

**TOMALES VILLAGE COMMUNITY SERVICES
DISTRICT**

APPROVED

**INCOME AND EXPENSE BUDGET
Fiscal Year 2011-2012**

**Approved
6-8-2011**

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT

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DATE: May 18, 2011
TO: Board of Directors, TVCSD
FROM: Karl Drexel, Administrator
SUBJECT: Proposed TVCSD Budget for Fiscal Year 2011-12

I reviewed the Operating Income and Expense reports for the last several years, along with previous budgets. The last rate increase the District instituted was last year for \$5/mo to be restricted for the debt servicing account for the solar project. The last two years have seen the District accumulate a net positive income. However, with the State Controller's accounting and State Water Resources Control Board regulations, which determines profitability of operations only using Operating Income (service charges) and Operating Expenses, the District is still unable to cover its operating costs with service charges alone after depreciation expense is included. Previous budgets have included projected income from new hookup fees and the long awaited previous years' SB 90 funds, neither of which have come to fruition. Therefore, we are not including those income sources in this Budget, except for the current year's SB 90 funds. This year's budget also does not include the non-cash expense of Depreciation, which will have to be addressed in future budgets. Even though previous discussions indicated that multiple rate increases were warranted in order to satisfy the State's requirement of meeting operating expenses with service charges only, this Budget does not recommend a rate increase for the current year. Future years will still require additional rate increases to cover depreciation and increased costs due to inflation, but this proposed budget does not address that issue. Cost of living increases on an annual basis need to be considered in the future in order to meet the State requirements of meeting operating costs.

The following descriptions indicate the changes in expenses and revenues for the upcoming fiscal year:

PARK DIVISION

INCOME

Contribution Income

Income for the regular operations of the Park has primarily come from donations and fundraisers. The primary fundraisers have been the Wine Sale Event and Used Book Sale at the Annual Founders' Day festival. Previously this income was set aside for the Park Improvement project. However, with the construction of a new bathroom, a new water pump and water filtration system, regular maintenance costs have increased. In previous years, Henry Elfstrom has paid the PGE costs for the park, which consisted of the water tower. With the increased PGE use, the District assumed the account and has been paying the

PGE bill. Henry's use of the water tower is offset by increased maintenance in the bathroom and the grounds.

This year's income is based on projections of the continued income from the Founders' Day events, park use rental fees, occasional donations, and the First Annual Party in the Park fundraiser. Discussion has been held by the Board to expand fundraising with the possibility of a summer time Market in the Park. I recommend that the Board pursue this possibility, as well as other fundraising events to build up a Park Account.

SB 90 Reimbursements

As mentioned, the previous years' SB 90 funds have been withheld by the State even though efforts have been made in the legislature to release those funds. Because there is so much uncertainty surrounding those funds, the previous years' funds are not included in this budget. The current year's SB 90 funds are included and by authorization from the Board are included in the Park's budget.

EXPENSES

Park Maintenance

The single largest maintenance item for the Park is the PGE costs. With AB 2466, the District will be able to offset a portion of those costs with meter consolidation with the solar system, but it is unknown at this time what that offset might be (or when it might be available) and is not included in this budget. The second maintenance item is paper products for the bathroom. Henry and David keep the bathrooms stocked, but paper products have to be replaced. Park rental fees cover most of that expense.

Fund Raising Expense

The Founders' Day Wine Tasting Event has costs involved other than the costs of the glasses. Glasses are not considered in this expense item, but are rather deducted from the receipts of the event before being posted. The expense items include table cloth rental, ice for the wineries, permits, etc. Additionally, the Party in the Park fundraiser will have similar costs involved even though a lot of the overhead has been donated.

SEWER DIVISION

RESTRICTED FUNDS

OPERATING INCOME

Sewer Service Fees

The rate increase last year of \$5/EU per month was designated for the repayment of the Bond issue for the Solar Project. This fee is restricted for that use and is separate from other operating income. Additional restricted funds come from the SUSD for their portion of the Solar Bond repayment as well as two contractual payments for separate construction loans. This account, in addition to the solar rebate projected for this year will cover the Bond payment in 2011. Over the next four years, the solar rebate will be enough to fund a reserve fund for payments in first few years after the rebate is over.

CSI Solar Rebate

As mentioned earlier, the California Solar Initiative rebate will help offset the repayment of the Bond issue. The next four years, it is expected to be about \$10,000 per year until the final payment of \$6,500 in the last year.

EXPENSES

Professional Fees

The annual audit is paid for by the Solar Bond proceeds and is therefore classified under Restricted Funds. Although we got the final disbursement from the Bond issue, this year's audit expense was included in that disbursement.

Solar Lease Agreement

The Solar Lease Agreement and the Administration Fee are a fixed amount for 16 years. This payment is offset by last year's rate increase, the CSI rebate, and the SUSD share.

Long Term Debt

State Revolving Loan was the District's portion of the Sewer Improvement Project undertaken over the last eight years. For this year's Budget purposes, the Interest Payment is shown as an expense under Unrestricted Funds and the Principal Payment is treated as a Balance Sheet transaction per the Auditor's accounting methods.

SEWER DIVISION

UNRESTRICTED FUNDS

OPERATING INCOME

Sewer Service Fees

The current rate for sewer service is \$63 per month per equivalent unit, or \$756 per year. However, as mentioned earlier, \$5/month per EU is projected to help offset the initial annual costs of the solar system, and is set aside in a separate account to be used for paying down the CREBS bond. This rate increase is not part of operating income and has no influence on the operating expenses. There will still be a projected shortfall from operations after depreciation expense. It is still anticipated that additional hookups and new customers in future years will help close the operating deficit but future rate increases will still be required.

Levy 4

The Levy 4 Unitary Tax from the County was reduced from its historic levels last year to about \$8,800, which was higher than anticipated. Although the amount varies from year to year there is no indication that the amount will change noticeably this year. Also, due to legal opinions of the Levy 4 process, the funds are unrestricted and can be used for any operating and maintenance expense and are therefore listed in Unrestricted Funds for this Budget.

Connection Fees

There have not been any hook-up fees for the last few years even though they had been anticipated and budgeted for. However, given the status of the four new properties in the new District Sphere of Influence, I think it is possible that one of them may apply for annexation and be connected to the sewer system. Two of the properties have been turned over to the bank and are being prepared for short sale. Two other properties are listed in a bankruptcy and will be auctioned by the Court. If none of the properties sell or are annexed to the District, there won't be a Connection Fee, and therefore is not being budgeted for this year. Also not included in this budget are the annexation fees that will be collected if and when any of the properties in the SOI are annexed.

NON OPERATING INCOME

Interest Income

The District's cash position has improved over the years, with the replenishment of the required and necessary Reserve Funds and Net Income. However, some of those funds have been used for finishing the capital projects, the negative cash flow for the first year of the CREBS bonds and the payoff of the original loan. The budgeted interest income reflects a reduction of interest due to reducing the cash balance and reduced interest rates.

Grant Funds

During previous years, grant funds had been treated as income under the Auditor's accounting methods, which skewed the Net Income amounts. They did, however, help reduce the Administrator's fees by providing Construction Management and Administration elements to the grants offsetting some of the regular Administrator's fees. Those grants have been completed now, and unless there are additional projects undertaken, there will not be any grant income for this offset and it is not budgeted for in the Budget.

EXPENSES

Collection, Treatment and Disposal

With the installation of the Solar system, the PGE rates that would have been are reduced to minimal levels. However, there are other ongoing expenses in the collection, treatment and disposal of the community's wastewater. This Budget reflects the reduced PGE costs as well as the ongoing costs of FOG separator costs, the Aqua Shadow costs, and the Irrigation Filed maintenance costs.

Administrator

The Administrator's contract is tied to the Consumer Price Index (CPI), but he has only taken a Cost of Living Increase (COLI) once since August of 2008. This year's fees reflect no change or COLI from last year. In recent years, a portion of the Administrator's fees have been reimbursed by grant contracts under the category of construction management, and therefore do not show up as expenses on the District's financials since they are not paid out of operating income. However, this fiscal year does not project any new grants that will offset some of the Administrator's time so the budget reflects the full amount of the Administrator's fees for the year.

Licenses and Permits

Permit expenses will be roughly the same as in the past.

Insurance

The District's insurance carrier has voted to keep rates the same as last year; therefore there will be no change in insurance expense.

Other Office Expense

Copying, postage, office supplies and other office expenses (dues and subscriptions and publications) have been budgeted at the same level as actual expenses this year and are up slightly from last year.

Operations and Maintenance

Phillips & Associates' contract is tied to the CPI; however they did not implement the increase last year. This budget reflects a 3% increase based on the current CPI.

Repairs and Maintenance

Since most equipment has been replaced or repaired in the recent past, there is no budget for equipment maintenance. The irrigation field gorse project is ongoing and includes spraying the new shoots and mowing in the spring, which is reflected in the Sewage Disposal line item.

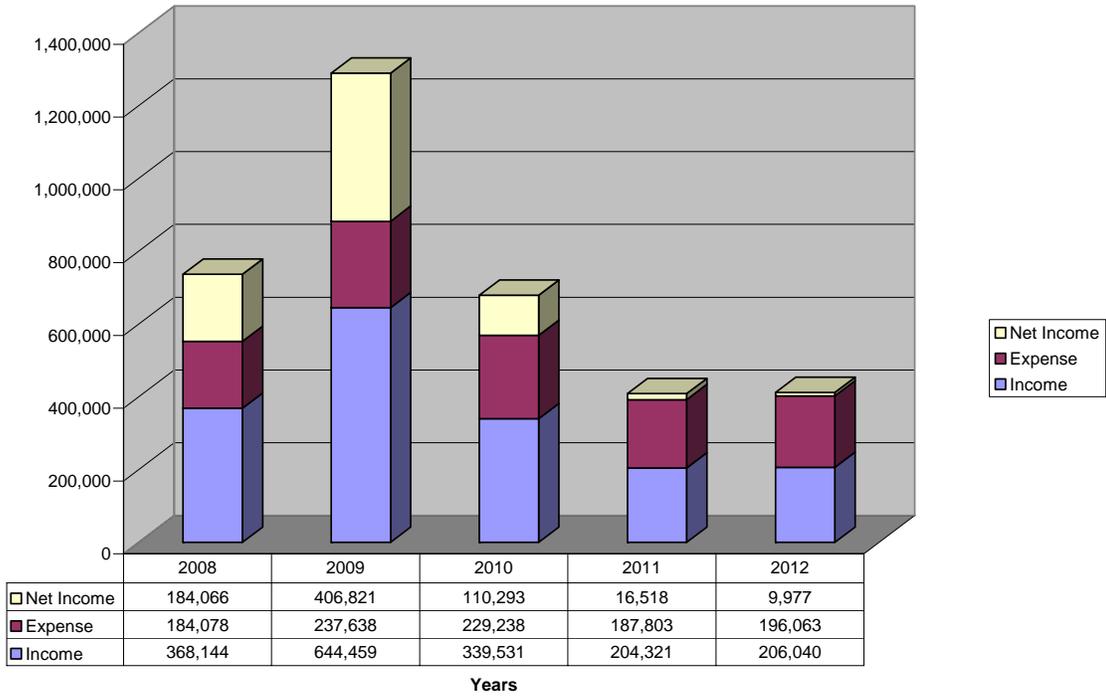
Transportation/Meetings

Transportation, Meetings and Seminars is budgeted a little higher than last year's budget. Although the Administrator has attended several workshops and webinars at his own expense, this year's budget includes courses and workshops that could be attended by Board members.

Transfers In / Transfers Out

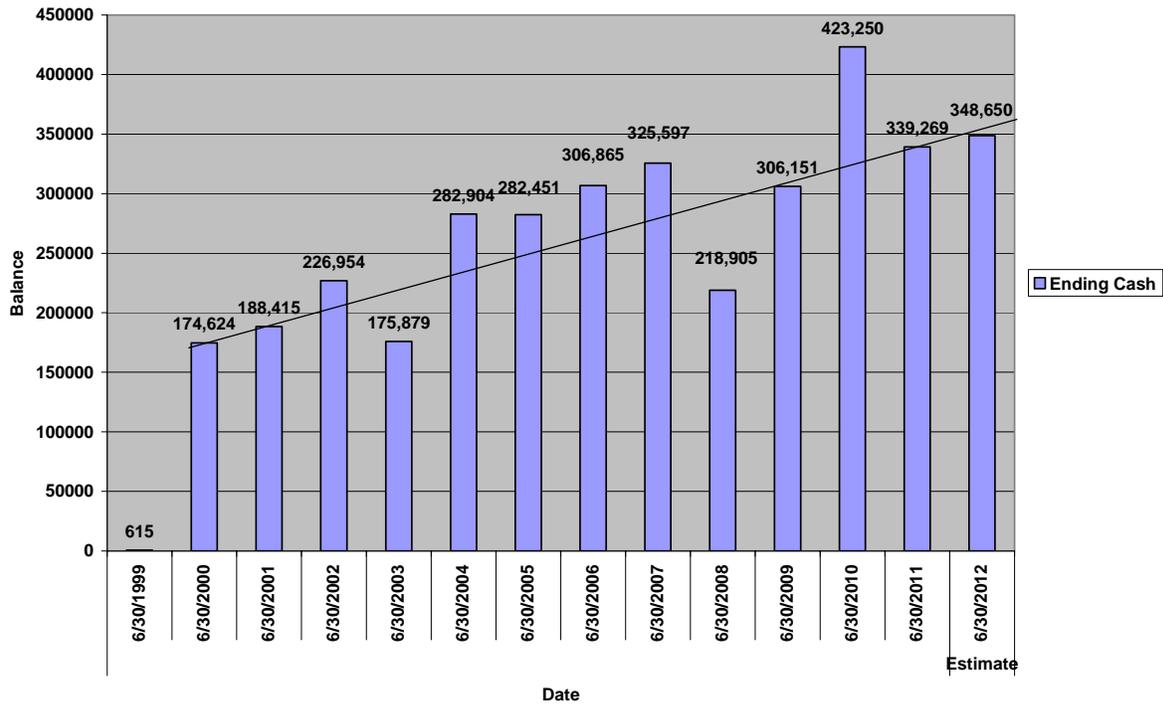
The Park Project used funds transferred to the Park Account from the Sewer Account over the time of the project. The Board authorized those transfers up to \$20,000 with the stipulation that they be paid back. \$5,000 has been transferred back to the Sewer Account this fiscal year and another \$5,000 is budgeted to be transferred back in this Budget. Additional funds coming to the Park through Annexation Fees, SB 90 funds, and fundraisers will complete the reimbursements, but they are not included in this budget.

Income / Expense



TVCS D	-10.3%	+28.7%	- 3.5%	-18.1%	+4.4	08-12=6.1% or 1.2%/yr 07-12=-4.4% or -0.88%/yr
CPI	+ 3.2%	+0.31%	+2.4%	+ 3.5%		07-11=9.7% or 1.9%/yr

Ending Cash Reserves



	Total Park Division	Restricted Funds (Sewer Division)	Unrestricted Funds (Sewer Division)	Total Sewer Division
	<u>Jul '11 - Jun 12</u>	<u>Jul '11 - Jun 12</u>	<u>Jul '11 - Jun 12</u>	<u>Jul '11 - Jun 12</u>
Ordinary Income/Expense				
Income				
301.00 · Service Charges				
301.10 · Service Charges - Monthly			1,512.00	1,512.00
301.15 · Service Charges - Annual Fees			756.00	756.00
301.20 · Service Charges - SUSD		6,400.00	65,898.00	72,298.00
301.30 · Services Charges - County		7,680.00	90,150.00	97,830.00
Total 301.00 · Service Charges		<u>14,080.00</u>	<u>158,316.00</u>	<u>172,396.00</u>
305.00 · SUSD Sinking Fund Revenue		7,539.00		7,539.00
311.00 · Interest Revenues			2,280.00	2,280.00
315.00 · Intergovernmental Revenues				
315.50 · Levy 4			8,825.00	8,825.00
315.60 · HOPTR	53.20			
315.70 · SB 90 Reimbursement	5,014.00			
Total 315.00 · Intergovernmental Revenues	<u>5,067.20</u>		<u>8,825.00</u>	<u>8,825.00</u>
316.00 · CSI Solar Rebate		10,000.00		10,000.00
320.00 · Contributions Income				
320.30 · Unrestricted	3,000.00			
Total 320.00 · Contributions Income	<u>3,000.00</u>			
322.00 · Park Use Rental	600.00			
Total Income	<u>8,667.20</u>	<u>31,619.00</u>	<u>169,421.00</u>	<u>201,040.00</u>
Gross Profit	8,667.20	31,619.00	169,421.00	201,040.00
Expense				
410.00 · Sewage Collection			480.00	480.00
411.00 · Sewage Treatment			2,700.00	2,700.00
412.00 · Sewage Disposal			640.00	640.00
414.00 · Administration and General				
414.05 · Administrator's Fees			77,124.00	77,124.00

414.22 · Licenses and Permits		950.00	950.00
414.30 · Insurance			
414.31 · Property & Liability Insurance		5,834.00	5,834.00
414.33 · Worker's Comp Insurance		1,015.00	1,015.00
414.35 · Health Insurance Allowance		7,200.00	7,200.00
Total 414.30 · Insurance		<u>14,049.00</u>	<u>14,049.00</u>
414.40 · Office Expense			
414.41 · Postage and Delivery		240.00	240.00
414.42 · Printing and Copies		65.00	65.00
414.43 · Office Supplies		800.00	800.00
414.45 · Equipment Expense		500.00	500.00
414.46 · Board Meeting Exp		1,140.00	1,140.00
414.47 · Clerical/Bookkeeping		300.00	300.00
Total 414.40 · Office Expense		<u>3,045.00</u>	<u>3,045.00</u>
414.50 · Contractual Services		57,648.00	57,648.00
414.55 · Professional Fees			
414.56 · Legal Fees		1,000.00	1,000.00
414.57 · Accounting	6,000.00		6,000.00
Total 414.55 · Professional Fees	<u>6,000.00</u>	<u>1,000.00</u>	<u>7,000.00</u>
414.60 · Publication and Notices			
414.61 · Newsletter Expense		442.64	442.64
Total 414.60 · Publication and Notices		<u>442.64</u>	<u>442.64</u>
414.62 · Dues and Subscriptions		1,089.00	1,089.00
414.65 · Rents and Leases			
414.68 · Solar Lease Agreement	17,941.18		17,941.18
414.67 · Solar Lease Admin Fee	750.00		750.00
Total 414.65 · Rents and Leases	<u>18,691.18</u>		<u>18,691.18</u>
414.70 · Repairs and Maintenance			
414.75 · Park Maintenance			
414.755 · Park PGE	1,248.00		
414.75 · Park Maintenance - Other	200.00		
Total 414.75 · Park Maintenance	<u>1,448.00</u>		

Total 414.70 · Repairs and Maintenance	1,448.00			
414.80 · Travel and Meetings				
414.82 · Lodging			150.00	150.00
414.81 · Travel			1,080.00	1,080.00
414.83 · Meetings and Seminars			1,100.00	1,100.00
Total 414.80 · Travel and Meetings			<u>2,330.00</u>	<u>2,330.00</u>
414.90 · Telephone			1,920.00	1,920.00
Total 414.00 · Administration and General	<u>1,448.00</u>	<u>24,691.18</u>	<u>159,597.64</u>	<u>184,288.82</u>
415.00 · Amortization Expense			900.00	900.00
416.00 · Taxes				
416.10 · Property Taxes	<u>40.00</u>			
Total 416.00 · Taxes	40.00			
417.00 · Other Operating Expenses				
417.10 · Bank Service Charges			48.00	48.00
417.15 · Bank Charges-Park	24.00			
417.20 · Election Charges			530.26	530.26
417.30 · LAFCO Charges			132.00	132.00
Total 417.00 · Other Operating Expenses	<u>24.00</u>		<u>710.26</u>	<u>710.26</u>
420.00 · Interest Expense-Long-Term Debt				
420.20 · Interest Payment - SRF Loan			6,230.00	6,230.00
Total 420.00 · Interest Expense-Long-Term Debt			<u>6,230.00</u>	<u>6,230.00</u>
423.00 · Other Nonoperating Expenses				
423.20 · Awards and Gifts			114.29	114.29
423.30 · Fundraising Expense	<u>650.00</u>			
Total 423.00 · Other Nonoperating Expenses	<u>650.00</u>		<u>114.29</u>	<u>114.29</u>
Total Expense	<u>2,162.00</u>	<u>24,691.18</u>	<u>171,372.19</u>	<u>196,063.37</u>
Net Ordinary Income	6,505.20	6,927.82	-1,951.19	4,976.63
Other Income/Expense				

Other Income				
427.00 · Transfer In			5,000.00	5,000.00
Total Other Income			<u>5,000.00</u>	<u>5,000.00</u>
Other Expense				
426.00 · Transfer Out	5,000.00			
Total Other Expense	<u>5,000.00</u>			
Net Other Income	<u>-5,000.00</u>		<u>5,000.00</u>	<u>5,000.00</u>
Net Income	<u><u>1,505.20</u></u>	<u><u>6,927.82</u></u>	<u><u>3,048.81</u></u>	<u><u>9,976.63</u></u>