



Fiscal Year 2010 Adopted Budget





ADOPTED BUDGET FISCAL YEAR 2010

Dedicated to Satisfying our Community's Water Needs

1965 Placentia Avenue, Costa Mesa, CA 92627 ♦ (949) 574-1022
www.mesawater.org



Mesa's Vision:

To be the best water agency in Orange County



Mesa's Mission:

Dedicated to satisfying our community's water needs



Mesa's Five Major Goals:

Provide a safe
and reliable
water supply

Practice
continuous
infrastructure
renewal and
improvement

Increase
public
awareness
about Mesa
and about
water

Attract and
retain skilled
employees

Be financially
responsible
and maintain
competitive
rates

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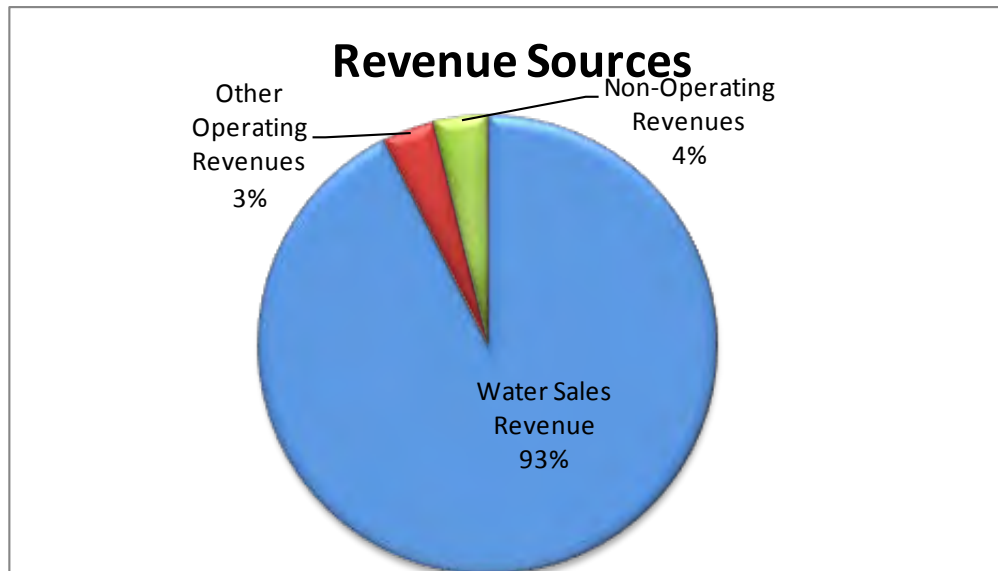
Date: March 24, 2009

To: Board of Directors
Mesa Consolidated Water District

FISCAL YEAR 2010 BUDGET MESSAGE

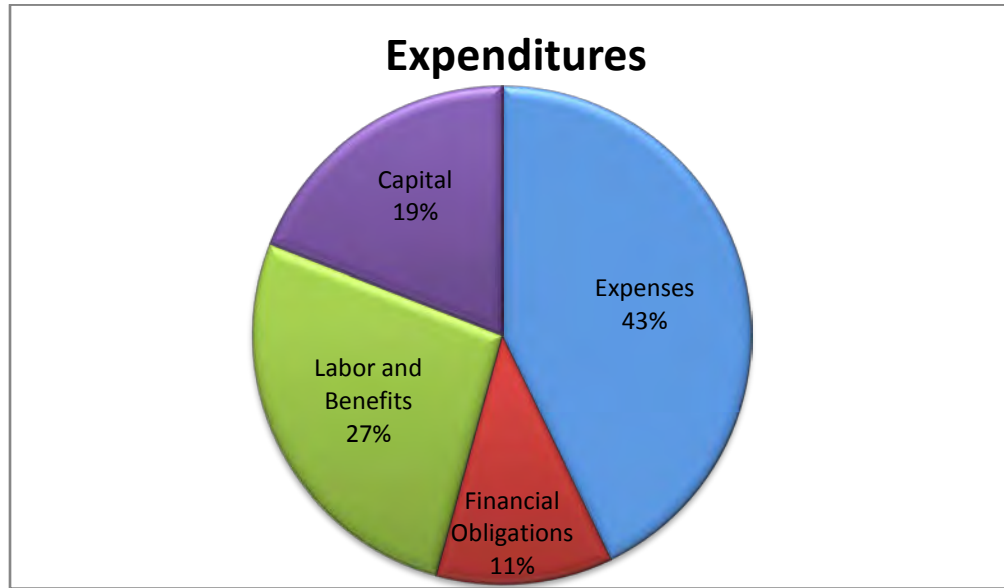
I am pleased to present to the Board of Directors (Board) the recommended budget for Fiscal Year 2010 (FY10) beginning July 1, 2009 and ending June 30, 2010.

The FY10 budget is based on operating revenues of \$25,873,500 and operating expenses of \$23,029,833, which reflect a decrease of 5% for revenues and 2% for expenses over last year's budget submittal. The capital budget includes new capital of \$329,500 and replacement capital of \$5,105,400. These projections represent a 39% increase for new capital and a 16% increase for replacement capital when compared to last year's submittal, for an overall increase to Mesa Consolidated Water District's (Mesa) capital budget of 18%. The capital budget also includes \$100,000 in capital projects related to private development that are funded by the developer. Total sources of funds are estimated to be \$26,878,100 of which 93% comes from water sales. This is a decrease of 5% over last year's submittal.



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Total uses of funds are estimated to be \$28,464,733 which is an increase of 1% each over last year's submittal.



Organizational Priorities

Mesa recently revised its Strategic Plan in December of 2008. The proposed budget reflects some of the priorities that came out of the Strategic Planning process. This Strategic Plan includes the following goals:

1. Provide a safe and reliable water supply.
2. Practice continuous infrastructure renewal and improvement.
3. Be financially responsible and maintain competitive rates.
4. Increase public awareness about Mesa and about water.
5. Attract and retain skilled employees.

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Expenses

Included in this budget are several items which reflect the goals of the Strategic Plan. In FY10 Mesa will offer an in-house water education class to allow any Mesa employee to test for water treatment certifications. Additionally, Mesa will continue the employee wellness program begun in FY09. Both of these items contribute to Strategic Plan Goal #5.

This year's budget also includes funds for Mesa to celebrate its 50th Anniversary in January of 2010 which contributes to Strategic Plan Goal #4.

Work on the implementation of a GAP Analysis study will be conducted during FY10 which contributes to Strategic Plan Goal #3. The study reviewed how information flows between departments and information systems and provided recommendations on efficiencies that Mesa could realize.

Capital Projects

Included in the FY10 Budget is the refurbishment of Well #4 located on Fairview Road (Strategic Plan Goal #1). During FY08 Mesa evaluated abandoning the existing well and drilling a new well in a new location. It was determined that it was not financially feasible due to the high demolition costs for abandoning the existing well.

Mesa is continuing to implement recommendations from the Information Technology Master Plan (Strategic Plan Goals #1 and #2). Major projects planned in FY10 are the completion of a Geographic Information System (GIS), including connection to other Information Technology (IT) systems already in use at Mesa such as the Computerized Maintenance Management System (CMMS) and Customer Information Systems (CIS), the second year of the two year replacement project of the Supervisory Control and Data Acquisition (SCADA) system, a document management system, a disaster recovery plan and an intranet.

Continuing Mesa's commitment to the orderly replacement of capital infrastructure (Strategic Plan Goal #2), FY10 is the third year of focusing on replacing valves both by internal staff and a hired contractor. The proposed budget contains \$1,172,300 for the valve replacement projects. Also, beginning this year Mesa will extend the life of small meters from a 10 year replacement plan to a 15 year replacement plan, which is still within American Water Works Association (AWWA) guidelines. This 5 year additional life is not expected to have an adverse effect on revenues as the accuracy of the meters should not decrease considerably during that time.

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Mesa is continuing to evaluate changing the technology at the Colored Water Treatment Facility (CWTF). The existing technology is not as efficient as newer technologies that are available. The estimated costs for the technology change as well as expansion of the facility are approximately \$14 million. These improvements will allow Mesa to be completely self-sustaining for water supply and not be dependent on more costly imported water sources. While it is anticipated that work at the CWTF will occur in FY10, the costs for the facility, as well as funding for the facility, are not included in this budget document. Mesa is seeking outside grants to help offset a portion of the costs. The remainder of the costs will be financed using debt and that amount is not finalized as grant opportunities are still being sought.

Economic and Policy Issues

One issue that has economic ramifications in the coming year is that California is in the 3rd year of a drought and statewide drought conditions have been declared by the Governor. This year the rainfall and statewide snowpack continue to be below average. Ultimately, these climatic changes impact local water supplies and how we plan for the future. Mesa, in conjunction with other agencies, is encouraging conservation among residential water users. In anticipation of the impact of the conservation message, Mesa is projecting a 10% reduction in potable water sales and a slight increase in recycled water sales for an overall decrease in demand of 7%.

In FY10 we are anticipating that it may be necessary to increase pumping from the CWTF, which is a higher cost source of water compared to clear well water as can be seen from the table below. This increase is needed due to Orange County Water District (OCWD) reducing the Basin Pumping Percentage (BPP) or the percent of clear well production from 69% of potable production in FY09 to 65% in FY10.

Our imported water costs from Municipal Water District of Orange County (MWDOC) are expected to increase 21% from the prior year. Presently we have not received notification of a reduced allocation to our imported water supply; however, we anticipate it could occur prior to the end of the fiscal year.

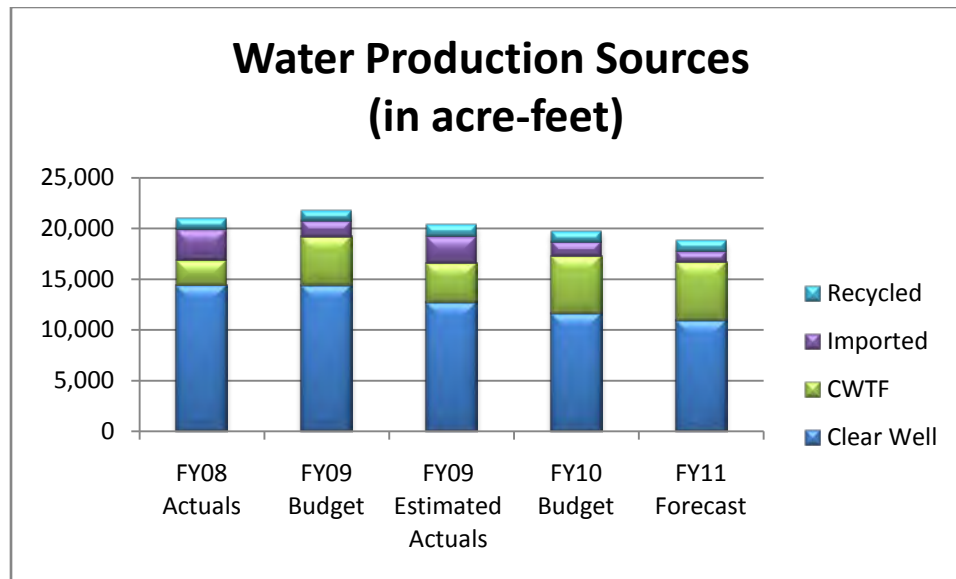
The mix of production sources included in the budget allows for Mesa not to pay penalties if the anticipated 20% reduced allocation occurs. There will be continued recommendations for increased conservation measures during the coming year coming in forms of advertising from Metropolitan Water District of Southern California (MWD), the State of California, or other local agencies, all of which could have a negative impact on budgeted water sales revenue.

During FY09 there were a couple of large development projects that were anticipated to occur which have not started, however the developers believe they will occur in this next fiscal year. This is reflected in an increase in development related fees, including Capacity Charges, which are used to offset the cost of new or existing infrastructure. Additionally, this will delay the associated increase in revenue from new meter basic charges and added consumption. The population served by Mesa is approximately 110,000. New growth, however modest, will continue to increase demands on our water supply and are being planned for accordingly.

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Water Source	FY10 Budgeted Average Cost per Acre-foot
Clear Well Water	\$354.75
Colored Water Treatment Facility	\$539.83
Imported Water	\$855.66
Recycled Water	\$326.40

Average cost of water is based on FY10 budgeted operating costs including both variable and fixed costs. The CWTF costs are net of the MWD Local Resource Program (LRP) revenue and none of the costs include a capital component.



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Revenue Assumptions

With a built out community and customer base, Mesa projects water sales consumption will decrease slightly in relation to the delivery and sale of potable water. The primary driver of this decrease is the continued conservation message, which had an impact on FY09 sales, and it is believed it will continue in FY10. It is estimated that approximately 17,930 acre-feet of potable water and 1,100 acre-feet of recycled water will be sold next fiscal year, which represents a decrease in acre-feet of almost 10% for potable water and an increase of 10% for recycled water.

Mesa's overall water sales revenues are estimated to be \$24.9 million, a 5% decrease from last year, reflecting the continued conservation efforts by Mesa's customers. There is no proposed change to the basic or usage charge in the FY10 budget. For additional details on revenue assumptions refer to page Basis-16.

Staffing Levels

For Fiscal Year 2010, staff levels have decreased by the following 2.5 positions which were removed as part of the Fiscal Year 2010 Budget preparation process:

One (1) Water Maintenance Worker: This position has been unfilled for the prior three years and it was determined current workloads could be maintained with the removal of this position.

One (1) Auditor/Controller: This position became vacant in FY09 due to a retirement. It was determined the position would not be filled after the retirement as the position had been focusing on projects that had been completed during the year.

The following recently vacated position was reduced from full-time to part-time based on an evaluation of workload:

One (1) Office Assistant

Conclusion

Mesa Consolidated Water District continues to grow and flourish as an organization. Our Board of Directors and staff continue a tradition of innovation with their ideas and methods for accomplishing our mission; *Dedicated to satisfying our community's water needs.*

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Special Thanks

I would like to express my appreciation to the members of the Board of Directors for your confidence in Mesa's management team as well as your review, advice, suggestions, and policy direction during the budget process. This document reflects the time you spent in reviewing the budget as well as the sincere compassion you have for this community.

I would also like to thank the staff for their contributions and participation in the development of the FY10 Budget. This challenging process has produced an excellent document worthy of recognition, as was the FY09 Budget that received a Meritorious Budgeting Award from California Society of Municipal Finance Officers. I would especially like to thank Victoria L. Beatley, Financial Services Manager and Glynis Litvak, Financial Analyst for their hard work, dedication, and commitment in producing this outstanding and useful document.

Lee Pearl

General Manager

BUDGET SUMMARY

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Summary Sources and Uses of Funds

	FY08 Actuals	FY09 Budget	FY09 Estimated Actuals	FY10 Budget	% Change FY10 Budget from FY09 Budget	FY11 Forecast
Sources of Funds						
Water Sales Revenue	\$22,901,377	\$26,305,700	\$25,482,300	\$24,877,500	-5%	\$24,882,500
Other Operating Revenues	687,709	908,700	882,400	996,000	10%	1,062,000
Non-Operating Revenues	816,179	1,095,600	907,300	1,004,600	-8%	1,655,100
Total Sources of Funds	24,405,265	28,310,000	27,272,000	26,878,100	-5%	27,599,600
Uses of Funds						
Expenses	10,833,788	12,984,000	11,536,200	12,502,000	-4%	12,325,400
Financial Obligations	3,751,347	3,307,300	3,307,300	3,306,300	0%	2,975,700
Labor and Benefits	13,185,059	7,584,511	7,337,551	7,668,084	1%	8,094,286
Temporary Labor	6,447	20,600	0	0	-100%	0
Labor and Benefits Capitalized	(320,342)	(425,400)	(230,435)	(446,551)	5%	(431,811)
<i>Total Expenses</i>	<i>27,456,300</i>	<i>23,471,011</i>	<i>21,950,615</i>	<i>23,029,833</i>	<i>-2%</i>	<i>22,963,576</i>
Capital						
New	468,679	236,500	255,000	329,500	39%	123,700
Replacements & Refurbishments	1,415,582	4,386,800	3,391,000	5,105,400	16%	1,844,600
<i>Total Capital</i>	<i>1,884,261</i>	<i>4,623,300</i>	<i>3,646,000</i>	<i>5,434,900</i>	<i>18%</i>	<i>1,968,300</i>
Total Uses of Funds	29,340,561	28,094,311	25,596,615	28,464,733	1%	24,931,876
<i>Funding from Rate Stabilization Fund</i>	0	0	0	100,000	0	0
<i>Addition to Asset Acquisition Fund</i>	0	0	0	0	N/A	0
<i>Funding from Asset Acquisition Fund</i>	0	0	0	0	N/A	0
<i>Addition to Asset Replacement Fund</i>	1,149,700	3,350,000	3,350,000	3,578,900	7%	3,722,100
<i>Funding from Asset Replacement Fund</i>	220,000	4,386,800	3,391,000	5,105,400	16%	1,844,600
<i>Addition to Operating Fund</i>	523,664	1,127,799	0	284,900	-75%	123,600
<i>Funding from Operating Fund</i>	66,000	491,700	9,692	329,000	-33%	130,000
<i>Addition to Rate Stabilization Fund</i>	2,911,581	616,390	1,726,077	83,967	N/A	796,624
Total Change to Designated Funds	4,298,945	215,689	1,675,385	(1,586,634)	-836%	2,667,724
Loan Proceeds	2,800,000					
Balance of Funds Contributed to (Required for) the Budget	(6,434,240)	0	0	0	N/A	0

Excludes water purchased for and sold to Huntington Beach

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Department Summary

Department	FY08 Actuals	FY09 Budget	FY09 Estimated Actuals	FY10 Budget	% Change FY10 Budget from FY09 Budget	FY11 Guidelines
Board of Directors	109,779	184,947	157,102	172,313	-7%	193,942
Office of the General Manager	976,070	538,490	472,874	431,512	-20%	460,571
Administrative Services	3,458,301	2,813,204	2,412,763	2,847,720	1%	2,492,446
Engineering	2,745,425	3,519,618	2,084,772	3,848,035	9%	2,024,038
Financial Services	5,712,760	4,758,086	4,751,653	4,847,409	2%	4,560,668
Human Resources	749,905	572,166	541,636	611,012	7%	604,659
Water Operations	15,588,320	15,707,800	15,175,816	15,706,733	0%	14,595,552
TOTAL EXPENSES	\$29,340,561	\$28,094,311	\$25,596,615	\$28,464,733	1%	\$24,931,876

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Capital Summary

Account Number	Account Name	FY08 Actuals	FY09 Budget	FY09 Estimated Actuals	FY10 Budget	FY11 Forecast
<u>New Capital</u>						
O1002-09	Records and Document Management System	\$0	\$50,000	\$50,000	\$100,000	\$0
O1001-09	Information Systems Software and Hardware	\$116,019	\$74,500	\$65,000	\$96,000	\$0
CSDEV-04	Support of Customer Development	\$213,492	\$100,000	\$100,000	\$100,000	\$100,000
M1915-04	Vault Lid Improvements-Import Stations	0	0	0	33,500	23,700
O0802-03	Computerized Maintenance Management System	\$53,000	\$12,000	\$40,000	\$0	\$0
M1575-D4	Permanent ammonium chloride feed system at the CWTF	\$2,000	\$0	\$0	\$0	\$0
M1348-04	GIS Implementation	\$76,154	\$0	\$0	\$0	\$0
O0803-09	Water Vending Maching	\$8,014	\$0	\$0	\$0	\$0
Total New Capital (including capitalized labor)		468,679	236,500	255,000	329,500	123,700
<u>Replacements and Refurbishments</u>						
CBI10-03	Bypass & Meter Installation	28,669	46,500	46,500	48,000	48,300
CMV10-03	Distribution Mainline Valve Replacement	282,273	330,700	290,000	372,300	374,100
CFH10-03	Fire Hydrant Replacements	159,945	245,600	230,000	231,000	233,400
CLM10-03	Large Meter Replacement (1.5" - 2")	92,645	101,100	100,000	66,800	67,200
COA10-04	Relocation of Facilities for Other Public Agencies	6,390	100,000	50,000	100,000	100,000
CSC10-03	SCADA Improvements	105,218	742,300	1,313,200	1,418,400	0
CSL10-03	Service Line Replacements	49,080	79,600	79,600	67,800	69,100
CSM10-03	Small Meter Replacement (5/8" - 1")	201,638	193,700	193,700	126,100	127,500
CVR10-03	Transmission Mainline Valve Replacements	0	50,000	0	25,000	25,000
B1001-03	Heating, Ventilation and Air Conditioning Replacement	27,541	30,000	68,200	0	0
M1852-E4	Valve Replacement - Contractor	407,836	800,000	800,000	800,000	800,000
M1828-04	Well No. 4	8,824	1,650,000	200,000	1,635,000	0
M1916-04	Well No. 5 Color Treatment Project	0	0	0	215,000	0
A0802-03	Pool Car Replacement	17,088	0	0	0	0
A0904-03	Fleet	28,435	17,300	19,800	0	0
Total Capital Replacements and Refurbishments (including capitalized labor)		1,415,582	4,386,800	3,391,000	5,105,400	1,844,600
Total Capital Requirements		\$1,884,261	\$4,623,300	\$3,646,000	\$5,434,900	\$1,968,300

Carryover projects funded from prior year rates (see Summary-4)

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Carryover Projects Budgeted in FY10 and Funded From Prior Years Rates

	FY09 Budget	FY09 Estimated Actuals	FY09 Budget to Carryover to FY10	FY10 Budget	FY10 Budget to Carryover to FY11	FY11 Forecast
<u>Expenses</u>						
Other Employee Paid Benefits	3,160	22,600	6,000	15,700	0	16,300
Customer Service	3,000	1,300	1,500	2,800	0	3,100
Public Information Events and Programs	30,000	58,800	55,000	143,500	0	0
Information System Maintenance & Support	127,600	249,000	175,000	412,000	0	226,800
Computer Equipment	64,000	41,100	15,000	36,000	0	20,800
GIS Implementation	59,800	125,900	0	42,600	30,000	98,800
Unidirectional Flushing	1,500	0	1,500	1,500	0	1,500
Staff Development & Conferences-Administrative Services	22,200	10,500	10,000	22,700	0	10,300
Total Expenses	\$311,260	\$509,200	\$264,000	\$676,800	\$30,000	\$377,600
<u>Capital</u>						
Records and Document Management System	50,000	50,000	20,000	100,000	0	0
Well 4 Rehabilitation	1,600,000	200,000	1,411,800	1,635,000	0	0
Total Capital	\$1,650,000	\$250,000	\$1,431,800	\$1,735,000	\$0	\$0
Total	(\$1,961,260)	(\$759,200)	(\$1,695,800)	(\$2,411,800)	(\$30,000)	(\$377,600)
Funding from Asset Replacement Fund			\$1,411,800			
Funding from Rate Stabilization Fund			\$55,000			
Funding from Operating Fund			\$229,000		\$30,000	