

Warehouse Floor Upgrade

1. Demolition and disposal of old concrete floor.



2. Placement and compaction of sand base.



3. Steel rebar placement.



4. New concrete floor.



[This page intentionally left blank.]

**Santa Clarita Water Division
Reserve Funds FY 2011/12 Budget**

Operating Expense Fund – 25% of Annual Operating Budget

The Operating Expense Fund is to be used for working cash and unscheduled costs relating to the operation of the retail water system. Additions to the Operating Expense Fund will be made from retail water revenues. The fund was established in January 2004. It is intended that the fund be funded over a ten year period.

Rate Stabilization Fund – 2% of Sales

Approximately 67% of SCWD's revenues are derived from the commodity charges. A reduction of 25% or more would affect the financial stability of SCWD. The fund was established in January 2004 and is intended to be funded over a ten year period. An evaluation of SCWD's financial stability was prepared by the rate consultant (CDM) in August 2009. The conclusions are that the current purpose of the revenue stability fund is to reserve sufficient cash for variations in water sales resulting from variable weather conditions. However, the fund should also be sufficient to correct for a net loss of revenues in the event of a catastrophic loss of imported water supplies. Assuming that such an event results in a 25 percent reduction in water sales for one year, the net impact is \$1.2 million, or approximately 5 percent of annual revenues. An analysis of the current 2% rate for the Rate Stabilization Fund will be conducted in FY 2011/12.

Capital Project Fund

Starting in January 2004, the policy stated that all capital replacement and improvement projects will be funded through the Capital Project Fund. The Capital Project Fund was initially funded with \$2,000,000 to cover identified projects only with no annual balance remaining beyond carry-forward projects. Annually it was to fund 100% of identified budgeted CIPs from the Retail Division Operating Revenues. The policy was actually a one year expenditure fund and these funds are now separated in the Capital Project Fund in the Capital Improvement section. Based on the rate consultant's (CDM) recommendation, a separate capital reserve fund should have a target fund reserve balance annually at 20% of the expected annual average CIP for a three-year period, FY 2010/11, 2011/12, and 2012/13. The capital reserve fund balance would cover unexpected CIP expenditures due to emergencies such as earthquake, fire, etc. A Capital Reserve Fund analysis will be conducted in FY 2011/12.

Reserve Fund	FY Ending 6/30/11 Estimate	Additions to Reserves	Uses of Fund	FY Ending 6/30/12 Budget
Operating Expense Fund	\$ 3,200,108	\$ 618,367	\$ -	\$ 3,818,475
Rate Stabilization Fund	\$ 484,808	\$ 41,196	\$ -	\$ 526,004
Capital Project Fund	\$ 4,674,247	\$ 1,523,468	\$ (5,954,176)	\$ 243,539
Total	<u>\$ 8,359,163</u>	<u>\$ 2,183,031</u>	<u>\$ (5,954,176)</u>	<u>\$ 4,588,018</u>

**Santa Clarita Water Division
Reserve Funds FY 2011/12 Budget**

Reserve Fund	FY Ending 6/30/11 Estimate	Target as of FY Ending 6/30/12	Target as of 12/31/2014*	% of Target	Funding Level
Operating Expense Fund ¹	\$ 3,200,108	\$ 3,818,475	\$ 4,883,700	78%	25% of Annual Operating Budget
Rate Stabilization Fund ²	\$ 484,808	\$ 526,004	\$ 526,004	100%	2% of Sales
Capital Project Fund ³	<u>\$ 4,674,247</u>	<u>\$ 243,539</u>	<u>\$ -</u>		
Total Reserve Funds	<u>\$ 8,359,163</u>	<u>\$ 4,588,018</u>	<u>\$ 5,409,704</u>		

* Based on FY 2011/12 dollars.

¹ Operating Expense Fund - 25% of Annual Operating Budget Less Depreciation

FY 2011/12 Annual Operating Budget	\$ 19,534,900
Less Depreciation	<u>-</u>
Annual Operating Budget Less Depreciation	\$ 19,534,900
Target Balance	<u>\$ 4,883,700</u>

² Rate Stabilization Fund - 2% of sales

FY 2011/12 Operating Revenues	\$ 26,300,200
Target Balance	<u>\$ 526,004</u>

³ Capital Project Fund - Assumes all CIP are completed at 6/30/12 and zero balance for carry-forward into FY 2012/13. Currently neither the Capital Reserve Fund amount nor the target date has been established.