

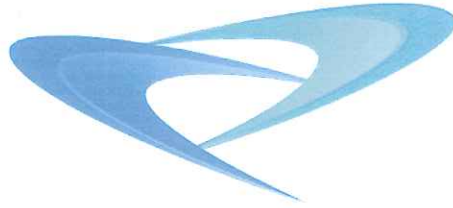


MID-PENINSULA WATER DISTRICT

OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2014-2015



Serving the community since 1929



MID-PENINSULA WATER DISTRICT

OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2014-2015



Board of Directors

Louis J. Vella – President
Betty L. Linvill – Vice President
Al Stuebing – Director
Matthew P. Zucca – Director
David P. Warden – Director

Management

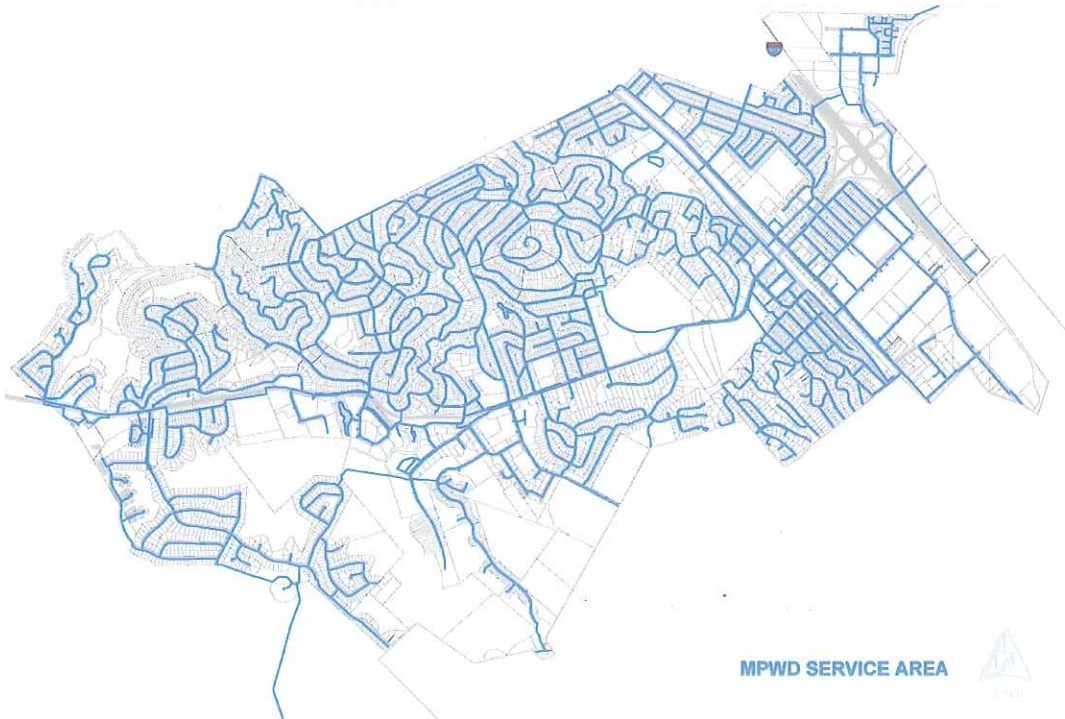
Tammy A. Rudock – General Manager
Candy R. Pina – Administrative Service Manager/Board Secretary
Henry L. Young – Maintenance Superintendent



ABOUT MID-PENINSULA WATER DISTRICT

The Mid-Peninsula Water District (MPWD), formerly Belmont County Water District, was formed as a California special district in 1929 from seven (7) independent water distribution systems (including the Spring Valley Water Company), which were united and began functioning as a public utility in 1930. Since its inception, the MPWD has been served by the San Francisco Regional Water System and purchased its entire water supply from San Francisco Water, a service of the San Francisco Public Utilities Commission (SFPUC). Reference www.sfwater.org.

The MPWD now supplies water to consumers in an area slightly larger than the city limits of Belmont. Small portions of the service area are within the city limits of San Carlos, Redwood City, and parts of the unincorporated County of San Mateo. The MPWD's service territory covers approximately five (5) square miles and serves approximately 30,000 people. In the event of an emergency the MPWD can serve or be served with inter-ties between neighboring utilities. Presently, the MPWD has one (1) inter-tie with Foster City, two (2) with San Carlos, one (1) with Redwood City and three (3) with San Mateo. The MPWD service area map is reflected below.



The MPWD is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), which represents the interests of 26 cities and water districts, and two private utilities that purchase water wholesale from the SFPUC. For complete information about BAWSCA: www.bawsca.org.

GOVERNANCE

Policy development and rates for service are established by five (5) Directors, elected by MPWD ratepayers to serve staggered four-year terms on its governing board.

Officers of the MPWD include the General Manager, District Secretary, District Counsel, District Engineer and District Treasurer.

ORGANIZATIONAL STRUCTURE

The General Manager is appointed by and reports directly to the Board of Directors. Along with the General Manager, the Administrative Services Manager and the Maintenance Superintendent oversee the day-to-day operations of the MPWD.

The Administrative Services Manager serves as the District Secretary and leads the following operations: Administration, Finance and Accounting, Human Resources, and Customer Services. The Maintenance Superintendent leads the water system operations and capital project management.

There are a total of 17 employees within the MPWD.

The Operations staff totals ten (10) employees, including the Superintendent, professional Water Distribution and Water Treatment Operators, Engineering Technician, Water Quality Coordinator, Foreman, Pumps/Regulator Specialist, and Mechanic.

The Administrative and Customer Services staff totals six (6) employees, including the Administrative Services Manager, Customer Service Representatives, a professional Water Distribution Operator/Meter Reader, and a field Customer Service Technician.

Reference the current organizational chart on the next page.



MPWD Organizational Chart

CUSTOMER

Board of Directors

General Manager

Tammy Rudock

District Engineer
Joubin Pakpour

District Counsel
Joan Cassman

District Treasurer
Jeff Ira

Operations Superintendent
Henry Young

Administrative Services Manager
Candy Pina

Engineering Technician
Brent Chester

Operations Foreman
Mike Anderson

Pump/Regulator Specialist
Ron Leithner

Water Quality Specialist
Rick Bisio

Mechanic
Stan Olsen

Maintenance
Worker
Jonathan Anderson

Maintenance Workers:
Jon Tscharner
Chris Michaelis
Tava Mataele

Maintenance Workers:
Brad Burwell
Robby Piccolotti

Customer Service
Representatives
Misty Anderson
Jeanette Kalabolas
Laura Ravella

The MPWD Mission Statement, Vision Statement, and Strategic Goals are reviewed annually in January by the Board of Directors, together with the development of annual Strategic Plan and Board assignments.

MPWD MISSION STATEMENT

The mission of the MPWD is to deliver a safe, high quality, reliable supply of water for current and future generations in a cost effective, environmentally sensitive and efficient manner.

MPWD VISION STATEMENT

The MPWD will strive to be recognized by its customers, the community it serves, and other agencies for its outstanding service and enlightened water conservation programs. We will employ innovative approaches to water and energy sustainability to achieve cutting edge environmental efficiency and a competitive rate structure. We will commit ourselves to provide community information and water education.

MPWD STRATEGIC GOALS

1. To effectively manage the water resources, demands, and infrastructure for the MPWD.
2. To operate the MPWD at the highest level of service to customers at the lowest expense.
3. To develop an environment that fosters open and candid communications with the community, customers, staff, and directors.
4. To keep current with water issues and industry best management standards.

For further information about the MPWD: www.midpeninsulawater.org.

MPWD BUDGET PROCESS

BUDGET ADMINISTRATION

The MPWD operates on a July 1st to June 30th fiscal year. Each fiscal year, two (2) budgets are developed, an Operating Budget and a Capital Budget.

The Board of Directors begins the budget development process in February or March of each year for a June adoption. The budget documents are discussed during regular Board meetings each month from February through June. Public comment is welcome.

The Operating Budget includes the revenues and expenditures for the day-to-day operations of the MPWD. The Capital Budget includes the capital infrastructure and system projects and outlays.

A mid-year budget review is typically scheduled each year. This process allows for an updated report on the previous 6-month operational and capital activities, and revenue collections and expenditures. Any proposed budgetary adjustments for the remainder of the fiscal year are also considered at this time.

The MPWD's budget format was significantly improved in Fiscal Year (FY) 2012/2013. The Board of Directors and staff wanted a high level of transparency and more user friendly budget documents. A line-by-line operating budget accounting for MPWD revenue and expenditure account items was developed. A capital budget was enhanced to present not only the proposed projects and outlay items but also the revenue sources for them.

Budget documents are posted at the MPWD's website: www.midpeninsulawater.org.

"PAY AS YOU GO" CAPITAL IMPROVEMENTS

The MPWD operates on a "pay as you go" basis and thereby avoids incurring debt for capital improvements or drastic rate increases to fund capital improvements. Because the MPWD has established rates to include capital improvement expenditures, the MPWD has no outstanding debt.

MPWD TIERED RATE STRUCTURE

In May 2010, following completion of a comprehensive water rate study, the MPWD approved new water rates for FYs 2010 through 2014 that provide for a phased approach to raising rates to keep pace with increasing wholesale water and operational costs. The tiered rate model also encourages conservation by increasing unit rates for higher consumption.

The MPWD relies solely on water from the SFPUC, which is in process of completing a \$4.8 billion seismic Water System Improvement Program in 2019 on the Hetch Hetchy regional distribution system. Costs for the capital improvements are passed on through wholesale water prices and the MPWD water rates must be adjusted accordingly. Other

factors affecting water rates include conservation impacts and cost of MPWD operations.

A Water Sales Analysis is attached to the end of this budget document for information, as is the current year MPWD Rates Notice.

The MPWD engages in an array of water conservation programs including Lawn-Be-Gone, HET (High Energy Toilet), and High Efficiency Clothes Washing Machine rebate programs, school conservation programs, and landscape audit programs. More information is available about these programs at the MPWD's website:

www.midpeninsulawater.org.

REVIEW OF FY 2014/2015 OPERATING BUDGET

BUDGET CATEGORY	PROPOSED FY 2014/2015 BUDGET	PROJECTED FY 2013/2014 BUDGET	ACTUAL FY 2012/2013
Total Operating Revenues	\$11,259,400	\$10,430,400	\$9,875,688
Total Operating Expenditures	\$10,153,800	\$ 9,400,454	\$8,926,086
Net Transfer To Capital	\$ 1,105,600	\$ 1,029,946	\$ 949,602

Significant FY 2014/2015 fiscal impacts:

- Total Operating Revenues are projected to increase by 8%, mostly due to the proposed 9% water rate increase.
- Total Operating Expenditures are projected also to increase by 8%, largely due to the increased cost of purchased water. *(Note: In order to contain expenditures and stabilize rates, items that were not budgeted included: Rates Stabilization, Working Capital Reserves, or Emergency Reserves.)*
- The Net Transfer to Capital is projected to increase by 7%.

The following table reflects significant variances when the PROPOSED FY 2014/2015 MPWD Operating Budget is compared with the PROJECTED FY 2013/2014 MPWD Operating Budget:

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	PROPOSED BUDGET	EXPLANATION
4010	Water Charges	\$8.6 million	Increased by \$711,000. Included 9% rate adjustment, effective 7/1/14.
4020	Service Fees	\$2 million	Increased by \$171,000. Included 9% rate adjustment, effective 7/1/14.
4203	New Construction Revenue	\$50,000	Estimated. Variable to market and economy. (Compared to \$90,000 projected for FY 2013/2014.)

4206	Miscellaneous Revenue	\$20,000	Estimated. (FY 2013/2014 projection--\$40,000--less the proceeds received from the sale of an MPWD vehicle--\$20,000.)
6011	Salaries & Wages	\$1.3 million	Increased by \$65,000. Included 5% increase for potential equity adjustments and merit increases.
6050	Employee Service Recognition	\$5,100	No change from FY 2013/2014. Annual employee appreciation dinner (\$3,000) budgeted in this line item.
6052	Uniforms	\$24,000	Increased by \$6,000. Included Customer Service staff per policy.
6053	PARS OPEB Expense	\$80,000	Rounded from \$75,900. Actuarial report 5.9% ROI.
6101	SFPUC Treated Water & Service Charges	\$4.3 million	Increased by \$900,000. Averaged last three years demand and added partial PAMF demand. Included 19.6% SFPUC water rate increase.
6102	BAWSCA Debt Service Surcharges	\$500,000	No change from FY 2013/2014. Debt service payment for MPWD's share of refinancing SFPUC infrastructure improvements.
6103	Rates Stabilization	\$0	Eliminated in order to contain expenditures and stabilize rates in FY 2014/2015.
6300	Outreach & Education	\$60,000	Increased by \$4,500. Drought outreach and messaging, and increased community conservation outreach and participation.
6602	Leak Detection Survey	\$0	Survey conducted every two years. Completed in FY 2013/2014.
6804	Env Health – Cross Connection Inspection	\$30,000	Increased annual inspection
7101	Prof Serv – District Counsel	\$100,000	Rounded. \$1,000 less than FY 2013/2014 projection.
7102	Prof Serv – District Engineer	\$80,000	Reduced by \$17,000. Completed Construction Specifications and Standards in FY 2013/2014. Included monthly meeting retainer and

			projected miscellaneous engineering expenditures, including completion of Hydraulic Water Model calibration and 5-Year CIP.
7105	Prof Serv – Mgt Consulting	\$10,000	Estimated management support consulting expenses.
7110	Prof Serv – Miscellaneous	\$178,000	Increased by \$121,000. Projected professional services expenditures for a new financial management system (\$65,000), comprehensive rates study (\$45,000), connection and capacity charges and miscellaneous fees review and update (\$25,000); and public relations/outreach services, including completion of MPWD website redesign (\$43,000).
7203	Elections	\$0	None projected in FY 2014/2015.
8001	Working Capital Reserves	\$0	Eliminated in order to contain expenditures and stabilize rates in FY 2014/2015.
8002	Emergency Reserves	\$0	Eliminated in order to contain expenditures and stabilize rates in FY 2014/2015.

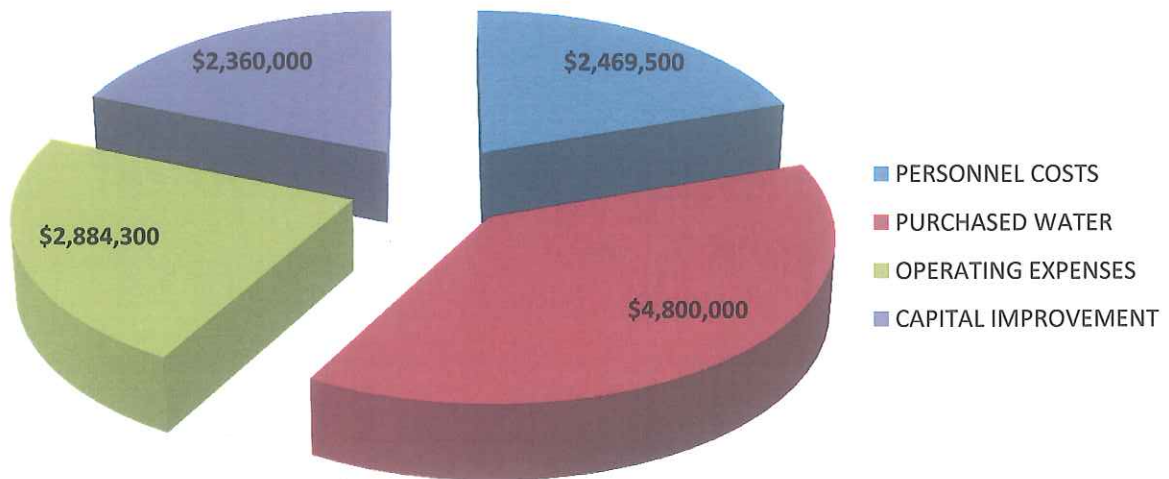
REVIEW OF FY 2014/2015 CAPITAL BUDGET

The total proposed Capital Budget is \$2,360,000, and continues on a “pay as you go” financing program. Projected available funds total \$1,975,600 (Depreciation \$870,000 plus Transfer from Operations \$1,105,600). A transfer from Capital Reserves totaling \$384,400 is projected to cover the potential shortfall.

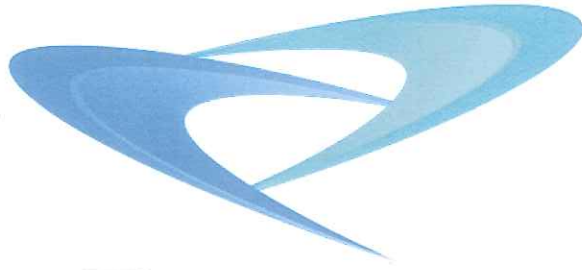
The FY 2014/2015 Capital Budget includes.

- Completion of construction of the replacement Buckland Tanks in the first half of FY 2014/2015 - \$1.2 million.
- Continued Meter Change-Out Program to include one-half of Zone 1 (approximately 400 meters) - \$400,000.
- Replacement of the Belburn Water Main - \$600,000
- Phase 1 replacement of the SCADA system (4 sites with radios) - \$160,000

PROPOSED FY 2014/2015 BUDGET EXPENDITURES



	PROPOSED FY 14/15 BUDGETED	% OF TOTAL	PROJECTED FY 13/14	% OF TOTAL
TOTAL EXPENDITURES				
PERSONNEL COSTS	\$ 2,469,500	20%	\$ 2,345,254	22%
PURCHASED WATER	\$ 4,800,000	38%	\$ 4,100,000	39%
OPERATING EXPENSES	\$ 2,884,300	23%	\$ 2,955,200	28%
CAPITAL IMPROVEMENT	\$ 2,360,000	19%	\$ 1,035,000	10%
TOTAL OPERATING EXPENDITURES	\$ 12,513,800	100%	\$ 10,435,454	100%



MID-PENINSULA WATER DISTRICT

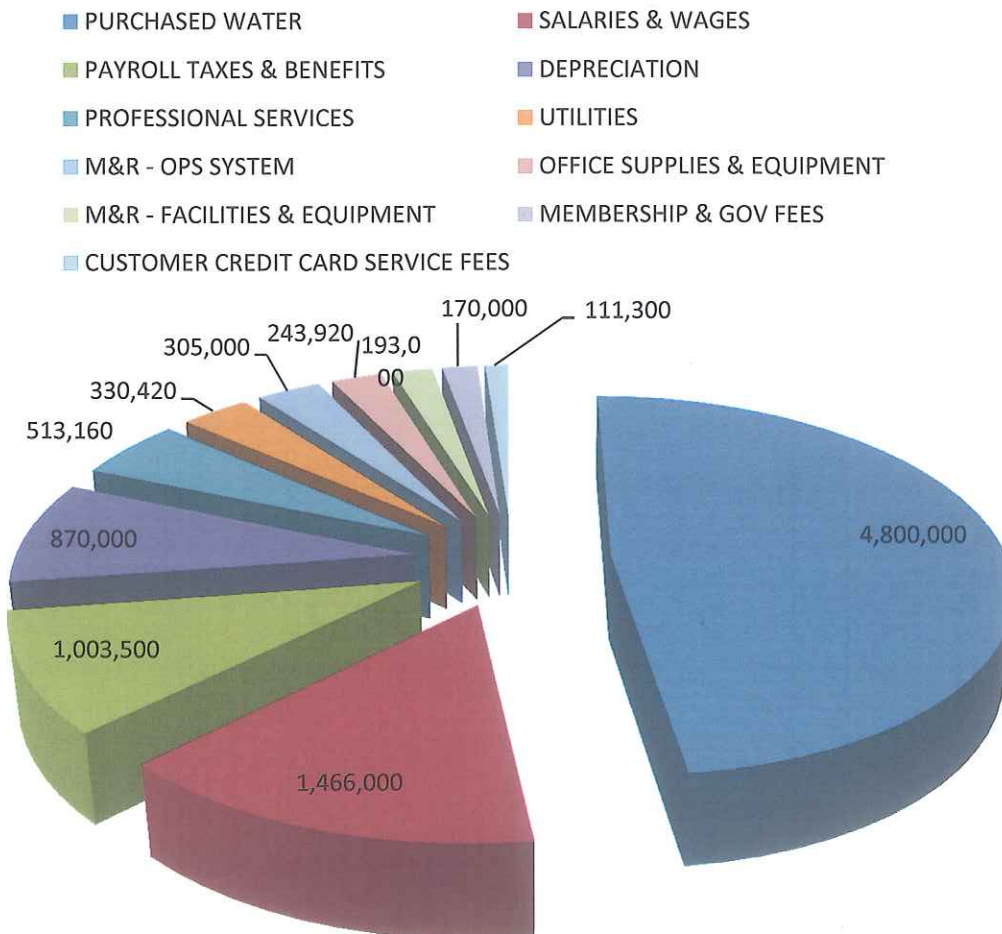
OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2014-2015

**MID-PENINSULA WATER DISTRICT
BUDGET FOR YEAR 2014-2015
SUMMARY**

DESCRIPTION	A FY 2012-2013 ACTUAL \$	B FY 2013-2014 PROJECTED \$	C PROPOSED FY 2014-2015 BUDGET \$	D Increase (Decrease) B vs C	E % Change B vs C
OPERATING REVENUE					
WATER CHARGES	7,289,182	7,900,000	8,611,000	711,000	9.0%
SERVICE FEES	1,734,381	1,900,000	2,071,000	171,000	9.0%
FIRE SERVICE CHARGES	11,548	14,400	14,400	-	0.0%
INTEREST REVENUE - LAIF	8,566	11,000	10,000	(1,000)	-9.1%
LEASE OF PHYSICAL PROPERTY	171,808	230,000	238,000	8,000	3.5%
PROPERTY TAX REVENUE	234,629	245,000	245,000	-	0.0%
NEW CONSTRUCTION REVENUE	64,008	90,000	50,000	(40,000)	-44.4%
MISCELLANEOUS REVENUE	361,567	40,000	20,000	(20,000)	-50.0%
TOTAL OPERATING REVENUE	9,875,688	10,430,400	11,259,400	829,000	7.9%
OPERATING EXPENDITURES					
SALARIES & WAGES	1,159,898	1,400,000	1,466,000	66,000	4.7%
PAYROLL TAXES & BENEFITS	772,237	945,254	1,003,500	58,246	6.2%
PURCHASED WATER	4,344,176	4,100,000	4,800,000	700,000	17.1%
CUSTOMER CREDIT CARD SERVICE FEES	94,281	108,000	111,300	3,300	3.1%
OUTREACH & EDUCATION	56,032	55,500	60,000	4,500	8.1%
M&R - OPS SYSTEM	278,628	305,000	305,000	-	0.0%
M&R - FACILITIES & EQUIPMENT	127,891	170,000	193,000	23,000	13.5%
MAJOR MAINTENANCE	51,955	55,000	25,000	(30,000)	-54.5%
OFFICE SUPPLIES & EQUIPMENT	238,465	237,000	243,920	6,920	2.9%
MEMBERSHIP & GOV FEES	102,374	158,500	170,000	11,500	7.3%
BAD DEBT & CLAIMS	10,974	37,000	37,000	-	0.0%
UTILITIES	336,603	321,000	330,420	9,420	2.9%
PROFESSIONAL SERVICES	554,250	419,700	513,160	93,460	22.3%
TRAINING/TRAVEL & RECRUITMENT	20,944	59,500	35,500	(24,000)	-40.3%
RESTRICTED EARNINGS	(8,566)	(11,000)	(10,000)	1,000	-9.1%
RESERVES	-	200,000	-	(200,000)	-100.0%
DEPRECIATION	785,944	840,000	870,000	30,000	3.6%
TOTAL OPERATING EXPENDITURES	8,926,086	9,400,454	10,153,800	753,346	8.0%
OPERATING REVENUE LESS EXPENDITURES	949,602	1,029,946	1,105,600	75,654	7.3%
NET TRANSFERS TO CAPITAL	(949,602)	(1,029,946)	(1,105,600)	(75,654)	7.3%
NET RESULTS OF OPERATIONS	-	-	-	-	-

**MID-PENINSULA WATER DISTRICT
BUDGET FOR YEAR 2014-2015
SUMMARY**

OPERATING EXPENDITURES	BUDGET \$	% OF TOTAL
PURCHASED WATER	4,800,000	47.3%
SALARIES & WAGES	1,466,000	14.4%
PAYROLL TAXES & BENEFITS	1,003,500	9.9%
DEPRECIATION	870,000	8.6%
PROFESSIONAL SERVICES	513,160	5.1%
UTILITIES	330,420	3.3%
M&R - OPS SYSTEM	305,000	3.0%
OFFICE SUPPLIES & EQUIPMENT	243,920	2.4%
M&R - FACILITIES & EQUIPMENT	193,000	1.9%
MEMBERSHIP & GOV FEES	170,000	1.7%
CUSTOMER CREDIT CARD SERVICE FEES	111,300	1.1%
OUTREACH & EDUCATION	60,000	0.6%
BAD DEBT & CLAIMS	37,000	0.4%
TRAINING/TRAVEL & RECRUITMENT	35,500	0.3%
MAJOR MAINTENANCE	25,000	0.2%
RESTRICTED EARNINGS	(10,000)	-0.1%
TOTAL OPERATING EXPENDITURES	10,153,800	100%



NOTE: Operating Expenditures under \$100k are not reflected in the above chart.

**MID-PENINSULA WATER DISTRICT
OPERATIONS BUDGET FOR YEAR 2014-2015**

DETAILED

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	A FY 2012-2013 ACTUAL \$	B FY 2013-2014 PROJECTED \$	C PROPOSED FY 2014-2015 BUDGET \$	D Increase (Decrease) B vs C	E % Change B vs C	
4010	WATER CHARGES	7,289,182	7,900,000	8,611,000	711,000	9.0%	9% rate increase
4020	SERVICE FEES	1,734,381	1,900,000	2,071,000	171,000	9.0%	9% rate increase
4030	FIRE SERVICE CHARGES	11,548	14,400	14,400	-	0.0%	
4102	Interest Revenue- LAIF	8,566	11,000	10,000	(1,000)	-9.1%	Buckland Tanks Capital project payment reduces LAIF
4100	INTEREST REVENUE	8,566	11,000	10,000	(1,000)	-9.1%	
4201	Lease of Physical Property	171,808	230,000	238,000	8,000	3.5%	3% CPI adjustment
4202	Property Tax Revenue	234,629	245,000	245,000	-	0.0%	
4203	New Construction Revenue	64,008	90,000	50,000	(40,000)	-44.4%	
4206	Miscellaneous Revenue	361,567	40,000	20,000	(20,000)	-50.0%	
4200	OTHER REVENUE	832,012	605,000	553,000	(52,000)	-8.6%	
4000	TOTAL OPERATING REVENUE	9,875,688	10,430,400	11,259,400	829,000	7.9%	
6011	Salaries & Wages	1,055,890	1,300,000	1,365,000	65,000	5.0%	5.0% increase for equity adj and merit increases
6012	Director Compensation	6,550	10,000	11,000	1,000	10.0%	
6010	GROSS REGULAR WAGES	1,062,440	1,310,000	1,376,000	66,000	5.0%	
6021	Overtime Labor	57,228	55,000	55,000	-	0.0%	
6022	Standby Labor	40,230	35,000	35,000	-	0.0%	
6020	SUB-TOTAL SALARY & WAGES	1,159,898	1,400,000	1,466,000	66,000	4.7%	
6031	FICA/Medicare PR Tax	87,683	103,000	106,000	3,000	2.9%	5.0% increase
6038	ACWA Health Care	210,659	290,000	304,500	14,500	5.0%	10% increase for 1/2 a year
6039	ACWA Dental	24,346	30,000	31,500	1,500	5.0%	10% increase for 1/2 a year
6040	ACWA Vision	3,373	4,000	4,200	200	5.0%	10% increase for 1/2 a year
6041	ACWA Life/AD&D	2,745	4,000	4,200	200	5.0%	10% increase for 1/2 a year

**MID-PENINSULA WATER DISTRICT
OPERATIONS BUDGET FOR YEAR 2014-2015**

DETAILED

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	A FY 2012-2013 ACTUAL \$	B FY 2013-2014 PROJECTED \$	C PROPOSED FY 2014-2015 BUDGET \$	D Increase (Decrease) B vs C	E % Change B vs C	Assumptions
6042	Standard LDL/SDL Disability	6,206	7,500	7,900	400	5.3%	5.0% increase for equity adj and merit increases
6043	Workers' Comp Insurance	29,693	48,000	50,400	2,400	5.0%	5% salary increase
6044	Unemployment	7,754	1,000	1,000	-	0.0%	
6045	CALPERS Retirement - ER 2%@55	159,460	180,000	189,000	9,000	5.0%	5.0% increase
6046	Retirees' ACWA Health Care	121,474	82,000	86,100	4,100	5.0%	10% increase for 1/2 a year
6047	Directors' ACWA Health Care	86,871	97,000	102,000	5,000	5.2%	10% increase for 1/2 a year
6049	Medical Reimbursement	2,739	2,500	2,500	-	0.0%	
6050	Employee Service Recognition	4,166	5,100	5,100	-	0.0%	
6051	Safety Incentive Program	3,825	5,100	5,100	-	0.0%	
6052	Uniforms	11,242	18,000	24,000	6,000	33.3%	Uniforms for Customer Service Staff
6053	PARS OPEB Expense	-	68,054	80,000	11,946	17.6%	Actuarial Report 5.9% ROI
6030	SUB-TOTAL PAYROLL TAXES & BENEFITS	772,237	945,254	1,003,500	58,246	6.2%	
6000	PERSONNEL COSTS	1,932,135	2,345,254	2,469,500	124,246	5.3%	
6101	SFPUC Treated Water	4,344,176	3,400,000	4,300,000	900,000	26.5%	1,463,162 units usage (average for last 3 years) + PAMF usage @ \$2.93/unit.
6102	BAWSCA (Debt Service Surcharges)	-	500,000	500,000	-	0.0%	
6103	Rates Stabilization	-	200,000	-	(200,000)	-100.0%	
6100	PURCHASED WATER	4,344,176	4,100,000	4,800,000	700,000	17.1%	
6201	Customer Credit Card Service Fees	94,281	108,000	111,300	3,300	3.1%	3% CPI increase
6200	CUSTOMER CREDIT CARD SVS FEES	94,281	108,000	111,300	3,300	3.1%	
6301	Water Conservation Program	36,347	32,000	35,000	3,000	9.4%	
6302	School Conservation Program	16,343	5,500	10,000	4,500	81.8%	
6303	Public Outreach & Education	3,342	18,000	15,000	(3,000)	-16.7%	Increased conservation outreach
6300	OUTREACH/EDUCATION	56,032	55,500	60,000	4,500	8.1%	
6401	Water Quality	36,519	45,000	45,000	-	0.0%	
6402	Pumping	12,185	10,000	10,000	-	0.0%	
6403	Storage Tanks	10,930	10,000	10,000	-	0.0%	

MID-PENINSULA WATER DISTRICT
OPERATIONS BUDGET FOR YEAR 2014-2015

DETAILED

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	A FY 2012-2013 ACTUAL \$	B FY 2013-2014 PROJECTED \$	C PROPOSED FY 2014-2015 BUDGET \$	D Increase (Decrease) B vs C	E % Change B vs C	Assumptions
6404	Mains/Distribution	108,484	125,000	125,000	-	0.0%	
6405	Meters & Service	90,389	75,000	75,000	-	0.0%	
6406	Fire Hydrants	7,368	20,000	20,000	-	0.0%	
6407	Regulator Stations	6,749	10,000	10,000	-	0.0%	
6408	Safety	6,005	10,000	10,000	-	0.0%	
6400	M&R - OPS SYSTEMS	278,628	305,000	305,000	-	0.0%	
6501	M&R-Buildings&Grounds	45,028	55,000	78,000	23,000	41.8%	Grounds & Landscape Maintenance \$23k
6502	M&R- Equipment&Tools	23,051	30,000	30,000	-	0.0%	
6503	M&R- Vehicles & Large Equipment	23,524	40,000	40,000	-	0.0%	
6504	M&R - Fuel	36,288	45,000	45,000	-	0.0%	
6500	M&R - FACILITIES & EQUIPMENT	127,891	170,000	193,000	23,000	13.5%	
6601	Cathodic Protection Survey	51,955	25,000	25,000	-	0.0%	
6602	Leak Detection Survey	-	30,000	-	(30,000)	-100.0%	
6600	MAJOR MAINTENANCE	51,955	55,000	25,000	(30,000)	-54.5%	
6701	Office Supplies	19,763	20,000	20,600	600	3.0%	3% CPI increase
6702	Insurance- Liability/Vehicles	129,547	100,000	103,000	3,000	3.0%	3% CPI increase
6703	Bank Service Fees	819	1,000	1,030	30	3.0%	3% CPI increase
6704	Postage	3,389	6,000	6,180	180	3.0%	3% CPI increase
6705	Printing/Print Supplies	24,328	33,000	33,990	990	3.0%	3% CPI increase
6706	Equipment Services/Maintenance	52,165	58,000	60,000	2,000	3.4%	3% CPI increase
6707	Computer Supplies & Upgrades	673	4,000	4,120	120	3.0%	3% CPI increase
6708	Security & Safety	7,806	15,000	15,000	-	0.0%	
6709	Other Fees	(25)	-	-	-		
6700	OFFICE SUPPLIES & EQUIP	238,465	237,000	243,920	6,920	2.9%	
6801	Dues & Publications	30,253	37,000	40,000	3,000	8.1%	
6802	Gov't Fees & Licenses	11,765	33,000	35,000	2,000	6.1%	
6803	BAWSCA Membership Assessments	45,831	63,000	65,000	2,000	3.2%	
6804	Env Health - Cross Connection Inspection	14,525	25,500	30,000	4,500	17.6%	
6800	MEMBERSHIP & GOV FEES	102,374	158,500	170,000	11,500	7.3%	

**MID-PENINSULA WATER DISTRICT
OPERATIONS BUDGET FOR YEAR 2014-2015**

DETAILED

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	A FY 2012-2013 ACTUAL \$	B FY 2013-2014 PROJECTED \$	C PROPOSED FY 2014-2015 BUDGET \$	D Increase (Decrease) B vs C	E % Change B vs C	Assumptions
6901	Bad Debt	4,847	7,000	7,000	-	0.0%	
6902	Claims	6,128	30,000	30,000	-	0.0%	
6900	BAD DEBT & CLAIMS	10,974	37,000	37,000	-	0.0%	
7001	Utilities-Internet/Cable	2,234	4,000	4,120	120	3.0%	3% CPI increase
7002	Utilities-Cellular Telephones	13,700	14,000	14,420	420	3.0%	3% CPI increase
7003	Utilities-Electric-Pumping	277,291	260,000	267,800	7,800	3.0%	3% CPI increase
7004	Utilities-Electric-Bldgs&Grounds	21,447	23,000	23,690	690	3.0%	3% CPI increase
7005	Utilities-Telephones	15,583	13,000	13,390	390	3.0%	3% CPI increase
7006	Utilities-Sewer - NPDES	6,347	7,000	7,000	-	0.0%	
7000	UTILITIES	336,603	321,000	330,420	9,420	2.9%	
7101	Prof Serv - District Counsel	112,687	101,000	100,000	(1,000)	-1.0%	
7102	Prof Serv - District Engineer	37,357	97,000	80,000	(17,000)	-17.5%	
7103	Prof Serv - IT	24,389	32,000	32,960	960	3.0%	3% CPI increase
7104	Prof Serv- Annual Finance Audit	15,500	16,500	16,500	-	0.0%	James Marta and Associates contract
7105	Prof Serv - Mngmt Consult	141,794	-	10,000	10,000	0.0%	
7106	Prof Serv- Accounting & Payroll	61,338	15,000	15,000	-	0.0%	
7107	Prof Serv- Customer Billing	54,364	71,000	73,000	2,000	2.8%	3% CPI increase
7109	Prof Serv - Answering Svs	2,854	4,000	4,100	100	2.5%	3% CPI increase
7110	Prof Serv - Miscellaneous	36,795	80,000	178,000	98,000	122.5%	FMS \$65k, Comprehensive Rate Study \$45k,
7111	Prof Serv - District Treasurer	-	3,200	3,600	400	12.5%	Connection & Capacity Charges and Misc
7100	PROFESSIONAL SERVICES	554,250	419,700	513,160	93,460	22.3%	Fees Review & Update \$25k, Public
7201	Director Travel	1,019	3,000	6,000	3,000	100.0%	Relations/Outreach Services including MPWD
7202	Director Expense	805	2,000	2,000	-	0.0%	Website Redesign \$43k.
7203	Elections	-	32,000	-	(32,000)	-100.0%	
7204	Employee Travel/Training	17,366	20,000	25,000	5,000	25.0%	
7205	Meetings Expense	1,755	2,500	2,500	-	0.0%	
7200	TRAINING & TRAVEL	20,944	59,500	35,500	(24,000)	-40.3%	

**MID-PENINSULA WATER DISTRICT
OPERATIONS BUDGET FOR YEAR 2014-2015**

DETAILED

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	A FY 2012-2013 ACTUAL \$	B FY 2013-2014 PROJECTED \$	C PROPOSED FY 2014-2015 BUDGET \$	D Increase (Decrease) B vs C	E % Change B vs C	Assumptions
7302	Restricted Earnings Expense - Interest LAIF	(8,566)	(11,000)	(10,000)	1,000	-9.1%	
7300	RESTRICTED EARNINGS EXPENSE	(8,566)	(11,000)	(10,000)	1,000	-9.1%	
8001	Working Capital Reserves	-	100,000	-	(100,000)	-100.0%	
8002	Emergency Reserves	-	100,000	-	(100,000)	-100.0%	
8000	RESERVES	-	200,000	-	(200,000)	-100.0%	
9010	DEPRECIATION	785,944	840,000	870,000	30,000	3.6%	Buckland Tank completion Nov 2014
SUB-TOTAL - OPERATING EXPENSES		6,993,951	7,055,200	7,684,300	629,100	8.9%	
TOTAL OPERATING EXPENSES		8,926,086	9,400,454	10,153,800	753,346	8.0%	
NET OPERATING SURPLUS/(LOSS)		949,602	1,029,946	1,105,600	75,654	7.3%	
TRANSFER TO CAPITAL							

MID-PENINSULA WATER DISTRICT
BUDGET FOR FY 2014-2015
CAPITAL OUTLAY/CAPITAL PROJECTS

DESCRIPTION	FY 2012-2013 ACTUAL \$	FY 2013-2014 PROJECTED \$	FY 2014-2015 BUDGET \$
Buckland Tank Replacement 1 Project	150,000	625,000	1,200,000
Meter Change Out Program *	320,000	350,000	400,000
Water Main Replacement **	919	60,000	600,000
Scada Replacement Project Phase 1 (4 sites with radio)	-	-	160,000
Various Projects	545,581	-	-
CAPITAL OUTLAY/CAPITAL PROJECTS	1,016,500	1,035,000	2,360,000
DEPRECIATION			870,000
TRANSFER FROM OPS			1,105,600
TRANSFER FROM CAPITAL RESERVES	-		384,400
CAPITAL OUTLAY/CAPITAL PROJECTS			(2,360,000)
NET RESULTS OF CAPITAL			(0)
NET TRANSFERS FROM (TO) CAPITAL RESERVES			0
NET RESULTS OF OPERATIONS	-	-	-

* AMI Zone 1 - 1/2 installation for 2014-2015

** Belburn Water Main Replacement Project



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May 30, 2014

NOTICE OF INCREASE IN WATER RATES

Since 1929, the Mid-Peninsula Water District (MPWD) has been reliably delivering high quality Hetch Hetchy drinking water to the communities of Belmont, San Carlos, and unincorporated areas of San Mateo County. We sincerely appreciate the opportunity to serve you.

The MPWD is a self-supporting agency, relying primarily on revenues from water charges and service fees to fund its operations. While we understand that rate increases may present financial challenges for some consumers, we hope the following information provides clarification why the MPWD needs the 9% water service rate adjustment that goes into effect July 1, 2014.

BACKGROUND ON APPROVED MPWD 5-YEAR RATE PLAN

Following a formal notice and Proposition 218 majority protest hearing process on May 27, 2010, the MPWD Board of Directors approved a series of up to 9% annual water rate adjustments over a 5-year period (July 1, 2010, through June 30, 2014).

UPDATE ON REGIONAL WATER SUPPLY SYSTEM IMPROVEMENT PROGRAM

The MPWD relies on imported treated water from the San Francisco Public Utility Commission (SFPUC) for 100% of its water supply. The SFPUC is undertaking a \$4.8 billion Water Supply Improvement Program (WSIP) for much needed capital replacement and rehabilitation of the almost 100-year-old Hetch Hetchy water supply system. This multi-year capital improvements program will meet water quality requirements, and ensure the reliability, capacity and seismic safety of the aging Hetch Hetchy water infrastructure system in an environmentally sustainable and cost-effective manner. May 2019 is the anticipated completion of the WSIP.

The MPWD and 25 other regional water agencies that purchase water from the SFPUC share in the non-San Francisco portion of the cost of funding the WSIP through increased wholesale water rates. For more detailed information, please review the recent SFPUC WSIP Regional Projects Quarterly Report (3rd Quarter of FY 2013/2014) for a summary of the program's regional projects at <http://sfwater.org/modules/showdocument.aspx?documentid=5368>.

WHY ARE WATER SERVICE RATES BEING INCREASED?

The SFPUC will impose a wholesale water rate increase of 19.6% effective July 1st. That means the charge for wholesale customers, like the MPWD, will be increased from \$2.45 CCF to \$2.93 CCF. Financing costs for the SFPUC WSIP are the cause for its wholesale rate increase in Fiscal Year (FY) 2014/2015.

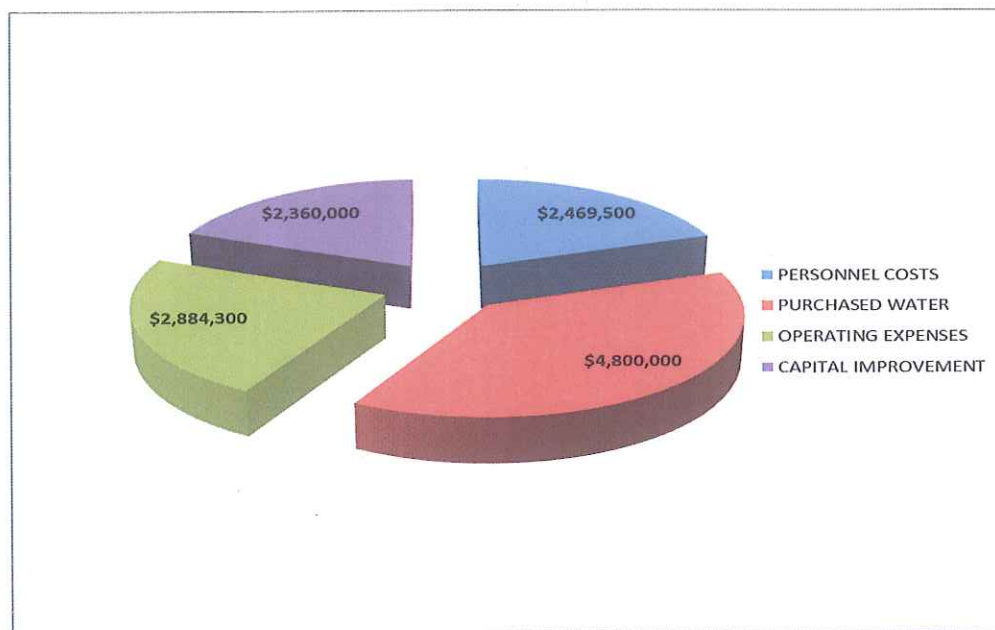
The cost to pass-through the 19.6% SFPUC wholesale rate increase to the MPWD ratepayers exceeds the 9% rate increase that will go into effect on July 1st. Nevertheless, the MPWD is committed to meet the challenge of covering all MPWD operating expenditures within the projected revenue base from the 9% water rate increase. With prudent budget management, that goal is achievable. The MPWD scrutinized its operating expenses on a line-by-line basis, making reductions or even eliminations wherever possible. Accounting for inflation and various increased costs of doing business, the MPWD was able to hold the overall increase in its operating budget to 5%. In addition, the MPWD anticipates that capital expenditures next fiscal year can be managed with cash from operations plus a projected \$384,000 transfer from capital reserves.

MPWD'S CONTINUED FOCUS ON COST-EFFICIENCY AND PRUDENT FINANCIAL MANAGEMENT

Through diligent budgeting, financial management, and cost controls, the MPWD is committed to providing cost-efficient high-quality services. Effective measures and practices that have been implemented to achieve these ends include:

- Reinvestment in MPWD capital infrastructure for system replacement, rehabilitation, and proactive maintenance (equal to capital service charge revenues collected from each ratepayer).
- Responsible management of capital, emergency, and working reserves according to the MPWD's reserve policy.
- Creative and more sustainable use of resources in the provision of services.
- Assumption of new and additional requirements to assure best practices and enhance transparency without increasing the MPWD workforce.

Here is a summary of the projected FY 2014/2015 operating and capital expenditures (\$12.5 million total):



PROPOSED FISCAL YEAR 2014/2015 MPWD CAPITAL IMPROVEMENTS

Capital improvements are important investments into the MPWD water distribution and storage infrastructure system. Our aging system and equipment require managed maintenance, rehabilitation, and replacement. Capital expenses have traditionally been "pay as you go", meaning the MPWD pays cash for its capital expenses and has no accumulated debt. Proposed capital expenditures for next year include:

- **Completion of replacement Buckland water storage tanks construction - \$1.2 million**
- **Belburn Drive water main replacement (Academy Avenue to Notre Dame Avenue) - \$600,000**
- **Automated meter change-out program (next phase) - \$400,000**
- **SCADA systems replacement – Phase 1 - \$160,000**

The MPWD has typically spent about \$1 million each year on capital projects. It is higher next year (\$2.3 million) because the Buckland tanks replacement project is on schedule for completion in November 2014. Many of the MPWD's underground water distribution pipelines are over 50 years old and have reached or exceeded their expected useful lives (like Belburn Drive), which require us to focus on a responsible replacement program. The automated meter change-out program is continuing to replace 30+ years old water meters; so far, 1,800 meters have been replaced. Additionally, our critical water system communication and control program—SCADA (Supervisory Control and Data Acquisition)—has surpassed its useful life and is planned for phased replacement. Progress photos of the Buckland Tanks replacement project are shown below.

Buckland Tanks Replacement Project - Phase I
Mid-Peninsula Water District, Belmont, CA
April 14, 2014 through May 9, 2014



April 17, 2014 - Tank Shell Torch Cutting



April 17, 2014 - Tank Shell Panel Removal
and Disposal



April 18, 2014 - South Tank Shell Demolition
Completed



May 9, 2014 - South Tank Concrete Beam Pour

UPDATE ON MPWD CAPITAL, EMERGENCY, AND WORKING CAPITAL RESERVES

The MPWD Reserve Policy Statement, approved on December 13, 2007 (per Resolution 2007-13), established the following levels for our reserves, which provide security for future unexpected operational and capital infrastructure emergencies:

Capital Reserve	\$ 2,500,000
Emergency Reserve	\$ 2,000,000
Working Capital Reserve	\$ 500,000
TOTAL	\$ 5,000,000

MPWD reserves balance in the Local Agency Investment Fund was \$4.6 million on April 30, 2014.

MPWD WATER RATES

The table below shows the 5-year schedule of water rates that was presented to MPWD customers in 2010 and approved by the MPWD Board of Directors. The rates that will be effective July 1, 2014 are highlighted in yellow. Water bills include both a fixed monthly charge based on meter size, plus a water consumption charge based on each

customer's metered water use. The fixed monthly charge represents a flat rate charged to each customer for water delivery to your house or business service line, and is based upon the size of water meter.

Proposed Water Rates Effective for Bills sent as of July 1						
		2010	2011	2012	2013	2014
Monthly Service Charge						
<i>Fixed monthly charge based on meter size</i>						
Meter	Meter Ratio					
5/8"	1.00	\$13.30	\$14.23	\$15.51	\$16.91	\$18.43
1"	1.50	\$19.96	\$21.35	\$23.27	\$25.37	\$27.65
1 ½"	2.50	\$33.26	\$35.58	\$38.79	\$42.28	\$46.08
2"	4.00	\$53.22	\$56.93	\$62.06	\$67.64	\$73.73
3"	6.00	\$79.83	\$85.40	\$93.09	\$101.47	\$110.59
4"	10.00	\$133.04	\$142.33	\$155.15	\$169.11	\$184.31
6"	25.00	\$332.61	\$355.83	\$387.87	\$422.78	\$460.79
Water Consumption Charges						
<i>Variable charges based on metered water use*</i>						
<u>Residential Rate Tiers:</u>						
Block 1	0 – 2 units	\$2.40	\$3.25	\$3.53	\$3.85	\$4.20
Block 2	3 – 10 units	\$4.60	\$5.00	\$5.44	\$5.93	\$6.46
Block 3	11 – 25 units	\$5.45	\$6.00	\$6.53	\$7.11	\$7.75
Block 4	26 units & above	\$6.15	\$7.00	\$7.61	\$8.30	\$9.04
<u>Commercial Rate Tiers:</u>						
Block 1	0 – 5 units	\$4.52	\$4.52	\$4.89	\$5.33	\$5.81
Block 2	6 units & above	\$4.84	\$5.25	\$5.71	\$6.22	\$6.78
*One unit of water = one hundred cubic feet (CCF) or 748 gallons						

WHAT WILL THE 9% WATER RATE INCREASE LOOK LIKE?

As a result of the rate increase effective on July 1, 2014, a typical single family water bill will be approximately \$6.50 higher per month.

CURRENT DROUGHT CONDITIONS AND POTENTIAL MANDATORY WATER RATIONING

The SFPUC is currently considering whether to impose mandatory water consumption cutbacks on the MPWD and all other agencies that purchase water from the SFPUC. If such a decision is made, the MPWD will need to analyze the financial effects of such mandatory rationing on operations.

CONTACT INFORMATION

Please contact us should you have any questions or comments at mpwd@midpeninsulawater.org or call 650-591-8941.

