SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Ed Fortner, General Manager

Meeting Date: April 2, 2020

SUBJECT: DRAFT FY 2020-2021 BUDGET

RECOMMENDED ACTION: Receive a report on the Draft District FY 2020-2021 (FY20) Budget, including the District's proposed water rates based on a 5% increase, and review of the Draft Budget, and provide direction to staff and the *ad hoc* Budget Committee.

FISCAL IMPACT: Provides financial direction for FY21.

DISCUSSION:

The *ad hoc* Budget Committee had two meetings prior to the April Board meeting to discuss the draft FY21 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 FY21 Water Rates

At the March meeting the Board gave direction to proceed with a 5% increase for District water rates and the reduction from four rate tiers to two rate tiers. This annual increase reflects the five-year plan for 5% annual rate increases recommended by Bartle and Wells, our rate consultant, 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 16 to District property owners.

Fiscal Year 2020-2021 (FY21) Budget

The draft FY21 Budget detail is attached as Exhibit A. Figures 1 and 2 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. 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 5%.

- Water Usage revenues are based on flat water sales and on mid-year water sales projections, thus the FY21 water usage revenues are estimated to increase by 5% over the amount projected at the end of FY20.
- Salaries and Retirement have been adjusted at a 3% increase as we are currently negotiating the next labor agreement. With full-time GM and full-time Account Clerk, promotions to Field Manager and Crew Leader at lower salaries, and increases in other benefits generally, salaries decreased by $61,400 and benefits increased by $3,000.

Highlights of the Draft FY21 Operating Budget include:

- The 5% water rate increase will increase District revenues by approximately $170,000.
- Planned FY 2021 CIP, Water Main Replacement of ~5,400' at $1,326,000.
- The District will make an additional payment of $500,000 toward its CalPERS unfunded actuarial liability.
- We are purchasing a truck this year ($50,000).
- The transfer to the Capital Improvement Reserve Fund (CIRF) is $270,000.

Uncertainties with the FY21 Budget include:

- Covid-19 Pandemic will create many uncertainties for revenue collection and potential operations staffing shortages.

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 higher because we will be undertaking a major capital project.

Total District debt was $10,498,513 as of the end of Fiscal Year 2020:

USDA GO Bonds:	$3,026,026
State Loans:	$ 282,727
Private Placement Loan:	$1,603,760
Cap One Bond:	$5,586,000

The refinance and restructure of the Capital One 2013 Bond will free up ~125,000 annually for year two through seven and show Net Present Value savings of over $235,000.00 Final closing was March 2020.

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 Beginning of Year above District Reserve Policy of $1,978,131 and $991,570 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 16, 2020. The Notice will provide for an increase to the Base Rate and Water Usage Charges and Capital Debt Reduction Charge of up to 5% for FY 2021 and will include the proposed rate schedules.

Table 1. FY 2020-2021 Budget Preparation, Revised	
Reviewed/Approved Capital Improvement Program	February 2020
Introduce Budget Process	January 3, 2020
Budget Committee meetings	February - March 2020
Draft Budget to Board for Discussion/Action, Including Recommendations on Water Rates; Rate Study Report and Recommendations to Board for Discussion/ Action	March 5, 2020
Proposition 218 Mailing for Water Rate Increase	April 16, 2020
Draft Budget to Board for Discussion/Action	May 7, 2020
Approve Budget Prop 218 Public Hearing on Rates and Rate Study Recommendations	June 4, 2020

Table 2. Proposed Bimonthly Water Rates

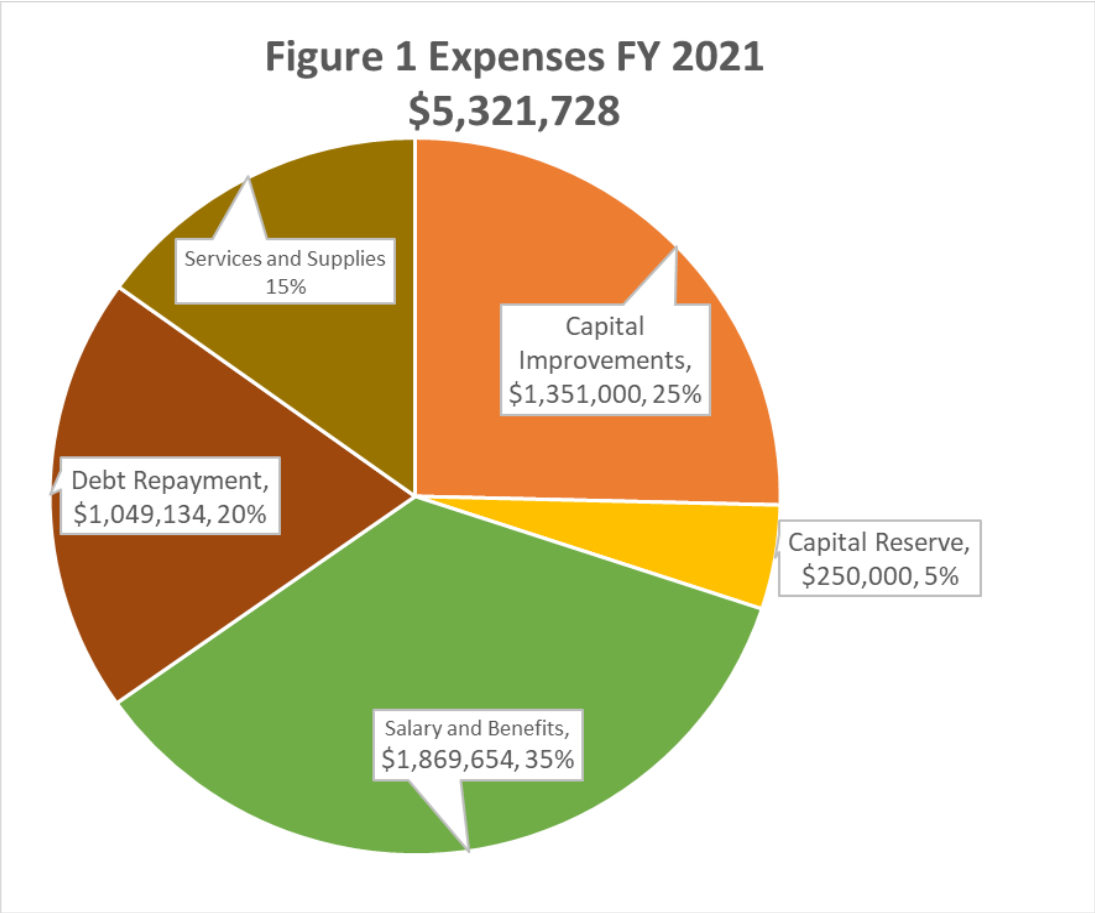
		Base Rates	CDRC [1]	Base Rate + CDRC	Volume Rates ($/hcf)	
		$/account	$/account	$/account	Tier 1	Tier 2
Single Family Residential					$1.58	$3.77
	All Users	$68.51	$12.55	$81.06	(0-8) hcf	9+ hcf
Multi Family (by # Dwelling Units)[2]						
	2 DU's	$106.19	$19.46	$125.65	(0-12.4)	12.5+
	3 DU's	$143.88	$26.34	$170.22	(0-16.8)	16.9+
	4 DU's	$181.56	$33.18	$214.74	(0-21.2)	21.3+
Commercial (by meter size)						
	5/8"	$68.51	$12.55	$81.06	(0-8)	9+
	1"	$171.31	$31.40	$202.71	(0-20)	21+
	1 1/2"	$341.51	$62.74	$404.25	(0-40)	41+
	2"	$548.10	$100.38	$648.48	(0-64)	65+

hcf = hundred cubic foot, 748 gallons

1 - Capital Debt Reduction Charge

2 - Multi Family unit multiplier = 0.55 for every extra unit; no meter multiplier

Table 3. Proposed 5% Rate Increase Effect on Typical Water Users by Class FY 2020-21						
	Single Family Residential		Multi Family Residential (2 units)		Commercial (5/8" Meter)	
	Median	High	Median	High	Median	High
Water Use (hcf)	7	22	12	32	15	82
Water Bill (Current)	$87.70	$134.20	$137.66	$198.56	$110.20	$408.20
Water Bill (Proposed)	$92.09	$146.50	$145.18	$219.16	$120.08	$372.97
Bimonthly Difference	$4.39	$12.30	$7.52	$20.60	$9.88	-$35.23
% Increase	5%	9%	5%	10%	9%	-9%



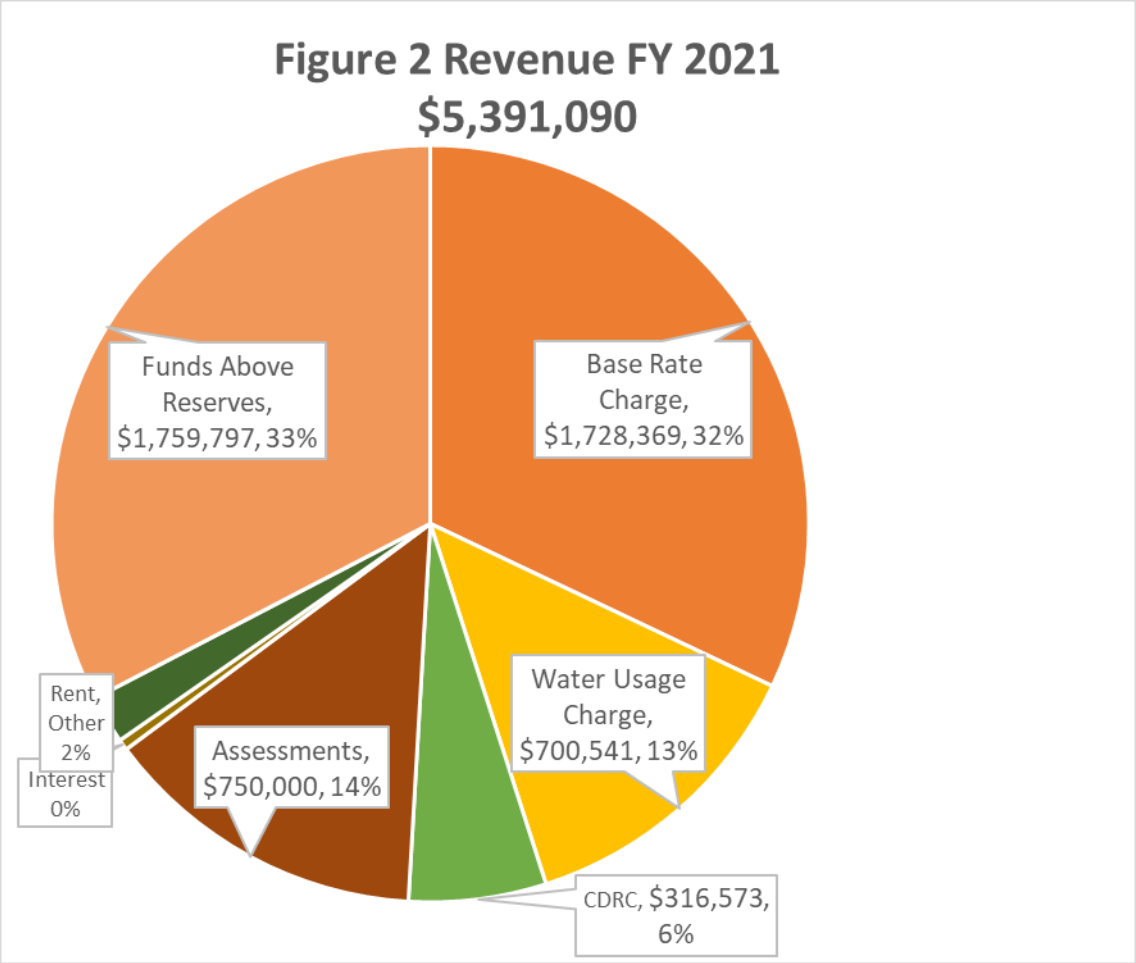


Figure 2 Revenue FY 2021
$5,391,090
Funds Above Reserves, $1,759,797, 33%
Base Rate Charge, $1,728,369, 32%
Water Usage Charge, $700,541, 13%
CDRC, $316,573, 6%
Assessments, $750,000, 14%
Rent, Other 2%
Interest 0%

1	Exhibit A						Sweetwater Springs Water District DRAFT 2019-2020 Operating and Capital Budget					
2	**DRAFT FY 2020-21 OPERATING BUDGET**											
3							**FY 18-19 FINAL (CASH)***	**FY19-20 BUDGET**	**FY 19-20 Projected**	**FY 20-21 BUDGET**	**Difference FY21-F20 Budgets**	FY 2020-21
4	**REVENUE**											
5		**OPERATING REVENUE**										
6			**4031 · Water Bill Revenue**									
7				**4031.1. · Capital Debt Reduction Charg**			278,867	296,383	301,498	316,573	20,190	5% rate increase based on projected
8				**4031.1. · Water Sales - Base Rate**			1,585,609	1,644,824	1,646,066	1,728,369	83,545	5% rate increase based on projected
9				**4031.1. · Water Sales - Usage Charges + Other**			647,749	633,846	667,181	700,541	66,695	Flat sales, 5% increase based on projected
10				**4031.1. · Total Water Sales**			2,512,225	2,575,053	2,614,745	2,745,483	170,430	As Calculated
11		**Total OPERATING REVENUE**					**2,512,225**	**2,575,053**	**2,614,745**	**2,745,483**	170,430	As Calculated
12		**NON-OPERATING REVENUE**										
13			**4445 · Grant Proceeds**				0	0	0	-	-	
14			**4448 · Policy Reserve Loan proceeds**				0	-	500,000	500,000	500,000	
15			**1700 · Interest**				10,900	8,000	18,000	16,000	8,000	
16			**3600 · Construction New Services**				6,978	7,000	7,000	7,000		
17			**3601 · Construction Service Upgrades**				10,384	3,000	3,000	3,000		
18			**4032 · Rent**				105,717	105,000	105,000	110,810	5,810	Crystal $1361/mo = $16,322 AT&T $7874/mo = $94488
19			**4040 · Miscellaneous Income**				3,482	1,500	5,800	1,500	-	USBank CC refunds So. Cty Credit
20			**4117 · SCWA Reimbursement**				2,745	-	2,995	-	-	SCWA contract over.
21		**Total NON-OPERATING REVENUE**					**140,206**	**124,500**	**641,795**	**638,310**	513,810	
22	**Total Income**						**2,652,431**	**2,699,553**	**3,256,540**	**3,383,793**	**684,240**	** (500,000 as revenue proceeds)
23	**EXPENSES**											
24		**OPERATING EXPENSES**										
25			**SALARY & BENEFITS**									
26				**Salary**								
27					**5910 · Wages**		835,923	903,046	850,000	835,000	(68,046)	As Calculated @ 3% Increase
28					**5912 · Overtime**		36,645	34,307	35,000	37,000	2,693	As Calculated
29					**5916 · On-Call Pay**		35,788	34,950	37,000	37,000	2,050	As Calculated
30					**5918 · Extra help - Contra**		37,047	34,100	37,344	36,000	1,900	As Calculated
31						**Total Salary**	**945,403**	**1,006,403**	**959,344**	**945,000**	**(61,403)**	
32				**Benefits**								
33					**5500 · Flex Spending**		-2,643	0	0	0	-	
34					**5920 · Retirement net EE**		67,856	95,927	70,000	87,000	(8,927)	JK: ER Rates: 2%@55: 10.484%; 2%@62: 7.732% Est bi-weekly total: $5,625 (assuming 5% salary increase) Est Ee share: $2,282. NET $3343 = $86,918
35					**5920.4 · Retirement UL**		125,451	55,451	55,451	34,854	(20,597)	JK: Mandatory UL $34854.
36					**5920.5 · Retirement UL**		0	64,549	500,000	500,000	435,451	JK: (Loaned from Policy Reserves)
37					**5922 · Payroll Taxes - Em**		14,603	16,761	13,500	16,000	(761)	As Calculated
38					**5930 · Health/Dental/Visio**		185,364	237,000	208,000	240,000	3,000	Health Insurance Up Due to Employee Choice
39					**5931 · Retiree health**		7,842	7,680	8,800	9,800	2,120	Includes contribution to CERBT of $3000; Per JK cost per retiree 2020 $139.75; 2020 $143 Total retirees: 4
40					**5940 · Workers Comp Insu**		27,297	37,000	33,400	38,000	1,000	Per JK, still waiting for 2020-21 EMOD
41					**5941 · Life Insurance (GM**		0	0	1,000	1,000	1,000	Per EF contract.
42						**Total Benefits**	**425,770**	**514,368**	**890,151**	**926,654**	412,286	
43			**Total SALARY & BENEFITS**				**1,371,173**	**1,520,771**	**1,849,495**	**1,871,654**	**350,883**	
44			**SERVICES & SUPPLIES**									
45				**Communications**								
46					**6040-I · Internet service**		2,354	2,350	2,350	2,700	350	Comcast -$86.13/month: $1034 GotoMyPC $88/mo = $1056 Sonic.net $47.90/mo = $575
47					**6040-C · Cell Phones**		4,058	4,900	4,200	4,600	(300)	Verizon $35/mo: $420, GM-$600 Misc parts/holders: $200 Cell phone reimburse $275/mo - $3300
48					**6040-P · Radios**		453	680	620	200	(480)	Misc. parts/batteries: $200 COMBINE THIS CATEGORY WITH CELL PHONES?
49					**6040-T · Telephones**		22,512	22,900	24,000	24,000	1,100	Ans. Service: $2500 AT&T Phones: $1,400/mo: $16,800 Mitel Phones: $360/mo=$4,320
50						**Total Communications**	**29,377**	**30,830**	**31,170**	**31,500**	**670**	
51				**Insurances**								
52					**6101 · Liability & Auto Ins**		40,948	44,000	45,214	46,000	2,000	
53						**Total Insurances**	**40,948**	**44,000**	**45,214**	**46,000**	**2,000**	

						FY 18-19 FINAL (CASH)*	FY19-20 BUDGET	FY 19-20 Projected	FY 20-21 BUDGET	Difference FY21-F20 Budgets	FY 2020-21
54											
55				**Maint/Rep - Office & Vehicles**							
56					**6140 · Vehicle Maintenanc**	18,193	21,000	15,500	21,000	-	Tires for Dump Truck, Backhoe
57					**6151 · Office Maintenance**	5,701	6,000	5,000	6,000	-	Alarm System - $145/qtr.=$580 SR Computers - $195/mo = $2340/year Copy mach. maint - 1400/yr Call One - $1000/yr Landscaping - $300/yr Misc / Other - $250
58				**Total Maint/Rep - Office & Vehicles**		**23,894**	**27,000**	**20,500**	**27,000**	-	
59				**Maint/Repair - Facilities**						-	
60					**6085 · Janitorial Services**	8,420	8,800	8,800	9,000	200	Maria Reyes (office Janitorial): $125/mo = $1500 United Site Svces (port-o-lets): $305/mo = $3660 Recology Garbage $2040 Sewer - GVTP ($1700)
61					**6100 · SCADA System**	5,812	5,000	6,000	5,000	-	
62					**6180 · Distribution System Repairs**	32,073	50,000	250,000	50,000	-	As Calculated
63					**6235 · Treatment Sys/Well Repairs**	64,466	50,000	70,000	75,000	25,000	well # 4 Monte Rio & #4 El Bonita rehab
64					**6143 · Generator Mainten**	1,122	1,000	1,000	4,000	3,000	PG&E Planned Outages
65				**Total Maint/Repair - Facilities**		**111,893**	**114,800**	**335,800**	**143,000**	**28,200**	
66				**Miscellaneous Expenses**							
67					**6280 · Memberships**	12,306	12,020	12,000	11,000	(1,020)	USA $700 AWWA $420 CSDA $6800 CalWEP: NOT INCLUDED THIS YEAR MR Chamber -$50 RR Chamber - $150 Cal Rural $1100 WCWW $200
68					**6303 · Claims**	386	1,500	500	1,500	-	Estimate
69					**6593 · Governmental Fees**	17,128	15,000	18,000	19,000	4,000	Elections costs: $0 Notice of Determination $230 Parcel List $300 LAFCO $6,900 Hazmat $1300 Operator license fees $1000 System fees $9000
70				**Total Miscellaneous Expenses**		**29,820**	**28,520**	**30,500**	**31,500**	2,980	
71				**Office Expense**						-	
72					**6410 · Postage**	12,303	17,000	18,000	19,000	2,000	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
73					**6430 · Printing Expense**	8,467	7,500	7,500	8,000	500	Window Envelopes $1100 Return Envelopes $800 Water Bills + Autopay $1500 Doorhangers $400 Turn Off Notices $600 Letterhead $250 Misc. Inserts/folding (CCR, Flood, Rate Incr. $1000) Prop 218 notice: $700 Checkblanks $200 Tagbooks/Receipt books $700
74					**6461 · Office Supplies**	7,518	6,000	5,500	6,000	-	Supplies $4000 Plants/Landscaping $150 Christmas Tree $80 Christmas party $400 Business lunches $75 Paper products/coffee $250 Furniture $500
75					**6800 · Subscriptions/Lega**	861	1,100	1,100	1,100	-	Press Democrat $475 Legal Notices $400 Sonoma West $70 Safety Meeting Outlines $95
76					**6890 · Computers/Softwar**	2,636	2,500	1,700	2,500	-	Antivirus software $60 Cloud software $70 Misc $400 Quickbooks upgrade $500 Workstation upgrades - $2000 (2) Office 365 upagrade: $500
77				**Total Office Expense**		**31,785**	**34,100**	**33,800**	**36,600**	**2,500**	

78						FY 18-19 FINAL (CASH)*	FY19-20 BUDGET	FY 19-20 Projected	FY 20-21 BUDGET	Difference FY21-F20 Budgets	FY 2020-21
79				**Operating Supplies**							
80					**6300 · Chemicals**	14,377	20,000	18,500	20,000	-	No KmNO4, more dechlor for flushing
81					**6880 · Tools and Equipme**	2,960	7,000	5,000	7,000	-	Generator $1,300 Mini Jack hammer $450. Chain saw $400.
82					**6881 · Safety Equipment**	-232	1,200	2,200	2,000	800	Work Signs
83					**Total Operating Supplies**	**17,105**	**28,200**	**25,700**	**29,000**	**800**	
84				**Professional Services**							
85					**6514 · Lab/Testing Fees**	13,063	12,500	13,500	12,500	-	
86					**6570 · Consultant Fees**	45,380	58,000	45,000	52,000	(6,000)	IEDA $12,500 Open Spatial (Mapping): $4,200 SR Computers/Chris Meyers (non-maintenance work) $1000 SR Computers/Kim (website; Office 365 upgrade) $1500 Grants Consultant $30,000
87					**6610 · Legal**	12,718	20,000	25,000	30,000	10,000	Recent Costs
88					**6630 · Audit/Accounting**	42,824	42,000	42,000	35,000	(7,000)	ADP $65/2 weeks = $1300 W-2s = $80 Authorize.net $1000 Auditor $8,500 TSYS: $17000 E-check fees = $2100 West America fees $230/mo = $2760 1099 = $175 County Accounting Fees = $800
89					**Total Professional Services**	**113,985**	**132,500**	**125,500**	**129,500**	**(3,000)**	
90				**Rents & Leases & Loans**							
91					**6820 · Equipment**	1,235	3,300	3,300	3,300	-	Postage machine $1300 Action rents: $2000
92					**6840 · Building & Wareho**	29,790	29,790	29,790	32,000	2,210	Rent: $2,650/mo = 32,000 (est based on new lease in May 2020
93					**Policy Reserve Loan**	0	-	-	135,000	135,000	$500,000 borrowed FY 2019-20; $500,000 borrowed FY 2020-21. Year 1 of 7 years payback $135,000 annually.
94					**Total Rents & Leases**	**31,025**	**33,090**	**33,090**	**170,300**	**137,210**	
95				**Transportation & Travel**							
96					**7120 · Seminars & related**	1,450	3,650	2,650	5,000	1,350	JK - $250, EF-$1,000 LK and CMH - $400 Field: $1500
97					**7201 · Vehicle Gas**	23,553	20,000	24,000	24,000	4,000	
98					**7300 · Travel Reimbursem**	12,781	7,400	8,000	7,000	(400)	EF $500/mo = $6000 CMH/NK/JK $80/mo = $960
99					**Total Transportation & Travel**	**37,784**	**31,050**	**34,650**	**36,000**	**4,950**	
100				**Uniforms**							
101					**6021.1 · Boots**	1,249	1,500	1,500	1,500	-	$225 X 7 = $1450
102					**6021.3 · T-shirts**	1,636	1,800	1,700	1,800	-	
103					**6021.4 · Jackets**	0	240	240	240	-	2 jackets
104					**Total Uniforms**	**2,885**	**3,540**	**3,440**	**3,540**	**-**	
105				**Utilities**							
106					**7320 · Electricity**	102,809	110,000	110,000	115,000	5,000	JK: anticipating PGE rate increase
107					**7321 · Propane**	3,178	3,000	3,000	3,000	-	
108					**Total Utilities**	**105,987**	**113,000**	**113,000**	**118,000**	**5,000**	
109			**Total SERVICES & SUPPLIES**			**576,488**	**620,630**	**832,364**	**801,940**	**181,310**	
110		**Total OPERATING EXPENSES**				**1,947,661**	**2,141,401**	**2,681,859**	**2,673,594**	**532,193**	** 500,000 Retirement UL
111	OPERATING SURPLUS/DEFICIT					**$704,770**	**$558,152**	**$574,681**	**$710,199**	**$ 152,047**	
112		**FIXED ASSET EXPENDITURES**									
113			**8517 · Field/Office equipment**			0	-	0	9,500		JK: New copier $8000 (est.). Alarm $1,500
114			**8573 · Vehicles**			45,037	-		50,000	50,000	New F-350 truck, utility bed, lift gate
115			**8511.1 · Tank/Facilities Sites**			-531	24,000	15,000	24,000	-	Harrison Rd roof $12,000. Park Ave roof & liner $12,000
116			**8511.6 · Leasehold Improvements**			0	0	0	-	-	
117		**Total FIXED ASSET EXPENDITURES**				**44,506**	**24,000**	**15,000**	**83,500**	**59,500**	
118		**TRANSFERS TO OTHER FUNDS**									
119			**8620.7 · Tfers to CIRF for CDR Revenue**			288,172	296,383	**301,498**	**316,573**	20,190	
120			**8620.3 · Tfers to CIRF - PY Surplus**			0	0	0	-	-	
121			**8620.3 · Tfers to CIRF**			210,000	190,000	**215,000**	**270,000**	80,000	
122			**8620.5 · Tfers to Building Fund**			15,000	15,000	15,000	15,000	-	
123			**8620.2 · Tfers to In-House Constr**			25,000	25,000	25,000	25,000	-	
124		**Total TRANSFERS TO OTHER FUNDS**				538,172	526,383	556,498	626,573	100,190	
125	SURPLUS/DEFICIT					**122,092**	**7,769**	**3,183**	**126**	**(7,643)**	
126											

127											
128	**DRAFT FY 2020-21 CAPITAL BUDGET**										
129						**FY 18-19 FINAL (CASH)***	**FY19-20 BUDGET**	**FY 19-20 Projected**	**FY 20-21 BUDGET**	**Difference FY21-F20 Budgets**	FY 2020-21
130		**1002 - Construction Flat Charges**				13,107	27,000	27,000	27,000	-	As Calculated
131		**1001 - CY Direct Charges**				718,394	710,000	710,000	710,000	-	As Calculated
132		**1061 - PY Direct Charges**				26,651	40,000	40,000	40,000	-	As Calculated
133		**1700 - Interest**				39,902	25,000	25,000	25,000	-	As Calculated
134		**4620.2 - Tfers from Operations (In-House Constr.)**				25,000	25,000	25,000	25,000	-	As Calculated
135		**4620.2 - Tfers from Operations (CDR)**				288,172	296,383	**301,498**	**316,573**	20,190	As Calculated
136		**4620.2 - Tfers from Operations (Surplus)**				210,000	190,000	**215,000**	**270,000**	80,000	
137		**4620.2 - Tfers from Operations (USDA bond pymts at WA)**				132,500	-	-	-	-	
138		**USDA 2018 Bond proceeds**				1,535,000		0	0		
139		**TOTAL CAPITAL REVENUE**				**2,988,726**	**1,313,383**	**1,343,498**	**1,413,573**	**100,190**	
140											
141	**EXPENSES**										
142		**DEBT PAYMENTS**									
143		**Gen. Obligation Bonds Principal**				26,981	52,622	52,622	54,278	1,656	
144		**Cap One Revenue Bond Principal**				343,000	359,000	359,000	368,000	9,000	
145		**State Loan Principal**				131,346	135,235	135,235	139,298	4,063	
146		**Private Placement Loan Principal**				150,901	165,570	162,470	167,650	2,079	
147		**Interest Expense**				360,836	343,366	343,365	319,908	(23,458)	
148		**TOTAL DEBT PAYMENTS**				**1,013,065**	**1,055,794**	**1,052,693**	**1,049,134**	(6,660)	
149											
150		**2018 CIP Design and Construction Mgmt**				106,691	-			-	
151		**2018 CIP Construction**				957,228	-			-	
152		**2019 CIP**				103,408	-	62,472	-	-	Final Costs of Monte Rio ATEC filters
153		**2021 CIP**							1,326,000	1,326,000	
154		**In-House Construction Projects**				67,908	25,000	25,000	25,000		
155		**TOTAL CONSTRUCTION EXPENSES**				**1,235,235**	**25,000**	**87,472**	**1,351,000**	1,326,000	
156		**TOTAL CAPITAL EXPENSES**				**2,248,299**	**1,080,794**	**1,140,164**	**2,400,134**	**1,319,340**	
157		**SURPLUS/DEFICIT**				**740,427**	**232,589**	**203,334**	**(986,561)**	**(1,219,150)**	
158											
159	**FUND AND LOAN BALANCES (EOY)**										
160		**Beg Funds above District Reserve Policy**					**1,759,797**	**1,759,797**	**1,963,131**		-
162		**Ending Funds ab District Policy (DP)**				**1,759,797**	**1,992,386**	**1,963,131**	**976,570**		
163		**Funds ab DP and Debt Payments**				**746,732**	**936,592**	**910,438**	**(72,564)**		
164		**Net Capital Funding**				**270,054**	**205,589**	**238,805**	**312,439**		**Sum of the operating budget surplus, annual assessments, CIRF, CDRC, and capital interest minus total debt payments.**

Proposition 218 Notice to Customers and Property Owners of Record:

Public Hearing Regarding Proposed Water Rate Increases

Notice is hereby given, pursuant to Article XII(D) of the California Constitution, that Sweetwater Springs Water District is proposing to increase its rates for water service. The Board will conduct a public hearing on this matter, which will be held on:

Date: June 4, 2020
Time: 6:30 PM
Place: 17081 Hwy. 116, Ste. B Guerneville, CA 95446

The public hearing will review the proposed water rate increase and other related changes to water fees and charges. More information is provided below.

Water System Overview

Sweetwater Springs Water District operates and maintains a public water enterprise system that supplies safe, potable drinking water to 3,800 customers through two separate water supply and distribution systems. In total, the District operates and maintains five wells, 26 storage tanks, five pressure zones, and a filtration plant. District services include maintenance and repair of the water system up to the water meter, weekly water quality testing, meter reading, small and large-scale capital improvements, and installation of new services.

The District is aggressively investing in capital improvements, as well as infrastructure repair and replacement. We recently completed $1.5 million in capital improvement projects and successfully refinanced a water revenue bond, achieving over $650,000 in savings over the next five years.

ATEC Filter System, FY 2019 CIP

Why is an increase in rates necessary?

The proposed increases to rates and charges, as set forth in Resolution 19-06 and summarized below, will be used to pay for the increasing need for capital improvements to the water system as well as debt service and operations costs.

The current capital improvement program addresses the need to bring District capital facilities to a standard level of adequacy and, once that is done, a sustainable capital improvement program will be needed to keep District facilities at an adequate level. The District faces an average of $750,000 per year for ongoing capital improvements necessary to maintain and upgrade existing facilities, including mainlines, tanks, and wells.

The proposed water rate increase follows the water rate study performed by Bartle Wells Associates and completed in March 2020. The study recommends restructuring water rates and increasing rate revenue annually by up to 5% in order to meet rising operations, debt, and capital improvement expenses. During the proposed 5-year rate schedule, budgets and spending needs will be analyzed on an annual basis to determine what level of increase, if any, is needed to meet expense requirements. The analysis done this year shows that an overall 5% rate revenue increase and a restructure of the current tiered volume rates is needed.

Proposed Bimonthly Water Rates

	Base Rates $/account	CDRC [1] $/account	Volume Rates ($/hcf) Tier 1	Tier 2
Single Family Residential			$1.58	$3.77
All Users	$68.51	$12.55	(0-8) hcf	9+ hcf
Multi Family (by # Dwelling Units)[2]				
2 DU's	$106.19	$19.46	(0-12.4)	12.5+
3 DU's	$143.88	$26.34	(0-16.8)	16.9+
4 DU's	$181.56	$33.18	(0-21.2)	21.3+
Commercial (by meter size)				
5/8"	$68.51	$12.55	(0-8)	9+
1"	$171.31	$31.40	(0-20)	21+
1 1/2"	$341.51	$62.74	(0-40)	41+
2"	$548.10	$100.38	(0-64)	65+

hcf = hundred cubic foot, 748 gallons

1 - Capital Debt Reduction Charge

2 - Multi Family unit multiplier = 0.55 for every extra unit; no meter multiplier

How will this impact a typical Single-Family bill?

Sweetwater Springs utility rates are among the lowest in the area and will continue to be low with the proposed rate increases. Currently, a typical single family using 10 hcf of water bimonthly has a bill of $95.20. The proposed rates will increase the typical bill by 5%, or $6.01 bimonthly, for 10 hcf of water use. Greater water conservation will result in lower water bills.

More Information Available Prior to the Hearing:

More information on the proposed water rates, including the draft Water Rate Study, is available at the District office at 17081 Highway 116, Suite B, Guerneville, California. This information will also be posted on the District's website, www.sweetwatersprings.com. In addition, District staff can be contacted at (707) 869-4000 to answer any questions you may have regarding the rate increases.

Rate Increase Approval Process

Sweetwater Springs Water District will hold a public hearing at the Board meeting scheduled **June 4, 2020 at 6:30pm at the District offices, 17081 Hwy. 116 Ste. B Guerneville, CA 95446.**

Any interested person, including persons owning or residing at property served by the District water system, may present verbal or written comment to the Board on the proposed rates. If you are a property owner or the person responsible for paying for water service, you may submit a written protest of the proposed rate increases either prior to or during the Public Hearing on June 4, 2020. Only one protest per parcel will be counted. The rate increases will take effect unless protests are received from more than 50% of property parcels in the District.

At the Public Hearing, the Board of Directors will consider all written protests that are submitted during the public hearing as well as written protests that have been received. Written protests must indicate the property address and the name of the owner of record of the property and be signed by the person submitting the protest. Written protests may also be delivered to the District office no later than the close of the public hearing, as noticed above, or said protests may be sent by 1st-class mail, postage prepaid, to:

Sweetwater Springs Water District
P.O. Box 48
Guerneville, CA 95446

Mailed protests must be received by the District no later than the date of the public hearing. Any protests received after the close of the public hearing will not be counted.