



FISCAL YEAR 2003-04 BUDGET

MISSION STATEMENT

To efficiently provide dependable drinking water delivery and wastewater collection services to Vandenberg Village residents, with a commitment to customer service.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT

Water and Wastewater Enterprise Funds Operating Budgets for Fiscal Year 2003-2004

Below is a summary explanation for each category of the proposed operating budget for the water and wastewater enterprise funds. Although each fund has its own budget, they are described together in the summary to better represent the operating activities of the District. More detailed information on each line item is available in the District Office for review.

OPERATING REVENUES

The proposed water, wastewater and bond revenues reflect no changes in rates. However, the increase in the projected revenues over fiscal year 2002-03 can be attributed to the Heritage Senior's Development which provided 104 new customers contributing to the monthly payments: 100 apartment units and four commercial accounts (three are water only accounts).

Water revenues are projected by using an average number of active customers for a calendar year and a five-year historical average water consumption. Since revenue projection is based on historic performance, it should be expected that throughout the fiscal year, actual revenue could be better in some months and worse in others.

Wastewater revenues are projected by using an average number of active customers. The fees collected are fixed monthly charges, hence, actual performance does not vary greatly from budget projection. Since the District collects wastewater charges from each apartment unit, the Heritage Senior's Apartments added 101 new wastewater customers.

NON-OPERATING REVENUES

Interest Earnings are budgeted for the District's investment accounts, money market account at Santa Barbara Bank & Trust, U.S. Bank (bond trustee) formerly State Street Bank, and WCRF at the City of Lompoc. Due to the continued depressed market condition, the interest earning projection is lower than fiscal year 2003 budget.

Projections are as follows:

- Investments & money market

2% interest rate for LAIF

3% interest rate for Santa Barbara County

1.17% for the money market account

4.22% for an existing CD (\$25,000) at Santa Barbara Bank & Trust

We currently have another CD of \$126,200 earning 2.1% which will mature in August 2003. Most likely this CD will not be renewed.

- U.S. Bank (bond trustee)- The interest earning on the monthly principal and interest payments at US Bank has been below 1% during the current fiscal year. Although monthly payments vary slightly every year (principal payments increase, interest payments decrease), we assume no significant changes in interest earnings for the budgeted fiscal year.
- The WCRF reserve at the City of Lompoc was earning 5.32% at December 2002. The budget reflects earnings of 5.2%.

Bond Charges revenues are projected by using an average number of active residential and commercial customers. One hundred and four new customers were added from the Heritage Senior's apartments (104 water customers and 101 wastewater customers).

Water - \$11.36/ month; wastewater - \$3.69/ month

Bond charges for condominiums and apartments are charged per unit. One hundred new apartment customers were added (Heritage Senior's Apartments)

185 condo units: water - \$10.79/ month, wastewater - \$3.51/ month

222 apartment units: water - \$9.09/month; wastewater - \$2.95/month

OPERATING EXPENSES

In general, operating expenses that are not specific to the water or wastewater funds are allocated at 60% water, 40% wastewater, for example, insurance, office and administrative expenses. Customer accounts are allocated at 50% to each fund. Revenue bonds related expenses are allocated at 76% water, 24% wastewater.

Salaries & Benefits increased \$165,100 over fiscal year 2003 budget. The anticipated salaries for working hours are:

Water fund = \$270,300 (FY 2003: 209,700)

Wastewater fund = \$147,300 (FY 2003: 99,800)

Total benefits = \$191,600 (FY 2003: 134,560)

The budget assumes that all employees, except the general manager, will receive at least one merit increase. Benefits such as PERS and worker's compensation which are based on gross salaries reflect this assumption.

The benefits budgeted expenses increased by \$57,000 (water by \$41,300; wastewater by \$15,700). Employee benefits represent 28.66% of base salaries. That is, the additional cost for paid benefits such as insurance, retirement, etc. is 28.66% of the total base salary the District pays its employees.

For the general manager, the budget includes an annual salary of \$95,000 plus five days vacation pay over the normal ten days (to allow some funds for negotiation flexibility), and all other general employee benefits.

The table below shows the comparison of actual salaries to budget for the past five years (does not include paid benefits such as holiday, sick and vacation):

Fiscal Year	Total Budgeted Salaries	Total Actual Salaries	Variance from budget
98-99 (salary survey & comparison)	238,200	247,613	9,413
99-00	265,900	264,365	(1,535)
00-01 (office reorganization)	296,900	261,623	(35,277)
01-02 (3.9% CPI increase)	294,000	286,300	(7,700)
02-03	309,500	293,000 projected	(16,500)
03-04 (salary survey & comparison)	417,600		

Purchased Power - PG&E and Southern California Gas. Budgeted about 2% increase over fiscal year 2003.

Insurance cost includes general liability and property casualty insurance. The budget amount did not change since we do not anticipate any significant increase in rates charged by ACWA-JPIA.

Depreciation budget for the water fund decreased \$4,900 since some capital items with high yearly depreciation have been fully depreciated and do not require replacement at this time.

Although there is no cash outlay for depreciation expense, the Board adopted a Resolution in 1994 to set cash aside base on depreciation expense and establish rates to provide sufficient cash to fund this depreciation expense in order to fund a replacement reserve for the purpose of replacing capital equipment.

Supplies and Repairs decreased overall by \$10,700. This is mainly due to reduction in the water treatment chemicals and meter budgets.

The District's program to refurbish meters and to replace odd brand meters is just about completed.

In fiscal year 2003, a decrease of \$0.22 per gallon for water treatment

chemicals was negotiated. After comparing the anticipated savings with the District's historical costs for chemicals, we were able to reduce the budget, even with an anticipated 15% increase in rates.

Professional/Contract Services decreased by \$91,400. (\$61,100 decrease for water fund and \$30,300 decrease for wastewater fund.)

Fiscal year 2003 budget included: \$12,000 to pull and inspect three pumps at the main booster pump station; \$10,000 for the three-year inspection of Tanks #1, 5 and 5B; \$12,500 for the salary and job classification survey, and \$68,900 for contracted general manager.

Due to a successful maintenance management program, there is no major work planned for this budget year. Therefore, fiscal year 2004 budget comprises the normal expenses.

- LAFCO fees are estimated at \$1,000. LAFCO is anticipating a smaller revenue requirement for fiscal year 2004 due to the carry-over of revenues from prior years. Therefore, the District's share of the 1/3 contribution from Special Districts is not expected to be more than that paid in fiscal year 2003 (\$913).
- Professional Services remained relatively the same. This includes services for legal counsel (\$7,200), audit (\$4,900), bond trustee's administrative fees (\$3,000) and legal/engineering contingencies (\$15,000).
- The Department of Health regulatory fees have been increasing yearly. This year's budget is estimated at \$6,000.
- Other expenses include service for office and general plant, SYRWCD Pump Tax, USGS Groundwater monitoring and \$7,000 in contingencies for pumping and transmission and distribution.

Customer Accounts, Office, Other increased by \$6,000 total. The "Other" category includes \$5,000 budgeted under travel expenses for relocation reimbursement for the new general manager. This was recommended by the Finance/Budget Committee to provide funds for negotiation flexibility.

Wastewater Treatment budget remains the same. The monthly treatment payments are based on estimated rates set by the City of Lompoc. Yearly, the City's prior fiscal year audited actual costs are reconciled against the total monthly payments.

Although, historically, actual costs have been slightly under \$370,000, staff budgeted \$380,000 to protect ratepayers from any unexpected changes in the flows to the regional plant or any other unforeseen costs.

Lease Payment - City represents the District's portion of capital improvements to the wastewater treatment plant. The budgeted cost was reduced by \$15,000 since capital costs are temporarily down due to the focus on the wastewater treatment plant improvement project.

NET INCOME

Water Fund	\$117,980	Wastewater Fund	\$84,650
------------	-----------	-----------------	----------

PRINCIPAL PAYMENTS - to be made from net income

Water Fund	\$231,800	Wastewater Fund	\$73,200
------------	-----------	-----------------	----------

BOND COVENANT PERFORMANCE

Water Fund	1.13	Wastewater Fund	1.52
------------	------	-----------------	------

Water and Wastewater Fund (combined)	1.22
--------------------------------------	------

The District's bond covenant requires that the District's water and wastewater net revenues be 120% of the Debt Service principal and interest, therefore, dictating a 1.2 or greater covenant performance. Although we meet our debt service obligation, the water fund is and has been underperforming in accordance with Resolution 99-94 which was adopted to establish reserve funds.

This policy has been overlooked over the past years until staff reviewed the available reserves for each individual fund in response to the Finance/Budget Committee requests to provide the available reserve amounts with the capital budget.

Water Capital Budget Synopsis and Justification

CAPITAL IMPROVEMENT PLAN

10" Check Valve - Upper Pressure Zone \$6,000

This addition to the water system is proposed in order to reduce the number of homes served by Booster Station #4 and, thereby, reduce the peak demand flows which cause pressure drops during morning peak periods and resulting customer complaints.

Installation of the check valve along with a gate valve (to be normally open) will not interfere with the fire-flow scheme from Booster Station #5. The installation will reduce the amount of supplemental pump run-time by a nominal amount.

Voltage Surge Suppressor - Site 1 \$1,500

This addition of a surge protector is needed to protect the motor control center logic boards in five starter panels for Well Site #1 pumps. Each logic board costs approximately \$3,000 to replace. One was damaged in fiscal year 2002-03, and there appears to be an increasing trend in voltage spikes in recent years. This should also provide improved system reliability, as well as cost savings, for future voltage surges.

CAPITAL REPLACEMENT PLAN

Two Computer Workstations \$2,500

Replacement of our two oldest computer workstations is necessary to overcome obsolescence at the end of their useful lives. The existing 1998 model, Pentium 233MH workstations are no longer able to run more modern software. Replacement is appropriate in keeping with our annual replacement program to keep up with technology and capabilities.

CAPITAL OUTLAY PLAN - none

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WATER CAPITAL BUDGET
FISCAL YEAR 2003 - 2004

	FUNDING SOURCE	AMOUNT
Capital Improvement Plan		
	Cash Reserves	
11-11172	10" Check Valve - Upper Pressure Zone (Oakhill & Greenbrier)	6,000
11-11152	Voltage Surge Suppressor - Site 1	1,500
	Sub-Total Capital Improvement Plan	\$7,500
 Capital Replacement Plan		
	Replacement Reserves	
11-11182	2 each Computer Workstation	2,500
	Sub-Total Capital Replacement Plan	\$2,500
 Capital Outlay Plan		
	Cash Reserves	
	Sub-Total Capital Outlay Plan	\$0
 Total Water Capital Budget		\$10,000

SUMMARY AMOUNTS BY FUNDING SOURCE

Replacement Reserves	\$2,500
Cash Reserves	7,500
	\$10,000
 AVAILABLE RESERVES	 \$915,550

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WATER OPERATING BUDGET
FISCAL YEAR 2003 - 2004**

	Actual FY Ended 06/30/2002	Approved Budget 06/30/2003	Board Approved 06/30/2004	% Total Revenue/ Expense
OPERATING REVENUE				
Water Sales	\$758,968	\$733,400	\$783,900	69.28%
Sub-Total	\$758,968	\$733,400	\$783,900	69.28%
NON-OPERATING REVENUE				
Interest, etc.	\$46,797	\$46,000	\$37,500	3.31%
Bond Charges	329,159	326,900	337,700	29.85%
Sub-Total	\$375,956	\$372,900	\$375,200	33.16%
OPERATING EXPENSE				
Salaries & Benefits	\$288,726	\$297,760	\$399,700	39.90%
Purchased Power	179,522	190,250	194,450	19.41%
Insurance	14,458	12,700	12,700	1.27%
Depreciation	120,973	120,000	115,100	11.49%
Supplies & Repairs	96,047	108,000	101,070	10.09%
Prof/Contract Services	91,233	122,500	61,400	6.13%
Customer Accounts	5,752	9,050	9,700	0.97%
Office	10,392	11,000	12,100	1.21%
Other	2,754	6,050	7,800	0.78%
Sub-Total	\$809,858	\$877,310	\$914,020	91.24%
NON-OPERATING EXPENSE				
Bond Interest	\$119,504	\$109,900	\$99,500	9.93%
Other	14,906	0	0	0.00%
Sub-Total	\$134,410	\$109,900	\$99,500	9.93%
NET INCOME¹	\$190,656	\$119,090	\$145,580	

¹PRINCIPAL PAYMENT of \$231,800 to be paid from net income plus depreciation add-back.
This is the cash required for payments from July 2003 to June 2004.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WATER FUND - DEBT SERVICE CALCULATION
 FISCAL YEAR 2003 - 2004

DESCRIPTION	Board Approved
1) Fee Requirement:	
a) Maintenance and Operations Costs	\$914,020
b) Less: Depreciation	(115,100)
c) Debt Service Interest	\$70,000
d) Debt Service Principal ¹	224,200
Debt Service Sub-Total	294,200
	\$1,093,120
Fees Collected:	
a) Service Charges	\$783,900
b) Bond Charges	337,700
	\$1,121,600
2) Covenant Revenue Calculation:	
a) Total Revenues (Less Interest)	\$1,121,600
b) Interest Earned	37,500
Sub-Total	\$1,159,100
c) Less Operating Costs	(\$914,020)
d) Plus Depreciation	115,100
Covenant Revenues	\$360,180
3) 120% Covenant Requirement	
(Debt Service Interest + Debt Service Principal) x 120%	\$353,040
4) Actual Covenant Performance	
Covenant Revenues ÷ Debt Service Principal & Interest	1.22

Debt Service Principal amount to be retired on 11/03 is \$224,200

Wastewater Capital Budget Synopsis & Justification

CAPITAL IMPROVEMENT PLAN

Line Sewer Mains \$72,000

This project is to line or replace sewer collector mains on Clubhouse Road and Oakhill Terrace which have been damaged by root infestation. This project was scheduled for fiscal year 2002-03, but will not be awarded in time for construction during fiscal year 2002-03. Accomplishing this project will reduce the maintenance effort now being expended for root control, but more importantly, will reduce the likelihood of sewage spills and/or sewer back-ups.

CAPITAL REPLACEMENT PLAN - None

CAPITAL OUTLAY PLAN - None

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WASTEWATER CAPITAL BUDGET
FISCAL YEAR 2003 - 2004

	FUNDING SOURCE	AMOUNT
Capital Improvement Plan	Cash Reserves	
Sub-Total Capital Improvement Plan		\$0
Capital Replacement Plan	Replacement Reserves	
12-11172 Line Sewer Mains		\$72,000
Sub-Total Capital Replacement Plan		\$72,000
Capital Outlay Plan	Cash Reserves	
Sub-Total Capital Outlay Plan		\$0
Total Wastewater Capital Budget		\$72,000

SUMMARY AMOUNTS BY FUNDING SOURCE

Replacement Reserves	\$72,000
Cash Reserves	0
	\$72,000
AVAILABLE RESERVES	\$1,611,724

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WASTEWATER OPERATING BUDGET
FISCAL YEAR 2003 - 2004**

	Actual FY Ended 06/30/2002	Approved Budget 06/30/2003	Board Approved 06/30/2004	% Total Revenue/ Expense
OPERATING REVENUE				
Wastewater Services	\$632,051	\$632,200	\$654,600	78.09%
Sub-Total	\$632,051	\$632,200	\$654,600	78.09%
NON-OPERATING REVENUE				
Interest, etc.	\$87,840	\$79,500	\$71,900	8.58%
Bond Charges	104,321	104,500	111,800	13.34%
Sub-Total	\$192,161	\$184,000	\$183,700	21.91%
OPERATING EXPENSE				
Salaries & Benefits	\$113,323	\$146,300	\$209,500	27.82%
Purchased Power	8,072	8,400	8,800	1.17%
Wastewater Treatment	269,761	380,000	380,000	50.46%
Lease Pymt - City	25,527	55,000	40,000	5.31%
Insurance	9,639	8,500	8,400	1.12%
Depreciation	21,046	21,700	22,800	3.03%
Supplies & Repairs	11,660	18,000	13,850	1.84%
Prof/Contract Services	35,277	47,700	17,400	2.31%
Customer Accounts	5,641	8,450	9,200	1.22%
Office	3,483	3,700	4,450	0.59%
Other	1,263	4,150	5,100	0.68%
Sub-Total	\$504,692	\$701,900	\$719,500	95.54%
NON-OPERATING EXPENSE				
Bond Interest	\$39,995	\$36,900	\$33,600	4.46%
Other	0	0	0	0.00%
Sub-Total	\$39,995	\$36,900	\$33,600	4.46%
NET INCOME¹	\$279,525	\$77,400	\$85,200	

¹PRINCIPAL PAYMENT of \$73,200 to be paid from net income plus depreciation add-back.
This is the cash required for payments from July 2003 to June 2004.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WASTEWATER FUND - DEBT SERVICE CALCULATION
 FISCAL YEAR 2003 - 2004

DESCRIPTION	Board Approved
1) Fee Requirement:	
a) Maintenance and Operations Costs	\$719,500
b) Less: Depreciation	(22,800)
c) Debt Service Interest	\$22,100
d) Debt Service Principal ¹	70,800
Debt Service Sub-Total	92,900
	\$789,600
Fees Collected:	
a) Service Charges	\$654,600
b) Bond Charges	111,800
	\$766,400
2) Covenant Revenue Calculation:	
a) Total Revenues (Less Interest)	\$766,400
b) Interest Earned	71,900
Sub-Total	\$838,300
c) Less Operating Costs	(\$719,500)
d) Plus Depreciation	22,800
Covenant Revenues	\$141,600
3) 120% Covenant Requirement	
(Debt Service Principal + Debt Service Interest) x 120%	\$111,480
4) Actual Covenant Performance	
Covenant Revenues ÷ Debt Service Principal & Interest	1.52

Debt Service Principal amount to be retired on 11/03 is \$70,800