SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-C**

FROM: Steve Mack, General Manager

Meeting Date: March 2, 2017

SUBJECT: DRAFT FY 2017-2018 BUDGET

RECOMMENDED ACTION: Receive a report on the Draft District FY 2017-2018 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 subcommittee.

FISCAL IMPACT: Provides financial direction for FY 2017-2018.

DISCUSSION:

The *ad hoc* Budget Subcommittee has had two meetings to discuss the draft 2017-2018 Budget which is being presented at this meeting (the line item draft Budget is attached as Exhibit A). Among the issues we have discussed (and shared in part with the Board at the February meeting):

Proposed FY 2017-2018 Water Rates

At the February 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 March 20 to District property owners.

Fiscal Year 2017-2018 (FY18) Budget

The draft FY18 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 FY18 water usage revenues are estimated to

increase by 3% over the amount projected at the end of FY17. The drought is over but it will likely take a while for sales to start increasing, thus affecting Water Usage charge revenue.

- Salaries and Retirement have been adjusted to reflect year 3 of the 2015 Union Memorandum of Understanding.

Highlights of the Draft FY18 Operating Budget include:

- The 3% water rate increase will increase District revenues by approximately $69,000.
- Supplies and Services were scrutinized to reflect actual expected costs and have decreased approximately $12,000 compared to the FY17 Budgeted.
- Expenditures for Tanks and Facilities include a liner for the Rio Nido Tank and road improvements for the Monte Rio Tanks.
- We are not purchasing a truck this year.
- The transfer to the Capital Improvement Reserve Fund (CIRF) is $390,000.

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 - we are planning on replacement of the green sand filter at the Monte Rio Filter Plant. We are self-funding the River Road/Old River Road Project; the first phase of that project is expected to be completed in FY18 with funds obligated in FY17. The second phase will be started in FY19 with FY19 funds.

In prior years the following year CIP has been included in the Budget because the contract award is planned for the prior-year fiscal year even though most costs will not happen until the following fiscal year. It's the reverse this year - we are intending to get the 2017 budgeted CIP going in 2017 but most expenses will be carried over into FY18.

Total District debt was $11,660,157 as of the end of Fiscal Year 2016:

USDA GO Bonds:	$1,622,728
State Loans:	$ 909,508
Private Placement Loan:	$2,186,921
Cap One Bond:	$6,941,000

In the Capital Budget the State Loan amount is substantially lower because the smaller State Loan was paid off in September 2016. The annual State Loan debt payment will be lower as a result and this shows up in the Capital Expense section.

District Reserves

The FY16 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 $1,208,091 and $697,700 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 March 20, 2016. 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 2018 and will include the proposed rate schedules and a protest form.

Table 1. FY 2017-2018 Budget Preparation	
Approved Capital Improvement Program	December 1, 2016
Introduce Budget Process	January 5, 2017
Budget Committee meetings	February/March 2017
Draft Budget to Board for Discussion/Action, Including Direction on Water Rates	March 2, 2017
Prop 218 Mailing for Water Rate Increase	March 20, 2017
Draft Budget to Board for Discussion/Action	April 6, 2017
Approve Budget • Prop 218 Public Hearing on Rates	May 4, 2017

Table 2. Proposed Sweetwater Springs Water District Bimonthly Water Rates for FY 2017-18, 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		
		$ 1.40	$ 2.85	$ 4.25	$ 6.15		
		Max Usage (Hcf)	Max Usage (Hcf)	Max Usage (Hcf)	Max Usage (Hcf)		
0.625	$ 61.50	8	20	80	>80	$11.25	$72.75
1	$153.75	20	50	200	>200	$28.15	$181.90
1.5	$307.50	40	100	400	>400	$56.25	$363.75
2	$492.00	64	160	640	>640	$90.00	$582.00

- *The Base Rate and Capital Debt Reduction Charge (CDRC) increases for meter sizes larger than 0.625 apply only to Commercial and Public accounts.*
- *The Base Rate and CDRC are also increased by the Multiple Unit Multiplier of 0.55 for Multi-Family accounts. For examples, with a 2 unit account, the Base Rate is $95.33 and the CDRC is $17.44.*

Table 3. 3% Water Rate Increase Effect on Typical Water Users by Class (100 cubic feet (Units), FY17-18

	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	$80.05	$122.60	$125.63	$181.42	$100.65	$372.30
Median Bill Proposed	$82.55	$126.65	$129.56	$187.38	$103.90	$385.45
Bimonthly Difference	$ 2.50	$ 4.05	$ 3.93	$ 5.96	$ 3.25	$ 13.15
% Increase	3.1%	3.3%	3.1%	3.3%	3.2%	3.5%

Figure 1. FY 2018 Expenses
Total = $3.0 Million

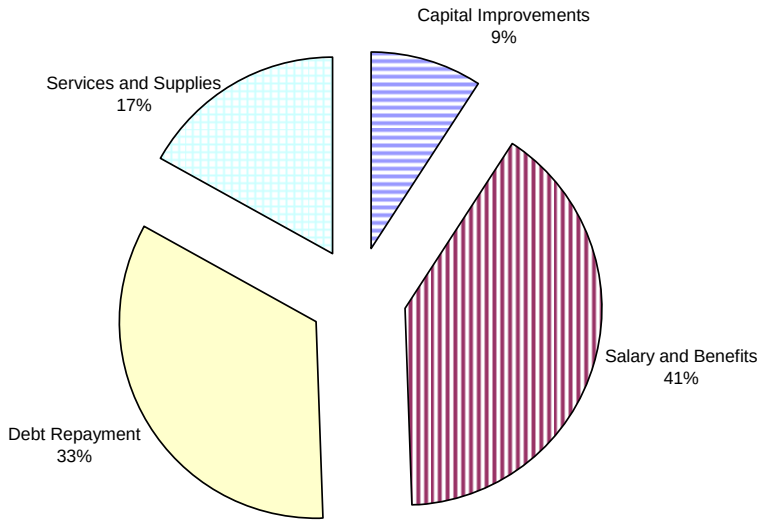
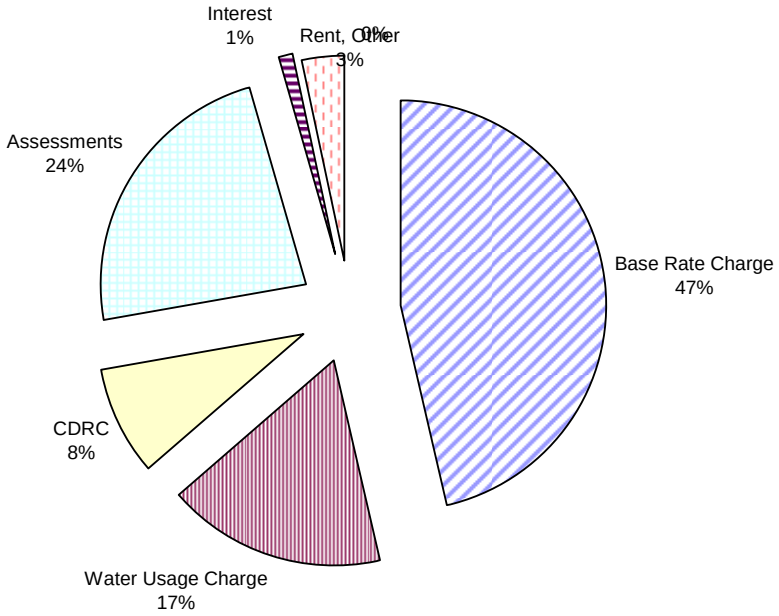


Figure 2. FY18 Sources of Funds to Pay for Expenses
Total = $3.4 Million



FY 2017-18 OPERATING BUDGET - DRAFT

	FY 15-16 FINAL (CASH)*	FY16-17 BUDGET	FY 16-17 Projected	FY 17-18 BUDGET	Difference FY18-FY17 Budgets	FY 2017-18
REVENUE						
OPERATING REVENUE						
4031 · Water Bill Revenue						
4031.1. · Capital Debt Reduction Cha	261,458	269,302	270,500	278,615	9,313	3% rate increase based on projected
4031.1. · Water Sales - Base Rate	1,457,538	1,480,664	1,484,000	1,528,520	47,856	3% rate increase based on projected
4031.1. · Water Sales - Usage Charges + Other	526,963	563,372	558,600	575,358	11,986	Flat sales, 3% increase based on projected
4031.1. · Total Water Sales	1,984,502	2,044,036	2,042,600	2,103,878	59,842	
Total OPERATING REVENUE	**2,245,959**	**2,313,338**	**2,313,100**	**2,382,493**	69,155	
NON-OPERATING REVENUE						
4445 · Grant Proceeds	0	0	0	-	-	
1700 · Interest	9,142	7,500	9,000	8,000	500	
3600 · Construction New Services	6,712	7,000	5,575	7,000	-	
3601 · Construction Service Upgrades	100	2,000	3,240	2,000	-	
4032 · Rent	99,219	94,346	98,000	98,600	4,254	Crystal $1361/mo = $16,322 AT&T $6856/mo = $82,272
4040 · Miscellaneous Income	8,891	1,500	600	1,500	-	USBank CC refunds So. Cty Credit
4117 · SCWA Reimbursement	2,495	2,500	2,500	2,500	-	CUWCC dues reimbursed thru 2019.
Total NON-OPERATING REVENUE	**126,559**	**114,846**	**118,915**	**119,600**	4,754	
Total Income	**2,372,518**	**2,428,184**	**2,432,015**	**2,502,093**	**73,909**	
EXPENSES						
OPERATING EXPENSES						
SALARY & BENEFITS						
Salary						
5910 · Wages	783,622	823,000	786,000	801,720	(21,280)	Union MOU includes retirement pay provisions
5912 · Overtime	28,379	34,400	33,200	33,200	(1,200)	
5916 · On-Call Pay	33,428	37,700	33,000	33,100	(4,600)	
5918 · Extra help - Contract	36,907	37,000	37,000	37,100	100	
Total Salary	**882,336**	**932,100**	**889,200**	**905,120**	**(26,980)**	
Benefits						
5500 · Flex Spending	-296	0	0	0	-	
5920 · Retirement net EE share	85,337	84,460	85,000	102,100	17,640	employees pay employee share; Unfunded L = $37000; ER Rate 8.418%
5922 · Payroll Taxes - Employer	15,548	16,329	15,000	15,300	(1,029)	
5930 · Health/Dental/Vision/AFL	140,619	146,000	162,000	170,100	24,100	
5931 · Retiree health	8,140	7,000	7,644	7,680	680	Includes contribution to CERBT
5940 · Workers Comp Insurance	31,838	36,000	45,125	47,000	11,000	Year 3 of high rates due to injuries
Total Benefits	**281,186**	**289,789**	**314,769**	**342,180**	52,391	
Total SALARY & BENEFITS	**1,163,522**	**1,221,889**	**1,203,969**	**1,247,300**	**25,411**	
SERVICES & SUPPLIES						
Communications						
6040-I · Internet service	1,778	1,850	1,950	2,350	500	Comcast -$86.13/month: $1034 GotoMyPC $27.90/mo = $334.80 Sonic.net $47.90/mo (A) = $575
6040-C · Cell Phones	4,417	4,050	4,050	4,050	-	Verizon $65/mo: $780 Misc parts/holders: $200 Cell phone reimburse $255/mo - $3060
6040-P · Pagers & Radios	485	620	620	620	-	American Messaging $35/mo: $420 Misc. parts/batteries: $200

	FY 15-16 FINAL (CASH)*	FY16-17 BUDGET	FY 16-17 Projected	FY 17-18 BUDGET	Difference FY18-FY17 Budgets	FY 2017-18
6040-T · Telephones	14,670	17,000	17,000	17,000	-	Ans. Service: $2000 Phones: $1,200/mo: $14,400
Total Communications	**21,350**	**23,520**	**23,620**	**24,020**	**500**	
Insurances						
6101 · Liability & Auto Ins.	32,175	32,200	31,000	33,000	800	
Total Insurances	**32,175**	**32,200**	**31,000**	**33,000**	**800**	
Maint/Rep - Office & Vehicles						
6140 · Vehicle Maintenance	14,784	18,000	12,000	12,500	(5,500)	
6151 · Office Maintenance	5,717	6,200	7,200	6,400	200	Alarm System - $130/qtr.=$520 PacketFusion maint. contract - $1500/year The Compute Wizard - $175/mo = $2100/year Copy mach. maint - 1400/yr Call One - $1000/yr, but $200 for FY 2017-18 Landscaping - $300/yr Misc / Other - $250
Total Maint/Rep - Office & Vehicles	**20,501**	**24,200**	**19,200**	**18,900**	(5,300)	
Maint/Repair - Facilities					-	
6085 · Janitorial Services	7,397	8,500	8,500	8,800	300	Altech (office Janitorial): $212/mo = $2544 United Site Svces (port-o-lets): $260/mo = $3120 Sunrise Garbage $1600 Sewer - GVTP ($1200)
6100 · SCADA System	6,801	5,000	6,500	5,000	-	
6180 · Distribution System Repairs	12,749	50,000	62,000	50,000	-	Not accounting for" In- House Const." off-set
6235 · Treatment Sys/Well Repairs	53,319	45,000	36,000	45,000	-	estimating (1) well rehab
6143 · Generator Maintenance	1,814	2,000	1,000	3,200	1,200	This will be a bi-annual maitenance year.
Total Maint/Repair - Facilities	**82,080**	**110,500**	**114,000**	**112,000**	**1,500**	
Miscellaneous Expenses						
6280 · Memberships	10,076	10,400	10,400	10,800	400	USA $165 AWWA $420 CSDA $6100 CUWCC $2600 (reimbursed by SCWA) MR Chamber -$50 RR Chamber - $150 Cal Rural $1100 WCWW $200
6303 · Claims	0	1,500	1,000	1,500	-	
6593 · Governmental Fees	15,772	18,400	18,400	1,900	(16,500)	Elections costs: $1,000 Notice of Determination $230 Parcel List $265 LAFCO $6,700 Hazmat $1200 Operator license fees $400 System fees $10,500
Total Miscellaneous Expenses	**25,848**	**30,300**	**29,800**	**14,200**	(16,100)	
Office Expense					-	
6410 · Postage	11,403	16,000	18,200	16,000	-	Billing (2000 pieces @ $.485 X 12 months) = $11,650 Prop 218 mailing: 4000 X .485 = $1,940 1 extra mailing: 3600 X .485 = $1,750 Other mail

	FY 15-16 FINAL (CASH)*	FY16-17 BUDGET	FY 16-17 Projected	FY 17-18 BUDGET	Difference FY18-FY17 Budgets	FY 2017-18
6430 · Printing Expense	4,666	7,500	7,000	7,500	-	Window Envelopes $1100 Return Envelopes $950 Water Bills + Autopay $1500 Doorhangers $400 Turn Off Notices $600 Letterhead $250 Misc. Inserts $250 Prop 218 notice: $700 Checkblanks $200 Tagbooks $700
6461 · Office Supplies	5,734	4,000	4,000	4,100	100	Supplies $3145 Plants/Landscaping $150 Christmas Tree $80 Christmas party $400 Business lunches $75 Paper products/coffee $250
6800 · Subscriptions/Legal Noti	759	1,100	1,100	1,100	-	Press Democrat $320 Legal Notices $400 Sonoma West $70 Safety Meeting Outlines $85
6890 · Computers/Software	598	3,000	3,000	3,000	-	Antivirus softsware $120 Cloud software $70 Misc $400 Quickbooks upgrade $300 3 workstations - $2000 (KG/LK/CMH)
6579 · Furniture	487	500	-	500	-	
Total Office Expense	**23,647**	**32,100**	**33,300**	**32,200**	**100**	
Operating Supplies						
6300 · Chemicals	10,370	18,500	18,500	18,500	-	
6880 · Tools and Equipment	3,750	6,000	3,400	5,000	(1,000)	Pipe locator: $1,000., Cut-off saw $900.
6881 · Safety Equipment	90	1,000	1,200	1,200	200	
Total Operating Supplies	**14,210**	**25,500**	**23,100**	**24,700**	**(800)**	
Professional Services						
6083 · Laundry Service	2,207	3,000	3,500	3,000	-	Mission $90/2 weeks = $2340
6514 · Lab/Testing Fees	13,392	15,000	14,000	14,000	(1,000)	
6570 · Consultant Fees	16,900	18,000	18,000	18,000	-	IEDA $12,500 Open Spatial (Mapping): $4,200 Computer Wizard (non-maintenance work) $800 Misc. (John Thompson?) -$500
6610 · Legal	12,053	20,000	15,000	20,000	-	
6630 · Audit/Accounting	30,566	34,500	35,000	35,500	1,000	ADP $55/2 weeks = $1300 W-2s = $80 Authorize.net $500 Auditor $8,500 Harbortouch $18,000 E-check fees = $1680 West America fees $230/mo = $2760 1099 = $175 County Accounting Fees = $700 GASB 68 prep = $1,300
Total Professional Services	**75,118**	**90,500**	**85,500**	**90,500**	**-**	
Rents & Leases						
6820 · Equipment	967	2,000	1,000	3,300	1,300	Postage machine $1300 Action rents: $2000
6840 · Building & Warehouse	28,045	28,800	28,800	29,790	990	5% rent increase: $2,482.50/mo = $29,790
Total Rents & Leases	**29,012**	**30,800**	**29,800**	**33,090**	**2,290**	
Transportation & Travel						
7120 · Seminars & related travel	702	2,650	2,500	2,650	-	JK - $250 LK and CMH - $400 Field: $1500, GM - $500
7201 · Vehicle Gas	19,113	23,000	21,000	23,000	-	

	FY 15-16 FINAL (CASH)*	FY16-17 BUDGET	FY 16-17 Projected	FY 17-18 BUDGET	Difference FY18-FY17 Budgets	FY 2017-18
7300 · Travel Reimbursements	5,606	6,400	6,400	6,400	-	SM - $50/mo = $600 (A) KG $400/mo = $4800 (F) CMH/LK/JK $80/mo = $960 (A)
Total Transportation & Travel	25,421	32,050	29,900	32,050	-	
Uniforms						
6021.1 · Boots	991	1,500	1,500	1,500	-	$205 X 7 = $1450
6021.3 · T-shirts	351	1,500	400	1,500	-	
6021.4 · Jackets	0	240	240	240	-	2 jackets
Total Uniforms	1,342	3,240	2,140	3,240	-	
Utilities						
7320 · Electricity	87,613	90,000	90,000	95,000	5,000	
7321 · Propane	2,415	3,000	2,500	3,000	-	
Total Utilities	90,028	93,000	92,500	98,000	5,000	
Total SERVICES & SUPPLIES	440,732	527,910	513,860	515,900	(12,010)	
Total OPERATING EXPENSES	1,604,254	1,749,799	1,717,829	1,763,200	13,401	
OPERATING SURPLUS/DEFICIT	$768,264	$678,385	$714,186	$738,893	$ 60,508	
FIXED ASSET EXPENDITURES						
8517 · Field/Office equipment	3,327	-	0	-		
8573 · Vehicles	30,366	45,000	39,333		(45,000)	no new vehicle
8511.1 · Tank/Facilities Sites	28,940	22,000	22,000	22,000	-	Rio Nido Tank liner - $12,000 Monte Rio Tanks access road rehab -$10,000
8511.6 · Leasehold Improvements	0	0	0	-	-	
Total FIXED ASSET EXPENDITURES	62,633	67,000	61,333	22,000	(45,000)	
TRANSFERS TO OTHER FUNDS						
8620.7 · Tfers to CIRF for CDR Revenue	261,565	270,375	270,375	278,615	8,240	
8620.3 · Tfers to CIRF - PY Surplus	0	0	50,392	-	-	
8620.3 · Tfers to CIRF	320,000	300,000	290,000	390,000	90,000	
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	621,565	610,375	650,767	708,615	98,240	
SURPLUS/DEFICIT	84,066	1,010	2,086	8,278	7,268	

CAPITAL BUDGET						
REVENUE/SOURCES OF FUNDS						
Annual Assessment - New Services	27,949	27,000	27,000	27,000	-	
Annual Assessment (County)	722,085	710,000	710,000	710,000	-	
Prior Year Assessment	25,447	40,000	40,000	40,000	-	
Capital Debt Reduction Charge	261,565	269,302	270,500	278,615	9,313	
Interest	8,367	8,000	8,000	8,000	-	
USDA 2016 Bond						Not doing the bond
Transfers to CIRF from Operations	343,184	300,000	290,000	390,000	90,000	
Transfers to In-House Constr. from Operatio	25,000	25,000	25,000	25,000	-	
TOTAL REVENUE	1,413,597	1,379,302	1,370,500	1,478,615	99,313	
EXPENSES						
DEBT PAYMENTS						
Gen. Obligation Bonds Payments	64,284	64,284	64,284	64,284	-	USDA refinance resolution
Cap One Revenue Bond	567,492	566,508	566,508	566,508	-	
State Loan Payments	170,172	252,068	252,068	146,438	(105,630)	paid off smaller State Loan in 2016
Private Placement Loan	234,013	250,364	250,364	234,014	(16,350)	
TOTAL DEBT PAYMENTS	1,035,961	1,133,224	1,133,224	1,011,244	(121,980)	
2016 CIP Design and Construction Mgmt	124,532	-				
2016 CIP Construction	902,052	-				Construct Award amount plus encrhmnt permit
2017 CIP Design and Construction Mgmt	123,395	92,000	92,000			Design of 2017 CIP in FY16, CM in FY17 and will be carried over into FY18
2017 CIP Construction	0	732,000	732,000			Contract award in FY17, most construction in FY18
2018 CIP Design and Construction Mgmt	0					Any design costs included in construction cost

	FY 15-16 FINAL (CASH)*	FY16-17 BUDGET	FY 16-17 Projected	FY 17-18 BUDGET	Difference FY18-FY17 Budgets	FY 2017-18
2018 CIP Construction	0			250,000		Estmated cost of MR TP Filter replacement to be done in Spring/Summer 2018
El Bonita Well Valut Improvements		25,000	25,000			
In-House Construction Projects	36,042	25,000	25,000	25,000	-	Increase in this vs 6180 in Operating Budget??
Mapping Project		-			-	
Total Capital Expenses	**1,186,021**	**874,000**	**874,000**	**275,000**	**(599,000)**	
TOTAL EXPENSES	**2,221,982**	**2,007,224**	**2,007,224**	**1,286,244**	**(720,980)**	
End of FY17 Accrual Expenses						Total Expenses = Accrual Expenses because no FY18 Obligation in FY17
SURPLUS/DEFICIT	**(808,385)**	**(627,922)**	**(636,724)**	**192,371**	**820,293**	Deficit will be made up from District Reserves
FUND AND LOAN BALANCES (EOY)						
DISTRICT RESERVES AND FUND AND LOAN BALANCES						
Operating Budget Cash Reserve	255,061	262,174	262,174	264,480	2,306	
Operating Budget Reserve (10%+15% of Operating Exp)	425,102	436,956	436,956	440,800	3,844	
Debt Repayment Reserve (25% of Debt pmt)	258,777	258,777	258,777	252,811	(5,966)	
Capital Reserve	250,000	250,000	250,000	250,000	-	
Total District Policy	1,188,940	1,207,906	1,207,907	1,208,091	185	
TOTAL Reserves EOY	**2,259,513**	**1,648,674**	**1,690,142**	**1,905,791**	**257,117**	
Reserves Above (below) Policy	**1,070,573**	**440,768**	**482,235**	**697,700**	**256,932**	
ACCRUAL TOTAL Reserves EOY						No FY18 Obligations
Accrual Reserves Above (below) Policy						Ditto
DISTRICT FUNDS						
CIRF (7106-0600)	(247,764)	(825,642)	(833,764)	(633,299)	192,343	
OPERATING RESERVE (0300)	425,102	425,102	436,956	440,800	15,698	
OPERATIONS (0100)	324,421	249,830	262,174	264,480	14,650	
CAPITAL AND DEBT POLICY RESERVE (1100)	510,829	508,777	508,777	502,811	(5,966)	
IN HOUSE CONSTRUCTION (0500)	93,525	104,315	104,315	104,315	-	
BUILDING (0200)	180,850	198,850	198,850	213,850	15,000	
CAP ONE AND CITIZENS BANK LOAN (1200)	802,112	802,112	802,112	802,112	-	
FEDERAL LOANS AND BONDS (0400)	-	64,284	64,284	64,284	-	
STATE LOANS (0700,0900)	170,438	146,438	146,438	146,438	-	
STATE LOANS RESERVES (0800&1000)	171,370	146,739	146,739	146,739	-	Not in Total Reserves