SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. VI-B**

FROM: Ed Fortner, General Manager

Meeting Date: April 4, 2019

SUBJECT: DRAFT FY 2019-2020 BUDGET

RECOMMENDED ACTION: Receive a report on the Draft District FY 2019-2020 (FY20) Budget, including the District's proposed water rates based on a 3% increase, and review of the Draft Budget, and provide direction to staff and the *ad hoc* Budget Committee.

FISCAL IMPACT: Provides financial direction for FY20.

DISCUSSION:

The *ad hoc* Budget Committee will have had two meetings prior to the April Board meeting to discuss the draft FY20 Budget which is being presented at this meeting (the line item draft Budget is attached as Exhibit A). Among the issues we will have discussed (and shared in part with the Board at the March meeting):

Proposed FY20 Water Rates

At the March meeting the Board gave direction to proceed with a 3% increase for District water rates. This fits in with the 9-year plan for modest annual rate increases to develop sustainable capital funding. Table 2 shows the proposed water rates and Table 3 shows a comparison of water bills with current and proposed rates for typical customers. The District is on schedule to mail out Proposition 218 notices by April 19 to District property owners.

Fiscal Year 2019-2020 (FY20) Budget

The draft FY20 Budget detail is attached as Exhibit A. Figures 2 and 3 show the relative total expenses and revenues projected for the Operating and Capital Budget. The draft Budget has been discussed by the *ad hoc* Budget Subcommittee in two meetings in January and February. Staff have met several times to develop the appropriate line item amounts for the Operating section of the Budget.

Assumptions used to develop the Operating section of the Budget include:

- Water Usage and Base Rate and Capital Debt Reduction Charges will be raised 3%.
- Water Usage revenues are based on flat water sales and on mid-year water sales projections, thus the FY20 water usage revenues are estimated to

increase by 3% over the amount projected at the end of FY19. The drought is over, but it will likely take a while for sales to start increasing (plus we may be entering new drought!), thus affecting Water Usage charge revenue.

- Salaries and Retirement have been adjusted to reflect year 5 of the 2015 Union Memorandum of Understanding. With hire of new full-time GM and full-time Account Clerk, and increases in worker's comp and other benefits generally, salary and benefits increased by $187,000.
- The District will make an additional payment of $120,000 toward its CalPERS unfunded actuarial liability.

Highlights of the Draft FY19 Operating Budget include:

- The 3% water rate increase will increase District revenues by approximately $90,000.
- We expect one well rehabilitation this year ($18,000) (line 6235).
- We plan reinforcement on Harrison Rd. ($12,000) and Park Ave. Tank Roof ($12,000).
- We are purchasing a truck this year ($47,000).
- The transfer to the Capital Improvement Reserve Fund (CIRF) is $190,000.

Uncertainties with the FY20 Budget include:

- Possible sources of one-time revenue - we expect to sell the River Lane property and the revenue should come in during FY19 or FY20. The Monte Rio Trails Project may also provide land sales revenue, but we don't expect that to happen in FY20.

With the Capital section of the Budget, comparisons between annual budget expenses are less meaningful because completely different capital projects are undertaken from year to year. Capital revenues are similar from last year. Capital expenses are lower because we will not be undertaking a major capital project.

Total District debt was $10,325,169 as of the end of Fiscal Year 2018:

USDA GO Bonds:	$1,570,629
State Loans:	$ 549,308
Private Placement Loan:	$1,917,232
Cap One Bond:	$6,288,000

The new USDA bond/loan that will be acquired in Spring 2018 will add approximately $1,535,000 to the total debt and the first payment will be due in June 2019 (FY 2018-2019).

District Reserves

The FY20 Budget lists the District Reserve Policy amounts approved in September 2009:

- Operating Budget Cash Reserve – a reserve based on 15% of the Operating Budget expenses to allow for prompt payment of District bills at the start of a fiscal year.
- Operating Reserve – 25% of the Operating Budget expenses for economic downturn or other economic crisis, and emergencies and disaster-related expenses.
- Debt Repayment Reserve - 25% of the annual debt payments to ensure funding is available to repay existing District debt.
- Capital Reserve – 25% of the nominal Capital Budget of $1 million for similar issues with the capital program.

The draft Budget shows a Policy Reserve of $1,347,574 and $2,100,013 in Reserves Above Policy at the end of the fiscal year.

Proposition 218 Notice

Proposition 218 requires that 45-day notice be given to all property owners in the area affected by a proposed rate increase. Notice for proposed water rate increases will need to be mailed to all property owners by April 19, 2019. The Notice will provide for an increase to the Base Rate and Water Usage Charges and Capital Debt Reduction Charge of up to 3% for FY 2020 and will include the proposed rate schedules and a protest form.

Table 1. FY 2019-2020 Budget Preparation	
Reviewed/Approved Capital Improvement Program	December 2018, January 2019
Introduce Budget Process	January 3, 2019
Budget Committee meetings	January - March 2019
New GM, Ed Fortner, Jr. on board	February 25, 2019
Draft Budget to Board for Discussion/Action, Including Direction on Water Rates	April 4, 2019
Prop 218 Mailing for Water Rate Increase, if necessary	April 19, 2019
• Draft Budget to Board for Discussion/Action	May 2, 2019
Approve Budget Prop 218 Public Hearing on Rates	June 6, 2019

Table 2. Proposed Sweetwater Springs Water District Bimonthly Water Rates for FY 2019-20, 3% Increase for Water Usage and Base Rates, and CDRC

Meter Size (in)	Base Rate	Water Usage Rate				Capital Debt Reduction Charge	Base Rate + CDRC
		Tier 1	Tier 2	Tier 3	Tier 4		
		1.45	2.90	4.35	6.35		
		Max Usage (Hcf)	Max Usage (Hcf)	Max Usage (Hcf)	Max Usage (Hcf)		
0.625	$ 63.35	8	20	80	>80	$11.60	$74.95
1	$ 158.40	20	50	200	>200	$ 29.00	$187.40
1.5	$ 316.75	40	100	400	>400	$ 58.00	$374.75
2	$ 506.80	64	160	640	>640	$ 92.80	$599.60

Table 3. 3% Water Rate Increase Effect on Typical Water Users by Class (100 cubic feet (Units), FY19-20

	Single Family Residential		Multi-Family Residential, 2 Units		Commercial 5/8 Meter	
Number of Accounts	3060		284		135	
	Median	90%	Median	90%	Median	90%
Median Water Use	7	22	12	32	15	82
Median Bill Current	$ 85.10	$ 130.05	$ 133.57	$ 192.44	$ 106.85	$ 395.05
Median Bill Proposed	$ 87.35	$ 133.85	$ 137.12	$ 198.02	$ 109.85	$ 407.85
Bimonthly Difference	$ 2.25	$ 3.80	$ 3.55	$ 5.58	$ 3.00	$ 12.80
% Increase	2.6%	2.9%	2.7%	2.9%	2.8%	3.2%

FIGURE 1 FY 2020 EXPENSES AND CAPITAL RESERVE
TOTAL = $3.4 MILLION

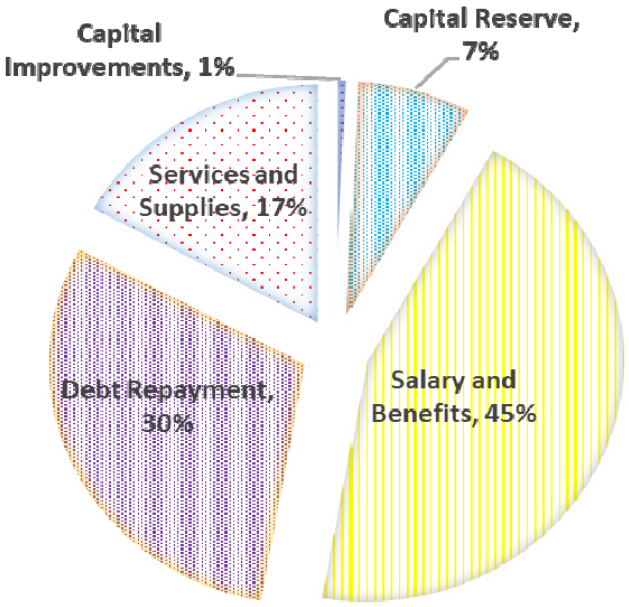

Figure 2 FY 2020 Sources of Funds to Pay for Expenses
Total = $3.5 Million

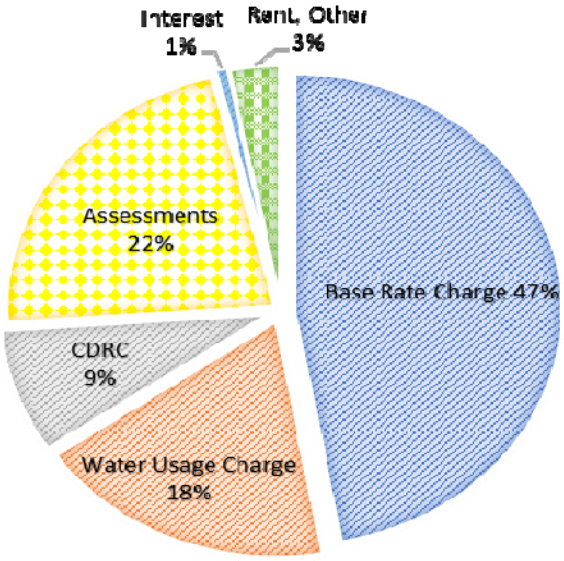

Exhibit A

Sweetwater Springs Water District
DRAFT FY 2019-2020 Operating and Capital Budget

DRAFT FY 2019-20 OPERATING BUDGET										
					FY 17-18 FINAL (CASH)*	FY18-19 BUDGET	FY 18-19 Projected	FY 19-20 BUDGET	Difference FY20-FY19 Budgets	FY 2019-20
REVENUE										
	OPERATING REVENUE									
		4031 · Water Bill Revenue								
			4031.1. · Capital Debt Reduction Charge		279,369	288,172	287,750	296,383	8,211	3% rate increase based on projected
			4031.1. · Water Sales - Base Rate		1,550,404	1,557,162	1,596,916	1,644,824	87,662	3% rate increase based on projected
			4031.1. · Water Sales - Usage Charges + Other		597,461	638,176	615,385	633,846	(4,330)	FY 19 looks high; Flat sales, 3% increase based on projected
			4031.1. · Total Water Sales		2,147,865	2,195,338	2,212,301	2,278,670	83,332	
	Total OPERATING REVENUE				**2,427,234**	**2,483,510**	**2,500,051**	**2,575,053**	91,543	
	NON-OPERATING REVENUE									
		4445 · Grant Proceeds			36,424	0	0	-	-	
		1700 · Interest			8,161	8,000	8,000	8,000	-	
		3600 · Construction New Services			8,235	7,000	6,700	7,000		
		3601 · Construction Service Upgrades			11,506	4,000	3,000	3,000		
		4032 · Rent			96,470	98,600	110,000	105,000	6,400	Crystal $1361/mo = $16,322 AT&T $7400/mo = $88,800
		4040 · Miscellaneous Income			2,384	1,500	3,000	1,500	-	USBank CC refunds So. Cty Credit
		4117 · SCWA Reimbursement			0	2,500	2,745	-	(2,500)	CALWEP dues reimbursed thru 2019. Will we get it in FY 2019-20? (No - JK)
	Total NON-OPERATING REVENUE				**163,180**	**121,600**	**133,445**	**124,500**	2,900	
Total Income					**2,590,414**	**2,605,110**	**2,633,496**	**2,699,553**	**94,443**	
EXPENSES										
	OPERATING EXPENSES									
		SALARY & BENEFITS								
			Salary							
				5910 · Wages	777,596	811,200	825,000	903,046	91,846	Union MOU includes retirement pay provisions
				5912 · Overtime	28,256	34,120	33,900	34,307	187	
				5916 · On-Call Pay	34,590	34,950	35,000	34,950	-	
				5918 · Extra help - Contract	36,931	34,100	36,900	34,100	-	
				Total Salary	**877,373**	**914,370**	**930,800**	**1,006,400**	**92,030**	
			Benefits							
				5500 · Flex Spending	820	0	0	0	-	
				5920 · Retirement net EE share	64,100	75,281	70,000	95,927	20,646	Employees pay employee share; Unfunded L = $37000; ER Rate 8.418% JK: ER Rate for FY 2019-20 is 9.680% for 2%@55; 6.985 for 2%@62
				5920 · Retirement UL	112,003	105,000	125,450	120,000	15,000	JK: Mandatory UL $57000 + Suggested Extra pymnt $63000 = $120,000
				5922 · Payroll Taxes - Employer Paid	15,062	15,646	15,646	16,761	1,115	
				5930 · Health/Dental/Vision/AFLAC Ins.	186,420	190,000	190,000	237,000	47,000	
				5931 · Retiree health	7,698	7,680	7,900	7,680	-	Includes contribution to CERBT of $3000; Per JK cost per retiree 2019 $136; 2020 $139.75
				5940 · Workers Comp Insurance	47,222	25,605	28,000	37,000	11,395	Increased from 103% to 131%. Projected premiums will now be around $37,000 projecting for estimated wage increases.
				Total Benefits	**433,325**	**419,212**	**436,996**	**514,368**	95,156	
		Total SALARY & BENEFITS			**1,310,698**	**1,333,582**	**1,367,796**	**1,520,768**	**187,186**	
		SERVICES & SUPPLIES								
			Communications							
				6040-I · Internet service	2,016	2,350	2,350	2,350	-	Comcast -$86.13/month: $1034 GotoMyPC $47.90/mo = $575 Sonic.net $47.90/mo (A) = $575
				6040-C · Cell Phones	4,076	4,050	4,200	4,900	850	Verizon $65/mo: $780, GM-$600 Misc parts/holders: $200 Cell phone reimburse $275/mo - $3300
				6040-P · Pagers & Radios	470	680	620	680	-	American Messaging $40/mo: $480 Misc. parts/batteries: $200
				6040-T · Telephones	16,671	18,000	18,000	22,900	4,900	Ans. Service: $2500 AT&T Phones: $1,400/mo: $16,800 Mitel Phones: $300/mo=$3,600
				Total Communications	**23,233**	**25,080**	**25,170**	**30,830**	**5,750**	
			Insurances							
				6101 · Liability & Auto Ins.	36,181	33,000	42,000	44,000	11,000	
				Total Insurances	**36,181**	**33,000**	**42,000**	**44,000**	**11,000**	
			Maint/Rep - Office & Vehicles							
				6140 · Vehicle Maintenance	11,743	14,000	15,500	21,000	7,000	GM-$6,000
				6151 · Office Maintenance	7,148	7,300	5,000	6,000	(1,300)	Alarm System - $130/qtr.=$520 SR Computers - $195/mo = $2340/year Copy mach. maint - 1400/yr Call One - $1000/yr Landscaping - $300/yr Misc / Other - $250
		Total Maint/Rep - Office & Vehicles			**18,891**	**21,300**	**20,500**	**27,000**	5,700	

			Maint/Repair - Facilities						-	
				6085 · Janitorial Services	6,373	9,445	8,800	8,800	(645)	Maria Reyes (office Janitorial): $125/mo = $1500 United Site Svces (port-o-lets): $305/mo = $3660 Recology Garbage $2000 Sewer - GVTP ($1600)
				6100 · SCADA System	3,201	5,000	6,000	5,000	-	
				6180 · Distribution System Repairs	25,369	40,000	50,000	50,000	10,000	Not accounting for" In- House Const." off-set
				6235 · Treatment Sys/Well Repairs	31,594	45,000	70,000	50,000	5,000	Well # 6 El Bonita rehab $18,000.
				6143 · Generator Maintenance	6,836	1,000	1,000	1,000	-	Not a planned major maintenance year.
				Total Maint/Repair - Facilities	**73,373**	**100,445**	**135,800**	**114,800**	**14,355**	
			Miscellaneous Expenses							
				6280 · Memberships	11,082	11,500	12,000	12,020	520	USA $700 AWWA $420 CSDA $6800 CalWEP $2600 MR Chamber -$50 RR Chamber - $150 Cal Rural $1100 WCWW $200
				6303 · Claims	16,070	1,500	500	1,500	-	
				6593 · Governmental Fees	4,700	22,000	18,000	15,000	(7,000)	Elections costs: $0 Notice of Determination $230 Parcel List $270 LAFCO $6,700 Hazmat $1300 Operator license fees $400 System fees $9000
				Total Miscellaneous Expenses	**31,852**	**35,000**	**30,500**	**28,520**	(6,480)	
			Office Expense						-	
				6410 · Postage	15,744	16,000	16,000	17,000	1,000	Billing (2000 pieces @ $.50 X 12 months) = $12,000 Prop 218 mailing: 4000 X .50 = $2,000 1 extra mailing: 3600 X .50 = $1,800 Other mail
				6430 · Printing Expense	7,752	7,500	7,500	7,500	-	Window Envelopes $1100 Return Envelopes $800 Water Bills + Autopay $1500 Doorhangers $400
				6461 · Office Supplies	4,111	5,000	5,500	6,000	1,000	Supplies $4000 Plants/Landscaping $150 Christmas Tree $80 Christmas party $400 Business lunches $75 Paper products/coffee $250 Furniture $500
				6800 · Subscriptions/Legal Notices	553	1,100	1,100	1,100	-	Press Democrat $475 Legal Notices $400 Sonoma West $70 Safety Meeting Outlines $85
				6890 · Computers/Software	1,560	2,500	1,700	2,500	-	Antivirus softsware $60 Cloud software $70 Misc $400 Quickbooks upgrade $500 Workstation upgrades - $2000 (2)
				6579 · Furniture	844	500	500	-	(500)	Included with Office supplies. Delete?
				Total Office Expense	**30,564**	**32,600**	**32,300**	**34,100**	**1,500**	
			Operating Supplies							
				6300 · Chemicals	11,979	20,000	18,500	20,000	-	
				6880 · Tools and Equipment	5,676	5,000	5,000	$7,000.00	2,000	Leak listener $3000 Mini Jack hammer $450. Chain saw $400.
				6881 · Safety Equipment	1,262	1,200	2,200	1,200	-	
				Total Operating Supplies	**18,917**	**26,200**	**25,700**	**28,200**	**2,000**	
			Professional Services							
				6083 · Laundry Service	1,283	-	-	-	-	Delete?
				6514 · Lab/Testing Fees	11,611	12,500	13,500	12,500	-	
				6570 · Consultant Fees	17,000	18,000	45,000	18,000	-	IEDA $12,500 Open Spatial (Mapping): $4,200 SR Computers/Chris Meyers (non-maintenance work) $1000
				6610 · Legal	11,565	20,000	10,000	20,000	-	
				6630 · Audit/Accounting	38,832	39,000	42,000	42,000	3,000	ADP $65/2 weeks = $1300 W-2s = $80 Authorize.net $600 Auditor $8,500 Harbortouch $25,000 E-check fees = $2100 West America fees $230/mo = $2760 1099 = $175 County Accounting Fees = $1200
				Total Professional Services	**80,291**	**89,500**	**110,500**	**92,500**	**3,000**	
			Rents & Leases							
				6820 · Equipment	1,409	3,300	3,300	3,300	-	Postage machine $1300 Action rents: $2000
				6840 · Building & Warehouse	29,672	29,790	29,790	29,790	-	Rent: $2,482.50/mo = $29,790
				Total Rents & Leases	**31,081**	**33,090**	**33,090**	**33,090**	**-**	

			Transportation & Travel							
				7120 · Seminars & related travel	473	2,650	2,650	3,650	1,000	JK - $250, EF-$1,000 LK and CMH - $400 Field: $1500, GM - $500
				7201 · Vehicle Gas	18,367	20,000	18,000	20,000	-	
				7300 · Travel Reimbursements	5,428	6,400	6,400	7,400	1,000	SM - $50/mo = $600 (A), GM-$1,000 KG $400/mo = $4800 (F) CMH/NK/JK $80/mo = $960 (A)
				Total Transportation & Travel	**24,268**	**29,050**	**27,050**	**31,050**	**2,000**	
			Uniforms							
				6021.1 · Boots	1,320	1,500	1,500	1,500	-	$225 X 7 = $1450
				6021.3 · T-shirts	1,694	1,800	1,700	1,800	-	
				6021.4 · Jackets	0	240	240	240	-	2 jackets
				Total Uniforms	**3,014**	**3,540**	**3,440**	**3,540**	**-**	
			Utilities							
				7320 · Electricity	97,850	100,000	107,000	110,000	10,000	
				7321 · Propane	2,820	3,000	3,000	3,000	-	
				Total Utilities	**100,670**	**103,000**	**110,000**	**113,000**	**10,000**	
		Total SERVICES & SUPPLIES			**472,335**	**531,805**	**596,050**	**580,630**	**48,825**	
	Total OPERATING EXPENSES				**1,783,033**	**1,865,387**	**1,963,846**	**2,101,398**	**236,011**	
OPERATING SURPLUS/DEFICIT					**$807,381**	**$739,723**	**$669,650**	**$598,155**	**$ (141,568)**	
	FIXED ASSET EXPENDITURES									
		8517 · Field/Office equipment			500	-	0	-		
		8573 · Vehicles			0	50,000	47,000	47,000	(3,000)	new truck
		8511.1 · Tank/Facilities Sites			60,723	-	0	24,000	195,000	Harrison Rd reinforcement $12,000. Park Ave roof $12,000.
		8511.6 · Leasehold Improvements			0	0	0	-	-	
	Total FIXED ASSET EXPENDITURES				**61,223**	**50,000**	**47,000**	**71,000**	**21,000**	
	TRANSFERS TO OTHER FUNDS									
		8620.7 · Tfers to CIRF for CDR Revenue			278,615	288,172	288,172	296,383	8,211	
		8620.3 · Tfers to CIRF - PY Surplus			0	0	0	-	-	
		8620.3 · Tfers to CIRF			320,000	360,000	290,000	190,000	(170,000)	
		8620.5 · Tfers to Building Fund			15,000	15,000	15,000	15,000	-	
		8620.2 · Tfers to In-House Constr			25,000	25,000	25,000	25,000	-	
	Total TRANSFERS TO OTHER FUNDS				638,615	688,172	618,172	526,383	(161,789)	
SURPLUS/DEFICIT					**107,543**	**1,551**	**4,478**	**772**	**(779)**	
CAPITAL BUDGET										
REVENUE/SOURCES OF FUNDS										
	Annual Assessment - New Services				15,764	27,000	27,000	27,000	-	
	Annual Assessment (County)				726,080	710,000	710,000	710,000	-	
	Prior Year Assessment				22,709	40,000	40,000	40,000	-	
	Capital Debt Reduction Charge				278,615	288,172	288,172	296,383	8,211	
	Interest				17,075	15,000	25,000	25,000	10,000	
	Guernewood Park Modeling Funds				41,800	-	-	-	-	
	Transfer from Reserves				435,000					
	USDA 2018 Bond						1,535,000	0		Bond closing in Spring
	Transfers to CIRF from Operations				320,000	360,000	290,000	190,000	(170,000)	
	Transfers to In-House Constr. from Operations				25,000	25,000	25,000	25,000	-	
	TOTAL REVENUE				**1,882,043**	**1,465,172**	**2,940,172**	**1,313,383**	**(151,789)**	
EXPENSES										
	DEBT PAYMENTS									
	Gen. Obligation Bonds Payments				65,783	64,284	79,752	98,821	34,537	2015 GO Bond Refi: $64284.91 2018 GO Bond: $34,535.70
	Cap One Revenue Bond				564,344	563,194	563,194	566,558	3,364	
	State Loan Payments				146,618	146,619	146,619	146,619	-	
	Private Placement Loan				234,013	225,045	225,045	216,062	(8,983)	
	TOTAL DEBT PAYMENTS				**1,010,758**	**999,142**	**1,014,610**	**1,028,060**	28,918	
	2017 CIP Design and Construction Mgmt				104,917	-				Design of 2017 CIP in FY16, CM in FY17 and will be carried over into FY18
	2017 CIP Construction				659,940	-				Contract award in FY17, most construction in FY18
	2018 CIP Design and Construction Mgmt				36,823		100,692			cm costs for 2018 CIP
	2018 CIP Construction				0		932,519			Contract award in March 2018, construction starts shortly after Per JK actual expenditures for CIP 2018 in FY 2018-19 were $1,063,919
	2019 CIP					250,000				Estmated cost of MR TP Filter replacement to be done in Spring 2019
	Guernewood Park Modeling Expense				39,284				-	Check with Julie for actual
	In-House Construction Projects				25,775	25,000	25,000	25,000	25,000	
		Total Capital Expenses			**866,739**	**275,000**	**1,058,210**	**25,000**	**(250,000)**	
	TOTAL EXPENSES				**1,877,497**	**1,274,142**	**2,072,820**	**1,053,060**	**(221,082)**	
	End of FY17 Accrual Expenses									Total Expenses = Accrual Expenses because no FY18 Obligation in FY17
	SURPLUS/DEFICIT				**4,546**	**191,030**	**867,352**	**260,323**	**69,293**	
	Net Capital Funding			**(has CIRF)**	**477,028**	**442,581**	**370,040**	**261,095**		
FUND AND LOAN BALANCES (EOY)										
DISTRICT RESERVES AND FUND AND LOAN BALANCES										
	Operating Budget Cash Reserve				123,508	279,808	279,808	315,210	35,402	
	Operating Budget Reserve (10%+15% of Operating Exp)				96,475	466,347	466,347	525,350	59,003	
	Debt Repayment Reserve (25% of Debt pmt)				102,315	249,786	249,786	257,015	7,230	
	Capital Reserve				250,000	250,000	250,000	250,000	-	
Total District Policy					773,243	1,245,940	1,245,940	1,347,574	101,634	
TOTAL Reserves EOY					**2,314,663**	**2,410,774**	**3,186,493**	**3,447,587**	**1,036,813**	
Reserves Above (below) Policy					**1,541,419**	**1,164,834**	**1,940,552**	**2,100,013**	**935,179**	

DISTRICT FUNDS									
	CIRF (7106-0600)			266,474	100,000	3,186,493	3,447,587	3,347,587	
	OPERATING RESERVE (0300)			123,508	279,808	466,347	315,210	35,402	
	OPERATIONS (0100)			96,475	274,995	279,808	525,350	250,355	
	CAPITAL AND DEBT POLICY RESERVE (1100)			102,315	475,027	499,786	507,015	31,989	
	IN HOUSE CONSTRUCTION (0500)			75,982	79,315	79,315	79,315	-	
	BUILDING (0200)			10,850	25,850	25,850	40,850	15,000	
	CAP ONE AND CITIZENS BANK LOAN (1200)			791,250	802,112	802,112	802,112	-	
	FEDERAL LOANS AND BONDS (0400)			500,000	-	-	-	-	
	STATE LOANS (0700,0900)			146,863	146,438	146,438	146,438	-	
	STATE LOANS RESERVES (0800&1000)			-	-	-	-	-	
	PARS*			200,945	200,000	200,000	208,000	8,000	4% return