

The background of the slide is a light blue and white image of water with bubbles and ripples, suggesting a clean and fresh water source.

# **Fiscal Year 2011 Adopted Budget**



**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

Be financially responsible and maintain competitive rates

Increase public awareness about Mesa and about water

Attract and retain skilled employees

Mesa Consolidated Water District  
**Fiscal Year 2011 Budget**

Date: May 11, 2010

To: Board of Directors  
Mesa Consolidated Water District

**FISCAL YEAR 2011 BUDGET MESSAGE**

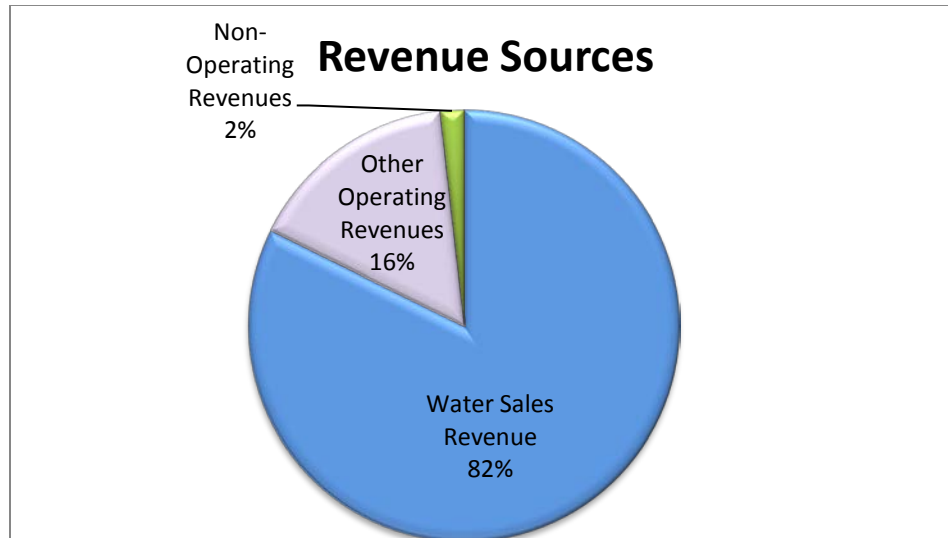
I am pleased to present to the Board of Directors (Board) the recommended budget for Fiscal Year 2011 (FY11) beginning July 1, 2010 and ending June 30, 2011.

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 FY11 Budget. This challenging process has produced an excellent document worthy of recognition, as was the FY10 Budget that received a Meritorious Budgeting Award from California Society of Municipal Finance Officers. I would especially like to thank Victoria L. Beatley, Chief Financial Officer and Glynis Litvak, Senior Financial Analyst for their hard work, dedication, and commitment in producing this outstanding and useful document.

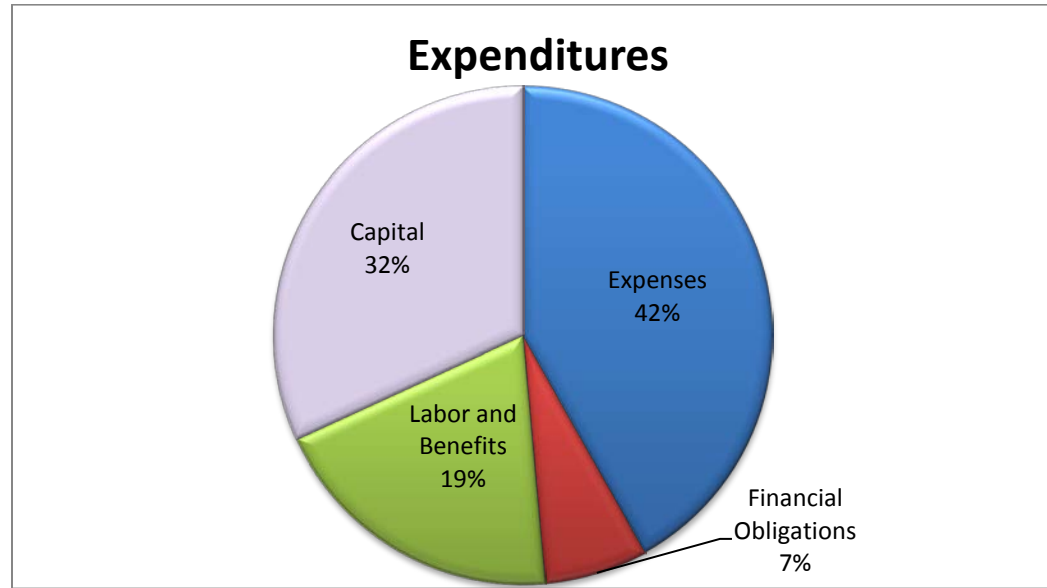
Mesa Consolidated Water District  
**Fiscal Year 2011 Budget**

The FY11 budget is based on operating revenues of \$31,744,100 and operating expenses of \$27,815,505, which reflect an increase of 6% for revenues and 3% for expenses over last year's budget submittal. The capital budget includes new capital of \$344,900 and replacement capital of \$12,972,400. These projections represent a 5% increase for new capital and a 77% 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 74%. The capital budget also includes \$100,000 in capital projects related to private development that are fully funded by the developer. Total sources of funds are estimated to be \$32,351,600 of which 82% comes from water sales. This is an increase of 5% over last year's submittal. Other Operating Revenues includes the pass through revenues of water that the City of Huntington Beach takes through the jointly owned pipeline.



Mesa Consolidated Water District  
**Fiscal Year 2011 Budget**

Total uses of funds are estimated to be \$41,082,305 which is an increase of 18% each over last year's submittal.



**Organizational Priorities**

Mesa 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.

Mesa Consolidated Water District  
**Fiscal Year 2011 Budget**

In addition to the Strategic Planning process, Mesa also conducted Long Range Financial Planning in relation to the multi-year rate increases adopted by the Board. As part of this planning process the Board set a goal of credit worthiness as defined by rating agencies such as Moody's and Fitch. The goal was to improve Mesa's current AA credit rating to AAA in 7 years.

One of the criteria used in determining an agency's credit rating is a ratio known as Days Cash on Hand (Days Cash). This is defined as total cash available divided by expenses per day and is a measure of an agency's ability to meet known and unanticipated expenses. The goal for FY11 was 282 Days Cash and the actual projected in this budget is 282 Days Cash.

**Expenses**

Included in this budget are several items which reflect the goals of the Strategic Plan. In FY11 Mesa will continue working on an asset management project including an asset registry and the update of the Water System Master Plan. These projects contribute to Strategic Plan Goal #2.

Mesa will conduct a Long Range Financial Plan and update the Asset Funding Model during FY11. These plans contribute to Strategic Plan Goal #3.

During FY11 Mesa will celebrate the 50<sup>th</sup> Anniversary of the District. There are programs and events that will occur during the 1<sup>st</sup> half of FY11 to commemorate this event. These items contribute to Strategic Plan Goal #4.

**Capital Projects**

Included in the FY11 Budget is the Colored Water Treatment Facility (CWTF) Technology Replacement and Expansion project. This project, which will replace the existing ozone/biologically active filters with nanofiltration membrane treatment, is scheduled to begin by the end of 2010 and will take approximately 16 months to complete. The cost of this project is estimated at \$23 Million and will be funded from debt that will be issued during the 2<sup>nd</sup> quarter of FY11. This project supports Strategic Plan Goals #1 and #2.

Mesa is continuing to implement recommendations from the Information Technology Master Plan (Strategic Plan Goals #1 and #2). Major projects planned in FY11 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 Customer Information Systems (CIS) and the financial systems, and the completion for the replacement project of the Supervisory Control and Data Acquisition (SCADA) system. Also scheduled for FY11 is the virtualization of servers which will require less resources and help complete the disaster recovery plan that was begin in FY10.

Mesa Consolidated Water District  
**Fiscal Year 2011 Budget**

Continuing Mesa's commitment to the orderly replacement of capital infrastructure (Strategic Plan Goal #2), in FY11 Mesa's internal staff will focus on replacing valves and fire hydrants. The proposed budget contains \$370,100 for valve replacements and \$234,900 for fire hydrant replacements. Also included in the FY11 capital budget is the refurbishment of Mesa's Well No. 5 which includes replacing less efficient gas engines with a more efficient system and automating the well to integrate with the completion of the new SCADA system.

Mesa is planning on replacing the technology at the CWTF and expanding the facility to increase production by 50%. The existing technology is not as efficient as the nanofiltration membrane technology that has been selected. In addition to the increased capacity, the new technology will reduce per acre-foot water production costs from this facility. The estimated costs for the technology change as well as expansion of the facility are approximately \$23 million. These improvements will allow Mesa to be completely self-sustaining for water supply and not be dependent on more costly imported water sources.

### **Economic and Policy Issues**

One issue that has economic ramifications in the coming year is that California is in the 3<sup>rd</sup> year of a statewide drought that has left Southern California's water reserve levels low. This has resulted in the region facing significant water supply challenges in 2010 and beyond. There have been recent winter storms but the level of reserves has not increased because of pumping restrictions from the Delta due to its deteriorating environmental condition. The Department of Water Resources has allocated only 40% of the contractual amount of State Water Project supplies. Although this allocation may increase upward, the State will have to continue to provide less water to State water contractors than in previous years.

In FY11 we are anticipating increased use of imported water from Municipal Water District of Orange County (MWDOC), which is a higher cost source of water compared to clear well water as can be seen from the following table. This increase is needed because the CWTF will be down for 6-months of the fiscal year due to the construction at the facility for the technology replacement and expansion. Mesa's imported water costs per acre-foot from MWDOC are expected to increase 7.5% from the prior year in addition to needing to purchase more of this water source.

During FY11 we are anticipating Orange County Water District (OCWD) will allow the same level of pumping as FY10 at 62% of total potable supply. The implementation of the Groundwater Replenishment System (GWRS) by OCWD has allowed the pumping level to remain unchanged.

Mesa Consolidated Water District  
**Fiscal Year 2011 Budget**

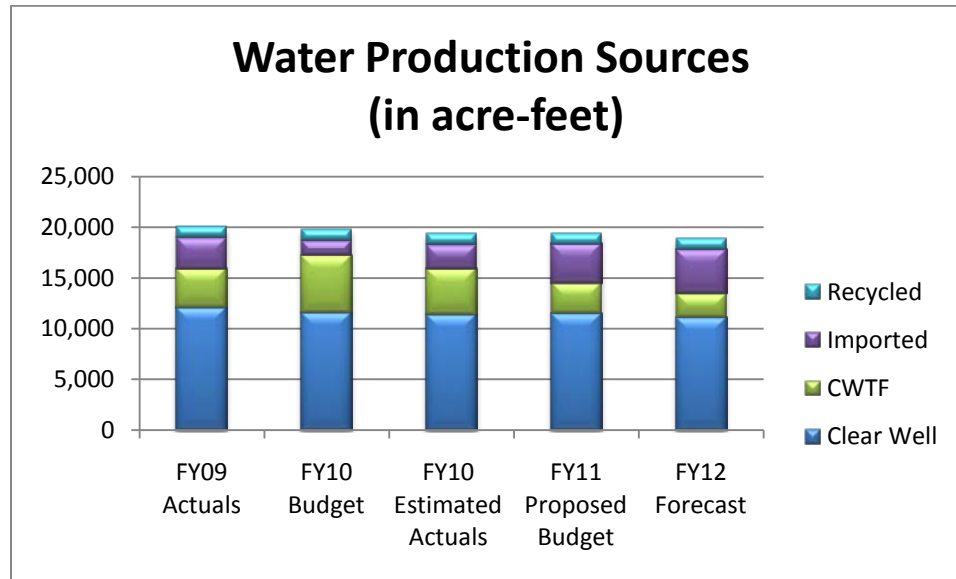
There will be continued recommendations for increased conservation measures during the coming year coming in forms of advertising from Metropolitan Water District of Southern California (MWD), the State of California, or other local agencies, all of which could have a negative impact on budgeted water sales revenue. As Mesa’s customers have been conserving over the prior four fiscal years, with water sales down 14%, we are budgeting water sales at their current estimated level for FY10.

Due to the recent economic downturn development activity within Mesa’s service area has been less than was anticipated in the FY10 Budget. We are planning on a slight increase in development related activity in FY11 as general economic conditions improve. The expected improvement 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 116,000. New growth, however modest, will continue to increase demands on our water supply and are being planned for accordingly.

<b>Water Source</b>	<b>FY11 Budgeted Average Cost per Acre-foot</b>
<b>Clear Well Water</b>	\$344.87
<b>Colored Water Treatment Facility</b>	\$488.35
<b>Imported Water</b>	\$842.23
<b>Recycled Water</b>	\$329.64

Average cost of water is based on FY11 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. Production from the CWTF decreases in both FY11 and FY12 due to the Technology Replacement/Expansion project included in capital portion of the budget.

Mesa Consolidated Water District  
**Fiscal Year 2011 Budget**



**Revenue Assumptions**

With a built out community and customer base, Mesa projects water sales consumption will remain flat in relation to the delivery and sale of potable water. It is estimated that approximately 17,620 acre-feet of potable water and 1,100 acre-feet of recycled water will be sold next fiscal year, which represents a decrease from the FY10 Budget in acre-feet of almost 2% for potable water and no change in demand for recycled water.

Mesa’s overall water sales revenues are estimated to be \$26.7 million, a 7% increase from last year. Even though consumption is projected to remain the same, this increase in revenue is due to multi-year rate increases adopted by the Board. The first of the rate increases was effective January 1, 2010. The following 4 rate increases will be effective July 1 of the next 4 fiscal years beginning in July 2010. Each of the rate increases is applied to both the basic and usage charge and is approximately 4% to 5% per year. For additional details on revenue assumptions refer to page Basis-16.

Mesa Consolidated Water District  
**Fiscal Year 2011 Budget**

**Staffing Levels**

For Fiscal Year 2011, staff levels have decreased by 1 position which was removed as part of the Fiscal Year 2011 Budget preparation process:

One (1) Water System Operator: This position became vacant during FY10. At that time the position was evaluated and it was determined that current staffing could meet the workload demands.

One (1) Communications Manager: New position added in this budget.

One (1) Public Information Specialist: This position will be phased out.

Three (3) Intern positions were added to this budget.

**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.*

**Paul E. Shoenberger, P.E.**

General Manager

# BUDGET SUMMARY

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Mesa Consolidated Water District  
Fiscal Year 2011 Budget

Summary Sources and Uses of Funds

	FY09 Actuals	FY10 Budget	FY10 Estimated Actuals	FY11 Budget	% Change FY11 Budget from FY10 Budget	FY12 Forecast	FY13 Forecast	FY14 Forecast	FY15 Forecast
<b>Sources of Funds</b>									
Water Sales Revenue	\$25,033,937	\$24,877,500	\$24,925,900	\$26,652,800	7%	\$27,463,300	\$28,920,800	\$30,459,500	\$30,522,400
Other Operating Revenues	3,438,034	4,964,000	3,805,500	5,121,300	3%	5,325,500	7,205,900	7,533,900	7,863,900
Non-Operating Revenues	630,115	1,004,600	517,300	577,500	-43%	834,800	855,700	877,100	899,000
<b>Total Sources of Funds</b>	<b>29,102,086</b>	<b>30,846,100</b>	<b>29,248,700</b>	<b>32,351,600</b>	<b>5%</b>	<b>33,623,600</b>	<b>36,982,400</b>	<b>38,870,500</b>	<b>39,285,300</b>
<b>Uses of Funds</b>									
Expenses	13,785,255	16,506,679	14,775,100	17,444,300	6%	17,143,770	17,437,000	18,261,300	19,125,200
Financial Obligations	3,207,606	3,306,300	3,703,900	2,781,800	-16%	2,118,500	3,646,900	3,641,300	3,638,900
Labor and Benefits	7,283,480	7,677,039	7,598,729	8,150,775	6%	8,429,926	8,640,700	8,856,700	9,078,100
Temporary Labor	0	0	0	0	N/A	0	0	0	0
Labor and Benefits Capitalized	(325,947)	(446,551)	(169,230)	(561,369)	26%	(566,741)	(458,692)	(477,035)	(491,348)
<i>Total Expenses</i>	<i>23,950,395</i>	<i>27,043,467</i>	<i>25,908,498</i>	<i>27,815,505</i>	<i>3%</i>	<i>27,125,455</i>	<i>29,265,908</i>	<i>30,282,265</i>	<i>31,350,852</i>
Capital									
New	228,310	329,500	180,500	344,900	5%	1,649,900	338,000	351,500	362,000
Replacements & Refurbishments	2,575,789	7,319,100	2,793,300	12,927,400	77%	15,109,000	3,528,400	3,669,500	3,779,600
<i>Total Capital</i>	<i>2,804,099</i>	<i>7,648,600</i>	<i>2,973,800</i>	<i>13,272,300</i>	<i>74%</i>	<i>16,758,900</i>	<i>3,866,400</i>	<i>4,021,000</i>	<i>4,141,600</i>
<b>Total Uses of Funds</b>	<b>26,754,494</b>	<b>34,692,067</b>	<b>28,882,298</b>	<b>41,087,805</b>	<b>18%</b>	<b>43,884,355</b>	<b>33,132,308</b>	<b>34,303,265</b>	<b>35,492,452</b>
<i>Addition to Capital Replacement Fund</i>	<i>1,149,700</i>	<i>3,350,000</i>	<i>3,350,000</i>	<i>3,457,300</i>	<i>3%</i>	<i>1,880,000</i>	<i>3,851,500</i>	<i>5,740,260</i>	<i>6,619,599</i>
<i>Funding from Capital Replacement Fund</i>	<i>220,000</i>	<i>7,319,100</i>	<i>2,793,300</i>	<i>3,600,400</i>	<i>-51%</i>	<i>1,853,000</i>	<i>3,528,400</i>	<i>3,669,500</i>	<i>3,779,600</i>
<i>Addition to Capital Admin &amp; General Fund</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>49,728</i>	<i>N/A</i>	<i>1,056,074</i>	<i>455,397</i>	<i>1,153,423</i>	<i>154,159</i>
<i>Funding from Capital Admin &amp; General Fund</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>N/A</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Addition to Catastrophe Fund</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>N/A</i>	<i>1,965,411</i>	<i>0</i>	<i>338,318</i>	<i>41,928</i>
<i>Funding from Catastrophe Fund</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>N/A</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Addition to Operating Fund</i>	<i>523,664</i>	<i>1,127,799</i>	<i>657,085</i>	<i>993,322</i>	<i>-12%</i>	<i>110,133</i>	<i>2,891,775</i>	<i>270,988</i>	<i>334,391</i>
<i>Funding from Operating Fund</i>	<i>66,000</i>	<i>1,725,710</i>	<i>895,749</i>	<i>293,000</i>	<i>-83%</i>	<i>138,000</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Addition to Rate Stabilization Fund</i>	<i>2,911,581</i>	<i>721,044</i>	<i>48,365</i>	<i>483,845</i>	<i>-33%</i>	<i>0</i>	<i>179,820</i>	<i>733,746</i>	<i>422,371</i>
<i>Funding from Rate Stabilization Fund</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>N/A</i>	<i>25,372</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total Change to Designated Funds</b>	<b>4,298,945</b>	<b>(3,845,968)</b>	<b>366,402</b>	<b>1,090,795</b>	<b>-128%</b>	<b>2,995,245</b>	<b>3,850,092</b>	<b>4,567,235</b>	<b>3,792,848</b>
<b>Loan Proceeds</b>	<b>2,800,000</b>	<b>0</b>	<b>0</b>	<b>9,827,000</b>	<b>N/A</b>	<b>13,256,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance of Funds Contributed to (Required for) the Budget</b>	<b>848,647</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Mesa Consolidated Water District  
Fiscal Year 2011 Budget

**Department Summary**

<b>Department</b>	<b>FY09 Actuals</b>	<b>FY10 Budget</b>	<b>FY10 Estimated Actuals</b>	<b>FY11 Budget</b>	<b>% Change FY11 Budget from FY10 Budget</b>	<b>FY12 Guidelines</b>
Board of Directors	158,546	172,448	182,811	255,672	48%	210,293
Office of the General Manager	501,241	437,299	483,583	519,733	19%	573,533
Administrative Services	2,159,791	2,865,738	2,482,579	2,784,296	-3%	2,676,642
Public Affairs	0	0	0	414,105	N/A	381,383
Engineering	2,465,884	5,358,239	2,462,047	11,223,987	109%	16,201,628
Financial Services	4,626,864	4,859,183	5,246,639	4,591,134	-6%	3,876,180
Human Resources	476,870	610,683	545,614	624,990	2%	647,371
Water Operations	14,037,155	16,420,478	14,682,224	16,311,687	-1%	14,678,725
<b>TOTAL EXPENSES</b>	<b>\$24,426,350</b>	<b>\$30,724,067</b>	<b>\$26,085,498</b>	<b>\$36,725,605</b>	<b>20%</b>	<b>\$39,245,755</b>

Prior to FY11 the functions of the Public Affairs Department were the responsibility of the Administrative Services Department.

Mesa Consolidated Water District  
Fiscal Year 2011 Budget

Capital Summary						
Account Number	Account Name	FY09 Actuals	FY10 Budget	FY10 Estimated Actuals	FY11 Budget	FY12 Forecast
<b><u>New Capital</u></b>						
O1101-09	Information Systems Software and Hardware	\$5,662	\$96,000	\$52,500	\$99,500	\$0
CSDEV-04	Support of Customer Development	112,192	100,000	110,000	100,000	100,000
M1915-04	Vault Lid Improvements-Import Stations	0	33,500	0	33,500	23,700
B1101-03	Facility Drainage Improvements	0	0	0	90,000	0
A1101-03	Backhoe Breaker Attachment	0	0	0	13,900	0
B1102-07	Water Vending Machine	0	0	0	8,000	0
MTBD-04	Groundwater Well Upgrades	0	0	0	0	738,000
01202-09	Electronic Records Management	0	100,000	18,000	0	303,000
B1201-03	Awnings for Material Structure Bay	0	0	0	0	113,000
A1201-03	Hydraulic Excavator	0	0	0	0	372,200
O0802-03	Computerized Maintenance Management System	70,155	0	0	0	0
M1348-04	GIS Implementation	40,301	0	0	0	0
<b>Total New Capital (including capitalized labor)</b>		<b>228,310</b>	<b>329,500</b>	<b>180,500</b>	<b>344,900</b>	<b>1,649,900</b>
<b><u>Replacements and Refurbishments</u></b>						
CBI11-03	Bypass & Meter Installation	\$22,565	\$48,000	\$48,000	\$24,000	\$42,300
CMV11-03	Distribution Mainline Valve Replacement	213,536	372,300	316,200	370,100	378,600
CFH11-03	Fire Hydrant Replacements	161,999	231,000	185,700	234,900	240,700
CLM11-03	Large Meter Replacement (1.5" - 2")	93,352	66,800	15,000	19,500	38,000
COA11-04	Relocation of Facilities for Other Public Agencies	0	100,000	50,000	140,000	50,000
CSC11-03	SCADA Improvements	479,560	2,043,400	1,001,900	1,633,100	0
CSL11-03	Service Line Replacements	60,818	67,800	67,800	135,000	138,100
CSM11-03	Small Meter Replacement (5/8" - 1")	140,339	126,100	20,000	8,100	12,300
CRR11-03	Radio Read Meters	0	0	0	114,100	0
M1931-04	Coolidge Avenue Main Replacement	0	0	0	160,000	0
M1916-04	Well 5 Modifications	0	215,000	115,000	450,000	0
B1103-03	Building Refurbishment	0	0	0	150,000	0
A1103-03	Valve Turning Machine	0	0	0	21,900	0
A1102-03	10 Wheel Dump Truck	0	0	0	139,700	0
M1932-04	Colored Water Treatment Facility Technology Replacement/Expansion	583	1,500,000	500,000	9,327,000	13,256,000
M1852-F4	Valve Replacement - Contractor	1,122,928	800,000	390,000	0	800,000
CVR12-03	Transmission Mainline Valve Replacements	0	25,000	0	0	25,000
A1202-03	Pickup Truck	20,103	0	0	0	18,000
W1201-03	Rebuild Engines at Reservoir 1	0	55,000	0	0	110,000
M1828-04	Well No. 4	192,522	1,635,000	50,000	0	0
A1001-03	Compressors	0	33,700	33,700	0	0
B0901-03	HVAC Replacement	67,482	0	0	0	0
<b>Total Capital Replacements and Refurbishments (including capitalized labor)</b>		<b>2,575,789</b>	<b>7,319,100</b>	<b>2,793,300</b>	<b>12,927,400</b>	<b>15,109,000</b>
<b>Total Capital Requirements</b>		<b>\$2,804,099</b>	<b>\$7,648,600</b>	<b>\$2,973,800</b>	<b>\$13,272,300</b>	<b>\$16,758,900</b>

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

Mesa Consolidated Water District  
**Fiscal Year 2011 Budget**

**Carryover Projects Budgeted in FY11 and Funded From Prior Years Rates**

	<b>FY10 Budget</b>	<b>FY10 Estimated Actuals</b>	<b>FY10 Budget to Carryover to FY11</b>	<b>FY11 Budget</b>	<b>FY11 Budget to Carryover to FY12</b>	<b>FY12 Forecast</b>
<b><u>Expenses</u></b>						
Public Information Events and Programs	146,500	113,300	30,000	168,400	0	127,400
Computer Equipment	36,000	23,300	11,000	55,100	0	20,600
Information Systems Maintenance & Support	412,000	277,500	40,000	493,700	0	269,100
<b>Total Expenses</b>	<b>\$594,500</b>	<b>\$414,100</b>	<b>\$81,000</b>	<b>\$717,200</b>	<b>\$0</b>	<b>\$417,100</b>
<b><u>Capital</u></b>						
Electronic Records Management	100,000	18,000	0	0	82,000	303,000
Information Systems Software and Hardware	96,000	52,500	38,500	99,500	0	0
SCADA Upgrade	2,043,400	1,001,900	1,041,500	1,633,100	0	0
Vault Lid Improvement-Import Stations	33,500	0	33,500	33,500	0	23,700
<b>Total Capital</b>	<b>\$2,272,900</b>	<b>\$1,072,400</b>	<b>\$1,113,500</b>	<b>\$1,766,100</b>	<b>\$82,000</b>	<b>\$326,700</b>
<b>Total</b>	<b>(\$2,867,400)</b>	<b>(\$1,486,500)</b>	<b>(\$1,194,500)</b>	<b>(\$2,483,300)</b>	<b>(\$82,000)</b>	<b>(\$743,800)</b>
<b>Funding from Capital Replacement Fund</b>			<b>\$1,041,500</b>			
<b>Funding from Operating Fund</b>			<b>\$153,000</b>		<b>\$82,000</b>	