



FISCAL YEAR 2004-05 BUDGET

MISSION STATEMENT

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

CAPITAL BUDGET

Vandenberg Village Community Services District was established in 1983 as a local Government agency under California Government Code Section 61000, et. seq., for the purpose of providing water and wastewater services to the community of Vandenberg Village, an unincorporated area of Santa Barbara County north of Lompoc. It is governed by a Board of five locally elected directors.

Board of Directors

Charles E. Blair
Anthony W. Fox
Emil B. Trevino
Donald D. Rowland
Robert A. Wyckoff

Capital Budget Synopsis and Justification

CAPITAL IMPROVEMENT PLAN

AutoCAD System Plat Maps \$21,208

This proposal is to put the District's current (paper) maps into AutoCAD and to update both Water and Wastewater for Providence Landing, Heritage, and Clubhouse Estates developments. Estimate provided by Penfield & Smith.

Chemical Tank electronic level measurement device \$2,500

This addition of a chemical tank electronic level measurement device would include SCADA capability for future considerations, a digital level indicator, and installation and calibration. This improvement would improve accuracy and create a redundancy of safeguards for chemical levels.

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.

Laptop Computer \$2,500

Replacement of the District's Laptop computer for the Field is used with the SCADA system. Replacement is appropriate in keeping with our annual replacement program to keep up with technology and capabilities.

Network Server

\$2,500

Replacement of the District's network server. Replacement is appropriate in keeping with our annual replacement program to keep up with technology and capabilities.

SCADA Computer

\$1,500

Replacement of the District's SCADA computer for the Field. 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 2004 - 2005**

		FUNDING SOURCE	AMOUNT
Capital Improvement Plan		Cash Reserves	
11-11160	Planning, Design, & Construction of Water Treatment Plant		\$60,000
11-11182	AutoCAD System Plat Maps		\$21,208
11-11160	Chemical Tank electronic level measurement device		\$2,500
	Sub-Total Capital Improvement Plan		\$83,708
Capital Replacement Plan		Replacement Reserves	
11-11182	Computer Workstation (2)		\$2,500
11-11182	Laptop Computer		\$2,500
11-11182	Network Server		\$2,500
11-11152	SCADA Computer @ 80%		\$1,200
	Sub-Total Capital Replacement Plan		\$8,700
Capital Outlay Plan		Cash Reserves	
	Sub-Total Capital Outlay Plan		\$0
Total Water Capital Budget			\$92,408

SUMMARY AMOUNTS BY FUNDING SOURCE

Replacement Reserves	\$8,700
Cash Reserves	83,708
	\$92,408
AVAILABLE RESERVES	\$986,500

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WASTEWATER CAPITAL BUDGET
FISCAL YEAR 2004 - 2005**

	FUNDING SOURCE	AMOUNT
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Capital Improvement Plan	Cash Reserves	
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Sub-Total Capital Improvement Plan		\$0
Capital Replacement Plan	Replacement Reserves	
12-11152 SCADA Computer @ 20%		\$300
Sub-Total Capital Replacement Plan		\$300
Capital Outlay Plan	Cash Reserves	
Sub-Total Capital Outlay Plan		\$0
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Total Wastewater Capital Budget		\$300
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SUMMARY AMOUNTS BY FUNDING SOURCE

Replacement Reserves		\$300
Cash Reserves	<u>0</u>	
	<u>\$300</u>	
 AVAILABLE RESERVES		 \$1,980,400

OPERATING BUDGET

Vandenberg Village Community Services District was established in 1983 as a local Government agency under California Government Code Section 61000, et. seq., for the purpose of providing water and wastewater services to the community of Vandenberg Village, an unincorporated area of Santa Barbara County north of Lompoc. It is governed by a Board of five locally elected directors.

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VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT

**Water and Wastewater Enterprise Funds
Operating Budgets for Fiscal Year 2004-2005**

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.

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.

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 2004 budget.

Projections are as follows:

- Investments & money market
 - 1.47% interest rate for LAIF
 - 2.37% interest rate for Santa Barbara County
 - 0.92% for the money market account
 - 4.22% for an existing CD (\$25,000) at Santa Barbara Bank & Trust

- 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 4% during 2003-2004. The budget reflects earnings of 3.5%.

Bond Charges revenues are projected by using an average number of active residential and commercial customers.

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

Bond charges for condominiums and apartments are charged per unit.

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

Salaries increased \$21,500 over fiscal year 2004 budget. The anticipated salaries for working hours are:

Water fund = \$284,200 (FY 2004: 270,300)

Wastewater fund = \$154,900 (FY 2004: 147,300)

Total benefits = \$240,076 (FY 2004: 191,600)

The budget assumes that all employees 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 \$48,476 (water by \$37,576; wastewater by \$10,900). Employee benefits represent 50.64% of base salaries. That is, the additional cost for paid benefits such as insurance, retirement, etc. is 50.64% of the total base salary the District pays its employees. This increase in benefits includes a \$15,000 (38%) budget increase to Medical Insurance, due to an insurance rate hike and additional employees covering their families at 50% of the rate difference between individual and family coverage. The benefits increase also includes \$32,000 in additional CalPERS (State of California Public Employees Retirement System) payments due to resumption of the district paying the Employer Contribution at an estimated 6.5%. The district was superfunded in prior years and did not have this expenditure in budget year 2003-2004.

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
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	294,986	(14,514)
03-04 (salary survey & comparison)	417,600	408,135 projected	(9,465)
04-05	439,100		

Purchased Power - PG&E and Southern California Gas. No budget change from fiscal year 2004.

Insurance cost includes general liability and property casualty insurance. The budget amount reflects an increase in rates charged by ACWA-JPIA.

Depreciation budget for the water fund decreased \$3,200 as 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 based 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 increased overall by \$47,370. The significant line item increases are \$5,000 increase for Well 1B repairs, \$8,600 to pull, dip and bake the 75hp booster pump motor, \$10,400 for 55 meters for Providence Landing, \$7,500 for tractor maintenance, and \$4,000 for Transmission and Distribution repairs on saddles and Poly B pipes, and \$10,500 for the 5-year fog seal of Sites 1, 3, & 5.

Professional/Contract Services had little change from last fiscal year.

Due to a successful maintenance management program, there is no major work planned for this budget year. Therefore, fiscal year 2005 budget comprises the normal expenses.

- LAFCO fees are estimated at \$1,273. The District's share of the contribution from Special Districts is expected to be 1/3 of 2.35% of LAFCO's 04/05 budget revenue requirement of \$164,200.
- Professional Services decreased. This includes services for legal counsel (\$2,500), audit (\$4,900), bond trustee's administrative fees (\$3,000) and legal/engineering contingencies (\$5,500).

- Inspection is budgeted for the Filter Pressure Tank (\$3,200).
- 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 in the following categories:

- Membership fees increased \$3,600.
- Directors expense went up \$2,560 due to increased seminar attendance.
- Election expense is expected to be \$3,000 (no election last fiscal year).
- Anticipate Field Vehicle maintenance to increase by \$1,000.
- Anticipate Field Vehicle fuel costs to increase by \$5,000.

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 \$30,000 since capital costs are temporarily down due to the focus on the wastewater treatment plant improvement project.

The up-front interest portion of the State Revolving Fund will be paid out of Wastewater reserves and will not affect the bond covenant.

NET INCOME

Water Fund	\$96,519	Wastewater Fund	*<\$1,453,636>
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*Note: Loss assumes \$1,518,037 will be paid for the LRWRP upgrade up-front payment.

PRINCIPAL PAYMENTS - to be made from net income

Water Fund	\$240,667	Wastewater Fund	\$76,000
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BOND COVENANT PERFORMANCE

Water Fund	1.02	Wastewater Fund	1.24
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Water and Wastewater Fund (combined) 1.07

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. Both funds (Water and Wastewater) are 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.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WATER OPERATING BUDGET
FISCAL YEAR 2004 - 2005

	Actual FY Ended 06/30/2003	Approved Budget 06/30/2004	Staff Proposed 06/30/2005	% Total Revenue/ Expense	Committee Recommended 06/30/2005	% Total Revenue/ Expense	Board Approved 06/30/2005	% Total Revenue/ Expense
OPERATING REVENUE								
Water Sales	\$804,305	\$783,900	\$832,700	69.48%	\$832,700	69.48%	\$914,853	71.43%
Sub-Total	\$804,305	\$783,900	\$832,700	69.48%	\$832,700	69.48%	\$914,853	71.43%
NON-OPERATING REVENUE								
Interest, etc.	\$33,917	\$37,500	\$27,850	2.32%	\$27,850	2.32%	\$27,850	2.17%
Bond Charges	337,918	337,700	338,000	28.20%	338,000	28.20%	338,000	26.39%
Other Non-Operating	0	0	0	0.00%	0	0.00%	0	0.00%
Sub-Total	\$371,835	\$375,200	\$365,850	30.52%	\$365,850	30.52%	\$365,850	28.57%
OPERATING EXPENSE								
Salaries & Benefits	\$298,811	\$399,700	\$451,175	40.83%	\$451,175	40.94%	\$451,175	40.94%
Purchased Power	175,140	187,800	187,800	16.99%	187,800	17.04%	187,800	17.04%
Insurance	12,430	12,700	15,000	1.36%	15,000	1.36%	15,000	1.36%
Depreciation	119,514	115,100	114,000	10.32%	114,000	10.34%	114,000	10.34%
Source of Supply	20,405	29,500	34,597	3.13%	34,597	3.14%	34,597	3.14%
Pumping	5,955	13,100	17,540	1.59%	17,540	1.59%	17,540	1.59%
Treatment	48,253	55,200	59,900	5.42%	59,900	5.44%	59,900	5.44%
Transmission and Distribution	32,172	24,950	37,095	3.36%	37,095	3.37%	37,095	3.37%
Administrative	86,831	54,750	66,524	6.02%	63,464	5.76%	63,464	5.76%
Customer Accounts	14,541	13,400	15,600	1.41%	15,600	1.42%	15,600	1.42%
Transportation	5,291	4,800	8,400	0.76%	8,400	0.76%	8,400	0.76%
Tools/Equipment	1,392	1,400	6,600	0.60%	6,600	0.60%	6,600	0.60%
Other	865	1,620	2,260	0.20%	2,260	0.21%	2,260	0.21%
Sub-Total	\$821,598	\$914,020	\$1,016,491	91.98%	\$1,013,431	91.96%	\$1,013,431	91.96%
NON-OPERATING EXPENSE								
Bond Interest	\$109,566	\$99,500	\$88,600	8.02%	\$88,600	8.04%	\$88,600	8.04%
Other	(389)	0	0	0.00%	0	0.00%	0	0.00%
Sub-Total	\$109,177	\$99,500	\$88,600	8.02%	\$88,600	8.04%	\$88,600	8.04%
NET INCOME¹	\$245,364	\$145,580	\$93,459		\$96,519		\$178,672	
Net Income + Depreciation	\$364,878	\$260,680	\$207,459		\$210,519		\$292,672	
PRINCIPAL PAYMENT	\$250,267	\$231,800	\$240,667		\$240,667		\$240,667	
Estimated Addition to Cash Reserves	\$114,611	\$28,880	(\$33,208)		(\$30,148)		\$52,005	

¹PRINCIPAL PAYMENT to be paid from net income plus depreciation add-back.
This is the cash required for payments from July 2004 to June 2005

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WASTEWATER OPERATING BUDGET
FISCAL YEAR 2004 - 2005

	FY Ended 06/30/2003	Approved Budget 06/30/2004	Staff Proposed 06/30/2005	% Total Revenue/ Expense	Committee Recommended 06/30/2005	% Total Revenue/ Expense	Board Approved 06/30/2005	% Total Revenue/ Expense
OPERATING REVENUE								
Wastewater Services	\$673,808	\$654,600	\$658,500	80.37%	\$658,500	80.37%	\$681,400	80.90%
Sub-Total	\$673,808	\$654,600	\$658,500	80.37%	\$658,500	80.37%	\$681,400	80.90%
NON-OPERATING REVENUE								
Interest, etc.	\$68,340	\$71,900	\$52,850	6.45%	\$52,850	6.45%	\$52,850	6.27%
Bond Charges	105,519	111,800	108,000	13.18%	108,000	13.18%	108,000	12.82%
Other Non-Operating	0	0	0	0.00%	0	0.00%	0	0.00%
Sub-Total	\$173,859	\$183,700	\$160,850	19.63%	\$160,850	19.63%	\$160,850	19.10%
OPERATING EXPENSE								
Salaries & Benefits	\$124,563	\$209,500	\$228,000	30.12%	\$228,000	30.20%	\$228,000	30.20%
Purchased Power	4,207	4,800	4,800	0.63%	4,800	0.64%	4,800	0.64%
Wastewater Treatment	302,493	380,000	380,000	50.20%	380,000	50.33%	380,000	50.33%
Lease Pymt - City	13,155	40,000	10,000	1.32%	10,000	1.32%	10,000	1.32%
Insurance	8,287	8,400	10,000	1.32%	10,000	1.32%	10,000	1.32%
Depreciation	22,431	22,800	20,700	2.73%	20,700	2.74%	20,700	2.74%
Pumping	1,727	2,400	6,360	0.84%	6,360	0.84%	6,360	0.84%
Collection	791	4,500	4,500	0.59%	4,500	0.60%	4,500	0.60%
Customer Accounts	12,470	10,700	12,100	1.60%	12,100	1.60%	12,100	1.60%
Administrative	48,819	33,650	37,929	5.01%	35,849	4.75%	35,849	4.75%
Transportation	3,527	3,200	5,600	0.74%	5,600	0.74%	5,600	0.74%
Tools/Equipment	1,124	900	5,400	0.71%	5,400	0.72%	5,400	0.72%
Other	536	450	1,440	0.19%	1,440	0.19%	1,440	0.19%
Sub-Total	\$544,129	\$721,300	\$726,829	96.01%	\$724,749	96.00%	\$724,749	96.00%
NON-OPERATING EXPENSE								
Bond Interest	\$36,976	\$33,600	\$30,200	3.99%	\$30,200	4.00%	\$30,200	4.00%
Other	30	0	0	0.00%	0	0.00%	0	0.00%
Sub-Total	\$37,006	\$33,600	\$30,200	3.99%	\$30,200	4.00%	\$30,200	4.00%
SRF Interest Payment from Reserves	\$0	\$0	\$1,518,037		\$1,518,037		\$1,518,037	
Sub-Total	\$37,006	\$33,600	\$1,548,237		\$1,548,237		\$1,548,237	
NET INCOME¹								
Net Income + Depreciation	\$266,533	\$83,400	\$62,321		\$64,401		\$87,301	
	\$288,964	\$106,200	\$83,021		\$85,101		\$108,001	
PRINCIPAL PAYMENT								
Estimated Addition to Cash Reserves	\$79,009	\$73,200	\$76,000		\$76,000		\$76,000	
	\$209,955	\$33,000	\$7,021		\$9,101		\$32,001	

¹PRINCIPAL PAYMENT to be paid from net income plus depreciation add-back.
This is the cash required for payments from July 2004 to June 2005

DEBT SERVICE

Vandenberg Village Community Services District was established in 1983 as a local Government agency under California Government Code Section 61000, et. seq., for the purpose of providing water and wastewater services to the community of Vandenberg Village, an unincorporated area of Santa Barbara County north of Lompoc. It is governed by a Board of five locally elected directors.

In December of 1988, VVCSD purchased the water and wastewater facilities from Park Water Company. \$5.4 million in revenue bonds were issued to cover the purchase. The bond covenant requires a 1.20 covenant performance. (Revenues must exceed debt service (principal and interest payments) by 20%).

Board of Directors

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VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WATER FUND - DEBT SERVICE CALCULATION
 FISCAL YEAR 2004 - 2005

DESCRIPTION	Board Approved
1) Fee Requirement:	
a) Maintenance and Operations Costs	\$1,013,431
b) Less: Depreciation	(114,000)
c) Debt Service Interest	\$59,000
d) Debt Service Principal ¹	235,600
Debt Service Sub-Total	294,600
	\$1,194,031
Fees Collected:	
a) Service Charges	\$914,853
b) Bond Charges	338,000
	\$1,252,853
2) Covenant Revenue Calculation:	
a) Total Revenues (Less Interest)	\$1,252,853
b) Interest Earned	27,850
Sub-Total	\$1,280,703
c) Less Operating Costs	(\$1,013,431)
d) Plus Depreciation	114,000
Covenant Revenues	\$381,272
3) 120% Covenant Requirement (Debt Service Interest + Debt Service Principal) x 120%	\$353,520
4) Actual Covenant Performance Covenant Revenues ÷ Debt Service Principal & Interest	1.29

Debt Service Principal amount to be retired on 11/04 is \$235,600

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WASTEWATER FUND - DEBT SERVICE CALCULATION
 FISCAL YEAR 2004 - 2005

DESCRIPTION	Board Approved
1) Fee Requirement:	
a) Maintenance and Operations Costs	\$724,749
b) Less: Depreciation	(20,700)
c) Debt Service Interest	\$18,600
d) Debt Service Principal ¹	74,400
Debt Service Sub-Total	93,000
	\$797,049
Fees Collected:	
a) Service Charges	\$681,400
b) Bond Charges	108,000
	\$789,400
2) Covenant Revenue Calculation:	
a) Total Revenues (Less Interest)	\$789,400
b) Interest Earned	52,850
Sub-Total	\$842,250
c) Less Operating Costs	(\$724,749)
d) Plus Depreciation	20,700
Covenant Revenues	\$138,201
3) 120% Covenant Requirement (Debt Service Principal + Debt Service Interest) x 120%	\$111,600
4) Actual Covenant Performance Covenant Revenues ÷ Debt Service Principal & Interest	1.49

Debt Service Principal amount to be retired on 11/04 is \$74,400

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
WATER AND WASTEWATER FUND COMBINED
DEBT SERVICE CALCULATION
FISCAL YEAR 2004 - 2005

DESCRIPTION	Board Approved
1) Fee Requirement:	
a) Maintenance and Operations Costs	\$1,738,180
b) Less: Depreciation	(134,700)
c) Debt Service Interest	\$77,600
d) Debt Service Principal ¹	310,000
Debt Service Sub-Total	387,600
	\$1,991,080
Fees Collected:	
a) Service Charges	\$1,596,253
b) Bond Charges	446,000
	\$2,042,253
2) Covenant Revenue Calculation:	
a) Total Revenues (Less Interest)	\$2,042,253
b) Interest Earned	80,700
Sub-Total	\$2,122,953
c) Less Operating Costs	(\$1,738,180)
d) Plus Depreciation	134,700
Covenant Revenues	\$519,473
3) 120% Covenant Requirement (Debt Service Interest + Debt Service Principal) x 120%	\$465,120
4) Actual Covenant Performance Covenant Revenues ÷ Debt Service Principal & Interest	1.34

The combined Debt Service Principal amount to be retired in November is