

Agenda  
Sacramento Suburban Water District  
**Special Board Workshop**

3701 Marconi Avenue  
Sacramento, California 95821

Monday, October 2, 2023  
5:00 p.m.

**This meeting will be conducted both in-person in the District's Boardroom at the address above, and by videoconference and teleconference using the information provided below. The public is invited to listen, observe, and provide comments during the meeting by any method provided. The President will call for public comment on each agenda item at the appropriate time.**

**For members of the public interested in viewing and having the ability to comment at the public meeting via Zoom, an internet-enabled computer equipped with a microphone and speaker or a mobile device with a data plan is required. Use of a webcam is optional. You also may call in to the meeting using teleconference without video. Please use the following login information for videoconferencing or teleconferencing:**

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<https://us02web.zoom.us/j/85645616786?pwd=Qy9LTEk5blNBbGM2ZGc4cWdGZ3RwZz09>

**Meeting ID: 856 4561 6786**

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Where appropriate or deemed necessary, the Board may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

The public may address the Board concerning an agenda item after the staff presentation but before Board's consideration of that agenda item. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to the General Manager. The President will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please

contact Sacramento Suburban Water District Human Resources at 916.679.3972. Requests must be made as early as possible and at least one full business day before the start of the meeting.

**Call to Order**

**Roll Call**

**Announcements**

**Public Comment**

This is the opportunity for the public to comment on non-agenda items within the Board’s jurisdiction. Comments are limited to 3 minutes.

**Items for Discussion and/or Action**

**1. Policy Review – Reserve Policy (PL – Fin 004)**

*Recommendation: Review and discuss proposed changes to Reserve Policy (PL – Fin 004) and direct staff as appropriate.*

**2. Calendar Year 2024 Budget Workshop**

*Recommendation: Receive presentation on the proposed Calendar Year 2024 Budget and direct staff as appropriate.*

**Adjournment**

**Upcoming Meetings**

Wednesday, October 11, 2023, at 3:00 p.m., CWD/SSWD 2x2 Committee Meeting

Monday, October 16, 2023, at 6:00 p.m., Regular Board Meeting

Thursday, October 19, 2023, at 3:00 p.m., Facilities and Operations Committee Meeting

Tuesday, October 24, 2023, at 6:00 p.m., CWD/SSWD Joint Board Meeting

Monday, October 30, 2023, at 3:00 p.m., Water Banking Committee Meeting

Monday, November 20, 2023, at 6:00 p.m., Regular Board Meeting

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I certify that the foregoing agenda for the October 2, 2023, meeting of the Sacramento Suburban Water District Board of Directors was posted by September 29, 2023, in a publicly accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Sacramento, California, and was freely available to the public.

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Dan York  
General Manager/Secretary  
Sacramento Suburban Water District



## Agenda Item: 1

**Date:** October 2, 2023

**Subject:** Policy Review – Reserve Policy (PL – Fin 004)

**Staff Contact:** Jeffery S. Ott, Director of Finance and Administration

**Recommended Board Action:**

Review and discuss proposed changes to Reserve Policy (PL – Fin 004) and direct staff as appropriate.

**Background:**

As part of the annual budget process, staff and the Board will review the Reserve Policy (PL – Fin 004) (Policy).

**Discussion:**

Staff are recommending changes to the Policy. There are some minor language changes being proposed for clarity and staff are requesting to remove two Assigned Fund classifications, Interest Rate Risk Management and Grant fund classifications. The most significant change staff is recommending is the creation of two Committed Funds for well and main replacements. Staff would like to discuss with the Board the concept behind these two new Committed Funds and receive direction from the Board. Based on Board direction, staff will prepare the appropriate updates to the Policy, the required resolution establishing the new Committed Funds, if approved, and submit to the Board for approval at a future Board meeting. The following summarizes the requested changes:

**Section 100.00 Purpose of the Policy:** This section is being reorganized, renamed, and the following language is being requested to be added. “The District’s reserves and other cash balances are also evaluated by third-party credit rating agencies when determining the credit worthiness of the District. Care should be taken to balance the District’s financial risks, credit rating, and customer rate impacts when determining the appropriate amount of District reserves.”

**Section 200.30 Committed Funds Classification:** Staff is recommending that the Board consider adding two Committed Fund Classifications for Main Replacement and Well Replacement. These funds will act as sinking funds to accumulate funds through annual budgets to be set aside and accumulated to smooth annual expenditures for large main replacement projects and for new replacement well construction. With the increased costs in these two types of projects, staff are recommending to set aside annual amounts to fund these Committed Funds, then utilize the funds when needed. The following language is proposed.

***Main Replacement Fund***

As established by the Board of Directors in District Resolution No. 23-XX, this fund is being established as a sinking fund to accumulate funds for the purpose of replacing existing water mains (transmission or distribution) and related appurtenances (services, valves, hydrants, etc.) where forecasted annual budget amounts are insufficient to cover anticipated costs. This fund will be funded and expended at the direction of the Board of Directors. There is no target level for this fund and this fund shall not be included in the minimum reserve fund balance target.

***Well Replacement Fund***

As established by the Board of Directors in District Resolution No. 23-XX, this fund is being established as a sinking fund to accumulate funds for the purpose of constructing new replacement wells where forecasted annual budget amounts are insufficient to cover anticipated costs. This fund will be funded and expended at the direction of the Board of Directors. There is no target level for this fund and this fund shall not be included in the minimum reserve fund balance target.

**Section 200.40 Assigned Fund Classification:** This section is being amended as follows:

- 1) The Operating Fund liquidity requirements are being removed. There will be in place an overall liquidity requirement added in a new section 310.00. A few minor language changes are proposed.
- 2) The Interest Rate Risk Management Fund is recommended to be removed as the District no longer has variable rate debt that would require such a reserve.
- 3) The Grant Fund is recommended to be removed as the District does not participate in “Local Cost Share” types of grants. District grants are of the nature of reimbursement. The District is reimbursed once funds are expended and submitted for reimbursement. Advance funds are not received.
- 4) Minor language changes.

**Section 310.00 Reserve Fund Liquidity:** Staff is requesting to add this section to the Policy to establish the liquidity in the overall reserve balance for the purposes of funding emergency or unexpected expenditures without having to prematurely liquidate investments prior to full maturity, which could result in a loss on the sale of an investment.

**Section 400.00 Target Funding Level:** Consistent with the updates being requested in Section 200.40 to remove the Interest Rate Risk Management Fund and the Grant Fund, removing said funds from the table in Section 400.00.

**Section 400.10 Reserve Fund Valuation:** Staff is requesting to add this section to the Policy to establish the method of valuing the reserve fund. Accounting principles require District investments to be valued at fair market value. This places a value on the investments at a given date if they were all to be liquidated. Staff proposes for the purposes of valuing the reserve balance to use the investment cost as the appropriate value as the District would only liquidate an investment prior to maturity in an extreme emergency or if it makes economic sense for investment return purposes.

Policy Review – Reserve Policy (PL – Fin 004)

October 2, 2023

Page 3 of 3

This Policy update was not reviewed by legal counsel.

**Fiscal Impact:**

Fiscal impacts will be evaluated once one or more changes are approved.

**Strategic Plan Alignment:**

Goal C: Ensure Fiscal Responsibility and Affordable Rates

**Attachment:**

1 – Reserve Policy (PL – Fin 004) – Redline

## Sacramento Suburban Water District

**Reserve Policy**

Adopted: August 18, 2003

Approved with Changes: ~~November 15, 2021~~[October 16, 2023](#)**100.00 Purpose of the Policy**

The primary purposes of this policy are: to establish a reserve fund level that is specific to the needs and risks of the District; to identify when and how reserve funds are utilized and replenished; and to recognize the long-term nature of such funds and their relationship to current and projected customer rates. The District's financial reserve fund comprises various funds established for specific purposes and to reduce certain risks. Collectively, these funds enable the District to operate in a prudent manner, while allowing for transparency of reserve fund balances.

The District will maintain reserve funds where required by law, ordinance or bond covenant, and revenue stability, so as to provide the necessary cash flow for normal and ordinary operations, while also providing the ability to address economic downturns and limited system emergencies.

The District's reserves and other cash balances are also evaluated by third-party credit rating agencies when determining the credit worthiness of the District. Care should be taken to balance the District's financial risks, credit rating and customer rate impacts when determining the appropriate amount of District reserves.

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**200.00 Policy****200.10 Fund Classification Types**

The District shall maintain three fund classifications that collectively comprise the District's reserve fund balance. Fund classifications are a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon it. The fund classifications are - Restricted funds, Committed funds and Assigned funds, with distinction among the funds based on the relative strength of the constraints that control how amounts can be spent.

Restricted funds include amounts that can be spent only for specific purposes stipulated by law or third parties, such as grantors or creditors. Committed funds include amounts that can be used only for specific purposes as determined by Board action. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed.

#### **200.20 Restricted Funds Classification**

Restricted funds are those financial assets subject to enforceable third party constraints, such as those imposed by creditors, grantors, laws or regulation.

**There are no designated restricted funds at this time.**

#### **200.30 Committed Funds Classification**

Committed funds are those financial assets identified by the Board for specific purposes as determined by Board resolution or ordinance. Such financial assets are to be utilized only as directed by the Board.

##### ***Capacity Reimbursement Fund***

As established by the Board in the District's Regulations Governing Water Service (Regulations), the District will retain a percentage Capacity Fees (CF) collected each fiscal year for the purpose of repaying individuals or businesses who were required to install up-sized lines or extension facilities at the request of the District. Disbursements will be made in accordance with the Regulations, including the release of unexpended funds into the District's unrestricted net position.

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##### ***Main Replacement Fund***

As established by the Board of Directors in District Resolution No. 23-XX, this fund is being established as a sinking fund to accumulate funds for the purpose of replacing existing water mains (transmission or distribution) and related appurtenances (services, valves, hydrants, etc) where forecasted annual budget amounts are insufficient to cover anticipated costs. This fund will be funded and expended at the direction of the Board of Directors. There is no target level for this fund and this fund shall not be included in the minimum reserve fund balance target.

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##### ***Well Replacement Fund***

As established by the Board of Directors in District Resolution No. 23-XX, this fund is being established as a sinking fund to accumulate funds for the purpose of constructing new replacement wells where forecasted annual budget amounts are insufficient to cover anticipated costs. This fund will be funded and expended at the direction of the Board of Directors. There is no target level for this fund and this fund shall not be included in the minimum reserve fund balance target

#### **200.40 Assigned Funds Classification**

Assigned funds are those financial assets determined necessary to be retained for specific risk-mitigation purposes as determined by the Board as needs arise.

### ***Emergency/Contingency Fund***

Financial assets held for purposes of continued operations during times of severe economic distress due to events that require an immediate and/or significant use of cash. Such severe economic situations may include otherwise insurable events for which the timely receipt of cash may be delayed. The District shall target a balance of three percent (3%) of its prior year-end total assets in this fund. Conditions for utilization of such reserves and a plan for fund replenishment will be determined by the Board.

Prior to amounts being expended from this fund, the District shall establish a contingency plan that addresses, at a minimum:

1. The reason(s) for expenditures from this fund.
2. Amounts expected to be expended.
3. The funds replenishment timeline and funding source.

### ***Operating Fund***

Financial assets held primarily ~~in the form of cash and cash equivalents~~ for the purpose of debt avoidance due to unexpected expenditures of a non-recurring nature or to meet unexpected increases in operating costs. The District shall target a balance ~~in short-term investments and/or cash~~ of 180 days (50%) of its current year's budgeted annual expenditures for operating costs and debt service in this fund. The minimum balance ~~this fund in short-term investments and/or cash~~ shall be 90 days (25%) of its current year's budgeted annual expenditures for operating costs and debt service ~~in this fund~~. Conditions for utilization of these reserves and a plan for fund replenishment will be determined by the Board.

The operating fund reflects the timing difference between billing for revenues and payment of expenses. The target level is a financial measure or guideline. If the fund level drops below the twenty-five percent target balance, that is a sign for staff to review the fund and, if necessary, bring recommendations to the Board to assure the fund will not continue to decline.

### ***Rate Stabilization Fund***

Financial assets held for purposes of managing cost variability in obtaining, treating and delivering potable surface water and groundwater. This Fund is focused on consumption fluctuations related to customer demand and purchasing of surface water as part of the District's conjunctive use efforts. Consumption charges established in the rate setting process forecast customer demand based on a repeat of average, recent climactic conditions. Surface water purchases are based on take-or-pay agreements and on the availability of surface water for purchase. Financial fluctuations occur when situations vary from the assumptions. The District shall target a balance of forty percent (40%) of its ~~expected budgeted~~ upcoming year consumption revenues (water usage) in



this fund. Conditions for utilization of such reserves and a plan for fund replenishment will be determined by the Board.

#### ***Interest Rate Risk Management Fund***

~~This fund is derived from earnings based on financial assets held as short-term investments pursuant to interest rate risk exposure assumed by the District upon the issuance of floating rate debt. The amount of investments from which earnings are derived and accumulated will be determined at the time of debt issuance. Earnings on such investments will be used to repay a portion of the interest expense on the outstanding floating rate bond or COP as long as the bond or COP is subject to interest rate risk exposure. This fund will be reduced in line with the amortized balance of the interest rate swap(s).~~

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#### ***Grant Fund***

~~Financial assets held for purposes of funding the “local cost share” and advance payment of eligible reimbursable costs on capital projects funded partially from grant awards. As eligibility for potential grant awards requires the District to demonstrate financial viability to fund anticipated project costs, the District shall maintain a minimum balance equal to the combined sum of anticipated costs for those projects considered grant-eligible in the upcoming biennial period. Conditions for utilization of such reserves and a plan for fund replenishment will be determined at the time of grant award.~~

#### ***Capital Asset Fund***

Financial assets held for purposes of funding District capital asset replacements and capital projects necessary to meet regulatory requirements and/or system reliability needs. The District shall target a fund balance based on the annualized average of the future five years of [Capital Improvement Program \(CIP\)](#) expenditures. The minimum balance in this fund shall be equivalent to the prior year’s annual depreciation expense. Well property acquisition amounts will be funded as defined in the section “Well Property Acquisition Fund.” The District shall target a balance to sufficiently fund anticipated capital improvement project replacement cost deviations above the CIP funding level. Fund replenishment will be determined by the Board periodically through the rate setting process and annually through the budget process.

#### ***Well Property Acquisition Fund***

This Fund is a component of the Capital Asset Fund. Amounts established for this Fund shall be established through the annual budget process. The District shall target a balance to sufficiently fund anticipated property acquisitions. Fund replenishment will be determined by the Board periodically through the rate setting process and annually through the budget process.

#### ***Capacity Fee Fund***

Financial assets held for expenditure on growth/capacity-related capital asset projects only. Amounts deposited into this fund come from unexpended facility development charges collected from developers (see related Capacity Reimbursement Fund in

section 200.30 above.) These growth/capacity-related capital asset projects form the cost-basis and legal nexus for the establishment and collection of the Capacity Fees. This fund is dependent upon customer growth. Therefore, there is no prescribed target or minimum balance.

**300.00 Disposition of “One-Time” Revenues**

“One-time” revenues are revenues of an unusual or infrequent nature which are likely not the result of the District providing services and producing and delivering goods in connection with the District’s principal ongoing operations (e.g. legal settlement). Unless specifically earmarked by Board action otherwise, “one-time” revenues should be transferred to the appropriate reserve fund which best represents the reason for the “one-time” revenue.

**310.00 Reserve Fund Liquidity**

The District’s Reserve Funds are invested in accordance with the District’s Investment Policy (PL – Fin 003). The District’s investments primarily have durations between 0 and 5 years. The investment portfolio’s duration is established based on certain benchmarks. In order to have reserve funds available for use, a portion of the reserve funds need to be short-term investments (12 months or less) or cash and cash equivalents. The District shall have a liquidity target of 50% of the current year’s Operating Budget (O&M) plus 50% of any Committed Fund balances. For purposes of calculating liquidity versus the target, all District cash and cash equivalent balances will be included.

**400.00 Target Funding Level**

A summary of reserve fund classifications and funding levels is shown below:

<b>Fund Classification</b>	<b>Funding Level</b>
Capacity Reimbursement Fund	20% of CF charges collected annually less developer payouts.
Emergency/Contingency Fund	3% of prior-year end total assets.
Operating Fund	50% of annual operating and debt service expenditures.
Rate Stabilization Fund	40% of water consumption revenues.
<del>Interest Rate Risk Management Fund</del>	<del>Accumulated earnings on short term investments above 3.283% on the unhedged portion of variable rate debt.</del>
<del>Grant Fund</del>	<del>Sufficient to pay for “local cost share” on all outstanding and applied for grants.</del>
Capital Asset Fund	Based on the annualized average of the future five years of CIP expenditures.

Fund Classification	Funding Level
Capacity Fee Fund	Remaining amounts of CF Charges after amounts used by Capacity Reimbursement Fund expended. For new infrastructure.

**410.00 Reserve Fund Valuation**

For the purposes of calculating the reserve fund balance for comparing to the target levels, investments will be valued at cost and not market.

**500.00 Authority**

The General Manager is responsible for the appropriate accounting and regular reporting of the District’s reserve fund balance. Board oversight will be accomplished through regular reporting and review of this Policy.

**600.00 Procedure**

District staff will maintain procedures for each fund classification, to be approved by the General Manager, and in conformance with this Policy.

In any case where the reserves are drawn below target minimums, a report shall be developed containing the reasons for withdrawals and any impacts to programs or rates due to such withdrawals. If reserves are depleted, the reserves shall be replenished over a maximum five (5) year period to the established or re-established target as directed by the Board.

Maintenance of minimum reserves should not, on its own, trigger the need for a rate adjustment. Rates will be reviewed after two consecutive years of revenue-reserve funds dropping below established minimums balances, or diminishing reserves as a result of covering unanticipated costs.

**700.00 Policy Review**

This policy shall be periodically reviewed by the Board of Directors in accordance with its established policy review schedule.

~~This Policy will shall be reviewed annually by the Board of Directors as part of the annual budget adoption process.~~



## Agenda Item: 2

**Date:** October 2, 2023

**Subject:** Calendar Year 2024 Budget Workshop

**Staff Contact:** Jeffery S. Ott, Director of Finance and Administration

### Recommended Board Action:

Receive presentation on the proposed Calendar Year 2024 Budget and direct staff as appropriate.

### Summary:

Attached is staff’s proposed Calendar Year 2024 (CY2024) Budget for review and discussion. This draft of the Budget does deviate from plan as discussed in detail as part of the Comprehensive Water Cost of Service Study (Study), that was discussed with the Board and public for much of 2019; culminating in a Public Hearing on October 16, 2019, where the Study and related rates were accepted and approved by the Board. The Study presented a model of the amount in District reserves at the completion of each calendar year in the Study horizon (2020 – 2024).

In July of 2023, the Department of Water Resources (DWR) completed the Voluntary Agreement Early Funding American River Terms for Ecosystem Support and Infrastructure Assistance Needs (ARTESIAN) agreement which provides up to \$18.8 million to the District for wells 81, 82, 83, and 84. The CY2024 budget includes a significant portion (\$14.7 million) of the \$18.8 million ARTESIAN grant. To assist with comparing the proposed Budget with the Study, the following discussion excludes the impact of the DWR ARTESIAN grant. There are four primary deviations that exist between the Study and the CY2024 Budget: 1) The forecasted Revenues (excluding the DWR Grant) of \$56.8 million against the plan of \$54.4 million, 2) the proposed Capital Budget (excluding the DWR Grant) for 2024 of \$15.5 million against the plan of \$18.0 million, 3) Debt Service Budget for 2024 of \$7.0 million against plan of \$5.7 million, and 4) The Study reserve contribution of \$4.0 million versus the budget forecast of \$7.2 million. Estimated 2024 revenues, expenditures and reserve balances from the Study versus those included in the attached proposed Budget compare as follows:

Description	2024 Per Rate Study	2024 Proposed Budget
Revenue from Rates	\$ 52,001,936	\$ 55,082,000
Other Revenue	2,372,119	1,759,000
Sub Total Revenue	54,374,055	56,841,000
DWR Grant	-	14,700,000
Total Revenues	54,374,055	71,541,000
Operating	26,653,010	27,232,000
Capital	17,971,000	15,490,000

Description	2024 Per Rate Study	2024 Proposed Budget
Debt Service	5,712,244	6,995,000
Sub Total Expenditures	50,336,254	49,717,000
(DWR Capital Funded)	-	14,700,000
Total Expenditures	50,336,254	64,417,000
Surplus/(Deficit)	4,037,801	7,124,000
Variance	-0-	-0-
2024 Plan Reserve Balance	\$ 49,491,303	\$ 51,250,520

The increase in the forecasted revenues for the CY2024 Budget over the Study plan are related to actual water consumption being greater than the Plan forecasted. The decrease in the Capital Budget (excluding the DWR ARTESIAN grant) of \$2.5 million is related to increasing the reserve balance in anticipation of calendar year 2025 forecasted capital expenditures. Staff will discuss in their presentation the forecasted calendar year 2025 capital budget requirements to keep projects on track. The Debt Service Budget increase of \$1.3 million is due to the 2022 debt refinancing that increased the annual paydown of the District’s outstanding debt by shortening the overall duration of the outstanding debt. The forecast for reserves indicates that the District will meet its planned reserve target of \$49.5 million, as established in the Study, by the end of the Study horizon (2024). However, approximately \$5.2 million of the forecasted \$49.5 million reserve balance at the end of CY2024 will be required to fund CY2025 projects. There is currently no planned rate increase for CY2025.

**Background:**

In 2019, the Study and related rates were accepted and approved by the Board. The Study projected revenues, expenditures, and reserve balances over the Study horizon (2020-2024). While actual results will vary from the Study assumptions, staff have budgeted utilizing the Study data. Each annual budget is compared to the Study data to establish conformance with the Study plan. The 2020, 2021, original 2022 and 2023 annual budgets compared reasonably close to the Study’s planned revenues and expenditures.

Actual results have exceeded the plan as revenues have exceeded the Study estimates because of increased water usage and expenditures have been less, mostly due to cost savings from the lack of surface water in 2020, 2021, and 2022, and pandemic related savings in 2020 and 2021. This has allowed the District to perform better than the plan regarding reserve balances through 2022. The District is ahead of the plan-to-date reserve balance per the Study by approximately \$1.9 million as of December 31, 2022.

The original 2023 budget was reserve neutral, no uses of or contributions to reserves. Based on current financial projections, 2023 is now projected to contribute approximately \$2.1 million to reserves. This is primarily a result of anticipated DWR ARTESIAN grant billings of approximately \$2.0 million. The projected 2023 reserve balance is approximately \$44.1 million compared to the Study plan of \$44.7 million.

**Discussion:**

Staff will present and review with the Board the proposed Calendar Year 2024 Budget. The Calendar Year 2024 Budget (revenues and sources of funds, capital, operating, and debt service) is presented in the following order in the attached PowerPoint presentation:

1. District Goals and Budget Process
2. 2024 Key Assumptions
3. 2023 Highlights and 2024 Goals
4. Proposed 2024 Budget
5. Total Revenue, Expense and Reserve Balance Analysis
6. Capital Budget
7. Operating Budget
8. Debt Service Budget

As required by the District's Budget Policy (PL Fin-012), the proposed Calendar Year 2024 Budget is balanced (revenues equaling expenditures) with no reserve use anticipated. The reserve balance is projected to be \$51.2 million at the end of 2024 versus \$49.5 million per the Study. If the proposed customer water rate increases are implemented as recommended by the Study, forecasted reserves will be approximately \$1.7 million above the plan target level and approximately equal the reserve target set in the Study for 2024 of \$51.2 million. However, approximately \$4.5 million will be needed to fund CY2025 projects.

**Fiscal Impact:**

If adopted as presented, the 2024 operating budget would be \$27.2 million; the 2024 capital budget would be \$30.2 million, and the 2024 debt service budget would be \$7.0 million. The total of all three budgets would be \$64.4 million. Revenues are projected to be \$71.5 million (if customer rate increases per the Study are implemented) contributing \$7.1 million to reserves. Reserves are projected to be approximately \$51.2 million.

**Strategic Plan Alignment:**

Goal A – Provide a High Quality Reliable Water Supply by Ensuring it is Sustainable, Clean and Safe.

Goal C – Ensure Fiscal Responsibility and Affordable Rates.

**Attachments:**

1 – 2024 Budget Presentation

# 2024 Budget Workshop

October 2, 2023



# Mission Statement

*To deliver a high quality, reliable supply of water and superior customer service at the lowest responsible water rate.*





# Strategic Plan Goals

- Goal A:
  - Provide a High Quality Reliable Water Supply by Ensuring It Is Sustainable, Clean and Safe
- Goal B:
  - Optimize Operational and Organizational Efficiencies
- Goal C:
  - Ensure Fiscal Responsibility and Affordable Rates
- Goal D:
  - Maintain Excellent Customer Services
- Goal E:
  - Retain and Recruit a Qualified and Stable Workforce

# 2023 Budget Development Process

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- June Board Meeting – 06/19/2023, 6:00 pm
  - Budget Preparation Timeline Approved
- August Board Meeting – 08/21/2023, 6:00 pm
  - Budget Assumptions Approved
- September Board Meeting – 09/18/2023, 6:00 pm
  - Status Report; Provide Direction to Staff
- October Board Workshop – 10/02/2023, 6:00 pm
  - First Draft Presentation; Provide Direction to Staff
- October Board Meeting – 10/16/2023, 6:00 pm
  - Update Board; Provide Direction to Staff
- November Board Workshop – 11/06/2023, 6:00 pm (If necessary)
  - Second Draft Presentation; Provide Direction to Staff
- November Board Meeting – 11/20/2023, 6:00 pm
  - Final Draft Presentation; Approve Budget

# 2024 Budget Assumptions

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Key Assumptions	2023 - Approved		2023 - Updated		2024 - Proposed	
Rate Increase (Approved via Prop 218)	Approved	3.00%	Approved	3.00%	Approved	3.00%
Service Connections	Forecast	47,712	Forecast	47,761	Forecast	47,784
Water Production: (A)	<u>Cost/AF</u>	<u>AF</u>	<u>Cost/AF</u>	<u>AF</u>	<u>Cost/AF</u>	<u>AF</u>
a. Retail Water Production Forecast Based on 5 Year Average		31,000 AF		30,700 AF		31,000 AF
b. SSA Surface Water (City) (B)	\$ 120.00	AF	\$ 120.00	AF	\$ 120.00	4,000 AF
c. SSA Surface Water (City at NO Cost / 2020 Water Transfer)	\$ -	3,000 AF	\$ -	7,600 AF	\$ -	2,000 AF
d. SSA Surface Water (Electrical Cost to Lift City's Water)	\$ 18.21	3,000 AF	\$ 23.62	7,600 AF	\$ 24.80	6,000 AF
e. SSA Groundwater (Variable costs)	\$ 135.35	11,000 AF	\$ 168.88	5,700 AF	\$ 158.06	8,000 AF
f. NSA Surface Water (PCWA Water) (C, H)	\$ 318.02	3,000 AF	\$ 300.11	8,500 AF	\$ 355.70	4,000 AF
g. NSA Surface Water (BUREAU 215)			\$ 254.89	2,000 AF		AF
h. NSA Surface Water (SJWD Water)	\$ 306.81	4,000 AF	\$ 298.40	300 AF	\$ 355.55	4,000 AF
i. NSA Groundwater (Variable costs)	\$ 120.10	10,000 AF	\$ 160.25	6,600 AF	\$ 141.16	9,000 AF
Electrical Cost Increase		2.00%	132.64	2.00%	\$ 139.30	5.00%
Investment Yield		1.28%		2.40%		2.40%
Directors' Compensation (I)	\$ 131.00	5.00%	\$ 131.00	5.00%	\$ 136.00	3.60%
COLA (E)		8.30%		8.30%		3.60%
Merit Program		5.00%		5.00%		5.00%
Health Care Cost (F)		7.65%		7.65%		8.60%
Tier 1 Pension Cost (Unfunded Lia, % of Salaries)	\$ 918,519	24.18%	\$ 865,238	24.18%	\$ 827,576	26.24%
Tier 2 Pension Cost (Unfunded Lia, % of Salaries)	\$ 41,466	18.06%	\$ 36,796	18.06%	\$ 31,319	19.63%
Tier 3 Pension Cost (Unfunded Lia, % of Salaries)	\$ 7,502	7.76%	\$ 3,552	7.76%	\$ -	8.00%
Unfunded Liability Total Cost	\$ 967,487	14.01%	\$ 905,585	5.89%	\$ 858,895	-5.16%
Prefunding of Post Retirement Benefits (G)	\$ 66,804	-78.72%	\$ 66,804	-78.72%	\$ 55,366	-17.12%
Retiree Benefit Payments	\$ 492,422	10.06%	\$ 492,422	10.06%	\$ 518,879	5.37%

**Footnotes:**

- (A) SSA = South Service Area; NSA = North Service Area
- (B) City Rate at \$120/AF on a trial basis. Assume City will extend this
- (C) Starting 2021, Take-or-Pay contract reduced to 8,000 AF.
- (D) SJWD Treatment rate increase of 23.43%
- (E) July West - Size Class B/C (2.5 million or less).

- (F) Same as prior year, 100/90 Basic & Medicare Annuitants
- (G) Actuarially determined prefunding amounts.
- (H) 2024 PCWA/USBR estimated increase of 5%/AF from 2023
- (I) 2024 Proposed increase of 3.5%, same as COLA Increase

# 2023 Projected Actual & Highlights

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	Approved 2023 Budget (\$ Millions)	Projected 2023 Actual (\$ Millions)	Projected Over (\$ Millions)	Projected Over (%)
Operations & Maintenance Budget	\$ 24.86	\$ 25.33	\$ (0.47)	-1.9%
Capital Improvement Program	22.10	22.10	-	0.0%
Debt Service Budget	7.00	7.00	-	0.0%
<b>Total</b>	<b>\$ 54.66</b>	<b>\$ 55.13</b>	<b>\$ (0.47)</b>	<b>-1.9%</b>

## 2023 Projected Results:

- Water Deliveries of 30,700 AF to Customers
- Source of Supply
  - 8,500 AF Surface Water from PCWA
  - 300 AF Surface Water from SJWD
  - 2,000 AF Surface Water from BOR – Section 215
  - 7,600 AF Surface Water from City of Sacramento – **No Cost**/2020 Water Transfer Credit
  - 12,300 AF from SSWD Groundwater
- Water infrastructure asset replacements, production wells include:
  - Well 80, Walnut – Complete work on the pump station, bring well on-line
  - Wells 81/82/83, Antelope North – Complete work on the three wells, complete work on pump station design and begin its construction
  - Well 84, Antelope/Don Julio – Complete work on the well, pump station design and begin its construction

# 2023 Projected Actual & Highlights

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## 2023 Projected Results (Continued):

- Water infrastructure asset replacements, production wells include(cont.):
  - Continue performing maintenance and repair activities identified by Condition Assessment to bring off-line production wells back on-line
  - Initiate the first year of the Multi-Year Contract with Kirby's Pump & Mechanical, Inc., to maintain existing wells
  - Continue ongoing process to acquire property for future well sites
  - Complete the construction of Watt Avenue Main Extension project
- Water infrastructure asset replacements, T&D include:
  - Complete the construction of Watt Avenue Main Extension project
- Operations, Customer Service and Administration:
  - Replace 1,000 old water meters that have outlived their useful life
  - Complete the replacement of endpoints that are failing or have outlived their useful life (approx. 3,000)
  - Replace two vehicles that meet the criteria of the Fleet Asset Management Plan
  - Implement the use of paperless invoices and digital payment methods for increased convenience and efficiency and reduced environmental impact
  - Complete compensation study
  - Complete Regulation 3 fee study

# 2024 Goals

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- Water Deliveries of 31,000 AF to Customers
- Source of Supply
  - 4,000 AF Surface Water from PCWA
  - 4,000 AF Surface Water from SJWD
  - 2,000 AF Surface Water from City of Sacramento – **No Cost**/2020 Water Transfer Credit
  - 4,000 AF Surface Water from City of Sacramento – \$120 per AF / Pilot Program
  - 17,000 AF from SSWD Groundwater
- Asset Management Plans:
  - Initiate project to update the Transmission Main Asset Management Plan (AMP) and the Distribution Main AMP
  - Initiate Buildings and Structures AMP Implementation project
  - Continue Groundwater Well AMP Implementation project
  - Continue SCADA AMP Implementation project
- Water infrastructure asset replacements, production wells include:
  - Wells 81/82/83, Antelope North – Continue pump station construction
  - Well 84, Antelope/Don Julio – Continue pump station construction
  - Continue performing maintenance and repair activities identified by Condition Assessment to bring off-line wells back on-line

# 2024 Goals

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- Water infrastructure asset replacements, T&D include (cont.):
  - Continue the Multi-Year Contract with Kirby's Pump & Mechanical, Inc., to maintain existing wells
  - Continue ongoing process to acquire property for future well sites
  - Prepare an alternatives analysis of Main Replacement Area (MRA) 5B to address failing service saddles
  - Construct a replacement pipeline for the City's new bridge over Arcade Creek at Auburn Boulevard and Winding Way
  - Design the Dudley/Peacekeeper Main Replacement project in McClellan Business Park
  - Design the Dudley Blvd. Main Replacement project in McClellan Business Park
  - Design the Patrol Urbani Main Replacement project in McClellan Business Park
  - Conduct Condition Assessment of Enterprise Reservoir
  - Conduct Condition Assessment of McClellan Tank 216
  - Prepare construction plans for re-coating of Watt/Elkhorn Reservoir
  - Adjust existing facilities as necessary to accommodate County/City roadway improvement projects
- Operations, Customer Service and Administration:
  - Replace 1,067 old water meters that have outlived their useful life
  - Replace one vehicle that meets the criteria of the Fleet Asset Management Plan
  - Initiate new Rate Study

# 2024 Proposed Budget

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	2023 Approved Budget	2023 Projected	2024 Proposed Budget	2025 Forecast
<b>Source Budgets:</b>				
Income From Customers	\$ 51,926,000	\$ 53,478,812	\$ 55,082,000	\$ 55,082,000
Total Other Income	1,834,000	840,455	1,759,000	1,259,000
Grant Income	900,000	2,900,000	14,700,000	2,100,000
Reserve Use	-	-	-	-
<b>Total Sources</b>	<b>\$ 54,660,000</b>	<b>\$ 57,219,267</b>	<b>\$ 71,541,000</b>	<b>\$ 58,441,000</b>
<b>Use Budgets:</b>				
Operations and Maintenance	24,860,000	25,326,780	27,232,000	28,022,625
Capital	22,805,000	22,805,000	30,190,000	27,908,000
Debt Service (Forecast)	6,995,000	6,995,000	6,995,000	7,000,000
Reserve Funding	-	2,092,487	7,124,000	-
<b>Total Uses</b>	<b>54,660,000</b>	<b>57,219,267</b>	<b>71,541,000</b>	<b>62,930,625</b>
<b>Reserve Balance:</b>				
Change in Reserve Balance	-	2,092,487	7,124,000	(4,489,625)
Reserve Balance, Beginning of Year	42,034,033	42,034,033	44,126,520	51,250,520
<b>Reserve Balance, End of Year</b>	<b>\$ 42,034,033</b>	<b>\$ 44,126,520</b>	<b>\$ 51,250,520</b>	<b>\$ 46,760,895</b>
<b>Reserve Minimum, 2019 Rate Study</b>	<b>\$ 43,592,000</b>	<b>\$ 43,592,000</b>	<b>\$ 44,301,000</b>	<b>\$ 45,027,000</b>
<b>Reserve Target, 2019 Rate Study</b>	<b>\$ 50,817,000</b>	<b>\$ 50,817,000</b>	<b>\$ 51,183,000</b>	<b>\$ 52,183,000</b>



# 2024 Budget

## 1st Draft vs Proposed

	<u>1st Draft</u>	<u>GM Edits</u>	<u>2024 Proposed Budget</u>
<b>Income From Customers</b>	\$ 55,082,000	\$ -	<b>\$ 55,082,000</b>
<b>Total Other Income</b>	16,459,000	-	<b>16,459,000</b>
<b>Total Revenue</b>	<b><u>\$ 71,541,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 71,541,000</u></b>
<b>Expenditures:</b>			
<b>Operations and Maintenance</b>	27,075,000	<b>157,000</b>	<b>27,232,000</b>
<b>Capital Improvement Program</b>	33,008,000	<b>(6,353,000)</b>	<b>26,655,000</b>
<b>Operating Capital Program</b>	6,120,000	<b>(2,585,000)</b>	<b>3,535,000</b>
<b>Debt Service (Forecast)</b>	6,995,000	-	<b>6,995,000</b>
<b>Total Costs</b>	<b><u>73,198,000</u></b>	<b><u>(8,781,000)</u></b>	<b><u>64,417,000</u></b>
<b>Change in Reserve Balance</b>	<b>(1,657,000)</b>	<b>8,781,000</b>	<b>7,124,000</b>
Reserve Balance, Beginning of Year	44,126,520	-	<b>44,126,520</b>
<b>Reserve Balance, End of Year</b>	<b><u>\$ 42,469,520</u></b>	<b><u>\$ 8,781,000</u></b>	<b><u>\$ 51,250,520</u></b>

# 2024 Budget vs Rate Study

## (Effects of Grant Funding)

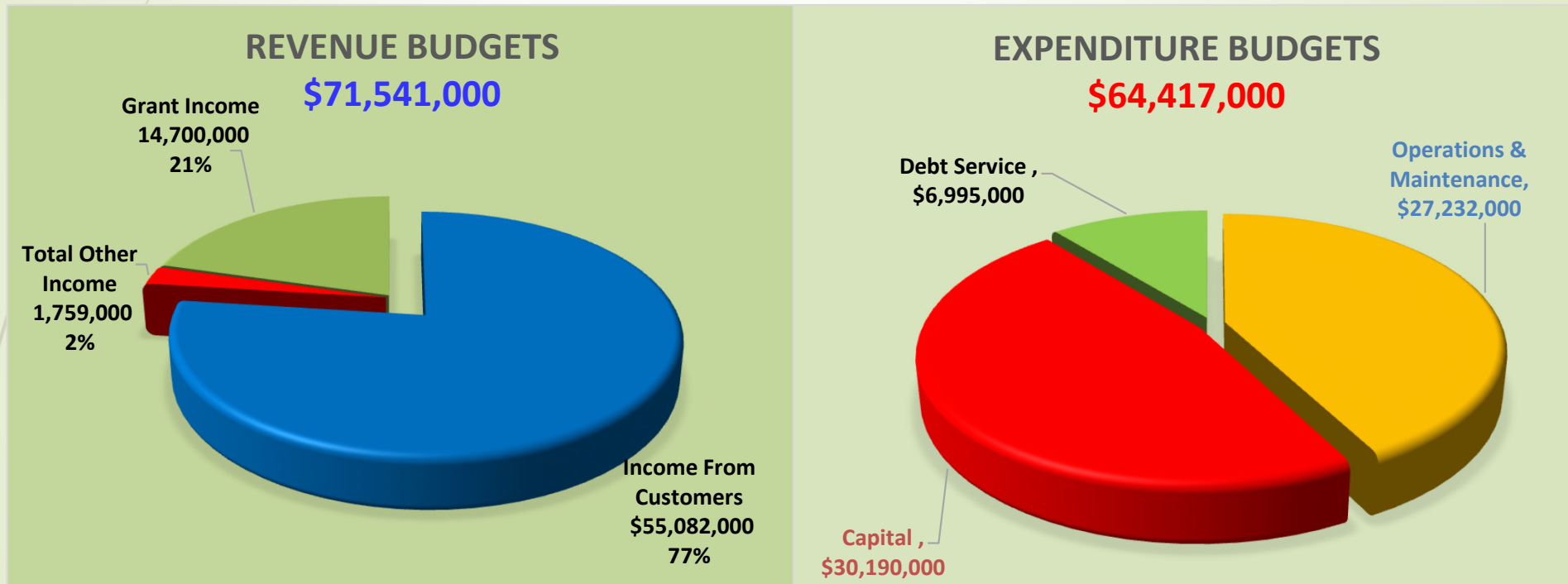
Description	2024 Per Rate Study	2024 Proposed Budget	2024 Proposed Budget less: Grant
Revenue from Rates	\$ 52,001,936	\$ 55,082,000	\$ 55,082,000
Other Revenue	2,372,119	1,759,000	1,759,000
<b>Sub Total Revenue</b>	<b>54,374,055</b>	<b>56,841,000</b>	<b>56,841,000</b>
DWR Grant		14,700,000	
<b>Total Revenues</b>	<b>54,374,055</b>	<b>71,541,000</b>	<b>56,841,000</b>
Operating	26,653,010	27,232,000	27,232,000
Capital	17,971,000	15,490,000	15,490,000
Debt Service	5,712,244	6,995,000	6,995,000
<b>Sub Total Expenditures</b>	<b>50,336,254</b>	<b>49,717,000</b>	<b>49,717,000</b>
(DWR Capital Funded)		14,700,000	14,700,000
<b>Total Expenditures</b>	<b>50,336,254</b>	<b>64,417,000</b>	<b>64,417,000</b>
Surplus/(Deficit)	4,037,801	7,124,000	-7,576,000
Variance	-0-	-0-	-0-
<b>2024 Reserve Balance</b>	<b>\$ 49,491,303</b>	<b>\$ 51,250,520</b>	<b>\$ 36,550,520</b>

Total effect of Grant Funds on reserve balance 2025: \$27,960,895

# Total Revenues vs Total Expenditures

## 2024 Proposed Budget

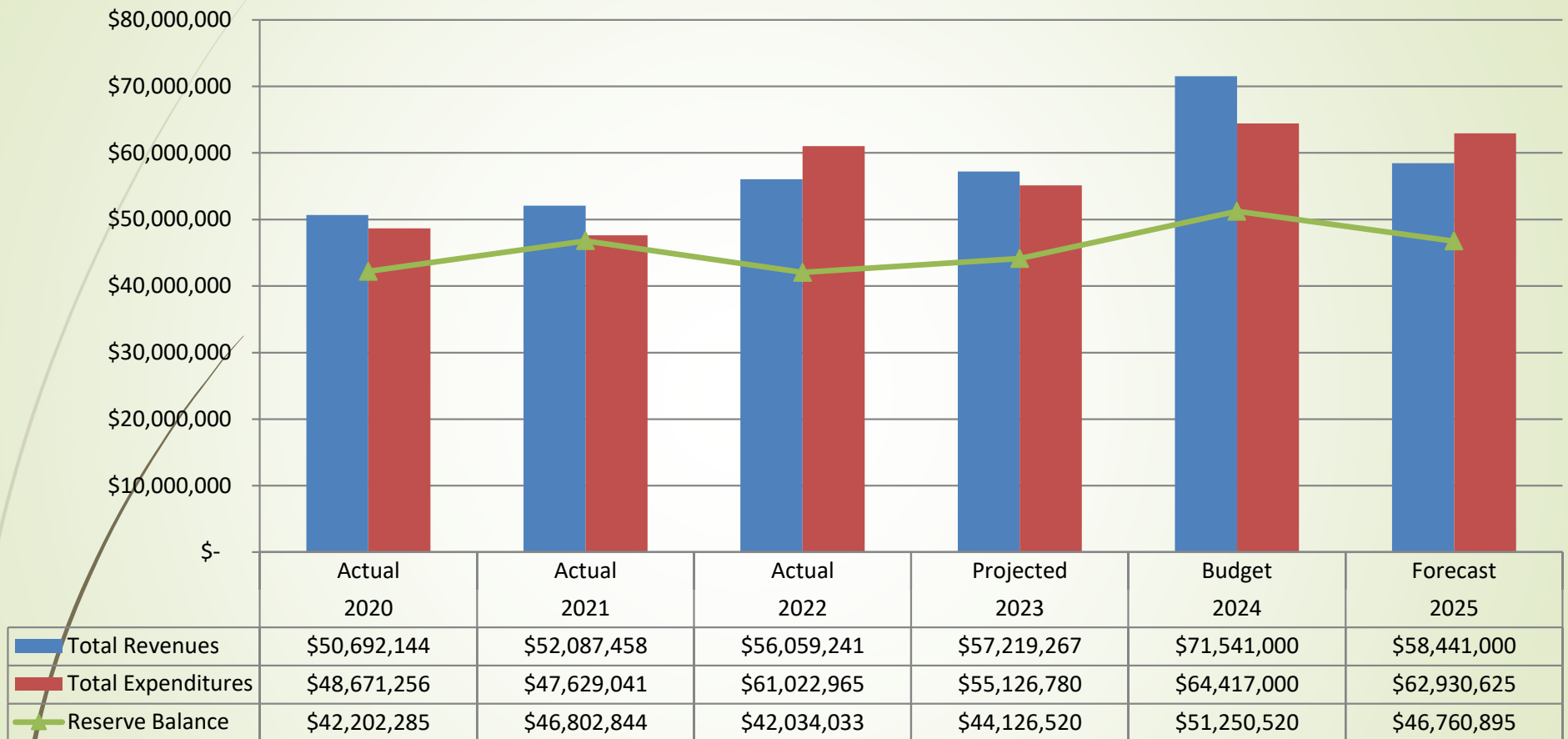
13



2024 Proposes a budget that will fund \$7.7 million to capital reserve for future capital expenditures

# Total Revenues vs Total Expenditures 2020-2025

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2021 Water usage up 4.9%, capacity fees revenue \$1.2M, cost savings from not taking surface water  
 2022 Revenue up including project water transfer revenue \$1.3M and capacity fees \$1.5M  
 2023 Water projected to be comparable to 2022's, capacity fees \$1.0M, \$2.9 grant income, reserve balance projected to be lower than 2019 Rate Study plan, capital spending increase on production assets  
 2024 Grant revenue \$14.7M, reserve balance increases to reserve target level from 2019 Rate Study

# Total Revenues Detail

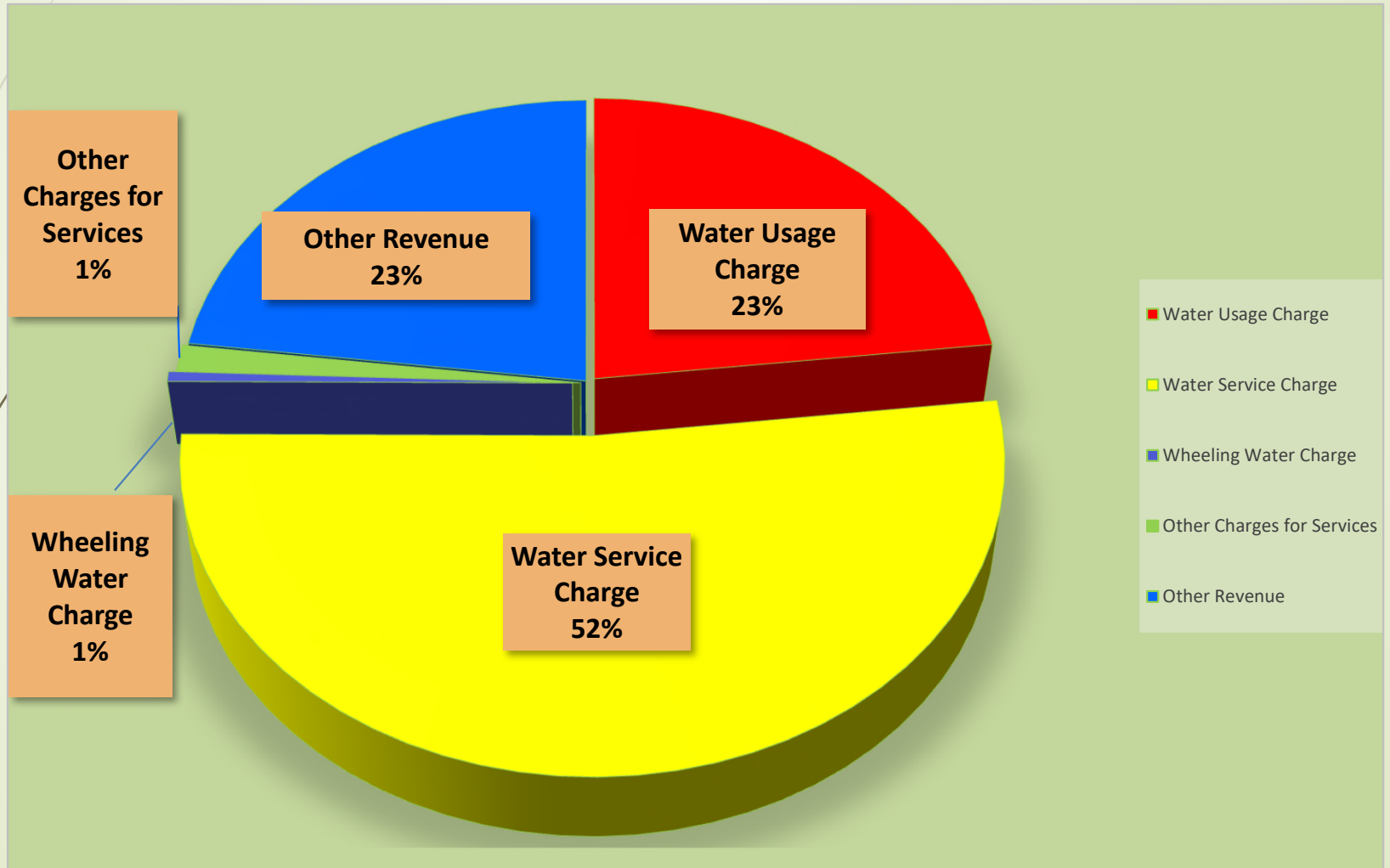
## 2020-2024

	2020	2021	2022	2023	2024
	Actual	Actual	Actual	Projected	Budget
Water Usage Charge	\$ 15,948,172	\$ 15,391,966	\$ 15,545,075	\$ 16,099,434	\$ 16,582,000
Water Service Charge	31,177,081	33,167,169	34,920,697	36,050,505	37,132,000
Wheeling Water Charge	82,748	6,136	6,806	364,388	375,000
Other Charges for Services	523,531	408,004	1,137,823	964,485	993,000
<b>Revenue From Customers</b>	<b>\$ 47,731,533</b>	<b>\$ 48,973,275</b>	<b>\$ 51,610,401</b>	<b>\$ 53,478,812</b>	<b>\$ 55,082,000</b>
			-	-	-
Water Transfers	979,431	-	1,748,400	-	-
Interest and Investment Income	1,077,474	649,188	651,543	47,475	559,000
Other Income (Rental & Misc.)	403,353	1,139,014	368,325	342,980	200,000
Capacity Fees	469,993	1,213,195	1,680,572	450,000	1,000,000
Grant Income	30,360	112,786	-	2,900,000	14,700,000
<b>Other Revenue</b>	<b>\$ 2,960,611</b>	<b>\$ 3,114,183</b>	<b>\$ 4,448,840</b>	<b>\$ 3,740,455</b>	<b>\$ 16,459,000</b>
<b>Total Revenue</b>	<b>\$ 50,692,144</b>	<b>\$ 52,087,458</b>	<b>\$ 56,059,241</b>	<b>\$ 57,219,267</b>	<b>\$ 71,541,000</b>

# Total Revenues Detail

## 2024 Proposed Budget

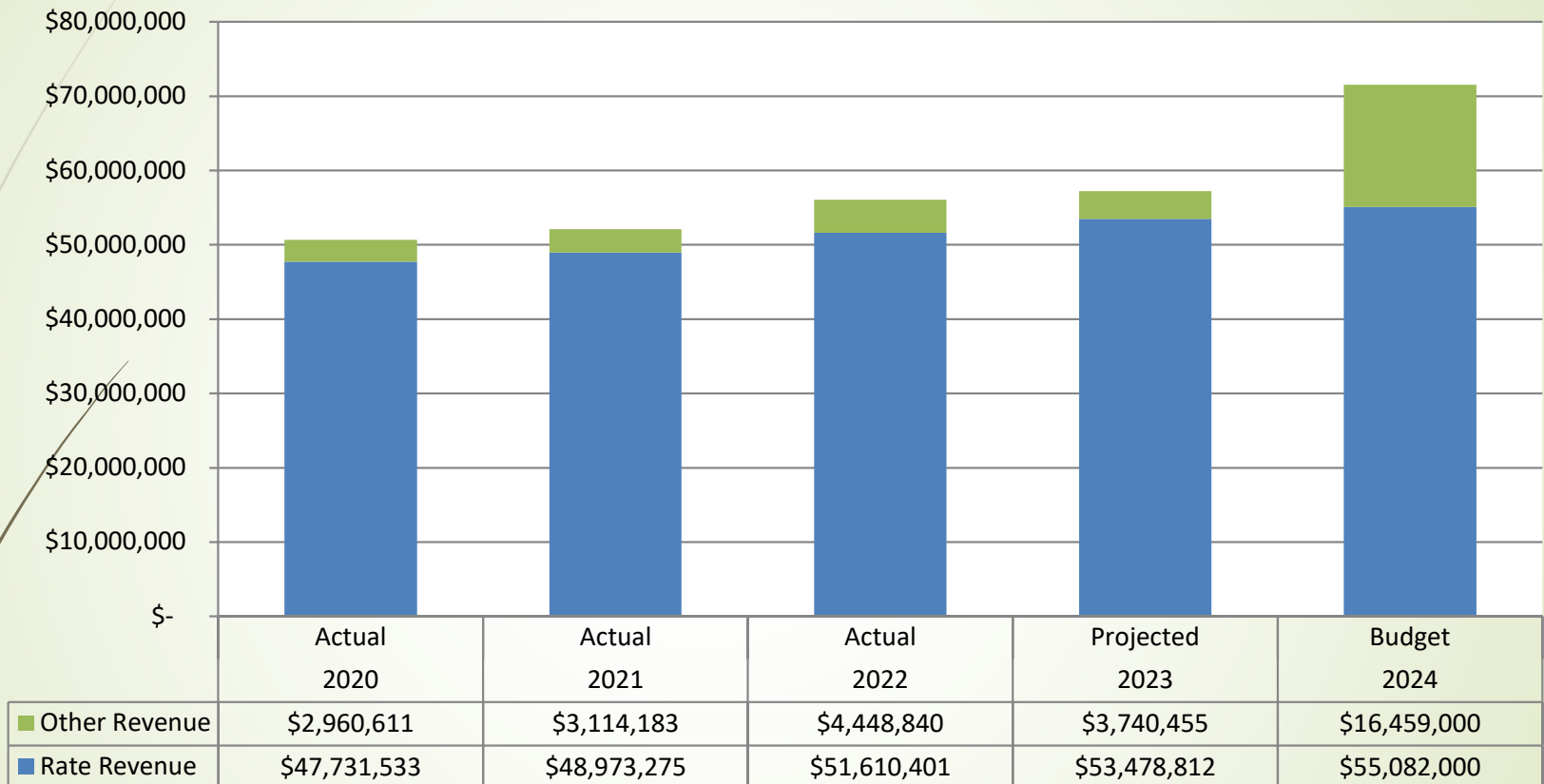
16



# Total Revenues

## 2020-2024

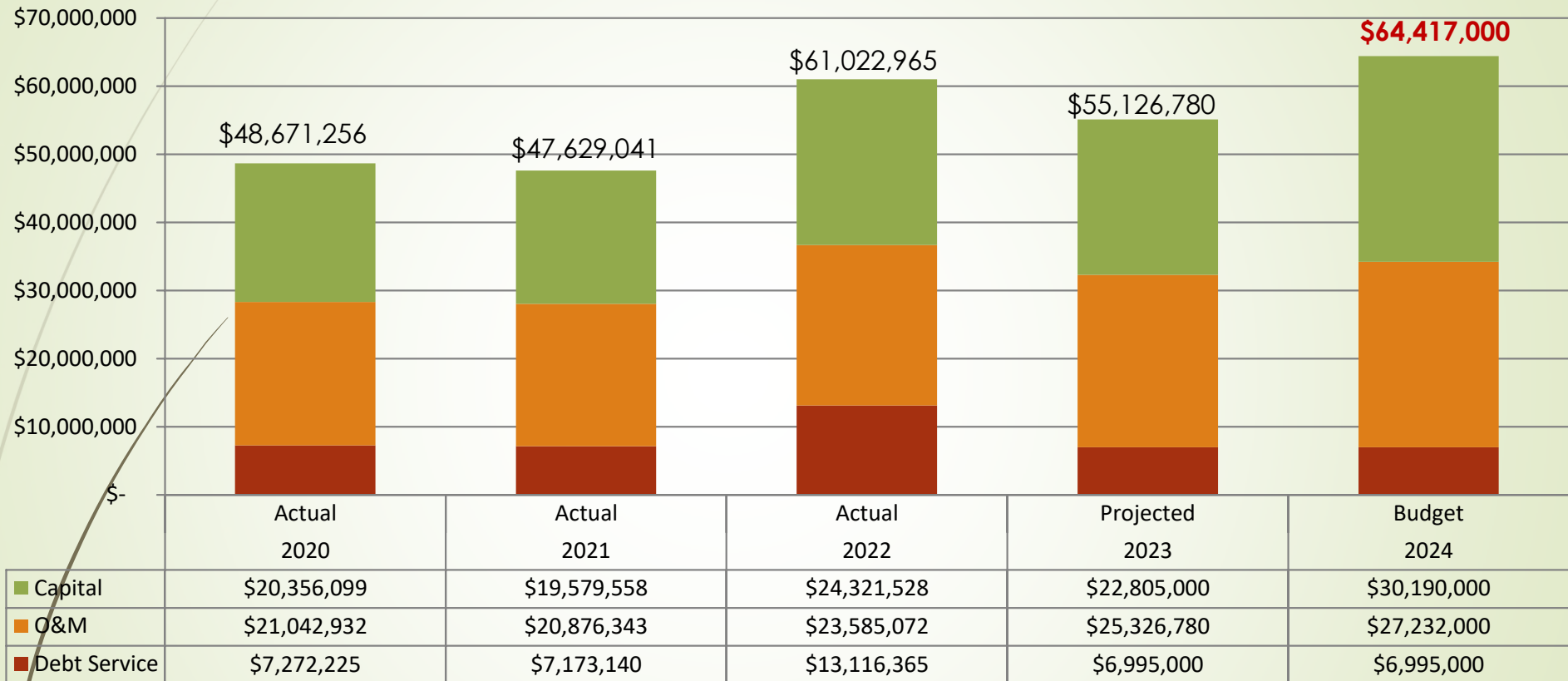
17



Other revenue includes interest, leases & rent, capacity fees, grants and other;  
 2020 approved 5% rate increase, 11% usage increase and \$0.9M for water transfer;  
 2021 approved 4% rate increase and 8.0% usage increase;  
 2022 approved 3% rate increase, \$1.7M water transfer, and \$1.7M capacity fee income;  
 2023 approved 3% rate increase, \$2.9M projected grant income;  
 2024 approved 3% rate increase, \$14.7M projected Grant income and \$1.0M projected capacity fee income.

# Total Expenditures 2020-2024

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2020 O&M under budget due to unavailability of surface water (\$1.7M)

2021 O&M under budget due to unavailability of surface water (\$1.6M)

2022 Debt Service expenditures includes \$5.6M SWAP termination cost, capital budget increase (\$4.9M)

2023 O&M increases ~7.4% due to increase in surface water, capital expenditures decrease ~6.3% from 2022

2024 O&M increases ~7.5% from 2023 projection due to increase in surface water costs, capital expenditures increase 32.4% from 2023's due to utilization of \$14.7M DWR grant funds for new well construction



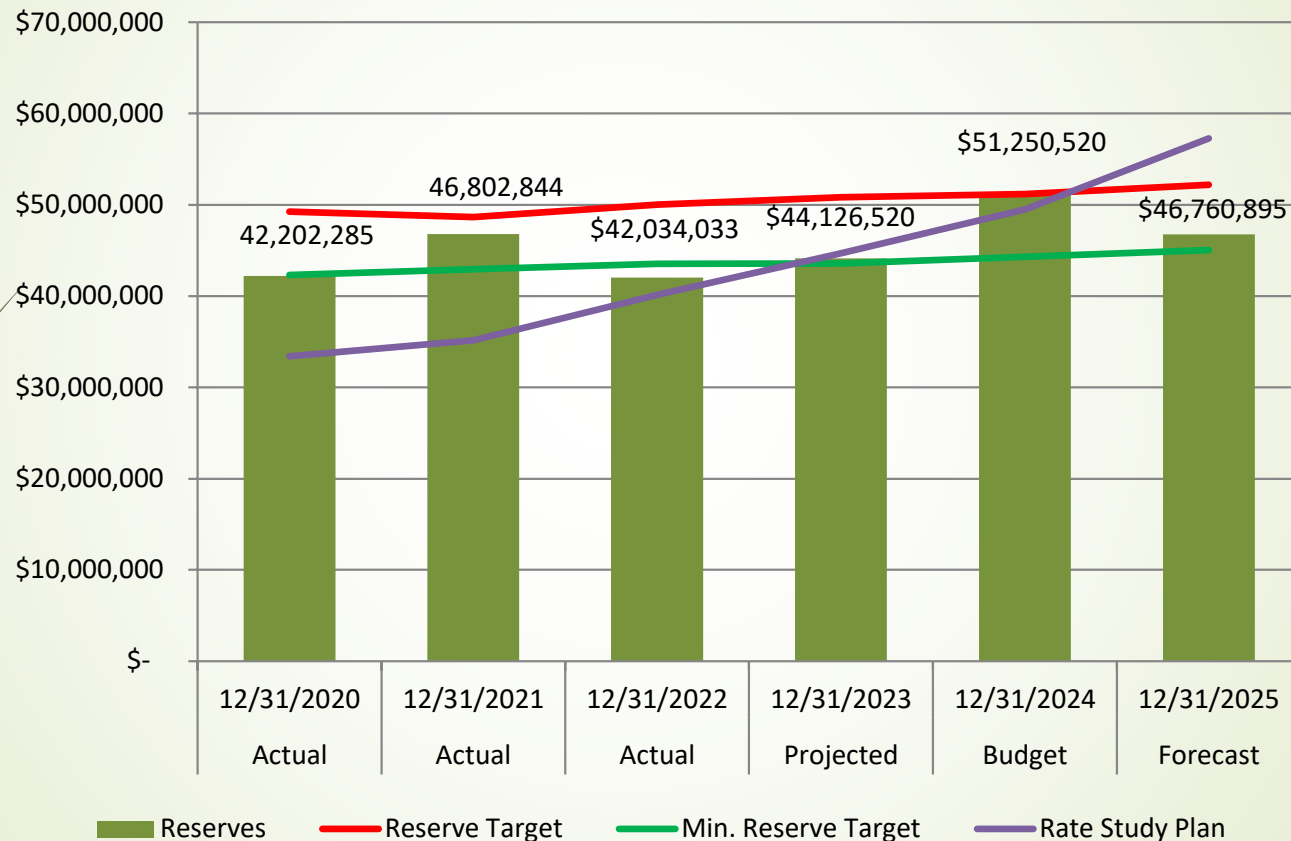
# Reserve Balance Detail

## 2020-2025

	Actual	Actual	Actual	Projected	Budget	Forecast
	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>	<u>12/31/2025</u>
<b>Emergency/Contingency</b>	\$ 10,872,626	\$ 11,168,658	\$ 11,168,658	\$ 11,425,552	<b>\$ 11,425,552</b>	<b>\$ 11,425,552</b>
<b>Operating</b>	8,724,859	12,771,000	7,940,945	8,350,138	<b>15,894,168</b>	<b>11,522,043</b>
<b>Rate Stabilization</b>	5,548,400	6,156,786	6,218,030	6,218,030	<b>6,632,800</b>	<b>6,632,800</b>
<b>Interest Rate Risk</b>	-	-	-	-	-	-
<b>Grant</b>	500,000	500,000	500,000	-	-	-
<b>Well Property Acquisition</b>	350,000	-	500,000	500,000	<b>500,000</b>	<b>500,000</b>
<b>Capital Asset</b>	16,206,400	16,206,400	15,706,400	17,632,800	<b>16,798,000</b>	<b>16,680,500</b>
<b>TOTAL</b>	<b>\$ 42,202,285</b>	<b>\$ 46,802,844</b>	<b>\$ 42,034,033</b>	<b>\$ 44,126,520</b>	<b>\$ 51,250,520</b>	<b>\$ 46,760,895</b>
<b>Reserve Target</b>	<b>\$ 49,248,144</b>	<b>\$ 48,633,279</b>	<b>\$ 50,010,903</b>	<b>\$ 50,817,447</b>	<b>\$ 51,182,923</b>	<b>\$ 52,182,681</b>
<b>Reserve Minimum</b>	<b>\$ 42,300,057</b>	<b>\$ 42,931,961</b>	<b>\$ 43,546,743</b>	<b>\$ 43,592,003</b>	<b>\$ 44,301,038</b>	<b>\$ 45,026,578</b>
<b>Rate Study Plan</b>	<b>\$ 33,417,612</b>	<b>\$ 35,169,855</b>	<b>\$ 40,126,387</b>	<b>\$ 44,686,808</b>	<b>\$ 49,491,303</b>	<b>\$ 57,268,367</b>

# Reserve Balance

## 2020-2025



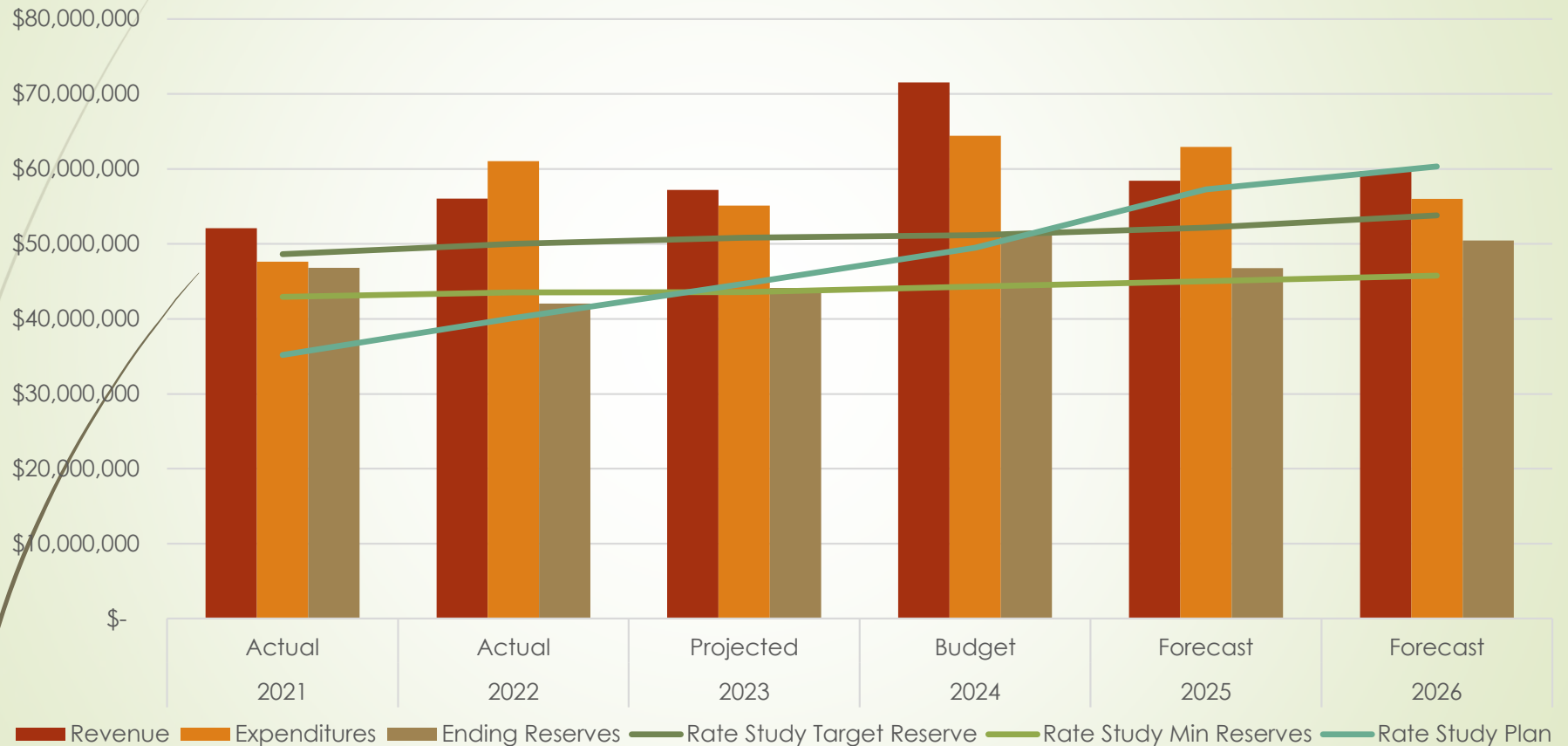
2024 Reserve balance at target from 2019 Rate Study.

2025 Forecasted reserve balance under target from 2019 Rate Study.

# Revenues, Expenditures & Reserve

21

## Trend and Forecast



2024 Reserves forecast and target \$51.2M vs \$49.5M per 2019 Rate Study.

2025 No planned rate increase and forecast at \$46.8M vs \$52.2 target per 2019 Rate Study

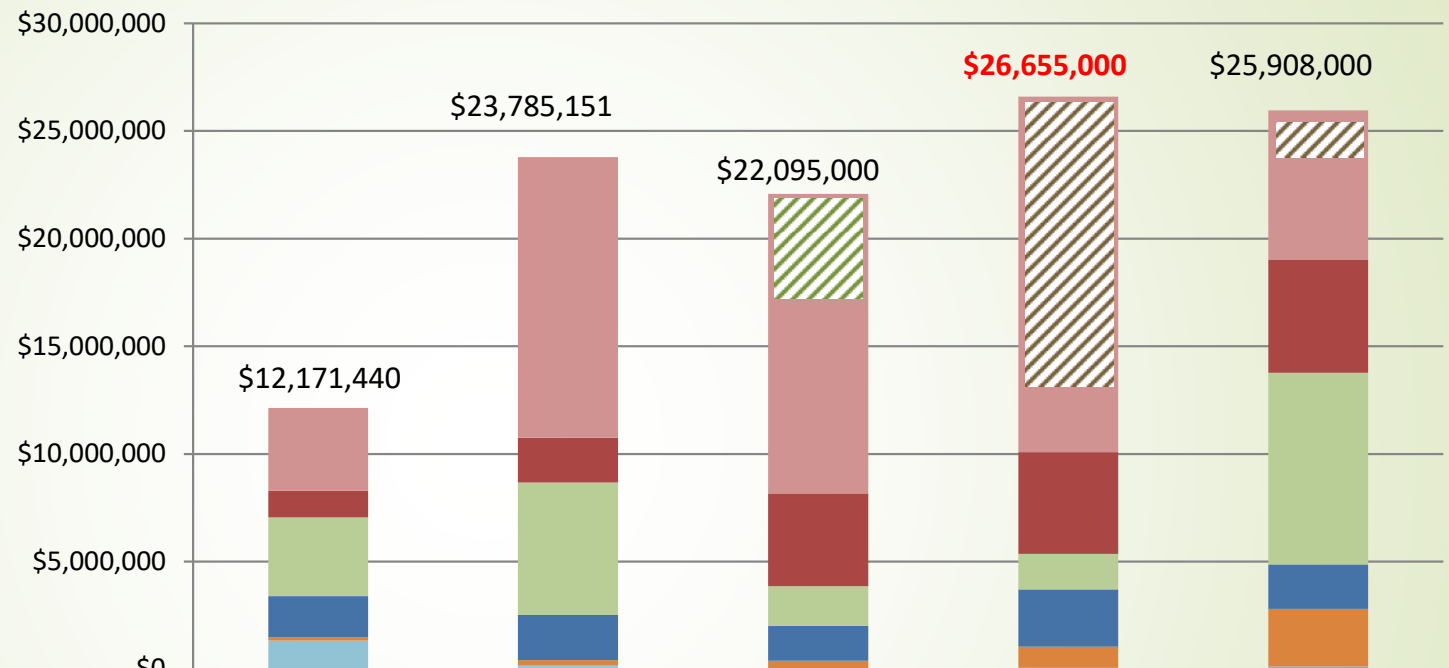
2026 Planned first year of next rate study horizon (2026 – 2030)

# Capital Budget


# CIP Project Costs

23

## 2024 Proposed Budget & 2025 Forecast



	2021 Actual	2022 Actual	2023 Projected	2024 Budget	2025 Forecast
Well Replacement	3,847,203	13,027,393	13,899,000	16,502,000	6,930,000
Well Rehab and Related Capital Costs	1,240,444	2,085,182	4,321,000	4,723,000	5,253,000
Dist. Main Replacement	3,662,965	6,159,663	1,847,000	1,650,000	8,900,000
Other Re-Occurring Annual Capital Costs	1,925,360	2,101,119	1,629,000	2,680,000	2,085,000
Reservoir and Booster P.S.	138,710	242,421	337,000	980,000	2,670,000
Transmission Main		33,500	34,850	57,000	120,000
Meter Retrofit	1,323,258	134,523	5,000	-	-

 Funded by grant revenue

# CIP Project Detail

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CIP Annual Projects Budget	Budget 2024	Forecast 2025
Other Re-occurring Annual Capital Costs	\$ 2,680,000	\$ 2,085,000
Well Rehab. And Related Capital Costs	4,723,000	5,253,000
Reservoir and Booster P.S.	980,000	2,670,000
Transmission Main	120,000	70,000
Well Replacement	380,000	2,130,000
Dist. Main Replacement	1,650,000	8,900,000
<b>Total CIP - Annual Projects Budget</b>	<b>\$ 10,533,000</b>	<b>\$ 21,108,000</b>

CIP - Multi-Year Projects Budget		
Well 81, 82 & 83 Antelope North/Poker	8,798,000	4,400,000
Well 84 Antelope/Don Julio	7,324,000	400,000
<b>Subtotal CIP - Multi-Year Projects Budget</b>	<b>\$ 16,122,000</b>	<b>\$ 4,800,000</b>

**\$ 26,655,000      \$ 25,908,000**

# CIP Project Detail

## Multi-Year Projects Summary

Description	Actual 2021	Actual 2022	Projected 2023	Budget 2024	Forecast 2025	Total Project
Wells 81, 82, 83	\$ 100,756	\$ 5,430,110	\$ 7,196,500	\$ 8,798,000	\$ 4,400,000	\$ 25,925,366 *
Well 84	-	1,053,459	4,904,750	7,324,000	400,000	13,682,209
<b>Total Costs</b>	<b>\$ 100,756</b>	<b>\$ 6,483,569</b>	<b>\$ 12,101,250</b>	<b>\$ 16,122,000</b>	<b>\$ 4,800,000</b>	<b>\$ 39,607,575</b>

\* Increase of ~\$100K above approved amount

# CIP Project Detail

## Multi-Year Projects Detail

### Wells 81, 82, and 83 Antelope North/Poker

**Project Status:** In Progress

**Estimated Timeline:** 2021 - 2025

**What:** Three 1,500 gpm wells (4,500 gpm total), building, chemical feed, generator

**Why:** Maintain sufficient groundwater supply

**Need:** Necessary to maintain adequate and redundant supply to meet Division of Drinking Water's (DDW's) Maximum Day Demand (MDD) and Peak Hour Demand (PHD)

	Project Budget			Descriptions
	Design	Construction	Total	
2021	\$ 100,756	\$ -	\$ 100,756	Initial planning and CEQA
2022	728,175	4,701,935	5,430,110	Continue design of pump station Construction of 3 groundwater wells
2023	646,000	6,550,500	7,196,500	Complete construction of groundwater wells. Complete design of pump station Start construction of pump station.
2024	<b>540,000</b>	<b>8,258,000</b>	<b>8,798,000</b>	Continue construction of pump station
2025	500,000	3,900,000	4,400,000	Complete construction of pump station
<b>2021 - 2025</b>	<b>\$ 2,514,931</b>	<b>\$ 23,410,435</b>	<b>\$ 25,925,366 *</b>	

\* Increase ~\$100K above approved amount



# CIP Project Detail

## Multi-Year Projects

### Well 84 Antelope/Don Julio

**Project Status:** In Progress **Estimated Timeline:** 2022 - 2025

**What:** 3,000 gpm well, building, chemical feed, and possible: Mn treatment

**Why:** Maintain sufficient groundwater supply

**Need:** Necessary to maintain adequate and redundant supply to meet Division of Drinking Water's (DDW's) Maximum Day Demand (MDD) and Peak Hour Demand (PHD)

	Project Budget			Descriptions
	Design	Construction	Total	
2022	\$ 158,537	\$ 894,922	\$ 1,053,459	Start design of pumpstation Start construction of groundwater well
2023	608,000	4,296,750	4,904,750	Complete construction of groundwater well Complete design of pump station Start construction of pump station
2024	602,000	6,722,000	7,324,000	Contiunue construction of pump station
2025	50,000	350,000	400,000	Complete construction of pump station
2022 - 2025	\$ 1,418,537	\$ 12,263,672	\$ 13,682,209	

# CIP Project Detail

## Annual Projects Budget

CIP Category Budget	Budget 2024	Forecast 2025
Other Re-occurring Annual Capital Costs	\$ 2,680,000	\$ 2,085,000
Well Rehab. and Related Capital Costs	4,723,000	5,253,000
Reservoir and Booster P.S.	980,000	2,670,000
Transmission Main	120,000	70,000
Well Replacement	380,000	2,130,000
Dist. Main Replacement	1,650,000	8,900,000
<b>Total CIP - Annual Projects Budget</b>	<b>\$ 10,533,000</b>	<b>\$ 21,108,000</b>

Does not include multi-year projects

# CIP Project Detail

## Annual Projects Budget

Distribution Main Replacement	Budget 2024	Forecast 2025
	<b>\$ 1,650,000</b>	<b>\$ 8,900,000</b>
<b><u>2024/ 2025 Projects</u></b>		
Service Line Replacement - Butterball, MRA 5B - Alternatives Analysis	<b>250,000</b>	*
Main Replacement - Auburn Blvd Bridge	<b>700,000</b>	
Main Replacement - MBP Dudley Blvd	<b>300,000</b>	4,650,000
Main Replacement - MBP Dudley/Peacekeeper	<b>200,000</b>	2,450,000
Main Replacement - MBP Patrol Urbani	<b>100,000</b>	900,000
Main Replacement - Auburn/Walnut (design only)		250,000
Main Replacement - Loehmann's Plaza (design only)		200,000
Small Distribution System Improvement Projects	<b>100,000</b>	100,000
Condition Assessment of MRAs		350,000
	<b>\$ 1,650,000</b>	<b>\$ 8,900,000</b>

\* Costs are unknown until alternative analysis is complete

# CIP Project Detail

## Annual Projects Budget

Well Replacement	Budget 2024	Forecast 2025
	<b>\$ 380,000</b>	<b>\$ 2,130,000</b>
<b><u>2024/ 2025 Projects</u></b>		
Wells #81, 82, 83 - 3 Pump Stations Construction		(Multi-Year Budget)
Well #84 (NSA) - Pump Station Construction		(Multi-Year Budget)
Well #85 - Groundwater Well	<b>380,000</b>	2,100,000
Well #86 - Groundwater Well		30,000
	<b>\$ 380,000</b>	<b>\$ 2,130,000</b>

# CIP Project Detail

## Annual Projects Budget

Well Rehab. and Related Capital Costs	Budget 2024	Forecast 2025
<b><u>2024/ 2025 Projects</u></b>	<b>\$ 4,723,000</b>	<b>\$ 5,253,000</b>
-		
MCC Panel Upgrades - Purchase/Installation for 5 Facilities	45,000	-
Well 18 Site Improvement - Driveway Access & Site Layout Modification	115,000	-
Well 60 Pump Station Improvements	225,000	-
Well Rehabilitation/Repair/Upgrade - KPM Projects - Labor Contract	2,700,000	2,990,000
Well Rehabilitation/Repair/Upgrade - KPM Projects - Non-Labor Costs	1,360,000	1,460,000
Well N20 Equipping - 2024: MCC Design/Pump Selection; 2025: Construction	150,000	250,000
Well N35 Antelope North/PCE Treatment - 2024: Finish CEQA; 2025 Some Design	20,000	100,000
Booster Pump Maintenance/Repairs - Inspect 10 Booster Pumps/Year	100,000	100,000
Well 32A Pump Station Improvements	-	150,000
Well 73 VFD Retrofit - Retrofit the largest SSA Well to run on a VFD	-	175,000
Destroy abandoned wells - 2025: Wells 56 & 59	-	20,000
Well sites demolition - Contingency	8,000	8,000
	<b>\$ 4,723,000</b>	<b>\$ 5,253,000</b>

# CIP Project Detail

## Annual Projects Budget

Reservoir and Booster P.S.	Budget 2024	Forecast 2025
<b><u>2024/ 2025 Projects</u></b>	<b>\$ 980,000</b>	<b>\$ 2,670,000</b>
-		
Enterprise Reservoirs - Condition Assessment/Plans for Re-coating ~ 15 years	<b>180,000</b>	-
McCellan Tank 216 Reservoir - Condition Assessment/Structure Retrofit Design	<b>180,000</b>	200,000
Reservoirs/Tanks Annual Repairs/Modifications As Needed	<b>70,000</b>	70,000
Hydropneumatic Tanks - Interior Re-coating	<b>300,000</b>	300,000
Walnut Tank - Alternatives Analysis	-	100,000
Antelope Facility Soundwall - Design	-	150,000
Antelope Reservoir - Interior	-	150,000
Watt/Elkhorn Reservoir - Recoating Design/Construction	<b>250,000</b>	1,700,000
	<b>\$ 980,000</b>	<b>\$ 2,670,000</b>

# CIP Project Detail

## Annual Projects Budget

Transmission Main	Budget 2024	Forecast 2025
<u>2024/ 2025 Projects</u>	<u>\$ 120,000</u>	<u>\$ 70,000</u>
-		
Corrosion Control - Cathodic Protection for existing transmission mains	120,000	\$ 70,000
	<u>\$ 120,000</u>	<u>\$ 70,000</u>

# CIP Project Detail

## Annual Projects Budget

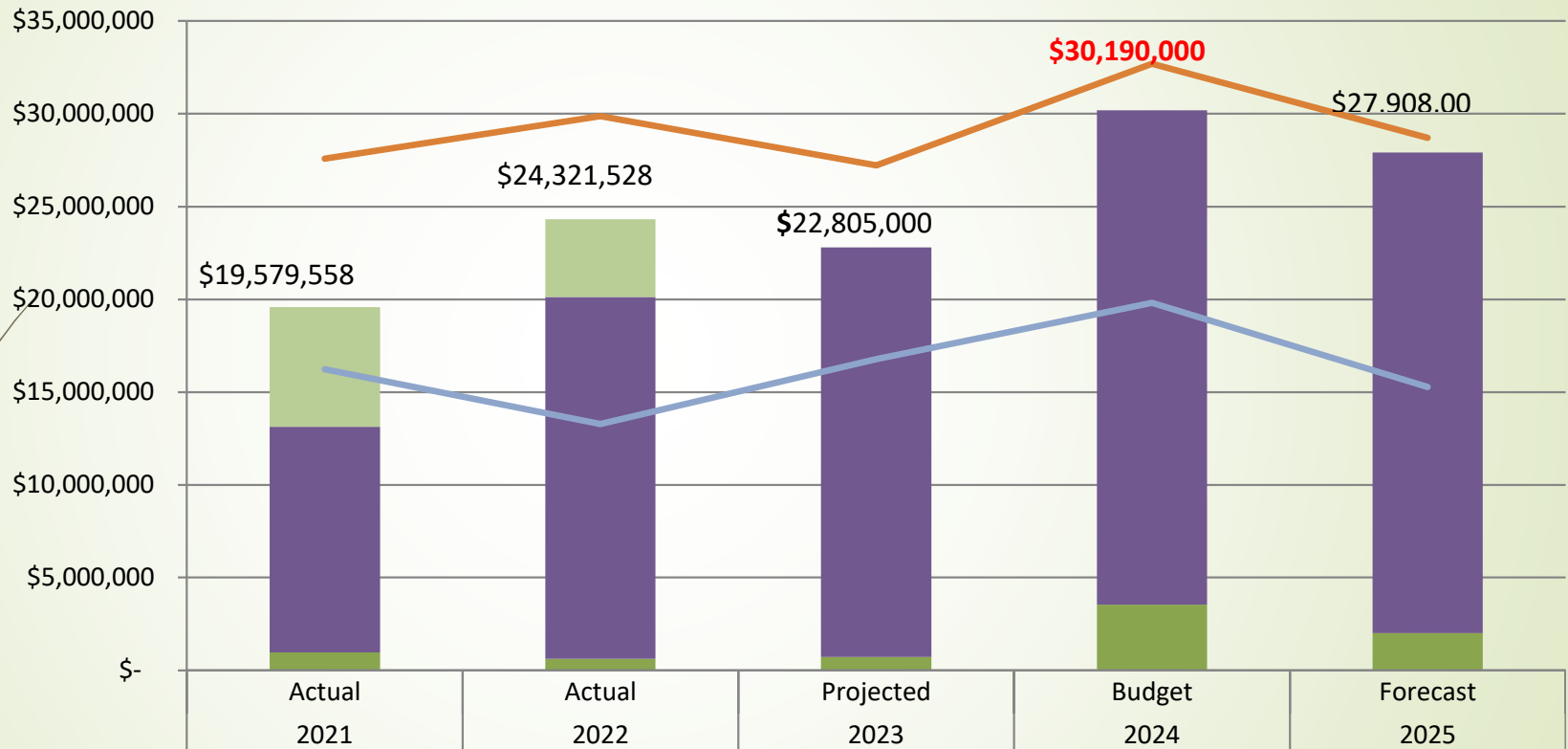
Other Re-occurring Annual Capital Costs	Budget 2024	Forecast 2025
<b><u>2024/ 2025 Projects</u></b>	<b>\$ 2,680,000</b>	\$ 2,085,000
-		
Adjust valves boxes for County/City paving projects	1,500,000	1,000,000
Right of way/easement acquisitions (contingency)	95,000	15,000
Replace obsolete large services (>3")	85,000	50,000
Replace water meters that outlived their useful life	300,000	320,000
Replace valves, hydrants and services that outlived their useful life	700,000	700,000
	<b>\$ 2,680,000</b>	\$ 2,085,000



# Capital Costs

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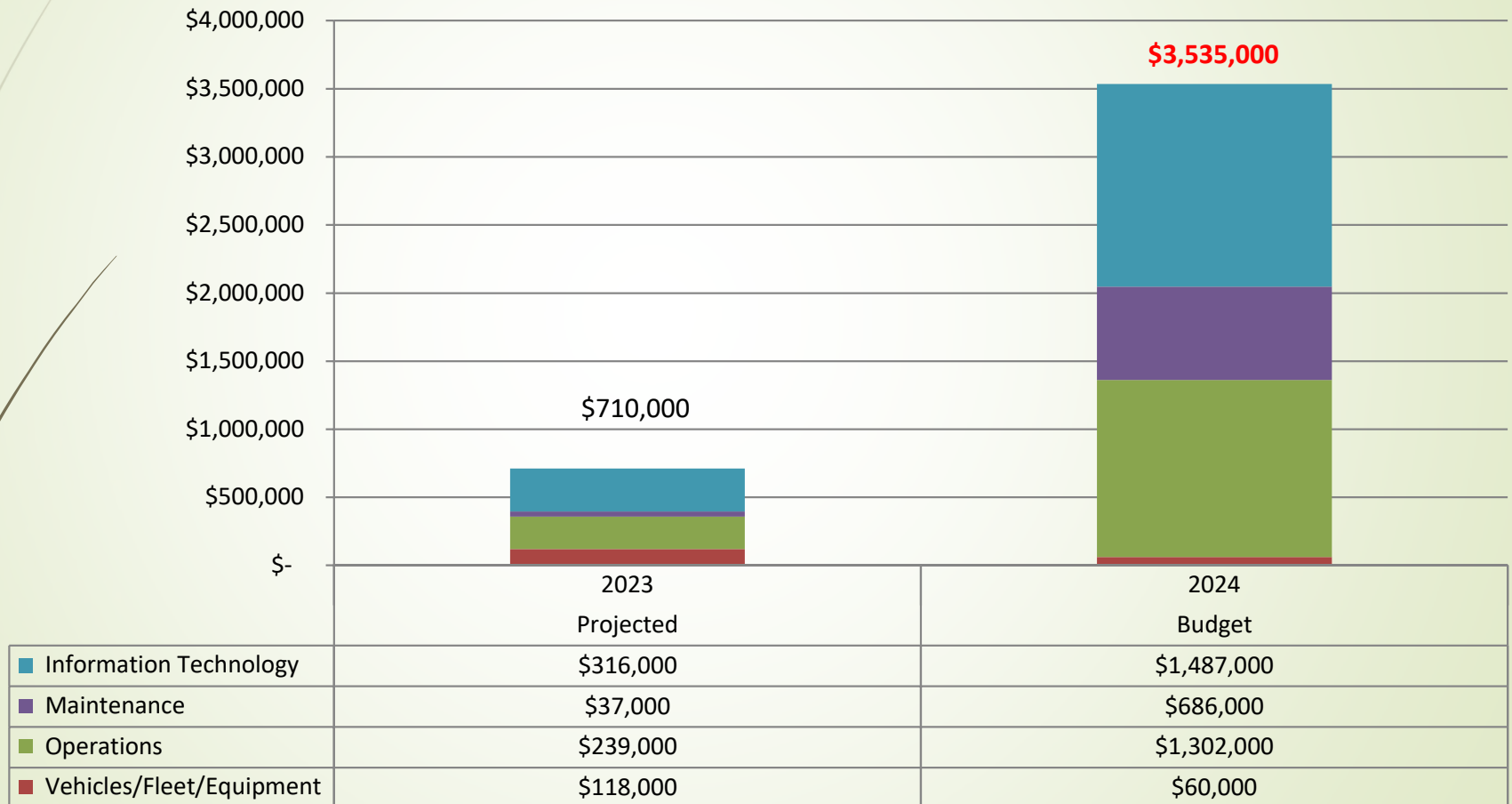
## 2024 Budget By Capital Program



Rollover	\$6,440,634	\$4,190,523			
CIP	\$12,171,440	\$19,518,709	\$22,095,000	\$26,655,000	\$25,908,000
OCP	\$967,484	\$612,295	\$710,000	\$3,535,000	\$2,000,000
WSMP (infl adj 2.5%)	\$27,578,404	\$29,868,907	\$27,212,684	\$32,700,071	\$28,702,300
Rate Study Capital Exp	\$16,230,484	\$13,274,295	\$16,781,000	\$19,806,000	\$15,280,000

# OCP Project Costs

## 2024 Proposed Budget



Discussion of individual line items appear on subsequent pages.

# OCP Project Detail

## Operations Project Costs

Operations	Budget 2024
<b><u>2024 Projects</u></b>	<b><u>\$ 1,302,000</u></b>
-	
Water System Master Plan Update	200,000
Asset Management Plans Update - Distribution Main & Transmission Main	200,000
Well Pump & Motor Standardization	100,000
Design Standards for New Wells and their Pump Stations	150,000
Groundwater Well Pump Station Design Standards	100,000
CIP Roadmap for Well Capacity	100,000
BSAMP Implementation Plan	100,000
CIP Delivery Performance	200,000
Painting piping at Poker wells A B C	13,000
Enterprise ClaVal pilotry	21,000
Hydrant Buddy's with accessory (3). In addition: Three custom manufactured key sets from PACE Supply.	20,000
Valve Nut Rx Kit and accessories.	11,000
SSWD ARV Enclosures Replacements (10)	17,000
Meganet Decommissioning Project 24 sites	70,000
	<b><u>\$ 1,302,000</u></b>

# OCP Project Detail

## Vehicles/Fleet/Equipment

Vehicles/Fleet/Equipment	Budget 2024
<u>2024 Projects</u>	<u>\$ 60,000</u>
Vehicle Replacement - Truck # 59	60,000
	<u>\$ 60,000</u>

# OCP Project Detail

## Information Technology

Information Technology	Budget 2024
<b><u>2024 Projects</u></b>	<b>\$ 1,487,000</b>
Hardware Refresh Program	186,000
Software Enhancements/Modules	101,000
SCADA Improvements	1,200,000
	<b>\$ 1,487,000</b>

# OCP Project Detail

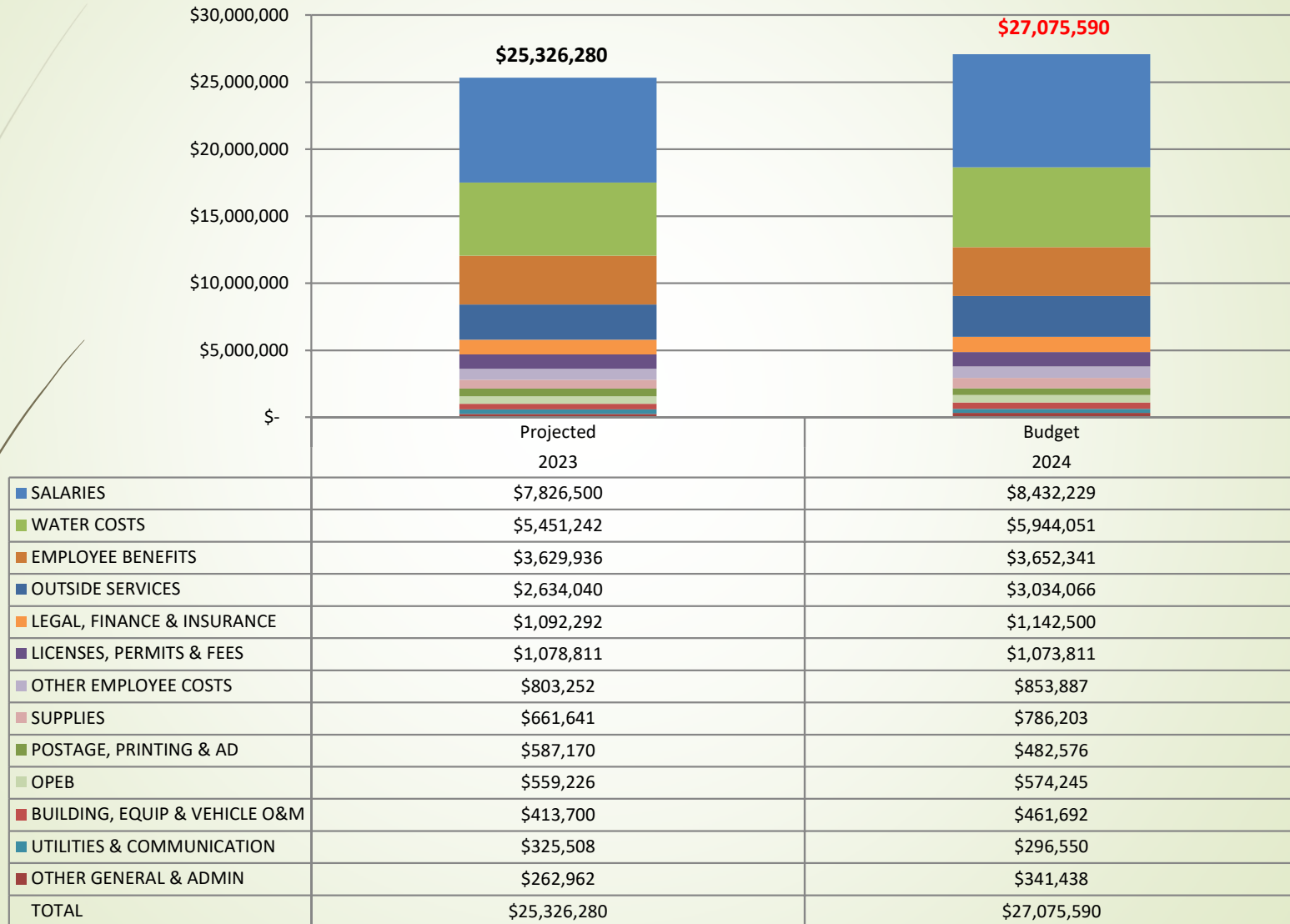
## Maintenance

Maintenance	Budget 2024
<b><u>2024 Projects</u></b>	<b>\$ 686,000</b>
HVAC/Roof/Building Repairs	25,000
Walnut Carpet Replacement (Upstairs)	10,000
Walnut Roof Replacement	333,000
Walnut Pavement Seal	75,000
Auburn Yard Improvements	200,000
Well site fence/gate repairs	43,000
	<b>\$ 686,000</b>

# O&M Budget

# O&M Expense Detail

## 2024 Budget - By Category



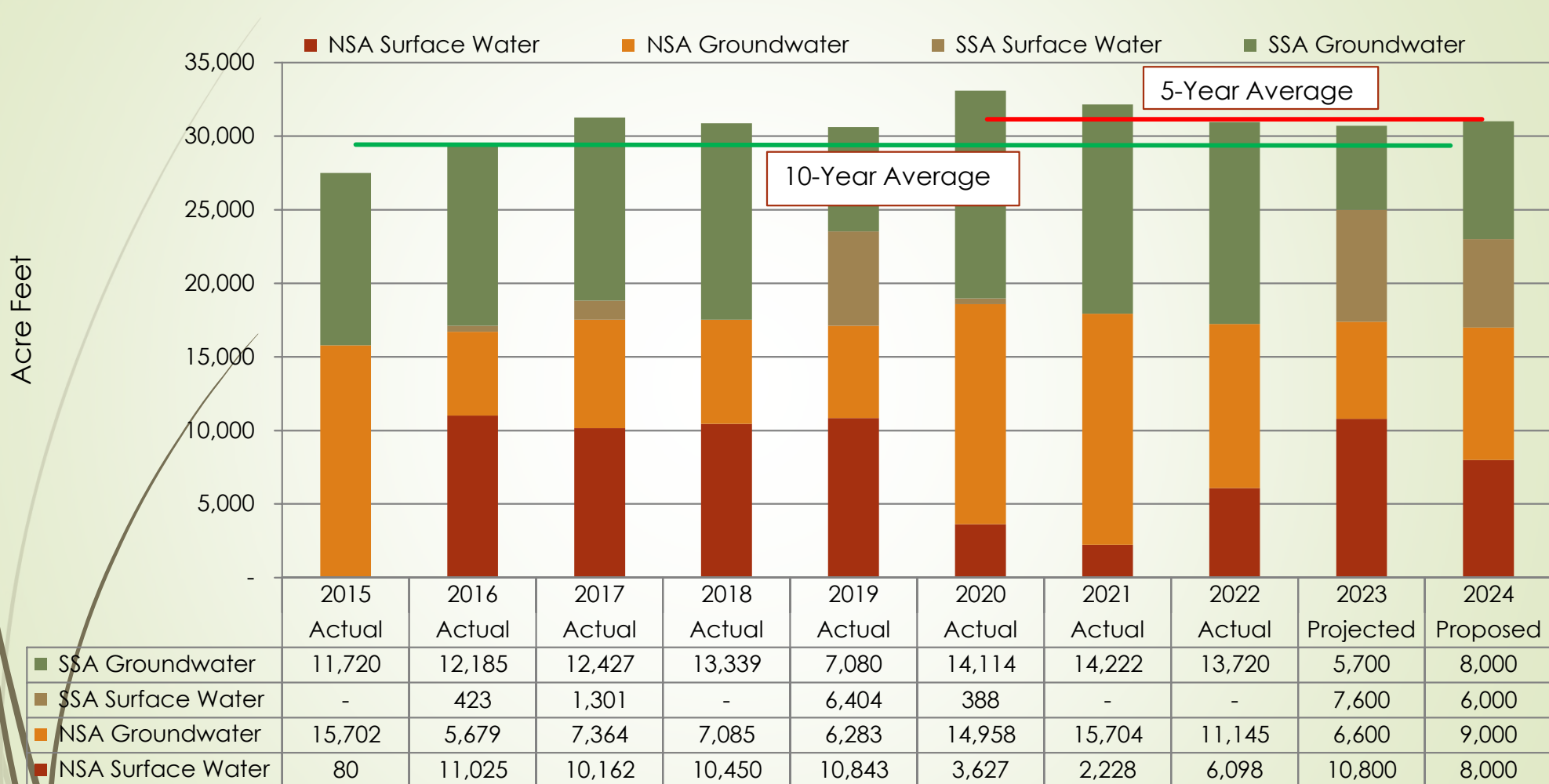
Other Employee Costs includes Employer payroll taxes, training, employee teambuilding & communication, uniforms, temp help, employment recruiting costs, etc.



# O&M Expense Detail

## Water Production\*

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\*Retail Water Production only (No wheeling water)

2022 Actual Production – 30,963 AF

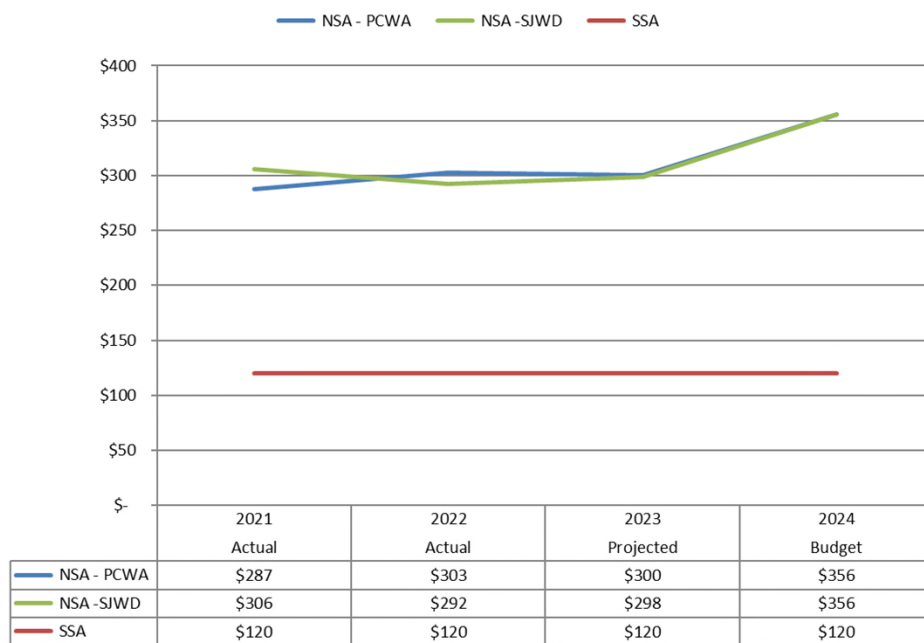
2023 Budgeted Production – 31,000 AF; Projected Actual – 30,700 AF (SSWD Retail)

2024 Estimated Production – 31,000 AF (based on five-year average)

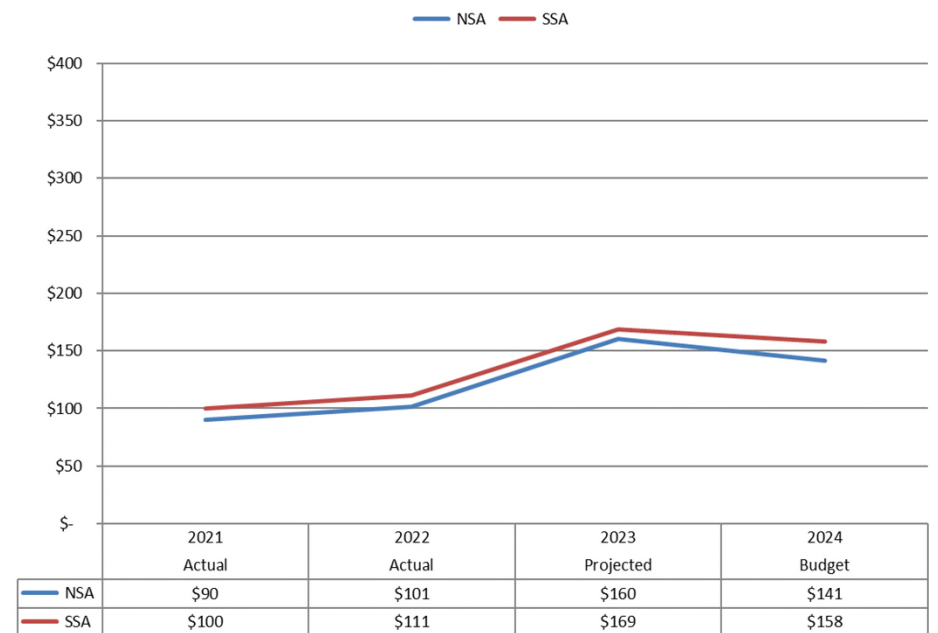
# Surface Water vs Groundwater Costs

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## Surface Water Costs (SW)



## Variable Groundwater Costs (GW)



SSA - SW cost is \$120/AF with City of Sacramento on trial basis

NSA -SW cost for 2023 - \$300/AF with PCWA water and \$298/AF with SJWD

NSA -SW cost for 2024 - expected to be \$356/AF due to 23% increase in SJWD's treatment cost

GW costs for 2023 increasing because of increase in pumping costs: electricity and chemical

SW = Surface Water; GW = Groundwater

# O&M Expense Detail

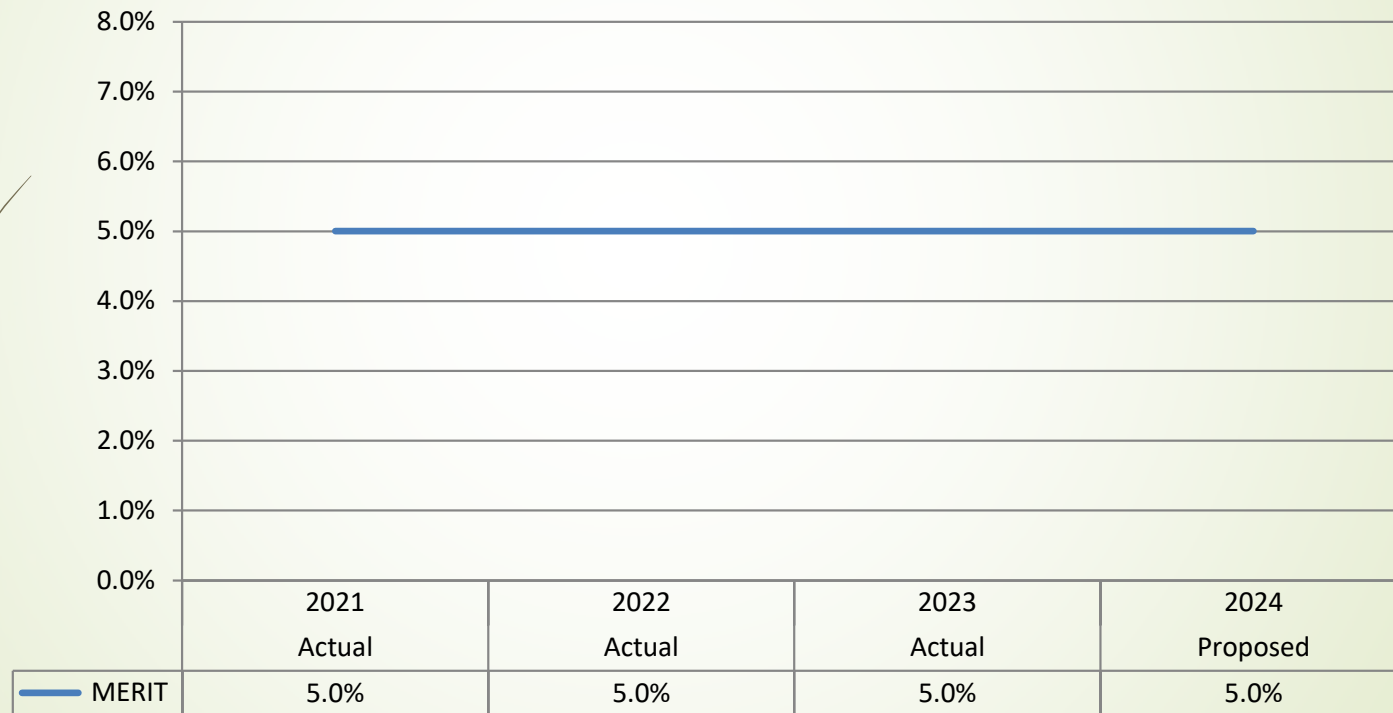
## COLA



Per Policy PL – HR 003 Section 103.00, COLA is based on August Western Cities – B/C Index.

# O&M Expense Detail

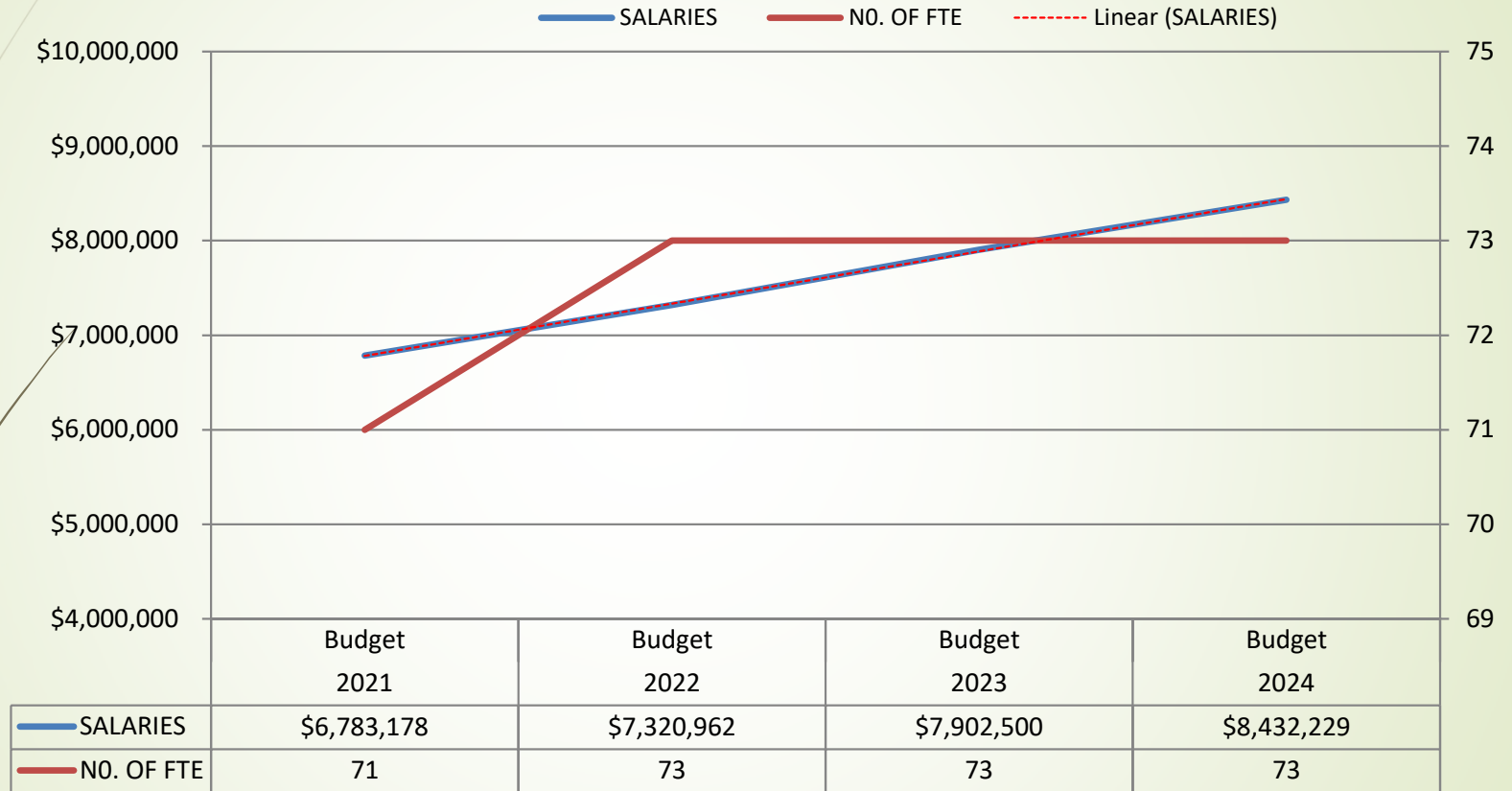
## Merit



2024 1% increase equals ~\$72K

# O&M Expense Detail

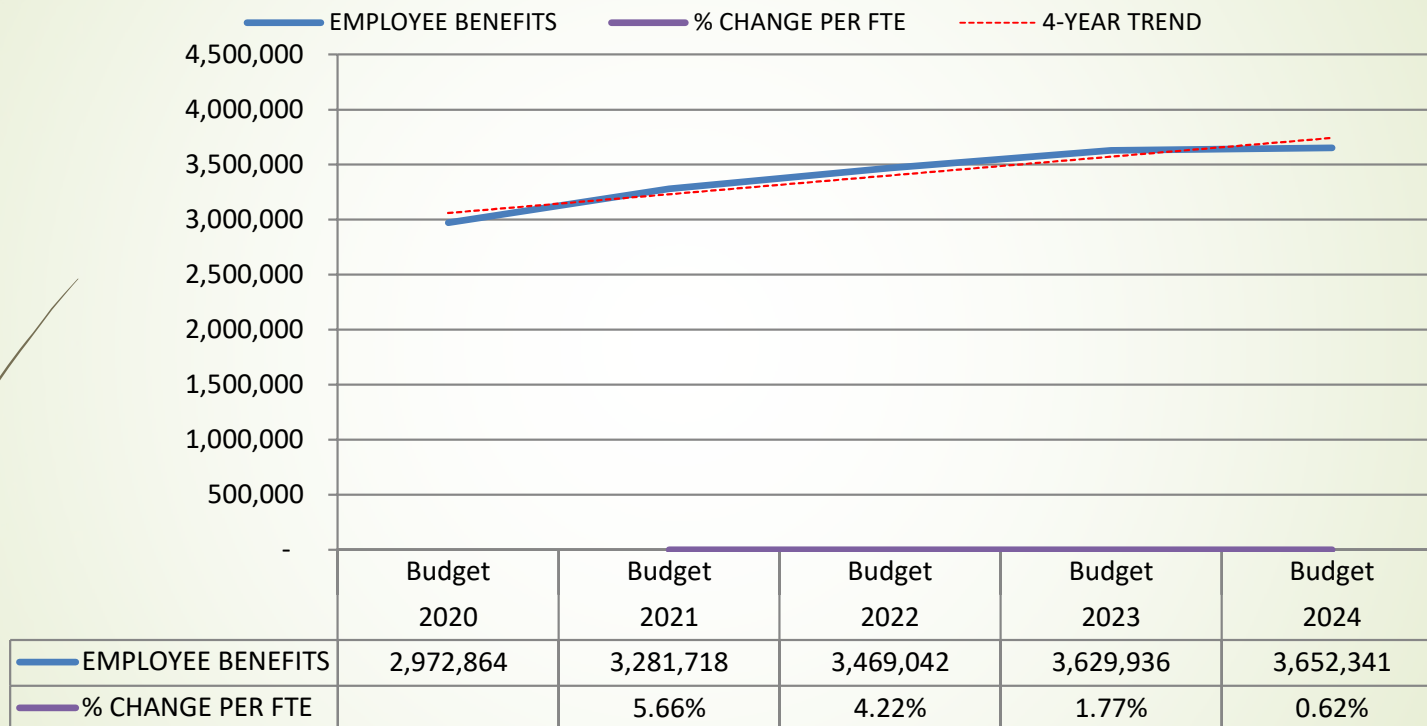
## Salaries



2023 increase is 7.9% due to COLA and merit;  
 2024 increase expected to be 6.7% due to COLA and merit;  
 No new position costs included in this proposed budget

# O&M Expense Detail

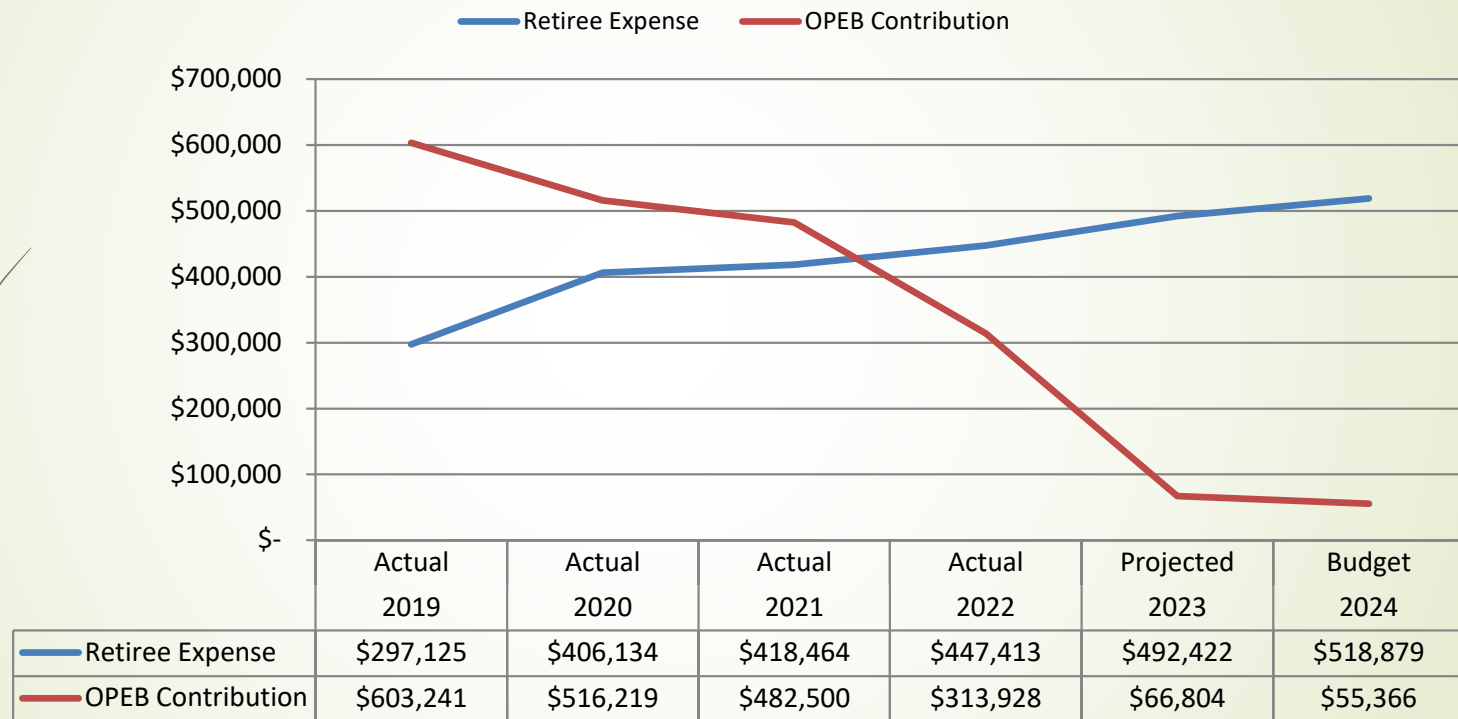
## Employee Benefits



2022 increase 4% due primarily to increased pension and two new FTEs;  
 2023 increase 1.77% due primarily to increased pension cost;  
 2024 increase less than 1%

# O&M Expense Detail

## OPEB



Actuarial analysis shows OPEB contributions continue to decrease

# New Position Requests

- 2024 six new positions requested by staff:

		<u>Min. Annual Cost</u>	<u>Max. Annual Cost</u>	<u>Proposed Budget</u>
1	Environmental Compliance Technician	\$121,000	\$143,000	\$132,000
2	Water Conservation Technician	\$118,000	\$139,000	\$129,000
3	GIS Technician	\$122,000	\$144,000	\$133,000
4	Accountant	\$128,000	\$151,000	\$140,000
5	Records Management Technician	\$112,000	\$133,000	\$123,000
6	Senior Inspector	\$137,000	\$164,000	\$151,000
		<b>\$617,000</b>	<b>\$731,000</b>	<b>\$676,000</b>

Annual Costs include taxes and benefits;  
Proposed budget amounts are mid-range of the pay band



# O&M Expense Detail

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## 2024 Budget - By Department

Department	Budget 2024
<b>Board of Directors Total</b>	151,000.00
<b>Administrative Total</b>	2,803,000.00
<b>Finance Total</b>	1,361,000.00
<b>Customer Services Total</b>	1,712,000.00
<b>Field Operation Total</b>	608,000.00
<b>Production Total</b>	8,901,000.00
<b>Distribution Total</b>	2,978,000.00
<b>Field Services Total</b>	1,681,000.00
<b>Maintenance Total</b>	787,000.00
<b>Conservation Total</b>	741,000.00
<b>Environmental Compliance Total</b>	972,000.00
<b>Engineering Total</b>	1,770,000.00
<b>GIS/CAD Total</b>	499,000.00
<b>Human Resource Total</b>	479,000.00
<b>Information Technology Services Total</b>	1,513,000.00
<b>Community Outreach Total</b>	276,000.00
<b>Grand Total</b>	<b>\$ 27,232,000</b>

Department budgets include all costs including salaries & benefits.

# Debt Service Budget

# Debt Service Budget

	5-Year Low	5-Year High	5-Year Average	Budget 2024
<b>Debt Service</b>	\$ 6,995,000	\$ 7,272,225	\$ 7,128,117	\$ 6,995,000
	<b>Actual</b>	<b>Actual</b>	<b>Projected</b>	<b>Budget</b>
	2021	2022	2023	2024
<b>Principal</b>	\$ 4,965,000	\$ 5,390,000	\$ 4,910,000	\$ 5,010,000
<b>Interest</b>	2,208,140	1,815,219	2,085,000	1,985,000
<b>SWAP Termination</b>		5,642,000		
<b>Total Debt Service</b>	\$ 7,173,140	\$ 12,847,219	\$ 6,995,000	\$ 6,995,000

2022 Refinance resulted in: 1) reduced risk, 2) reduced principal by ~\$7.0M,  
 3) eliminated swap, and 4) debt service savings of \$3.1M (\$0.7M NPV)  
 2024 Budget based on fixed rate debt schedules  
 2023 – 2030 annual debt service ~\$7.0M

# 2024 Budget Summary

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	2023 Approved Budget	2023 Projected	2024 Proposed Budget	2025 Forecast
<b>Source Budgets:</b>				
Income From Customers	\$ 51,926,000	\$ 53,478,812	\$ 55,082,000	\$ 55,082,000
Total Other Income	1,834,000	840,455	1,759,000	1,259,000
Grant Income	900,000	2,900,000	14,700,000	2,100,000
Reserve Use	-	-	-	-
<b>Total Sources</b>	<b>\$ 54,660,000</b>	<b>\$ 57,219,267</b>	<b>\$ 71,541,000</b>	<b>\$ 58,441,000</b>
<b>Use Budgets:</b>				
Operations and Maintenance	24,860,000	25,326,780	27,232,000	28,022,625
Capital	22,805,000	22,805,000	30,190,000	27,908,000
Debt Service (Forecast)	6,995,000	6,995,000	6,995,000	7,000,000
Reserve Funding	-	2,092,487	7,124,000	-
<b>Total Uses</b>	<b>54,660,000</b>	<b>57,219,267</b>	<b>71,541,000</b>	<b>62,930,625</b>
<b>Reserve Balance:</b>				
Change in Reserve Balance	-	2,092,487	7,124,000	(4,489,625)
Reserve Balance, Beginning of Year	42,034,033	42,034,033	44,126,520	51,250,520
<b>Reserve Balance, End of Year</b>	<b>\$ 42,034,033</b>	<b>\$ 44,126,520</b>	<b>\$ 51,250,520</b>	<b>\$ 46,760,895</b>
<b>Reserve Minimum, 2019 Rate Study</b>	<b>\$ 43,592,000</b>	<b>\$ 43,592,000</b>	<b>\$ 44,301,000</b>	<b>\$ 45,027,000</b>
<b>Reserve Target, 2019 Rate Study</b>	<b>\$ 50,817,000</b>	<b>\$ 50,817,000</b>	<b>\$ 51,183,000</b>	<b>\$ 52,183,000</b>

# Questions ?