

Agenda

Sacramento Suburban Water District Special Board Meeting – Budget Workshop

3701 Marconi Avenue
Sacramento, California 95821

November 11, 2024
6:00 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.

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<https://us02web.zoom.us/j/81711965815?pwd=uHu9jNr9Z1AVeT6GZD55U0Cusq0RSn.1>

Meeting ID: 817 1196 5815

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Please mute your line.

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

Pledge of Allegiance

Roll Call

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. Calendar Year 2025 Budget Workshop
Recommendation: Receive presentation on the proposed Calendar Year 2025 Budget, consider adoption of Calendar Year 2025 budget or direct staff as appropriate.
- 2. Capital Improvement Program Plan 2025
Recommendation: Approve the 2025 Capital Improvement Program Plan.

Adjournment

Upcoming Meetings

Tuesday, November 12, 2024, at 5:00 p.m., Special Board Meeting

Wednesday, November 13, 2024, at 6:00 p.m., DPMWD/SSWD Joint Special Board Meeting

Monday, November 18, 2024, at 6:00 p.m., Regular Board Meeting

I certify that the foregoing agenda for the November 11, 2024, meeting of the Sacramento Suburban Water District Board of Directors was posted by November 7, 2024, in a publicly accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Sacramento, California, and was freely available to the public.

Dan York
General Manager/Secretary
Sacramento Suburban Water District



Agenda Item: 1

Date: November 11, 2024

Subject: Calendar Year 2025 Budget Workshop

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

Recommended Board Action:

Receive presentation on the proposed Calendar Year 2025 Budget, consider adoption of Calendar Year 2025 budget or direct staff as appropriate.

Summary:

Attached is staff’s proposed Calendar Year 2025 (CY2025) Budget for review, discussion and potential adoption. This version of the Budget is in line with the plan as presented in detail as part of the 2024 Comprehensive Water Rate Study (Study), that was approved by the Board at a Public Hearing that was held on October 14, 2014, to approve the proposed rate adjustments recommended in the Study for the years 2025–2029. The Study presented a financial model of the amount in District reserves to be maintained at the completion of each calendar year in the Study horizon (2025–2029).

There are four primary deviations that exist between the Study and the CY2025 Budget: 1) The Department of Water Resources, Voluntary Agreement Early Funding agreement (ARTESIAN) provides up to \$18.8 million to the District for Wells 81, 82, 83, and 84. A portion of these funds (\$9.4 million) was included in the Study for CY2025; however, the 2025 Budget includes only \$3.4 million. 2) The Study plan Operating Budget for 2025 is \$28.7 million versus the 2025 Budget of \$29.3 million, 3) The Study plan Capital Budget for 2025 of \$31.4 million against the 2025 Budget of \$32.4 million, and 4) The Study plan reserve contribution of \$0.6 million versus the budget forecast reserve use of \$7.0 million. Estimated 2025 revenues, expenditures and reserve balances from the Study versus those included in the attached proposed budget compare as follows:

Description	2025 Per Rate Study	2025 Proposed Budget
Revenue from Rates	\$ 56,879,000	\$ 56,966,000
Other Revenue	10,818,000	4,778,000
Total Revenue	67,697,000	61,744,000
Operating Expenses	28,725,000	29,347,000
Capital	31,395,000	32,438,000
Debt Service	6,993,000	6,993,000
Total Expenditures	67,113,000	68,778,000
Surplus/(Deficit)	584,000	(7,034,000)

Description	2025 Per Rate Study	2025 Proposed Budget
Variance	-0-	-0-
2025 Budget Reserve Balance	\$ 48,296,000	\$ 45,734,000
2025 Study Plan Target	48,050,000	48,050,000
Variance	246,000	(2,316,000)

The decrease in the forecasted Other Revenues for the CY2025 Budget from the Study plan is related to the Study forecasting the grant revenues on a cash basis whereas the Budget is on an accrual basis. Therefore, the budgeted 2025 revenues are \$61.7 million against the Study plan of \$67.7 million, an approximate \$6.0 million difference. The grant revenues will track closely with the actual expenditures for the grant related projects.

The increase in the proposed 2025 Operating Budget over the Study projection (\$0.6 million) is mostly related to increased City of Sacramento surface water costs (\$0.4 million) and increased outside service costs related to combination studies and outreach (\$0.1 million).

The increase in the Capital Budget of \$1.1 million is related to two factors: 1) reducing the planned 2025 capital expenditure by \$1.1 million to keep the reserve balance in proximity to the Study plan balance for 2025, and 2) transferring \$2.0 million from the 2024 Capital Budget to the 2025 Capital Budget for the Wells 81, 82, and 83 project. Approximately \$2.2 million of the CY2025 Capital Budget will be transferred to the newly developed Well Development Fund for future well project spending. Staff will discuss in their presentation the forecasted CY2025 Capital Budget requirements.

The forecast for reserves at the end of 2025 indicates that the District will be approximately \$2.3 million short of its planned reserve target of \$48.1 million, as established in the 2024 Study.

Background:

Calendar Year 2024 will end the 2019 Rate Study (2019 Study) horizon. The 2019 Study projected revenues, expenditures, and reserve balances over the 2019 Study horizon (2020-2024). At the end of CY2024 the forecasted reserve balance will be approximately \$52.8 million versus a 2019 Study target of \$51.2 million. The 2024 Study recommended and the Board approved revisions to the reserve targets which now have lower calculation parameters than in the 2019 Study. The 2024 Study assumed a CY2025 beginning reserve balance target of \$45.7 million based on the new reserve target levels. The difference, \$7.1 million, is being used as additional funding for the CY2025 budget.

As was the process with the 2019 Study, each budget prepared during the 2024 Study horizon (2025–2029) will be compared to the 2024 Study financial model. While actual results will vary from the 2024 Study assumptions, each annual budget will be compared to the 2024 Study data to establish general conformance with the 2024 Study plan’s reserve projections.

Discussion:

Staff will present and review with the Board the proposed CY2025 Budget. The CY2025 Budget (revenues and sources of funds, capital, operating, and debt service) is presented in the following order in the attached PowerPoint presentation:

1. Introduction and Budget Process
2. 2025 Key Assumptions
3. 2024 Highlights and 2025 Goals
4. Proposed 2025 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 CY2025 Budget is balanced (revenues and sources equaling expenditures) with approximately \$7.0 million of planned reserve use anticipated. The reserve balance is projected to be \$45.7 million at the end of 2025 versus \$48.1 million per the 2024 Study. If the proposed 2025 customer water rate increase is implemented as recommended by the 2024 Study and approved at the October 14, 2024, Rate Hearing, forecasted reserves will be approximately \$2.3 million below the 2024 Study target (\$48.1 million).

Fiscal Impact:

If adopted as presented, the 2025 Operating Budget would be approximately \$29.3 million; the 2025 Capital Budget would be approximately \$32.4 million, and the 2024 Debt Service Budget would be approximately \$7.0 million. The total of all three budgets would be approximately \$68.8 million. Revenues are projected to be approximately \$61.7 million (if customer rate increases per the 2024 Study are implemented) with approximately \$7.0 million in reserve usage to balance the budget. Reserves are projected to be approximately \$45.7 million at the end of 2025.

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 – 2025 Budget Presentation
- 2 – Reserve Policy PL – Fin 004
- 3 – Budget Policy PL – Fin 012

2025 Budget Workshop

November 11, 2024

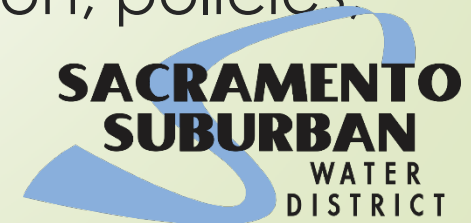


Introduction

This Budget represents the primary financial management tool of the Sacramento Suburban Water District.

The Budget is developed annually and utilizes various District Asset and Strategic Plans in its development and is reviewed and approved by the Board of Directors.

The Budget provides a comprehensive plan to deliver efficient water service to the customers and stakeholders of the District in a manner that aligns resources with the mission, vision, policies, and goals of the District.



2025 Budget Development Process

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- June Board Meeting – 06/17/2024, 6:00 pm
 - Budget Preparation Timeline Approved
- August Board Meeting – 08/19/2024, 6:00 pm
 - Budget Assumptions Approved
- September Board Meeting – 09/16/2024, 6:00 pm
 - Status Report; Provide Direction to Staff
- Rate Hearing– 10/14/2024, 6:00 pm
 - Proposed 2025 – 2029 Rates to be approved or rejected
- October Board Meeting – 10/21/2024, 6:00 pm
 - Update Board; Provide Direction to Staff
- November Board Workshop – 11/11/2024, 6:00 pm
 - Budget Presentation; Provide Direction to Staff or Approve Budget
- November Board Meeting – 11/18/2024, 6:00 pm
 - Final Presentation; Approve Budget – If necessary

2025 Budget Assumptions

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Key Assumptions	2024 - Approved		2024 - Updated		2025 - Proposed	
Rate Increase (Approved via Prop 218)	Approved	3.00%	Approved	3.00%	Proposed	5.00%
Service Connections	Forecast	47,784	Forecast	47,908	Forecast	47,908
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 3 Year Average		31,000 AF		30,300 AF		30,500 AF
b. SSA Surface Water (City) (B)	\$ 120.00	4,000 AF	\$ 173.00	1,840 AF	\$ 182.00	6,500 AF
c. SSA Surface Water (City at 50% incremental Cost; Additional 25% of 2022 Water Transfer)			\$ 87.00	960 AF		
d. SSA Surface Water (City at NO Cost / 2022 Water Transfer)	\$ -	2,000 AF	\$ -	3,600 AF	\$ -	AF
e. SSA Surface Water (Electrical Cost to Lift City's Water)	\$ 19.12	6,000 AF	\$ 25.00	6,400 AF	\$ 26.25	6,500 AF
f. SSA Groundwater (Variable costs)		8,000 AF		7,500 AF		7,000 AF
g. NSA Surface Water (PCWA Water) (C, D)	\$ 362.95	4,000 AF	\$ 335.50	10,000 AF	\$ 352.28	5,000 AF
h. NSA Surface Water (SJWD Water)	\$ 347.39	4,000 AF		AF		AF
Total NSA Surface Water	\$ 355.17	8,000 AF	\$ 335.50	10,000 AF	\$ 352.28	5,000 AF
i. NSA Groundwater (Variable costs)		9,000 AF		6,400 AF		12,000 AF
Electrical Cost Increase		5.00%		5.00%		5.50%
Investment Yield		2.40%		2.40%		3.38%
Directors' Compensation (E)	\$ 136.00	3.50%	\$ 136.00	5.00%	\$ 138.00	1.70%
COLA (F)		3.50%		3.60%		1.70%
Merit Program		5.00%		5.00%		5.00%
Health Care Cost (G)		8.60%		7.65%		7.80%
Tier 1 Pension Cost (% of Salaries)	26.24%	8.52%	26.24%	8.52%	26.36%	0.44%
Tier 2 Pension Cost (% of Salaries)	19.63%	8.69%	19.63%	8.69%	19.71%	0.38%
Tier 3 Pension Cost (% of Salaries)	8.00%	3.09%	8.00%	3.09%	8.23%	2.81%
Unfunded Liability Total Cost	\$ 886,548	-2.10%	\$ 965,371	6.74%	\$ 1,157,707	19.92%
Prefunding of Post Retirement Benefits (H)	\$ 55,366	-17.12%	\$ 55,366	-17.12%	\$ 118,408	113.86%
Retiree Benefit Payments	\$ 518,879	3.99%	\$ 564,000	8.70%	\$ 636,000	12.77%

Footnotes:

- (A) SSA = South Service Area; NSA = North Service Area
- (B) 2025 City Rate estimated 5% increase of incremental cost
- (C) Take-or-Pay contract amount 8,000 AF.
- (D) 2025 NSA Surface Water rate estimated increase of 5%

- (E) 2025 Proposed increase of 1.7%, same as COLA Increase
- (F) August West - Size Class B/C (2.5 million or less).
- (G) Same as prior year, 100/90 Basic & Medicare Annuitants
- (H) Actuarially determined prefunding amounts. 2024 Valuation

Budget Team

- ▶ Lynn Pham
- ▶ Ann Bradford
- ▶ Kerry Smith
- ▶ Dana Dean
- ▶ Mitchell McCarthy
- ▶ Tommy Moulton
- ▶ Dan Westvik
- ▶ Julie Nemitz
- ▶ Greg Bundesen
- ▶ Wayne Scherffius
- ▶ Susan Schinnerer
- ▶ Heather Hernandez
- ▶ Mike Simi
- ▶ Howard Moreland
- ▶ Hector Segoviano
- ▶ Paul White
- ▶ Jeremy Moody
- ▶ Paul Johnson
- ▶ Mark Taylor
- ▶ Shawn Chaney
- ▶ Joe Crocket
- ▶ Matt Underwood
- ▶ Jeff Ott

2024 Projected Actual & Highlights

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	Approved 2024 Budget (\$ Millions)	Projected 2024 Actual (\$ Millions)	Projected Over (\$ Millions)	Projected Over (%)
Operations & Maintenance Budget	\$ 27.51	\$ 28.06	\$ (0.56)	-2.0%
Capital Budget	26.51	23.70	2.81	10.6%
Capital Budget - Rollover	4.20	6.80	(2.60)	
Debt Service Budget	7.00	7.00	-	0.0%
Total	\$ 65.21	\$ 65.56	\$ (0.35)	-0.5%

2024 Projected Results:

- Water Deliveries of 30,300 AF to Customers
- Source of Supply
 - 10,000 AF Surface Water from PCWA
 - 6,400 AF Surface Water from City of Sacramento – 3,600 **No Cost**/2020-2022 Water Transfer Credit, 930 purchased at \$87.00 (50% incremental cost), and 1,840 purchased at incremental cost rate of \$173.00
 - 13,900 AF from SSWD Groundwater
- Asset Management Plans:
 - Initiate project to update the Distribution Main AMP
 - Initiate Buildings and Structures AMP Implementation project
 - Continue Groundwater Well AMP Implementation project
 - Continue SCADA AMP Implementation project

2024 Projected Actual & Highlights

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2024 Projected Results (Continued):

- Water infrastructure asset replacements, production wells include:
 - Wells 81/82/83, Antelope North/Poker – 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
 - Continue the Multi-Year Contract with Kirby's Pump & Mechanical, Inc., to maintain existing production and storage facilities
 - Continue ongoing process to acquire property for future well sites
- Water infrastructure asset replacements, T&D include :
 - Continue work to develop 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. The City has moved construction from 2024 to 2025
 - Designed the Dudley/Peacekeeper Main Replacement project in McClellan Business Park
 - Designed the Dudley Blvd. Main Replacement project in McClellan Business Park
 - Conducted Condition Assessment of Enterprise Reservoir
 - Conducted Condition Assessment of McClellan Tank 216
 - Prepared construction plans for re-coating of Watt/Elkhorn Reservoir
 - Adjusted existing facilities as necessary to accommodate County/City roadway improvement projects

2024 Projected Actual & Highlights

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2024 Projected Results (Continued):

- Operations, Customer Service and Administration:
 - Replaced 1,067 old water meters that have outlived their useful life
 - Replaced one vehicle that meets the criteria of the Fleet Asset Management Plan
 - Completed 2024 Rate Study
 - Completed first year of delinquent accounts transferred to tax roll

2025 Goals

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Water Deliveries of 30,500 AF to Customers

- Source of Supply
 - 5,000 AF Surface Water from PCWA
 - 6,500 AF Surface Water from City of Sacramento – \$182 per AF
 - 19,000 AF from SSWD Groundwater
- Water infrastructure asset replacements, production wells include:
 - Wells 81/82/83, Antelope North/Poker – Complete pump station construction
 - Well 84, Antelope/Don Julio – Complete pump station construction
 - Continue performing maintenance and repair activities identified by Condition Assessment to bring off-line wells back on-line
 - Continue the Multi-Year Contract with Kirby's Pump & Mechanical, Inc., to maintain existing production and storage facilities, complete valuation and discuss potential purchase
 - Continue ongoing process to acquire property for future well sites
 - Complete CEQA for the Well 85 project
 - Construct the groundwater well for the Well 85 project

2025 Goals

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- Water infrastructure asset replacements, Transmission & Distribution include:
 - Complete an alternatives analysis of Main Replacement Area (MRA) 5B, Butterball, to address failing service saddles
 - Construct a replacement pipeline for the City's new bridge over Arcade Creek at Auburn Boulevard and Winding Way
 - Construct the Dudley Blvd. Main Replacement project in McClellan Business Park
 - Re-coat Watt/Elkhorn Reservoir
 - Adjust existing facilities as necessary to accommodate County/City roadway improvement projects
- Operations, Customer Service and Administration:
 - Replace 1,200 old water meters that have outlived their useful life
 - Begin billing eligible disconnected services
 - Complete SJWD/SSWD combination analysis
 - Complete SCADA radio replacement

2025 Proposed Budget

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	2024 Projected	2025 Proposed Budget	2025 Budget Per 2024 Rate Study
Source Budgets:			
Income From Customers	\$ 54,961,000	\$ 56,966,000	\$ 56,879,000
Total Other Income	3,515,000	1,386,000	1,386,000
Grant Income	11,503,000	3,392,000	9,432,000
Reserve Use	-	7,034,000	
Total Sources	69,979,000	68,778,000	67,697,000
Use Budgets:			
Operations and Maintenance	28,064,000	29,347,000	28,725,000
Capital - Current Year Spending	26,510,000	30,233,000	29,190,000
Capital - Committed Funds	-	2,205,000	2,205,000
Debt Service (Forecast)	6,995,000	6,993,000	6,993,000
Reserve Funding	8,410,000	-	
Total Uses	69,979,000	68,778,000	67,113,000
Reserve Balance:			
Change in Reserve Balance	8,410,000	(7,034,000)	584,000
Reserve Balance, Beginning of Year	44,358,343	52,768,343	47,712,000
Reserve Balance, End of Year	\$ 52,768,343	\$ 45,734,343	\$ 48,296,000
Reserve Target	\$ 51,182,923*	\$ 48,050,000	\$ 48,050,000
Rate Study Plan	\$ 49,491,303*	\$ 48,296,000	\$ 48,296,000

* Per 2019 Rate Study

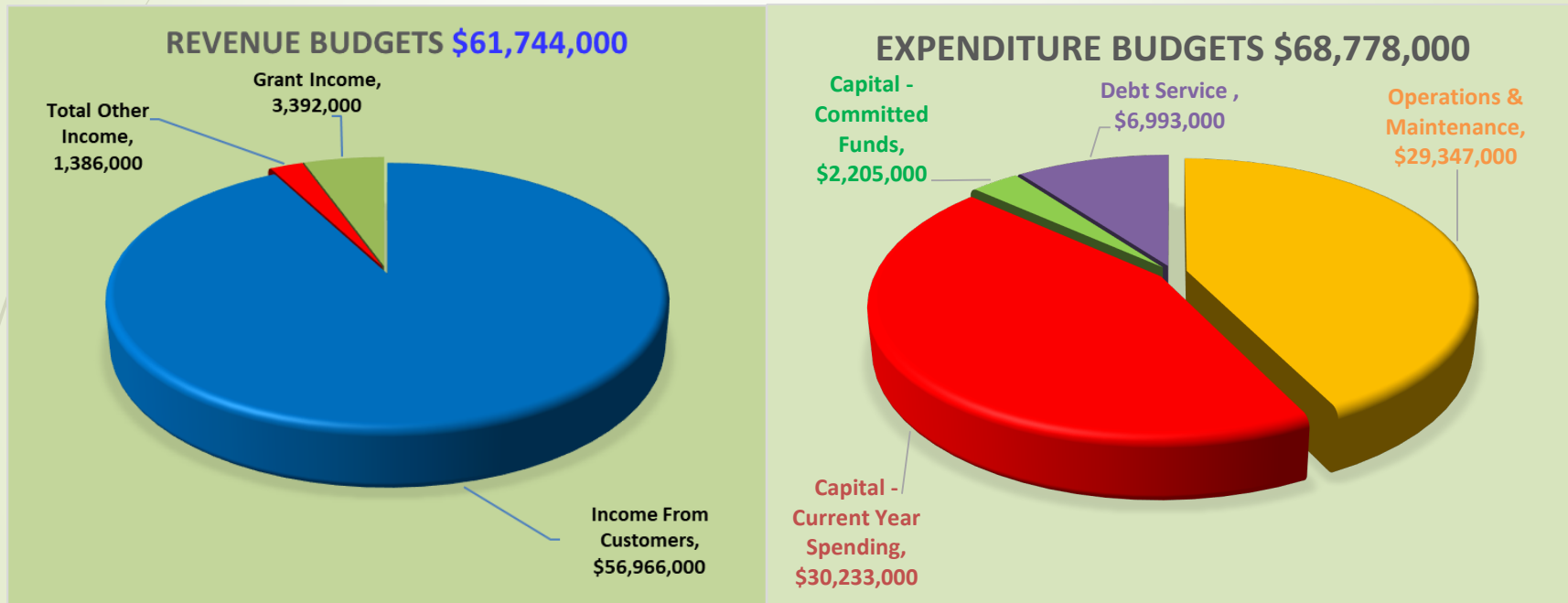
2025 Budget

1st Draft vs Proposed

	1st Draft	GM Edits	2025 Proposed Budget
Income From Customers	\$ 56,995,000	\$ (29,000)	\$ 56,966,000
Total Other Income	4,778,000	-	4,778,000
Total Revenue	\$ 61,773,000	\$ (29,000)	\$ 61,744,000
Expenditures:			
Operations and Maintenance	29,370,000	(23,000)	29,347,000
Capital Improvement Program	27,095,000	-	27,095,000
Capital Committed Funds	2,205,000	-	2,205,000
Operating Capital Program	3,708,000	(570,000)	3,138,000
Debt Service (Forecast)	6,993,000	-	6,993,000
Total Costs	69,371,000	(593,000)	68,778,000
Change in Reserve Balance	(7,598,000)	564,000	(7,034,000)
Reserve Balance, Beginning of Year	52,768,343	-	52,768,343
Reserve Balance, End of Year	\$ 45,170,343	\$ 564,000	\$ 45,734,343

Total Revenues vs Total Expenditures 2025 Proposed Budget

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2025 budget will utilize \$7.0 million from 2024 planned surplus

Total Revenues vs Total Expenditures

2024-2025

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2025 Water demand projected to be comparable to 2024

2025 Capacity fees \$1.7M less, grant income \$8.1M less than 2024

2025 Operating expenditures \$1.3M more, capital expenditures \$6.0M more than 2024

Total Revenues Detail

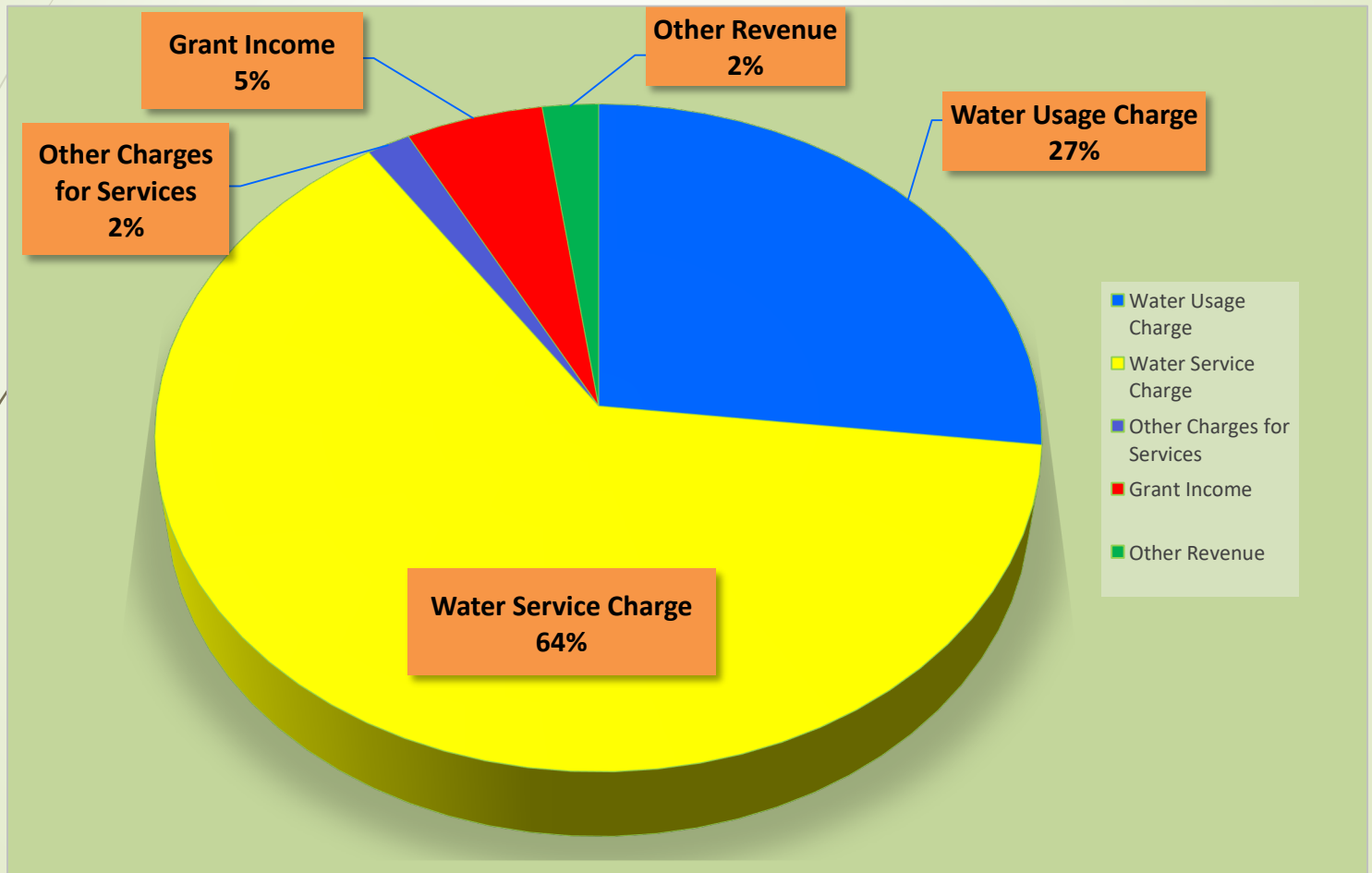
2024 - 2025

	2024	2025
	Projected	Budget
Water Usage Charge	\$ 15,830,000	\$ 16,580,000
Water Service Charge	37,242,000	39,306,000
Wheeling Water Charge	860,000	-
Other Charges for Services	1,029,000	1,080,000
Revenue From Customers	\$ 54,961,000	\$ 56,966,000
		-
Grant Income	11,503,000	3,392,000
Water Transfers		-
Interest and Investment Income	920,000	716,000
Other Income (Rental & Misc.)	395,000	200,000
Capacity Fees	2,200,000	470,000
Other Revenue	\$ 3,515,000	\$ 1,386,000
Total Revenue	\$ 69,979,000	\$ 61,744,000

Total Revenues Detail

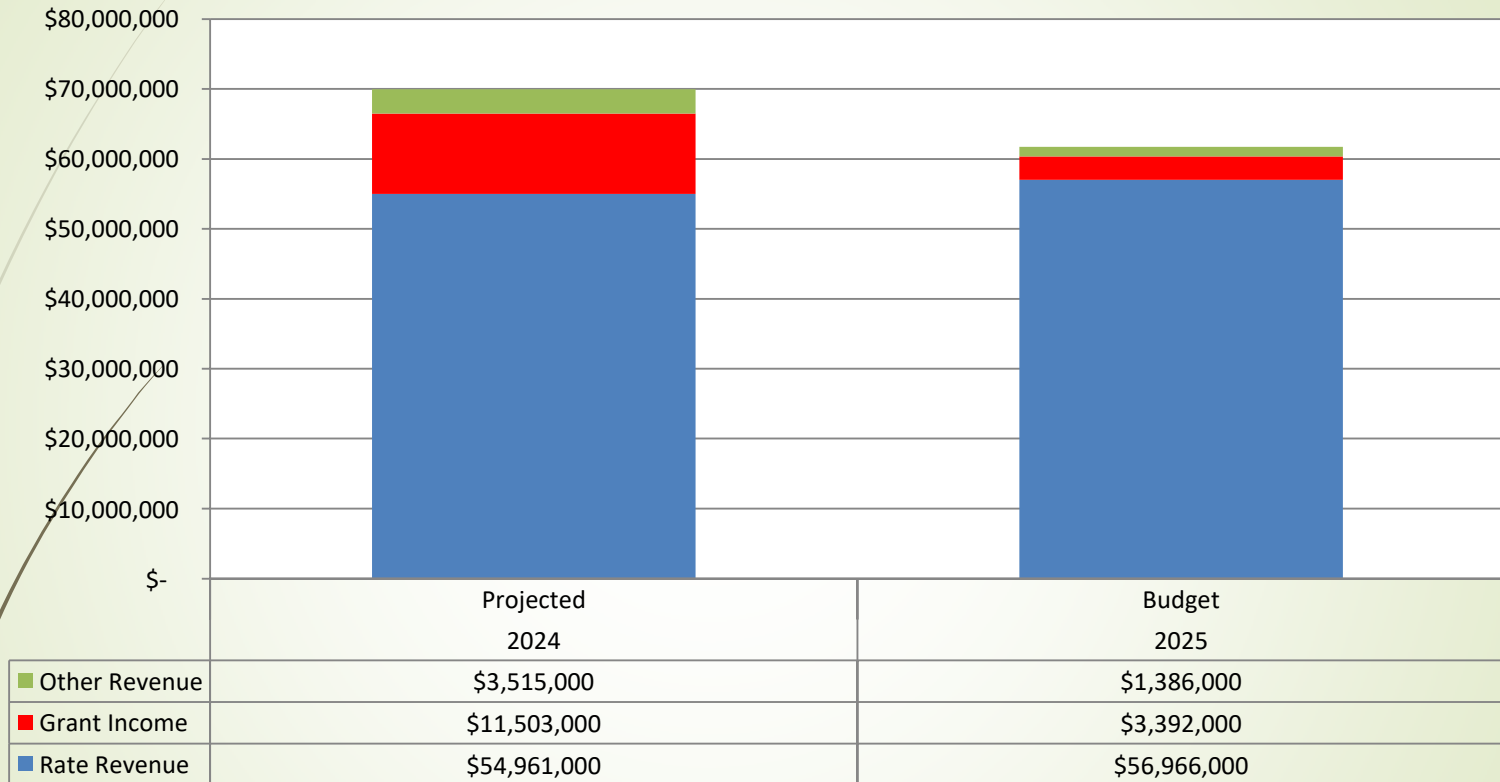
2025 Proposed Budget

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Total Revenues

2024 - 2025

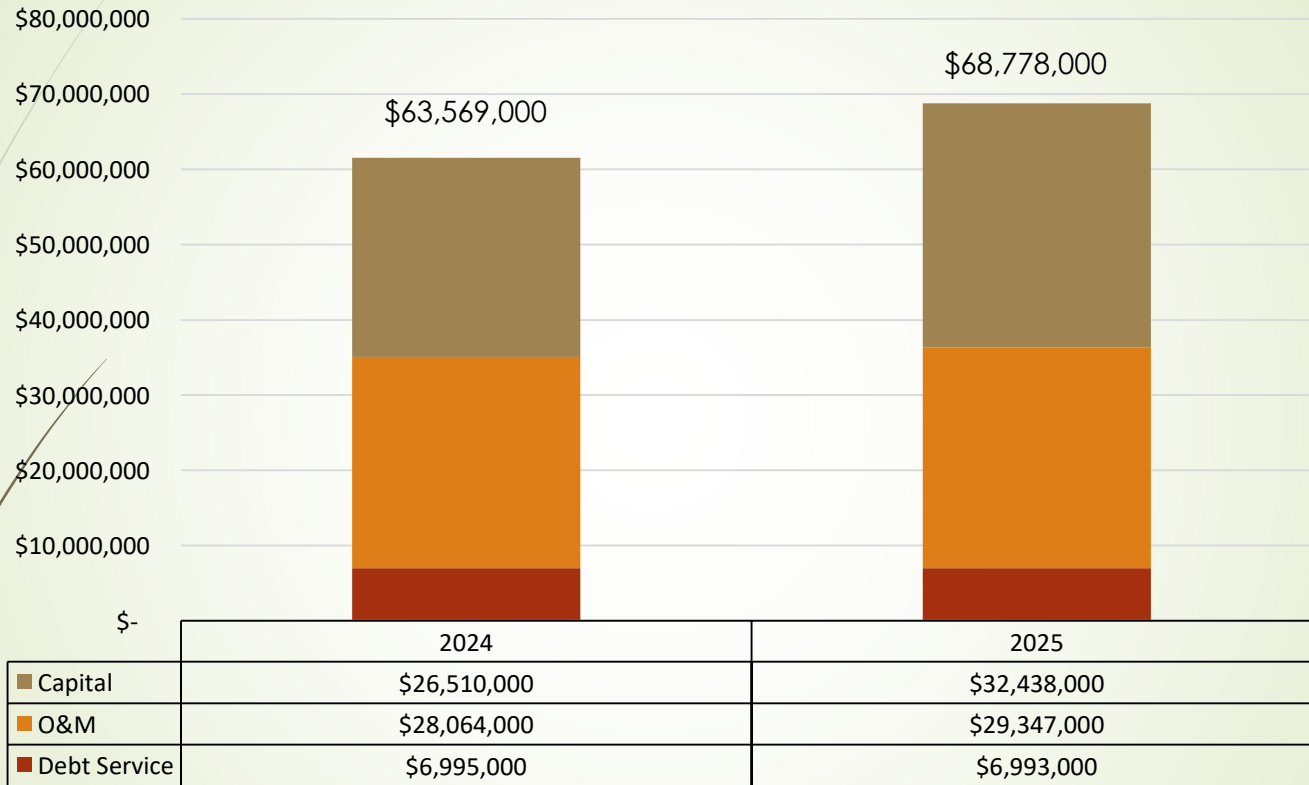


Other revenue includes interest, leases & rent, capacity fees, and other misc

2024 approved 3% rate increase, \$11.5M projected grant income & \$2.2M projected capacity fee income

2025 proposed 5% rate increase, and \$3.4M grant income, \$0.5M capacity fee revenue

Total Expenditures 2024 - 2025



2024 capital expenditures includes \$11.5M DWR grant funds for new well construction
 2025 O&M increases ~4.6% from 2024 projection due to inflation, surface water
 2025 Capital expenditures increase ~14.0% from 2024's due to project schedule changes
 2025 Capital budget includes \$3.4M DWR grant funds for new well construction

Reserve Balance Detail

2024-2025

	Projected	Budget
	<u>12/31/2024</u>	<u>12/31/2025</u>
Emergency/Contingency	\$ 11,425,552	\$ 11,425,552
Operating	17,411,991	10,495,491
Rate Stabilization	6,632,800	6,632,800
Interest Rate Risk	-	-
Grant	-	-
Well Property Acquisition	500,000	500,000
Capital Asset	16,798,000	16,680,500
TOTAL	\$ 52,768,343	\$ 45,734,343
Reserve Target	\$ 51,182,923*	\$ 48,050,000
Rate Study Plan	\$ 49,491,303*	\$ 48,296,000

* Per 2019 Rate Study

Reserve Balance

2024-2025



2024 projected Reserve balance \$1.7M over reserve target from 2019 Rate Study due to moving \$2.0M capital expenditures from 2024 to 2025 budget
2025 proposed reserve balance under target from 2024 Rate Study

Revenues, Expenditures & Reserve

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Rate Study Plan & Reserve Target



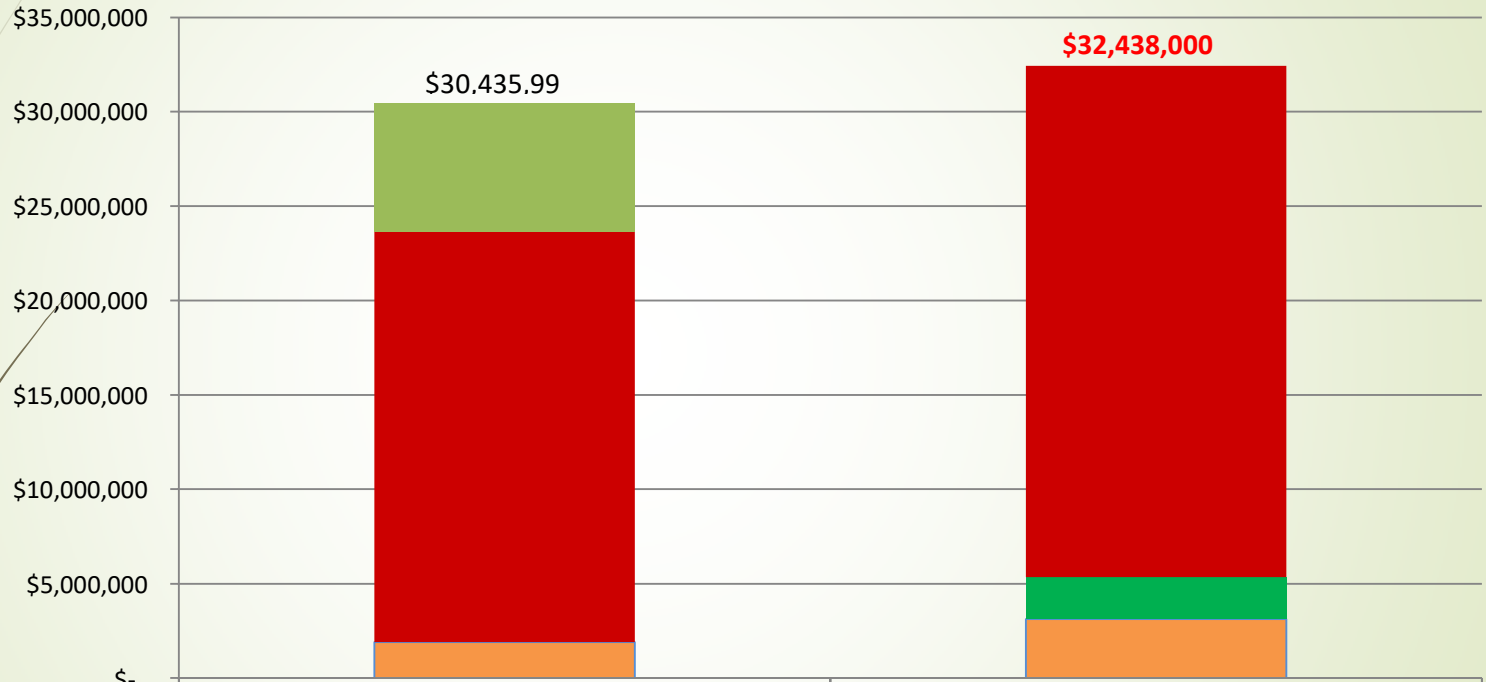
2024 Reserve projection \$52.8M vs target \$51.2M vs \$49.5M per 2019 Rate Study plan
2025 Reserve forecast \$45.7M vs target \$48.1M vs \$48.3M per 2024 Rate Study plan

Capital Budget

Capital Budget

Budget By Capital Program

2024 - 2025

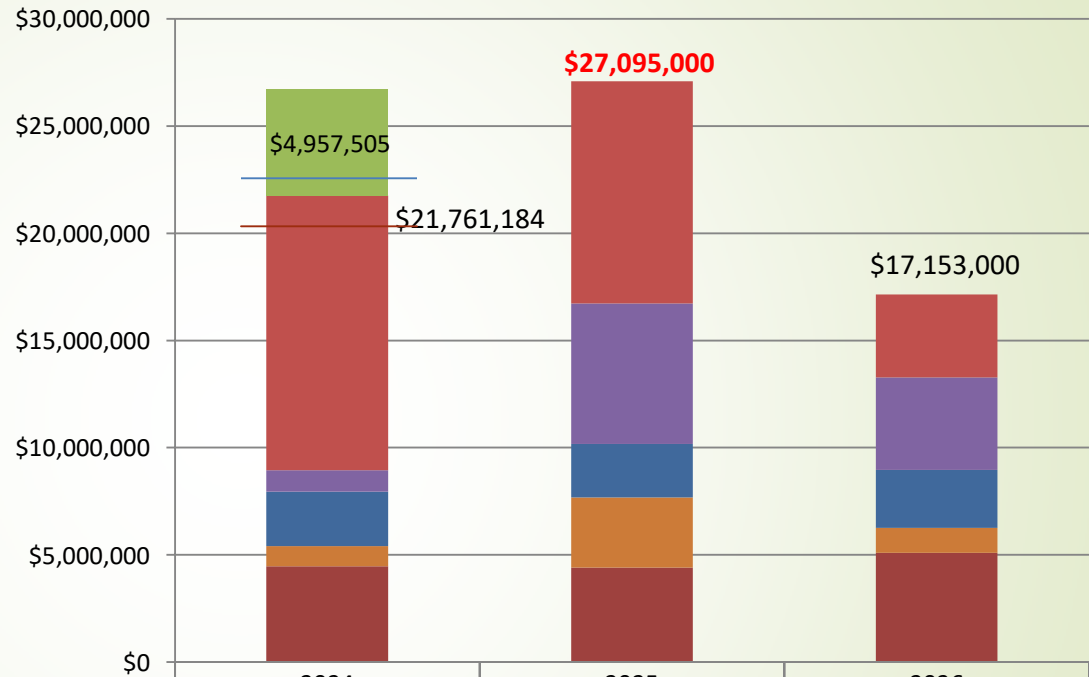


	Projected 2024	Budget 2025
Rollover - Original	\$6,769,556	
CIP - Current Year Spending	\$21,761,184	\$27,095,000
CIP - Committed Funds		\$2,205,000
OCP - Current Year Spending	\$1,905,257	\$3,138,000

Capital Improvement Program

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2025 Proposed Budget & 2026 Forecast



	2024 Projected	2025 Budget	2026 Forecast
Rollover	4,957,505		
Well Replacement	12,812,581	10,360,000	3,883,000
Dist. Main Replacement	998,965	6,572,000	4,304,000
Other Re-Occurring Annual Capital Costs	2,555,175	2,489,000	2,697,000
Reservoir and Booster P.S.	932,145	3,270,000	1,189,000
Well Rehab and Related Capital Costs	4,462,318	4,404,000	5,080,000

— 80% Spending Target
— 90% Encumbered Target

Capital Improvement Program (CIP)

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2025 Proposed Budget & 2026 Forecast

CIP Annual Projects Budget	Budget 2025	Forecast 2026
Dist. Main Replacement	6,472,000	3,954,000
Well Rehab. and Related Capital Costs	4,404,000	5,080,000
Reservoir and Booster P.S.	3,270,000	1,189,000
Other Re-occurring Annual Capital Costs	\$ 2,489,000	\$ 2,697,000
Total CIP - Annual Projects Budget	\$ 16,635,000	\$ 12,920,000
CIP Multi-Years Budget		
Well 81, 82 & 83 Antelope North/Poker	6,400,000	200,000
Well 84 Antelope/Don Julio	500,000	-
Well 85 Auburn/Fulton	3,260,000	325,000
Well 86 TBD	200,000	3,358,000
Butterball MRA 5B	100,000	350,000
Subtotal CIP - Multi-Years Budget	\$ 10,460,000	\$ 4,233,000
	\$ 27,095,000	\$ 17,153,000

Capital Improvement Program

Multi-Year CIP Projects Summary

		Wells 81, 82, 83	Well 84	Well 85	Well 86	Butterball MRA 5B	Total Costs
Actual	2021	190,630	-	-	-	-	\$ 190,630
Actual	2022	5,192,646	1,131,690				\$ 6,324,336
Actual	2023	7,196,500	6,110,300	-	-	-	\$ 13,306,800
Projected	2024	6,798,000	6,124,000	220,000	-	250,000	\$ 13,392,000
Budget	2025	6,400,000	500,000	3,260,000	200,000	100,000	\$ 10,460,000
Forecast	2026	200,000	-	325,000	3,358,000	350,000	\$ 4,233,000
Forecast	2027	-	-	2,373,000	350,000	-	\$ 2,723,000
Forecast	2028	-	-	2,372,000	2,400,000	150,000	\$ 4,922,000
Forecast	2029	-	-	450,000	2,400,000	13,400,000	\$ 16,250,000
Forecast	2030	-	-		450,000	13,700,000	\$ 14,150,000
Forecast	2031	-	-			17,000,000	\$ 17,000,000
Total Project		\$ 25,977,776	13,865,990	9,000,000	9,158,000	44,950,000	

Butterball MRA 5B: Only requesting \$850,000 for contracting purposes

CIP Project Detail

Multi-Year Projects Detail

Wells 81, 82, and 83 Antelope North/Poker

Project Status: In Progress **Estimated Timeline:** 2021 - 2026

What: Three 1,500 gpm groundwater 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	\$ 89,874	\$ 190,630	Initial planning and CEQA
2022	728,175	4,464,471	5,192,646	Continue design of pump station Construction of 3 groundwater wells
2023	713,439	6,483,061	7,196,500	Complete construction of groundwater wells. Complete design of pump station Start construction of pump station.
2024	540,000	6,258,000	6,798,000	Continue construction of pump station
2025	200,000	6,200,000	6,400,000	Complete construction of pump station
2026	50,000	150,000	200,000	Complete commissioning of pump station. This is a contingency to cover possible costs from the County SIPS and PG&E work.
2021 - 2026	\$ 2,332,370	\$ 23,645,406	\$ 25,977,776	

CIP Project Detail

Multi-Year Projects

Well 84 Antelope /Don Julio

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

What: 3,000 gpm groundwater well, building, chemical feed

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

	Design	Construction	Total	Descriptions
2022	\$ 158,537	\$ 973,153	\$ 1,131,690	Start design of pumpstation Start construction of groundwater well
2023	523,614	5,586,686	6,110,300	Complete construction of groundwater well Complete design of pump station Start construction of pump station
2024	602,000	5,522,000	6,124,000	Continue construction of pump station
2025	200,000	300,000	500,000	Complete construction of pump station
2022 - 2025	\$ 1,484,151	\$ 12,381,839	\$ 13,865,990	

CIP Project Detail

Multi-Year Projects

Well 85 Auburn/Fulton

Project Status: In Progress **Estimated Timeline:** 2024 - 2029

What: New groundwater well, building, chemical feed

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

	Design	Construction	Total	Descriptions
2024	\$ 220,000	\$ -	\$ 220,000	Start design of groundwater well
2025	900,000	2,360,000	3,260,000	Complete design of groundwater well Complete construction of groundwater well Start design of pump station
2026	275,000	50,000	325,000	Complete design of pump station Permitting complete
2027	100,000	2,273,000	2,373,000	Start construction of pump station
2028	100,000	2,272,000	2,372,000	Continue construction of pump station
2029	50,000	400,000	450,000	Complete construction of pump station Commissioning & start-up
2024 - 2029	\$ 1,495,000	\$ 4,683,000	\$ 9,000,000	

CIP Project Detail

Multi-Year Projects

Well 86 (TBD)

Project Status: New **Estimated Timeline:** 2025 - 2030

What: New groundwater well, building, chemical feed

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	
2025	\$ 200,000	\$ -	\$ 200,000	Start design of groundwater well
2026	927,000	2,431,000	3,358,000	Complete design of groundwater well Complete construction of groundwater well Start design of pump station
2027	300,000	50,000	350,000	Complete design of pump station Permitting complete
2028	100,000	2,300,000	2,400,000	Start construction of pump station
2029	100,000	2,300,000	2,400,000	Continue construction of pump station
2030	50,000	400,000	450,000	Complete construction of pump station Commissioning & start-up
2025 - 2030	\$ 1,527,000	\$ 4,781,000	\$ 9,158,000	

CIP Project Detail

Multi-Year Projects

Butterball MRA 5B Main Replacement

Project Status: In Progress **Estimated Timeline:** 2024 - 2031

What: Assessment of failure of PVC main and saddles. Possible main replacement project

Why: Eliminate risk from existing main/saddle with high amount of failures

Need: Maintain ability to provide reliable service; and reduce risk of large and expensive main breaks

Project Budget

	Design	Construction	Total	Descriptions
2024	\$ 250,000	\$ -	\$ 250,000	Analysis of failures and contributing factors Start alternatives analysis.
2025	100,000	-	100,000	Complete alternatives analysis.
2026	350,000	-	350,000	Design - Placeholder budget
2027	-	-	-	None
2028	150,000	-	150,000	Permitting and bidding. Placeholder budget
2029	-	13,400,000	13,400,000	Construction 1 of 3. Placeholder budget Assumes full Main Replacement project
2030	-	13,700,000	13,700,000	Construction 2 of 3. Placeholder budget Assumes full Main Replacement project
2031	-	17,000,000	17,000,000	Construction 3 of 3. Placeholder budget Assumes full Main Replacement project
2024 - 2031	\$ 850,000	\$ 13,400,000	\$ 44,950,000	

CIP Project Detail

Annual Projects Budget

CIP Annual Projects Budget	Budget 2025	Forecast 2026
Dist. Main Replacement	6,472,000	3,954,000
Well Rehab. and Related Capital Costs	4,404,000	5,080,000
Reservoir and Booster P.S.	3,270,000	1,189,000
Other Re-occurring Annual Capital Costs	\$ 2,489,000	\$ 2,697,000
Total CIP - Annual Projects Budget	\$ 16,635,000	\$ 12,920,000

Does not include multi-year projects

CIP Project Detail

Annual Projects Budget

Distribution Main Replacement & Improvement	Budget 2025	Forecast 2026
	\$ 6,472,000	\$ 3,954,000
<u>2025/ 2026 Projects</u>		
Main Replacement - Butterball, MRA 5B - Alternatives Analysis & Design	(Multi-Year Budget)	
Main Replacement - Auburn Blvd Bridge	1,270,000	
Main Replacement - MBP Dudley Blvd (construction)	4,782,000	-
Main Replacement - MBP Dudley/Peacekeeper (construction)	-	2,884,000
Main Replacement - Auburn/Fulton(design only)	250,000	-
Main Improvement - Small Distribution System Improvement Projects	100,000	1,000,000
Corrosion Control - Cathodic Protection for existing transmission mains	70,000	70,000
	\$ 6,472,000	\$ 3,954,000

CIP Project Detail

Annual Projects Budget

Well Rehab. and Related Capital Costs	Budget 2025	Forecast 2026
<u>2025/ 2026 Projects</u>	\$ 4,404,000	\$ 5,080,000
-		
Well Rehabilitation/Repair/Upgrade - KPM Projects - Labor Contract	2,944,000	3,105,000
Non-Labor Rehabilitation/Repair/Upgrade - KPM Projects - Non-Labor Costs	1,210,000	1,410,000
Well N20 Pump Station Upgrade	-	250,000
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	150,000	-
Destroy abandoned wells - 2026: Wells 56 & 59		15,000
Well sites demolition - Contingency		50,000
	\$ 4,404,000	\$ 5,080,000

CIP Project Detail

Annual Projects Budget

Reservoir and Booster P.S.	Budget 2025	Forecast 2026
<u>2025/ 2026 Projects</u>	\$ 3,270,000	\$ 1,189,000
Watt/Elkhorn Reservoir - Recoating Construction	2,700,000	-
Hydropneumatic Tanks (2 per year) - Interior Re-coating	300,000	315,000
Reservoirs/Tanks Annual Repairs/Modifications As Needed	70,000	74,000
Antelope Reservoir - Re-coating Design & Specifications	200,000	-
Enterprise Reservoirs - Re-coating Design & Specifications	-	200,000
Walnut Tank - Demo Plan	-	200,000
Capehart Tank - Demo Plan	-	200,000
McClellan Tank 216 - Structural Retrofit Design		200,000
	\$ 3,270,000	\$ 1,189,000

CIP Project Detail

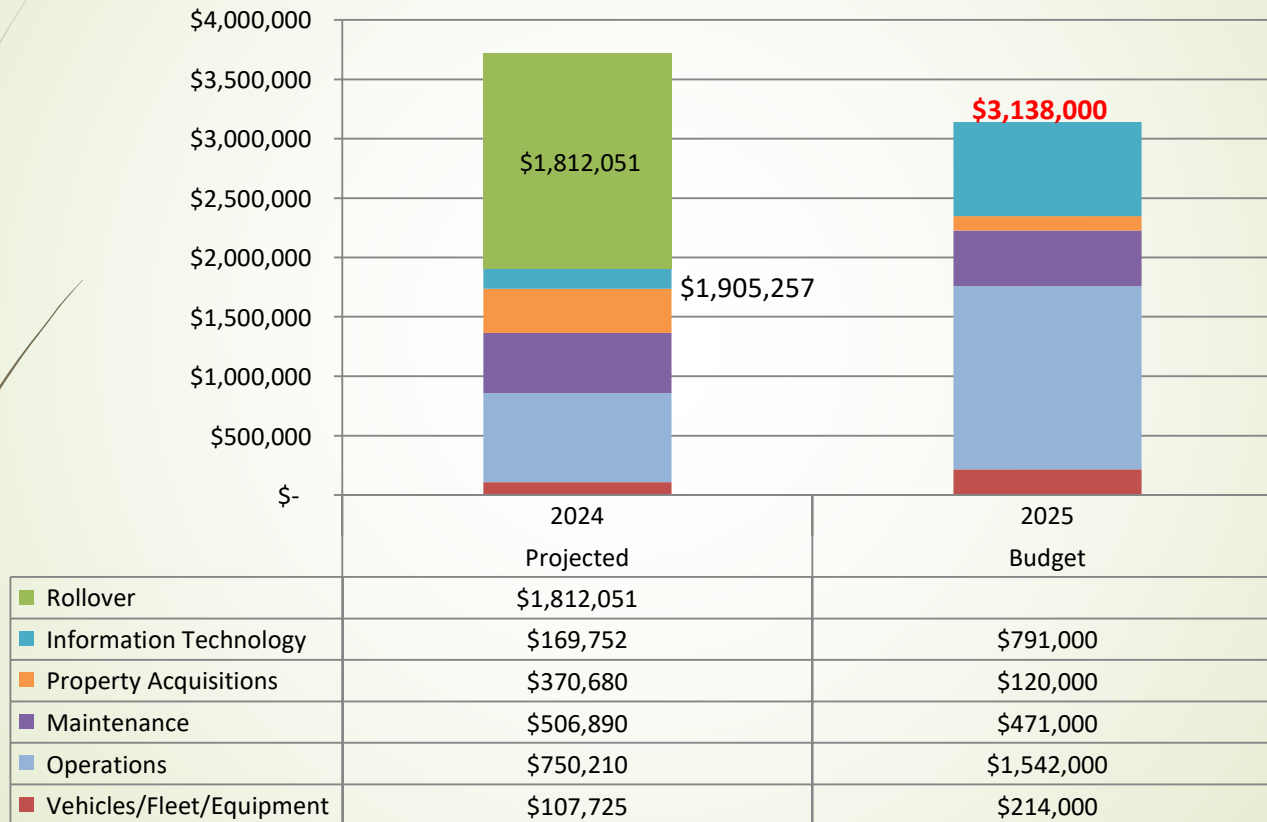
Annual Projects Budget

Other Re-occurring Annual Capital Costs	Budget 2025	Forecast 2026
<u>2025/ 2026 Projects</u>	\$ 2,489,000	\$ 2,697,000
Adjust valves boxes for County/City paving projects	1,188,000	1,092,000
Replace valves, hydrants and services that outlived their useful life	805,000	926,000
Replace water meters that outlived their useful life	350,000	371,000
Replace obsolete large services (>3")	81,000	93,000
Right of way/easement acquisitions (contingency)	15,000	15,000
Marconi Trash Enclosure	50,000	50,000
Antelope Yard Soundwall	-	150,000
	\$ 2,439,000	\$ 2,697,000

CIP Committed Funds

Well Development Fund	Budget 2025	Forecast 2026
<u>2025/ 2026 Funding</u>	\$ 2,205,000	\$ 1,091,000
New Well Funding	1,175,000	\$ 1,091,000
Water Quality Treatment Funding (adding water quality treatment to existing production facility)	1,030,000	\$ -
	\$ 2,205,000	\$ 1,091,000

Operating Capital Program (OCP) 2025 Proposed Budget



Discussion of individual line items appear on subsequent pages.

OCP Project Detail

Operations Project Costs

Operations	Budget 2025
<u>2025 Projects</u>	<u>\$ 1,542,000</u>
Well Pump & Motor Standardization	65,000
GWAMP Implementation: Groundwater Well Performance Monitoring & Assessment, and Engineering Data Management	75,000
Design Standards for New Wells and their Pump Stations	200,000
Water System Operations and Maintenance Plan	300,000
Urban Water Management Plan	200,000
CIP Delivery Performance	200,000
Lead Copper Rule Revision Service Line Inventory	200,000
Facilities Consolidation	150,000
VT10 500 Gal Standard Trailer	93,000
Concrete Work For Drainage Well 26	33,000
ARV Replacements- Budget for 15 Replacements (yearly)	14,000
DR-900 Multiparameter Portable Colorimeter and Case - 5 Units	12,000
	<u>\$ 1,542,000</u>

OCP Project Detail

Vehicles/Fleet/Equipment

Vehicles/Fleet/Equipment	Budget 2025
<u>2025 Projects</u>	<u>\$ 214,000</u>
-	
Vehicle Replacement - Truck # 61, F-150	53,500
Vehicle Replacement - Truck # 65, F-150	53,500
New Vehicle - Water Conservation Department, Ford Ranger	52,000
New Vehicle - Environmental Compliance Department, Ford Ranger	55,000
	<u>\$ 214,000</u>

OCP Project Detail

Information Technology

Information Technology	Budget 2025
<u>2025 Projects</u>	<u>\$ 791,000</u>
Hardware Refresh Program	190,000
Software Enhancements/Modules	101,000
SCADA Improvements	500,000
	<u>\$ 791,000</u>

OCP Project Detail

Maintenance

Maintenance	Budget 2025
<u>2025 Projects</u>	<u>\$ 471,000</u>
Walnut Roof Replacement - Phase 2	250,000
Watt/Elkhorn Reservoir Site Pavement Sealing	50,000
Antelope Pavement Replacement	51,000
Well Sites Fence/Gate Repairs	50,000
Fence Installation at Parkoaks	42,000
Fence Replacement - Two Facilities	19,000
Interior Lighting Replacement - Well 32A Eden Root Site	9,000
	<u>\$ 471,000</u>

OCP Project Detail

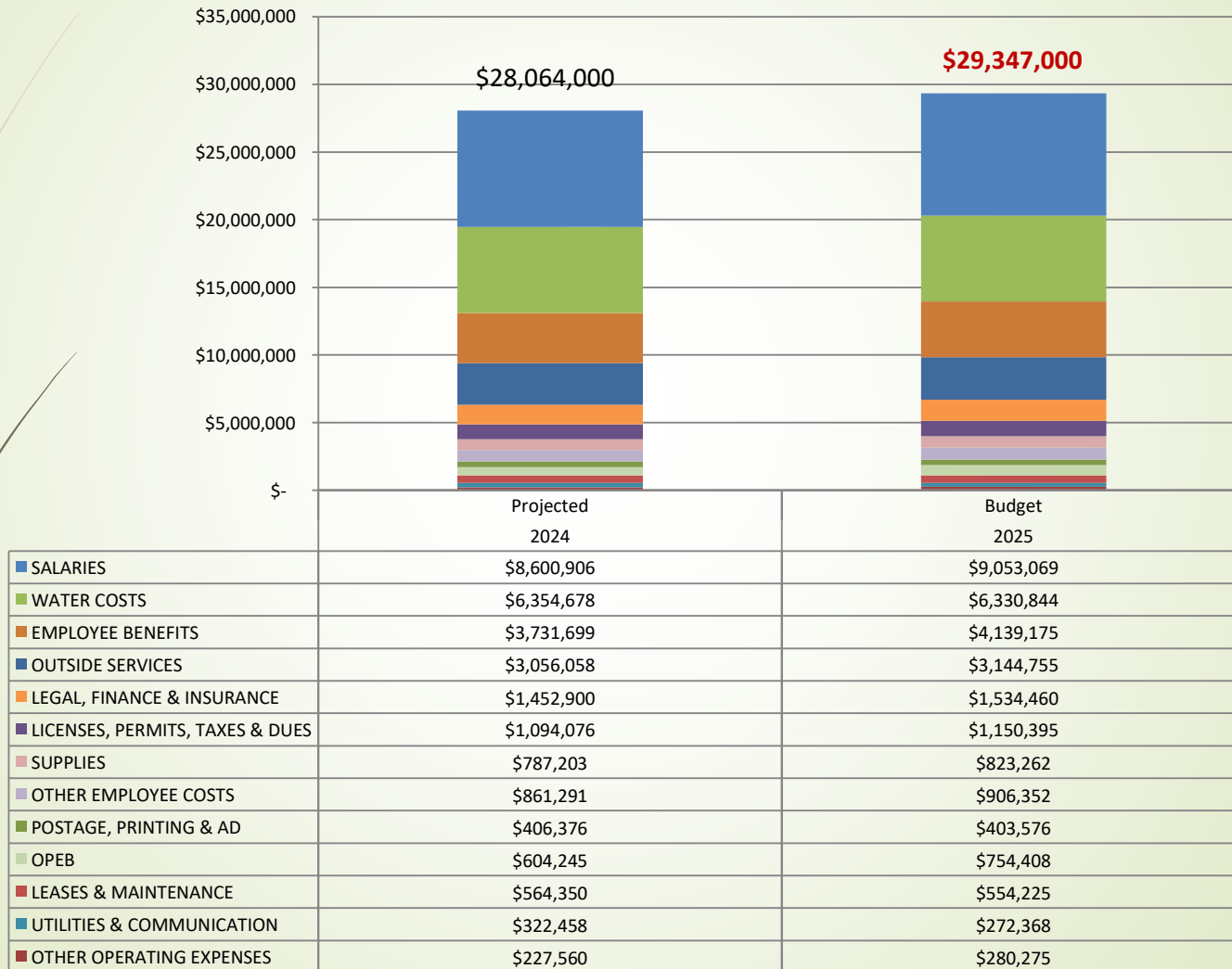
Property Acquisitions

Property Acquisitions	Budget 2025
<u>2025 Projects</u>	\$ 120,000
Property Acquisition - General Support	70,000
Property Acquisition - Walerga Pham Parcel	50,000
	\$ 120,000

Operating Budget

Operating Expense Detail

2025 Budget - By Category



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

Operating Expense Detail

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2025 Proposed Budget - By Department

Department	Proposed Budget 2025
Board of Directors Total	\$ 115,000
Administrative Total	3,503,000
Finance Total	1,381,000
Customer Services Total	1,595,000
Field Operation Total	639,000
Production Total	9,417,000
Distribution Total	3,476,000
Field Services Total	1,744,000
Maintenance Total	829,000
Conservation Total	856,000
Environmental Compliance Total	1,206,000
Engineering Total	1,891,000
GIS/CAD Total	569,000
Human Resource Total	532,000
Information Technology Services Total	1,314,000
Community Outreach Total	280,000
Grand Total	\$ 29,347,000

Department budgets include all costs including salaries & benefits.

Debt Service Budget

Debt Service Budget

	Projected	Budget
	2024	2025
Principal	\$ 5,010,000	\$ 5,145,000
Interest	1,985,000	1,848,000
Total Debt Service	\$ 6,995,000	\$ 6,993,000

2024 – 2030 annual debt service ~\$7.0M based on fixed rate debt schedules

2025 Budget Summary

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	2024 Projected	2025 Proposed Budget	2025 Budget Per 2024 Rate Study
Source Budgets:			
Income From Customers	\$ 54,961,000	\$ 56,966,000	\$ 56,879,000
Total Other Income	3,515,000	1,386,000	1,386,000
Grant Income	11,503,000	3,392,000	9,432,000
Reserve Use	-	7,034,000	
Total Sources	69,979,000	68,778,000	67,697,000
Use Budgets:			
Operations and Maintenance	28,064,000	29,347,000	28,725,000
Capital - Current Year Spending	26,510,000	30,233,000	29,190,000
Capital - Committed Funds	-	2,205,000	2,205,000
Debt Service (Forecast)	6,995,000	6,993,000	6,993,000
Reserve Funding	8,410,000	-	
Total Uses	69,979,000	68,778,000	67,113,000
Reserve Balance:			
Change in Reserve Balance	8,410,000	(7,034,000)	584,000
Reserve Balance, Beginning of Year	44,358,343	52,768,343	47,712,000
Reserve Balance, End of Year	\$ 52,768,343	\$ 45,734,343	\$ 48,296,000
Reserve Target	\$ 51,182,923*	\$ 48,050,000	\$ 48,050,000
Rate Study Plan	\$ 49,491,303*	\$ 48,296,000	\$ 48,296,000

* Per 2019 Rate Study

Questions ?

Sacramento Suburban Water District

Reserve Policy

Adopted: August 18, 2003
Approved with Changes: August 19, 2024

100.00 Purpose

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.

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.

Main Replacement Fund

As established by the Board of Directors in District Resolution No. 24-09, this is 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. It is anticipated to be funded through unspent annual planned transmission and distribution (T&D) expenditures or at the direction of the Board. There is no minimum target level for this fund. This fund shall not be included in the minimum reserve fund balance target.

Well Development Fund

As established by the Board of Directors in District Resolution No. 24-09, this is a sinking fund to accumulate funds for the purpose of developing new wells or for well treatment 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 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 of 120 days (33%) of its current year's budgeted annual expenditures for operating costs and debt service in this fund. The minimum balance in this fund shall be 90 days (25%) of its current year's budgeted annual expenditures for operating costs and debt service. 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 minimum balance, that is a sign for staff to review the fund and, if necessary, bring recommendations to the Board to replenish the fund and 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 current year's budgeted 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.

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. The Grant Fund will be funded from the Capital Asset Fund or as directed by the Board. 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 of fifty percent (50%) of the annualized average of the future five years of the planned Capital Program (CIP & OCP) 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 capital budget 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 the purpose of calculating liquidity versus the target, all District cash and cash equivalent balances shall be included.

400.00 Target Funding Level

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

Fund Classification	Funding Level
Capacity Reimbursement Fund	20% of CF charges collected annually less developer payouts.
Emergency/Contingency Fund	3% of prior-year end total assets.
Operating Fund	33% of budgeted annual operating and debt service expenditures.
Rate Stabilization Fund	40% of budgeted water consumption revenues.
Grant Fund	Sufficient to pay for "local cost share" on all outstanding and applied-for grants. Funds from Capital Asset Fund.
Capital Asset Fund	50% of the annualized average of the projected future five years of capital expenditures.
Capacity Fee Fund	Remaining amounts of CF Charges after amounts used by Capacity Reimbursement Fund expended. For new or replacement capacity related infrastructure.
Main Replacement Fund	No minimum. Funded as directed by the Board or from unspent budgeted T&D funds.
Well Development Fund	No minimum. Funded as directed by the Board or from unspent Well Development budgeted funds.

410.00 Reserve Fund Valuation

For the purposes of calculating the reserve fund balances for comparing to the target levels, investments will be valued at market on the date of valuation.

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 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 reviewed annually by the Board of Directors as part of the annual budget adoption process.

Sacramento Suburban Water District

Budget Policy

Adopted: September 15, 2014

Ratified without changes on: August 19, 2024

100.00 Purpose:

The District's annual budget, as approved by the Board of Directors, will serve as the basis for operating the District financially. The Revenue and Other Sources of Funds, Operating, Capital and Debt Service Budgets are developed on an annual basis utilizing the District's Strategic Plan, Asset Management Plans, Urban Water Management Plan, debt documents and all other District planning documents and as recommended by staff. Together, these documents and activities provide a comprehensive plan to deliver efficient water service to the customers and stakeholders of the District in a manner that aligns resources with the policy, goals, mission and vision for the District.

The formulation of the Revenue and Other Sources of Funds, Operating, Capital and Debt Service Budgets (Annual Budget) is one of the most important financial activities that the District undertakes each year. This policy is intended to provide guidelines to assist in the formulation of the District's Annual Budget.

100.10 Applicability and Scope:

This policy shall apply to all revenues and expenditures under the budgetary and fiscal control of the Board of Directors.

100.20 Definitions and Terms:

Adopted Budget – The formal budget document approved by the Board of Directors which shows budgeted revenues and expenditures/expenses for the subject calendar year.

Amended Budget – The approved budget after a Board of Directors approved budget amendment.

Budget Amendment – Any adjustment that changes the amount of a budget (operating, capital, debt service or revenues and sources of funds). Budget amendments must be approved by the Board of Directors.

Budget Rollover – Budget amounts allocated to specific capital projects (not master budget amounts) that are unspent at year-end will roll over to subsequent years and be available for spending on the project. Rollover funds may not be transferred to other projects. Unspent rollover funds will be transferred to reserves at project completion.

Capital Budget - The Capital Budget is comprised of two components, Capital Improvements Program (CIP) and Operating Capital Program (OCP). Projects will be segregated and managed separately within these two categories.

Capital Improvement Program (CIP) – The CIP is a component of the Capital Budget and includes a number of general along with specifically identified projects and their projected costs. Projects in the CIP are comprised of the long-term assets generally associated with the water delivery system.

Debt Service – The annual amounts required to satisfy the District’s legal requirements for repaying debt principal, payment of interest and other debt related costs.

Full Accrual Basis of Accounting – Transactions and events are recognized as revenues and expenses when they occur regardless of the timing of related cash flows. This method is consistent with how the District accounts for its normal operational transactions.

Level of Control – The level of budgetary accountability at which the District’s Budget Managers may not reassign resources without approval of the Board of Directors.

Operating Budget – The Operating Budget is comprised expenditures/expenses used to pay for daily operations such as labor costs, materials and supplies, outside services, etc.

Operating Capital Program (OCP) – The OCP will include all Information Technology capital projects, vehicle and fleet capital costs, capitalizable office furniture, and capitalizable costs for operations. Capitalizable costs in the OCP are distinguished from those in the Capital Improvement Program based, generally, on the shorter expected life of the asset and the asset is not part of the general water delivery system.

Rate Covenant – Legal conditions placed on the District as part of obtaining and maintaining debt.

100.30 Related Documents and References:

- Capital Asset Policy PL Fin 002
- Reserve Policy PL Fin 004
- Debt Management Policy PL Fin 011
- Employee Compensation Policy PL – HR 002

200.00 Policy:

It will be the policy of the District to prepare an Annual Budget each year that will be approved by the Board of Directors before the budget year begins. The following sections outline the specific requirements of this policy.

200.10 Basis of Budgeting:

- A. Full Accrual Basis of Accounting will be used for budgeting purposes with the following exceptions:
 1. Changes in fair value of investments are not treated as adjustments to revenue in the annual budget.

2. Debt principal payments are treated as expenditures in the annual budget.
3. Capital lease payments are treated as expenditures in the annual budget.
4. Amortization of debt premiums, discounts and defeasance costs are not recognized in the annual budget.
5. Depreciation expense is not recognized in the annual budget.
6. Capital purchases are recognized as expenditures in the annual budget.
7. Material increases/decreases in holding accounts such as inventory, prepaid expenses, compensated absences, etc. can be recognized as expenditures or sources of funds in the annual budget.
8. Non-cash expenses related to pension, OPEB, and Asset Retirement Obligations are not recognized in the annual budget.
9. Reserve uses or contributions will be recognized as sources of funds or expenditures in the annual budget, respectively.

200.20 Budgetary Control:

- A. The Adopted Budget is not a legally binding appropriation as with other municipal entities. The budget is for cost control and management reporting purposes only. The approved budget is a one-year budget only, however, a subsequent year forecasted budget may be prepared and included for comparison purposes.
- B. Budget Managers will have the authority to reallocate budget amounts within their department/project category budgets without subsequent reporting to the Board. Transfers between departments or project categories must be approved by the General Manager and reported as described in item C below.
- C. The General Manager will have authority to transfer specific budgeted amounts within a particular budget (Operating, Capital, or Debt Service) during the year with subsequent reporting to the Board of Directors.
- D. Amounts to be transferred between budgets (e.g., Operating to Capital) will be approved by the Board of Directors prior to the transfer by means of a Budget Amendment. The General Manager may also request to increase or decrease a specific budget by means of a Budget Amendment.
- E. Unspent budgeted funds at year-end will be transferred to reserves except for planned and active capital projects. Planned and active capital projects with unspent budgeted funds at year-end will have their unspent budgeted funds rollover to the subsequent year.
- F. The General Manager and District Treasurer are responsible for adherence to this policy and regular reporting of the District's financial status. Board oversight will be accomplished through regular reporting of budget-to-actual expenditures during the year and review of this Policy.

200.30 Balanced Budget:

- A. The District shall adopt a balanced budget. A budget is balanced when the sum of estimated revenues and appropriated reserves is equal to planned expenditures (including reserve contributions).
- B. Minimum reserve levels shall be maintained unless reserves are being used in accordance with purposes permitted by District policy.

200.40 Development of the Budget:

The District's Strategic Plan will serve as a guide/tool in the development of the District's Annual Budget. The District will establish and maintain separate revenue and sources of funds, operating, capital and debt service budgets (collectively – Annual Budget) in order to provide for proper fund management, financial planning and long-term solvency of the District.

On a combined basis, the Budget will comprise or include the following:

- A. Prioritization – In concert with the adopted District's Strategic Plan, Asset Management Plans, Urban Water Management Plan and all other District planning documents and as recommended by staff, the Board of Directors will prioritize projects and expenditures within the constraint of expected revenues and appropriated reserves.
- B. Capital Accounts – Capital sources of funds from facility development charges, grants, loans and other financing mechanisms will be accounted for separately in capital accounts, such that funds dedicated for capital purposes are expended only for capital purposes.
- C. Adequate Funding to Preserve System Assets – Total operating expenditures will be funded at a level that will preserve the intended life and functional requirements of the District's water system and allow the District to remain in compliance with all applicable regulations.
- D. Adequate Funding to Replace System Assets – Total capital expenditures will be funded at a level that will meet the requirements of the District's Asset Replacement Management Plans and/or the Water System Master Plan.
- E. Maintenance of Sufficient Reserves – The District will maintain sufficient reserves in accordance with the District's Reserve Policy (PL Fin 004.).
- F. Annual Net Income – The District will strive to achieve positive annual net income (total revenue less operating expenditures, debt service and capital projects funded from rates) greater than or equal to zero.
- G. Bond/COP Rate Covenant Requirements – The District will budget such that it will exceed the Rate Covenant obligations of its indebtedness, which is a minimum of 115% of the District's annual debt service costs.

- H. Strive for Rate Stability – Rate stability reinforces the concept that costs are being managed and controlled. Rates should be stable in their ability to generate sufficient revenues.
1. Needed rate adjustments will attempt to minimize impacts to customers by phasing-in or transitioning large rate adjustments over time where possible.
 2. Where possible and deemed appropriate, excess fund balances will be used to offset rate increases with any remaining balances being used for approved capital purposes. The use of fund balances (reserves) will not compromise the Reserve Policy regarding minimum targeted reserve levels or adequate funding on a long-term self-sustaining basis.
 3. Annual rate reviews will consider a minimum three-year projected period in an attempt to stabilize and minimize rates over time.
 4. A comprehensive rate study will be conducted at least every five years by an outside party as determined by the Board in order to assess the fairness of the rates to the District’s ratepayers and to verify that necessary revenue is available for the District’s operating and capital needs.
 5. Rate stability shall be maintained in line with established District policies and its mission statement.

300.00 Budget Presentation:

The budget will be comprised as follows:

- A. Key Assumptions – To include expected water production and source.
- B. Revenue Projections – To include projected net income.
- C. Projected debt service coverage ratio.
- D. Reserve Balance Projections.
- E. Trend and/or Comparative Information
- F. Detailed Annual Budget Data including the following sections:
 1. Revenues and Sources of Funds
 2. Operating Expenditures: Incorporates all District operating expenses, including:
 - a. Expected Other Post Employment Benefit costs and funding to be separately identified and approved.
 - b. Annual labor budget and its components per the Employee Compensation Policy (PL – HR 002) section 300.00
 - c. Other budget categories as required by the Board.
 3. Capital Expenditures (CIP and OCP): Incorporates all the District capital expenditures, including:

- a. Capital Improvement Program expenditures.
 - b. Operating Capital Program expenditures
 - c. Comprised of both general and specific program projects.
4. Debt Service: Will be based on contractual obligations for all principal and fixed-rate interest obligations. Adjustable-rate interest obligations will be forecast based on best available market data at budget preparation time.

400.00 Budget Reporting:

- A. Evaluation and Monitoring of Costs – Costs will be evaluated and monitored through monthly and annual reporting to Board of Directors to ensure that the District is operated in a cost effective and economically prudent manner.
- B. Rollover budget funds will be tracked and reported.

500.00 Authority:

The Board of Directors are responsible for policy formulation and overall direction setting of the District. This includes the approval of financial policies which establish and direct the operations of the District. The General Manager is responsible for carrying out the policy directives of the Board of Directors and managing the day-to-day operations of the District. This policy shall be administered on behalf of the General Manager by the Assistant General Manager and the Director of Finance and Administration.

600.00 Policy Review

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



Agenda Item: 2

Date: November 11, 2024

Subject: Capital Improvement Program Plan 2025

Staff Contact: Dana Dean, P.E., Engineering Manager

Recommended Board Action:

Approve the 2025 Capital Improvement Program Plan.

Discussion:

This report presents the inaugural Capital Improvement Program Plan (CIP Plan) – “CIP Plan 2025”. In accordance with the Capital Improvement Program Policy (PL – Eng 003), the CIP Plan is to be updated annually in coordination with preparation of the annual budget. The CIP Plan is to be presented to the Board for review and consideration for approval along with the annual budget.

The CIP Plan does not impart spending authority, but rather constitutes a foundational element for development of the annual capital budget.

The CIP Plan is a five-year projection of capital needs by asset category. It is to be updated annually – a “rolling” five-year projection.

In the CIP Plan, the first year’s capital needs forecast matches the current Capital Improvement Program (CIP) request to be presented to the Board for review and consideration for approval. The remaining four years of the CIP Plan represents forecasted capital needs. All five years’ capital needs are presented by asset category and sub-category for major components.

The relative placement represents a combination of prioritization, an effort to avoid abrupt changes in levels of funding needs, and availability of human resources (staffing) necessary to complete projects. Overall, these factors are considered with the aim of achieving an acceptable balance of the three Goals of the District’s Strategic Plan, listed below.

Strategic Plan Alignment:

- 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

Attachment:

1. Capital Improvement Program Plan 2025

Sacramento Suburban Water District

Capital Improvement Program Plan 2025

PURPOSE

Purpose of this Capital Improvement Program Plan (CIP Plan) is to identify projects or project categories to be undertaken over a five-year planning period, their priority, their scheduling, and their funding estimates and sources. The CIP Plan will be a management tool to guide capital planning and financing activities.

GUIDANCE AND REFERENCE

Guidance

- Capital Improvement Program Policy (PL – Eng 003), 2022
- Capital Improvement Program Procedure (PR – Eng 003), 2023

References

- Building and Structures Asset Management Plan (AECOM, 2021)
- Distribution Main Asset Management Plan (SSWD, 2019)
- Groundwater Well Asset Management Plan (Brown and Caldwell, 2020)
- Reservoir and Booster Pump Station Asset Management Plan (SSWD, 2011)
- Transmission Main Asset Management Plan (SSWD, 2020)
- Water Meter Asset Management Plan (UMS, 2023)
- Water System Master Plan (Brown and Caldwell, 2017)
- Well Tool (model for well replacement forecasting) (Brown and Caldwell, 2024)

OVERVIEW

The CIP Plan is intended to function as:

1. A five-year rolling projection (planning horizon) of the District's capital needs.
2. A formal mechanism for decision-making related to planning and budgeting for capital asset acquisition/replacement.
3. A link to the District's Asset Management Plans (AMPs) which guide the planning for renewal and replacement of water system assets.
4. A financial management tool for identifying future financial requirements for capital asset acquisition/replacement over the planning horizon.

Sacramento Suburban Water District

Capital Improvement Program Plan 2025

PROCESS

The cost projections in the CIP Plan are based on engineering estimates, historical project costs or other common estimating methods, asset management plans, and similar sources.

The first year's spending in the Plan will align with the CIP budget to be proposed to the Board during their annual budget approval process.

FUNDING

This CIP Plan is anticipated to be funded through the pay-as-you-go approach.

Sacramento Suburban Water District

Capital Improvement Program Plan 2025

ASSET INFORMATION BY CATEGORY

Production

- A. Existing Wells
 - Maintenance
 - Condition Assessments
 - Repair
 - Improvements/Upgrades
 - Treatment
 - Well Destruction, and Site Demolition
- B. New Wells
 - Planning, Permitting, Design, Construction

Distribution and Transmission Main

- A. Main Replacements
- B. Other
 - Improvements/Upgrades
 - Condition Assessments
 - Cathodic Protection Monitoring/Upgrades (Transmission)

Storage

- A. Existing Storage Tanks and Reservoirs
 - Improvements/Upgrades
 - Condition Assessments
 - Recoating
 - Demolition
- B. New Storage Tanks and Reservoirs
- C. Hydropneumatic Tanks
 - Replacements
 - Improvements/Upgrades
 - Condition Assessments
 - Recoating
 - Demolition

Special Projects

- A. Acquisition of Right-of-Way and Easements
- B. Roadway (County and City) Projects Impacting Water Facilities
- C. Other

Operations Projects

- A. Valve/Hydrant/Service/Replacement
- B. Large Meter Service Replacement
- C. Meter Replacement Preventive Maintenance (PM)
- D. Advanced Metering Infrastructure (AMI)

Sacramento Suburban Water District
Capital Improvement Program Plan 2025

SUMMARY OF 5-YEAR FUNDING NEED FORECAST

Categories		Funding Need Forecast (millions, inflated for 2027-29)					
Asset	Project	2025	2026	2027	2028	2029	Total
Production							
	A. Existing Wells	5.43	5.08	4.64	5.78	5.93	26.87
	B. New Wells	11.54	4.97	4.92	5.06	2.61	29.10
	<i>Total</i>	<i>16.97</i>	<i>10.05</i>	<i>9.56</i>	<i>10.85</i>	<i>8.54</i>	<i>55.97</i>
Distribution and Transmission							
	A. Main Replacements	6.50	4.23	12.62	1.12	13.39	37.87
	B. Other	0.07	0.07	0.05	0.06	0.06	0.31
	<i>Total</i>	<i>6.57</i>	<i>4.30</i>	<i>12.68</i>	<i>1.17</i>	<i>13.45</i>	<i>38.17</i>
Storage							
	A. Existing Tanks and Reservoirs	2.97	0.87	1.83	1.89	-	7.56
	B. New Tanks and Reservoirs	-	-	-	-	-	-
	C. Hydropneumatic Tanks	0.30	0.32	0.33	0.34	0.35	1.63
	<i>Total</i>	<i>3.27</i>	<i>1.19</i>	<i>2.16</i>	<i>2.22</i>	<i>0.35</i>	<i>9.19</i>
Special Projects							
	A. Acquisition ROW / Easements	0.02	0.02	0.11	0.11	0.12	0.37
	B. Roadway Projects	1.19	1.09	1.09	1.13	1.16	5.66
	C. Other	0.05	0.20	-	-	-	0.25
	<i>Total</i>	<i>1.25</i>	<i>1.31</i>	<i>1.20</i>	<i>1.24</i>	<i>1.28</i>	<i>6.28</i>
Operations Projects							
	A. Valve/Hydrant/Service Repl.	0.81	0.93	0.76	0.79	0.81	4.10
	B. Large Meter Service Repl.	0.08	0.09	0.05	0.06	0.06	0.34
	C. Meter Replacement PM	0.35	0.37	0.44	0.46	0.47	2.10
	D. AMI	-	-	-	-	-	-
	<i>Total</i>	<i>1.24</i>	<i>1.39</i>	<i>1.26</i>	<i>1.30</i>	<i>1.34</i>	<i>6.53</i>
	<i>Total</i>	<i>29.30</i>	<i>18.24</i>	<i>26.86</i>	<i>16.79</i>	<i>24.95</i>	<i>116.14</i>

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