



Agenda Item: 8

Date: December 15, 2009

Subject: Financial Report

Staff Contact: Daniel A. Bills, Director of Finance

Eight reports are attached for your information. They are:

- Financial Statements – November 2009
- Investments Outstanding and Activity – November 2009
- Cash Expenditures – November 2009
- Credit Card Expenditures – November 2009
- Directors Compensation and Expense Accounting – Through November 2009
- Hedging Report - Yield to Rates – December 2004 through November 2009
- Market Report Yields – August 2005 through October 2009
- Information Required by Bond Agreement

Financial Statements

Balance Sheet: As previously reported “Cash and cash equivalents” are down \$6.8 million since year-end as \$10 million was invested in the capital markets (Investments) as opposed to the States Local Agency Investment Fund (LAIF.) (As LAIF is an overnight interest bearing fund, amounts invested in LAIF are reported under “Cash and cash equivalents.”) During August, \$2.6 million of the 2004 bond proceeds were released from “Restricted Cash and Cash Equivalents” and invested in LAIF, which amount represented interest earned on the 2004 bond proceeds.

On June 30th the District refinanced two debt issuances, which changed the total amount of debt outstanding. The 2004 COP (\$41,275,000) was refinanced and became the 2009A COP (\$42,000,000.) The 2008A-1 COP (\$36,725,000) was refinanced into the 2009B fixed-rate COP (\$36,155,000.)

Principal payments totaling \$3,190,000 were made on November 1 on the 2005B, 2008A-2 and 2009B COPs.

Income Statement: Year-to-date the District has earned \$14.7 million compared to \$13.1 million in the prior year. The difference is due to:

- 1) Operating revenues are up \$3.8 million over the prior year. The increase is due to an increase in water consumption sales as the District rate structure is changing to increase water consumption charges while reducing its fixed rate charges. Water consumption sales also increased due to the receipt of \$2.3 million from 2009 Drought Water Bank sales. Offsetting these increases to water consumption sales is a reduction of \$2.0 million as year-to-date water production is 4,225 Acre Feet lower than the previous year. Also increasing operating revenues is a \$3.0 million increase in capital facilities charges as rates were increased by 13% on January 1st.
- 2) A decrease of \$0.7 million in investment earnings as market rates and unrealized market gains have decreased since the same period in 2008 (e.g., LAIF is currently earning 0.61% per annum compared to 2.57% per annum in the same period last year).
- 3) A reduction in facility development charges and developer contributions of \$1.1 million.
- 4) A \$0.9 million decrease in interest expense as interest rates have decreased since the prior year and the District does not have Bank Bonds as it did in the 4th quarter of 2008, and 5) an increase of \$0.5 million in depreciation expense as more capital projects have been completed since November 2008.

2009 Budgets

These reports show activity in each of the District's three budgets comparing actual expenditures and commitments versus the budget.

Operating expenses are \$1.4 million under budget year-to-date due primarily to surface water and ground water (electrical and chemical) costs being down due to lower water production as described above. For various reasons other positive departmental variances above \$100,000 are occurring in administration, customer service, field services, maintenance, water conservation, and engineering expenses.

Operating capital budget projects have been completed for many projects or are in process of completion with one project to be carried over into 2010. Costs to date are coming in under budget.

CIP expenditures and committed amounts total \$19.5 million to date compared to a \$21.3 million budget. Distribution main replacements, the Verner well, well rehabilitation and pump improvements, and meter retrofitting dominate expenditures and commitments to date. Expenditures for the year are expected to come in under budget.

Debt

This report shows District activity in repaying its long-term debt obligations. The District refinanced its Series 2004 and 2008A-1 bonds in June into two new Series – 2009A and 2009B. The 2009A COP effectively replaced Dexia Bank/FSA Insurance as the Line of Credit Provider/Insurer on the 2004 COP with Sumitomo Mitsui Banking Corporation as the new Letter

of Credit Provider. The 2009B financing was a fixed-rate COP that replaced the 2008A-1 Letter of Credit with Dexia Bank. The District has no bank bonds as of November 30, 2009.

Principal payments totaling \$3,190,000 were made effective November 1 on the 2005B, 2008A-2 and 2009B COPs.

Investments Outstanding and Activity – November 2009

Operating funds are invested in diverse investments that consist of corporate notes, corporate notes that are FDIC insured, Federal Agency bonds and discount notes, U.S. Treasury bonds, notes and bills, and LAIF (Local Agency Investment Fund.) In March, \$10 million was transferred from the LAIF investment fund into the financial markets. The market portfolio is currently earning a rate of 2.71% per annum, while LAIF is earning 0.61% per annum. Unrealized market value gains on the District's investment portfolio are valued at \$1,025,296 as of November 30, 2009. District staff monitors investment assets in the District's portfolio regularly.

Pursuant to Government Code Section 53607, investment activity (purchases, sales, maturities and interest received) for the month is presented for review. The District purchased \$4.3 million of Federal Agency Notes and sold \$4.3 million of Treasury bills, Federal Agency notes and FDIC insured corporate notes.

All investments are invested and accounted for in accordance with the District Investment Policy (PL - FIN 003) and Government Code.

Cash Expenditures – November 2009

During the month of November the District made payments totaling \$3.9 million. The primary expenditures were - \$2.0 million for capital replacement projects, \$0.4 million for the purchase of surface water and electricity, and \$0.4 million for payroll.

Credit Card Purchases – November 2009

Per the District's Purchasing Card Policy (PL – FIN 006), a monthly report detailing each purchasing card transaction is provided.

During the month of November 2009 the District spent \$8,871 of various purchases on the six District purchasing cards. Details by cardholder, vendor, and purpose are included in the attached schedule.

Directors Compensation and Expense Accounting – Through November 2009

Director meetings attended during the month of October and expenses for both the current month and current year are attached in accordance with the District's Director Compensation and Expense Reimbursement Policy (PL – BOD 003) and Government Code Section 53065.5.

Hedging Report - Yield to Rates – December 2004 through November 2009

This schedule compares the yield on the District's investment portfolio relative to the 2009A COP variable-rate note. On June 30, 2009, the 2004 COP was refinanced into a Letter of Credit

backed by Sumitomo Mitsui Banking Corporation and became the 2009A COP. As a result of the refinancing, the market rate on the 2009A COP has dropped significantly. Further, \$35,865,000 of the SWAP Agreement now hedges the COP along with the investment portfolio.

The terms of the SWAP Agreement are receipt of 60% of the 1 month LIBOR rate plus 0.18% and payment of a fixed-rate of 3.283%. Therefore, most of the 2009A COP has become fixed-rate debt.

Market Report Yields – August 2005 through October 2009

The first page in this report shows current market rate data. Please note the yield curve is quite steep. The yield on 30-year Treasury Bonds has increased by 0.13% since last month and the 3-month Treasury Note decreased by 0.03%. This represents an increase in the steepness of the yield curve.

The second page in this section shows the amount of U.S. Treasury (UST) dollars invested by maturity in the District's portfolio. The District's portfolio of UST Securities is then compared to the Merrill Lynch UST 5 year market index to show the District's UST investment strategy relative to the market.

The final page shows the monthly (unannualized) returns, compared to the UST 5 Year Index, as well as the annualized returns per month. This final page evaluates the District's investment advisors portfolio strategy in UST's relative to the market and shows the effect of current portfolio returns since changing the District's investment strategy to move into the capital markets.

Information Required by Bond Agreement

Per Article 5.2 (b) of the 2009A COP Reimbursement Agreement, year-to-date net revenues available for the payment of debt service costs and an estimate of debt service payments for the upcoming six months is provided.

**Financial Statements –
November 2009**

**Sacramento Suburban Water District
Balance Sheet**

As Of

	<i>Month End</i> <i>11/30/09</i>	<i>Year End</i> <i>12/31/08</i>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$9,376,823.84	\$16,149,538.72
Accounts receivable, net of allowance for uncollectible accounts	1,369,594.49	2,442,611.85
Interest receivable	273,037.98	418,741.43
Other receivables	33,585.26	52,794.49
Inventory	576,309.64	569,594.81
Prepaid expenses and other assets	511,083.41	624,274.67
TOTAL CURRENT ASSETS	12,140,434.62	20,257,555.97
INVESTMENTS		
Government & Corporate Obligations	41,923,820.03	31,098,261.36
TOTAL INVESTMENTS	41,923,820.03	31,098,261.36
RESTRICTED ASSETS		
Restricted Cash and cash equivalents	6,769,673.12	8,919,392.26
Restricted Interest receivable	0.01	16,610.23
TOTAL RESTRICTED ASSETS	6,769,673.13	8,936,002.49
CAPITAL ASSETS		
Property, plant and equipment	308,520,568.70	290,335,150.59
Accumulated depreciation	(91,072,357.93)	(83,005,850.12)
TOTAL CAPITAL ASSETS	217,448,210.77	207,329,300.47
OTHER ASSETS		
Unamortized bond expenses	2,943,276.10	2,332,150.66
TOTAL ASSETS	281,225,414.65	269,953,270.95
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt and capital leases	3,100,000.00	3,190,000.00
Accounts payable	1,138,125.43	2,314,771.77
Accrued interest	152,530.70	53,303.12
Deferred revenue and other liabilities	669,896.75	975,872.75
Accrued expenses	175,337.95	623,082.50
TOTAL CURRENT LIABILITIES	5,235,890.83	7,157,030.14
LONG-TERM LIABILITIES		
Long-term debt	108,615,625.04	110,066,810.70
Compensated absences	578,503.35	616,568.01
TOTAL LIABILITIES	114,430,019.22	117,840,408.85
NET ASSETS		
Invested in capital assets, net of related debt	99,013,648.44	99,013,648.44
Restricted	6,310,385.23	6,310,385.23
Unrestricted	61,471,361.76	46,788,828.43
TOTAL NET ASSETS	166,795,395.43	152,112,862.10
TOTAL LIABILITIES AND NET ASSETS	281,225,414.65	269,953,270.95

**Sacramento Suburban Water District
Income Statement**

Period Ended

	<u>Month</u> 11/30/09	<u>Year-To-Date</u> 11/30/09	<u>Month</u> 11/30/08	<u>Year-To-Date</u> 11/30/08
OPERATING REVENUES				
Water consumption sales	\$1,079,102.56	\$12,108,841.96	\$431,981.61	\$10,373,999.06
Water service charge	606,255.20	6,746,808.66	678,371.56	7,385,739.25
Capital facilities charge	1,694,914.84	18,067,149.55	1,387,503.08	15,073,709.43
Wheeling water charge	23,808.92	148,312.59		293,896.87
Other charges for services	78,583.53	893,342.41	126,252.70	1,057,999.62
TOTAL OPERATING REVENUES	3,482,665.05	37,964,455.17	2,624,108.95	34,185,344.23
OPERATING EXPENSES				
Source of supply	433,918.70	2,020,569.20	42,480.81	1,506,959.64
Pumping	297,056.31	2,904,340.48	244,232.71	2,763,903.77
Transmission and distribution	332,785.90	2,914,339.08	209,300.10	2,628,082.01
Water conservation	23,446.62	416,343.91	32,620.90	425,634.83
Customer accounts	84,347.28	860,805.19	70,530.82	750,585.21
Administrative and general	445,822.07	4,564,463.69	744,103.53	4,967,226.97
TOTAL OPERATING EXPENSES	1,617,376.88	13,680,861.55	1,343,268.87	13,042,392.43
Operating income before depreciation	1,865,288.17	24,283,593.62	1,280,840.08	21,142,951.80
Depreciation and amortization	(725,249.09)	(8,066,507.81)	(690,241.77)	(7,604,538.55)
OPERATING INCOME	1,140,039.08	16,217,085.81	590,598.31	13,538,413.25
NON-OPERATING REV. (EXP.)				
Rental income	27,352.55	321,985.70	27,970.90	323,608.53
Interest and investment income	202,456.74	1,396,944.42	493,753.75	2,096,914.53
Interest expense	(352,326.24)	(4,947,614.04)	(917,714.92)	(5,863,615.81)
Other non-operating revenues	4,417.03	38,108.50	1,689.76	272,677.97
Other non-operating expenses	(30.02)	(21,006.36)		(18,257.40)
Gain(loss) on disposal of capital assets, net				13,243.00
NON-OPERATING REV. (EXP.)	(118,129.94)	(3,211,581.78)	(394,300.51)	(3,175,429.18)
NET INCOME (LOSS) BEFORE CAPITAL	1,021,909.14	13,005,504.03	196,297.80	10,362,984.07
CAPITAL CONTRIBUTIONS				
Facility development charges		515,667.00	227,322.00	1,587,840.00
Developer contributions	577,219.00	1,161,362.30		1,151,291.11
Federal, state and local capital grants				17,728.30
TOTAL CAPITAL CONTRIBUTIONS	577,219.00	1,677,029.30	227,322.00	2,756,859.41
CHANGE IN NET ASSETS	1,599,128.14	14,682,533.33	423,619.80	13,119,843.48
Net assets at beginning of period	165,196,267.29	152,112,862.10	144,691,498.65	131,995,274.97
NET ASSETS AT END OF PERIOD	166,795,395.43	166,795,395.43	145,115,118.45	145,115,118.45

**Sacramento Suburban Water District
Operations and Maintenance Budget
Period Ended**

	Month Of November				2009 YTD			
	Actual	Committed	Budget	Variance	Actual	Committed	Budget	Variance
BUDGETED OPERATING EXPENSES								
Board of Directors	\$1,574.83		\$1,936.33	\$361.50	\$17,896.05		\$21,299.66	\$3,403.61
Administrative	141,864.82		145,402.33	3,537.51	1,362,471.77	44,061.57	1,599,425.66	192,892.32
Finance	54,524.64		54,164.33	(360.31)	679,737.16		685,957.66	6,220.50
Customer Services	84,347.28	1,104.00	92,697.00	7,245.72	860,805.19	2,141.00	1,038,725.00	175,778.81
Field Operations	32,456.59		37,811.00	5,354.41	430,299.03	10,997.41	429,221.00	(12,075.44)
Production	730,975.01	9,760.04	457,550.00	(283,185.05)	4,924,909.68	12,028.73	5,179,430.00	242,491.59
Distribution	222,171.99	22,220.00	160,129.42	(84,262.57)	1,710,078.92	37,787.20	1,761,423.62	13,557.50
Field Services	110,613.91	3,300.00	124,710.00	10,796.09	1,204,200.16	7,873.52	1,356,782.00	144,708.32
Maintenance	43,349.10	55,190.00	55,443.68	(43,095.42)	462,819.83	58,726.90	609,880.32	88,333.59
Water Conservation	23,446.62		47,401.00	23,954.38	416,343.91		576,615.00	160,271.09
CIP	16,360.10		26,605.00	10,244.90	227,011.40		294,475.00	67,463.60
Engineering	33,378.21		45,630.00	12,251.79	359,095.21		503,250.00	144,154.79
I. GIS/CAD	21,540.67		25,217.00	3,676.33	266,576.26		285,187.00	18,610.74
Human Resources	17,297.54		11,779.00	(5,518.54)	140,211.97		165,969.00	25,757.03
MIS	79,932.68	5,900.00	50,024.00	(35,808.68)	477,622.65	15,487.03	550,284.00	57,154.32
Community Outreach	3,685.40		15,295.50	11,610.10	95,394.97	36,798.07	168,250.50	36,056.46
TOTAL BUDGETED EXPENSES	1,617,519.39	97,474.04	1,351,795.59	(363,197.84)	13,635,474.16	225,902.43	15,226,155.42	1,364,778.63
UNBUDGETED OPERATING EXPENSES								
Depreciation & Amortization	725,249.09			(725,249.09)	8,066,507.81			(8,066,507.81)
Bad Debt Reserve	(142.51)			142.51	45,387.39			(45,387.39)
TOTAL OPERATING EXPENSES	2,342,625.97	97,474.04	1,351,795.59	(1,089,304.42)	21,747,369.36	225,902.43	15,226,155.42	(6,747,116.37)

SACRAMENTO SUBURBAN WATER DISTRICT
 OPERATING CAPITAL BUDGET
 11/30/2009

Project Number	Project Name	Total 2009 Budget	Current Month Expenditures	Expenditures Year-To-Date	Committed Year-To-Date	Remaining Balance
SF09-028	REMODEL MARCONI/ADA COMPLIANCE	\$ 272,956.00		\$ 267,839.79	\$ 5,087.90	\$ 28.31
SF09-101	RECORDS MANAGEMENT SYSTEM	264,444.00	\$ 25,995.82	62,246.36		202,197.64
SF09-109	REPL POLY DRUM F/ HYPOCHLORITE	17,700.00		17,306.93		393.07
SF09-110	INSTL EMER SHOWER/EYE @W SITES	87,500.00	34,100.00	45,962.05	37,200.00	4,337.95
SF09-111	NEW HYPOCHLORITE ENCLOSURES	85,000.00	762.10	53,900.62	4,634.77	26,464.61
SF09-125	SAMPLE STATION PROJECT-PHASE 3	25,500.00	2,798.64	27,349.19		(1,849.19)
SF09-127	UCMR II MONITORING PROGRAM	66,585.00		73,460.00		(6,875.00)
SF09-128	MTR TRANSPONDER REPL	60,000.00	9,504.00	66,633.95		(6,633.95)
SF09-131	ENERGY MGT STUDY	107,400.00	496.00	29,744.98	56,349.00	21,306.02
SF09-132	WTR MASTER PLAN UPDATE	186,115.00		155,706.68	10,019.71	20,388.61
SF09-137	7 REFRESH LAPTOPS	12,400.00		12,094.27		305.73
SF09-138	5 REFRESH PCS	10,500.00	488.75	10,209.73	159.25	131.02
SF09-141	2 REFRESH SERVERS	16,000.00	10,158.67	15,805.76	43.33	150.91
SF09-151	VEHICLE REPLACEMENT - TRUCK #17	26,000.00		24,293.63		1,706.37
SF09-152	VEHICLE REPLACEMENT-TRUCK #18	34,000.00		33,594.75		405.25
SF09-153	VEHICLE REPLACEMENT-TRUCK #40	30,000.00		31,170.19		(1,170.19)
SF09-154	WORK SPACE REMODEL/ELECTRICIAN	2,300.00		469.10		1,830.90
SF09-155	PREVENTIVE MAINT PRG TRAILER	56,075.00		56,095.40		(20.40)
SF09-156	BOX SHARING	12,840.00		12,066.30		773.70
SF09-157	TRUCK MOUNTED ARROW BOARD	4,000.00	3,640.94	4,000.00		-
SF09-158	SAMPLE STATION ENCLOSURE PRJ	9,000.00		9,154.57		(154.57)
SF09-159	FIXED/MESH NETWORK MTR READING	75,000.00		-		75,000.00
SF09-160	REPAIR GAZEBO/DOORS @ ANTELOPE	10,000.00	8,316.50	8,316.50	14,070.00	1,683.50
SF09-161	REPL DRIP IRRIGATION @ ANTELOPE	15,500.00		-		1,430.00
SF09-162	BALANCE HVAC SYS @ WALNUT	10,000.00		8,768.34		1,231.66
SF09-163	NEW VOIP PHONE/CALL CTR - WELL	100,000.00	30,820.00	45,593.86	36,308.00	18,098.14
SF09-164	PROGRAM DEV WELL SITE DATA/REA	20,000.00		-	17,800.00	2,200.00
SF09-165	PALLETIZED DIESEL REFUEL TOTES	7,500.00		7,830.09		(330.09)
SF09-166	SHELVEING IN WAREHOUSE FOR INVENTORY	6,800.00			6,305.00	495.00
		<u>\$ 1,631,115.00</u>	<u>\$ 127,061.42</u>	<u>\$ 1,079,613.04</u>	<u>\$ 187,976.96</u>	<u>\$ 363,030.00</u>

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**Sacramento Suburban Water District
Capital Improvement Project Budget
11/30/2009**

Project No.	Project Name	Total FY 09 Budget	Current Month Expenditures	Expenditures Year-To-Date	Committed Year-To-Date	Remaining Balance
		\$	\$	\$	\$	\$
SC09-007	GROUNDWATER EFFICIENCY PROJECT	30,000.00	87.18	1,703.95	6,556.09	21,739.96
SC09-008C	VERNER WELL/PUMP/TREATMENT	1,800,000.00	412,773.52	1,303,692.71	414,586.64	81,720.65
SC09-009	WELL REHAB/PUMP IMPROVEMENTS	1,000,000.00	18,151.00	890,838.98	68,391.35	40,769.67
SC09-010	SCADA COMMUN/REMOTE TERMINAL	155,000.00		18,812.00		136,188.00
SC09-011	WELL HEAD TREATMENT	0.00				
SC09-012	WELL REPLACEMENT	400,000.00	741.03	741.03	156,460.00	242,798.97
SC09-015	ARVIN CONJUNCTIVE USE PROGRAM	0.00				
SC09-016	DEVELOPER REL DIST SYS UPGRADE	0.00				
SC09-018	DISTRIBUTION MAIN REPLACEMENTS	12,460,000.00	1,239,758.63	10,460,863.54	1,935,468.69	63,667.77
SC09-019	DISTRIB MAIN EXTENSION/REPAIR	750,000.00	200.00	725,794.20	185.50	24,020.30
SC09-020	MCCLELLAN IMPROVEMENTS	100,000.00	523.08	85,746.60		14,253.40
SC09-022	LOWERING/RAISING VALVE BOXES	300,100.00	3,286.53	85,541.15	214,500.00	58.85
SC09-024	METER RETROFIT PROGRAM	1,750,000.00	198,104.57	1,526,491.85	21,347.52	202,160.63
SC09-027	DISTRIBUTION SYSTEM IMPROVE/REPAIRS	450,000.00		161,588.57	1,250.50	287,160.93
SC09-034	RESERVOIR MAINTENANCE/UPGRADES	99,900.00	25,600.00	68,677.37	21,509.00	9,713.63
SC09-035	SPECIAL PROJECTS/PROF SERVICES	235,000.00	7,469.02	96,681.03	95,799.10	42,519.87
SC09-036	WTR SYS SECURITY-DHS PROP 50	12,000.00			293.00	11,707.00
SC09-037	NEW SERVICE CONNECTION/METERS	0.00				
SC09-038	LARGE METER (>3") REPL PROGRAM	50,000.00	6,200.00	29,830.00	17,500.00	2,670.00
SC09-039	FIRE HYDRANT REPL/REHAB/ADD	100,000.00		100,057.78	6,000.00	(6,057.78)
SC09-040	EMERGENCY GENERATOR COMPLIANCE	1,000,000.00	127,230.97	285,135.66	608,085.73	96,778.61
SC09-041	ISLAND AREA PIPELINE IMPROV	600,000.00	1,663.75	75,411.76	13,755.32	510,832.92
Totals		\$ 21,292,000.00	\$ 2,041,789.28	\$ 15,927,608.18	\$ 3,581,688.44	\$ 1,782,703.38

**Sacramento Suburban Water District
Debt
11/30/2009**

Current Month

	Suburban 2004 COP	Suburban 2008A COP	Suburban 2009B COP	Suburban 2008A-2 COP	Suburban 2005B COP	Suburban Total
Beginning Balance	\$ -	\$ 42,000,000	\$ 35,295,000	\$ 36,725,000	\$ 1,645,000	\$ 115,665,000
Additions:						
Payment						
Reductions:				(865,000)		(865,000)
Ending Balance	\$ -	\$ 42,000,000	\$ 35,295,000	\$ 35,860,000	\$ 1,645,000	\$ 114,800,000

Year-To-Date

	Suburban 2004 COP	Suburban 2008A COP	Suburban 2009B COP	Suburban 2008A-2 COP	Suburban 2005B COP	Suburban Total
Beginning Balance	\$ 41,275,000	\$ 42,000,000	\$ 36,155,000	\$ 36,725,000	\$ 3,110,000	\$ 117,835,000
Additions:						78,155,000
Payment	(41,275,000)				(1,465,000)	(81,190,000)
Reductions:			(860,000)	(865,000)		
Ending Balance	\$ -	\$ 42,000,000	\$ 35,295,000	\$ 35,860,000	\$ 1,645,000	\$ 114,800,000

**Investments Outstanding and Activity
November 2009**

