

GENERAL MANAGER'S REPORT FOR THE YEAR 2002

This report is presented to the Board to reflect the activities of the District and the changes in the budget that occurred during the year 2002.

WATER PRODUCTION

Water production from the two wells and nine tunnels totaled 829.9 A/F., of which 730.38 A/F were sold. Our water loss was approximately 99.52 A/F or 12%.

WATER QUALITY

Water Quality is a top priority for the District and monthly testing is continuous. The District is in compliance with the California Department of Health Service requirements which include Title 22 sampling for various constituents. In addition the District also tests 1) the five Distribution Zones for Fluoride (monthly), 2) the K-3 Well for constituents as required by the California Regional Water Quality Board (quarterly), and 3) all Wells and Tunnels for Volatile Organic Compounds (quarterly).

BUDGET COMPLIANCE

Our water sales pay for the Operating and Administration expenses of the District. Any moneys remaining are used for the Planned Maintenance and Capital Projects of the District. Additionally in past years the District has sold excess water to the City of Pasadena which generated approximately \$30,000 per year. This year we did not have any excess water to sell and therefore no additional income was generated.

The total operating income that had been estimated at \$755,090. was actually \$ 826,085 due to increased water sales, giving the District \$70,995 more income than budgeted. The administration and operating expenditures that had been estimated at \$692,900 were only \$650,645 leaving the District \$42,255. under budget.

The Planned Maintenance Projects that had been estimated at \$104,500 were only \$5,171. leaving the District \$ 99,329. under budget. Two projects that had been scheduled for 2002 --Eucalyptus Reservoir Repair and the Holly Tanks Painting-- were not done but both of these are scheduled for completion in the Spring of 2003.

The Capital Project Expenditures that had been estimated at \$191,738 were only \$88,959., leaving the District \$102,779 under budget. Those projects that were included in this year's expenditures were --

- 1) The Mesaloe Lane Fire Hydrant Pipeline which is completed
- 2) The SCADA System which is approximately 80% completed (final completion middle of February)
- 3) The Kinclair Cost Sharing Project (final completion hopefully in early summer.)

The District therefore received \$70,995 more income than budgeted due to increased metered water sales and expended \$244,363 less than budgeted due to budgeted projects that were not completed this year.

2003 BUDGET

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The Ad Hoc Budget Committee met three times this year and the following budget was approved at the December Board Meeting.

Income

Metered Water Sales -----	\$786,990
Leased/Wholesale Water Sales --\$	0
Reserve Fund Interest -----	\$ 7,500
	\$794,490

Expenditures

Operation and Administrative -----	\$ 694,500
Planned Maintenance -----	\$ 154,396
Eucalyptus Reservoir Repair --	\$22,428
Holly Tanks Painting -----	\$85,468
Wilcox Well Clortec Unit ----	-\$22,000
SCADA Add Ons -----	\$ 7,500
Wilcox Reservoir Pump Stand-	\$15,000
Office Radio Repeater -----	\$ 2,000
Capital Projects -----	\$ 414,591
SCADA Upgrade -----	\$ 16,591
K-3 Well Transmission Line --	-\$275,000
Kinclair Cost Sharing -----	\$123,000
	\$ 1,263,487

In 2002 the District received a payment of \$250,000 from the Kinclair Tract Developers per an agreement that removed the Escrow Account Agreement from the contract. The Board decided that this \$250,000. would serve as the reserve account for the year 2003 and therefore released funds that had been serving as the reserve account for Planned Maintenance and Capital Projects for the year 2003.

The amount released from the reserve account plus the carryover budgeted funds that had not been spent in 2002 for Planned Maintenance and Capital Projects left \$521,000 in the LAIF account. For this reason the above Expenditures were budgeted as shown above.

As the Board is very aware the last rate increase, for both daily service charge and commodity charge was in 2001, and in January 2003 the commodity rate was increased by five cents to \$1.95/unit. I think that our income is sufficient to cover our operating and administration costs plus the Planned Maintenance and Capital Programs for the next year or two. I think that the Board should keep in mind that we may need a slight rate increase in the year 2005 depending on inflation and increased costs to the District. If we were to need an increase at that time, I would anticipate about a 5% to 7% increase, but that is just an estimate at this time.