

Santa Margarita Water District



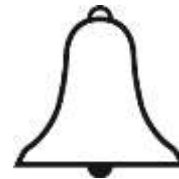
NOVEMBER 4, 2015

BOARD AGENDA

Item 7.1 Chief Financial Officer Report – Financial Update

- Meeting Handout

Santa Margarita Water District



MEMORANDUM

TO: Board of Directors **DATE:** November 4, 2015
FROM: Nancy Trujillo
SUBJECT: Chief Financial Officer Report – Financial Update

SUMMARY

Issue: Financial Information Update as of August 31, 2015.

Recommendation: Information Only.

Committee Status: The Finance and Administration Committee reviewed the August financial statements and requested a Chief Financial Officer update to the Board.

DISCUSSION

August 2015 Statement Highlights:

- Operating Revenues YTD are \$1.1 million lower than budget.
 - The Wastewater fixed revenues are below budget \$0.4 million due to the July and August budget being too high due to straightlining the annual budget, and 550 new Esencia connections being budgeted starting in July but are not being added until December 2015 with 12 units and the remainder spread out through June 2016.
 - Wastewater commodity revenues are lower than budget \$0.5 million due to the average ccf usage for multi-family customers being lower than budgeted; delayed new Esencia connections; and the flows reduction being 12% compared to the 5% reduction budgeted due to lower potable water consumption.
- Operating Expenses YTD are \$1.2 million lower than budget mainly due to decrease in water purchases and power. Operating general expenses are also under budget due to timing of chemicals, supplies and repairs & maintenance expenses that are incurred when needed. Customer/Public Relations expenses are lower due to timing of WUE drought and water efficiency expenses.
- Net Operating Income YTD is \$0.1 million higher than budget.

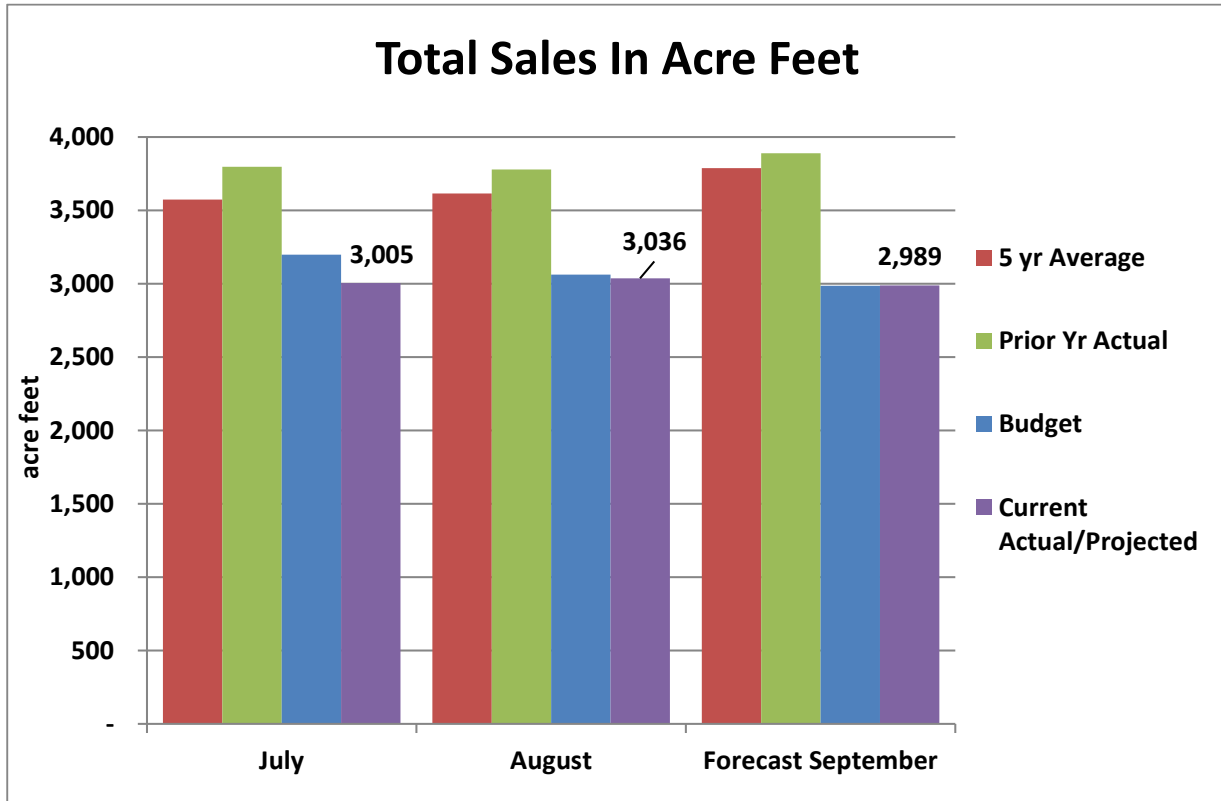
- Fixed revenues covering fixed expenses %s are tracking the annual budgeted % targets.

	Actual YTD	Annual Budgeted Goals		Annual Rate Study
		Without Rate Stabilization Fund	With Rate Stabilization Fund	
Water	59%	46%	68%	75%
Recycled Water	19%	11%	11%	9%
Wastewater	80%	100%	100%	100%
Total	59%	56%	69%	70%

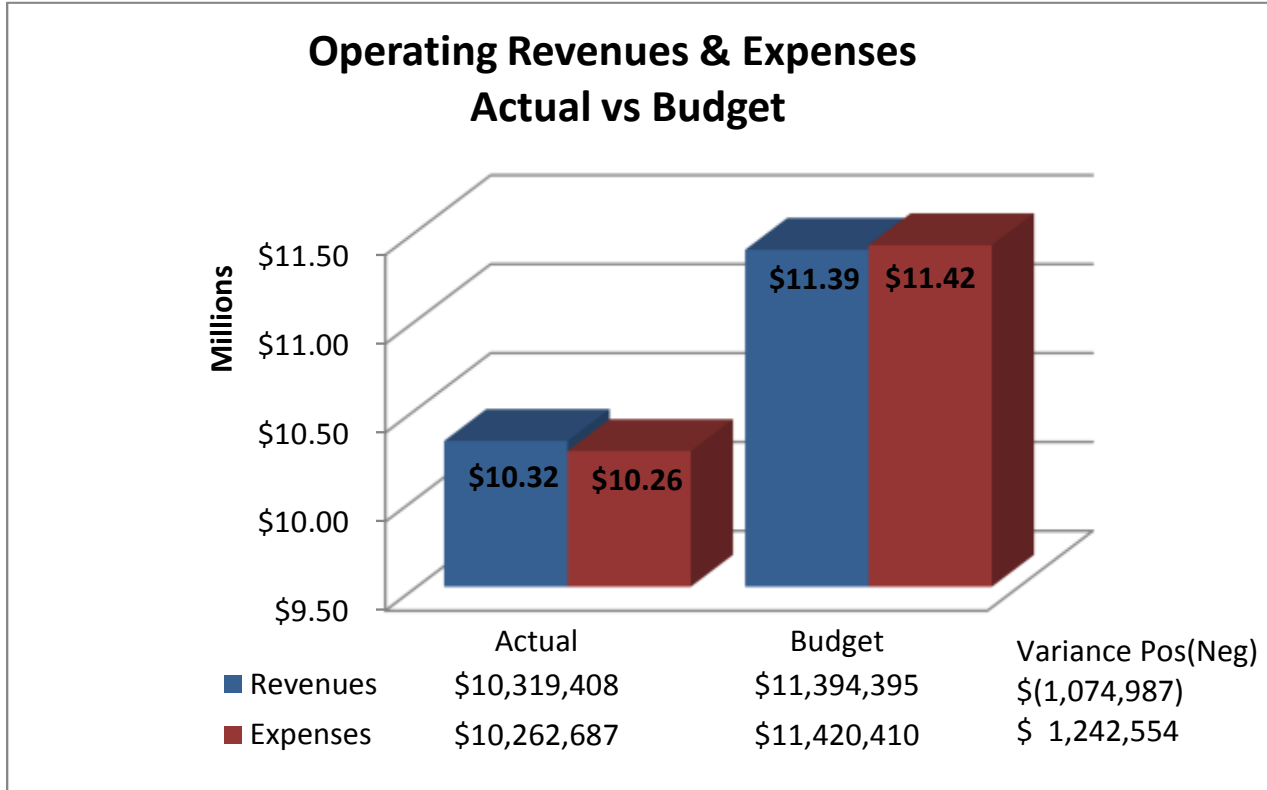
- The Recycled Water commodity revenues are still predominately covering fixed expenses, and fixed charges will need to be reviewed again for a possible updated Prop 218 in the future.
- Cashflow after debt service YTD is on budget. Finance is completing a detailed cashflow reforecast comparison to budget which will be presented to the Board next month. Changes in assumptions, including the Esencia connections, will be included.
- Reserves will be updated and presented at the second November Board meeting with the first quarter financial statements.

Dashboard, key performance indicators, and financial statements for the 2 months ended August 31, 2015 are attached.

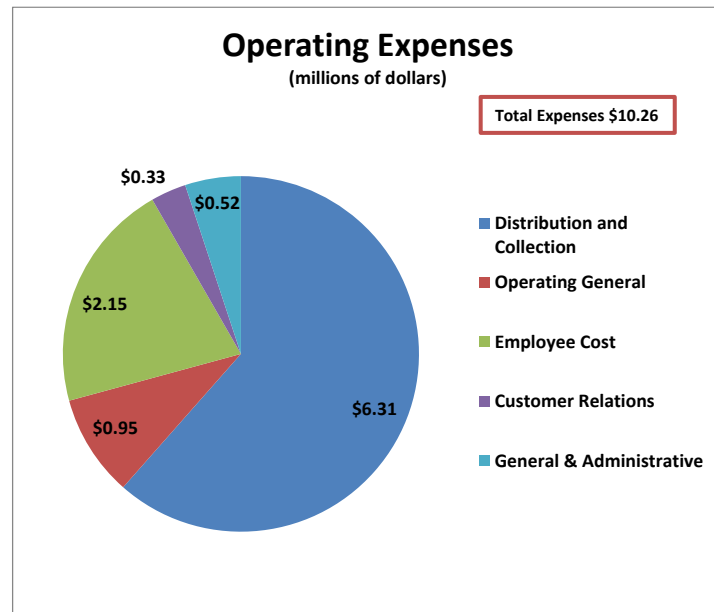
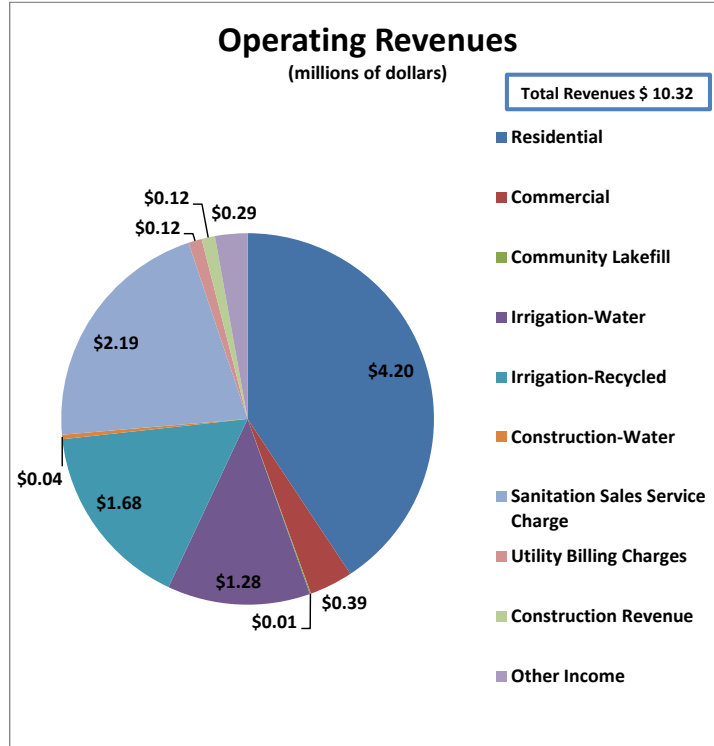
SMWD
TOTAL SALES
AUGUST 2015



**SMWD
 OPERATING REVENUES & EXPENSES COMPARISONS
 AUGUST 2015**

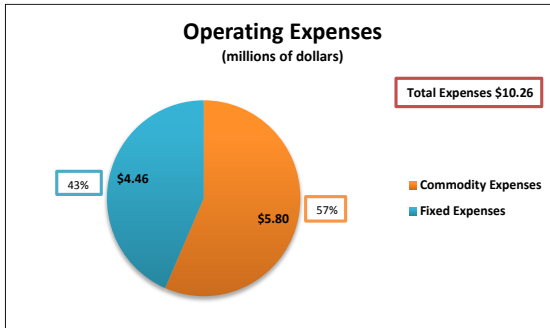
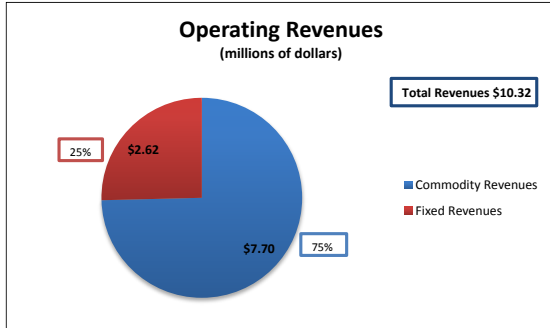


**SMWD
 OPERATING REVENUES & EXPENSES
 AUGUST 2015**

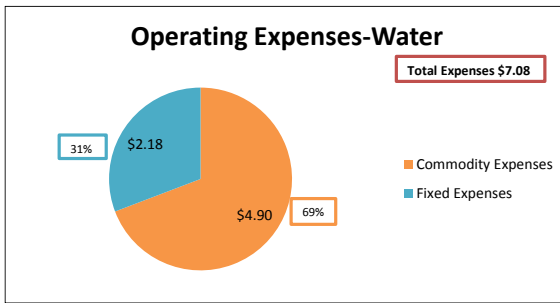
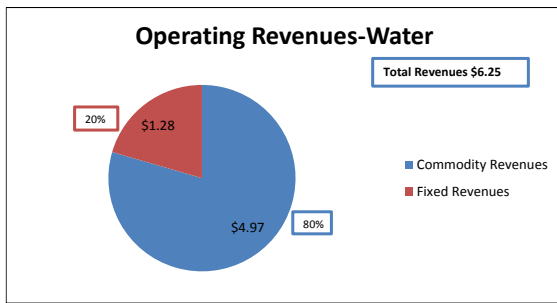


**SMWD
 OPERATING REVENUES & EXPENSES BY REVENUE SOURCE
 AUGUST 2015**

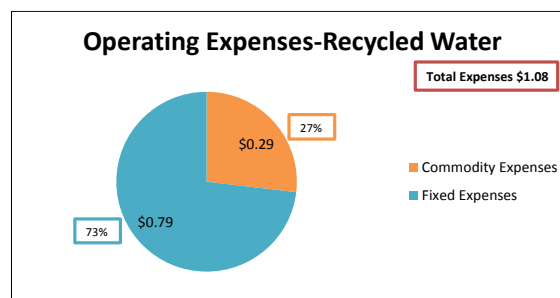
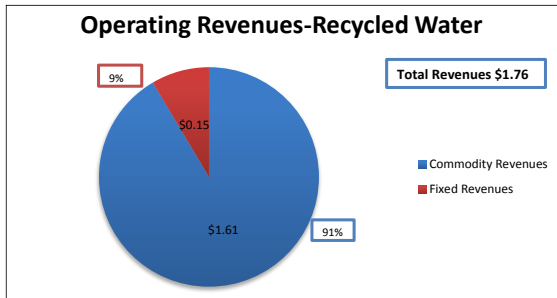
Fixed %



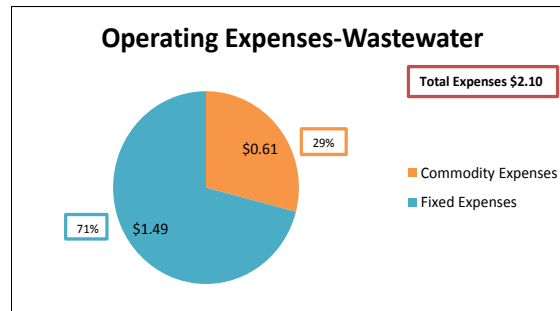
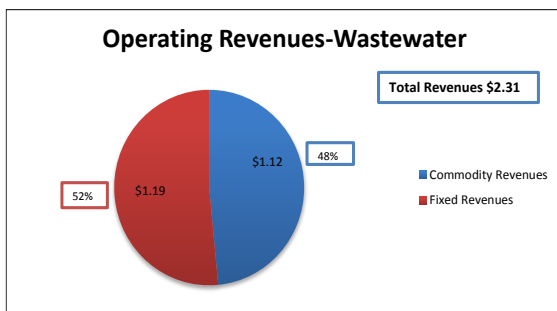
59%



59%



19%



80%

Santa Margarita Water District
Dashboard Summary
For the two months ended August 31, 2015

	YTD -August 2015		Cashflow Increase <Decrease>		Annual		Cashflow Increase <Decrease>	
	Actual	Budget	Change	Actual vs Budget	Forecast	Budget	Reforecast vs Budget	
			\$	%			\$	%
FINANCIAL SUMMARY								
Operating Revenues								
Water Sales	\$ 7,594,453	\$ 7,775,669	\$ (181,216)	-2.3% (a)	\$ 36,914,186	\$ 36,914,186	\$ -	0.0%
Sanitation Sales	2,189,269	3,101,414	(912,145)	-29.4% (b)	16,232,084	16,232,084	-	0.0%
Utility Billing Revenues	118,073	123,000	(4,927)	-4.0%	738,000	738,000	-	0.0%
Construction Revenues	120,318	96,320	23,998	24.9%	554,740	554,740	-	0.0%
Other Income	297,295	297,992	(697)	-0.2%	1,599,419	1,599,419	-	0.0%
Total Operating Revenues	\$ 10,319,408	\$ 11,394,395	\$ (1,074,987)	-9.4%	\$ 56,038,429	\$ 56,038,429	-	0.0%
Operating Expenses								
Distribution and Collection	\$ (6,309,394)	\$ (6,993,820)	\$ 684,426	9.8% (c)	\$ (34,232,471)	\$ (34,232,471)	\$ -	0.0%
Operating General	(948,160)	(1,154,002)	205,842	17.8% (d)	(7,405,475)	(7,405,475)	-	0.0%
Employee Cost	(2,152,880)	(2,241,582)	88,702	4.0%	(17,441,493)	(17,441,493)	-	0.0%
Customer Relations/Public Relations	(326,979)	(485,614)	158,635	32.7% (e)	(3,257,760)	(3,257,760)	-	0.0%
General & Administrative	(525,274)	(545,392)	20,118	3.7%	(3,908,295)	(3,908,295)	-	0.0%
JOF Expense Adjustment	-	-	-	0.0%	2,749,074	2,749,074	-	0.0%
Total Operating Expenses	\$ (10,262,687)	\$ (11,420,410)	\$ 1,157,723	10.1%	\$ (63,496,420)	\$ (63,496,420)	-	0.0%
Net Operating Income <Loss> before Deprec	\$ 56,721	\$ (26,015)	\$ 82,736	318.0%	\$ (7,457,991)	\$ (7,457,991)	\$ -	0.0%
Operating Margin %	0.5%	-0.2%			-13.3%	-13.3%		
Non Operating Sources	\$ 231,006	\$ 310,180	\$ (79,174)	-25.5%	\$ 37,684,223	\$ 37,684,223	\$ -	0.0%
Non Operating Uses	(94,181)	(108,334)	14,153	13.1%	(650,000)	(650,000)	-	0.0%
Debt service - Principal and Interest	(15,338,435)	(15,304,172)	(34,263)	-0.2%	(29,576,232)	(29,576,232)	-	0.0%
Net Operating Cash flow after debt service	\$ (15,144,889)	\$ (15,128,341)	\$ (16,548)	-0.1%	\$ -	\$ -	-	0.0%
Capital Purchases	-	-	-	0.0%	3,031,700	3,031,700	-	0.0%
YTD CIP-FY2016	9,527,902	12,497,808	(2,969,906)	-23.8% (f)	114,750,274	114,750,274	-	0.0%

VARIANCE EXPLANATIONS

- (a) Water Sales lower than budget due to SMWD outreach activities to increase drought awareness and education on water conservation.
- (b) Sanitation Sales lower than budget due to July and August budget being straightlined, lower potable water consumption, and fewer connections due to delay in PA-2 (Esencia) construction.
- (c) Water purchases and power are under budget due to lower consumption.
- (d) Operating General expenses are favorable to budget due to timing of chemicals, supplies, repairs and maintenance expenses.
- (e) Customer/Public Relations expenses are under budget due to timing of WUE Drought Response Program expenditures primarily rebates.
- (f) CIP is under budget due to timing of Solar Project for Chiquita Treatment Plant and Califia Retrofit projects

Santa Margarita Water District
Metrics
For the two months ended August 31, 2015

METRICS

Revenues	<u>Actual</u>	<u>Budget</u>	<u>Change Actual vs Budget</u>	<u>Annual Budget</u>
Consumption-Potable Water (AF)	4,416	4,469		20,301
Total Connections	54,690	54,719	(29)	55,219
New connections included	75	100	(25)	600
Sales in AF - Total	6,041	6,258	(217)	28,425
Sales in AF - Avg per connection	0.11	0.11	(0.00)	0.51
Avg CCF (All) per connection	48	50	(2)	259
Avg Water sales per connection	\$ 138.86	\$ 142.10	\$ (3.24)	\$ 668.51
Meter Sales	\$ 64,660	\$ 45,820	\$ 18,840	(a) \$ 201,740
Weather Assumptions				
Average temperature (max)	86.0	72.0	14.0	
Average air temperature	74.4	72.4	2.0	
Average rainfall (inches)	0.6	0.1	0.5	
YTD Rainfall (inches)	0.2	0.0	0.2	
5 year average rainfall (inches)	0.1	0.1	(0.0)	
Distribution & Collection Expenses				
Water Purchases Cost of Sales %	63.1%	61.6%	1.5%	13.0%
Wastewater Cost of Sales %	17.0%	12.0%	5.0%	2.3%
Power price increase %	8.2%	7.5%	0.7%	7.5%
Employee Costs				
Head count FTEs authorized	131.5	131.5	-	147.5
(excluding interns)				
Gross Salaries for authorized headcount	\$ 1,653,283	\$ 1,570,691	\$ 82,592	\$ 12,316,143
Salaries as % of Revenues	16.0%	13.8%	2.2%	22.0%
Salaries per Connection	\$ 30.23	\$ 28.70	\$ 1.53	\$ 223.04
Connections per Employee	416	416		

(a) Meter Sales are over budget due to construction activity in PA-2 (Esencia).

**Santa Margarita Water District
Revenue Source Comparison
For the two months ended August 31, 2015**

	Water				Recycled Water				Wastewater				Total				
	Actual	Budget	Variance		Actual	Budget	Variance		Actual	Budget	Variance		Actual	Budget	Variance		
			\$	%			\$	%			\$	%			\$	%	
Revenues																	
Commodity Sales	\$ 4,966,946	\$ 5,039,375	\$ (72,429)	-1.4%	\$ 1,614,165	\$ 1,705,356	\$ (91,191)	-5.3%	\$ 1,116,527	\$ 1,581,721	\$ (465,194)	-29.4%	\$ 7,697,638	\$ 8,326,453	\$ (628,814)	-7.6%	
Fixed Revenues	1,281,621	1,252,149	29,472	2.4%	146,677	173,136	(26,459)	-15.3%	1,193,471	1,642,657	(449,186)	-27.3%	2,621,769	3,067,942	(446,173)	-14.5%	
	<u>\$ 6,248,567</u>	<u>\$ 6,291,524</u>	<u>\$ (42,957)</u>	<u>-0.7%</u>	<u>\$ 1,760,842</u>	<u>\$ 1,878,493</u>	<u>\$ (117,650)</u>	<u>-6.3%</u>	<u>\$ 2,309,998</u>	<u>\$ 3,224,378</u>	<u>\$ (914,380)</u>	<u>-28.4%</u>	<u>\$ 10,319,407</u>	<u>\$ 11,394,395</u>	<u>\$ (1,074,988)</u>	<u>-9.4%</u>	
Expenses																	
Commodity Expenses	\$ (4,888,963)	\$ (5,292,332)	\$ 403,369	7.6%	\$ (293,702)	\$ (373,905)	\$ 80,203	21.5%	\$ (613,687)	\$ (810,306)	\$ 196,619	24.3%	\$ (5,796,352)	\$ (6,476,543)	\$ 680,191	10.5%	
Fixed Expenses	(2,183,565)	(2,472,676)	289,111	11.7%	(789,873)	(795,410)	5,537	0.7%	(1,492,896)	(1,675,781)	182,885	10.9%	(4,466,334)	(4,943,867)	477,533	9.7%	
	<u>\$ (7,072,528)</u>	<u>\$ (7,765,007)</u>	<u>\$ 692,480</u>	<u>8.9%</u>	<u>\$ (1,083,575)</u>	<u>\$ (1,169,315)</u>	<u>\$ 85,740</u>	<u>7.3%</u>	<u>\$ (2,106,583)</u>	<u>\$ (2,486,087)</u>	<u>\$ 379,504</u>	<u>15.3%</u>	<u>\$ (10,262,686)</u>	<u>\$ (11,420,410)</u>	<u>\$ 1,157,724</u>	<u>10.1%</u>	
Net Operating Income (Loss)	<u>\$ (823,961)</u>	<u>\$ (1,473,483)</u>	<u>\$ 649,522</u>	<u>44.1%</u>	<u>\$ 677,267</u>	<u>\$ 709,178</u>	<u>\$ (31,911)</u>	<u>-4.5%</u>	<u>\$ 203,415</u>	<u>\$ 738,290</u>	<u>\$ (534,875)</u>	<u>-72.4%</u>	<u>\$ 56,721</u>	<u>\$ (26,015)</u>	<u>\$ 82,736</u>	<u>318.0%</u>	

- Per Prop 218, rate increases are in effect in March 2015, for water and wastewater consumption, and will start to recover the additional fixed expenses.