



FY 2023/24 PRELIMINARY BUDGET

May 16, 2023

OVERVIEW

- ▶ The District's annual operating budget serves as the financial plan for the upcoming year and provides the framework for:
 1. Executing policy directives
 2. Implementing operational plans
 3. Completing essential infrastructure projects through the Capital Improvement Project program



BUDGET TIMELINE



January – February

Staff met and identified ongoing projects and operational needs for the Preliminary Budget.

March – May

Staff developed Preliminary Budget document.

May 16, 2023

Public meeting held for presentation of FY 2023/24 Preliminary Budget. Opportunity for public comment. Board reviews and provides feedback prior to the Final Budget presentation in June.

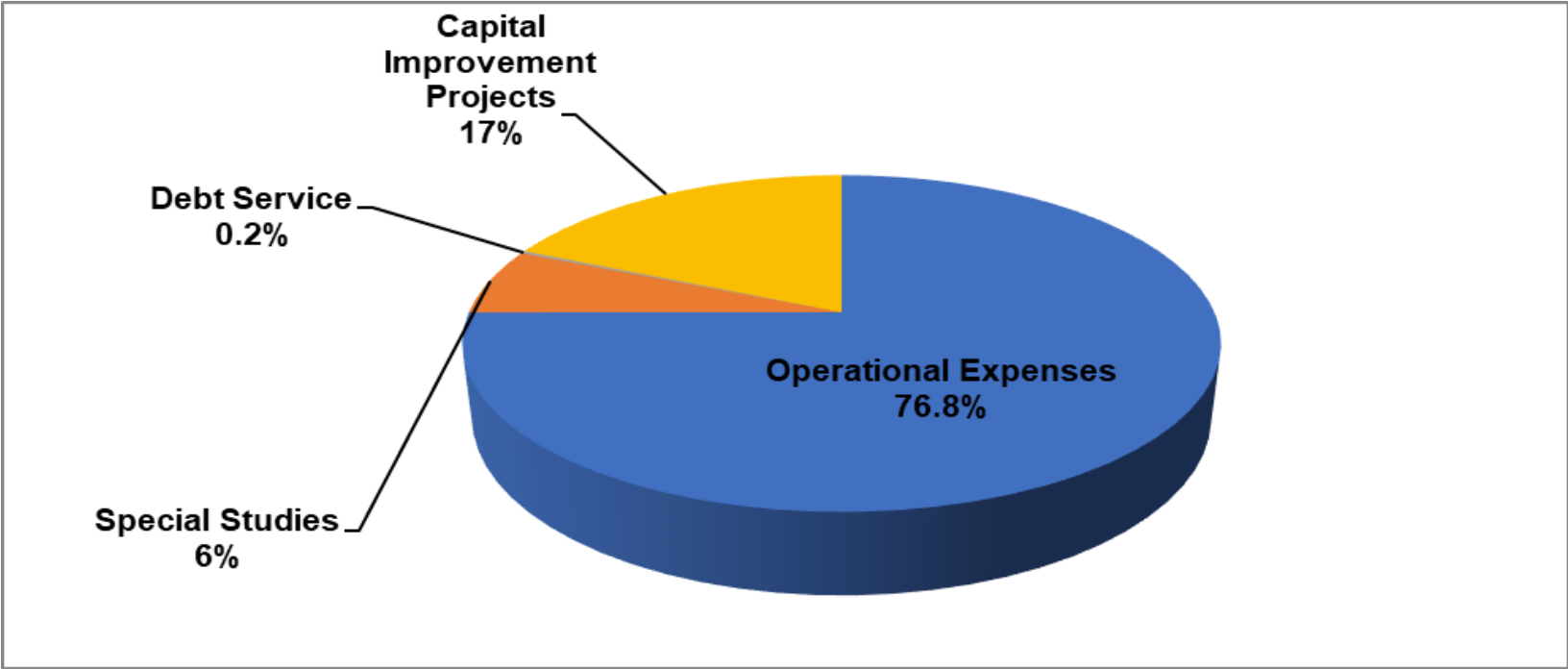
June 20, 2023

Public meeting held for FY 2023/24 Final Budget presentation. Opportunity for public comment. Board reviews and considers adoption of FY 2023/24 Final Budget.

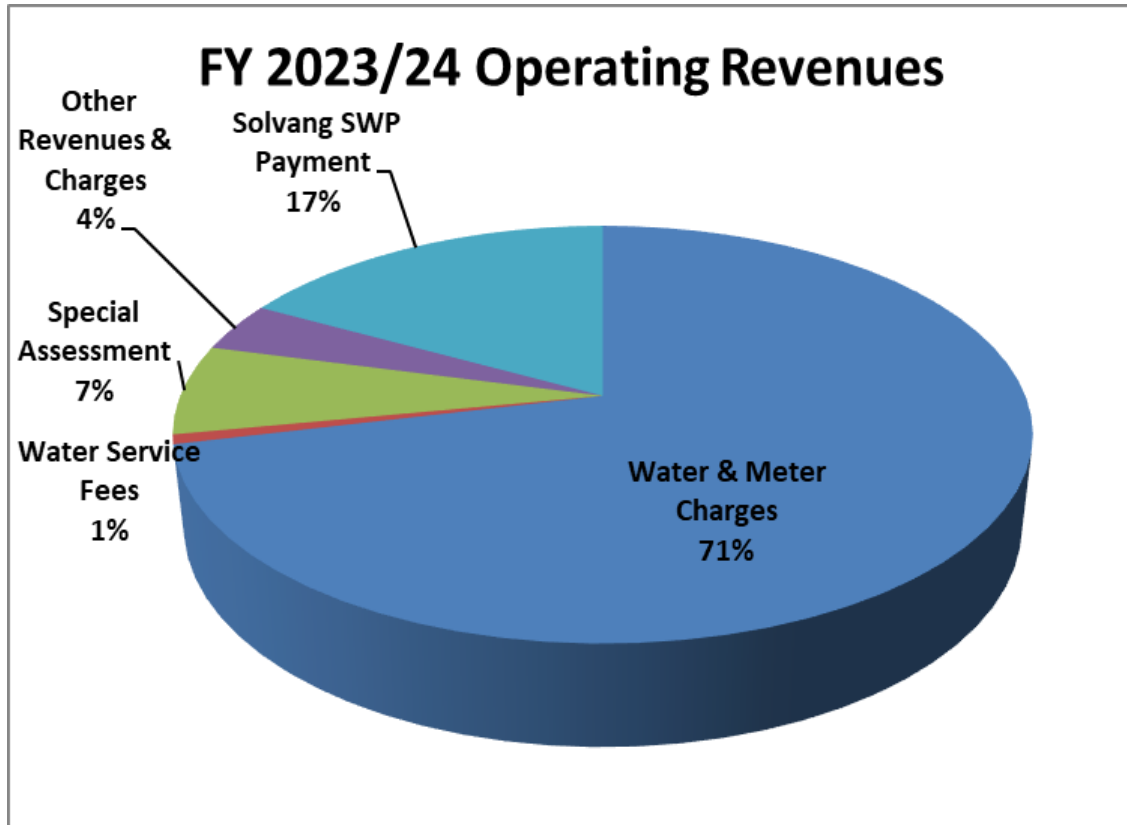
BUDGET OVERVIEW IN TOTAL

- ▶ **Final FY 2022/23 Budget - \$12.3 million**
- ▶ **Preliminary FY 2023/24 Budget - \$12.5 million**
- ▶ **Gross Budget Increase of \$204,888**

FY 2023/24 PRELIMINARY BUDGET COMPONENTS



OPERATING REVENUE SUMMARY



- ▶ Water & Meter Charges - \$8,928,880
- ▶ Water Service Fees - \$92,000
- ▶ Special Assessment - \$875,000
- ▶ Other Revenues - \$481,000
- ▶ Solvang SWP - \$2,143,283

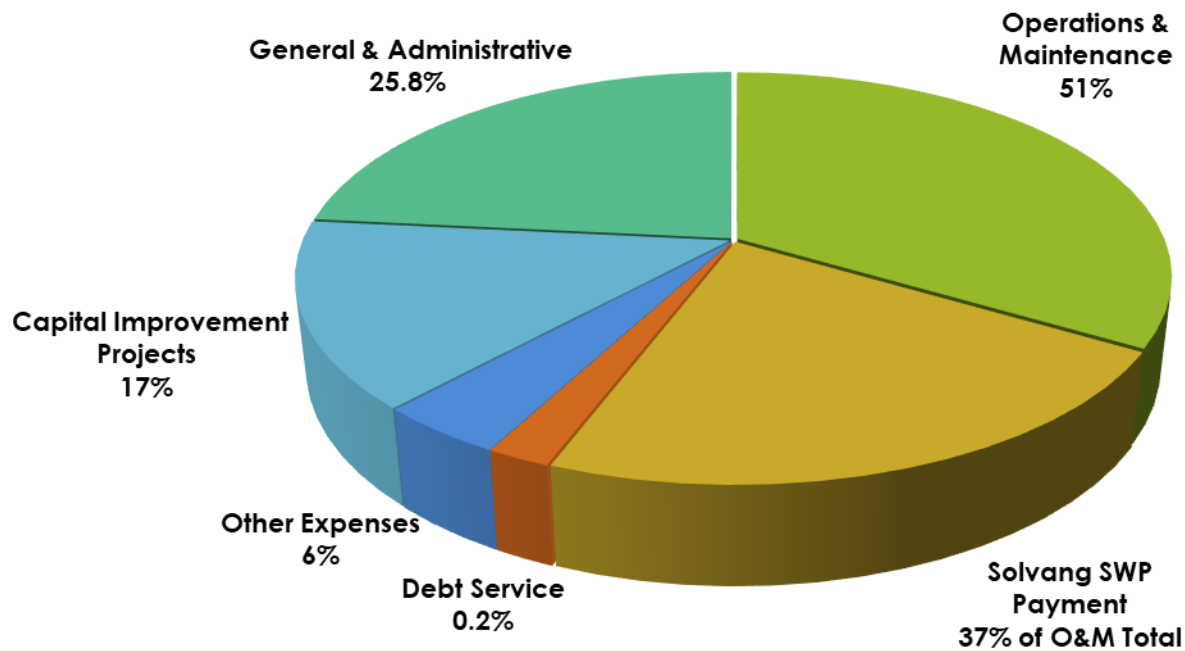
- ▶ **Total Revenues - \$12,520,163**

REVENUE HIGHLIGHTS

- ▶ Preliminary Budget total revenues for FY 23/24 are 1.6% higher than the FY 2022/23 adopted budget.
- ▶ Water rates assumed to remain unchanged for FY 2023/24 budget cycle.
- ▶ Special Ad Valorem Tax Assessment assumed to remain unchanged at \$875,000. The amount has remained unchanged since FY 17/18. Authorized amount that could be collected by the District in FY 2023/24 is \$2,388,353.
- ▶ Interest Income is increased due to the current and forecasted economic climate per LAIF and Mechanics Bank representatives.
- ▶ City of Solvang SWP passthrough revenues are lower for FY 2023/24 by \$97,279.
- ▶ **Overall revenues projected to increase \$204,888.**



EXPENDITURES SUMMARY



- ▶ Operations & Maintenance (O&M) - \$5,781,310. Solvang SWP Passthrough expense represents 37% of O&M total.
- ▶ General & Administrative - \$2,850,250
- ▶ Debt Service - \$26,976
- ▶ Other Expenses & Special Studies - \$686,500
- ▶ Capital Improvement Projects - \$1,980,730
- ▶ **Total Expenditures - \$11,325,766**

EXPENDITURES HIGHLIGHTS

- ▶ Total projected expenditures for FY 2023/24 are 5.9% less than the FY 2022/23 adopted budget.
- ▶ Operations & Maintenance expenditures decreased \$116,049 from the FY 2022/23 budget due to decreased costs attributable to the State Water Project's reduction in fixed costs and CCWA O&M credits used to offset the District's gross amount due for state water, as well as a decrease of \$28,594 in USBR charges for the Cachuma Project supply.
- ▶ General & Administrative total expenditures increased slightly from the FY 2022/23 budget by \$143,746 primarily due to inflationary and vendor cost increases for goods, services, salaries and benefits.
- ▶ Debt Service decreased \$225,088 due to the payoff of the Series 2004A Bond based on Bond repayment terms.



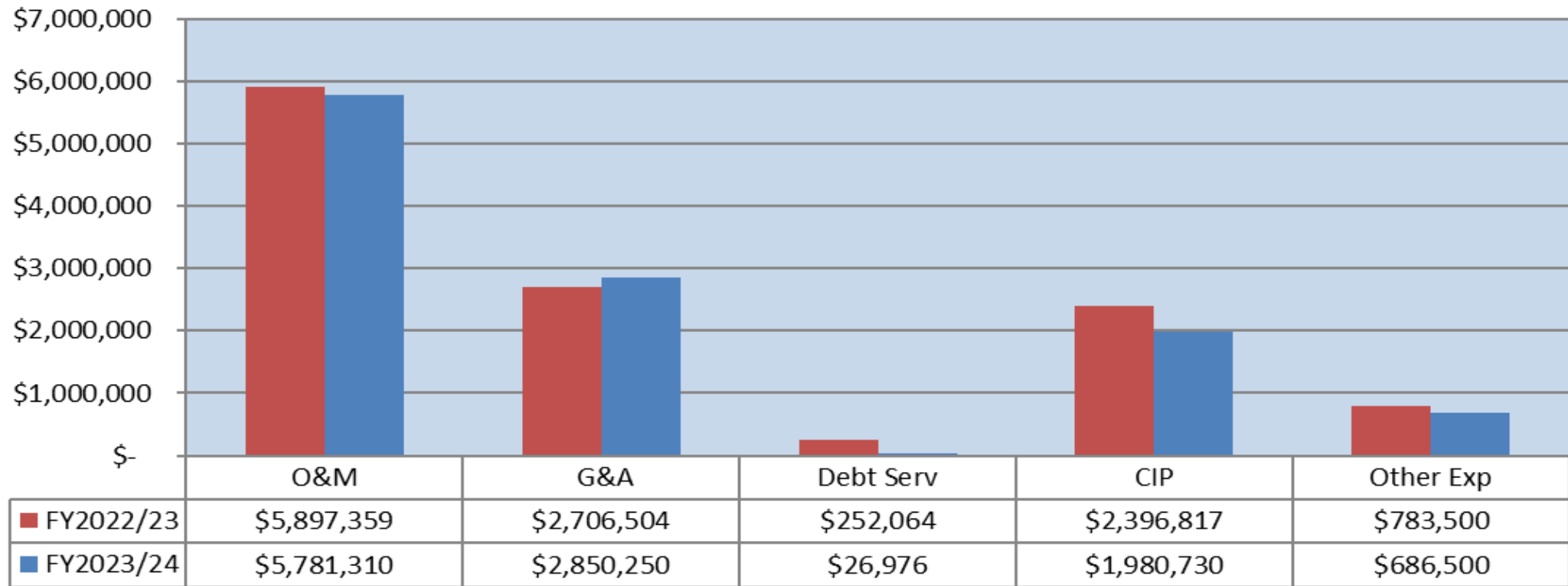
EXPENDITURES HIGHLIGHTS

continued . . .

- ▶ Other Expenses & Special Studies decreased by \$97,000 from the FY 2022/23 Budget.
- ▶ Capital Improvement Projects decreased by \$416,087 from the FY 2022/23 budget. Various projects were rolled forward from FY 2022/23 which will be completed in FY 2023/24.
- ▶ **Overall expenditures decreased by \$710,478 from the FY 2022/23 Budget.**



Comparison of Expenditures



NET CHANGE: \$ (116,049) \$143,746 \$ (225,088) \$ (416,087) \$ (97,000)

CAPITAL IMPROVEMENT PROJECTS

| ACCOUNT | PROJECT | BUDGET |
|--|---|--------------------|
| 900332 | Water Treatment Plant/Building | \$ 125,000 |
| 900333 | Cr6 Blending Station/Facilities | \$ 285,000 |
| 900372 | Office Computers, Furniture & Equipment (Computer Replacements & Laserfische Document Management System) | \$ 36,500 |
| 900372 | Meter Replacement/Utility Billing | \$ 20,000 |
| 900371 | Office Building/Shop Improvements (Fleet Carport, Cedar Fencing, Shop Upgrades) | \$ 26,000 |
| 900181 | ESRI CAD-GIS (Misc. Equipment) | \$ 1,000 |
| 900378 | Major Tools, Shop & Garage (Compact Track Loader) | \$ 102,230 |
| 900350 | Upland Wells (Electrical Panel Upgrades & Well Rehab) | \$ 328,200 |
| 900106 | Rehab/Replace/New Transmission Lines (Mainline Valve Replacements & AP Mainline Relocation) | \$ 134,400 |
| 900170 | 6 CFS Well Field (Electrical Panel Upgrade) | \$ 219,200 |
| 900373 | Fleet Vehicle Replacement | \$ 55,000 |
| 900171 | 4 CFS Well Field (Manual Transfer Switch & Voltage Monitor Install for Emergency Generator Use) | \$ 70,400 |
| 900195 | Refugio 2 Booster Pump Station (Manual Transfer Switch & Voltage Monitor Install for Emergency Generator Use) | \$ 44,400 |
| 900196 | Alamo Pintado Booster Pump Station (Electrical Panel Upgrade) | \$ 164,700 |
| 900197 | Refugio 3 Booster Pump Station (Electrical panel Upgrades) | \$ 59,900 |
| 900198 | Meadowlark Booster Pump Station (Metal Pole Barn & Electrical Panel Upgrade) | \$ 308,800 |
| TOTAL CAPITAL IMPROVEMENT PROGRAM | | \$1,980,730 |



RESERVES

Table 1

RESERVE BALANCES

| | June 30, 2022 | March 31, 2023 ¹ |
|--|---------------------|-----------------------------|
| <u>BOARD RESERVED</u> | | |
| Debt Repayment Obligation | \$1,667,537 | \$866,405 ² |
| Repair & Replacement | \$4,353,712 | \$6,054,018 |
| Plant Expansion | \$5,636,144 | \$7,336,450 |
| Subtotal | \$11,657,393 | \$14,256,873 |
| <u>RESTRICTED RESERVE</u> | | |
| Dev. Fee; SY Septic | \$109,212 | \$109,212 |
| State Water Project Reserve ³ | \$3,000,000 | \$3,000,000 |

1. Amounts reflected in this column represent the reserve balance at 9-months of current FY 2022/23. The year-end reserve amount will change at June 30, 2023 to reflect a balance based on actual accounting for projects and debt service expenditures.
2. This amount represents a Debt Payment Obligation reserve balance at 9-months of current FY 2022/23. The year-end reserve amount in this category will change at June 20, 2023 to reflect payments for the SWP payment due on June 1, and the USBR Safety of Dams Repayment Contract payment.
3. One year set aside payment established to guarantee ID No.1's contractual debt obligation in the event of a default by the City of Solvang.

FISCAL YEAR BUDGET COMPARISON

| Budget Item | | | | Final 2022/23 Budget | Preliminary 2023/24 Budget | Increase (Decrease) |
|--|--|--|--|----------------------------|----------------------------------|------------------------|
| REVENUES | | | | | | |
| Sales & Service | | | | \$ 9,004,713 | \$ 9,020,880 | \$ 16,167 |
| Assessments, Fees & Other Revenue | | | | \$ 3,310,562 | \$ 3,499,283 | \$ 188,721 |
| Total Revenues | | | | \$ 12,315,275 | \$ 12,520,163 | \$ 204,888 |
| EXPENDITURES | | | | | | |
| Source of Supply | | | | \$ 3,672,609 | \$ 3,360,625 | \$ (311,984) |
| Infrastructure | | | | \$ 115,000 | \$ 155,000 | \$ 40,000 |
| Pumping | | | | \$ 721,500 | \$ 730,000 | \$ 8,500 |
| Water Treatment | | | | \$ 111,732 | \$ 107,000 | \$ (4,732) |
| Transmission & Distribution | | | | \$ 1,276,518 | \$ 1,428,685 | \$ 152,167 |
| General & Administrative | | | | \$ 2,706,504 | \$ 2,850,250 | \$ 143,746 |
| Debt Service | | | | \$ 252,064 | \$ 26,976 | \$ (225,088) |
| Other Expenses (Studies, Legal & Engineering, NARES) | | | | \$ 783,500 | \$ 686,500 | \$ (97,000) |
| Construction In Progress | | | | \$ 2,396,817 | \$ 1,980,730 | \$ (416,087) |
| Total Expenditures | | | | \$ 12,036,244 | \$ 11,325,766 | \$ (710,478) |
| GRAND TOTAL REVENUES LESS EXPENSES | | | | \$ 279,031 | \$ 1,194,397 | \$ 915,366 |



BUDGET SUMMARY

- ▶ Projected revenues will fully fund all expenditure categories of O&M, G&A, Debt Service, Other Expenses & Special Studies, and the Capital Improvement Projects Program.
- ▶ After all expenditures have been paid, a net revenue balance of \$1,194,394 will be added to District Reserves.

QUESTIONS ?

