

FY 2024/25 PRELIMINARY BUDGET

MAY 21, 2024



Introduction

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 21, 2024

Public meeting held for presentation of FY 2024/25 Preliminary Budget. Opportunity for public comment. Board reviews and provides feedback prior to the Final Budget presentation in June.

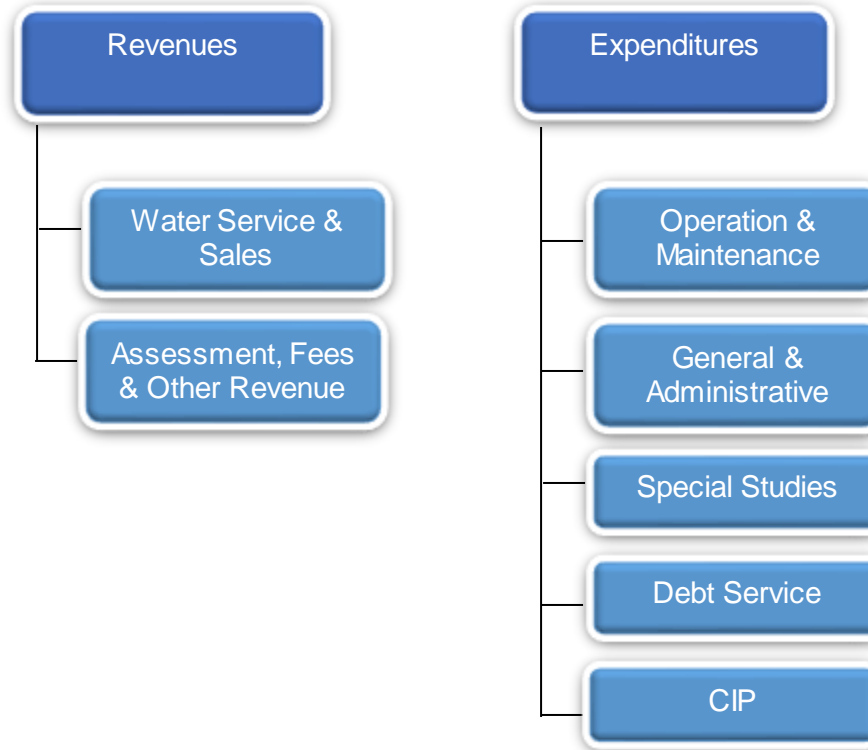
June 18, 2024

Public meeting scheduled for FY 2024/25 Final Budget presentation. Opportunity for public comment. Board reviews and considers adoption of FY 2024/25 Final Budget.

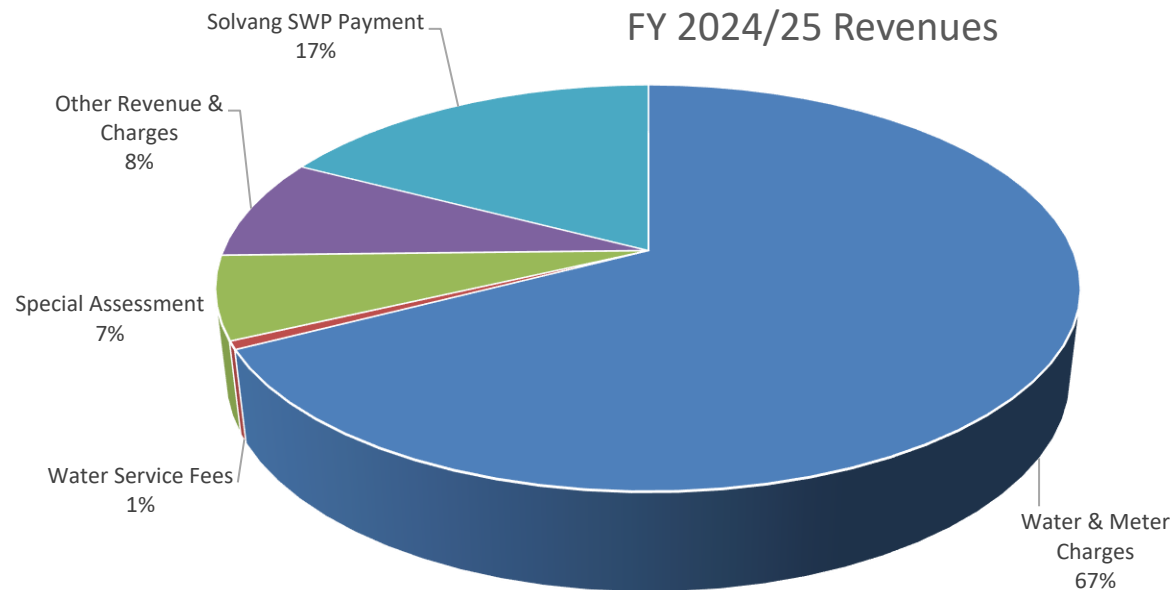
BUDGET OVERVIEW IN TOTAL

- ▶ **Final FY 2023/24 Budget - \$12.5 million**
- ▶ **Preliminary FY 2024/25 Budget - \$13.2 million**
- ▶ **Gross Budget Increase of \$737,177**

FY 24/25 PRELIMINARY BUDGET COMPONENTS



OPERATING REVENUE SUMMARY



- ▶ Water & Meter Charges - \$8,928,880
- ▶ Water Service Fees - \$86,000
- ▶ Special Assessment - \$875,000
- ▶ Other Revenues - \$1,070,000
- ▶ Solvang SWP - \$2,297,460
- ▶ **Total Revenues - \$13,257,340**

REVENUE HIGHLIGHTS

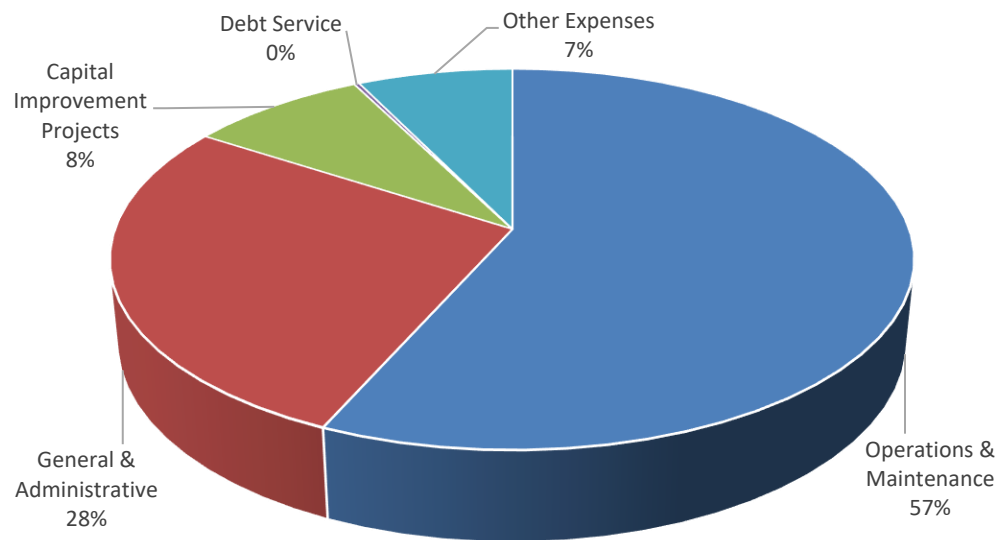
1. Preliminary Budget total revenues for FY 24/25 are 2.9% higher than the FY 2023/24 adopted budget.
2. Water rates assumed to remain unchanged for FY 2024/25 budget cycle. (Last rate increase took place July 1, 2021)
3. Special Ad Valorem Tax Assessment assumed to remain unchanged at \$875,000. The amount has remained unchanged since FY 17/18. Authorized amount that could be collected by the District in FY 2024/25 is \$2,481,499.
4. Interest Income is increased due to the current and forecasted economic climate per LAIF and Mechanics Bank representatives.

Overall revenues projected to increase \$737,177 primarily due to:

- Interest Income based on anticipated higher interest rate earnings coupled with higher balances in LAIF & Mechanics Bank accounts (\$587,500)
- Solvang SWP passthrough payment to ID No.1 (\$154,177)



EXPENDITURES SUMMARY



- ▶ Operations & Maintenance (O&M) - \$6,285,636
Solvang SWP Passthrough expense represents 37% of O&M total
- ▶ General & Administrative - \$3,046,230
- ▶ Debt Service - \$26,976
- ▶ Other Expenses & Special Studies - \$804,750
- ▶ Capital Improvement Projects - \$927,688
- ▶ **Total Expenditures - \$11,091,279**

EXPENDITURES HIGHLIGHTS

1. Total projected expenditures for FY 2024/25 are overall 3.5% less than the FY 2023/24 adopted budget, which is attributable to \$1.18 million of decreased expenses required for Capital Improvement Projects in FY 2024/25.
2. Operations & Maintenance expenditures increased \$504,326 from the FY 2023/24 budget due to:
 - a. DWR and CCWA's increases in fixed and variable costs associated with State Water Project deliveries. (ID No.1 - \$319,669; Solvang - \$154,177)
 - b. Increased USBR charges for the Cachuma Renewal/Environmental Fund which is based upon the percentage of Cachuma Project Water allocation for the year, which will be 100% for FY 2024/25. (\$17,097)
3. General & Administrative total expenditures increased slightly from the FY 2023/24 budget by \$195,979 primarily due to inflationary and vendor cost increases for goods, services, salaries and benefits.



EXPENDITURES HIGHLIGHTS

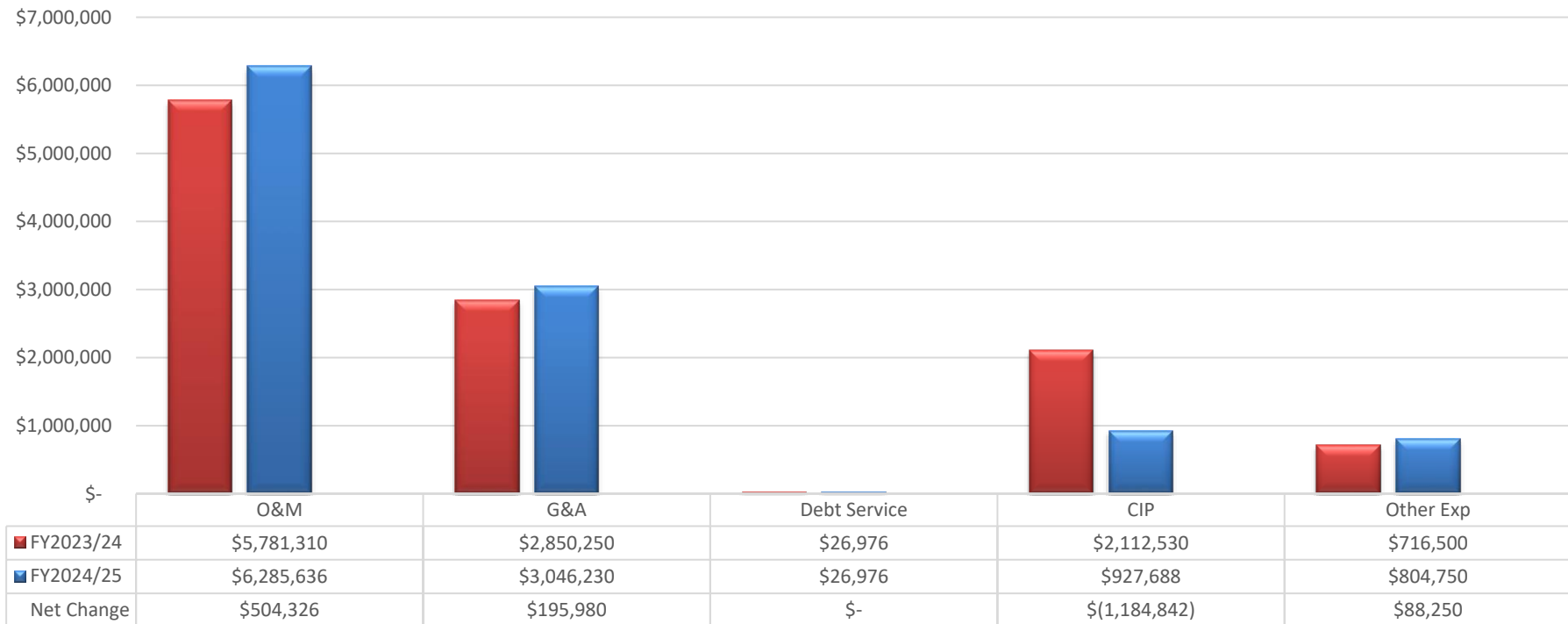
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4. Debt Service remained unchanged at \$26,976 pursuant to the Bradbury Safety of Dams 50-year repayment terms.
5. Other Expenses & Special Studies increased by \$88,250 from the FY 2023/24 Budget.
6. Capital Improvement Projects decreased by \$1,184,842 from the FY 2023/24 budget. Various projects were rolled forward from FY 2023/24 that are slated to be completed in FY 2024/25.

Overall expenditures decreased by \$396,287 from the FY 2023/24 Budget.



Comparison of Expenditures



CAPITAL IMPROVEMENT PROJECTS

ACCOUNT	PLANT EXPANSION	BUDGET
900332	District Building	\$ 50,000
900372	Office Computers, Furniture & Equipment (Computer Replacements & Laserfische Document Management System)	\$ 40,200
900318	Meter Replacement/Utility Billing (Final 8" Agriculture Meter Install)	\$ 10,000
900371	Office Building/Shop Improvements (Iron Fencing and Exterior Security Cameras)	\$ 90,000
900181	ESRI CAD-GIS (Misc. Equipment)	\$ 1,000
900350	Upland Wells (Motor Control Cabinets - Well 7 & Well 25)	\$ 35,000
TOTAL CAPITAL IMPROVEMENT PROGRAM - PLANT EXPANSION		\$ 226,200

CAPITAL IMPROVEMENT PROJECTS continued...

ACCOUNT	REPAIR AND REPLACE	BUDGET
900200	Pumps & Motor Replacement (Replacement Pumps & Motors in Distribution System)	\$ 175,000
900106	Rehab/Replace/New Transmission Lines (Mainline Valve & Fire Hydrant Replacements)	\$ 55,000
900170	6 CFS Well Field (Motor Control Center Upgrade)	\$ 15,000
900373	Fleet Vehicle Replacement (New Dump Truck)	\$ 150,000
900171	4 CFS Well Field (Manual Transfer Switch Testing for Emergency Generator Use)	\$ 5,000
900195	Refugio 2 Booster Pump Station (Manual Transfer Switch Testing & Install for Emergency Generator Use)	\$ 5,000
900196	Alamo Pintado Booster Pump Station (Manual Transfer Switch Testing for Emergency Generator Use)	\$ 5,000
900197	Refugio 3 Booster Pump Station (Motor Control Center Completion & Booster Pump Replacement Project)	\$ 134,188
900198	Meadowlark Booster Pump Station (Metal Pole Barn, Motor Control Center Completion, New Chlorine Analyzer & Pressure Reducing Flow Valve Install)	\$ 157,300
TOTAL CAPITAL IMPROVEMENT PROGRAM - REPAIR AND REPLACE		\$ 701,488
GRAND TOTAL CAPITAL IMPROVEMENT PROGRAM		\$ 927,688

RESERVES

Table 1

RESERVE BALANCES

	June 30, 2023	March 31, 2024
<u>BOARD RESERVED</u>		
Debt Repayment Obligation	\$291,241	\$614,222 ¹
Repair & Replacement	\$6,054,018	\$7,390,060
Plant Expansion	\$7,366,450	\$8,672,492
Subtotal	\$13,681,709	\$16,676,774
<u>RESTRICTED RESERVE</u>		
Dev. Fee; SY Septic	\$109,212	\$109,212
State Water Project Reserve ²	\$3,000,000	\$3,000,000

1. This amount represents a Debt Payment Obligation reserve balance at 9-months of current FY 2023/24. The year-end reserve amount in this category will change at June 20, 2024 to reflect payments for the SWP payment due on June 1, and the USBR Safety of Dams Repayment Contract payment.
2. 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 2023/24 Budget	Preliminary 2024/25 Budget	Increase (Decrease)
REVENUES			
Sales & Service	\$ 9,020,880	\$ 9,014,880	\$ (6,000)
Assessments, Fees & Other Revenue	\$ 3,499,283	\$ 4,242,460	\$ 743,177
Total Revenues	\$ 12,520,163	\$ 13,257,340	\$ 737,177
EXPENDITURES			
Source of Supply	\$ 3,360,625	\$ 3,853,920	\$ 493,295
Infrastructure	\$ 155,000	\$ 155,000	\$ -
Pumping	\$ 730,000	\$ 740,000	\$ 10,000
Water Treatment	\$ 107,000	\$ 107,000	\$ -
Transmission & Distribution	\$ 1,428,685	\$ 1,429,716	\$ 1,031
General & Administrative	\$ 2,850,250	\$ 3,046,230	\$ 195,980
Debt Service	\$ 26,976	\$ 26,976	\$ -
Other Expenses (Studies, Legal & Engineering, NARES)	\$ 716,500	\$ 804,750	\$ 88,250
Construction In Progress	\$ 2,112,530	\$ 927,688	\$ (1,184,842)
Total Expenditures	\$ 11,487,566	\$ 11,091,279	\$ (396,287)
GRAND TOTAL REVENUES LESS EXPENSES	\$ 1,032,597	\$ 2,166,061	\$ 1,133,464



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 \$2,166,061 will be added to District Reserves to assist with upcoming expenditures for Cr6 compliance.

QUESTIONS ?

