.1%
Water Use Efficiency	71,075	52,566	50,000	60,000	20.0%
Drought Related Expense	53,229	55,628	50,000	-	-100.0%
Miscellaneous Expenses	136,453	137,048	140,000	150,000	7.1%
Maintenance of Office Equipment	8,813	5,984	10,000	10,000	0.0%
TOTAL OPERATING EXPENSES	382,863	350,077	356,000	325,333	-8.6%
TOTAL EXPENDITURES	\$ 734,021	\$ 707,258	\$ 707,871	\$ 696,756	

CUSTOMER SERVICE

Department Administration

Service Area Customer Service

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

PERFORMANCE INDICATORS

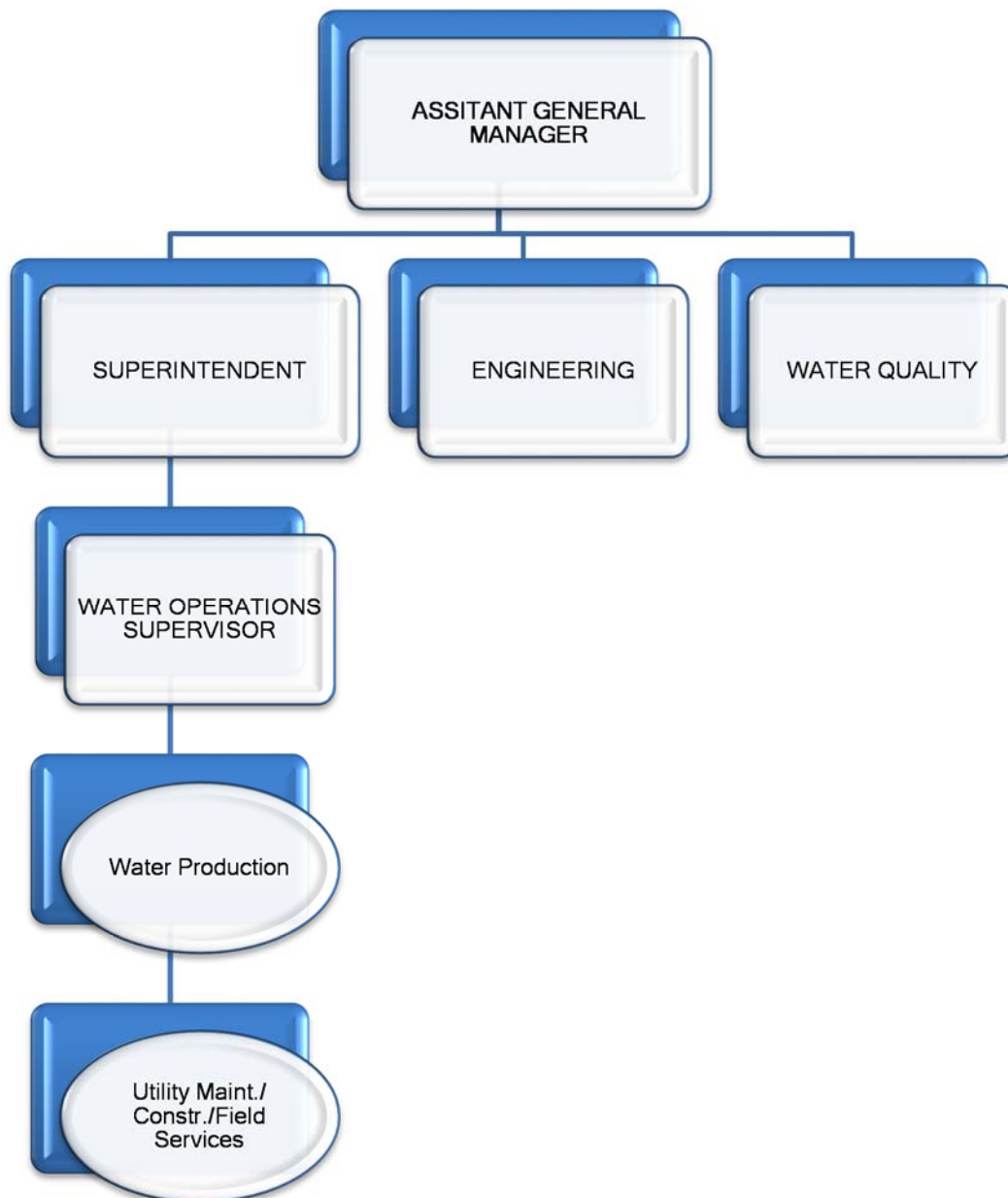
	Activity/Criteria	FY 2015 Actual	FY 2016 Actual	FY 2017 Target	FY 2017 Projected	FY 2017 Target Met?	FY 2018 Target
1	Acct Write-Off's: Total amount of accts written off annually	\$7,768	\$6,719	< \$39,917	\$5,877	★	< \$44,035
2	Electronic Payment Program accounts / Total accounts billed	70%	71%	> 70%	70%	★	> 70%
3	Electronic Payment Program cost each year	\$136,453	\$112,154	< \$150,000	\$128,000	★	< \$150,000
4	Average Monthly C/S Calls	169	174	< 275	148	★	< 275
5	Cost per account per year	\$14	\$12	< \$20	\$13	★	< \$20
6	Number of meters at year end	9,715	9,729	9,729	9,776	N/A	9,780

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

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

OPERATIONS AND MAINTENANCE

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



OPERATIONS AND MAINTENANCE PERFORMANCE MEASURES

CORE SERVICES	FTE'S	PERSONNEL	OPERATIONAL	TOTAL	PROGRAM %
		COST	COST	EXPENDITURE	OF TOTAL EXPENDITURE
Utility Operations	18	1,874,067	875,167	2,749,234	86%
WQ & Engineering	2	192,047	272,500	464,547	14%
TOTAL	20	\$ 2,066,114	\$ 1,147,667	\$ 3,213,781	100%

CORE SERVICES DESCRIPTION

Assistant General Manager

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

Superintendent and Water Operations Supervisor

The Superintendent and Water Operations Supervisor plan and direct the construction of all water and sewer distribution systems and maintenance of all District facilities, including infrastructure, buildings, grounds, and pump stations.

Maintenance and Construction Water System Supervisor

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

Water Quality/Production Technicians

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

Water Worker/Field Services

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

Engineering Technician

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

Water Quality Technician

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

OPERATIONS

MISSION STATEMENT

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

PROGRAM SERVICES

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

FY 2017 HIGHLIGHTS & ACCOMPLISHMENTS

- ⇒ Rehabilitation of Newhall Well 12
- ⇒ Installed new booster pump and switch gear at N-4, Tesoro
- ⇒ Replaced more than 400 feet of 8" diameter water main in Newhall along Middlebank Drive
- ⇒ Replaced approximately 760 feet of 4" diameter water main in Newhall along Cross Street
- ⇒ Installed approximately 5,000 feet of new water main for the new Castaic High School
- ⇒ Installed new water main and services for the Luxen Hotel project in Newhall
- ⇒ Installed new services for Newhall Family Apartments
- ⇒ Installed new transfer switch for emergency generator at N-1
- ⇒ New Castaic Zone 3 Tank was completed
- ⇒ Recoated outside of Newhall Tank 2
- ⇒ Replaced approximately 700 ¾" - 2" meters which have exceeded their useful operating life
- ⇒ Upgraded SCADA in the Castaic System.
- ⇒ Replaced several old large compound meters with new ultra-sonic low flow measuring meters

FY 2018 OBJECTIVES

- ⇒ Replace approximately 300 feet water main which has exceeded its useful operating life along Wildwood Road
- ⇒ Replace switch gear at Newhall Well 12
- ⇒ Upgrade Pinetree Disinfection Facility
- ⇒ Install Reservoir Management System at Tanks 4/4A in Newhall
- ⇒ Design Recycled Water Phase 2C - South End Project
- ⇒ Add a new zone 3 booster pump station Castaic system (developer funded)
- ⇒ Install approximately 3,500 feet of new water main in Sloan Cyn (developer funded)
- ⇒ Upgrade SCADA system at multiple facilities
- ⇒ Continue replacing $\frac{3}{4}$ " - 2" meters which have exceeded their useful operating life, as well as large compound meters with new ultra-sonic low flow meters



Mainline Replacement – Cross St.

OPERATIONS

	Actual FY 2015	Actual FY 2016	Adopted Budget FY 2017	Adopted Budget FY 2018	% Change
TOTAL COST	\$ 2,633,503	\$ 2,720,516	\$ 2,733,710	\$ 2,749,234	0.6%

PERSONNEL SERVICES \$ (61,768)

The decrease is primarily due to one operational position being unfilled.

OPERATING EXPENSES \$ 77,292

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

PERSONNEL							
Title	Full Time	Part Time	FY 2015 FTE	FY 2016 FTE	FY 2017 FTE	FY 2018 FTE	Total Change
Assistant General Manager	1	0	0	0	1	1	0
Director of Operations	0	0	1	1	0	0	0
Superintendent	1	0	1	1	1	1	0
Water Operations Supervisor	1	0	0	0	1	1	0
Water System Supervisor	2	0	2	2	2	2	0
Water Quality Technician II	3	0	3	3	3	3	0
Water Worker I	3	0	4	3	3	3	0
Water Worker II	5	0	4	5	5	5	0
Field Services Supervisor	0	0	1	1	0	0	0
Field Services Rep I	0	0	1	1	0	0	0
Field Services Rep II	2	0	1	1	2	2	0
Total	18	0	18	18	18	18	0

OPERATIONS

	Actual Expenditure FY 2015	Actual Expenditure FY 2016	Budget Allocation FY 2017	Board Adopted FY 2018	% Change
<u>PERSONNEL SERVICES</u>					
Regular Wages	\$ 1,150,595	\$ 1,200,710	\$ 1,199,669	\$ 1,177,088	-1.9%
Overtime	142,429	179,960	164,500	139,000	-15.5%
Longevity	6,255	5,917	18,143	5,028	-72.3%
Other Benefits	-	-	-	-	0.0%
FICA Taxes	99,395	106,074	105,747	101,065	-4.4%
Retirement - Employer	181,899	194,122	193,524	184,956	-4.4%
Group Insurance	224,836	239,047	246,507	259,615	5.3%
Life, STD & LTD	6,696	7,299	7,745	7,314	-5.6%
PERSONNEL SERVICES	1,812,105	1,933,129	1,935,835	1,874,067	-3.2%
<u>OPERATING EXPENSES</u>					
Maintenance & Repair Well Structures	5,511	203	4,750	4,750	0.0%
Maintenance & Repair Wells	6,046	21,728	25,000	20,000	-20.0%
Operation Controls	29,514	50,981	45,000	50,000	11.1%
Operation Miscellaneous	79,123	54,783	50,000	60,000	20.0%
Maintenance & Repair Pump Structures	9,076	347	7,500	7,500	0.0%
Maintenance & Repair Pump Equipment	12,902	16,652	15,000	15,000	0.0%
Maintenance & Repair Treatment	27,208	23,758	20,000	40,000	100.0%
Backflow Prevention	2,408	800	1,000	1,000	0.0%
Maintenance & Repair Treatment Equip	27,015	18,244	20,000	30,000	50.0%
Maintenance & Repair Reservoirs	49,741	54,138	45,000	80,000	77.8%
Maintenance & Repair Mains	96,701	61,259	100,000	120,000	20.0%
Maintenance & Repair Sewer	18,203	33,498	17,500	17,500	0.0%
Maintenance & Repair Services	79,157	60,570	75,000	85,000	13.3%
Maintenance & Repair Hydrants	23,605	18,660	10,000	12,500	25.0%
Maintenance & Repair Meters	29,823	14,159	15,000	15,000	0.0%
Uniforms	28,709	31,688	27,000	38,000	40.7%
Shop Tools & Supplies	16,954	7,294	22,500	22,500	0.0%
Vehicle Operating	114,194	116,744	135,000	115,000	-14.8%
Other Operating & Safety	43,225	44,312	40,000	40,000	0.0%
Maintenance & Repair Vehicles	87,074	112,730	85,000	70,000	-17.6%
Office Expense	11,113	11,538	10,625	8,750	-17.6%
Professional Development Training	24,096	33,301	27,000	22,667	-16.0%
TOTAL OPERATING EXPENSES	821,398	787,387	797,875	875,167	9.7%
TOTAL EXPENDITURES	\$ 2,633,503	\$ 2,720,516	\$ 2,733,710	\$ 2,749,234	

OPERATIONS

Department Operations

Service Area Utility Operations

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

PERFORMANCE INDICATORS

	Activity/Criteria	FY 2015 Actual	FY 2016 Actual	FY 2017 Target	FY 2017 Projected	FY 2017 Target Met?	FY 2018 Target
1	Control Valve Maintenance: Total Maintained	60	30	> 25	30	★	> 25
2	Small Meter Flow Testing: Number Tested	10% of meters	PROGRAM SUSPENDED DURING DROUGHT				10% of meters
3	USA Markings: All Clear; Not requiring visit	450	650	> 300	855	★	> 300
4	Safety: No. of At Fault Vehicle Incidents/ Accidents	2	0	0	3	□	0
5	Safety: No. of on the Job Injuries (OSHA Reportable)	0	0	0	0	★	0
6	Percentage of Restored Water from Leaks within 24 Hours	100%	100%	100%	100%	★	100%
7	Cost per MG Produced	\$0.003	\$0.0035	≤ \$0.004	\$0.0034	★	≤ \$0.004

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

2. Due to the declared drought, flow testing has been abandoned.
4. It is the goal of the District to not have any at fault incidents or accidents. Vehicle incidents/accidents were minor. Additional training has been implemented.

WATER QUALITY & ENGINEERING

MISSION STATEMENT

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

PROGRAM SERVICES

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

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

FY 2017 HIGHLIGHTS & ACCOMPLISHMENTS

- ⇒ Underwater diving inspection of 11 Storage Tanks
- ⇒ Cleaned Castaic Storage Tanks 1A and 1D
- ⇒ Castaic Disinfection Facility upgrades and replacements
- ⇒ Converted Well 12 from oil lubed to water lubed
- ⇒ Completed dead-end blow-off flushing in all four systems
- ⇒ Completed hydrant maintenance in Castaic
- ⇒ Completed valve maintenance in Pinetree

FY 2018 OBJECTIVES

- ⇒ Installation of disinfection system at Newhall Tanks 4 and 4A
- ⇒ Clean Newhall Tanks 1, 1A, 3, 4, 4A, 5, and 6
- ⇒ Underwater diving inspections of Newhall Tank 2
- ⇒ Implement mobile solution for Maximo Asset Management Program
- ⇒ Implement Water Rate Calculator software
- ⇒ Upgrade disinfection system at Pinetree Tanks 4 and 4A
- ⇒ Perform valve exercising in Newhall zones 1, 2B, and 5
- ⇒ Perform hydrant maintenance in Pinetree

WATER QUALITY & ENGINEERING

	Actual FY 2015	Actual FY 2016	Adopted Budget FY 2017	Adopted Budget FY 2018	%
					Change
TOTAL COST	\$ 388,025	\$ 465,342	\$ 461,106	\$ 464,547	0.7%

PERSONNEL SERVICES \$ 3,941

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

OPERATING EXPENSES \$ (500)

The decrease is primarily due to a projected reduction in Professional Services-Engineering and Drafting and Mapping expense.

PERSONNEL							
Title	Full Time	Part Time	FY 2015 FTE	FY 2016 FTE	FY 2017 FTE	FY 2018 FTE	Total Change
Water Quality Technician	1	0	1	1	1	1	0
Engineering Technician	1	0	1	1	1	1	0
Total	2	0	2	2	2	2	0

WATER QUALITY & ENGINEERING

<u>PERSONNEL SERVICES</u>	Actual Expenditure FY 2015	Actual Expenditure FY 2016	Budget Allocation FY 2017	Board Adopted FY 2018	% Change
Regular Wages	\$ 120,046	\$ 133,963	\$ 136,852	\$ 142,951	4.5%
Overtime	41	-	-	-	0.0%
Longevity	1,236	-	1,338	-	-100.0%
Other Benefits	-	-	-	-	0.0%
FICA Taxes	9,281	10,248	10,572	10,936	3.4%
Retirement - Employer	16,985	18,755	19,347	20,013	3.4%
Group Insurance	20,488	19,173	19,173	17,235	-10.1%
Life, STD & LTD	798	825	825	912	10.5%
TOTAL PERSONNEL SERVICES	168,875	182,964	188,106	192,047	2.1%
 <u>OPERATING EXPENSES</u>					
Laboratory/Regulatory Fees	52,396	67,125	65,000	65,000	0.0%
Chemicals	116,413	111,387	105,000	110,000	4.8%
Drafting & Mapping	2,174	2,486	3,000	2,500	-16.7%
Professional Services Engineering	48,167	101,380	100,000	95,000	-5.0%
TOTAL OPERATING EXPENSES	219,150	282,378	273,000	272,500	-0.2%
 TOTAL EXPENDITURES	 <u>\$ 388,025</u>	 <u>\$ 465,342</u>	 <u>\$ 461,106</u>	 <u>\$ 464,547</u>	

WATER QUALITY

Department Operations

Service Area Water Quality

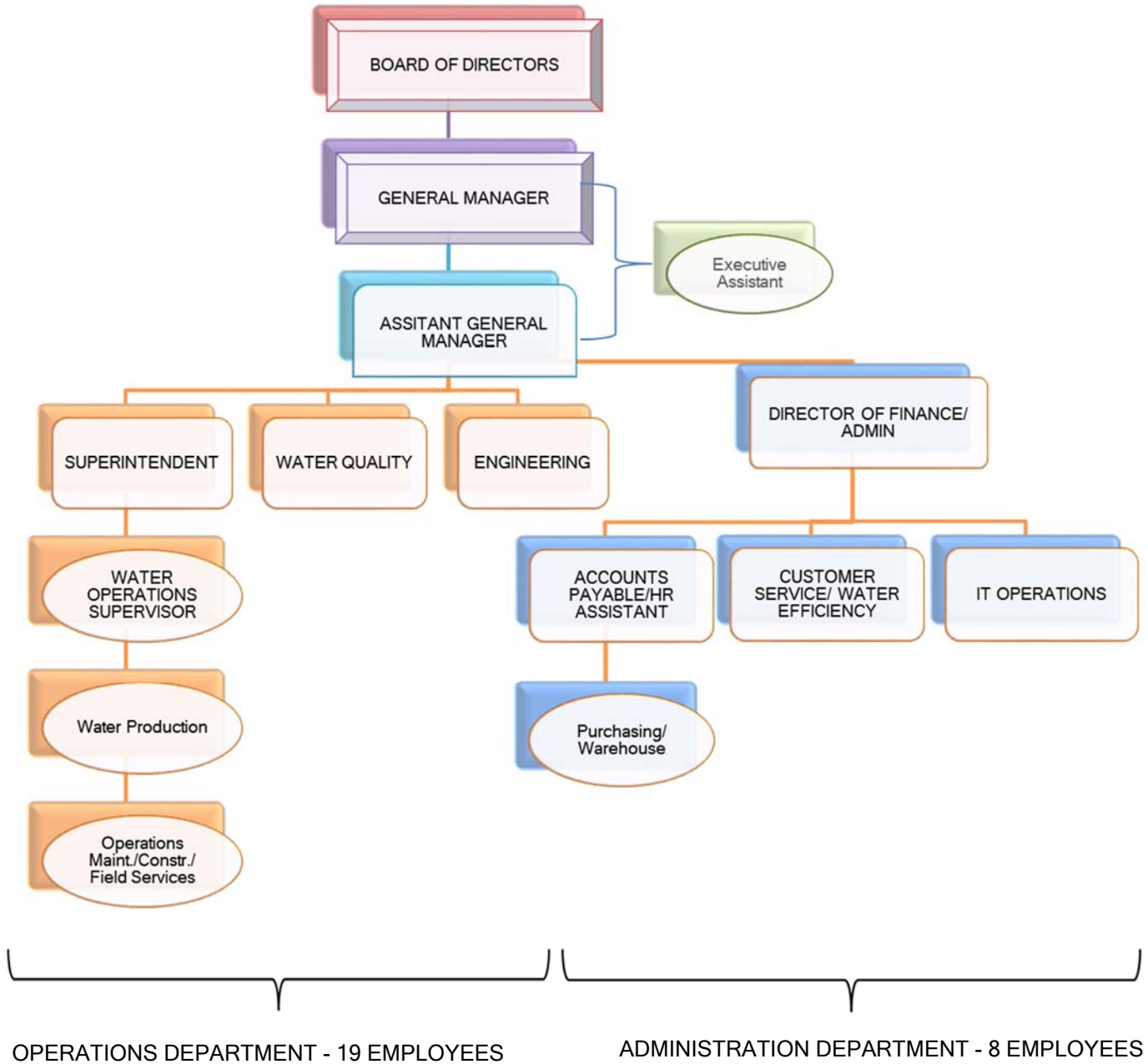
Cost Center Goal			Outcome Indicator		
To operate and maintain facilities to surpass drinking water regulations with a margin of safety to meet customer expectations.			To gain service improvements.		
Objective: To improve and/or maintain water quality conditions that support health standards.					
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

PERFORMANCE INDICATORS

	Activity/Criteria	FY 2015 Actual	FY 2016 Actual	FY 2017 Target	FY 2017 Projected	FY 2017 Target Met?	FY 2018 Target
1	Number of Positive BACT Samples	0	0	0	0	★	0
2	Percentage of routine tests with no negative samples	100%	100%	100%	100%	★	100%
3	Percentage of Produced Well Water	60%	57%	> 50%	52%	★	> 50%
4	Unaccounted Water Loss	4.3%	6.3%	< 10%	< 5.3%	★	< 10%
5	% of Water Quality complaints responded to within 24 hours	100%	100%	100%	100%	★	100%



ORGANIZATIONAL CHART



BUDGET CALENDAR

Meeting Date	Meeting Description
March 30, 2017	Budget worksheets for the Operating and Capital Budget were distributed to key staff
April 3, 2017	Staff budget committee reviewed proposed Operating and Capital Budget
April 10, 2017	Key staff submitted budget recommendations for Operating and Capital Budget
April 13, 2017	Public review of Capital Improvement Plan for FY 2018
April 19, 2017	Public Finance Committee Meeting to review FY 2018 Budget
April 26, 2017	FY 2018 Draft Budget circulated to key staff
May 10, 2017	FY 2018 Draft Budget released to Board and public
May 18, 2017	Staff presentation at a District Board meeting. Board recommendation to adopt the Operating and Capital Budget for FY 2018.
May 24, 2017	District's General Manager presents the adopted Operating and Capital Budget for FY 2018 to staff

BUDGET PROCESS

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

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

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

- Verify new service connections and size (provided by the General Manager) added to the projected amount of connections for the current year
- Separate by meter size
- Gather the most current 12 month consumption (actual and projected) by meter size and adjust to recognize reduced consumption
- Determine the projected units to be consumed
- Calculate Service Charge by meter size
- Calculate CLWA purchased water pass-through
- Calculate adjustments to the Water Revenue Adjustment Factor (WRAF)

All the costs faced by District can be broken into two main categories: fixed costs and variable costs.

Fixed costs are the types of costs incurred by the District where the costs are going to be incurred no matter what level of water is consumed. Costs like insurance, loan payments, and some salaries would all be examples of fixed costs.

Variable costs are the types of costs incurred by the District where the costs will vary based on the volume of sales or production. For a water retailer, variable costs would include purchased water, utilities (i.e. power), some salaries, and any other costs that will change depending on actual sales.

BUDGET PROCESS

In accounting, they also often refer to mixed costs. These are simply costs that are part fixed and part variable. An example could be the customer service function. Revenue may increase with demand but if there is no demand, the District will still require a certain amount of service just to maintain itself.

Through the service charge, the District recovers a combination of fixed and mixed costs, i.e. general and earthquake liability insurance premiums, general and administrative salaries and benefits, and the category of customer accounts. All other expenses are deemed variable and recovered through the commodity rate.

The District also has other revenue sources that are calculated for the fiscal year. The other revenues include communication site rentals, property taxes, interest earnings, and fire service revenue. Other revenues comprise approximately 7% of the total revenues of the District.

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

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

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

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

SUMMARY OF FINANCIAL POLICIES

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

It is the intent of the Financial Policies section to define a sound financial plan when developing annual budgets. The FY 2017 budget is balanced and adheres to adopted District financial policies. A balanced budget is one, which total expenditures equal total revenues.

Reserve Policy - page 42

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

Investment Policy - page 48

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

Debt Management Policy - page 58

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

Asset Capitalization Policy - page 67

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

RESERVE POLICY

RESOLUTION NO. 2014-7

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

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

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

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

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

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

**Newhall County Water District
Reserve Policy**

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

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

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

- | | |
|----------------------------|---|
| Operations and Maintenance | The O&M Reserve Fund is intended to provide a mechanism for the District to immediately undertake unanticipated operation and maintenance activities and encompass cash flow fluctuations, including emergency repairs. The ideal level for the O&M Reserve Fund is 15% of total annual operating expenses. |
| Rate Stabilization | The Rate Stabilization Reserve Fund is intended to supplement District revenues to meet District expenses, including purchased water and power, during periods of extraordinary operating revenue deficits in lieu of a rate increase. The ideal level for the Rate Stabilization Reserve Fund is 10% of District annual operating revenue. |
| Debt Service | The Debt Service Reserve Fund is intended to provide funds to meet the District's debt service obligations and maintain revenues at levels sufficient to meet the rate covenant requirements. The ideal level for the Debt Service Reserve Fund will equal six month's debt service. |
| Emergency/Disaster | The Emergency/Disaster Reserve Fund is intended to establish a contingency amount to sustain the District in the event of a disaster/emergency. Funding will be used to repair or replace damaged District facilities and supplement operations during the emergency/disaster period. The ideal level for the Emergency/Disaster Reserve fund is 100% of the earthquake/flood insurance deductible. |

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

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

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

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


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

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



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


ATTEST:



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

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

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



Karin J. Russell, Secretary,
NEWHALL COUNTY WATER DISTRICT

DATED: February 13, 2014

FUNDING LEVELS

(July 1, 2017)

	*Reserve Requirement	*Amount Funded	Required Funding	% Funded
<u>Operations and Maintenance</u>	\$1,437,817	\$296,547	\$1,141,270	20.62%

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

<u>Rate Stabilization</u>	1,193,022	374,879	818,143	31.42%
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The Rate Stabilization Reserve Fund is intended to supplement District revenues to meet District expenses, including purchased water and power, during periods of extraordinary operating revenue deficits in lieu of a rate increase. The ideal level for the Rate Stabilization Reserve Fund is 10% of the operating revenue.

<u>Debt Service</u>	944,777	944,777	0	100.00%
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The Debt Service Reserve Fund is intended to provide funds to meet the District's debt service obligations and maintain revenues at levels sufficient to meet the rate covenant requirements. The ideal level of for the Debt Service Reserve Fund will equal six months annual debt service.

<u>Emergency/Disaster</u>	1,500,000	1,500,000	0	100.00%
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The Emergency/Disaster Reserve Fund is intended to establish a contingency amount to sustain the District in the event of a disaster/emergency. Funding will be used to repair or replace damaged District facilities and supplement operations during the emergency/disaster period. The ideal level for the Emergency/Disaster Reserve fund is 100% of the earthquake/flood insurance deductible.

TOTAL RESERVES	\$5,075,616	\$3,116,203	\$1,959,413	61.40%
	*Reserve Requirement	*Amount Funded	Required Funding	% Funded

**Based on FY 2018 Draft Budget*

INVESTMENT POLICY

RESOLUTION NO. 2017-1

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

1.0 POLICY

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

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

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

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

2.0 SCOPE

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

3.0 PRUDENCE

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

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

4.0 OBJECTIVES

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

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

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

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

5.0 DELEGATION OF AUTHORITY

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

6.0 ETHICS AND CONFLICTS OF INTEREST

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

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

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

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

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

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

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9.0 COLLATERALIZATION

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

10.0 SAFEKEEPING AND CUSTODY

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

11.0 DIVERSIFICATION

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

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

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

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

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

12.0 REPORTING

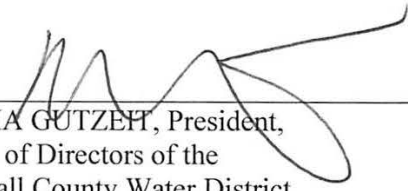
The Director of Finance/Administration shall submit to each member of the Board of Directors an investment report at least quarterly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each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

13.0 INVESTMENT POLICY ADOPTION

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


PASSED, APPROVED AND ADOPTED at a Regular Meeting of the Board of Directors of Newhall County Water District held on January 12, 2017, Resolution No. 2017-1 was adopted by the following vote:

- AYES: Directors Atkins, Colley, Gutzeit, Mortensen
(Director Plambeck Absent)
- NOES: Directors
- ABSTAIN: Directors



MARIA GUTZEIT, President,
Board of Directors of the
Newhall County Water District

ATTEST:



Rochelle Patterson
Secretary of the Board of Directors

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

I, Rochelle Patterson, Secretary of the Newhall County Water District, DO
HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No.
2017 -1 of the Board of Directors of Newhall County Water District adopted at a Regular
Meeting held on January 12, 2017, and that the same has not been amended or repealed.



Rochelle Patterson
Board Secretary, Newhall County Water District

DATED: January 12, 2017

DEBT MANAGEMENT POLICY



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

1.0 INTRODUCTION

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

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

The District's debt management policy is designed to:

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

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



POLICIES, RULES AND REGULATIONS	
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debt:

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

2.0 GENERAL MANAGEMENT POLICIES

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

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

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

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

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

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

3.0 FINANCIAL MANAGEMENT POLICIES

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

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



POLICIES, RULES AND REGULATIONS	
Title: DEBT MANAGEMENT POLICY	
Policy No.: Appendix M	Section Nos.: 1.0 – 1.4
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source of repayment. Debt will be issued to the extent that (i) projected fixed revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such fixed revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.

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

4.0 DEBT AND CAPITAL MANAGEMENT POLICIES

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

In issuing debt, the District objectives will be to:

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

4.1 Standards for Use of Debt Financing

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

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

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



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

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

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

4.2 Financing Criteria

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

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

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

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

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

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

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

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



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

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

4.3 Refinancing Outstanding Debt

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

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

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

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

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

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



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

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

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

4.4 Method of Issuance

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

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

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

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



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environment;

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

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

4.5 Market Communication, Debt Administration and Reporting Requirements

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

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

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

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

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



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

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

ASSET CAPITALIZATION POLICY



POLICIES, RULES AND REGULATIONS	
Title: CAPITALIZATION POLICY FOR FIXED ASSETS	
Policy No.: Appendix U	Section Nos.:1.0 – 4.1
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Policy No.: Appendix U	Section Nos.:1.0 – 4.1
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1.0 INTRODUCTION

1.1 Purpose:

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

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

1.2 Definitions:

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

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

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

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



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2.0 CAPITALIZATION POLICY

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

2.1 Land:

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

2.2 Land Improvements:

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

2.3 Building – New Construction:

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

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

2.4 Equipment:

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



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

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

2.5 Reservoirs, Pipeline and Appurtenances:

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

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

2.6 Vehicles and Equipment:

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



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

2.7 Intangible Assets:

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

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

2.8 Conveyed/Donated Assets:

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

3.0 RETIREMENT POLICY

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

4.0 DEPRECIATION

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



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Standard Practice U4 table estimated useful lives for District assets by category are:

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

4.1 Responsibility:

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

PAST AND PRESENT

On January 13, 2018, Newhall County Water District will celebrate its 65th anniversary. In the early 1950's, local business and civic leaders agreed it was in the public's best interest to form a community water district. Newhall's population at the time was estimated at 3,500. On January 13, 1953, what was once known as the Newhall Water Company became Newhall County Water District.

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

Today, the District serves potable water to a population of over 45,000 people through more than 9,700 service connections. The District owns and maintains 155 miles of transmission and distribution pipeline, 22 above ground welded steel reservoirs, 12 booster pump stations, four state water turnouts and 11 active groundwater wells.

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

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

ECONOMIC CONDITIONS

In FY 2018, the District will serve potable water needs by pumping groundwater from the District's alluvial and Saugus Formation wells and purchasing water from Castaic Lake Water Agency (CLWA) who receives it from the State Water Project (SWP). The District takes delivery of water through several SWP connections. The District is projecting to purchase 4,340-acre feet from CLWA (1,100-acre feet from the perchlorate settlement) in FY 2018. There are three factors the District used to determine the quantity of water to purchase:

- 1) Conjunctive use opportunities
- 2) Conservation levels
- 3) Well Production & Basin Yield

Prior to FY 2011, the District used a 10 year rolling average of consumption by meter size to determine water revenue and the amount of acre feet that needed to be purchased from the wholesaler to serve the District's customers, but due to a reduction in demand from mandatory conservation, that average has dramatically decreased. Since FY 2011, the District had used the most current 12-month consumption (nine months actual and three months projected) by meter size to determine revenue projections and purchased water estimates. The District is expecting customers to continue to voluntarily conserve and not return to their pre-drought usage. In an effort to project the FY 2018 water revenues, the District will be projecting water revenues for FY 2018 - FY 2022 based on the previous mandate of a 25% reduction (as compared to calendar year 2013).

On June 15, 2015, the District adopted changes to the water rate, based on the updated Report of Revenue Requirements and Water Rates, to become effective July 1, 2015. The rate study took into account a 14% reduction in commodity sales and developed a Water Revenue Adjustment Factor (WRAF) as a means to mitigate potential fluctuations in water commodity revenues due to additional conservation. The District adopted Resolution 2015-5 that will allow the District to make adjustments to recover any shortage of revenue due to inflation attributed to fluctuations in real demand and to create a balancing account. The current rates and structure can be found in the revenue section on page 101.

The District is projecting to purchase 37% more water than the previous year due to the availability of increased SWP allocation in order to give the groundwater time to recover. CLWA will be increasing their rates for wholesale water in FY 2018 and is projecting to increase rates each year. The District has established a pass through mechanism to recover costs associated with purchased water (Resolution 2012-5). The unit (CCF) charge for FY 2018 will be \$.7254 versus \$.6474 in FY 2017.

Based on current trends, the District is projecting little growth in FY 2018.

ECONOMIC CONDITIONS

The updated Report on Revenue Requirements and Water Rates provided an analysis of the District's rates and revenues for FY 2016 through FY 2020 and assumed the District's customers (as a whole) would respond to the District's messages of conservation and efficient use of water.

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

WATER REVENUE ADJUSTMENT FACTOR

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

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

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

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

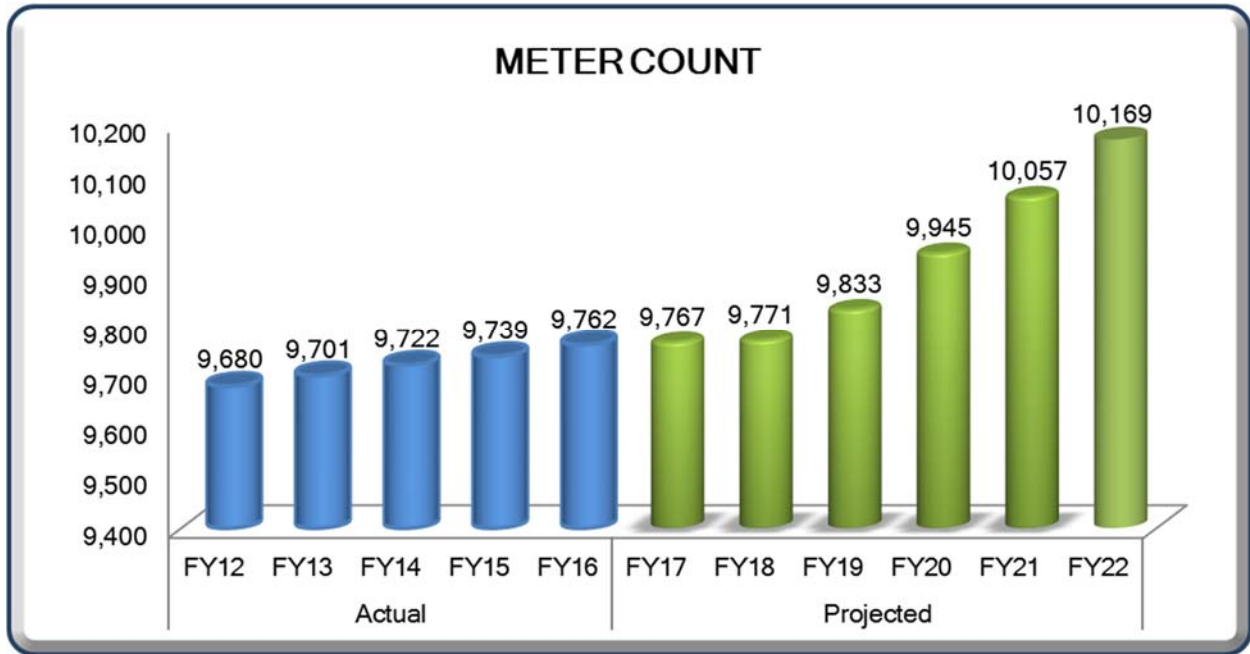
c = The **Projected Consumption** (in CCF) calculated for the period as adopted in NCWD's current budget.

BALANCING ACCOUNT

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

FUTURE OUTLOOK

In the next five years, the District is projecting that 402 meters will be added to the existing customer base, which would bring the total customers to 10,169.

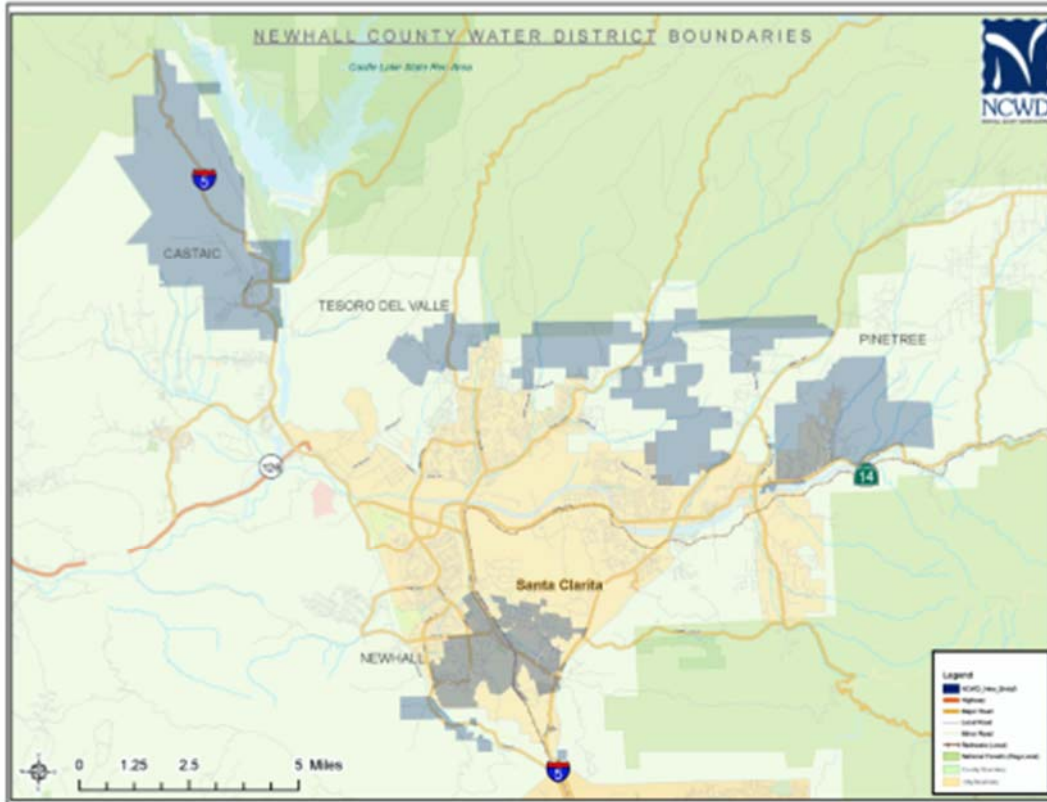


Of the new customers, 37% are projected in the Pinetree service area, 50% in the Tesoro service area and 13% in the Newhall and Castaic service areas.

In FY 2018, the District is expected to spend \$2,555,000 on CIP, and projected an additional \$13,460,000 through FY 2022. The CIP plan addresses the needs of the District and enhances the quality of service to our customers. The plan places emphasis on replacements and rehabilitations.

DISTRICT DEMOGRAPHICS

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



The District serves potable water to over 9,700 service connections with a population over 45,000 people, 88% are single-family residential customers. The District produces on an average day 7 million gallons of water and is projected to sell more than 2,464 million gallons in FY 2018.

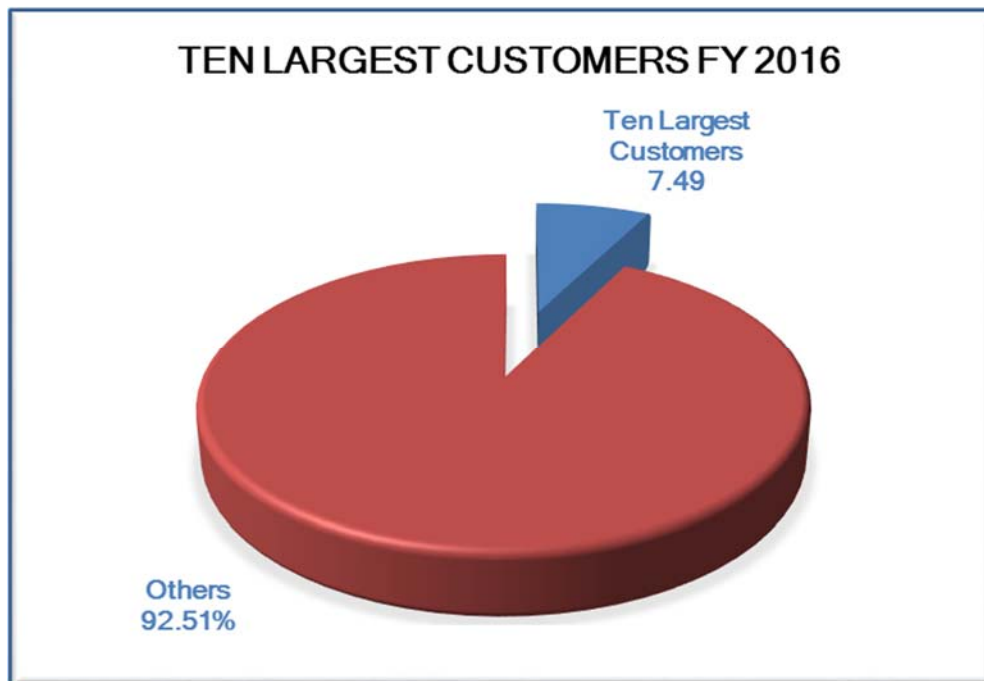
The District owns and operates 22 aboveground storage tanks with a capacity of 24.7 million gallons, 11 active wells with a production of 8,500 gallons per minute, 12 booster pump stations and 4 purchased water turnouts with a production of 48,935 gallons per minute, and 155 miles of distribution and transmission main.

The Santa Clarita Valley has a seasonal climate. The average high temperature in FY 2016 was 77.91°F and the average low temperature was 47.83°F. In FY 2016, the rainfall was 10.87". Since October 2016, the area has received 24.97" in rainfall. As of March 2017, the area's median home price for a single-family residential unit was \$529,370 and the estimated median household income (last recorded November 2016) was \$95,064.

Source: SCV Economic Development Corporation

TEN LARGEST CUSTOMERS

Customer Name	Customer Type	Annual Revenue	% of Water Sales
1 The Village	Apartment-Master Meter	\$ 170,414	1.54%
2 Stonegate Castaic HOA	Mobile Home Park	162,033	1.46%
3 Romero Cyn, LLC	Construction	132,777	1.20%
4 Wm S Hart High School	Schools	77,934	0.70%
5 Polynesian MHP	Mobile Home Park	63,276	0.57%
6 Peachland Owners Assoc.	Condo-Master Meter	59,876	0.54%
7 The Master's College	Schools	47,403	0.43%
8 LACO Parks & Rec	Parks	43,580	0.39%
9 CalMark-Bell Development	Apartment-Master Meter	38,435	0.35%
10 Hometown Lake Hills Estate	Mobile Home Park	33,006	0.30%
Total (10 Largest)		828,734	7.49%
Other Customers		10,241,296	92.51%
Total Water Sales		\$ 11,070,030	100.00%

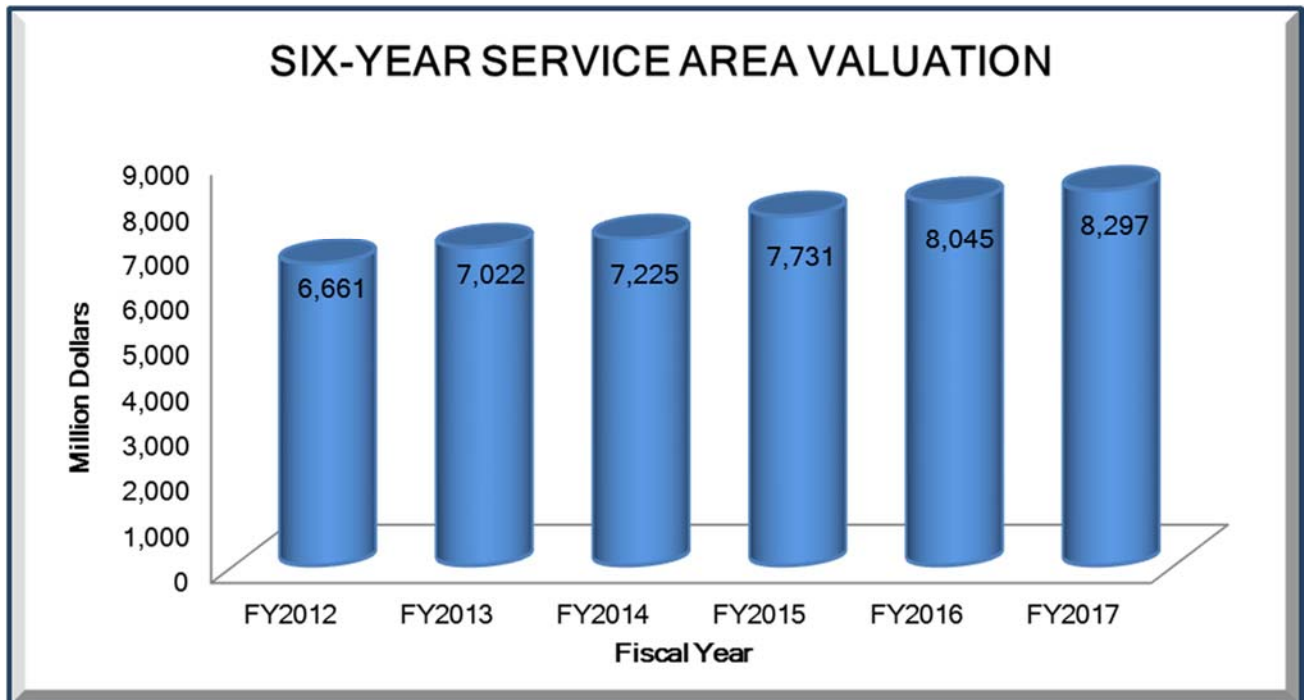


PROPERTY TAX

Newhall County Water District's service area encompasses land, improvements, and property valued at nearly \$8.3 billion of assessed valuation. Properties are assessed at 100% of their full value less any exemptions such as, exemption from taxation under the law and homeowner's exemptions and the District receives a portion of the 1% allocation. As shown on the chart below, there is an 25% increase since FY 2012 in the assessed value of properties in the District's service area. The assessed home values have recovered from the low caused by the recession in FY 2011.

There is some growth of new homes expected in the next five years as the economy still recovers.

The property tax revenue represents approximately 4% of the District's annual revenue.



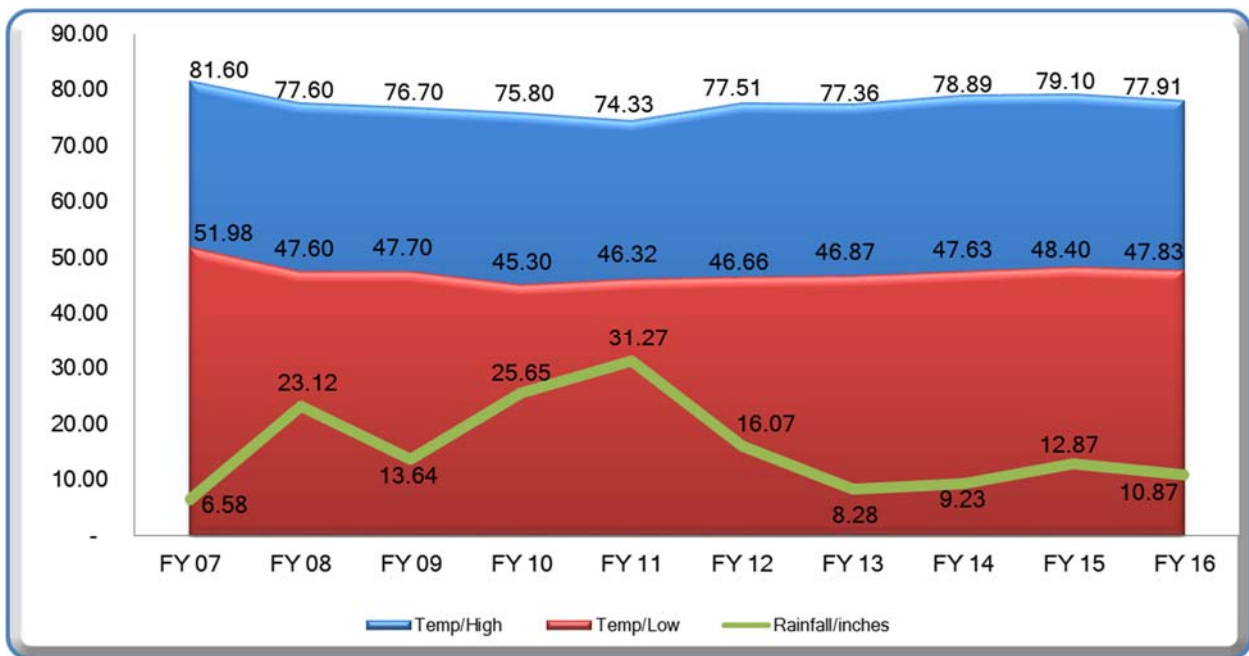
Source: County of Los Angeles Auditor - Controller/Tax Division

RAINFALL AND TEMPERATURE

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

The long-term average precipitation is 17.3 inches (1931-2016). In general, periods of less-than-average precipitation have been longer and more moderate than periods of greater-than-average precipitation. The precipitation records were taken from Newhall-Soledad 32c gage and the KCANEWHA2 gage, which data is representative of rainfall for the area served by Newhall County Water District.

In FY 2016, the area received less than average rainfall at 10.87 inches. So far this season, the area has seen above average rainfall at 24.97 inches of rain.



Source: 2016 Draft Santa Clarita Valley Water Report

BUDGET SUMMARY

The Operating Budget section demonstrates in summary form the spirit of the FY 2018 budget. The summary shows the audited figures at June 30, 2016, projected cash balance as of July 1, 2017, the flow of funds during FY 2018, and projects the cash balance as of June 30, 2018. The District does not possess appropriated government funds and utilizes accounting principles fitting an enterprise fund to record its activities.

Included in this section is the Operating and Capital Budget Summary on page 85, Operating Revenues and Expenditures on page 86, Fund Balance Summary on page 87 and the Fund Balance Flow Chart on page 88. Beginning July 1, 2017, the rate adjustment approved by the Board of Directors on June 15, 2015 will continue to be implemented.

BUDGET SUMMARY

The Operating Budget for FY 2018 is \$14,023,965 in comparison to the previous fiscal year budget of \$13,334,450; this is an increase of \$689,515 or approximately 5%. The reasons for the change is a 13% increase in Source of Supply, 10% increase in Water Treatment and an 18% increase in the Capital Improvement Plan.

Revenues

Water Sales

Water rates established in Resolution 2015-8 were approved on June 15, 2015 and became effective on July 1, 2015. Over the last few years of drought, mandatory conservation and decreased commodity revenue, the District proactively addressed the decrease and approved water rates to reflect the current conditions facing the District. To address fluctuations in commodity revenue, the District established Resolution 2015-5, implementing a Water Revenue Adjustment Factor (WRAF) and balancing account. The WRAF per CCF in FY 2018 is projected at \$.2536.

Water sales represent revenue collected from the sale of water, including service charges, CLWA pass-through, WRAF adjustments and consumption charges. This section contains details of the water rate revenue projection used to estimate revenues for FY 2018.

The approved rates have been used to determine total revenues for FY 2018. It is estimated that 8,040 acre-feet of water will be sold during the fiscal year. Budgeted water sales are projected to be \$11,930,215, an increase of 7.5% from the previous year's budget. Additional schedules relating to water sales are included in the Revenues and Expenditures section of this budget.

Connection Fees

Connection fees are charges collected for new water service connections. The fee is separated by two components, the master plan and the buy-in and vary depending upon meter size and service area. No new connection fees are projected in FY 2018. These fees are shown on the Fund Balance Summary on page 87 and the Connection Fee Forecast on page 91.

Tax Revenues

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

Non-Operating Revenues

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

Interest

Interest is earned by each fund that is invested in various institutions. Interest income on General Fund balances is considered general use revenue and interest income earned on Reserve Fund and Capital Fund balances is added to those funds and will be used within those funds. A .9% (Local Agency Investment Fund) to a 2% (other investments) return has been projected for FY 2018.

Expenditures

Source of Supply

The District is expecting to purchase 4,340-acre feet of water from CLWA (3,240-acre feet at the wholesale rate and 1,100-acre feet at \$167). The wholesale water rate is projected to increase January 1, 2018.

Pumping

Power is the cost associated with extraction of groundwater and the transmission and distribution of water to customers. The pumping costs to distribute water vary with elevation and will increase/decrease as water sales increase/decrease. This account is not projected to change in FY 2018 due to the District experiencing similar demand.

Labor and Benefits

Labor and benefits (separated by category) are the wages and benefits for 30 full-time employees. Labor costs are reduced by the number of hours charged to CIP projects and developer deposit projects. Other Post Employment Benefit (OPEB) liability is included in the benefits category. The detail of actual personnel and payroll related expenses is included in the Operating Expenditures by Category section.

Administrative Expenses

Administrative expenses are costs incurred directly related to District administrative operations. Several line items fluctuated in this category resulting in a decrease of 2%. Additional details are supplied in the Operating Expenditures by Category section.

Materials and Maintenance

Materials and maintenance expense is the cost associated with the operation and maintenance of the District facilities. There is a 19% or \$94,496 increase in the maintenance and repair of the District's water treatment facilities and transmission and distribution pipelines, which includes treatment of potable water supply and maintenance and repair of 155 miles of water mains and appurtenances. This category increased primarily due to planned maintenance of the District's treatment facilities and storage tank sites. Additional details are supplied in the Operating Expenditure by Category section.

Debt Service

Debt Service is the principal and interest expense associated with the existing debt. Debt payments are shown in the Five-Year Forecast section on pages 94 - 96.

FUND BALANCE SUMMARY

The District does not have appropriated governmental funds, but defines four types of significant funds used in the basic operation of the District. This schedule shows each fund's balance at June 30, 2017, and the projected balance of June 30, 2018, based on the results of the budget and rate study report. This includes transfers between funds as shown on page 87 and the flow chart of funds on page 88.

Description of Funds

Operating Fund

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

Capital Fund

The Capital Fund is used for the acquisition, construction, and maintenance of the District's physical plant. The fund includes any projected master plan fees and the amount of cash transferred from the Operating Fund utilized to complete the construction of the projected CIP projects. Accumulating money uniformly over time prior to the actual need for replacements provides a way to shave the peak costs, and spread all the cost more evenly over a period of time. The level of the fund is shown on page 92.

Reserve Fund

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

Supplemental Fund

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

OPERATING & CAPITAL BUDGET SUMMARY

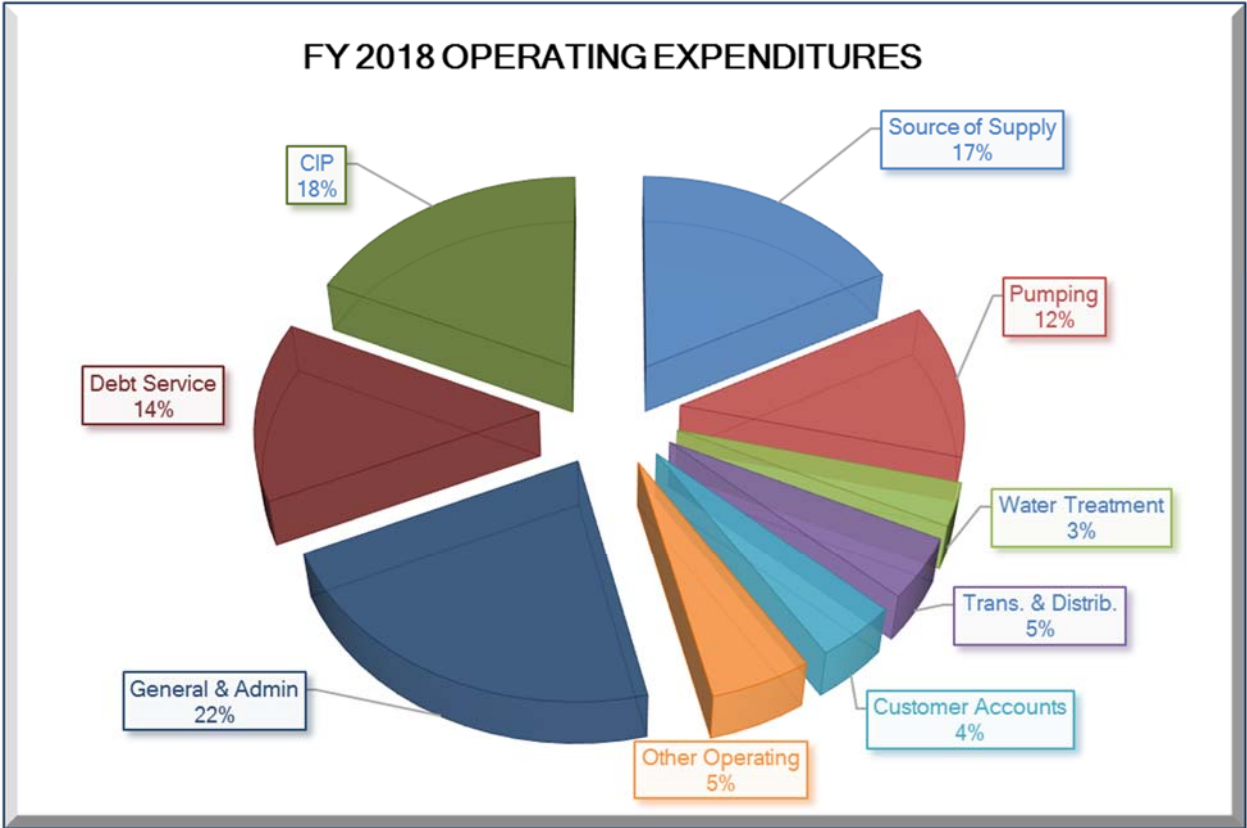
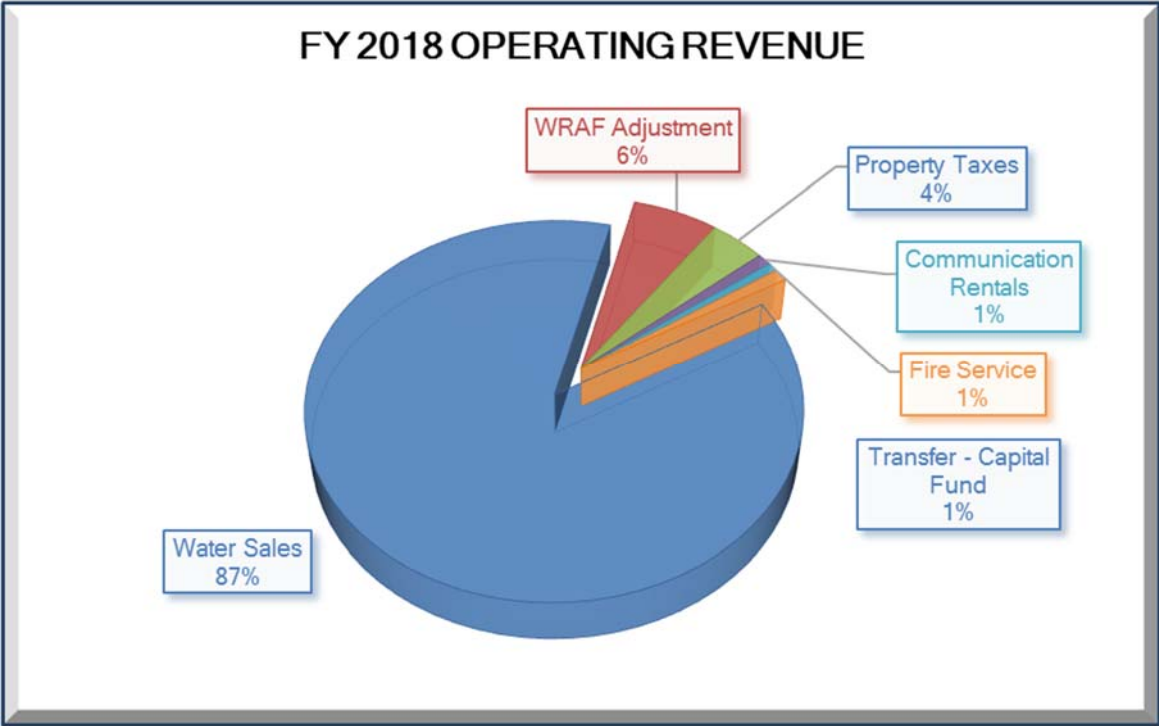
	FY 2016	FY 2017		FY 2018	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
<i>Beginning Balance</i>	\$ 365,994	\$ 500,000	\$ 127,824 ¹	\$ 829,942	\$ 329,942	66.0%
REVENUES						
Water Sales	11,082,672	11,099,384	11,156,533	11,930,215	830,831	7.5%
WRAF Adjustment	-	984,270	982,671	835,615	(148,655)	100.0%
Property Taxes	550,855	540,479	565,086	545,884	5,405	1.0%
Connection Fees (Master)	12,642	-	-	-	-	0.0%
Communication Rentals	177,342	135,280	152,121	139,338	4,058	3.0%
Fire Service	incl in Sales	102,903	incl in Sales	103,932	1,029	1.0%
Transfer-Reserves	1,050,000	-	-	-	-	100%
Transfer-Capital Fund	800,000	472,134	472,134	139,039	(333,095)	100%
TOTAL REVENUES	14,039,505	13,834,450	13,456,369	14,523,965	689,515	5.0%
EXPENDITURES						
Source of Supply	2,042,010	2,136,493	2,293,899	2,423,243	286,750	13.4%
Pumping	1,383,397	1,616,212	1,557,829	1,618,902	2,690	0.2%
Water Treatment	350,620	407,482	464,129	450,409	42,927	10.5%
Trans. & Distrib.	466,301	601,827	529,803	653,396	51,569	8.6%
Customer Accounts	451,897	633,056	626,716	604,669	(28,387)	-4.5%
Other Operating	620,439	740,748	640,215	740,172	(576)	-0.1%
General & Admin	3,790,153	3,160,110	2,747,596	3,094,652	(65,458)	-2.1%
Debt Service	1,889,553	1,883,522	1,883,522	1,883,522	-	0.0%
CIP	2,637,311	2,155,000	1,882,717	2,555,000	400,000	18.6%
TOTAL EXPENDITURES	13,631,681	13,334,450	12,626,427	14,023,965	689,515	5.2%
ENDING BALANCE	\$ 407,824	\$ 500,000	\$ 829,942	\$ 500,000	\$ -	

¹ Projected Beginning Balance - Operating Account



Service Installation – Hotel Luxen

OPERATING REVENUE & EXPENDITURES



FUND BALANCE SUMMARY

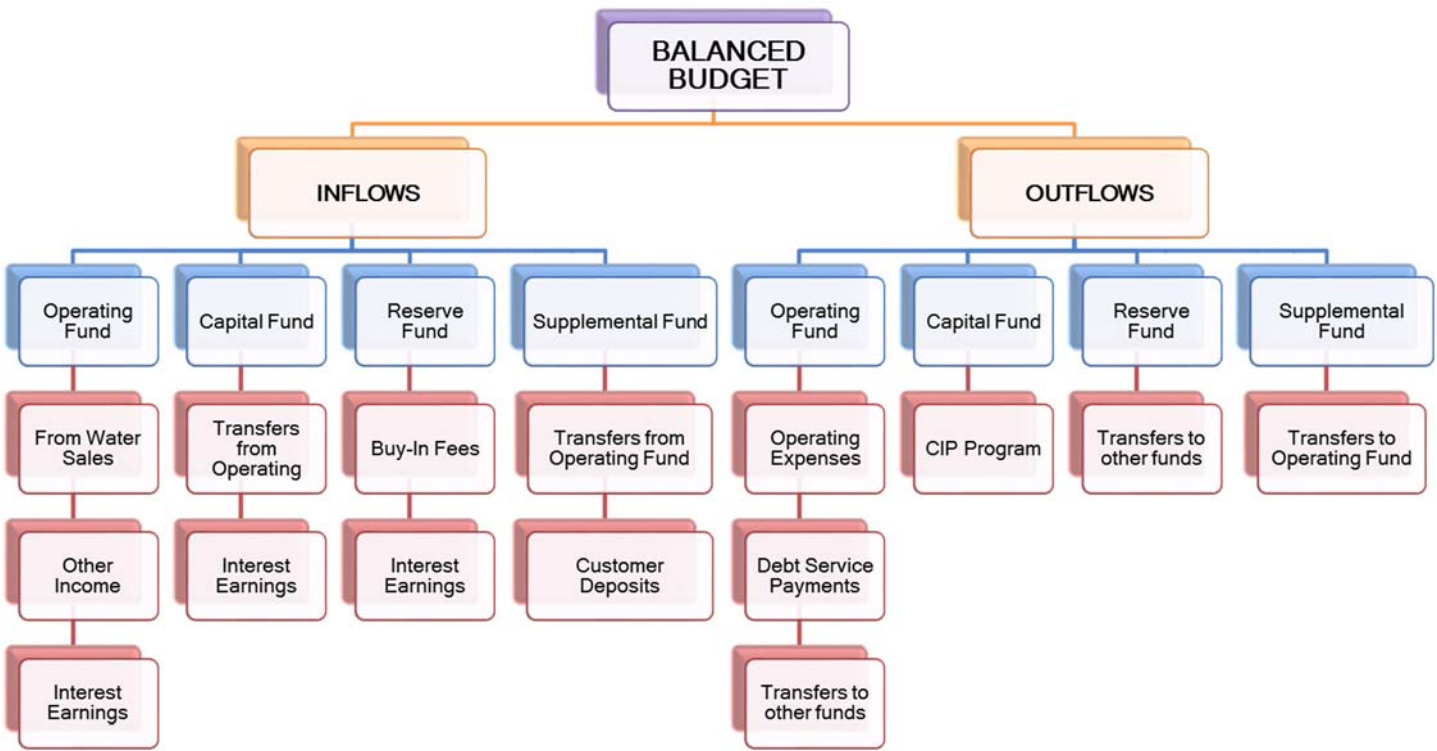
	Estimated	Estimated, Fiscal Year 2018		Projected
	Balance	Inflows	Outflows	Balance
	June 30, 2017			June 30, 2018
OPERATING FUND	\$ 500,000	\$ -	\$ -	\$ 500,000
Water Sales	-	11,930,215	-	11,930,215
WRAF Adjustment	-	835,615	-	835,615
Expenditures	-	-	9,585,445	(9,585,445)
Capital	-	-	2,086,017	(2,086,017)
Debt Service	-	-	1,883,522	(1,883,522)
Transfer to Reserves	-	-	-	-
Other	-	789,154	-	789,154
Total Operating Fund	500,000	13,554,984	13,554,984	500,000
CAPITAL FUND	2,166,337	-	-	2,166,337
Master Plan Fees	-	-	-	-
Transfer from Operations	-	2,086,017	-	2,086,017
CIP Projects	-	-	2,555,000	(2,555,000)
Other	-	29,827	-	29,827
Total Capital Fund	2,166,337	2,115,844	2,555,000	1,727,181
RESERVE FUND	3,116,203	-	-	3,116,203
Buy-In Fees	-	-	-	-
Transfer from Operations	-	-	-	-
Other	-	42,109	-	42,109
Total Reserve Fund	3,116,203	42,109	-	3,158,312
SUPPLEMENTAL FUND				
Debt Holding Account	866,185	1,883,522	1,883,522	866,185
Deposit Holding Account	136,576	-	-	136,576
Other	-	-	-	-
Total Supplemental Fund	1,002,761	1,883,522	1,883,522	1,002,761
TOTAL	\$ 6,785,301	\$ 17,596,459	\$ 17,993,506	\$ 6,388,254

Note:

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

Carryover from FY 2017 CIP (\$329,942) is included in the beginning balance of the Capital Fund.

FUND BALANCE FLOW CHART



FIVE-YEAR FORECAST

Financial Forecast for Fiscal Years 2018-2022

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

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

As new capital assets are brought into service (see Asset Capitalization Policy, page 66), they are managed by an asset management system which is crucial to tracking and maintaining the history of 155 miles of distribution and transmission main, 22 above ground welded steel reservoirs, 12 booster pump stations, 4 state water turnouts, 11 active wells, meters and services for over 9,700 customers, and general plant.

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

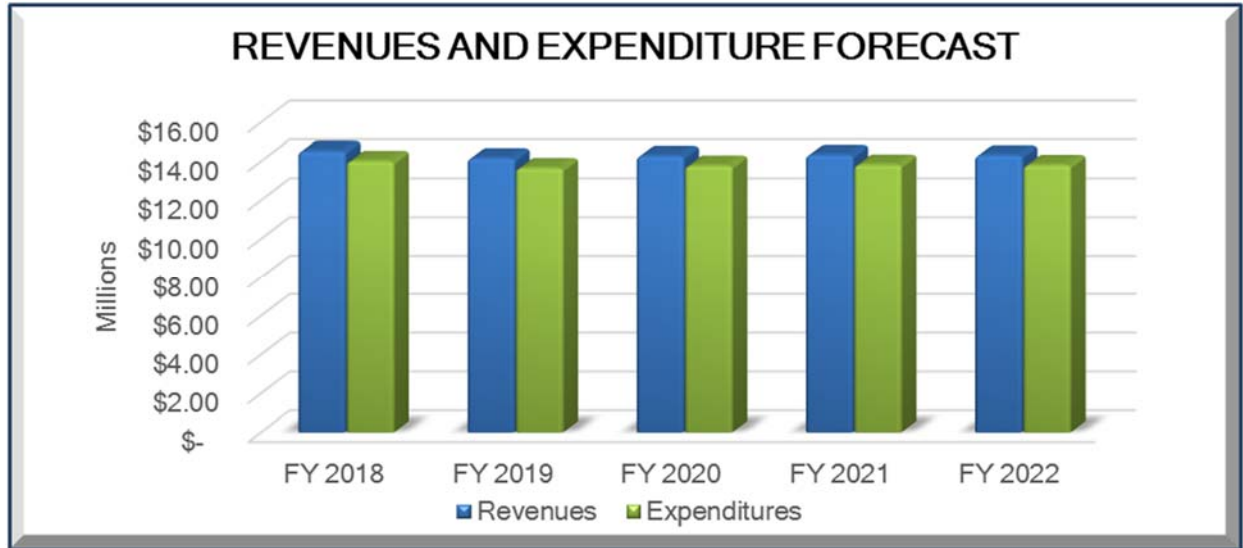
Projected Cost of Purchased Water

The projected purchased water cost is based on the rates reported by CLWA and their report of projected cost increases. In April 2016, CLWA implemented a three-year rate adjustment. This is the first full fiscal year of the rate period.

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

GENERAL FUND FORECAST

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



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<i>Beginning Balance</i>	\$ 829,942	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
REVENUES					
Water Sales	11,930,215	12,016,459	12,130,650	12,461,429	12,984,102
WRAF Adjustment	835,615	835,615	835,615	835,615	-
Property Taxes	545,884	551,343	556,856	562,425	568,049
Connection Fees (Mtr Plan)	-	11,650	11,650	11,650	11,650
Communication Rentals	139,338	142,125	144,967	147,867	150,824
Fire Service	103,932	105,099	104,859	98,328	101,223
Transfer-Capital Fund	139,039	-	-	-	-
TOTAL	\$ 14,523,965	\$ 14,162,291	\$ 14,284,597	\$ 14,617,314	\$ 14,315,848
EXPENDITURES					
Source of Supply	\$ 2,423,243	\$ 2,270,108	\$ 2,259,393	\$ 2,290,695	\$ 2,411,282
Pumping	1,618,902	1,666,836	1,718,791	1,765,731	1,806,926
Water Treatment	450,409	463,525	478,653	497,824	513,244
Trans. & Distrib.	653,396	672,342	694,530	723,321	745,825
Customer Accounts	604,669	621,858	646,158	677,070	698,546
Other Operating	740,172	761,518	787,008	821,039	846,721
General & Admin	3,094,652	3,184,306	3,289,635	3,426,951	3,533,658
Debt Service	1,883,522	602,463	602,463	602,463	453,809
CIP	2,555,000	3,015,000	2,460,000	3,030,000	2,400,000
Transfer-Capital Fund	-	404,335	847,966	282,220	405,837
TOTAL	\$ 14,023,965	\$ 13,662,290	\$ 13,784,597	\$ 14,117,314	\$ 13,815,848
ENDING BALANCE	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000

CONNECTION FEE FORECAST

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<u>Castaic</u>					
<u>Castaic High School (4" & 8")</u>	2	0	0	0	0
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
	0	0	0	0	0
<u>Pinetree</u>					
<u>Spring Canyon (498 - 1")</u>	0	0	50	50	50
Buy In Fee	0	0	161,300	161,300	161,300
Master Plan Fee	0	0	0	0	0
Buy In Fee	0	0	161,300	161,300	161,300
Master Plan Fee	0	0	0	0	0
	0	0	161,300	161,300	161,300
<u>Newhall</u>					
<u>Gate/King (2")</u>	2	12	12	12	12
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
Buy In Fee	0	0	0	0	0
Master Plan Fee	0	0	0	0	0
	0	0	0	0	0
<u>Tesoro</u>					
<u>Tesoro - Phase II (400 - 1")</u>	0	50	50	50	50
Buy In Fee	0	10,350	10,350	10,350	10,350
Master Plan Fee	0	11,650	11,650	11,650	11,650
Buy In Fee	0	10,350	10,350	10,350	10,350
Master Plan Fee	0	11,650	11,650	11,650	11,650
	0	22,000	22,000	22,000	22,000
<i>Total Additions</i>	<i>4</i>	<i>62</i>	<i>112</i>	<i>112</i>	<i>112</i>
Total Buy In Fees	0	10,350	171,650	171,650	171,650
Total Master Plan Fees	0	11,650	11,650	11,650	11,650
Total Buy In and Master Plan Fees	\$ -	\$ 22,000	\$183,300	\$183,300	\$ 183,300

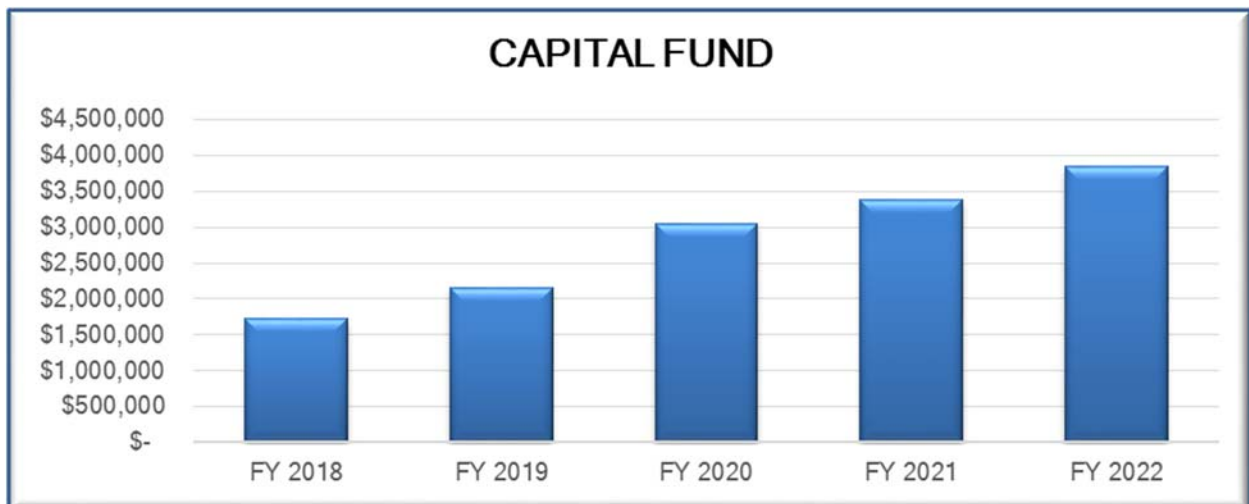
CAPITAL FUND

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

	Year-End Forecast Balances				
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Beginning Balance	\$ 2,166,337	\$ 1,727,181	\$ 2,162,634	\$ 3,052,317	\$ 3,386,043
Uses	(468,983)				
Additions:					
From Rates		404,335	847,965	282,220	405,836
Interest	29,827	31,118	41,718	51,506	57,886
TOTAL	\$ 1,727,181	\$ 2,162,634	\$ 3,052,317	\$ 3,386,043	\$ 3,849,765

Note:

- *In FY 2017, \$329,942 was carried over and added to the FY 2018 beginning balance. A net \$139,039, will be utilized in FY 2018 to complete the proposed CIP projects.*
- *In FY 2018, a significant portion of the debt service is paid-off and those funds in future years will be transferred to the Capital Fund on a continuing basis to achieve pay-as-you-go financing.*



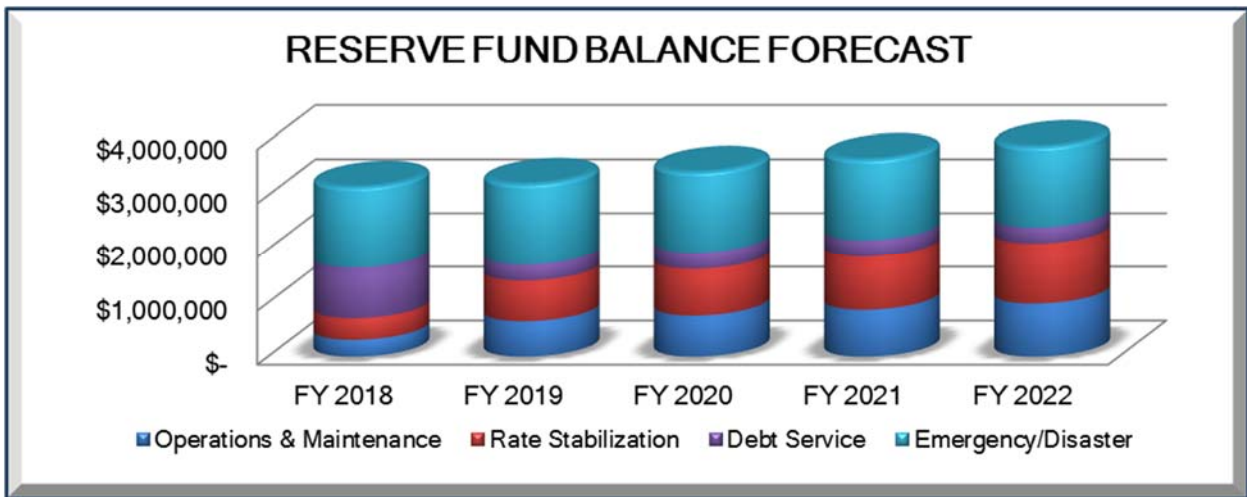
RESERVE FUND BALANCE FORECAST

Year-End Forecast Balances

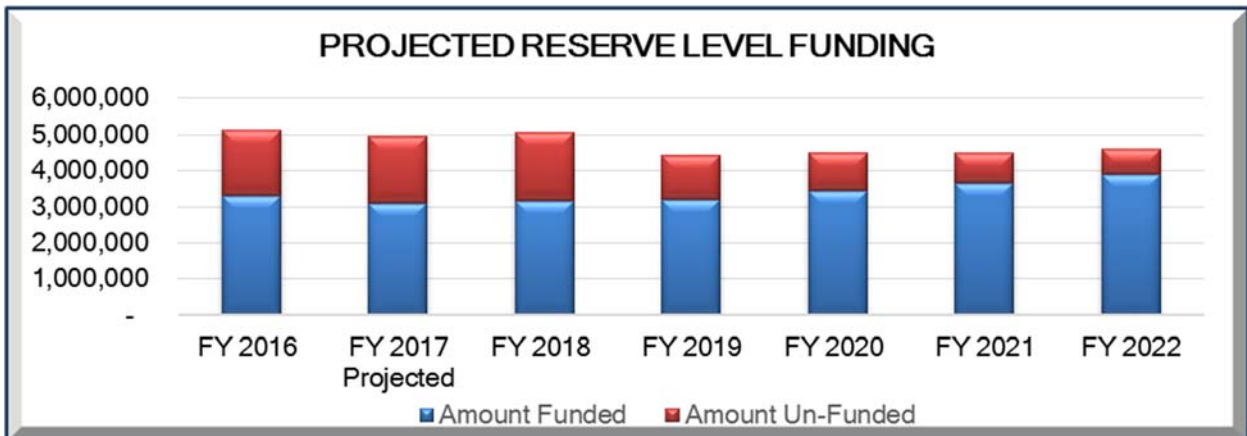
Reserve Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Operations & Maintenance	\$ 312,023	\$ 655,735	\$ 760,829	\$ 870,096	\$ 984,028
Rate Stabilization	401,512	756,948	873,888	994,944	1,120,196
Debt Service	944,777	301,231	301,232	301,232	301,232
Emergency/Disaster	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
TOTAL	\$ 3,158,312	\$ 3,213,916	\$ 3,435,949	\$ 3,666,272	\$ 3,905,457

Note:

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



In FY 2016, the rate stabilization and operations reserve fund was utilized to offset the revenue shortfall, due to customers meeting the state mandated water restrictions. The amount needed from the reserve funds was \$1,036,574, which will be recovered through the WRAF adjustment. In FY 2018, a significant portion of debt will be paid off and per the reserve policy, 50% of the outstanding annual debt payments are held in the reserve fund. Due to the reduction in the reserve requirement, those funds will be distributed to the underfunded reserves.



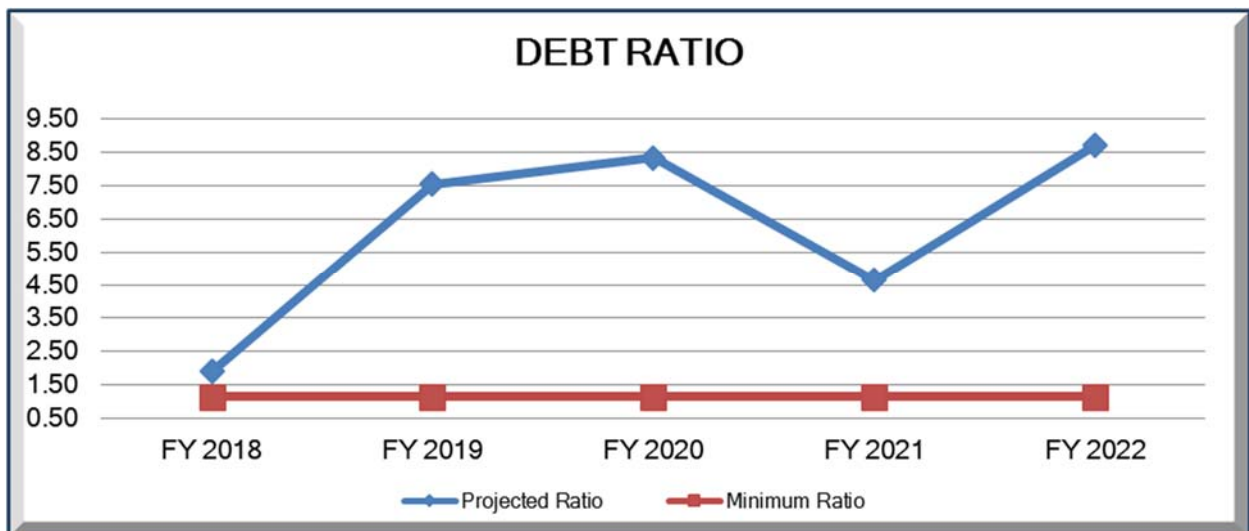
DEBT MANAGEMENT

The District's primary debt management policy objective is to keep the level of indebtedness within available resources and within limits that allow the District to meet the debt service coverage ratios required by the loan covenants. There are no debt limits identified, as long as the debt is within the limits as noted in the loan covenants. Currently, there are three outstanding loans. The District will gradually retire each loan per scheduled principal and interest payments. There is no new debt anticipated for FY 2018.

In FY 2012 and most recently in FY 2016, the District had foresight to research the cost effectiveness of refinancing certain debt obligations and taking advantage of lower interest rates. As a result, the District will save nearly \$1.7 million in interest over the term of the refinanced debt and reduced the maturity date with a small increase in annual debt payments.

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

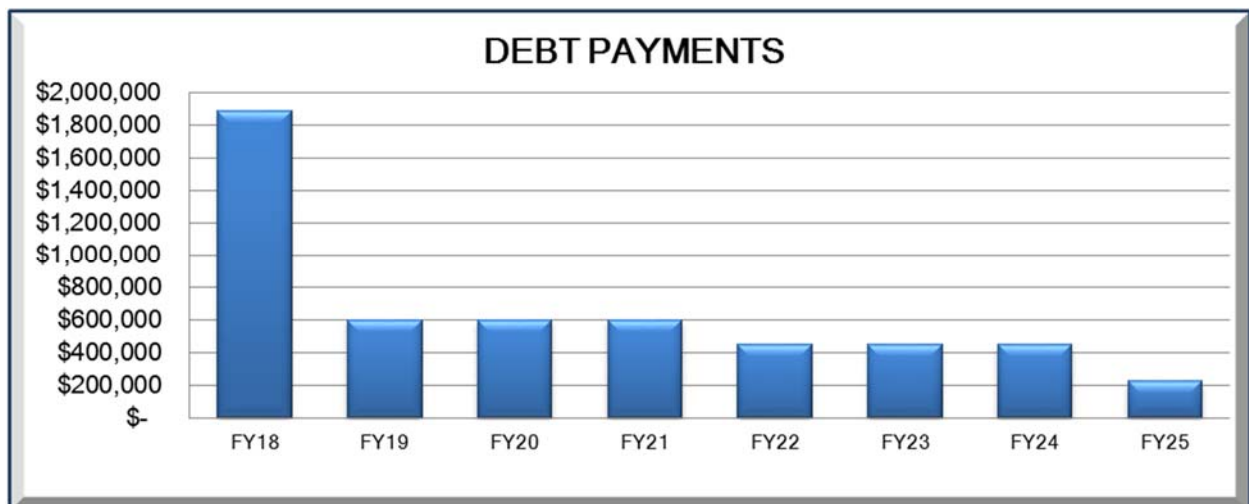
Per the loan covenants, the District must maintain a minimum ratio of 1.15. This means that the District's revenues must exceed the District's expenses by 15%. The graph below indicates the Debt Coverage Ratio Forecast for the next five years.



SCHEDULE OF OUTSTANDING DEBT

#	Origination Date	Description	Maturity Date	Outstanding Prin. Balance 6/30/2018
1	April 2016	Municipal Leasing Loan (CNB)	April 2021	\$ 427,814
2	Feb 2012	Municipal Leasing Loan (CNB)	Feb 2018	-
3	Oct 2012	Municipal Leasing Loan (CNB)	Oct 2024	2,661,938
Total Outstanding Debt				\$ 3,089,752

At the end of FY 2018, one of the Municipal Leasing Loans will mature in February 2018. Per the Long-Term Capital Reinvestment Study, those debt service payments will be added to the Capital Fund to reach pay-as-you-go capital funding.



PRINCIPAL & INTEREST PAYMENTS BY DEBT

Due	3.00% CNB 2012	3.00% CNB 2007 (2012)	2.40% CNB 2016	Total
2017-18	\$ 1,281,059	\$ 453,809	\$ 148,653	\$ 1,883,522
2018-19		453,809	148,653	602,463
2019-20		453,809	148,653	602,463
2020-21		453,809	148,653	602,463
2021-22		453,809	-	453,809
2022-23		453,809	-	453,809
2023-24		453,809	-	453,809
2024-25		226,905	-	226,905
TOTAL	\$ 1,281,059	\$ 3,403,569	\$ 594,614	\$ 5,279,242

Principal Payments

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

Interest Payments

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

REVENUE SUMMARY

The District has projected it will provide water service to over 9,700 customers by the end of FY 2018. Of the District's customers, 73% of water sales revenue comes from single-family residential customers and the remaining 27% of revenue are comprised of multi-family residential, commercial, landscaping, municipal, fire, construction, and industrial. The District is expecting to add four connections in FY 2018.

Billing units (CCF = 748 gallons) are expected to increase by 2% from the previous year's budget due to the lifting of the drought restrictions. Prior to FY 2011, the District used a 10 year rolling average of consumption by meter size to determine water revenue and the amount of acre feet that needed to be purchased from the wholesaler to serve the District's customers, but due to a reduction in demand from mandatory and voluntary conservation, that average has dramatically decreased. Since FY 2011, the District had used the most current 12-month consumption (nine months actual and three months projected) by meter size to determine revenue projections and purchased water estimates. The District is not expecting customers to return to their pre-drought usage, but will continue to voluntarily conserve. In an effort to project the FY 2018 water revenues, the District will be projecting water revenues for FY 2018 - FY 2022 based on the previous mandate of a 25% reduction (as compared to calendar year 2013).

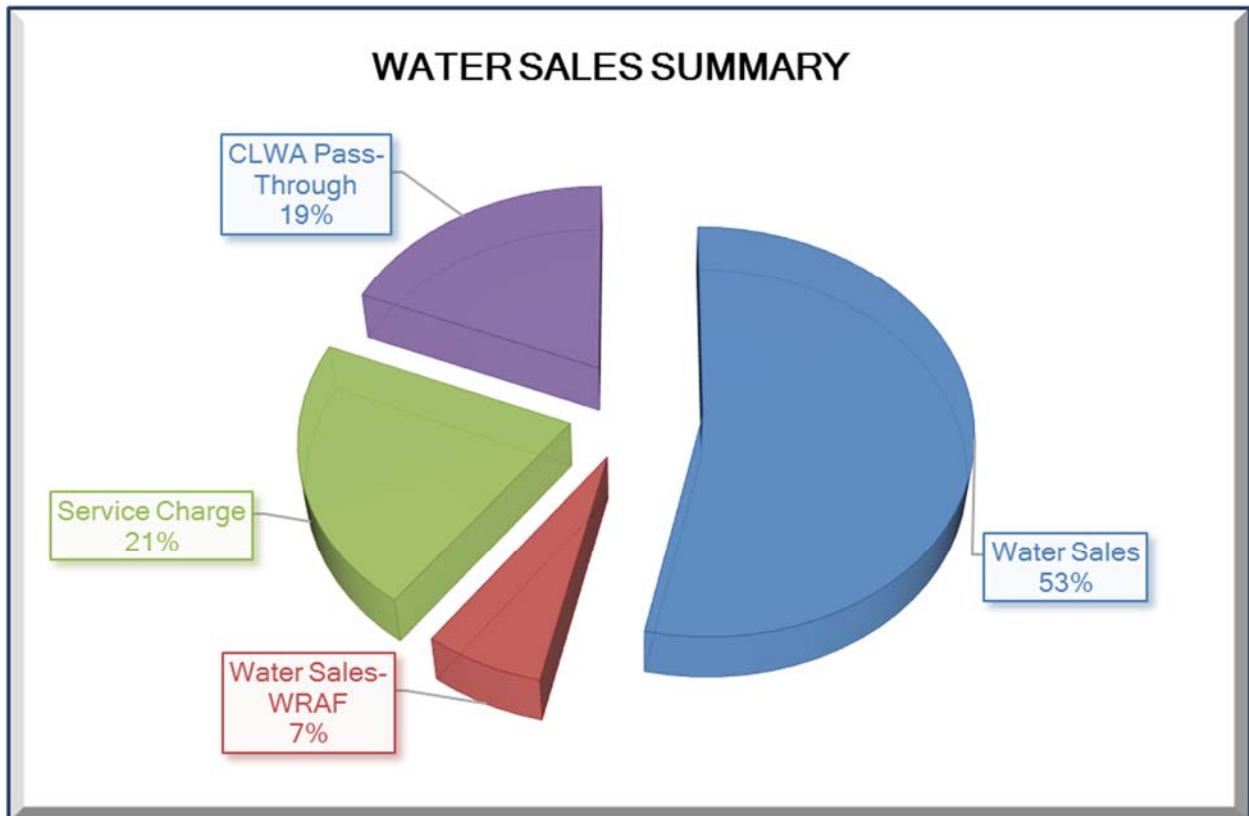
The total reduction in water use was not incorporated into the calculation estimate of revenues at proposed rates during the most recent rate study. As a means to mitigate potential fluctuations in water commodity revenues, the District adopted Resolution 2015-5 establishing a balancing account and the Water Revenue Adjustment Factor (WRAF) allowing for adjustments based on inflation within the parameters set by California Government Code Section 53756. The WRAF is intended to adjust the commodity rate due to inflation or deflation in unit cost attributed to fluctuations in real demand and create a balancing account (as shown on page 114). The WRAF is projected to reduce from the current amount of \$.3038 to \$.2536 per CCF.

The District is projected to purchase 4,340 acre-feet (1,100 acre-feet from the perchlorate settlement) of water from CLWA in FY 2018. Per resolution 2012-5, the CLWA pass through charge is projected to increase by 12% from the previous fiscal year. In an effort to allow groundwater levels to recover from the drought, the District is projecting to purchase 37% more water from CLWA in FY 2018. The rates for all customer classes are shown on page 101.

Unit sales represent approximately 60% (including WRAF adjustment) of the water sales budget. Other revenue sources include service charge (21%) and the CLWA pass through (19%). All customers are required to pay a fixed service charge based on meter size. Consistent with the District's previous rate design practices, the customer accounts category will continue to be recovered through the service charge as well as costs in the general and administrative category that would remain unaffected or for the most part, unchanged if there was a variation in the actual amount of water sales. For example, if the District were to experience a variation in actual water sales compared to expected water sales, insurance costs would remain unaffected.

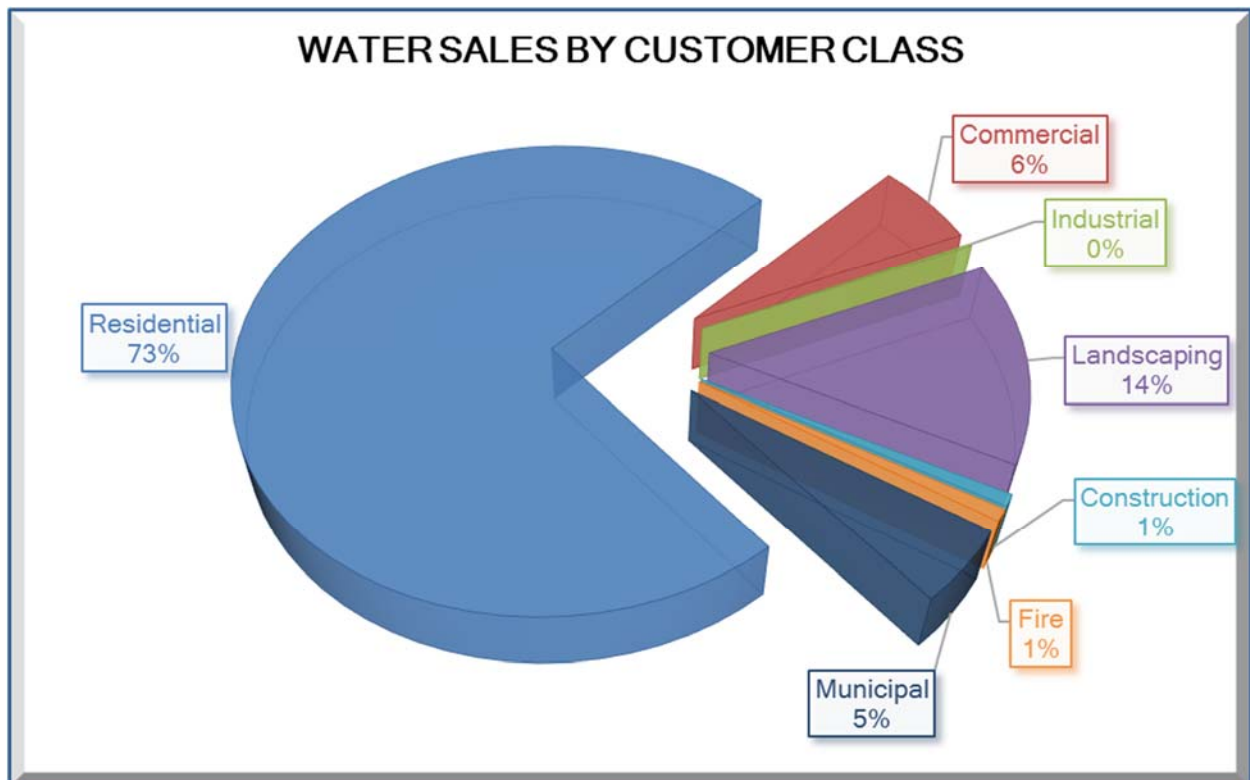
WATER SALES BY CATEGORY

	FY 2017		FY 2018	Budget	Variance
	Budget	Projected	Budget	Variance	%
Water Sales:					
Water Sales	\$ 6,374,427	\$ 6,853,059	\$ 6,829,911	\$ 455,484	7.1%
Water Sales-WRAF	984,270	982,671	835,615	(148,655)	-15.1%
Service Charge	2,627,452	2,706,689	2,710,544	83,092	3.2%
CLWA Pass-Through	2,097,505	2,191,245	2,389,760	292,255	13.9%
Total	\$12,083,654	\$12,733,664	\$12,765,830	\$ 682,176	5.6%



WATER SALES BY CUSTOMER CLASS

	Actual				Projected FY 2017	Budget FY 2018
	FY 2013	FY 2014	FY 2015	FY 2016		
Residential	\$ 8,364,823	\$ 9,444,680	\$ 8,244,638	\$ 8,174,159	\$ 9,369,547	\$ 9,393,215
Commercial	647,114	727,093	672,810	667,993	764,609	\$ 766,540
Industrial	25,128	27,479	19,838	17,643	22,545	\$ 22,602
Landscaping	1,677,739	1,934,368	1,541,304	1,401,558	1,751,601	\$ 1,756,026
Construction	96,196	104,702	87,995	226,059	100,001	\$ 100,253
Fire	96,032	100,349	90,346	96,556	102,673	\$ 102,933
Municipal	575,522	669,593	547,928	498,704	622,688	\$ 624,261
Total Water Sales	\$11,482,554	\$ 13,008,264	\$ 11,204,859	\$ 11,082,672	\$ 12,733,664	\$ 12,765,830



WATER UNIT HISTORY

METER SIZE

Prior to FY 2011, the District used a 10 year rolling average of consumption by meter size to determine the water revenue and the amount of acre feet needed to be purchased from the wholesaler to serve the District's customers, but due to voluntary and mandatory conservation, the average has significantly decreased. From FY 2011 through FY 2015, the District used the last recorded year nine months of actual consumption and three months projected consumption by meter size for the calculation. To be consistent with the actual conservation being experienced, the FY 2018 water revenues were calculated using a reduction of 25% from the same period in 2013. The District believes the level of conservation experienced will continue through FY 2022.

★ *Used for FY 2018 Budget*

		3/4" WS02	1" WS03	1 1/2" WS04	2" WS05	3" WS09	4" WS06	6" WS07	8" WS08	10" WS10	2 1/2" WS11	Total
FY 08	Use	2,430,074	449,564	227,087	1,076,176	209	158,243	76,585	229,494	69,101	20,664	4,737,197
	Aver Cust	7,999	827	134	408	1	19	10	10	3	27	9,438
	Use per Cust	304	544	1,695	2,638	209	8,329	7,659	22,949	23,034	765	502
FY 09	Use	2,351,365	450,003	224,826	1,056,842	123	142,598	70,378	233,485	88,532	19,927	4,638,079
	Aver Cust	8,043	831	135	412	1	30	18	14	3	24	9,511
	Use per Cust	292	542	1,665	2,565	123	4,753	3,910	16,678	29,511	830	488
FY 10	Use	2,081,248	391,635	197,872	902,342	155	124,781	64,971	206,078	57,243	14,337	4,040,662
	Aver Cust	8,076	833	137	414	1	17	10	10	3	20	9,521
	Use per Cust	258	470	1,444	2,180	155	7,340	6,497	20,608	19,081	717	424
FY 11	Use	2,045,062	379,317	195,847	932,645	127	128,147	65,042	195,360	55,240	10,645	4,007,432
	Aver Cust	8,125	833	140	414	1	16	10	10	3	19	9,571
	Use per Cust	252	455	1,399	2,253	127	8,009	6,504	19,536	18,413	560	419
FY 12	Use	2,135,875	399,241	207,608	881,887	129	137,737	68,259	185,311	68,398	15,462	4,099,907
	Aver Cust	8,157	836	142	414	1	17	11	11	3	21	9,613
	Use per Cust	262	478	1,462	2,130	129	8,102	6,205	16,846	22,799	736	426
FY 13	Use	2,201,860	415,041	221,739	963,212	303	139,987	70,699	186,073	65,010	26,608	4,290,532
	Aver Cust	8,175	835	143	417	1	17	11	11	3	20	9,633
	Use per Cust	269	497	1,551	2,310	303	8,235	6,427	16,916	21,670	1,330	445
FY 14	Use	2,238,787	431,751	219,285	1,037,155	349	137,117	75,206	188,724	38,822	31,892	4,399,088
	Aver Cust	8,183	839	144	424	1	18	10	10	3	22	9,654
	Use per Cust	274	515	1,523	2,446	349	7,618	7,521	18,872	12,941	1,450	456
FY 15	Use	1,888,524	371,886	196,292	849,841	451	112,876	62,682	162,640	28,248	25,360	3,698,800
	Aver Cust	8,200	839	143	426	1	18	10	10	3	21	9,671
	Use per Cust	230	443	1,373	1,995	451	6,271	6,268	16,264	9,416	1,208	382
FY 16	Use	1,578,413	295,389	166,038	721,184	201	98,776	51,396	151,713	29,509	75,792	3,168,411
	Aver Cust	8,218	842	142	429	1	16	9	10	3	24	9,694
	Use per Cust	192	351	1,169	1,681	201	6,174	5,711	15,171	9,836	3,158	327
FY 17	Use	1,659,714	328,761	187,704	808,005	160	118,720	53,977	184,805	31,762	19,137	3,392,745
3 mths	Aver Cust	8,196	849	149	438	1	18	8	11	3	26	9,699
proj	Use per Cust	203	387	1,260	1,845	160	6,596	6,747	16,800	10,587	736	350
10 Year Average												
2008-2017		254	468	1,454	2,204	221	7,143	6,345	18,064	17,729	1,149	in ccf
25% Reduction 2013		202	373	1163	1732	227	6176	4820	12687	16253	998	in ccf ★

WATER RATES

Service Charge

Meter Size (in inches)	@July 1, 2015 Monthly Rates	@July 1, 2016 Monthly Rates	@July 1, 2017 Monthly Rates
3/4	\$ 15.52	\$ 15.75	\$ 15.96
1	\$ 25.92	\$ 26.30	\$ 26.66
1 1/2	\$ 51.68	\$ 52.45	\$ 53.15
2	\$ 82.72	\$ 83.95	\$ 85.08
2 1/2	\$ 124.15	\$ 126.00	\$ 127.69
3	\$ 155.19	\$ 157.50	\$ 159.62
4	\$ 258.70	\$ 262.55	\$ 266.08
6	\$ 517.25	\$ 524.95	\$ 532.00
8	\$ 827.64	\$ 839.95	\$ 851.24
10	\$ 1,189.85	\$ 1,207.55	\$ 1,223.78
Fire Service			
2	\$ 22.07	\$ 22.29	\$ 22.51
4	\$ 70.21	\$ 71.26	\$ 72.33
6	\$ 132.79	\$ 134.78	\$ 136.80
8	\$ 207.73	\$ 210.85	\$ 214.01

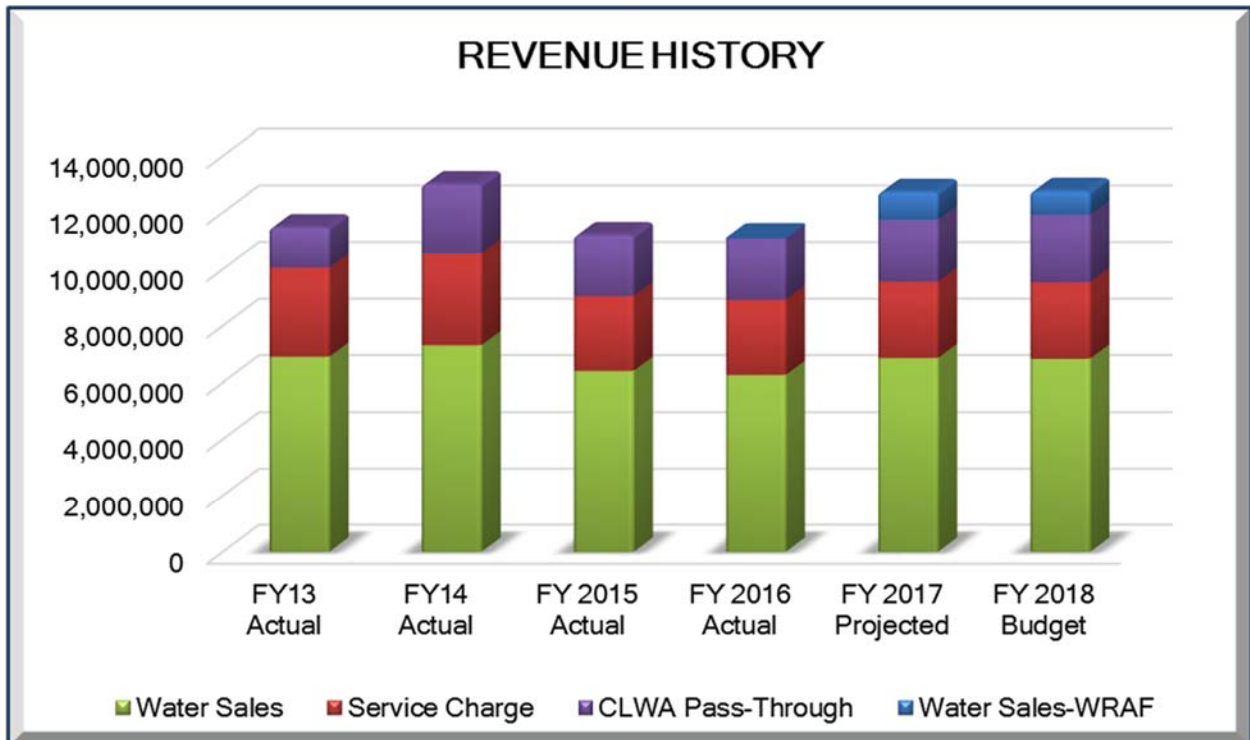
Per Unit

Commodity Rate (Uniform Volume)	\$ 1.8495	\$ 1.9675	\$ 2.0731
CLWA Pass-Through	\$ 0.6787	\$ 0.6474	\$ 0.7254
WRAF Adjustment	\$ -	\$ 0.3038	\$ 0.2536

Unit = 748 gallons

REVENUE HISTORY

	Actual				Projected	Budget
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Water Sales	\$ 6,900,772	\$ 7,310,308	\$ 6,396,261	\$ 6,256,694	\$ 6,853,059	\$ 6,829,911
Water Sales-WRAF	-	-	-	-	982,671	835,615
Service Charge	3,163,706	3,253,825	2,659,108	2,663,007	2,706,689	2,710,544
CLWA Pass-Thru	1,418,076	2,444,131	2,149,490	2,162,971	2,191,245	2,389,760
Total	\$11,482,554	\$13,008,264	\$ 11,204,859	\$ 11,082,672	\$ 12,733,664	\$ 12,765,830



RESOLUTION 2012-5

PURCHASED WATER PASS THROUGH

RESOLUTION NO. 2012-5

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

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

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

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

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

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

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

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

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

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

RESOLUTION 2012-5

PURCHASED WATER PASS THROUGH

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

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

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

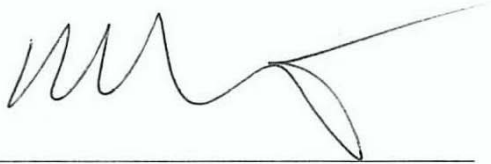
FURTHER RESOLVED that, the *California Environmental Quality Act* (“CEQA”) does not apply to the matters referred to in this resolution in that it relates to an adjustment to existing water rates and charges, the proceeds of which are for the purpose of meeting the District’s operating expenses and other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

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

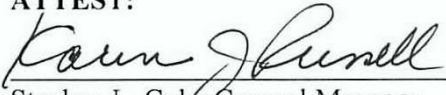
FURTHER RESOLVED that, the General Manager and staff are hereby further authorized and directed to take such other and further action as may be necessary and appropriate to implement the substance and purposes of this resolution immediately.

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

AYES:	Directors Atkins, Gutzeit, Mortensen, Plambeck
NOES:	Directors Colley
ABSTAIN:	Directors None



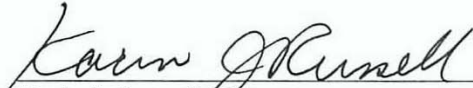
MARIA GUTZEIT, President of the
Board of Directors of the
NEWHALL COUNTY WATER DISTRICT

ATTEST:

Stephen L. Cole, General Manager
NEWHALL COUNTY WATER DISTRICT

RESOLUTION 2012-5
PURCHASED WATER PASS THROUGH

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

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



Karin J. Russell, Secretary,
Newhall County Water District

DATED: May 17, 2012

RESOLUTION 2012-5

PURCHASED WATER PASS THROUGH

Exhibit "A"

POLICIES, RULES AND REGULATIONS

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

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

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

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

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

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

PASS THROUGH FORMULA

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

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

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

RESOLUTION 2012-5

PURCHASED WATER PASS THROUGH

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

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

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

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

TRUE-UP CALCULATION

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

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

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

RESOLUTION 2012-5

PURCHASED WATER PASS THROUGH

The pass through calculation has been updated for FY 2018 in compliance with Resolution 2012-5. The true-up calculation will be calculated and adjusted in July 2018 when actual revenue and expenses have been recorded.

PASS THROUGH FORMULA FY 2017-2018

Price per Acre Foot (AF) - (Converted to FY from CY)	=	\$ 220.18
Projected Total Water Consumption for Fiscal Year (FY) in ccf (from draft budget)		3,294,540

Determination of the pass through for cost of CLWA Purchased Water

Price per Acre Foot		\$ 220.18
Projected AF to be purchased in FY from CLWA	x	3,240
Additional CLWA charges (Perchlorate & Fixed Costs)	+	\$ 1,676,377
Amount needed from rates	=	\$ 2,389,760
True-Up formula amount	+/-	
 Total	 =	 \$ 2,389,760
 Divide by Projected Total Water Consumption for FY	 /	 3,294,540
Pass through increase/(decrease) per ccf	=	\$ 0.7254

TRUE-UP CALCULATION

Actual Total Water Consumption in ccf's from FY 16-17		
Pass Through amount per ccf for FY 16-17	x	
Total pass through collected in FY 16-17	=	\$ -
Actual purchased water costs incurred in FY 16-17	-	
Additional CLWA charges	+	\$
Amount over/(under) collected	=	\$ -

RESOLUTION 2015-5

WATER REVENUE ADJUSTMENT FACTOR

RESOLUTION NO. 2015-5

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

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

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

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

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

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

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

RESOLUTION 2015-5

WATER REVENUE ADJUSTMENT FACTOR

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

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

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


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

PASSED AND ADOPTED this 15th day of June 2015, by the Board of Directors of the Newhall County Water District, Resolution 2015-5 was adopted by the following vote:

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

NOES: Directors Gutzeit

ABSTAIN: Directors None



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

ATTEST:



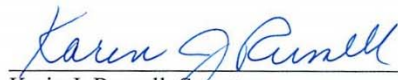
Karin J. Russell, Board Secretary
NEWHALL COUNTY WATER DISTRICT

RESOLUTION 2015-5

WATER REVENUE ADJUSTMENT FACTOR

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

I, KARIN J. RUSSELL, Secretary of the Newhall County Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. 2015-5 of the Board of Directors of Newhall County Water District adopted at a Special Meeting held on June 15, 2015, and that the same has not been amended or repealed.



Karin J. Russell, Secretary,
Newhall County Water District

DATED: June 15, 2015

RESOLUTION 2015-5

WATER REVENUE ADJUSTMENT FACTOR

Exhibit "A"

POLICIES, RULES AND REGULATIONS

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

8.3.4 Water Revenue Adjustment Factor (WRAF):

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

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

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

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

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

The formula is:

$$\text{WRAF} = \frac{a - b - c}{(c + d) / e}$$

a = Target Commodity Revenue (previous year)

b = Actual Revenue (previous year)

c = Commodity Revenue Adjustment

d = Unrecovered Adjustment (previous year)

e = Projected Consumption

1. The WRAF will be calculated as follows:

- The **Target Commodity Revenue** from the previous period as identified in the Adopted Operating Budget.
- The **Actual Revenue** recorded in the general ledger for water consumed by NCWD's customers for the period (excluding revenue from the purchased water pass through).
- Actual Commodity Revenue** subtracted from the **Target Commodity Revenue**.
- The amount equal to the unrecovered adjustment attributable to the previous period WRAF added to the **Commodity Revenue Adjustment**.

RESOLUTION 2015-5

WATER REVENUE ADJUSTMENT FACTOR

(e) The projected consumption calculated for the period as adopted in NCWD's current budget.

Balancing Account

A per unit water cost of Service Balancing Account shall be maintained by the District. Entries to this account shall include:

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

RESOLUTION 2015-5

WATER REVENUE ADJUSTMENT FACTOR

The Water Revenue Adjustment Factor (WRAF) pass through calculation was implemented in FY 2017 in compliance with Resolution 2015-5. The most recent rate report calculated a total reduction in water use based upon customers achieving a conservation savings equivalent to 20% by 2020. As a means to mitigate the shortfall in water commodity revenue from additional conservation, the District has calculated the automatic pass through that will be added to the commodity rate. The calculation is as follows:

WRAF PASS THROUGH FORMULA FY 2018

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

a = Target Commodity Revenue	\$	7,358,657
b = Actual Commodity Revenue	-	6,576,946 *
c = Commodity Revenue Adjustment	\$	781,711
c = Commodity Revenue Adjustment		781,711
d = Unrecovered Adjustment (previous year)	+	53,903
Balancing Account		835,614
e = Projected Consumption(ccf)	/	3,294,540
Demand Factor per Unit	=	0.2536

BALANCING ACCOUNT

July 2016 Balance	\$	1,036,574
WRAF Collected in FY 2017	-	982,671 *
		53,903
Commodity Revenue Adjustment	+	781,711 *
Total - Balancing Account (to be recovered in FY 2018)		835,614

*April - June Estimated

Note:

The above calculation is used for projection purposes. Per Resolution 2015-5, when the actual revenue is recorded (July 2017), the Demand Factor per Unit will be recalculated and notice given to District ratepayers.

EXPENDITURE SUMMARY

Source of Supply

The source of supply category represents 25% of the total Expense Budget and shows an increase of 13% from FY 2017. The reason for the increase is due to a rate adjustment for purchased water from CLWA and an increase in the amount of water projected to be purchased. In an effort to allow groundwater recovery from the drought, the District is planning on purchasing 37% more water in FY 2018 than from FY 2017. This category also includes labor and materials to maintain the District wells, as well as labor and maintenance to the well structures and surrounding well site.

Pumping

The pumping category represents 17% of the total Expense Budget and shows an increase of less than 1% from FY 2017. There is relatively no change in this expense category. This category provides funds for the cost of power to the District's wells, booster stations, and sewer lift station. This category also provides funds for labor and maintenance of the District's pumping equipment, structures, Cla-Val's, and SCADA.

Water Treatment

The water treatment category represents 5% of the total Expense Budget and shows an increase of 10% from FY 2017. The primary increase in this category is due to a projected increase in chemical costs and planned maintenance to the water treatment facilities. This category provides funds for costs associated with bacteriological sampling and special analysis as noted in Title 22, as well as State Water Resources - Division of Drinking Water fees for the Newhall, Castaic, Pinetree, and Tesoro service areas. This category also includes labor and maintenance for the District's treatment facilities and purchase of chemicals, salt, etc. necessary for the water treatment operations.

Transmission & Distribution

The transmission and distribution category represents 7% of the total Expense Budget and shows an increase of 9% from FY 2017. The primary reason for the increase is due to planned reservoir and water main maintenance projects. This category provides funds for labor and maintenance of the District's reservoirs, mains, sewer collection system, services, and hydrants.

Customer Accounts

The customer accounts category represents 6% of the total Operating Budget and shows a decrease of 5% from FY 2017. The primary reason for the decrease is a reallocation of labor and associated employee benefits. This category provides funds for labor and supervision for billing, collecting, connects, disconnects, investigations, meter reading and applications. It also includes funds for the outsourcing of printing and mailing water bills, meter reconstruction, testing, repairs and calibrations.

EXPENDITURE SUMMARY

Other Operating

The other operating category represents 8% of the total Expense Budget and shows a decrease of less than 1% from FY 2017. There is relatively no change in this expense category. This category provides funds for the cost of general supervision, employee uniforms, tools and supplies for the shop/yard, gasoline and diesel fuel, drafting and mapping labor and material, safety supplies and equipment, labor and maintenance for the shop and yard, and maintenance and repair to the District's vehicle fleet.

General and Administrative

The general and administrative category represents 32% of the total Expense Budget. A detailed listing of these expenses is shown on page 126. There is a decrease of 2% from FY 2017. The primary costs attributable to the decrease are due to small reductions in office supply expense, litigation and maintenance and repair of the administration facility. This category includes such items as director's fees, general and administrative labor, office supplies, computer software, supplies and contracts, community and employee relations, liability insurance, litigation and general legal costs, professional services, conferences and seminars, professional development, training, conservation, and other general office expenses.

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

Labor and Benefits

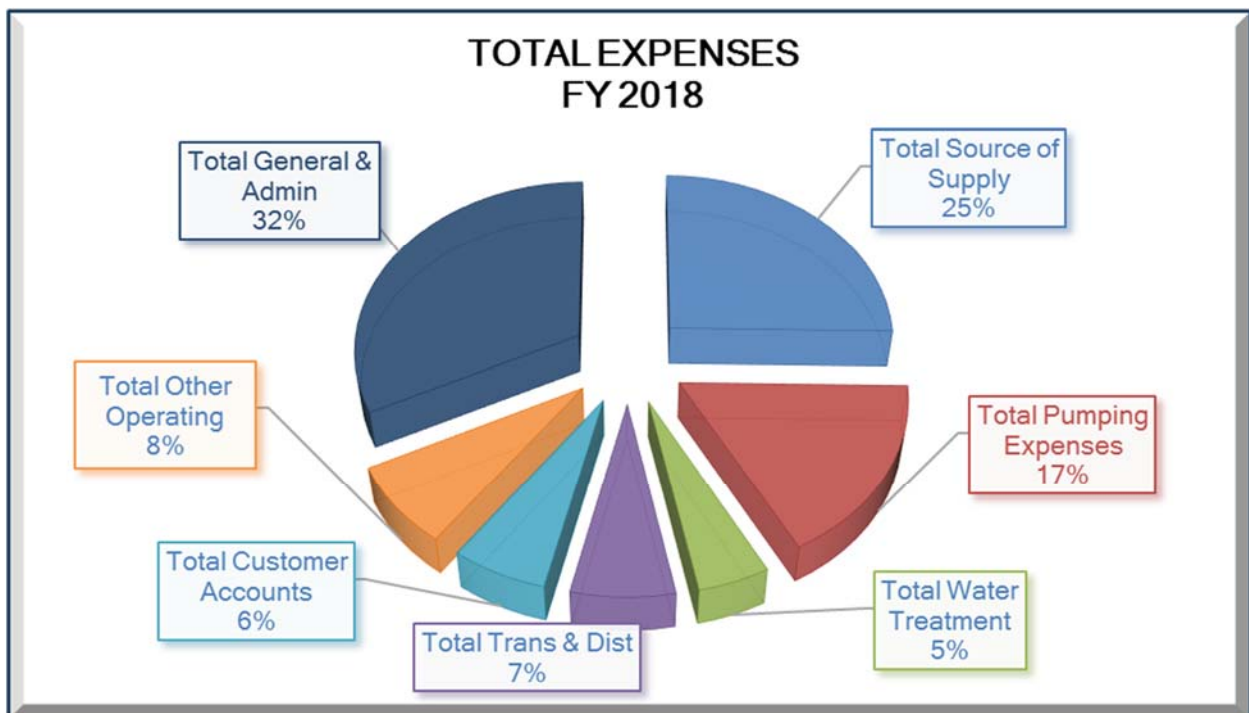
District personnel are spread amongst the categories where they are assigned to work. In each category, a percentage of the employee benefits is calculated and added to those categories. There is a less than 1% increase in labor and benefits from FY 2017. There is one position that is currently filled with a temporary employee. A 2% employee performance allowance and merit increases have been included in the FY 2018 budget. It is noted the District's workers' compensation expense modification factor remains at a very low level of .73. The budget includes funding for labor and benefits for 30 full-time employees and 5 Board members. There are no employees projected to be added in FY 2018.

Strategic Planning

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

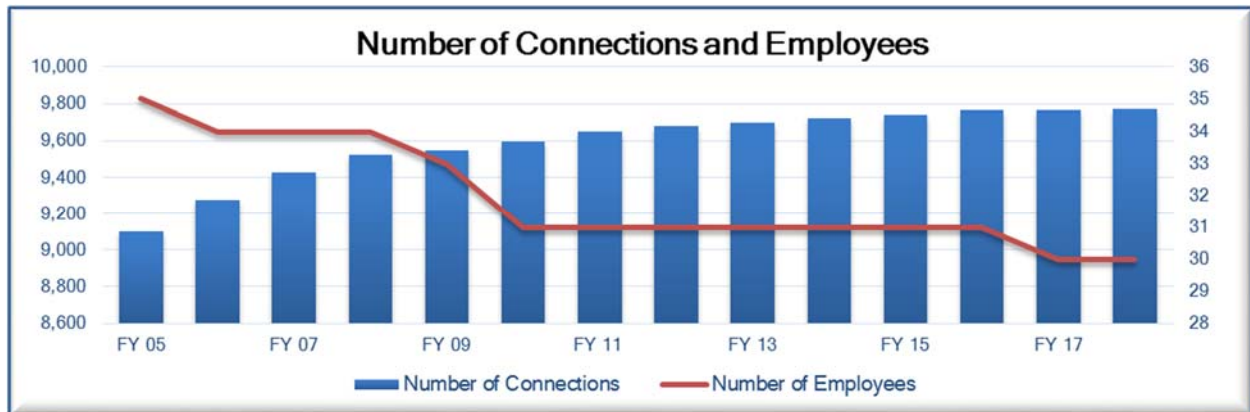
EXPENDITURE SUMMARY

	FY 2016	FY 2017		FY 2018	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Total Source of Supply	\$2,027,775	\$2,136,493	\$2,301,899	\$ 2,423,243	\$ 286,750	13.4%
Total Pumping Expenses	1,504,163	1,616,212	1,561,829	1,618,902	2,690	0.2%
Total Water Treatment	406,239	407,482	464,129	450,409	42,927	10.5%
Total Transmission & Dist	563,382	601,826	542,803	653,396	51,570	8.6%
Total Customer Accounts	626,278	633,056	626,716	604,669	(28,387)	-4.5%
Total Other Operating	694,639	740,748	674,215	740,172	(576)	-0.1%
Total General & Admin	3,159,312	3,160,110	2,846,597	3,094,654	(65,456)	-2.1%
Total Expenses	\$8,981,788	\$9,295,927	\$9,018,188	\$ 9,585,445	\$ 289,518	3.1%



WAGES AND BENEFITS

	FY 2015	FY 2016	FY 2017		FY 2018
	Actual	Actual	Budget	Projected	Budget
Wages	\$ 2,486,434	\$ 2,579,553	\$ 2,542,929	\$ 2,362,301	\$ 2,521,971
<u>Benefits</u>					
Pension	354,638	238,397	332,805	347,899	343,780
Employee Assistance Program	1,083	1,042	1,062	987	959
Worker's Compensation	101,856	76,013	88,401	83,857	81,209
Health Insurance	417,076	416,500	424,118	418,799	459,028
Dental Insurance	62,141	58,620	55,762	57,691	56,889
Vision Insurance	6,725	6,721	6,565	6,565	6,377
Life Insurance	9,117	7,051	13,517	7,198	13,888
Payroll Taxes	185,120	202,388	182,061	205,656	181,889
Longevity	22,151	28,364	27,000	18,954	27,270
Other Post Emplmt Benefits	72,322	74,458	70,528	70,528	72,695
Total Benefits	1,232,229	1,109,554	1,201,819	1,218,134	1,243,984
Total Wages and Benefits	3,718,663	3,689,107	3,744,748	3,580,435	3,765,955
<u>Less CIP Wages and Benefits</u>					
Wages	180,162	261,472	219,730	132,746	211,163
Benefits Allocation	89,288	112,459	103,844	68,457	104,167
	269,450	373,931	323,574	201,203	315,330
Operating Wages and Benefits	\$ 3,449,213	\$ 3,315,176	\$ 3,421,174	\$ 3,379,232	\$ 3,450,625



Doing More, With Less

DISTRICT POSITION COUNT

Summary Count by Year	FY 2016 31	FY 2017 31	FY 2018 30	Change -1
<u>Administration</u>				
General Manager	1	1	1	0
Director of Finance/Administration	1	1	1	0
Accounting Manager	1	1	0	-1
Executive Assistant	1	1	1	0
Information Systems Specialist	1	1	1	0
Customer Service & Water Efficiency Coordinator	1	1	0	-1
Customer Service & Water Efficiency Supervisor	0	0	1	1
Accounting/Human Resource Assistant	0	0	1	1
Accounting Clerk II	1	1	0	-1
Warehouse Technician	1	1	1	0
Customer Service Office Rep & Operations Asst	1	1	0	-1
Customer Service Office Rep	2	2	3	1
	11	11	10	-1
<u>Operations</u>				
Assistant General Manager	0	0	1	1
Director of Operations	1	1	0	-1
Superintendent	1	1	1	0
Water Operations Supervisor	0	0	1	1
Water Quality Specialist	1	1	1	0
Engineering Technician	1	1	1	0
Water System Supervisor	3	3	2	-1
Customer Service Field Rep I	1	0	0	0
Customer Service Field Rep II	1	2	2	0
Water Production/Quality Tech I	0	0	0	0
Water Production/Quality Tech II	3	3	3	0
Water System Worker I	4	3	3	0
Water System Worker II	4	5	5	0
	20	20	20	0
Total	31	31	30	-1

Note: In FY 2017, the position of Accounting Manager was eliminated due to retirement of one employee. New positions were created and were filled by existing staff. Additional position/transfer information can be found on pages 19, 23, 30 and 34.

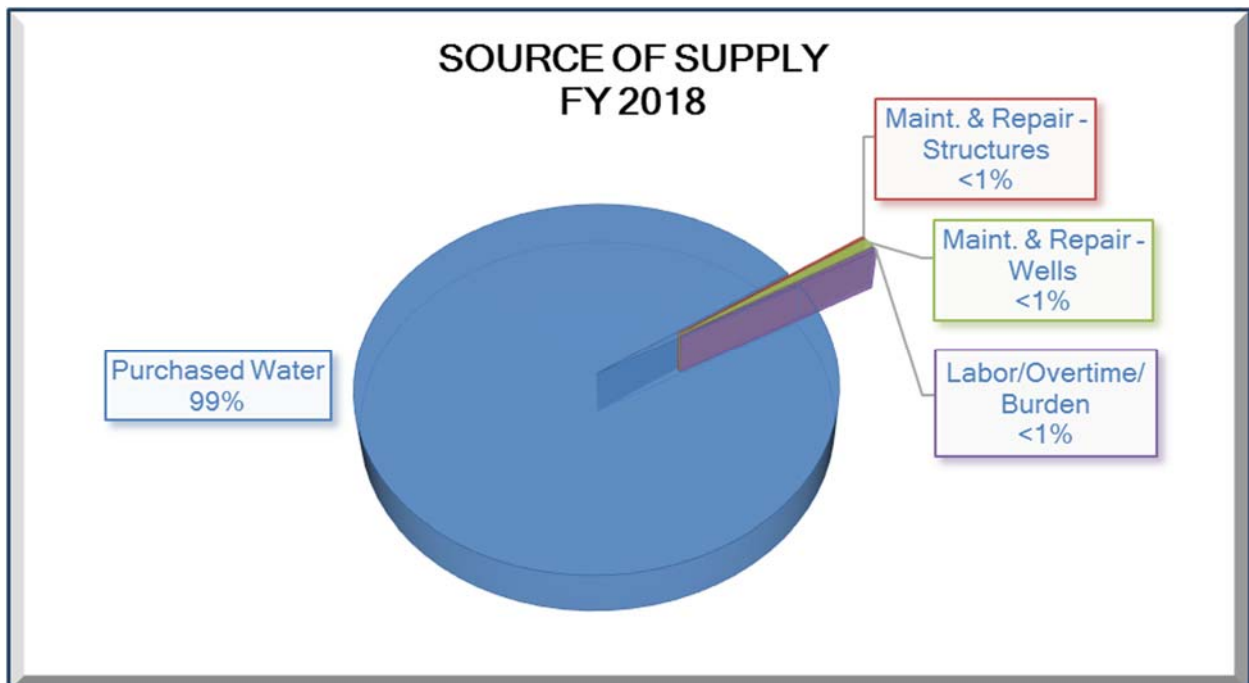
OPERATING EXPENSES

SOURCE OF SUPPLY

	FY 2016	FY 2017		FY 2018	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Purchased Water	\$1,994,863	\$2,097,506	\$2,268,251	\$2,389,761	\$ 292,255	14%
Maint. & Repair - Structures	203	4,750	311	4,750	-	0%
Maint. & Repair - Wells	21,728	25,000	24,889	20,000	(5,000)	-20%
Labor/Overtime/Burden	10,982	9,237	8,448	8,732	(505)	-5%
Source of Supply Total	\$2,027,775	\$2,136,493	\$2,301,899	\$2,423,243	\$ 286,750	13%

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

Purchased Water: Increase in wholesale water rates and purchasing 37% more water from FY 2017 to allow groundwater levels to recover from the drought



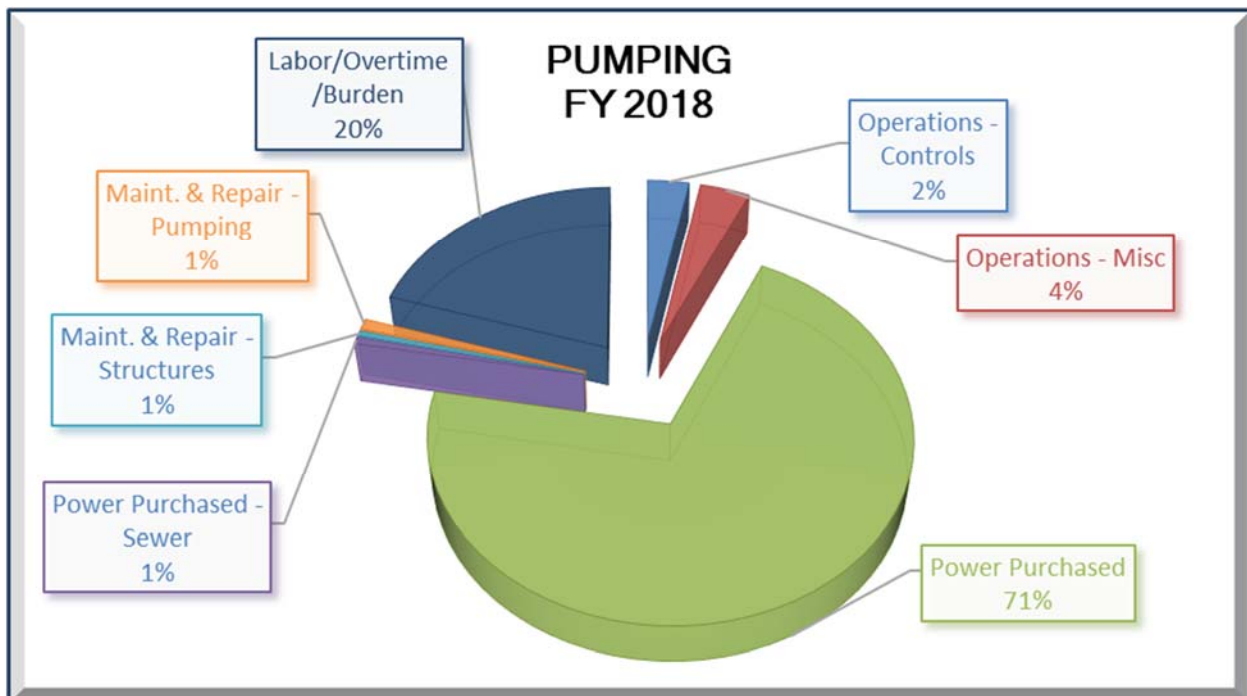
OPERATING EXPENSES

PUMPING

	FY 2016	FY 2017		FY 2018	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Operations - Controls	\$ 50,981	\$ 45,000	\$ 49,187	\$ 50,000	\$ 5,000	11%
Operations - Misc	54,783	50,000	49,145	60,000	10,000	20%
Power Purchased	969,929	1,150,000	1,025,995	1,150,000	-	0%
Power Purchased - Sewer	9,941	12,500	7,720	10,000	(2,500)	-20%
Maint. & Repair - Structures	347	7,500	6,488	7,500	-	0%
Maint. & Repair - Pumping	16,652	15,000	18,796	15,000	-	0%
Labor/Overtime/Burden	401,531	336,212	404,498	326,402	(9,810)	-3%
Pumping Total	\$1,504,164	\$1,616,212	\$1,561,829	\$1,618,902	\$ 2,690	0%

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

Operation - Misc: Increase due to additional planned maintenance on the pumping equipment



OPERATING EXPENSES

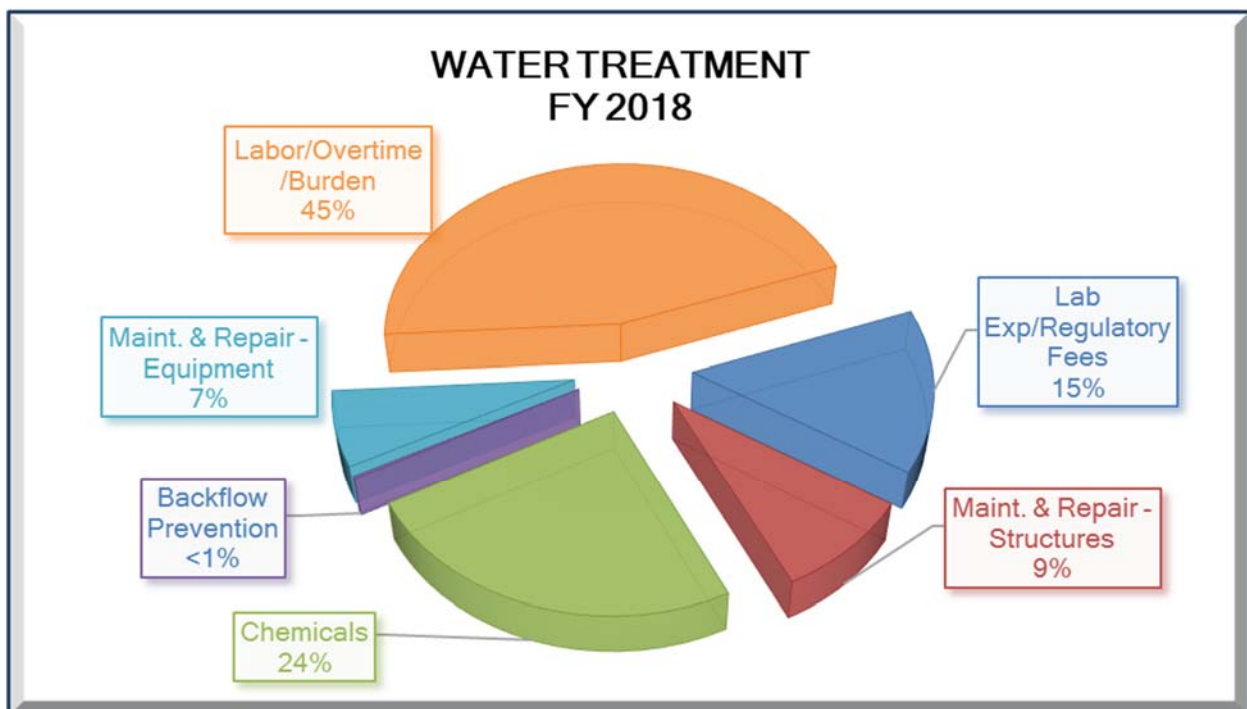
WATER TREATMENT

	FY 2016	FY 2017		FY 2018	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Lab Exp/Regulatory Fees	\$ 67,125	\$ 65,000	\$ 54,645	\$ 65,000	\$ -	0%
Maint. & Repair - Structures	23,758	20,000	27,284	40,000	20,000	100%
Chemicals	111,387	105,000	125,491	110,000	5,000	5%
Backflow Prevention	800	1,000	(894)	1,000	-	0%
Maint. & Repair - Equipment	18,244	20,000	24,057	30,000	10,000	50%
Labor/Overtime/Burden	184,925	196,482	233,547	204,409	7,927	4%
Water Treatment Total	\$ 406,239	\$ 407,482	\$ 464,129	\$ 450,409	\$ 42,927	11%

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

Maint. & Repair - Structures: Two new sites in Castaic are projected to startup in FY 2018 resulting in added maintenance costs

Maint. & Repair - Equipment: Two new sites in Castaic are projected to startup in FY 2018 resulting in added maintenance costs



OPERATING EXPENSES TRANSMISSION & DISTRIBUTION

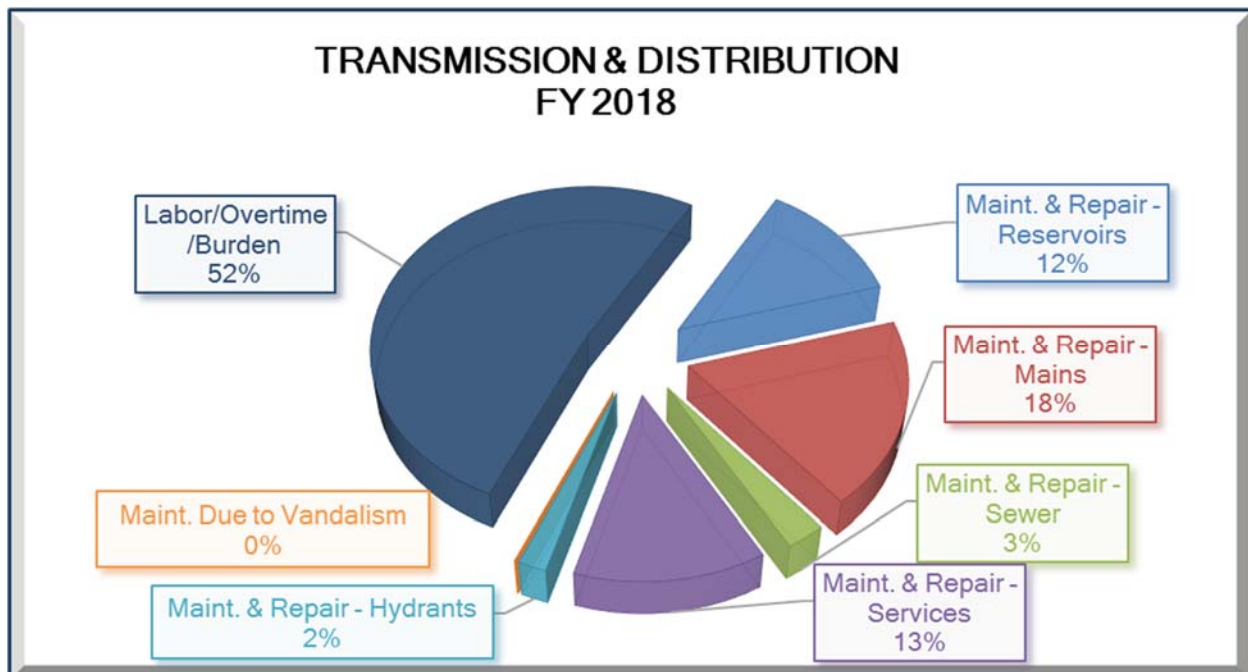
	FY 2016	FY 2017		FY 2018	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Maint. & Repair - Reservoirs	\$ 54,138	\$ 45,000	\$ 70,269	\$ 80,000	\$ 35,000	78%
Maint. & Repair - Mains	61,259	100,000	99,041	120,000	20,000	20%
Maint. & Repair - Sewer	33,498	17,500	15,670	17,500	-	0%
Maint. & Repair - Services	60,570	75,000	104,415	85,000	10,000	13%
Maint. & Repair - Hydrants	18,660	10,000	9,404	12,500	2,500	25%
Maint. Due to Vandalism	-	2,000	-	500	(1,500)	-75%
Labor/Overtime/Burden	335,257	352,327	244,004	337,896	(14,431)	-4%
Trans & Distrib Total	\$ 563,382	\$ 601,827	\$ 542,803	\$ 653,396	\$ 51,569	9%

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

Maint. & Repair - Reservoirs: Scheduled tank cleaning and repairs to Newhall Tank 4 & 4A access road to repair road due to rain damage

Maint. & Repair - Mains: The District has resumed its flushing program and anticipates repairs to blow offs

Maint. & Repair - Services: The District has resumed its flushing program and anticipates repairs to services



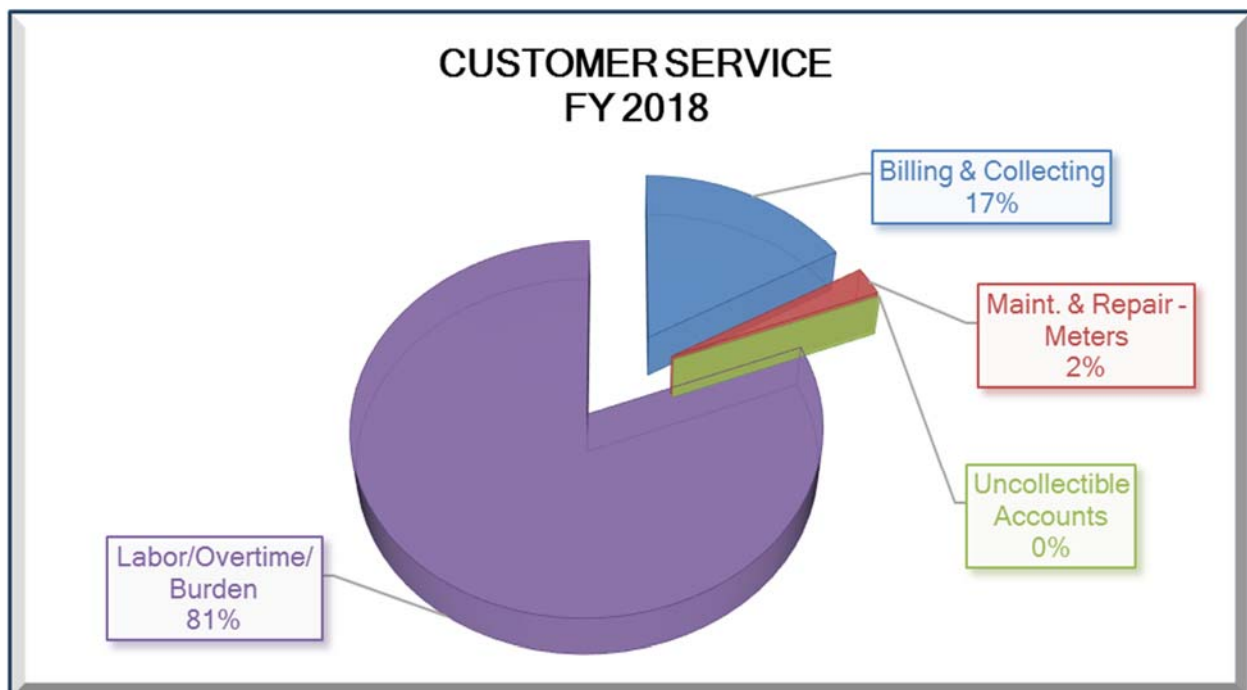
OPERATING EXPENSES

CUSTOMER SERVICE

	FY 2016	FY 2017		FY 2018	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Billing & Collecting	\$ 91,016	\$ 100,000	\$ 86,151	\$ 100,000	\$ -	0%
Maint. & Repair - Meters	14,159	15,000	23,622	15,000	-	0%
Uncollectible Accounts	292	-	(2,075)	-	-	0%
Labor/Overtime/Burden	520,812	518,056	519,018	489,669	(28,387)	-5%
Customer Accounts Total	\$ 626,278	\$ 633,056	\$ 626,716	\$ 604,669	\$ (28,387)	-4%

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

NONE



OPERATING EXPENSES

OTHER OPERATING

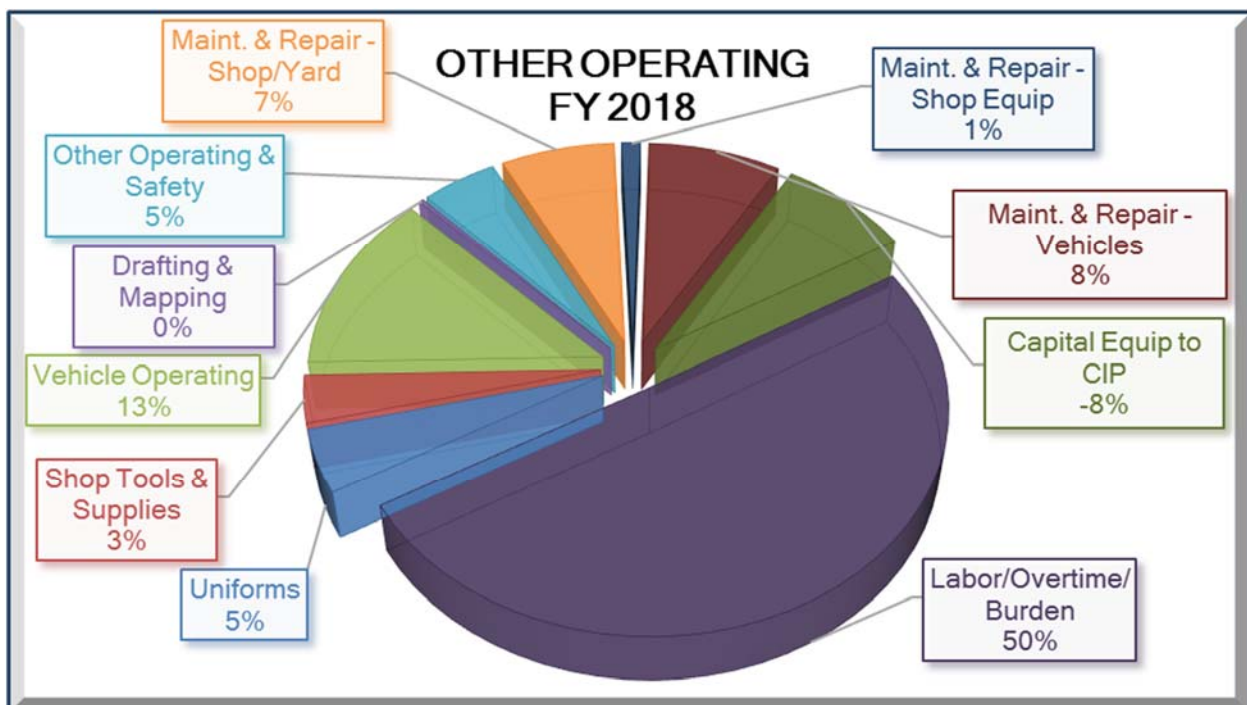
	FY 2016	FY 2017		FY 2018	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Uniforms	\$ 33,356	\$ 30,000	\$ 41,420	\$ 40,000	\$ 10,000	33%
Shop Tools & Supplies	29,117	30,000	27,325	30,000	-	0%
Vehicle Operating	116,744	135,000	99,142	115,000	(20,000)	-15%
Drafting & Mapping	2,486	3,000	1,589	2,500	(500)	-17%
Other Operating & Safety	44,312	40,000	40,018	40,000	-	0%
Maint. & Repair - Shop/Yard	43,165	65,000	64,353	60,000	(5,000)	-8%
Maint. & Repair - Shop Equip	7,893	12,500	9,846	10,000	(2,500)	-20%
Maint. & Repair - Vehicles	112,730	85,000	81,482	70,000	(15,000)	-18%
Equipment Rentals	-	-	-	-	-	0%
Capital Equip to CIP	(55,309)	(70,000)	(66,979)	(70,000)	-	0%
Labor/Overtime/Burden	360,144	410,248	376,019	442,672	32,424	8%
Other Operating Total	\$ 694,639	\$ 740,748	\$ 674,215	\$ 740,172	\$ (576)	0%

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

Uniforms: The cost for uniforms has increased

Vehicle Operating: There are savings to the cost of fuel and due to the vehicle replacement program, the District fleet is more efficient

Maint. & Repair - Vehicles: A newer fleet has resulted in reduced maintenance



OPERATING EXPENSES

GENERAL & ADMINISTRATION

	FY 2016	FY 2017		FY 2018	Budget	Variance
	Actual	Budget	Projected	Budget	Variance	%
Director Fees	\$ 18,600	\$ 19,000	\$ 16,500	\$ 17,000	\$ (2,000)	-11%
Office Expense	46,152	42,500	32,679	35,000	(7,500)	-18%
Computer Software & Supply	15,257	15,000	14,202	15,000	-	0%
Community/Emp Relations	17,631	17,000	17,343	17,000	-	0%
Insurance - Liability	185,880	190,000	184,055	190,000	-	0%
Earthquake/Flood Insurance	59,088	75,000	60,836	70,000	(5,000)	-7%
Potential/Settlement Litigation	99,636	125,000	127,540	100,000	(25,000)	-20%
Perchlorate Litigation	85,412	35,000	99,896	40,000	5,000	14%
Prof Service - Legal	285,322	185,000	162,214	185,000	-	0%
Prof Service - Accounting/Audit	36,206	50,000	31,781	40,000	(10,000)	-20%
Prof Service - Engineering	101,380	100,000	82,311	95,000	(5,000)	-5%
Prof Service - Public Outreach	25,614	20,000	19,527	20,000	-	0%
Local Government Affairs	34,119	27,500	29,655	27,500	-	0%
Conferences/Seminars	10,928	18,000	12,638	17,000	(1,000)	-6%
Special Projects - Board Appr.	(8,143)	35,000	-	30,000	(5,000)	-14%
Prof Develop - Training	58,766	45,000	32,346	40,000	(5,000)	-11%
Memberships	40,522	47,500	50,173	45,000	(2,500)	-5%
Computer Contracts	66,760	90,000	68,658	90,000	-	0%
Inter Agency Evaluation	61,928	100,000	43,117	100,000	-	0%
Travel/Hotel	23,640	22,500	13,490	22,500	-	0%
Water Use Efficiency	52,566	50,000	17,889	60,000	10,000	20%
Drought Related Expenses	55,628	50,000	2,743	-	(50,000)	-100%
Miscellaneous Expense	137,048	140,000	160,479	150,000	10,000	7%
Utilities	90,597	90,000	92,756	90,000	-	0%
Maint. & Repair - Office	77,295	62,500	57,682	50,000	(12,500)	-20%
Maintenance - Office Equip	5,984	10,000	9,208	10,000	-	0%
Election Expense	179,041	-	29	-	-	0%
Overhead Allocation	(205,061)	(100,000)	(186,855)	(102,200)	(2,200)	2%
Labor/Overtime/Burden	1,501,517	1,598,610	1,593,704	1,640,852	42,242	3%
General & Admin Total	\$3,159,312	\$3,160,110	\$2,846,596	\$3,094,652	\$ (65,458)	-2.1%

OPERATING EXPENSES GENERAL & ADMINISTRATION

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

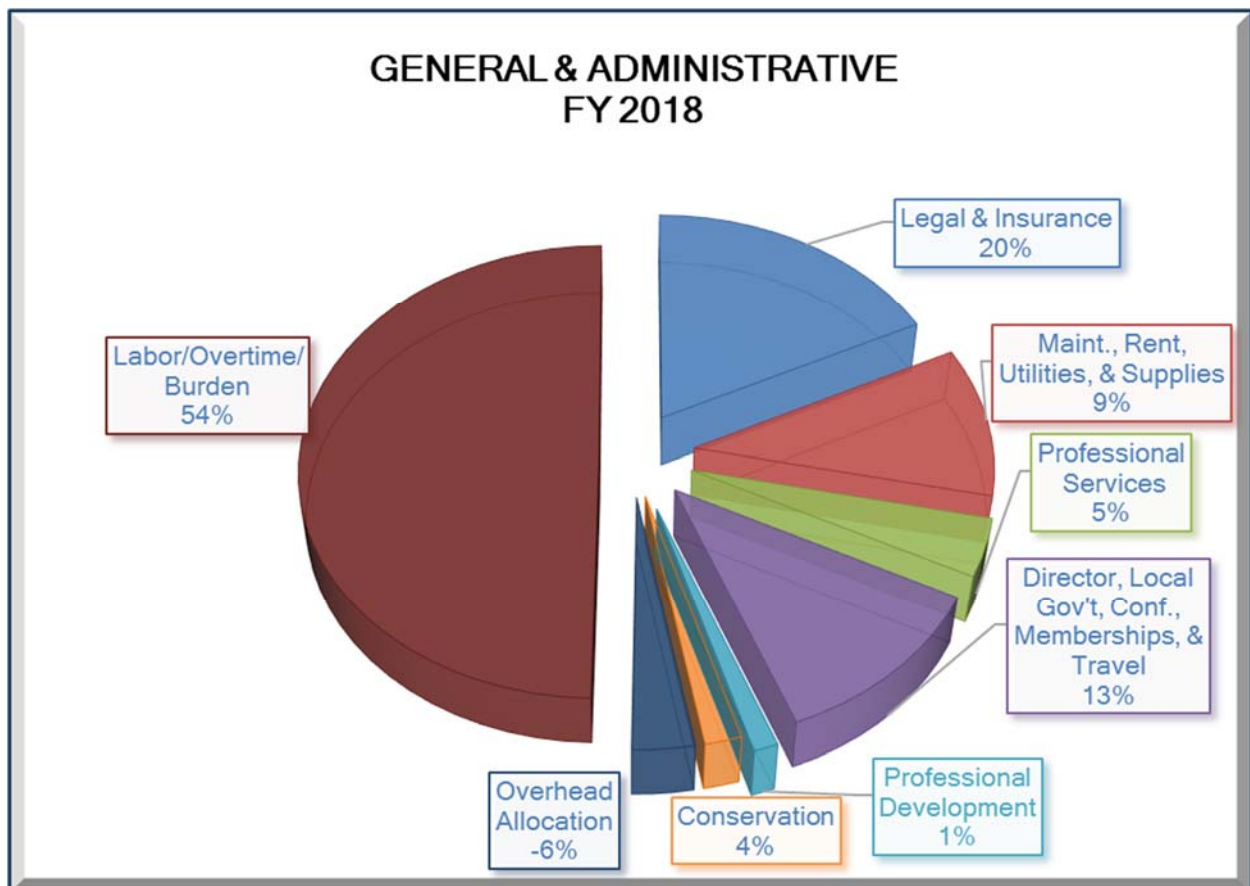
Potential/Settlement Litigation: Settlement/creation of new water district expenses less than litigation expense

Prof. Service - Accounting: More accounting projects being completed by District staff

Water Use Efficiency: The accounts for Water Use Efficiency and Drought Related Expenses has been combined into one account

Drought Related Expenses: The accounts for Water Use Efficiency and Drought Related Expenses has been combined into one account

Maint. & Repair - Office: There are no additional improvements planned in FY 2018



BOARD OF DIRECTORS

MISSION STATEMENT

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



*Maria Gutzeit
President*



*B.J. Atkins
Vice President*



*Kathy Colley
Director*



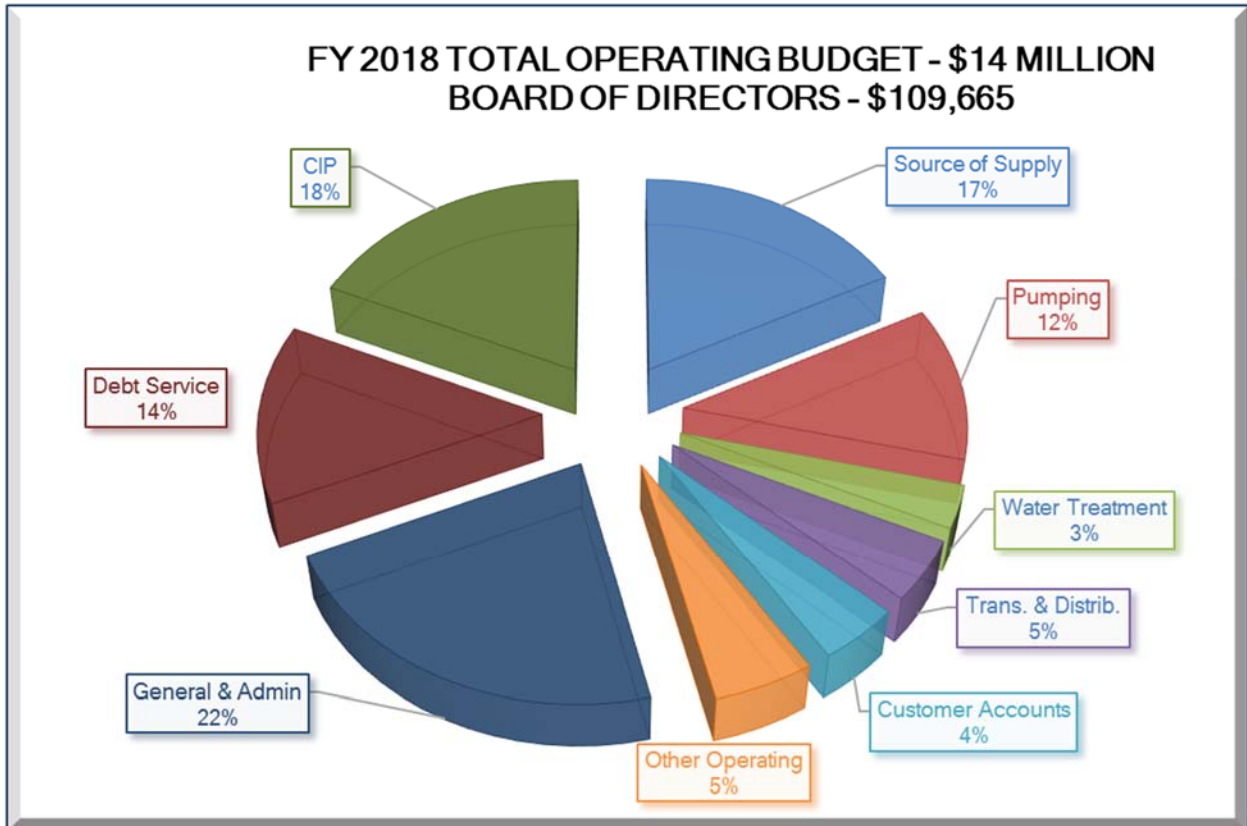
*Daniel R. Mortensen
Director*



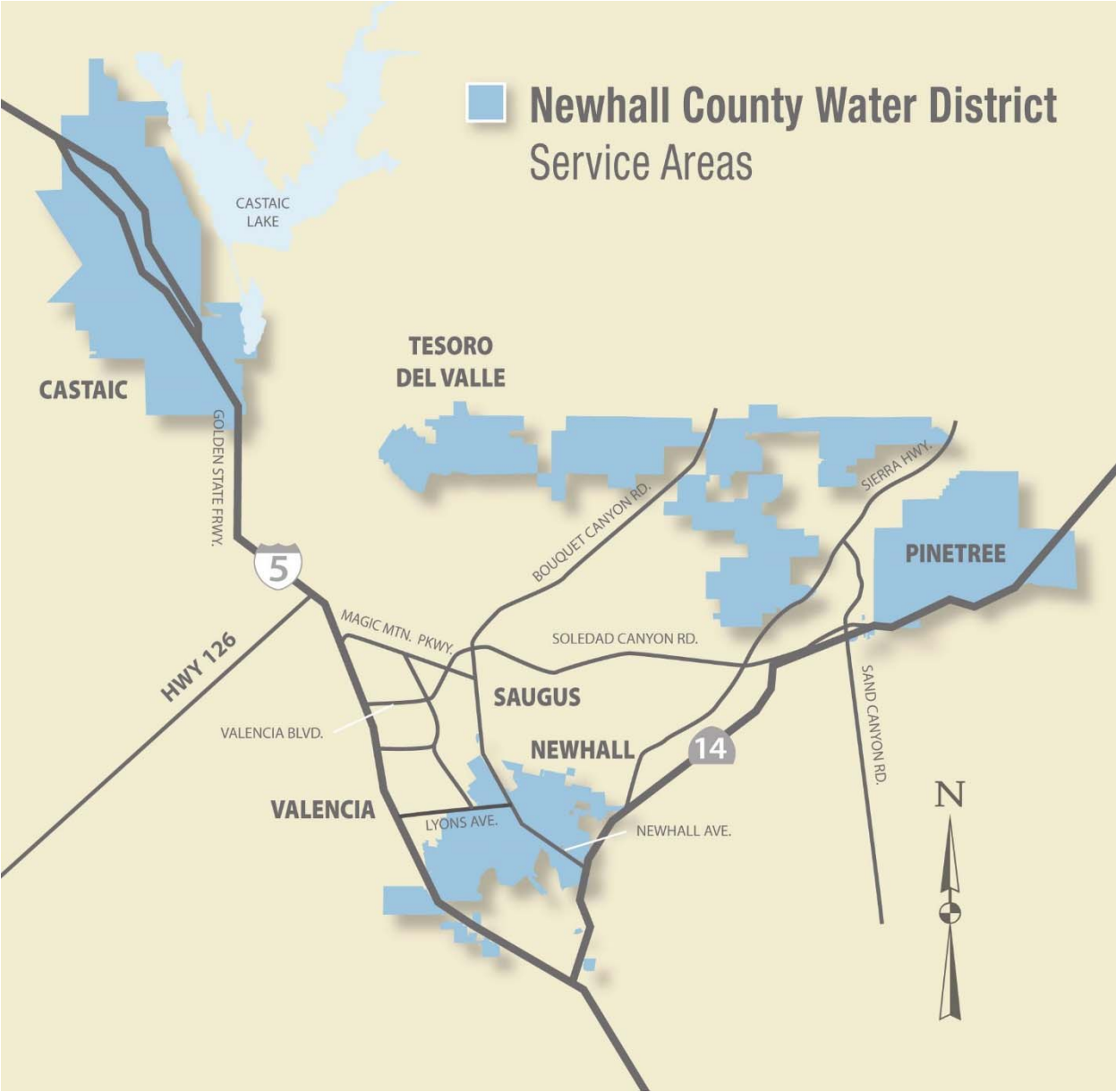
*Lynne Plambeck
Director*

BOARD OF DIRECTORS

	FY 2016	FY 2017		FY 2018
	Actual	Budget	Projected	Budget
Directors Fees	\$ 18,600	\$ 19,000	\$ 16,500	\$ 17,000
Benefits	62,704	60,640	63,778	67,665
Travel and Meetings	26,271	25,000	21,028	25,000
TOTAL	\$ 107,575	\$ 104,640	\$ 101,306	\$ 109,665



DISTRICT BOUNDARY



CAPITAL IMPROVEMENT PROGRAM

CAPITAL IMPROVEMENT PROGRAM

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CAPITAL IMPROVEMENT PROGRAM

INTRODUCTION

INTRODUCTION

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

PURPOSE

The primary purpose of the Capital Improvement Program includes:

- Development of long-range framework in which physical projects are planned, evaluated and presented in an order sequence
- Coordination of the capital related projects of District departments to ensure equitable distributions of projects with regard to the needs of the District customers
- Timing of related projects and the fiscal ability of the District to undertake projects
- Assistance of the District staff and Board of Directors in the determination of project requests
- Assuming adequate funding with regard to short and long-range plans

DEFINITIONS

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

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

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

METHODOLOGY

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

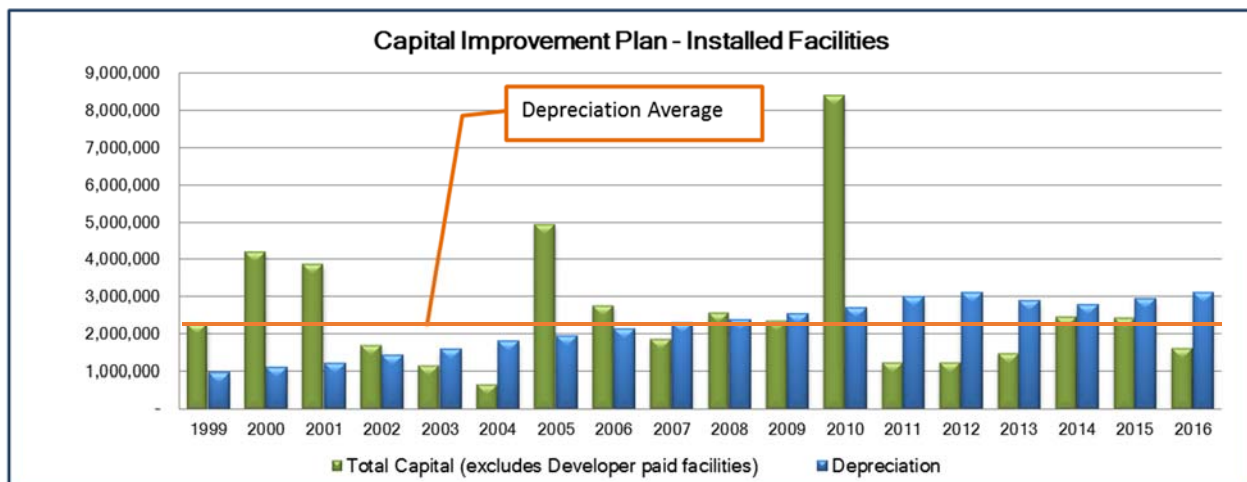
THE CAPITAL IMPROVEMENT PROGRAM AND SHARED PLANNING

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

CIP FUND DEVELOPMENT

The District provides water service to an estimated population of over 45,000, which is expected to increase nominally by the end of FY 2022. There are four new services projected in FY 2018, with an additional 398 new service connections through FY 2022. The 402 new service connections, through FY 2022, will add 606 equivalent dwelling units (EDU). The EDU is the demand created by a typical single-family dwelling requiring a 3/4" water meter with a 1" service line. A business creates a demand equivalent to several single-family dwellings, thus the term equivalent dwelling unit. Presently, our projected 9,703 active customer accounts equate to a projected 14,152 EDUs.

The District has proactively replaced infrastructure over the past decade. Including many large-scale projects such as well, reservoir and pipeline replacements. In total, the District has reinvested \$47,468,982 in infrastructure replacement over the last 18 years. On average, \$2,637,166 has been installed annually.



The FY 2018 CIP plan includes three large replacement projects (pipeline replacements, meter replacements and well switchgear replacement) accounting for 50% of the budget. Recondition at the District's disinfection facilities are planned and major pipeline replacements will be completed in Newhall and Castaic Service Areas. The justification for each project includes labeling as an asset replacement, rehabilitation, new capital, technology investment, or upgrade.

FINANCIAL PROJECTIONS

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

For FY 2018, the CIP plan is financially balanced. This means the plan identifies the sources of revenue to complete the project list. There are years when the District has "carryover" capital funds. Due to timing of completion of certain projects there may be funds remaining at the end of the fiscal year. Those funds are transferred to the Capital Fund and are used to complete the remaining projects. To maintain the present system and to be prepared to serve future customers requires the District to invest \$13,460,000 in capital assets in the next five years. The FY 2018 Capital Budget is \$2,555,000. The District is responsible for providing water service to the public, including the construction of needed improvements or infrastructure. The District must furnish and maintain capital facilities and equipment.

Future financial constraints make it challenging for the District to fund every project on its priority list. Therefore, implementation timetables are established to stagger projects over time based on the District's strategic goals and the estimated financial resources expected for the future. As projects are completed and placed into service, there may be an impact on the Operating Budget by increasing cost in the areas of maintenance, energy or chemicals. Of the projects to be completed in FY 2018, the impact on the Operating Budget is a decrease of \$11,902 and is presented on page C-12.

The CIP projects for FY 2018 are considered routine capital expenditures and will have a positive impact on the operating budget. Of the projects identified, there is one project considered new capital.

As shown in the Debt Maturity graph (page 95), the District will retire a substantial amount of debt by the end of FY 2018. This will give the District flexibility in funding future projects through the realization of reduced debt expense and move towards pay-as-you-go financing for CIP projects.

PROJECT RANKING & PRIORITIZATION

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

- Department Priority - the ranking provided by the project's originating/supervising department out of all potential projects for that department and project type

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

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

Newhall County Water District's CIP serves to:

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

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

LINKING THE CAPITAL PLAN TO THE VISION

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

KEY CIP PROJECTS

The FY 2018 CIP project list contains 16 projects. The cost of the work planned is \$2,555,000.

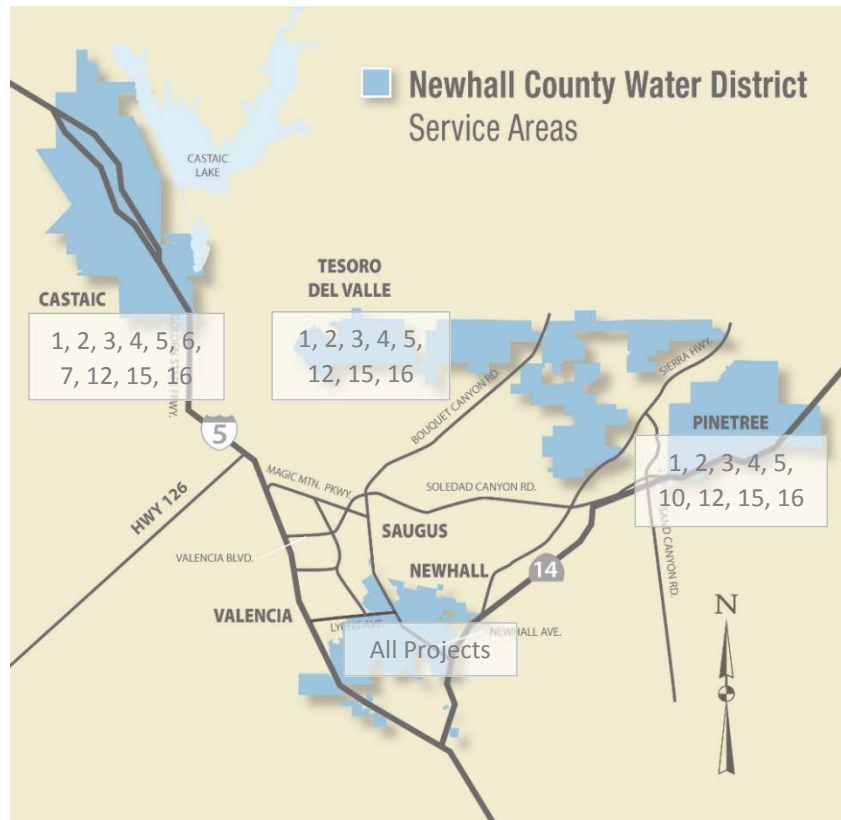
CIP projects are identified by five categories:

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

The Five-Year CIP and FY 2018 Capital Budget is consistent with the needs of the District and the strategic plan goals. The following shows how the \$2,555,000 of projects are broken down by location

CIP PROJECTS

- | | |
|--|--|
| 1. General Facility Replacements | 9. Newhall Well Switchgear |
| 2. Meter Replacements | 10. Pinetree Disinfection Rehabilitation |
| 3. Appurtenance Replacements | 11. Recycled Water Design/Construction |
| 4. Equipment Replacements | 12. SCADA |
| 5. Pump & Motor Replacements | 13. Office Equipment Replacements |
| 6. Pipeline Replacements | 14. Software Upgrades |
| 7. Castaic Disinfection Rehabilitation | 15. Geographic Information System |
| 8. Newhall Tank 2 Rehabilitation | 16. CMMS Software |



FY 2017 CIP ACCOMPLISHMENTS

Pipeline Replacements - Middlebank and Cross Street

In FY 2017, the District completed the construction of pipeline replacements on Middlebank and Cross Street in the Newhall Service Area. The project replaced over 1,240 feet of 6" and 8" ductile iron pipe along with service and fire hydrant replacements. Portions of this pipe were over a half-century-old and had a propensity to develop leaks.

Project Budget **\$ 491,283**

Project Cost

Direct Purchases	\$ 135,914
Materials & Supplies	69,246
District Labor	87,737
District Equipment	17,831
Overhead Allocation	<u>14,814</u>
TOTAL	<u>\$ 325,542</u>



Pipeline Replacement – Cross St.

Meter Replacement Program

Meters that have exceeded their operational recommendation for usage and meter transceiver unit's (MXU) that are out of warranty are being replaced as part of the Meter Replacement Program. Residential and large meters have a tendency to register slower as they age, which has an impact on the District's revenue. In FY 2018, 685 meters, size ¾" to 2" are projected to be replaced.



Meter Replacement – Master Meter

Project Budget **\$ 275,000**

Project Cost (Projected)

Direct Purchases	\$ 11,779
Materials & Supplies	195,686
District Labor	34,666
District Equipment	7,740
Overhead Allocation	<u>16,350</u>
TOTAL	<u>\$ 266,221</u>

CIP FUNDING SOURCE AND CATEGORY

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

Operating Fund

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

Capital Fund

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

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL
Operations*	2,086,017	3,015,000	2,460,000	3,030,000	2,400,000	12,991,017
Capital Fund Transfer	468,983	-	-	-	-	468,983
AVAILABLE	\$ 2,555,000	\$ 3,015,000	\$ 2,460,000	\$ 3,030,000	\$ 2,400,000	\$ 13,460,000
Deferred	-	-	-	-	-	-
TOTAL	\$ 2,555,000	\$ 3,015,000	\$ 2,460,000	\$ 3,030,000	\$ 2,400,000	\$ 13,460,000
Asset Replacement	\$ 1,795,000	\$ 1,610,000	\$ 1,580,000	\$ 1,600,000	\$ 1,545,000	\$ 8,130,000
Rehabilitation	305,000	650,000	325,000	675,000	350,000	2,305,000
New Capital	200,000	575,000	400,000	600,000	350,000	2,125,000
Upgrades	-	-	-	-	-	-
Technology	255,000	180,000	155,000	155,000	155,000	900,000
TOTAL	\$ 2,555,000	\$ 3,015,000	\$ 2,460,000	\$ 3,030,000	\$ 2,400,000	\$ 13,460,000

**\$329,942 carried over from FY 2017 and added to FY 2018 Operations*

CAPITAL IMPROVEMENT PROGRAM

ASSET REPLACEMENT

Description	Area	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
1 General Facility Replacements	D, R	\$ 140,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
2 Meter Replacements	D, R	275,000	275,000	275,000	275,000	275,000
3 Appurtenance Replacements	D, R	90,000	90,000	90,000	90,000	90,000
4 Pump & Motor Repair & Replacements	D, R	100,000	100,000	100,000	100,000	100,000
5 Equipment Replacements	D, R	300,000	295,000	265,000	285,000	230,000
6 Pipeline Replacements	D, R	490,000	750,000	750,000	750,000	750,000
Total Asset Replacements		1,395,000	1,610,000	1,580,000	1,600,000	1,545,000

REHABILITATION

Description	Area	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Castaic Tank No. 1A	C					
Castaic Tank No. 1D	C		500,000			
Castaic Well No. 7	C				150,000	
7 Castaic Disinfection Facility	C	15,000				
8 Newhall Tank 2	N	40,000			275,000	
Newhall Tank 4	N					350,000
Newhall Tank 6	N			175,000		
9 Newhall Well No. 12	N	500,000				
Newhall Well No. 13	N				250,000	
10 Pinetree Disinfection Facility	P	150,000				
Pinetree Well No. 4	P		150,000			
Pinetree Well No. 5	P			150,000		
Total Rehabilitation		705,000	650,000	325,000	675,000	350,000

NEW CAPITAL

Description	Area	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Castaic Tank (Lower Zone)	C				150,000	
Market Street Booster Station	N		200,000	200,000	250,000	250,000
Newhall Tank 1C	N		175,000			
11 Recycled Water Plan & Construction	D	200,000	200,000	200,000	200,000	100,000
Total New Capital		200,000	575,000	400,000	600,000	350,000

TECHNOLOGY INVESTMENTS

Description	Area	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
12 SCADA	D, R	140,000	125,000	100,000	100,000	100,000
13 Office Equipment	D, R	40,000	25,000	25,000	25,000	25,000
14 Software Upgrades	D, R	10,000	10,000	10,000	10,000	10,000
15 Geographic Information System	D, R	25,000	20,000	20,000	20,000	20,000
16 CMMS Software	D	40,000				
Total Technology		255,000	180,000	155,000	155,000	155,000

UPGRADES

Description	Area	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Total Upgrades		-	-	-	-	-
		\$ 2,555,000	\$ 3,015,000	\$ 2,460,000	\$ 3,030,000	\$ 2,400,000

Five Year Total \$ 13,460,000

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

¹ For a detailed explanation, see page 116

RECURRING CIP PURCHASES

The District's Capital Projects can be categorized as recurring or non-recurring. The recurring projects are included in CIP yearly and follow a regular replacement schedule. Non-recurring projects are categorized as new construction or new additions to District facilities. In FY 2018, the total District recurring projects amount to \$1,570,000 or approximately 61% of the total FY 2018 CIP budget.

<u>Item No.</u>	<u>Description</u>	<u>Amount</u>	<u>Operational Budget Impacts - Recurring</u>
1	General Facility Replacements	\$ 100,000	-
2	Meter Replacements	275,000	(13,952)
3	Appurtanence Replacements	90,000	(1,100)
4	Pump & Motor Repair & Replacements	100,000	(2,610)
5	Equipment Replacements	300,000	(6,240)
6	Pipeline Replacements	490,000	(10,000)
12	SCADA	140,000	12,500
13	Office Equipment	40,000	3,000
14	Software Purchases	10,000	500
15	Geographic Information Systems	25,000	6,000
FY 2018 Total Recurring Purchases		<u>\$ 1,570,000</u>	<u>\$ (11,902)</u>

CIP JUSTIFICATION EXPENDITURES

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

Reliable operating cost estimates are necessary from the onset of each budget cycle, as the District must determine specific ongoing expenses it will incur once a project has been completed. Similar to prior years, the FY 2018 CIP projects consist of asset replacements and technology investments. The projects presented have met their useful life and require replacement and no expected operational savings or increases have been projected other than noted below.

<u>ASSET REPLACEMENT</u>	Area	Just	Cat	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
1 General Facility Replacements	D, R	R/B	O	\$ -	\$ -	\$ -	\$ -	\$ -
2 Meter Replacements	D, R	R/B	O	(13,952)	(14,867)	(15,764)	(16,227)	(16,537)
3 Appurtenance Replacements	D, R	R/B	O	(1,100)	(1,133)	(1,167)	(1,202)	(1,238)
4 Pump & Motor Repair & Replacements	D, R	R/B	O/E	(2,610)	(2,480)	(2,356)	(2,238)	(2,126)
5 Equipment Replacements	D, R	R/B	O	(6,240)	(5,200)	(4,160)	(3,120)	(2,080)
6 Pipeline Replacements	D, R	R/B	O	(10,000)	(10,300)	(10,609)	(10,927)	(11,255)
Total Asset Replacements				(33,902)	(33,980)	(34,056)	(33,714)	(33,236)
<u>REHABILITATION</u>								
Castaic Tank No. 1A	C	B	O	-	-	-	-	-
Castaic Tank No. 1D	C	B	O	-	-	-	-	-
Castaic Well No. 7	C	B	O/E	-	-	-	(9,540)	(9,540)
7 Castaic Disinfection Facility	C	B	C	-	-	-	-	-
8 Newhall Tank No. 2	N	B	O	-	-	-	-	-
Newhall Tank No. 6	N	B	O	-	-	-	-	-
9 Newhall Well No. 12	N	B	O/E	-	-	-	-	-
Newhall Well No. 13	N	B	O/E	-	-	-	(19,350)	(19,350)
10 Pinetree Disinfection Facility	P	B	C	-	-	-	-	-
Pinetree Well No. 4	P	B	O/E	-	-	(4,774)	(4,917)	(5,065)
Pinetree Well No. 5	P	B	O/E	-	-	-	(6,324)	(6,514)
Total Rehabilitation				-	-	(4,774)	(40,131)	(40,469)
<u>NEW CAPITAL</u>								
Castaic Tank (Lower Zone)	C	E	O	-	-	-	-	-
Market Street Booster Station	N	E/R	O/E	-	-	(34,945)	(36,026)	(37,107)
Newhall Tank No. 1C	N	E	O	-	-	-	-	-
11 Recycled Water Plan & Construction	D	E	C	-	-	(5,320)	(5,480)	(5,644)
Total New Capital				-	-	(40,265)	(41,506)	(42,751)
<u>TECHNOLOGY INVESTMENTS</u>								
12 SCADA	D, R	B	O/E	12,500	12,500	12,500	12,500	12,500
13 Office Equipment	D, R	B/R	O	3,000	3,000	3,000	3,000	3,000
14 Software Upgrades	D, R	B	O	500	500	500	500	500
15 Geographic Information System	D, R	B	O	6,000	6,000	6,000	6,000	6,000
16 CMMS Software	D	B/R	O	-	11,000	11,000	11,000	11,000
Total Technology Upgrades				22,000	33,000	33,000	33,000	33,000
Total Operating Budget Cost Impacts				\$ (11,902)	\$ (980)	\$ (46,095)	\$ (82,351)	\$ (83,456)

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

Just - Justification - Some projects have multiple justifications

E - Expansion, B - Betterment, R - Replacement

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

O - Operations & Maintenance, E - Energy, C - Chemical

CIP JUSTIFICATION FORM

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

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

Describes the current stage of the project

Project ranking based on department request

Project Name

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

Project Name

Service Area or Location of the project

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

An image or rendering of the project

Identifies funding sources for the project

Summarizes the revenue received for the project

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


Funding schedule shows future budget requests and actual expenditures

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

NOTES:

CIP JUSTIFICATION

General Facility Replacements

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

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 140,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 540,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 140,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 540,000	Recurring	Recurring


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022				
Planning/Design							Recurring	Recurring	
Materials	\$ 75,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 275,000			
Labor/Equipment	40,000	25,000	25,000	25,000	25,000	140,000			
Outsource	25,000	25,000	25,000	25,000	25,000	125,000			
TOTAL	\$ 140,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 540,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses							Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Service Area:	District Wide

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

Meter Replacements

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

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 1,375,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 1,375,000	Recurring	Recurring


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022				
Planning/Design							Recurring	Recurring	
Materials	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 100,000			
Labor/Equipment	16,000	16,000	16,000	16,000	16,000	80,000			
Outsource	239,000	239,000	239,000	239,000	239,000	1,195,000			
TOTAL	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 1,375,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ (13,952)	\$ (14,867)	\$ (15,764)	\$ (16,227)	\$ (16,537)	\$ (77,347)	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ (13,952)	\$ (14,867)	\$ (15,764)	\$ (16,227)	\$ (16,537)	\$ (77,347)	Service Area:	District Wide

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

Appurtenance Replacement

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

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 450,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 450,000	Recurring	Recurring


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expended Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022				
Planning/Design							Recurring	Recurring	
Materials	\$ 49,000	\$ 49,000	\$ 49,000	\$ 49,000	\$ 49,000	\$ 245,000			
Labor/Equipment	13,000	13,000	13,000	13,000	13,000	65,000			
Outsource	28,000	28,000	28,000	28,000	28,000	140,000			
TOTAL	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 450,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ (1,100)	\$ (1,133)	\$ (1,167)	\$ (1,202)	\$ (1,238)	\$ (5,840)	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ (1,100)	\$ (1,133)	\$ (1,167)	\$ (1,202)	\$ (1,238)	\$ (5,840)	Service Area:	District Wide

NOTES:	Replacement of existing facilities - Replaced appurtenances require less maintenance
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CIP JUSTIFICATION

Pump and Motor Replacements

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	4		
DEPARTMENT:	Operations		
MANAGER:	Assistant General Manager		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
To repair or replace pumps or motors at wells and booster stations, as needed. The purpose of this project is to reduce loss of production from wells and booster stations and increase efficiency.			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000	Recurring	Recurring


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022				
Planning/Design							Recurring	Recurring	
Materials	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000			
Labor/Equipment	10,000	10,000	10,000	10,000	10,000	50,000			
Outsource	80,000	80,000	80,000	80,000	80,000	400,000			
TOTAL	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ (2,610)	\$ (2,480)	\$ (2,356)	\$ (2,238)	\$ (2,126)	\$ (11,810)	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ (2,610)	\$ (2,480)	\$ (2,356)	\$ (2,238)	\$ (2,126)	\$ (11,810)	Service Area:	District Wide

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

Equipment Replacements

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	5		
DEPARTMENT:	Operations		
MANAGER:	Assistant General Manager		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
<p>The continued replacement of District vehicles and equipment is warranted by age (between 7 - 10 years old), and/or high mileage (over 100,000), and/or high repair and maintenance costs. The District is projected to replace (1) administrative/office vehicle, (1) backhoe and (3) maintenance crew utility truck.</p>			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 300,000	\$ 295,000	\$ 265,000	\$ 285,000	\$ 230,000	\$ 1,375,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 300,000	\$ 295,000	\$ 265,000	\$ 285,000	\$ 230,000	\$ 1,375,000	Recurring	Recurring


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022				
Planning/Design							Recurring	Recurring	
Materials	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Labor/Equipment	-	-	-	-	-	-			
Outsource	300,000	295,000	265,000	285,000	230,000	1,375,000			
TOTAL	\$ 300,000	\$ 295,000	\$ 265,000	\$ 285,000	\$ 230,000	\$ 1,375,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ (6,240)	\$ (5,200)	\$ (4,160)	\$ (3,120)	\$ (2,080)	\$ (20,800)	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ (6,240)	\$ (5,200)	\$ (4,160)	\$ (3,120)	\$ (2,080)	\$ (20,800)	Service Area:	District Wide

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

Pipeline Replacements

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	6		
DEPARTMENT:	Operations		
MANAGER:	Assistant General Manager		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
1) To Install 12" Drainline with Vault & Outlet Structure at Castaic Well #1 in the Castaic Service Area. 2) To replace pipeline on Wildwood Road in the Newhall Service Area. The new pipeline will be 8" in diameter and be ductile iron pipe. 3) To replace pipeline on Lyons Ave. and Peachland in the Newhall Service Area. The new pipeline will be 8" in diameter and be ductile iron pipe. 4) To replace pipeline on Pepperidge Drive in the Newhall Service Area. The new pipeline will be 8" in diameter and be ductile iron pipe. 5) To replace pipeline on 4th Street and Race Street in the Newhall Service Area. The new pipeline will be 8" in diameter and be ductile iron pipe.			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 50,844	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 3,050,844	Recurring	Recurring
Capital Fund	439,156	-	-	-	-	439,156		
TOTAL	\$ 490,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 3,490,000	Recurring	Recurring


PROJECT COSTS	BUDGET							
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
Planning/Design	\$ 14,522	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 114,522	Recurring	Recurring
Materials	114,495	105,000	105,000	105,000	105,000	534,495		
Labor/Equipment	160,983	250,000	250,000	250,000	250,000	1,160,983		
Outsource	200,000	370,000	370,000	370,000	370,000	1,680,000		
TOTAL	\$ 490,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 3,490,000	Recurring	Recurring

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ (8,000)	\$ (8,200)	\$ (8,459)	\$ (8,755)	\$ (9,061)	\$ (42,475)	Completion Date:	06/30/18
Personnel Costs	(2,000)	(2,100)	(2,150)	(2,172)	(2,194)	(10,616)	Account Number:	TBD
TOTAL	\$ (10,000)	\$ (10,300)	\$ (10,609)	\$ (10,927)	\$ (11,255)	\$ (53,091)	Service Area:	Newhall

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

Castaic Disinfection Facility

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	Newhall
STATUS:	New		
PRIORITY:	7		
DEPARTMENT:	Operations		
MANAGER:	Assistant General Manager		
PROJECT TYPE:	Rehabilitation		
DESCRIPTION/JUSTIFICATION			
To provide funds to upgrade the analyzers at the Castaic Disinfection Facility.			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000	Rehab	-
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000		


PROJECT COSTS	BUDGET							
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
Planning/Design	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000	Rehab	-
Materials	-	-	-	-	-	-		
Labor/Equipment	2,000	-	-	-	-	2,000		
Outsource	12,000	-	-	-	-	12,000		
TOTAL	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000		

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Service Area:	Newhall

NOTES:	No impact on operating budget
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CIP JUSTIFICATION

Newhall Tank No. 2

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	Newhall
STATUS:	New		
PRIORITY:	8		
DEPARTMENT:	Operations		
MANAGER:	Assistant General Manager		
PROJECT TYPE:	Rehabilitation		
DESCRIPTION/JUSTIFICATION			
To provide funds to coat the exterior of Newhall Tank No. 2 to increase its projected useful life.			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 40,000	\$ -	\$ -	\$ 175,000	\$ -	\$ 215,000	Rehab	-
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 40,000	\$ -	\$ -	\$ 175,000	\$ -	\$ 215,000		


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022				
Planning/Design	\$ 1,000	\$ -	\$ -	\$ -	\$ 20,000	\$ 21,000	Rehab	-	
Materials	-	-	-	-	5,000	5,000			
Labor/Equipment	-	-	-	-	5,000	5,000			
Outsource	39,000	-	-	-	145,000	184,000			
TOTAL	\$ 40,000	\$ -	\$ -	\$ -	\$ 175,000	\$ 215,000			

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Service Area:	Newhall

NOTES:	No impact on operating budget
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CIP JUSTIFICATION

Newhall Well No. 12

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	Newhall
STATUS:	New		
PRIORITY:	9		
DEPARTMENT:	Operations		
MANAGER:	Assistant General Manager		
PROJECT TYPE:	Rehabilitation		
DESCRIPTION/JUSTIFICATION			
To provide funds to replace the switchgear at Newhall Well No. 12			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ 500,000	Rehab	-
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ 500,000		


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expended Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022				
Planning/Design	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Rehab	-
Materials	-	-	-	-	-	-	-		
Labor/Equipment	-	-	-	-	-	-	-		
Outsource	500,000	-	-	-	-	500,000	500,000		
TOTAL	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000		

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Service Area:	Newhall

NOTES:	No impact on operating budget
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CIP JUSTIFICATION

Pinetree Disinfection Facility

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	Newhall
STATUS:	New		
PRIORITY:	10		
DEPARTMENT:	Operations		
MANAGER:	Assistant General Manager		
PROJECT TYPE:	Rehabilitation		
DESCRIPTION/JUSTIFICATION			
To provide funds to upgrade the cells and rectifier at the Pinetree Disinfection Facility and the chemical locker at Tanks 4 & 4A.			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000	Rehab	-
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000		


PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022				
Planning/Design	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	Rehab	-
Materials	2,000	-	-	-	-	-	2,000		
Labor/Equipment	12,000	-	-	-	-	-	12,000		
Outsource	135,000	-	-	-	-	-	135,000		
TOTAL	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000		

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Service Area:	Newhall

NOTES:	No impact on operating budget
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CIP JUSTIFICATION

Recycled Water Plan and Construction

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	Newhall
STATUS:	New		
PRIORITY:	11		
DEPARTMENT:	Operations		
MANAGER:	Assistant General Manager		
PROJECT TYPE:	Rehabilitation		
DESCRIPTION/JUSTIFICATION			
To plan and design Phase 2C of the Valley's recycled water program by extending recycled water into Newhall County Water District's service area.			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 100,000	\$ 900,000	New Capital	-
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 100,000	\$ 900,000		

PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022				
Planning/Design	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ 200,000	New Capital	-	
Materials	-	80,000	80,000	80,000	40,000	280,000			
Labor/Equipment	-	45,000	45,000	45,000	22,500	157,500			
Outsource	-	75,000	75,000	75,000	37,500	262,500			
TOTAL	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 100,000	\$ 900,000			

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ -	\$ -	\$ (5,320)	\$ (5,480)	\$ (5,644)	\$ (16,444)	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ -	\$ -	\$ (5,320)	\$ (5,480)	\$ (5,644)	\$ (16,444)	Service Area:	Newhall

NOTES:	No immediate impact on operating budget until construction phase. Savings to chemical expense beginning in FY 2020.
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CIP JUSTIFICATION

SCADA Upgrades

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	12		
DEPARTMENT:	Operations		
MANAGER:	Assistant General Manager		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
To continue upgrading the District's SCADA system at reservoirs, booster stations, wells and various other sites. These upgrades allow for better communication between sites, advanced reporting features and to keep pace with technological changes.			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 140,000	\$ 125,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 565,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 140,000	\$ 125,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 565,000	Recurring	Recurring


PROJECT COSTS	BUDGET					Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022			
Planning/Design	-	-	-	-	-	-	Recurring	Recurring
Materials	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 5,000		
Labor/Equipment	20,000	20,000	20,000	20,000	20,000	100,000		
Outsource	119,000	104,000	104,000	104,000	104,000	535,000		
TOTAL	\$ 140,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 640,000	Recurring	Recurring

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 62,500	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 62,500	Service Area:	District Wide

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

Office Equipment Upgrades

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	13		
DEPARTMENT:	Administration		
MANAGER:	Director of Finance/Administration		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION	<p>The continual upgrading of hardware, including desktop computers, laptop computers, servers, routing and switching equipment, wireless bridges, tablets, projectors, and large printer, provides the District users the necessary tools to process information efficiently. Desktop workstations and laptops are being purchased with extended warranties allowing us to extend the life cycle for computer replacement. Due to the cost of desktop workstations decreasing, it has enabled the District to remain in a proactive position for current technological advances.</p>		

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 40,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 140,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 40,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 140,000	Recurring	Recurring


PROJECT COSTS	BUDGET								
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Previously Budgeted	Total Expended Thru 04/30/17	
Planning/Design	-	-	-	-	-	-	Recurring	Recurring	
Materials	\$ 500	\$ 500	\$ 250	\$ 250	\$ 250	\$ 1,750			
Labor/Equipment	-	-	-	-	-	-			
Outsource	39,500	24,500	24,750	24,750	24,750	138,250			
TOTAL	\$ 40,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 140,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	
Operating Expenses	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 15,000	Completion Date:	07/01/17 06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 15,000	Service Area:	District Wide

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

Software Upgrades

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	14		
DEPARTMENT:	Administration		
MANAGER:	Director of Finance/Administration		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
To purchase software to upgrade the District's Microsoft Exchange Server and Office programs and update antivirus software. The software packages will upgrade existing computer applications and enhance reliability and security. Savings and flexibility are increased by purchasing open-ended licenses.			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000	Recurring	Recurring

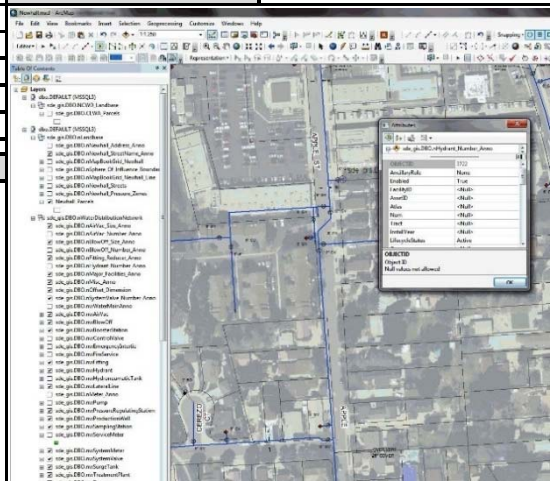
PROJECT COSTS	BUDGET						Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022				
Planning/Design	-	-	-	-	-	-	Recurring	Recurring	
Materials	-	-	-	-	-	-			
Labor/Equipment	-	-	-	-	-	-			
Outsource	10,000	10,000	10,000	10,000	10,000	50,000			
TOTAL	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000	Recurring	Recurring	

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 2,500	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 2,500	Service Area:	District Wide

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

Geographical Information System Upgrades

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New		
PRIORITY:	15		
DEPARTMENT:	Operations		
MANAGER:	Assistant General Manager		
PROJECT TYPE:	Recurring		
DESCRIPTION/JUSTIFICATION			
To enhance the District's Geographical Information Systems. These funds will provide water modeling, ability to identify leak frequency, asset management and the computerization of District maps.			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 25,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 105,000	Recurring	Recurring
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 25,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 105,000	Recurring	Recurring



PROJECT COSTS	BUDGET						Previously Budgeted	Total Expensed Thru 04/30/17
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
Planning/Design	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Recurring	Recurring
Materials	-	-	-	-	-	-		
Labor/Equipment	-	-	-	-	-	-		
Outsource	25,000	20,000	20,000	20,000	20,000	105,000		
TOTAL	\$ 25,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 105,000	Recurring	Recurring

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 30,000	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 30,000	Service Area:	District Wide

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

CIP JUSTIFICATION

Computersized Maintenance Management Software (CMMS)

STRATEGIC GOAL:	3.1.1 - Maintain Long Range CIP & 3.4.1 - Complete Fiscal Year CIP	LOCATION:	District Wide
STATUS:	New	  DEFINING ASSET MANAGEMENT <small>Enterprise assets encompass many different types.</small>	
PRIORITY:	16		
DEPARTMENT:	Operations		
MANAGER:	Assistant General Manager		
PROJECT TYPE:	New		
DESCRIPTION/JUSTIFICATION			
<p>CMMS software will maintain a computer database of information about the District's assets and maintenance operations. This information is intended to help District employees do their jobs more effectively (for example, determining which facilities require maintenance) and to help management make informed decisions (for example, calculating the cost of repair versus preventive maintenance for each asset, possibly leading to better allocation of resources). The CMMS software will produce status reports and documents giving details or summaries of maintenance activities.</p>			

FUNDING SOURCES:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	Previously Budgeted	Total Receipts Thru 04/30/17
Operating Fund	\$ 40,000	-	-	-	-	\$ 40,000	New	New
Capital Fund	-	-	-	-	-	-		
TOTAL	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ 40,000	New	New

PROJECT COSTS	BUDGET							
PROJECT COMPONENTS:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Previously Budgeted	Total Expensed Thru 04/30/17
Planning/Design	-	-	-	-	-	-	New	New
Materials	-	-	-	-	-	-		
Labor/Equipment	-	-	-	-	-	-		
Outsource	40,000	-	-	-	-	40,000		
TOTAL	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ 40,000	New	New

ANNUAL OPERATING IMPACT							OTHER INFORMATION	
DESCRIPTION:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Five Year Total	Start Date:	07/01/17
Operating Expenses	-	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 44,000	Completion Date:	06/30/18
Personnel Costs							Account Number:	TBD
TOTAL	\$ -	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 44,000	Service Area:	District Wide

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

APPENDIX

QUICK SUMMARY – FY 2018 BUDGET

		OPERATIONS	CAPITAL FUND	RESERVES	SUPPLEMENTAL	TOTAL
1	CASH AND INVESTMENT BALANCE 7/1/2017	\$ 500,000	\$ 2,166,337	\$ 3,116,203	\$ 1,002,761	\$6,785,301
	<u>OPERATIONS</u>					
2	Water Sales	11,930,215				11,930,215
3	WRAF Adjustment	835,615				835,615
4	Water Operations	(9,585,445)				(9,585,445)
5	Sub Total After Water Operations	3,680,385	2,166,337	3,116,203	1,002,761	9,965,686
	<u>OTHER REVENUE SOURCES</u>					
6	Property Taxes	545,884				545,884
7	Interest Earnings		29,827	42,109		71,936
8	Communication Rentals	139,338				139,338
9	Fire Service	103,932				103,932
10	Master Plan Fees					-
11	Buy-In Fees					-
	<u>DEBT SERVICE</u>					
12	Debt Service - CNB	(1,883,522)				(1,883,522)
13	Sub Total Prior to Capital	2,586,017	2,196,164	3,158,312	1,002,761	8,943,254
	<u>CAPITAL PROJECTS</u>					
14	From Operations to Capital Fund	(2,086,017)	2,086,017			-
15	Capital Projects		(2,555,000)			(2,555,000)
	<u>RESERVES</u>					
16	Transfer to Reserves					
	CASH AND INVESTMENT BALANCE 6/30/2018	\$ 500,000	1,727,181	\$ 3,158,312	\$ 1,002,761	6,388,254

QUICK SUMMARY - REVENUE

(in dollars)	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Service Charge	2,710,544	2,757,859	2,794,942	2,793,156	2,882,079
CLWA Pass Through	2,389,761	2,235,637	2,223,835	2,253,864	2,373,325
Uniform Volume Rate	6,829,911	7,022,963	7,111,874	7,414,410	7,728,698

Total Commodity	9,219,672	9,258,600	9,335,708	9,668,274	10,102,023
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Total Revenue	11,930,215	12,016,459	12,130,650	12,461,429	12,984,102
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3/4"	1,569,698	1,594,117	1,616,453	1,616,513	1,668,975
1"	271,612	274,057	274,668	271,364	276,892
1 1/2"	95,032	95,926	96,105	94,964	96,899
2"	449,222	465,759	479,071	485,582	507,965
2 1/2"	38,307	38,664	38,739	38,279	39,059
3"	1,915	1,933	1,937	1,914	1,953
4"	60,666	61,229	61,350	60,620	61,855
6"	57,456	57,991	58,104	57,412	58,582
8"	122,579	123,718	123,961	122,484	124,980
10"	44,056	44,465	44,553	44,023	44,919

Total Service Charge	2,710,544	2,757,859	2,794,942	2,793,156	2,882,079
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ccf	3,294,540	3,325,424	3,366,408	3,407,392	3,448,376
Water Loss %	6.3%	6.3%	6.3%	6.3%	6.3%
Water Production Need	3,502,096	3,534,926	3,578,492	3,622,058	3,665,624
Water Loss	207,556	209,502	212,084	214,666	217,248
Total CCF	3,502,096	3,534,926	3,578,492	3,622,058	3,665,624

QUICK SUMMARY - EXPENDITURES

<i>In Dollars</i>		Recorded	ADOPTED BUDGET	PROJECTED 06/30/17	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)			
OPERATING EXPENSES	G/L #	2015-2016	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Total Source of Supply		2,027,775	2,136,493	2,301,899	2,423,243	2,270,108	2,259,393	2,290,695	2,411,282
Total Pumping Expenses		1,504,163	1,616,212	1,561,829	1,618,902	1,666,836	1,718,791	1,765,731	1,806,926
Total Water Treatment		406,239	407,482	464,129	450,409	463,525	478,653	497,824	513,244
Total Trans & Distribution		563,382	601,827	542,803	653,396	672,342	694,530	723,321	745,825
Total Customer Accounts		626,278	633,056	626,716	604,669	621,858	646,158	677,070	698,546
Total Other Operating Exp		694,639	740,748	674,215	740,172	761,518	787,008	821,039	846,721
Total A&G Expense		3,159,312	3,160,110	2,846,596	3,094,652	3,184,306	3,289,635	3,426,951	3,533,658
Total Depreciation		3,098,454	2,996,942	2,961,424	3,011,927	3,026,986	3,042,121	3,057,332	3,072,619
Total Operating Expenses		12,080,242	12,292,869	11,979,612	12,597,371	12,667,479	12,916,289	13,259,963	13,628,820

Operating Expenses	12,080,242	12,292,869	11,979,612	12,597,371	12,667,479	12,916,289	13,259,963	13,628,820
Subtract Depreciation	(3,098,454)	(2,996,942)	(2,961,424)	(3,011,927)	(3,026,986)	(3,042,121)	(3,057,332)	(3,072,619)
Net Water Operations w/o Depreciation	8,981,788	9,295,927	9,018,188	9,585,445	9,640,492	9,874,168	10,202,631	10,556,202

SOURCE OF SUPPLY									
Purchased Water	5130	1,994,863	2,097,506	2,268,251	2,389,761	2,235,637	2,223,835	2,253,864	2,373,325
M&R Structures	5165	203	4,750	311	4,750	4,893	5,040	5,191	5,347
M&R Wells	5175	21,728	25,000	24,889	20,000	20,600	21,218	21,855	22,511
Source of Supply - Labor		5,659	3,772	5,222	3,848	3,925	4,004	4,084	4,166
Overtime	5196	2,020	2,500	352	2,000	2,040	2,081	2,123	2,165
Labor Burden		3,303	2,964	2,874	2,885	3,013	3,215	3,578	3,768
TOTAL SOURCE OF SUPPLY		2,027,775	2,136,493	2,301,899	2,423,243	2,270,108	2,259,393	2,290,695	2,411,282

PUMPING EXPENSES									
Operation Controls	5215	50,981	45,000	49,187	50,000	51,500	53,045	54,636	56,275
Operation Misc	5225	54,783	50,000	49,145	60,000	61,800	63,654	65,564	67,531
Power Purchased	5230	969,929	1,150,000	1,025,995	1,150,000	1,184,500	1,220,035	1,244,436	1,269,324
Power Purchased - Sewer Lift	5235	9,941	12,500	7,720	10,000	10,300	10,609	10,821	11,037
M&R Structures	5265	347	7,500	6,488	7,500	7,725	7,957	8,196	8,442
M&R Pumping Equip	5275	16,652	15,000	18,796	15,000	15,450	15,914	16,391	16,883
M&R Electric Motor	5295	0	0	0	0	0	0	0	0
Pumping Expenses - Labor		214,735	158,310	209,743	158,584	161,756	164,991	168,291	171,657
Overtime	5296	66,030	70,000	57,137	60,000	61,200	62,424	63,672	64,945
Labor Burden		120,766	107,902	137,618	107,818	112,605	120,162	133,725	140,832
TOTAL PUMPING EXPENSES		1,504,163	1,616,212	1,561,829	1,618,902	1,666,836	1,718,791	1,765,731	1,806,926

WATER TREATMENT EXPENSES									
Lab Exp/Regulatory Fees	5315	67,125	65,000	54,645	65,000	66,950	68,959	71,028	73,159
Misc Exp - Maintenance of S&I	5325	23,758	20,000	27,284	40,000	41,200	42,436	43,709	45,020
Chemicals	5330	111,387	105,000	125,491	110,000	113,300	116,699	120,200	123,806
Backflow Prevention	5345	800	1,000	(894)	1,000	1,030	1,061	1,093	1,126
M&R Equipment	5375	18,244	20,000	24,057	30,000	30,900	31,827	32,782	33,765
Water Treatment - Labor		126,622	130,424	150,538	132,888	135,546	138,257	141,022	143,842
Overtime	5396	2,684	3,000	3,551	4,000	4,080	4,162	4,245	4,330
Labor Burden		55,619	63,058	79,457	67,521	70,519	75,252	83,745	88,196
TOTAL WATER TREATMENT		406,239	407,482	464,129	450,409	463,525	478,653	497,824	513,244

QUICK SUMMARY - EXPENDITURES

<i>In Dollars</i>		Recorded	ADOPTED BUDGET	PROJECTED 06/30/17	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)			
OPERATING EXPENSES	G/L #	2015-2016	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
TRANSMISSION & DISTRIBUTION									
M&R Reservoir	5415	54,138	45,000	70,269	80,000	82,400	84,872	87,418	90,041
M&R Mains	5425	61,259	100,000	99,041	120,000	123,600	127,308	131,127	135,061
M&R Sewer	5435	33,498	17,500	15,670	17,500	18,025	18,566	19,123	19,697
M&R Services	5455	60,570	75,000	104,415	85,000	87,550	90,177	92,882	95,668
M&R Hydrants	5475	18,660	10,000	9,404	12,500	12,875	13,261	13,659	14,069
Maintenance Due to Vandalism	5495	0	2,000	0	500	515	530	546	562
Trans & Distribution Labor		212,195	207,253	149,635	210,281	214,487	218,777	223,153	227,616
Overtime	5496	22,228	32,000	11,354	16,000	16,320	16,646	16,979	17,319
Labor Burden		100,833	113,074	83,015	111,615	116,570	124,393	138,434	145,792
TOTAL TRANS & DISTRIBUTION		563,382	601,827	542,803	653,396	672,342	694,530	723,321	745,825
CUSTOMER ACCOUNTS									
Billing & Collecting	5525	91,016	100,000	86,151	100,000	103,000	108,810	112,074	115,436
M&R Meters	5555	14,159	15,000	23,622	15,000	15,450	15,914	16,391	16,883
Uncollectible Accounts	5560	292	0	(2,075)	0	0	0	0	0
Customer Accounts - Labor		316,278	303,794	294,686	279,920	285,518	291,228	297,053	302,994
Overtime	5596	47,891	48,000	47,752	48,000	48,960	49,939	50,938	51,957
Labor Burden		156,642	166,262	176,580	161,749	168,930	180,267	200,614	211,276
TOTAL CUSTOMER ACCOUNTS		626,278	633,056	626,716	604,669	621,858	646,158	677,070	698,546
OTHER OPERATING EXPENSES									
Uniforms	5705	33,356	30,000	41,420	40,000	41,200	42,436	43,709	45,020
Shop Tools & Supplies	5706	29,117	30,000	27,325	30,000	30,900	31,827	32,782	33,765
Vehicle Operating	5715	116,744	135,000	99,142	115,000	118,450	122,004	125,664	129,434
Drafting & Mapping	5725	2,486	3,000	1,589	2,500	2,575	2,652	2,732	2,814
Other Operating/ Safety	5735	44,312	40,000	40,018	40,000	41,200	42,436	43,709	45,020
M&R Shop & Yard	5755	43,165	65,000	64,353	60,000	61,800	63,654	65,564	67,531
M&R Shop Equipment	5765	7,893	12,500	9,846	10,000	10,300	10,609	10,927	11,255
M&R Vehicles	5775	112,730	85,000	81,482	70,000	72,100	74,263	76,491	78,786
Equipment Rentals	5778	0	0	0	0	0	0	0	0
Capital Equipment to CIP	5797	(55,309)	(70,000)	(66,979)	(70,000)	(72,100)	(74,263)	(76,491)	(78,786)
Other Operating Expense - Labor		244,644	269,585	240,495	287,447	293,196	299,060	305,041	311,142
Overtime	5796	7,182	9,000	7,595	9,000	9,180	9,364	9,551	9,742
Labor Burden		108,319	131,663	127,929	146,225	152,717	162,966	181,360	190,998
TOTAL OTHER OPR EXPENSES		694,639	740,748	674,215	740,172	761,518	787,008	821,039	846,721

QUICK SUMMARY - EXPENDITURES

<i>In Dollars</i>		Recorded	ADOPTED BUDGET	PROJECTED 06/30/17	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)			
OPERATING EXPENSES	G/L #	2015-2016	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GENERAL & ADMINISTRATIVE									
Director Fees	7105	18,600	19,000	16,500	17,000	17,510	18,035	18,576	19,133
Office Expenses	7115	46,152	42,500	32,679	35,000	36,050	37,132	38,246	39,393
Computer Software & Supply	7118	15,257	15,000	14,202	15,000	15,450	15,914	16,391	16,883
Community/ Employee Relations	7120	17,631	17,000	17,343	17,000	17,510	18,035	18,576	19,133
Insurance - Premiums & Claims	7125	185,880	190,000	184,055	190,000	195,700	201,571	207,618	213,847
Insurance - Earthquake & Flood	7126	59,088	75,000	60,836	70,000	72,100	74,263	76,491	78,786
Potential/ Settlement Litigation	7149	99,636	125,000	127,540	100,000	103,000	106,090	109,273	112,551
Perchlorate Litigation	7150	85,412	35,000	99,896	40,000	41,200	42,436	43,709	45,020
Prof Services - Legal	7151	285,322	185,000	162,214	185,000	190,550	196,267	202,155	208,220
Prof Services - Accounting	7152	36,206	50,000	31,781	40,000	41,200	42,436	43,709	45,020
Prof Services - Engineering	7153	101,380	100,000	82,311	95,000	97,850	100,786	103,810	106,924
Prof Services - Public Relations	7154	25,614	20,000	19,527	20,000	20,600	21,218	21,855	22,511
Prof Services - Consulting	7155	0	0	0	0	0	0	0	0
Logal Government Affairs	7156	34,119	27,500	29,655	27,500	28,325	29,175	30,050	30,952
Conferences/ Seminars	7158	10,928	18,000	12,638	17,000	17,510	18,035	18,576	19,133
Special Projects - Board Approved	7159	(8,143)	35,000	0	30,000	30,900	31,827	32,782	33,765
Prof Development - Education	7160	58,766	45,000	32,346	40,000	41,200	42,436	43,709	45,020
Memberships	7161	40,522	47,500	50,173	45,000	46,350	47,741	49,173	50,648
Computer Software Contracts	7163	66,760	90,000	68,658	90,000	92,700	95,481	98,345	101,295
Inter Agency Formation	7164	61,928	100,000	43,117	100,000	103,000	106,090	109,273	112,551
Travel/ Hotel	7165	23,640	22,500	13,490	22,500	23,175	23,870	24,586	25,324
Water Use Efficiency	7170	52,566	50,000	17,889	60,000	61,800	63,654	65,564	67,531
Drought Related Expense	7171	55,628	50,000	2,743	0	0	0	0	0
Misc Expenses	7191	137,048	140,000	160,479	150,000	154,500	159,135	163,909	168,826
Utilities	7215	90,597	90,000	92,756	90,000	92,700	95,481	98,345	101,295
M&R General Plant	7221	77,295	62,500	57,682	50,000	51,500	53,045	54,636	56,275
Maint of Office Equipment	7225	5,984	10,000	9,208	10,000	10,300	10,609	10,927	11,255
Election Expense	7305	179,041	0	29	0	0	0	0	0
Expense Credits	7901	(205,061)	(100,000)	(186,855)	(102,200)	(105,266)	(108,424)	(111,677)	(115,027)
General & Administrative - Labor		778,760	775,672	817,319	782,977	798,637	814,610	830,902	847,520
Vacation/ Sick/ Floating		264,274	301,889	233,755	309,863	316,060	322,381	328,829	335,406
Overtime	7196	6,879	8,000	421	6,000	6,120	6,242	6,367	6,494
Labor Burden		451,603	513,049	542,209	542,012	566,075	604,064	672,246	707,974
TOTAL G&A EXPENSES		3,159,312	3,160,110	2,846,596	3,094,652	3,184,306	3,289,635	3,426,951	3,533,658

QUICK SUMMARY - EXPENDITURES

<i>In Dollars</i>		Recorded	ADOPTED BUDGET	PROJECTED 06/30/17	PROPOSED BUDGET	ESTIMATED (Inflation Assumption - Expense 1 - 3%)			
OPERATING EXPENSES	G/L #	2015-2016	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
LABOR BURDEN									
LABOR BY COST AREA									
Source of Supply		7,679	6,272	5,574	5,848	5,965	6,085	6,207	6,331
Pumping		280,765	228,310	266,880	218,584	222,956	227,415	231,963	236,602
Water Treatment		129,306	133,424	154,089	136,888	139,626	142,419	145,267	148,172
Transmission & Distribution		234,423	239,253	160,989	226,281	230,807	235,423	240,132	244,935
Customer Accounts		364,169	351,794	342,438	327,920	334,478	341,167	347,991	354,951
Other Operating		251,826	278,585	248,090	296,447	302,376	308,424	314,592	320,884
General & Administrative		1,049,913	1,085,561	1,051,495	1,098,840	1,120,817	1,143,233	1,166,098	1,189,420
Capital		261,472	219,730	132,746	211,163	213,275	215,408	217,562	219,738
		2,579,553	2,542,929	2,362,301	2,521,971	2,570,300	2,619,574	2,669,812	2,721,033
EMPLOYEE BENEFITS									
EAP	7127	1,042	1,062	987	959	964	969	979	989
Longevity	7128	28,364	27,000	18,954	27,270	27,815	28,371	28,938	29,517
Vision Ins	7129	6,721	6,565	6,565	6,377	6,441	6,505	6,570	6,636
Health Ins	7131	416,500	424,118	418,799	459,028	468,209	477,573	487,124	496,866
Life Ins	7132	7,051	13,517	7,198	13,888	14,027	14,167	14,309	14,452
Dental Ins	7133	58,620	55,762	57,691	56,889	58,027	59,188	60,372	61,579
Workers Comp Ins	7134	76,013	88,401	83,857	81,209	82,833	84,490	86,180	87,904
Pensions	7135	294,233	332,805	347,899	343,780	380,152	445,780	575,987	626,315
Payroll Taxes	7141,42	202,388	182,061	205,656	181,889	185,527	189,238	193,023	196,883
Pension Expense	7121,30	(55,836)	0	0					
OPEB (GASB 45)	7148	74,458	70,528	70,528	72,695	74,149	77,856	85,642	98,488
TOTAL EMPLOYEE BENEFITS		1,109,553	1,201,819	1,218,134	1,243,984	1,298,144	1,384,137	1,539,124	1,619,629
EMPL BENE BURDEN PER LABOR \$ (TOTAL)		43.01%	47.26%	51.57%	49.33%	50.51%	52.84%	57.65%	59.52%
LABOR		2,163,167	2,150,699	2,101,393	2,165,808	2,209,125	2,253,308	2,298,375	2,344,343
OVERTIME		154,914	172,500	128,162	145,000	147,900	150,858	153,875	156,952
CAPITAL LABOR		261,472	219,730	132,746	211,163	213,275	215,408	217,562	219,738
TOTAL LABOR		2,579,553	2,542,929	2,362,301	2,521,971	2,570,300	2,619,574	2,669,812	2,721,033
Depreciation		2,934,846	2,996,942	2,961,424	3,011,927	3,026,986	3,042,121	3,057,332	3,072,619

QUICK SUMMARY – FY 2018 CIP

<u>Description</u>		<u>FY 2018</u>
1	General Facility Replacements	\$ 140,000
2	Meter Replacements	275,000
3	Appurtanence Replacements	90,000
4	Pump & Motor Repair & Replacements	100,000
5	Equipment Replacements	300,000
6	Pipeline Replacements	490,000
7	Castaic Disinfection Facility	15,000
8	Newhall Tank No. 2	40,000
9	Newhall Well No. 12	500,000
10	Pinetree Disinfection Facility	150,000
11	Recycled Water Plan & Construction	200,000
12	SCADA	140,000
13	Office Equipment	40,000
14	Software Upgrades	10,000
15	Geographic Information System	25,000
16	CMMS Software	40,000

Total FY 2018 CIP \$ 2,555,000

GLOSSARY

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

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

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

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

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

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

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

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

Water Revenue Adjustment Factor (WRAF): Within the parameters set by California Government Code Section 53756. The WRAF is intended to adjust the commodity rate due to inflation or deflation in unit cost attributed to fluctuations in real demand.

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

EXPENSE DESCRIPTIONS

- 5130-00 Purchased Water:** To provide funds for the purchase of water from Castaic Lake Water Agency.
- 5165-00 Maintenance and Repair - Structures:** To provide funds for the purchase of materials necessary to maintain and repair areas surrounding well sites. This account includes pumping structures, installation of block walls and chain link fence, and maintenance and repair on existing well facilities.
- 5175-00 Maintenance and Repair - Wells:** To provide funds for the purchase of materials necessary to maintain wells. This account includes fill up of oil (turbine oils), rags, paint for motor, and electrician for rewiring.
- 5215-00 Operation - Controls:** To provide funds for the cost of control repairs located at District office and all sites that affect office controls. This account includes SCADA repairs at pump stations, well sites, reservoir sites, phone lines, and Cla-Valve repairs.
- 5225-00 Operation - Miscellaneous Expense:** To provide funds for the cost of landscaping and weed abatement of well and booster sites and cost of utilities necessary to provide lighting at the pump stations and other field accounts for safety. This account also includes miscellaneous repairs and maintenance.
- 5230-00 Power Purchased:** To provide funds for the cost of utilities required for the pumping operations at the District's wells and booster stations.
- 5235-00 Power Purchased:** To provide funds for the cost of utilities at the Sewer Lift Station.
- 5265-00 Maintenance and Repair - Structures:** To provide funds for the cost of maintenance and repair of the booster stations. This account includes pumping structures, installation of block walls and chain link fence, and maintenance and repair on existing booster stations.
- 5275-00 Maintenance and Repair - Pumping Equipment:** To provide funds for the cost of maintenance and repairs as provided by outside contractors that are unique to the pumping operations, which include cost of rebuilding and maintaining pumping and booster equipment. This account includes parts for repair of equipment, such as regulators, meters, pumps, valves, electrical, small tools, safety equipment, freeze wrapping, and other supplies necessary to maintain the pumping operations.

EXPENSE DESCRIPTIONS

- 5315-00 Laboratory Expenses/Regulatory Fees:** To provide funds for the cost associated with bacteriological water sampling and special analysis as noted in Title 22. This work is performed by an outside service. This account also provides funds for the cost of State Water Resources Control Board fees for the Newhall, Castaic, Pinetree, and Tesoro service areas.
- 5325-00 Miscellaneous Expense:** To provide funds for the purchase of materials and supplies necessary to maintain the water treatment operations, such as fencing, block walls, sanitary supplies, warning signs, lab supplies, padlocks, and disinfection facility parts.
- 5330-00 Chemicals:** To provide funds for the purchase of chemicals and salt necessary for the water treatment operations. Also includes exchange tank rentals.
- 5345-00 Backflow Prevention/Fire Flow:** To provide funds for the cost of testing and repairs to backflow devices, emergency service calls, etc. This account also includes small tools for repair and maintenance of backflow equipment and fire flow testing.
- 5375-00 Maintenance and Repair - Equipment:** To provide funds for the cost of maintenance and repair of water treatment stations, flanges, plumbing and electrical parts, and the purchase of testing equipment. This also includes installation of electrical conduits as performed by an outside contractor and service performed on the treatment equipment.
- 5415-00 Maintenance and Repairs - Reservoirs:** To provide funds for the cost of materials and supplies necessary for the maintenance and repair of reservoirs and reservoir sites. This account also includes removal and replacement of asphalt and concrete, casting plaster, patch repairs, etc.
- 5425-00 Maintenance and Repair - Mains:** To provide funds for the cost of materials and supplies necessary to repair main breaks, replace main sections, relocation of mains, and flushing.
- 5435-00 Maintenance and Repair - Sewer Collection System:** To provide funds for the cost of materials and supplies necessary to repair sewer mains and sewer lift station. This account also includes materials for repairs such as, bank seals, pipe, sewer frames and covers, paint, miscellaneous hardware, backfill materials, video of the sewer, small tools, etc.
- 5455-00 Maintenance and Repairs - Services:** To provide funds for the cost of asphalt patches, to remove and replace sidewalks, and damage to customer property. This account also includes maintenance and repairs to customer services (meters).

EXPENSE DESCRIPTIONS

- 5475-00 Maintenance and Repairs - Hydrants:** To provide funds for the cost of maintenance and repair of hydrants as provided by an outside service. This account also includes paint for hydrant maintenance, small tools, etc.
- 5495-?? Repairs due to Vandalism:** To provide funds for the cost of repairs due to vandalism at all District facilities. This account includes all outside services and District equipment and material. (Reference location, i.e. 00 - Newhall, 01 - Castaic, 02 - Pinetree, 03 - Tesoro)
- 5525-00 Billing and Collecting:** To provide funds for the cost of an outside service for bill preparation, postage, door hangers, envelopes for bills, past due notices, shut-offs, and meter applications for new services. This account also includes courier service, credit check services, and teleworks communication for bill collection.
- 5555-00 Maintenance and Repair - Meters:** To provide funds for the cost of meter reconstruction, repairs, testing, calibrations and maintenance as provided by an outside service or District employee. This account also includes the purchase of meters, registers, meter transceiver units, and meter gaskets for meter installations.
- 5705-00 Uniforms:** To provide funds for the costs associated with cleaning employee uniforms. This account also includes the purchase of new uniforms and clothing associated with uniforms.
- 5706-00 Tools and Supplies - Shop, Yard, and Vehicle:** To provide funds for the cost of small tools, flags and stakes, washer solvent, welding supplies, bolts, weed killers, compressor/turbine oil and grease, etc.
- 5715-00 Vehicle Operating:** To provide funds for the cost of oil, gasoline, propane and car washes. This account also includes oil filters, air filters, fuel filters, windshield wiper blades, bulbs, floor mats, tool boxes, smog certificates, radio installation, hitch installation, hoses and fittings, etc.
- 5725-00 Drafting and Mapping:** To provide funds for the cost of materials and supplies need for blueprints, blue lines, color print photos, printer cartridges, plans, and copies of specifications. This account also includes funds for the cost of District mapping provided by an outside service.

EXPENSE DESCRIPTIONS

- 5735-00 Other Operating Expense:** To provide funds for the cost of the safety poster program, emergency directory printing, safety incentive luncheon, safety supplies and equipment, and traffic control equipment. This account also includes any safety equipment or supplies required by OSHA, medical supplies, first aid supplies, work boots, employee physical and license exams, and also the repair and purchase of fire extinguishers.
- 5755-00 Maintenance and Repair - Shop, Yard, and Operation Facility:** To provide funds for the cost of materials and supplies for maintenance of the warehouse, shop, yard, and operations facility. Materials and supplies include plywood for warehouse repairs, nails, studs, wood, locks, keys, electrical wiring, trash pick-up, paint, concrete, phone repairs, oily rag disposal, flammable liquid drum disposal, waste oil disposal, waste product disposal, propane, alarm service for shop, yard, and operations facility; and the maintenance of the above ground gasoline tank.
- 5765-00 Maintenance and Repair - Equipment:** To provide funds for the cost of materials and supplies for equipment repair. They include, miscellaneous hardware, repairs to forklifts, ditch witch, and freeze machines, and oil changes on shop equipment.
- 5775-?? Maintenance and Repair - Vehicles:** To provide funds for the cost of materials and supplies for vehicle maintenance and repair on District vehicles, backhoes, trailers, compressors, and light towers. Materials and supplies include vehicle repair parts, utility beds, brake drums, paint, oil changes and service, windshields, mufflers, etc. This account also includes towing, tires, tire repairs, and batteries.
- 7105-00 Directors Fees:** To provide funds for the cost of fees of \$100 for each meeting that a Director is in attendance, with a maximum of 10 meetings per month paid to each Director.
- 7115-00 Office Expense:** To provide funds for the purchase of office supplies necessary to maintain the District's office. This account includes office supplies, copier supplies, mailing machine supplies, business cards, letterhead, batteries, keys, coffee supplies, journal folders, District forms, board meeting meals and supplies, postage other than bills, and cell phone accessories, etc. This account also includes FedEx, UPS and OnTrac shipping charges.
- 7118-00 Computer Software and Supplies:** To provide funds for the purchase of computer software, computer cables, backup tapes, printers, printer supplies, toners, etc.

EXPENSE DESCRIPTIONS

- 7120-00 Community/Employee Relations:** To provide funds for the cost of ordinance publications, special events, contest winning cost, participation in community events, employee recognition and service awards, employee holiday certificates, and employee related events. This account also includes website design and maintenance, newsletter printing, annual report printing, financial reports and operating/capital budget books printing, and employee background check services.
- 7125-00 Insurance - General Liability:** To provide funds for insurance coverage. The District has General Liability, Workers' Compensation, Auto Liability, Pollution Liability, Property, Public Officials' and Employees' Error and Omissions, and Management and Director Travel Insurance.
- 7126-00 Insurance - Earthquake & Flood:** To provide funds for the District's Earthquake and Flood insurance coverage.
- 7149-00 Potential/Settlement Litigation:** To provide funds for all legal fees associated with potential/settlement of litigation that the District is involved with.
- 7150-00 Perchlorate Litigation:** To provide funds for all legal fees associated with the perchlorate litigation.
- 7151-00 Professional Services - Legal:** To provide funds for services performed by the District's legal counsel. The attorney for the District is Tom Bunn from the law firm Lagerlof, Senecal, Gosney & Kruse. The attorneys advise the Board of Directors and staff on all legal matters and represent the District on litigation issues.
- 7152-00 Professional Services - Accounting:** To provide funds for services performed by the District's accountant. The accountant for the District is Chris Aldinger from the CPA firm Peasley, Aldinger & O'Bymachow. The accountant advises the Board of Directors and staff on accounting matters. This account also includes auditing services.
- 7153-00 Professional Services - Engineering:** To provide funds for the services performed by the outside engineering firms. The engineers advise the Board of Directors and staff on engineering matters, which may include geological services, storm water analysis, groundwater analysis, etc. This account may include charges for grant writing and submission.
- 7154-00 Professional Services - Public Relations:** To provide funds for costs associated with an outside public relations firm.

EXPENSE DESCRIPTIONS

- 7155-00 Professional Services - Consultant (Office and Field):** To provide funds for special projects or consulting services as requested by the Board of Directors and staff.
- 7156-00 Local Government Affairs:** To provide funds for participation in Local Government, City of Santa Clarita, CLWA, Groundwater Flow Model, IRWMP, lobbyist activities, etc.
- 7158-00 Conferences - Seminars:** To provide funds for the cost of ACWA conferences the Board of Directors and staff attend and job related conference or seminar fees only as approved by the General Manager or Director of Finance/Administration. This account does not include food or mileage for the above.
- 7159-00 Professional Services/Special Projects:** To provide funds for special projects or consulting services as requested by the Board of Directors and staff.
- 7160-00 Professional Development - Employee Training:** To provide funds for training, such as hazardous material training as required by OSHA, and any other District training required. Any outside training courses are subject to approval by Management. This account includes workshops, training seminars, education reimbursement, employment testing, first aid and CPR training. This account does not include food or mileage for the above.
- 7161-00 Trade and Professional Memberships:** To provide funds for the cost of professional membership fees in which the Board of Directors or staff are a member. This account also includes cost of florists, publications, renewal fees, subscriptions, business lunches, and public donations as directed by the Board of Directors.
- 7163-00 Computer Contracts/Agreements:** To provide funds for the cost of annual fees and support for computer equipment, including software support maintenance and internet hosting fees.
- 7164-00 Interagency Evaluation:** Cost associated with regional water governance.
- 7165-00 Travel/Hotel/Food:** To provide funds for the purchase of airline tickets, hotels, food and mileage reimbursement. This account includes all expenses associated with Director and staff conferences, seminars and workshops, but not the seminar or workshop fee itself.

EXPENSE DESCRIPTIONS

- 7170-00 Water Use Efficiency:** To provide funds for the costs of water conservation material, conservation outreach, and customer rebate programs that are associated with the BMP's.
- 7171-00 Drought Related Expenses:** To provide funds for costs specifically related to the emergency drought regulations. This account includes labor for water patrols and drought consulting.
- 7191-00 Other General Expenses:** To provide funds for the cost of other expenses not designated for in other accounts. This account also includes bank fees, bank adjustments, fees for automated payment collection/service charge, Wage Work fees, new employee advertisement, orientation, flu shots, medical exams and testing.
- 7215-00 Utilities:** To provide funds for the cost of all utilities for the District office. These fees include the cost of electric, telephone, cell phones, trash, recycling, answering service, and the radio system.
- 7221-00 Maintenance and Repair - General Plant:** To provide funds for maintenance and repair of the general plant and office facilities. This account includes the cost of office and yard landscape maintenance, carpet cleaning, window washing, shredding, pest control, alarm service, security service, re-key office doors, electrical work, office cleaning maintenance, air conditioner and heater maintenance, etc.
- 7225-00 Maintenance of Office Equipment:** To provide funds for the cost of maintenance of office equipment, such as maintenance contracts for mailing machine, stuffer, copier, computers, phones for office, typewriters, radio read handheld, etc.
- 7305-00 Election Expense:** To provide funds for the even year election expense as required by Los Angeles County Registrar-Recorder.

LIST OF ACRONYMS

A

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

B

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

C

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

D

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

E

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

F

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

G

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

H

HCF	Hundred Cubic Feet
HOA	Home Owners Association
HR	Human Resources

LIST OF ACRONYMS

I

IRWMP Integrated Regional Water Management Plan
IT Information Technology

L

LAFCO Local Agency Formation Committee
LAIF Local Agency Investment Fund
LLC Limited Liability Company
LACO Los Angeles County

M

M&R Maintenance and Repair
MG Million Gallons
MGD Million Gallons per Day
MOU Memorandum of Understanding
MXU Meter Transceiver Unit

N

NPDES National Pollutant Discharge Elimination System

O

O&M Operations and Maintenance
OPEB Other Post-Employment Benefits

P

PA Pumping and Agriculture
PS Pump Station

R

RWQCB Regional Water Quality Control Board

S

S&I Structures and Improvements
SCADA Supervisory Control and Data Acquisition
SCE Southern California Edison
SCV Santa Clarita Valley
SWP State Water Project

W

WD Water District
WRAF Water Revenue Adjustment Factor

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