

Fiscal Year 2014-2015

Budget



Adopted June 17, 2014

Board of Directors:

Judy Mirbegian, President

Jim Freeman, Vice President

Carolyn Graham

Linda Herndon

Jim Lieberman

General Manager:

Roland Sanford

Description of Hidden Valley Lake CSD

Overview

The Hidden Valley Lake Community Services District (District) is an independent special district serving the Hidden Valley Lake Community in southern Lake County, California. The District, which consists of 12 full-time employees, provides municipal water to approximately 2,400 homes and 20 businesses, and sewer services to approximately 1,600 connections within its three square mile service area.

Mission Statement

The mission of the Hidden Valley Lake Community Services District is to provide, maintain and protect our community's water.

History

The Hidden Valley Lake Community Services District was established in 1984, initially to provide sewer service to a portion of the Hidden Valley Lake community. At that time the community's municipal water supply was provided by the Stonehouse Mutual Water Company, which began operations in 1968. In 1993 the District and Stonehouse Mutual Water Company merged and the District assumed responsibility for the community's water and sewer service.

Board of Directors

The Board of Directors (Board) of the Hidden Valley Lake CSD consists of five elected officials who live in the District and are elected "at large". Each member serves a four year term. Elections are held in November of odd numbered years.

The Board establishes goals and policies to guide District operations, and appoints a General Manager to oversee day- to-day operations in accordance with Board's the goals and policies. In addition to the General Manager, the Board appoints District Counsel and financial auditors.

The District is committed to transparency. Board meetings are held in accordance to the Brown Act and are noticed as such. Regular board meetings are held on the third Tuesday of the month at 7:00 p.m. at the Districts business office, 19400 Hartmann Rd., Hidden Valley Lake. The board also assigns standing and ad hoc committees that meet throughout the year to assist in the development of policy. Committee meetings are held at the District's business office; times and dates vary by committee. Community members are encouraged to attend committee meetings.

Operations

For accounting purposes the District's operations are divided into two funds – Water, and Sewer. Each fund is treated as a separate independent fiscal entity.

Revenue and Expense Trends and Forecast

Water Fund

The Water Fund has experienced a dramatic fiscal reversal from the mid 2000's. Prior to the economic recession, water revenues were actually greater – by approximately \$300,000 – than today. The rate increases that occurred since then helped but did not completely restore the operating revenue stream to pre-recession levels.

Most if not all of the revenue decline is attributable to changing water use patterns. Prior to the economic recession, total District water use was approximately 25 percent higher than today. Water usage, particularly outdoor use, plummeted as homes fell into foreclosure and landscaping withered. Although the number of residential water connections has rebounded and returned to pre-recession numbers (approximately 2400 connections), the amount of water used by each connection has declined.

Over the last 10 years annual Water Fund operating expenses have increased by an average of three percent. In FY 2014-2015 Water Fund operating expenses are projected to exceed revenues by approximately \$200,000.

Sewer Fund

The Sewer Fund has also experienced a fiscal reversal – from negative to positive. Sewer Fund revenues were blunted by the recent economic downturn, but not nearly to the extent experienced by the Water Fund. Unlike Water Fund revenues, which are determined by the number of water connections and quantity of water delivered to each connection, sewer revenues are currently based on the number of connections, without regard to the quantity of sewage generated. Accordingly, a homeowner can reduce water use and their associated water costs, but as long as they occupy their house – irrespective of economic conditions - they will continue to pay the same rate for sewer service.

Over the last 10 years annual Sewer Fund operating expenses have increased by an average of 2.5 percent. In FY 2014-2015 Water Fund operating expenses are projected to be equal to or slightly less than the corresponding revenue.

Water and Sewer Operating Budgets

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

2014-2015 BUDGET

WATER ENTERPRISE FUND

	2013-2014 BUDGET	2014-2015 PROPOSED
REVENUE		
130-4035 RECONNECT FEES	13,000	10,000
130-4038 COMM WATER CONNECTIONS	-	-
130-4039 WATER METER INSTALLATION	300	300
130-4040 RECORDING FEE INCOME	100	100
130-4045 AVAILABILITY FEES	37,800	40,000
130-4110 COMMERCIAL WATER USE	13,800	14,000
130-4112 GOVERNMENT WATER USE	900	800
130-4115 WATER USE CHARGES	1,036,000	863,000
130-4117 WATER OVERAGE USE FEE	161,200	167,000
130-4118 WATER OVERAGE COMMERCIAL	11,200	11,000
130-4119 WATER OVERAGE GOV'T	-	-
130-4210 LATE FEE 10%	23,000	22,000
130 4215 RETURNED CHECK FEE	700	800
130-4300 MISC INCOME	200	100
130-4310 OTHER INCOME	-	-
130-4505 LEASE INCOME	-	4,200
130-4550 INTEREST INCOME	-	800
130-4591 INCOME APPL TO PRIOR YRS	-	-
TOTAL REVENUE	1,298,200	1,134,100

	2013-2014 BUDGET	2014-2015 PROPOSED
EXPENSES		
130-5010 SALARY & WAGES	412,000	449,553
130-5020 EMPLOYEE BENEFITS	122,400	99,398
130-5021 RETIREMENT BENEFITS	74,700	77,261
130-5025 RETIREE HEALTH BENEFITS	5,400	5,027
130-5030 DIRECTOR HEALTH BENEFITS	39,700	42,022
130-5040 ELECTION EXPENSE	2,500	-
130-5060 GASOLINE, OIL & FUEL	11,800	12,500
130-5061 VEHICLE MAINT	12,000	12,500
130-5062 TAXES & LICENSE	800	1,600
130-5063 CERTIFICATIONS		800
130-5074 INSURANCE	19,800	21,100
130-5075 BANK FEES	6,800	7,000
130-5080 MEMBERSHIP & SUBSCRIPTIONS	18,600	17,200
130-5090 OFFICE SUPPLIES	6,100	6,600
130-5092 POSTAGE & SHIPPING	100	1,500
130-5110 CONTRACTUAL SERVICES	43,500	49,650
130-5121 LEGAL SERVICES	11,700	12,500
130-5122 ENGINEERING SERVICES	18,000	15,000
130-5123 OTHER PROFESSIONAL SERVICE	97,000	144,750
130-5124 WATER RIGHTS	10,000	10,000
130-5130 PRINTING & PUBLICATION	200	500
130-5135 NEWSLETTER	2,000	1,000
130-5145 EQUIPMENT RENTAL	2,100	-
130-5148 OPERATING SUPPLIES	1,900	10,000
130-5150 REPAIR & REPLACE	52,000	52,000
130-5155 MAINT BLDG & GROUNDS	4,400	5,300
130-5156 CUSTODIAL SERVICES		9,450
130-5157 SECURITY		2,000
130-5170 TRAVEL & MEETINGS	2,100	1,300
130-5175 EDUCATION/SEMINARS	7,300	7,500
130-5176 DIRECTOR TRAINING	1,100	200
130-5179 ADM MISC EXPENSE	500	500
130-5191 TELEPHONE	11,100	9,000
130-5192 ELECTRICITY	150,800	165,000
130-5193 OTHER UTILITIES		1,800
130-5195 ENV/MONITORING	7,100	25,000
130-5196 RISK MANAGEMENT		-
130-5198 ANNUAL OPERATING FEES	26,700	27,000
130-5310 EQUIPMENT - FIELD	-	1,000
130-5311 EQUIPMENT - OFFICE	10,900	2,200
130-5312 TOOLS - FIELD	1,400	800
130-5315 SAFETY EQUIPMENT	-	4,100
130-5505 WATER CONSERVATION	7,600	15,000
130-5545 RECORDING FEES	300	160
130-5580 TRANSFERS OUT	173,000	-
130-5585 FLOOD CONTROL	100	-
130-5650 CAPITAL RESERVES	20,000	-
TOTAL EXPENDITURES	1,395,500	1,326,771

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

2014-2015 BUDGET

SEWER ENTERPRISE FUND

	2013-2014 BUDGET	2014-2015 PROPOSED
REVENUE		
120-4020 PERMIT & INSPECTION FEES	-	300
120-4036 DEVELOPER SEWER FEES	-	-
120-4045 AVAILABILITY FEES	6,000	10,200
120-4050 SALES OF RECLAIMED WATER	106,500	95,000
120-4111 COMMERCIAL SEWER USE	20,500	18,400
120-4112 GOVERNMENT SEWER USE	600	600
120-4116 SEWER USE CHARGES	867,100	862,000
120-4210 LATE FEE 10%	15,500	15,500
120 4300 MISC INCOME	600	100
120-4505 LEASE INCOME	8,400	4,200
120-4550 INTEREST INCOME	-	-
TOTAL REVENUE	1,025,200	1,006,300

	2013-2014 BUDGET	2014-2015 PROPOSED
EXPENSES		
120-5010 SALARY & WAGES	416,000	421,213
120-5020 EMPLOYEE BENEFITS	104,300	99,398
120-5021 RETIREMENT BENEFITS	75,900	77,261
120-5025 RETIREE HEALTH BENEFITS	5,400	5,027
120-5030 DIRECTOR HEALTH BENEFITS	39,700	42,022
120-5040 ELECTION EXPENSE	2,500	-
120-5060 GASOLINE, OIL & FUEL	12,600	14,200
120-5061 VEHICLE MAINT	8,000	10,357
120-5062 TAXES & LICENSE	400	1,100
120-5063 CERTIFICATIONS		800
120-5074 INSURANCE	19,800	21,100
120-5075 BANK FEES	6,800	7,000
120-5080 MEMBERSHIP & SUBSCRIPTIONS	6,000	6,000
120-5090 OFFICE SUPPLIES	6,200	6,600
120-5092 POSTAGE & SHIPPING	100	1,500
120-5110 CONTRACTUAL SERVICES	47,600	36,210
120-5121 LEGAL SERVICES	11,700	12,500
120-5122 ENGINEERING SERVICES	12,000	15,000
120-5123 OTHER PROFESSIONAL SERVICE	25,000	27,750
120-5130 PRINTING & PUBLICATION	200	500
120-5135 NEWSLETTER	2,000	1,000
120-5145 EQUIPMENT RENTAL	-	-
120-5148 OPERATING SUPPLIES	12,000	12,000
120-5150 REPAIR & REPLACE	52,500	50,452
120-5155 MAINT BLDG & GROUNDS	5,300	5,300
120-5156 CUSTODIAL SERVICES		9,450
120-5157 SECURITY		2,000
120-5160 SLUDGE DISPOSAL	23,900	23,000
120-5170 TRAVEL & MEETINGS	600	1,100
120-5175 EDUCATION/SEMINARS	10,800	6,600
120-5176 DIRECTOR TRAINING	300	200
120-5179 ADM MISC EXPENSE	500	500
120-5191 TELEPHONE	11,100	9,000
120-5192 ELECTRICITY	20,000	18,400
120-5193 OTHER UTILITIES		1,800
120-5195 ENV/MONITORING	31,000	25,000
120-5196 RISK MANAGEMENT		17,800
120-5198 ANNUAL OPERATING FEES	3,400	3,000
120-5310 EQUIPMENT - FIELD	-	1,000
120-5311 EQUIPMENT - OFFICE	11,500	2,800
120-5312 TOOLS - FIELD	2,200	1,100
120-5315 SAFETY EQUIPMENT	-	4,100
120-5510-SEWER OUTREACH		5,000
120-5545 RECORDING FEES	200	160
120-5585 FLOOD CONTROL	200	-
120-5590 NON-OPERATING OTHER	37,500	-
120-5600 CONTINGENCY	-	-
TOTAL EXPENDITURES	1,025,200	1,006,300

Significant Changes from Prior Year

The FY 2014-2015 water and sewer operating budgets are very similar to their 2013-2014 counterparts. The principle differences being the creation of a new line item within the sewer operating budget: “Risk Management”, and significant increases in the water operating budget’s “Other Professional Services”, “Env/Monitoring” and “Water Conservation” line items. In recent years, funding for Risk Management was included in the “Repair and Replace” line item of the sewer operating budget. Risk Management is now identified and funded as a separate line item (\$17,800) and the remaining Repair and Replace line item within the sewer operating budget increased by \$15,000.

The FY 2014-2015 water operating budget includes a substantial increase in funding for the ongoing Water Rights Petition for Change Project (a total of \$75,000 within the Other Professional Services line item), additional funding – approximately \$18,000 – within the Env/Monitoring line item for hexavalent chromium water quality sampling, and additional funding – approximately \$8,000 – with the Water Conservation line item for water conservation/water stewardship public education and outreach.

Water and Sewer Capital Additions Budgets

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
2014-2015 BUDGET
CAPITAL ADDITIONS

SEWER

SEWER UNRESTRICTED RESERVES (JULY 9, 2014)	180,000
TOTAL SEWER FUNDS AVAILABLE FOR CAPITAL PROJECTS	<u>100,000</u>

2014-2015 CAPITAL PROJECTS

VIDEO INSPECTION OF SEWER LATERALS	35,000
REPAIR SEWER LATERAL LEAKS	35,000
PREPARE SEWER CAPITAL IMPROVEMENT PLAN	20,000
INSTALL SECURITY FENCING AT LIFT STATIONS 1 & 4	10,000
TOTAL SEWER CAPITAL ADDITIONS	<u>100,000</u>

WATER

WATER UNRESTRICTED RESERVES (JULY 9, 2014)	0
TOTAL WATER FUNDS AVAILABLE FOR CAPITAL PROJECTS	<u>0</u>

Debt Service Budget

NON-OPERATING FUNDS

DEBT SERVICE INCOME

	<u>FUND</u>	
TAXES, ASSESSMENTS, BONDS	215	450,153
STATE REVOLVING FUND LOAN	217	299,056
CIEDB LOAN	218	172,507
USDA RUS LOAN (SOLAR)	219	46,045
TOTAL INCOME		<u>967,761</u>

DEBT SERVICE EXPENDITURE

1995-2 BOND REDEMPTION (PRINCIPAL)	215	111,000
1995-2 BOND REDEMPTION (INTEREST)	215	334,823
STATE REVOLVING LOAN (PRINCIPAL)	217	290,346
STATE REVOLVING LOAN (INTEREST)	217	8,710
CIEDB (PRINCIPAL)	218	89,642
CIEDB (INTEREST)	218	76,288
CIEDB (ANNUAL FEE)	218	6,577
USDA RUS LOAN (PRINCIPAL)	219	14,000
USDA RUS LOAN (INTEREST)	219	32,045
BOND ADMINISTRATION	711	4,330
RESERVES (ALL REQUIRED BALANCES MET)		N/A
TOTAL DEBT SERVICE EXPENDITURES		<u>967,761</u>

Sewer Expansion and Wastewater Treatment Plant

In 1994, the District expanded its sewer collection system and relocated the wastewater treatment plant near Grange Road. The project was financed through the combination of four bonds and a low interest loan from the State Revolving Fund. Three of four bonds have been paid off early to minimize interest payments. The remaining bond - the "1995-2 series bond" - is scheduled to mature in 2034, while the State Revolving Fund loan will be paid off in 2015. The principal and interest payments for these debts are collected annually on the property tax roll.

Water Infrastructure Project

In 2002 the District upgraded the existing water infrastructure to meet increasing water demands and ensure continuity of services. The Water Infrastructure Project included the addition of two 500,000 gallon storage tanks and the replacement of two pump stations, as well as the installation of pressure reducing valves, and additional SCADA (supervisory control and data acquisition) equipment to facilitate remote control of the District's water and wastewater systems.

The Water Infrastructure project was financed through a loan from the California Infrastructure and Economic Development Bank (CIEDB) that is scheduled to mature in 2032. At the time that the loan was made it was anticipated that repayment would occur from the revenue generated by new water connections. However, due to the recent economic downturn and subsequent decline in housing construction, hence revenue generated through new water connections, annual loan payments are now obtained from the Water Fund's operating revenue.

Solar Project

In an effort to minimize electrical energy costs, the District installed a photovoltaic (PV) project at the Wastewater Treatment Plant near Grange Road. The PV project can produce up to 420,000 kw per year. The PV began operation in December 2011 and was financed in part through a grant and a loan from the United States Department of Agriculture. Loan payments are obtained from the Sewer Fund's operating budget.