

# SANTA CLARITA WATER, A DIVISION OF CASTAIC LAKE WATER AGENCY

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July 1, 2011

Castaic Lake Water Agency  
Board of Directors

We are pleased to present the Santa Clarita Water Division (SCWD) Final Fiscal Year 2011/12 Budget. This budget represents the spending plan for SCWD for the fiscal year beginning July 1, 2011 and identifies the revenues and resources available to fund the plan. The Final FY 2011/12 Budget reflects our commitment to our customers to continue to provide an affordable, reliable supply of high quality water. SCWD's major focus for FY 2011/12 will be long-range planning that provides the framework and direction for the upcoming years. The budget is intended to support the policies and priorities of the Board as reflected in the Agency's mission statement and the Division's strategic plan. It also serves as a financial plan and an operations guide for FY 2011/12.

## Operating Revenues

Operating Revenues are anticipated to increase 6.7% from last year's Estimated Revenues to \$26,300,200. The 6.7% increase reflects a 12.4% rate increase that took effect January 2011 for the first half of the fiscal year from July 2011 to December 2011 and a 7.2% rate increase effective January 2012 for the second half of the fiscal year from January 2012 to June 2012. Operating Revenues include Service Charges and Late Fees, which should decrease in FY 2011/12 due to greater customer awareness of the increase in penalties adopted November 10, 2009 and if the economy improves. Operating Income is expected to increase to \$6,765,300 from \$6,429,018 for Estimated FY 2010/11. Operating Income provides funds for non-operating activities, primarily for debt repayment to the Agency and Certificates of Participation (COP) including interest, funding of the Capital Improvement Program (CIP) and Reserves. The CIP proposed for FY 2011/12 is \$4,558,816, a decrease of 17% from the FY 2010/11 Budget. This program is funded through (1) retail rates based on the three-year retail water rates approved by the CLWA Board of Directors on September 9, 2009 and (2) Impact Capacity Fees paid by developers for future expansion. CIP projects budgeted for FY 2010/11 and earlier that are still in progress are included in the proposed budget as prior year carry-forward amounts totaling \$3,479,621.

## Operating Expenses

Total Operating Expenses included in the Preliminary Budget are \$19,534,900, an increase of 7% from FY 2010/11 Estimated. A major change to the Budget includes an increase of \$382,403 for Purchased Water due to the increase in the wholesale water rate from \$478 per acre-feet (AF) to \$507 per acre-feet (AF) effective January 1, 2012, which was approved by the CLWA Board on August 26, 2009. Other major changes to the budget include:



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- ◆ \$315,454 for Labor which includes full year funding for the positions that were vacant in FY 2010/11 and step increases for eligible employees.
- ◆ \$243,394 for Burden and Benefits due to increases in medical and dental insurance and full year funding for the positions that were vacant in FY 2010/11.

SCWD will continue to emphasize training and professional development. The FY 2011/12 Budget provides funds for a variety of training and educational opportunities for all employees, tuition reimbursement and other activities. SCWD will continue to coordinate with the Agency on Agency-wide safety training, such as CPR, First Aid and Automated External Defibrillator training.

### **Utility Billing/Customer Information System (UB/CIS)**

On March 9, 2011, staff presented the Utility Billing/Customer Information System (UB/CIS) analysis and findings to the CLWA Board of Directors regarding the current SCWD software system. The Board concurred with staff's recommendation to implement a formal procurement process beginning with issuing Requests for Proposal (RFP) to replace the existing UB/CIS. In FY 2011/12 the submitted proposals will be reviewed to select the UB/CIS software vendor and start the implementation process.

### **Capital Improvement Program**

A number of critical infrastructure improvements are included in the FY 2011/12 Budget including adding a pilot program to the SCADA system to monitor vibration of selected pumps, provide video surveillance at selected tank sites, monitor system water pressures at selected wells and booster stations and gauge the depth of water in wells. Certain booster pump station upgrades and reservoir rehabilitation and construction projects are also proposed.

Other infrastructure projects include the installation of two additional wells, one in the Alluvium Formation and one in the Saugus Formation, that would improve production capacity and system reliability and redundancy. The increased production capacity would enhance SCWD's ability to access groundwater supplies during dry periods and assist in maintaining a 60%/40% blend of imported water/groundwater.

In addition, four reservoir siting studies are underway for future reservoirs that would provide 3.5 million gallons (MG) of additional storage for the Friendly Valley Zone, 3 MG for the Deane Zone, 3 MG for the Catala Zone and 2.5 MG for the Placerita Zone. These projects would augment SCWD's overall storage capacity in these zones and improve our ability to respond during emergencies.

Other infrastructure improvements planned for either design or construction in FY 2011/12 include three pipeline projects to improve fire flow capabilities and one replacement pipeline project to improve system reliability identified in the 2008 Water Master Plan. SCWD also identified another replacement pipeline project to improve system reliability, two pressure control stations to enhance system operations and three pump stations upgrade projects to replace equipment near the end of their service lives.

Enterprise-wide projects will also be initiated including the completion and implementation of the Geographical Information System (GIS) Master Plan and pilot study. Also proposed is the second

phase of Automated Meter Reading/Advanced Meter Infrastructure (AMR/AMI) technology network that can receive data signals from water meters within our system and remotely transmit that data in real time to software-enabled office desktop or field notebook computers.

Benefits of the AMR/AMI system include improvements in customer service response time as each customer's meter readings would be available in real time to our customer service representatives. It would minimize work orders/service calls for meter read confirmation as meters can be read from the office and accounts can be opened and closed while on the phone with the customers. Time in the field to read individual meters would be minimized, thereby conserving gasoline and reducing wear and tear on the vehicles and enhancing the ability of personnel to respond to other operational and maintenance issues. It can also be utilized in a proactive manner to analyze hourly/daily consumption patterns for conservation efforts and early detection of leaks or system inefficiencies. All transmitters would be equipped with Global Positioning System (GPS) capability that can be integrated into a GIS.

Also, the GIS Master Plan is completed to the point that a needs assessment can be initiated and a pilot study of a selected pressure zone can be planned and implemented. This plan identifies the needs framework and a vision for SCWD to optimize asset management. A draft RFP for professional services has been developed that will be issued to qualified firms for implementation of the first phase of the needs assessment and pilot study of the GIS platform.

### **Cost Allocation From Castaic Lake Water Agency**

The Agency allocates certain shared positions to SCWD. The allocation of staff is updated each year through the budget process and is largely based on full-time equivalent (FTE) positions. In July 2008, the Agency's audit firm presented the results of a target audit of the shared positions to the Finance and Administration Committee, and presented recommended allocations of the shared positions.

At the time the Committee reviewed the target audit, the Committee directed CLWA staff to use the project accounting system to better track the shared employees' time. As a result of these efforts, the allocation based on FTE positions was confirmed for most of the positions. Time charges continue to be monitored and, based on experience to date, no changes are recommended for the FY 2011/12 Budget. This situation will be reviewed each year as part of the budget process.

The shared positions for FY 2011/12 are as follows:

- ◆ Human Resources/Safety: Human Resources/Risk Management Supervisor, Administrative Analyst (Human Resources) and Safety Officer. These positions are allocated 44% to SCWD and 56% to CLWA. Charges include labor, benefits and other indirect costs.
- ◆ Information Technology: Information Technology Technician. This position is allocated 44% to SCWD and 56% to CLWA. Charges include labor, benefits and other indirect costs.
- ◆ Accounting Technician II (Payroll). This position is allocated 44% to SCWD and 56% to CLWA. Charges include labor, benefits and other indirect costs.
- ◆ Facilities. All four positions in the Facilities section will charge actual time worked on SCWD projects to SCWD. Charges include labor, benefits and other indirect costs.
- ◆ Controller. The Controller charges actual time spent on SCWD projects to SCWD. The Budget assumes 25% of the Controller's time is charged based on experience to date. Charges include labor, benefits and other indirect costs.

- ◆ Administrative Services Manager. This position is assumed to spend 50% of time supervising the above functions, and is allocated 22% to SCWD (half of 44%). Charges include labor, benefits and other indirect costs.
- ◆ Water Conservation Coordinator. This position is budgeted 10%, but charges actual time spent on SCWD projects to SCWD. Charges include labor, benefits and other indirect costs.

## Major Accomplishments

During FY 2010/11 we:

- ◆ Performed a functional and an economic cost analysis of existing utility billing system to determine whether to upgrade it or to convert to new software and commence the implementation process. The Board approved option to convert to new software.
- ◆ Developed a Certificates of Participation (COP) project tracking to maintain proper project tracking mechanism to comply with Certificates of Participation Purchase Agreement and associated regulations. Monthly updates are provided to the Retail Operations Committee.
- ◆ Started operations facility upgrade to improve site efficiency, maintenance and safety. Warehouse concrete floor removed and replaced; Southern California Edison (SCE) transformer relocated, power poles removed, yard lighting installed, fire hydrants installed and security gates installed.
- ◆ Completed evaluation and installation of first phase of touch-read registers.
- ◆ Completed or implemented the following water conservation program efforts: (1)18 Commercial Industrial Institutional (CII) audits, (2) eight large landscape surveys and (3) two HOA landscape surveys (in progress).
- ◆ Moved to the new administration building in February 2011 and held the ribbon cutting event on March 8, 2011.
- ◆ Estimated Division expenditures and revenues are 96% and 102%, respectively, of the FY 2010/11 Budget. Revenues are 2% over budget due to new tiered rate structures and higher consumption during the summer months. Expenses are under budget due to staff vacancies, utilizing more in-house services (and less outsourcing) and decrease in Interfund Loan interest rate implemented 7/10.

## Major Actions

During FY 2011/12 we will:

- ◆ Review the current Purchasing and Bidding Policy and propose appropriate modifications.
- ◆ Implement UB/CIS software conversion.
- ◆ Review existing reserve fund policies to ensure sufficient coverage or develop recommendation for revisions.
- ◆ Perform needs assessment for implementation of Geographical Information System.
- ◆ Perform internal feasibility study for alternative recycled water deliveries.
- ◆ Evaluate the Arc Flash analysis and make appropriate site adjustments.
- ◆ Implement the second phase of the AMR/AMI program.
- ◆ Evaluate and select preferred computerized management maintenance system to improve preventative maintenance efforts and inventory tracking methods.
- ◆ Develop an Operations Plan for the distribution system.

- ◆ Continue to emphasize safety through weekly tailgate and safety meetings.
- ◆ Maintain programs that ensure compliance with state and federal regulations for water quality, employee and public safety and water distribution system/storage compliance.
- ◆ Ensure the SCWD budget and Department budgets are appropriately expended by actively managing and controlling expenditures.

## Conclusion

The Final FY 2011/12 Budget is not only a financial document but also a planning tool for the upcoming year. The final budget provides a strategy to address current needs and to focus on future needs while being financially responsible. We continue to support the priorities and policies articulated by the Board while also providing a high level of service to our customers. We believe that the programs and projects planned for the upcoming year support SCWD's strategic plan and long-range goals.

Sincerely,



Dan Masnada  
General Manager



Mauricio E. Guardado, Jr.  
Retail Manager

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