

Agenda
Sacramento Suburban Water District
Board Workshop

3701 Marconi Avenue, Suite 100
Sacramento, California 95821

Monday, October 5, 2015
3:00 p.m.

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 either before or during the 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 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 Action

1. 2016 Budget – First Draft
Provide direction to staff regarding the draft 2016 budget.

Adjournment

* * * * *

Upcoming Meetings

Monday, October 19, 2015 at 6:30 p.m., Regular Board Meeting

I certify that the foregoing agenda for the October 5, 2015 meeting of the Sacramento Suburban Water District Board of Directors was posted by September 30, 2015 in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was freely available to the public.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District



Agenda Item: 1

Date: September 30, 2015

Subject: 2016 Budget and 2017 Forecast - First Draft

Staff Contact: Daniel A. Bills, Finance Director

Recommendation:

Discuss first draft of the 2016 budget and 2017 forecast. Provide direction to staff.

Discussion:

Attached are the summary and detailed analyses of the proposed 2016 budget and 2017 forecast. The assumptions used in the proposed 2016 budget were presented to the Finance and Audit Committee on Friday, August 28, 2015. Committee comments and suggestions have been incorporated into this first draft.

The 2016 budget materials are provided in the following order:

PowerPoint presentation outlined as follows:

1. Purpose and Background
2. Key assumptions
3. Revenue projection and total cost analysis
4. Reserve balance data
5. Operation & Maintenance (O&M) Budget
6. Capital Improvement Program (CIP) Budget
7. Operating Capital Budget (OCB)
8. Debt Service Forecast

Detailed Analysis presented as follows:

1. Key assumptions
2. Cash-Basis Revenue projection and total cost summary
3. Operation & Maintenance (O&M) Budget
4. Capital Improvement Program (CIP) Budget
5. Operating Capital Budget (OCB)

Reference Material:

1. Reserve Policy

Fiscal Impact:

If adopted as presented, the O&M budget would be \$18.7 million (including funding other post-employment benefits of \$0.5 million); the CIP budget would be \$19.6 million; the OCB budget would be \$1.1 million, and the debt service forecast would be \$7.8 million. The total of all four budgets would be \$47.2 million.

Strategic Plan Alignment:

Finance – 4.H. Produce and monitor an annual budget for necessary system operations, maintenance and improvements.

POWER POINT PRESENTATION

2016 Budget and 2017 Forecast

Board Workshop
October 5, 2015

Mission Statement

- *To deliver a high quality, reliable supply of water and superior customer service at a reasonable price.*

Strategic Plan Goals

- **Water Supply:**
 - Assure a present and long-term safe and reliable supply of high quality water in an environmentally responsible and sustainable manner for District customers.
- **Facilities and Operations:**
 - Plan, construct, operate and maintain the District water system facilities embracing sustainable practices to provide reliable delivery of high quality water.
- **Customer Service:**
 - Assure superior customer service.
- **Finance:**
 - Ensure effective and efficient management and public reporting of all District financial processes.
- **Leadership:**
 - Provide leadership on regional, statewide and national water management issues that affect the District.

2016 Budget Development Process

- Finance and Audit Committee – 08/28/15
 - Initial Presentation; Provide Direction to Staff
- September Board Meeting – 09/21/15
 - Discuss Items Recommended by Finance and Audit Committee
- Board Workshop – 10/05/15
 - Initial Presentation to Full Board; Provide Direction to Staff
- October Board Meeting – 10/19/15
 - 2nd Draft of Budget; Provide Additional Direction to Staff
- November Board Meeting – 11/16/15
 - Budget Approval or Additional Direction to Staff

Definitions and Changes for 2016 Budget

Definitions

- Budget - Comprises All District Costs:
 - O&M Budget – Operations and Maintenance Budget
 - CIP Budget – Capital Improvement Program Budget (Water Infrastructure)
 - OCB Budget – Operating Capital Budget (Autos, Computers, Equipment, Etc.)
 - Debt Service Forecast – Debt Principal and Interest Payments
- AF - Acre Foot. Basic unit for water revenues and costs.

2016 Changes

- Budget Expanded to a 2 Year Planning Horizon:
 - First Year – Project and Budget Approval
 - Second Year – Project Approval; Forecast Provided
- Revisit Budget in May: Re-budget for Surface Water Availability?

2015 Budget and Highlights

2015 Amended Budget

\$ Millions

Operations & Maintenance Budget	\$17.4
Capital Improvement Program Budget	\$18.3
Operating Capital Program Budget	\$ 1.1
Debt Service Budget	\$ 7.9

2015 Budget Allowed the District to Accomplish:

- Projected Water Deliveries of roughly 29,000 Acre Feet (AF)
 - Water Supply Source: All Ground Water
 - No Wheeled Water Deliveries in 2015
- On Schedule to meet SWRCB's 32% Conservation Reduction Standard
- Completed Construction of Rutland Drive Well
- On Schedule to Complete Antelope Pump-Around Project (& Pump-Back Project)
- On Schedule to replace 6.5 miles of Distribution Main Lines
- On Schedule to install 1,782 Water Meter Retrofits
 - (See slide 39 for current status of water meter retrofit program)

2016 Goals

Budget Will Allow the District to Accomplish the Following:

- Water Deliveries of 35,000 AF (32,200 AF to Customers)
 - Includes Wheeled Water Deliveries of 2,800 AF
- Follow modified asset management plans for replacing water infrastructure assets, to include:
 - Replace up to 8 miles of Distribution Main Lines, including 371 Meters
 - Install 1,510 Water Meter Retrofits (139 from grant funds)
 - Complete Rutland Drive Well; Purchase Property for Future Wells
 - Complete Design/Begin Construction of Manganese Treatment Facility at Verner Well
- Continue efforts in meeting SWRCB Conservation Reduction
 - Ends February 29, 2016
 - Maintain water conservation awareness/rebate program after February
- Maintain Reserve Level Above \$40 Million

2016 Budget and 2017 Forecast

	<u>2014 Actual</u>	<u>2014 Amended Budget</u>	<u>Actual As Of 8/31/2015</u>	<u>Projected 2015</u>	<u>2015 Amended Budget</u>	<u>2016 Proposed Budget</u>	<u>2017 Forecast</u>
Water Sales Charge	\$ 10,826,599	\$ 11,050,000	\$ 6,072,797	\$ 9,872,000	\$ 9,412,000	\$ 11,260,000	\$ 11,710,000
Water Service Charge	6,306,241	6,940,000	4,214,768	6,678,000	6,980,000	6,945,000	7,223,000
Capital Facilities/Debt Repayment	20,677,853	20,530,000	14,148,324	21,184,000	21,430,000	22,031,000	22,912,000
Wheeling Water Charge	5,551	190,000	4,111	6,000	5,000	278,000	289,000
Other Charges for Services	1,113,268	930,000	664,407	994,000	1,010,000	1,034,000	1,075,000
Income From Customers	38,929,512	39,640,000	25,104,407	38,734,000	38,837,000	41,548,000	43,210,000
Interest Income	548,363	600,000	400,840	600,000	600,000	680,000	760,000
Other Income (Leases, Cells, Etc.)	368,031	312,000	197,142	282,000	288,000	300,000	300,000
Facility Development Charges	560,784	200,000	523,936	600,000	200,000	500,000	500,000
Grant Income	25,809	519,000	171,172	175,000	654,000	1,068,000	500,000
Total Other Income	1,502,987	1,631,000	1,293,090	1,657,000	1,742,000	2,548,000	2,060,000
Total Revenue	<u>\$ 40,432,499</u>	<u>\$ 41,271,000</u>	<u>\$ 26,397,497</u>	<u>\$ 40,391,000</u>	<u>\$ 40,579,000</u>	<u>\$ 44,096,000</u>	<u>\$ 45,270,000</u>
Budgets:							
Operations and Maintenance	15,993,938	16,639,000	9,634,133	15,736,000	17,282,427	18,737,000	19,285,000
Capital Improvement Program	19,826,144	20,955,000	8,586,667	15,237,000	18,332,000	19,554,000	19,795,000
Operating Capital Program	702,357	944,000	237,564	900,000	1,140,925	1,146,000	1,045,000
Debt Service (Forecast)	7,467,909	7,625,000	2,435,192	7,448,000	7,850,000	7,805,000	7,770,000
Total Costs	43,990,348	46,163,000	20,893,556	39,321,000	44,605,352	47,242,000	47,895,000
Change in Reserve Balance	(3,557,849)	(4,892,000)	5,503,941	1,070,000	(4,026,352)	(3,146,000)	(2,625,000)
Reserve (Cash) Balance	<u>\$ 44,812,477</u>	<u>\$ 43,844,600</u>	<u>\$ 48,723,237</u>	<u>\$ 45,882,477</u>	<u>\$ 40,786,125</u>	<u>\$ 42,736,477</u>	<u>\$ 40,111,477</u>

Note: Bolded lines are the Budgets – O&M, CIP, OCB, and Debt Service Forecast

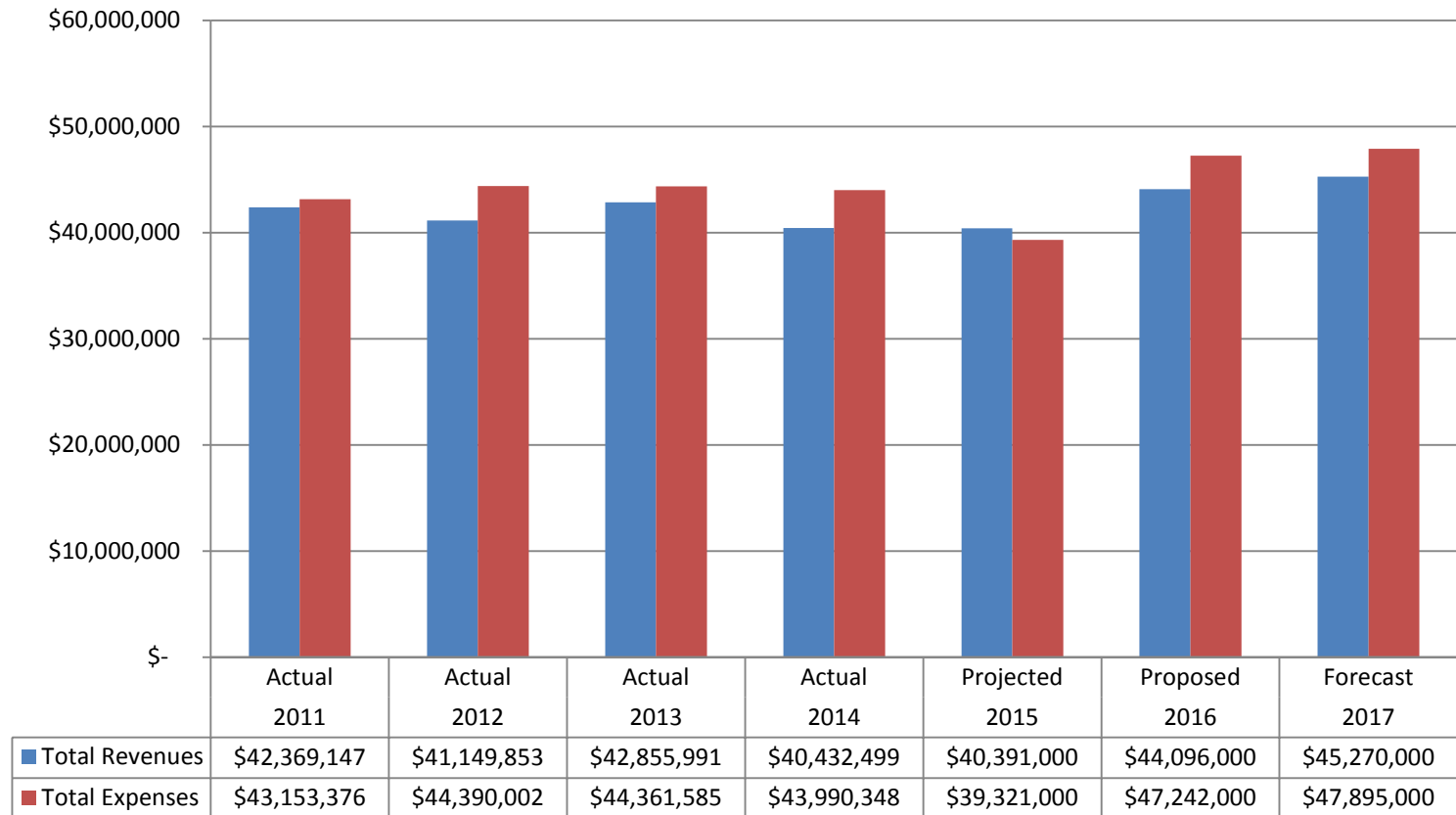
Key Items for Staff Direction

- Assume Normal Water Years for 2016 and 2017?
 - Total Production 35,000 AF = Prior 5 Year Average, including 2015
 - Surface Water = 13,150 AF
 - SSA Surface Water increasing from \$332/AF to \$429/AF
 - NSA Surface Water increasing from \$119/AF to \$177/AF
- Proposed Additions to Staff?
 - Distribution Operator 1 for Meter Repair and Replacement
 - Annual Salary - \$40,000; All-in Annual Salary, Benefits & Taxes - \$61,000
 - New Vehicle and Equipment - \$45,000
- Maintain a Similar Level of Customer Outreach in 2016 & 17?
 - Conservation Messaging
 - Education and Rebate Programs
- Budget for Further Consolidation Analysis?
- Budget for Water Transfers?

Budget Assumptions

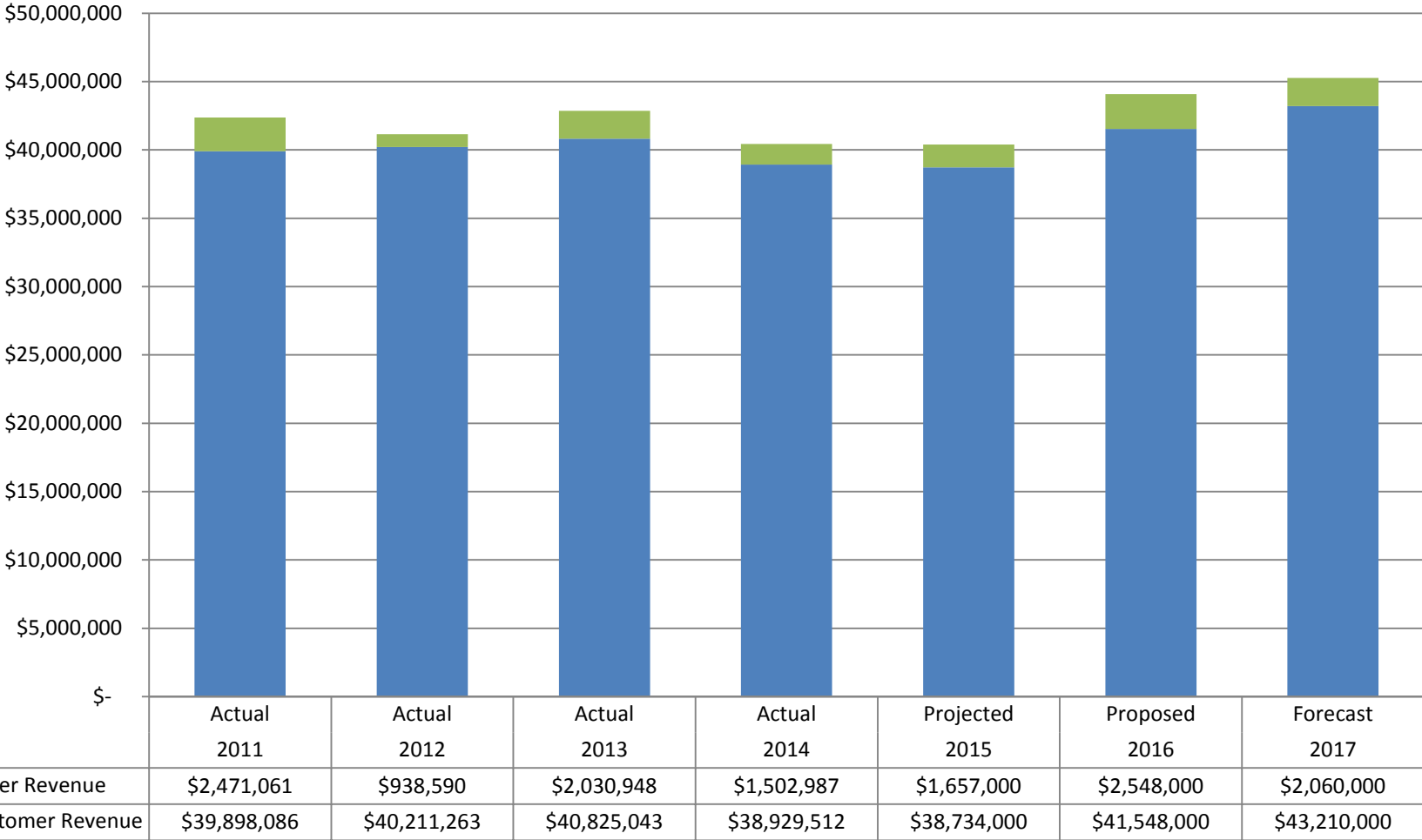
- No changes planned in service boundaries
- No water transfers budgeted
- Water Production – Calculated based on prior 5 year seasonally-adjusted average
 - Total: 35,000 Acre Feet (AF)
 - Surface Water: 13,150 AF (NSA = 12,150 AF @ \$177/AF, SSA = 1,000 AF @ \$429/AF)
 - Customers: 10,200 AF
 - Wheeling: 2,800 AF (Cal-Am 2,000 AF; RLECWD 500 AF; and CHID 300 AF.)
 - Ground Water: 21,850 AF (NSA = 6,850 AF @ \$87/AF, SSA = 15,000 AF @ \$100/AF)
 - City of Sacramento Water Cost is \$429 per AF, up from \$332 per AF in 2015
- Customer Rate increase of 4.0% – Revenue increase of roughly \$1.6 million
- Groundwater costs per AF include – electricity, chlorine, fluoride, SGA fees and permits
- Investment yield is expected to increase 25 bps/annum to 1.75% in 2016 and 2.00% in 2017
- 0.3% cost-of-living increase in 2016 and 2.0% in 2017
- 4.0% merit pool in 2016 and 2017
- Health Care costs based on premium increase of 2.6% in 2016 and 3.0% in 2017 and employee's moving in/out of District medical coverage from/to spousal coverage
- Pension increase is expected to be 7.1% in 2016 and 7.4% in 2017
- 1 addition to staff in 2016 and 2017
- OPEB funding requirement is decreasing by roughly \$125,000 per annum
- No debt refinancing anticipated and no change to District credit rating is assumed

Total Revenues Vs Total Expenditures 2011 to 2017



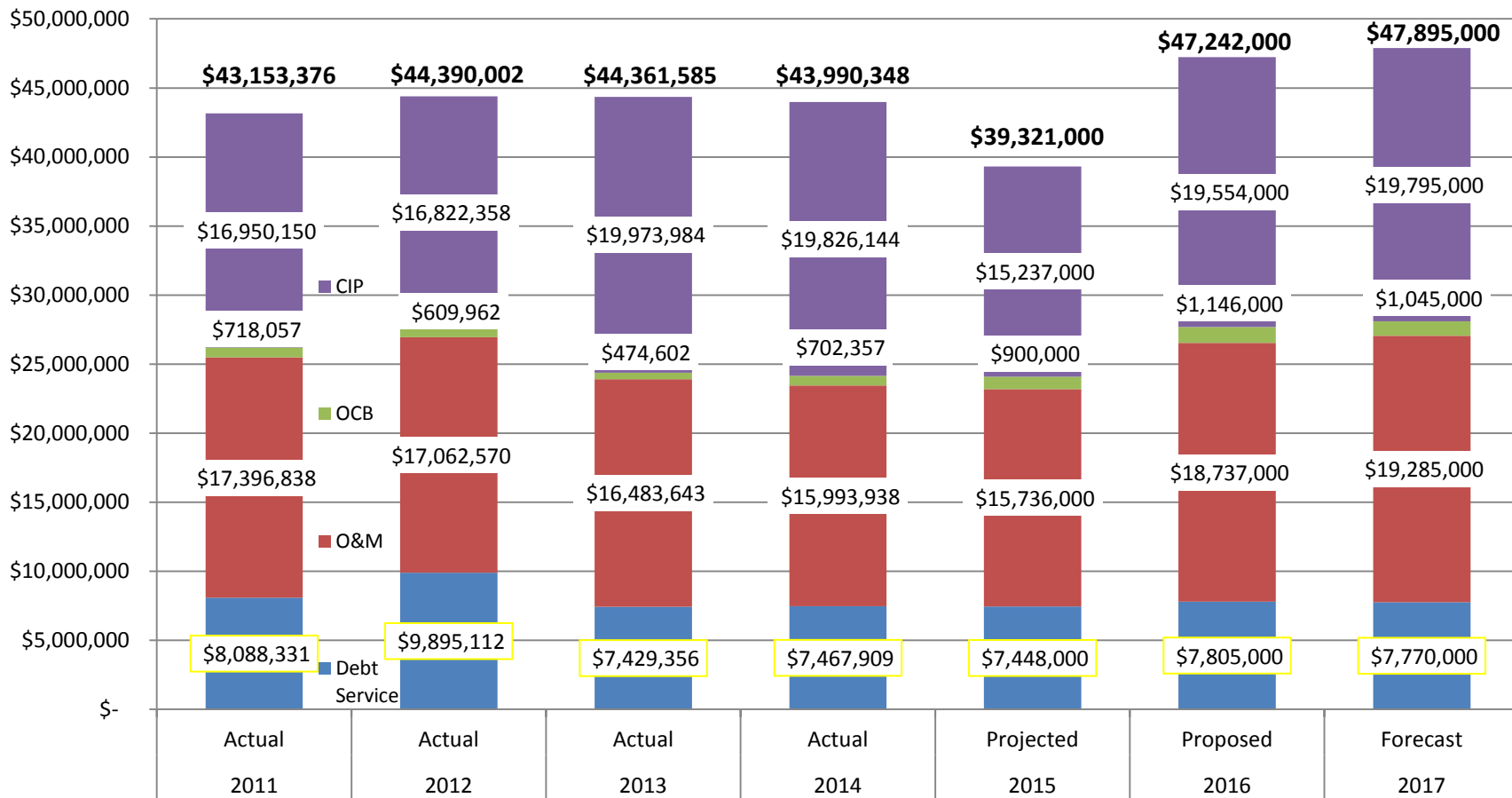
District expenses continue to exceed revenues.

Total Revenues 2011 to 2017



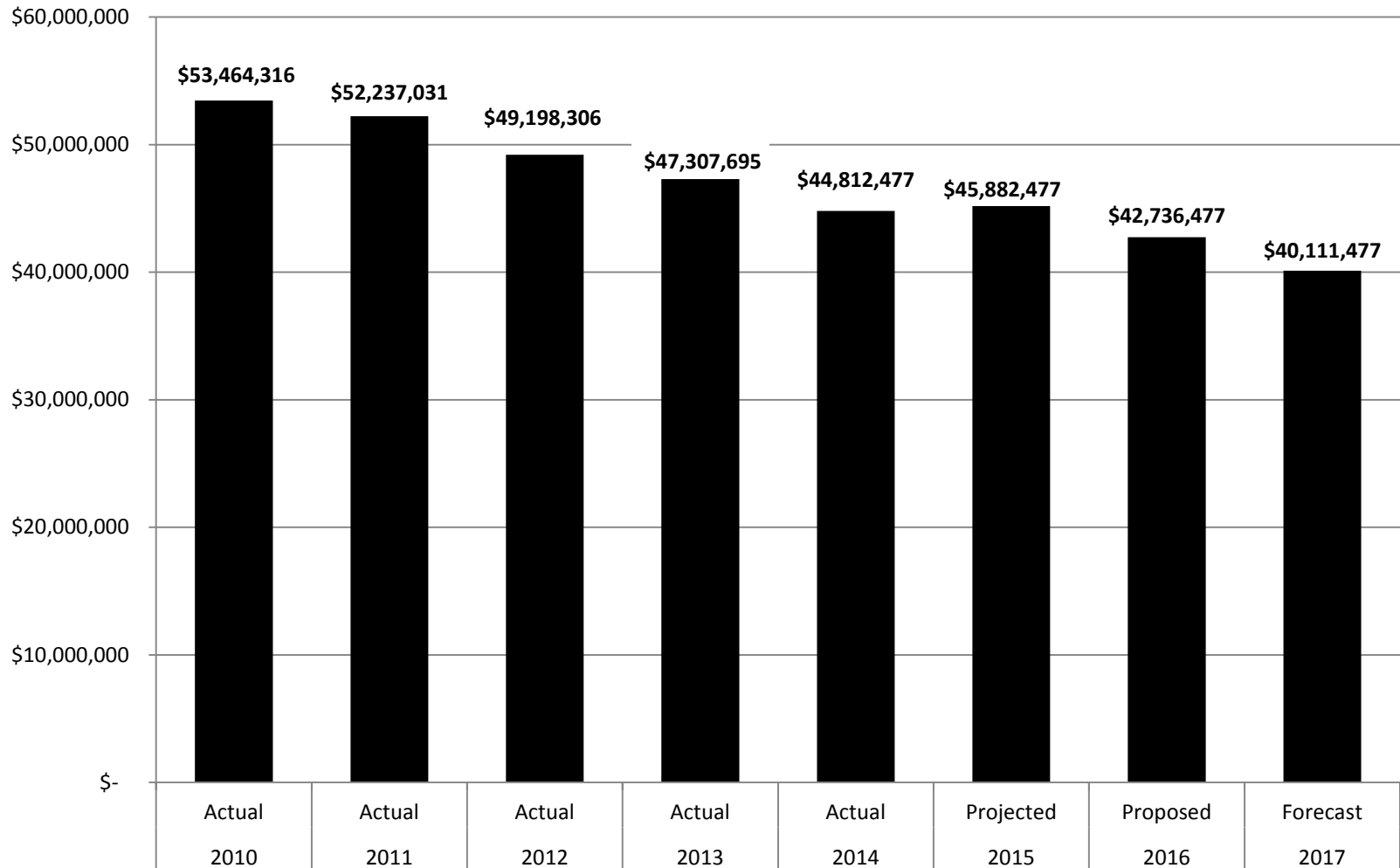
Customer revenue is expected to increase \$1.6 million in 2016 and 2017 due to the 4.0% per annum rate increase approved in 2013. Other revenue fluctuations due to grant award revenue.

Total Expenditures 2011 to 2017



The CIP decrease in 2015 is due to deferred projects – Wells \$1.8 million; Distribution Mains \$1.0 million.
The O&M increase in 2016/17 is primarily due to the purchase of surface water - \$2.7 million.

Reserve Balance 2010 to 2017



As District expenditures continue to exceed revenues, cash reserves continue to decline. Seventh year in a row for reserve balance decreases.

Reserve Balance Detail

2010 to 2017

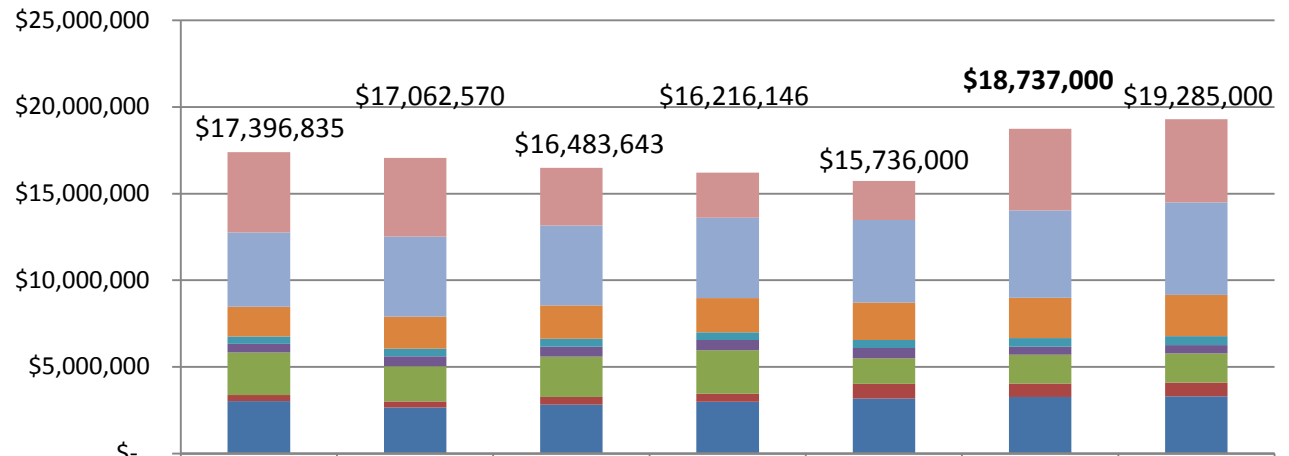
	Actual	Actual	Actual	Actual	Actual	Projected	Proposed	Forecast
	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
Debt Service Reserve	\$ 6,642,655	\$ 6,642,655	\$ 3,532,012	\$ 3,520,472	\$ 3,540,082	\$ 3,517,500	\$ 3,517,500	\$ 3,517,500
Facilities Reimbursement	32,217	32,217	76,051	42,968	21,873	120,000	100,000	100,000
Emergency/Contingency	10,978,750	10,978,750	10,660,000	10,317,750	10,758,000	11,771,750	11,876,000	11,876,000
Operating	6,358,000	6,358,000	6,183,575	6,466,000	6,468,857	6,596,750	6,666,000	6,666,000
Rate Stabilization	5,825,000	5,825,000	5,470,000	5,525,000	5,870,000	5,630,000	5,855,000	5,855,000
Interest Rate Risk	-	-	-	-	-	-	-	-
Grant	5,671,000	5,671,000	7,696,000	3,832,000	654,000	175,000	1,068,000	500,000
Capital Asset	17,956,694	16,729,409	15,580,668	17,603,505	17,499,665	18,071,477	13,653,977	11,596,977
TOTAL	<u>\$ 53,464,316</u>	<u>\$ 52,237,031</u>	<u>\$ 49,198,306</u>	<u>\$ 47,307,695</u>	<u>\$ 44,812,477</u>	<u>\$ 45,882,477</u>	<u>\$ 42,736,477</u>	<u>\$ 40,111,477</u>

Individual reserve account changes based on proposed 2016 budget.

Actual fluctuations (years 2010 to 2014) are due to changes in CIP or O&M expenditures.

O&M Budget

O&M Expenses 2011 to 2017

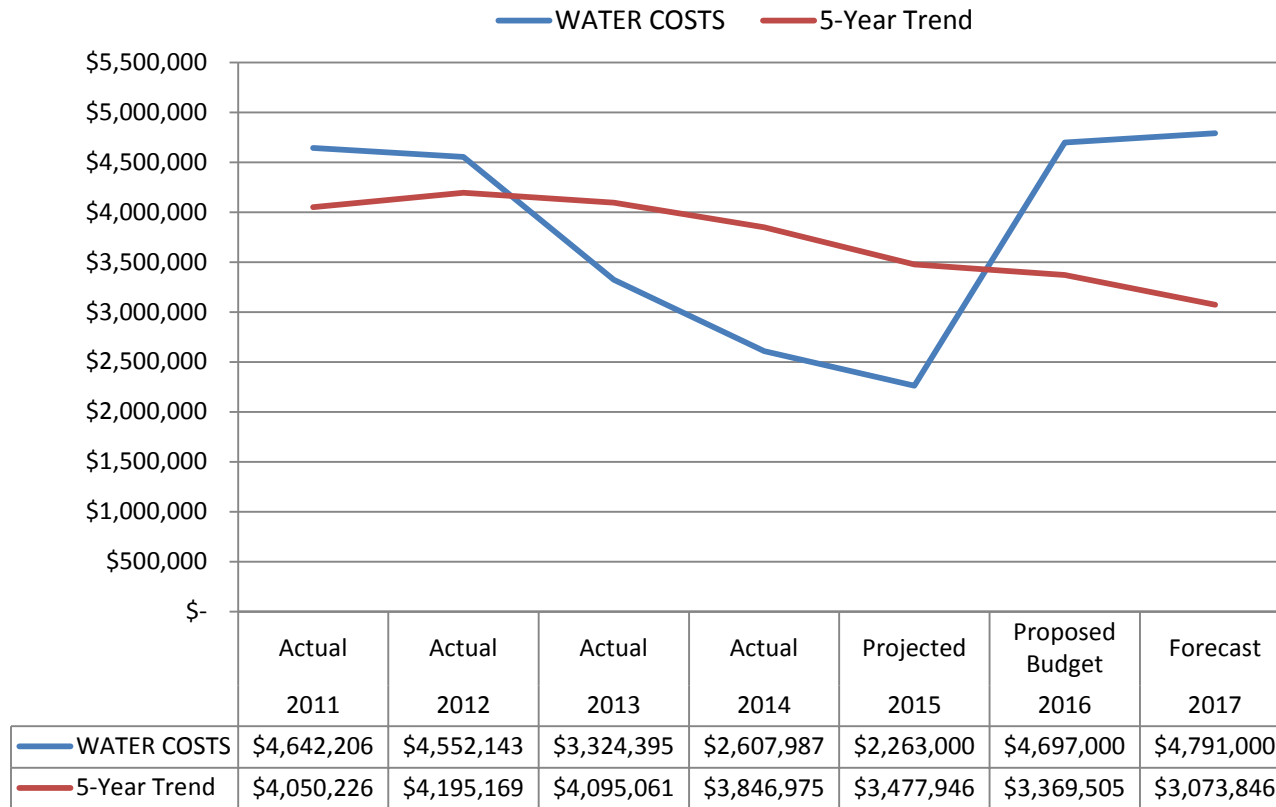


	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Projected 2015	Proposed 2016	Forecast 2017
■ WATER COSTS	\$4,642,206	\$4,552,143	\$3,324,395	\$2,607,987	\$2,263,000	\$4,697,000	\$4,791,000
■ SALARIES	\$4,285,554	\$4,607,863	\$4,610,564	\$4,633,287	\$4,759,000	\$5,043,000	\$5,345,000
■ EMPLOYEE BENEFITS	\$1,707,882	\$1,843,785	\$1,915,889	\$1,980,390	\$2,162,000	\$2,334,000	\$2,381,000
■ EMPLOYER TAXES & INSURANCE	\$420,206	\$451,568	\$457,888	\$439,159	\$465,000	\$495,000	\$505,000
■ OPEB	\$511,000	\$558,200	\$576,300	\$592,700	\$591,000	\$470,000	\$483,000
■ ENGINEERING & CONSTRUCTION SERVICES	\$2,442,695	\$2,046,857	\$2,323,246	\$2,501,575	\$1,464,000	\$1,654,000	\$1,687,000
■ PUBLIC OUTREACH & CONSERVATION	\$365,180	\$342,356	\$452,250	\$469,571	\$847,660	\$776,306	\$791,832
■ OTHER	\$3,022,112	\$2,659,798	\$2,823,111	\$2,991,477	\$3,184,340	\$3,267,694	\$3,301,168

Discussion of individual line items variances appear on subsequent pages.

O&M Expense Detail

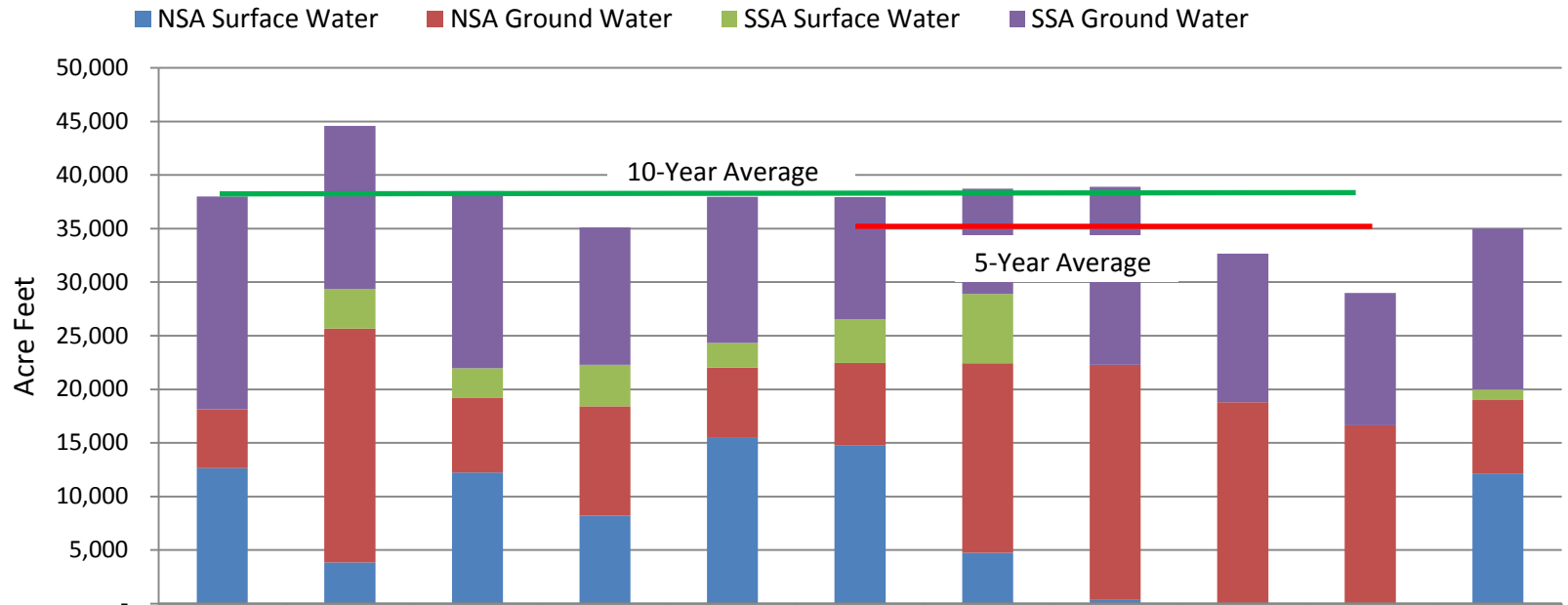
Water Costs



Water costs fluctuate based on hydrological conditions. Due to the conditions in 2013, 14 and 15, surface water was unavailable. 2016 and 17 assumes the purchase of 13,150 AF of surface water (SSA - 1,000 AF and NSA 12,150 AF) for a \$2.7 million increase.

O&M Expense Detail

Water Production



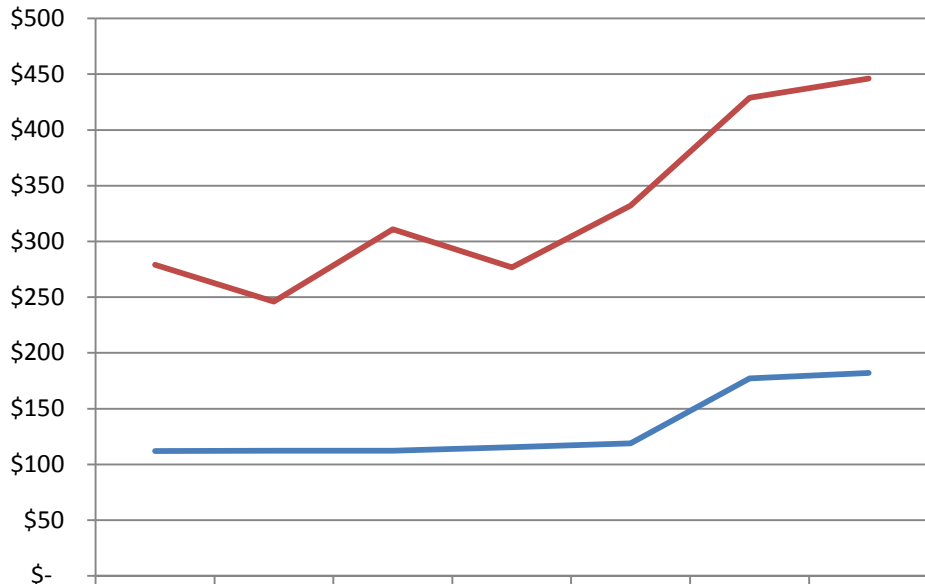
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Proposed
SSA Ground Water	19,884	15,200	16,531	12,818	13,656	11,380	9,833	16,607	13,875	12,374	15,000
SSA Surface Water	-	3,701	2,743	3,872	2,289	4,084	6,463	-	-	-	1,000
NSA Ground Water	5,480	21,839	6,985	10,203	6,522	7,741	17,697	21,886	18,801	16,609	6,850
NSA Surface Water	12,642	3,842	12,239	8,212	15,518	14,729	4,738	409	-	17	12,150

Production amounts for 2016 recommended by the Finance and Audit Committee.

Surface Water vs Ground Water

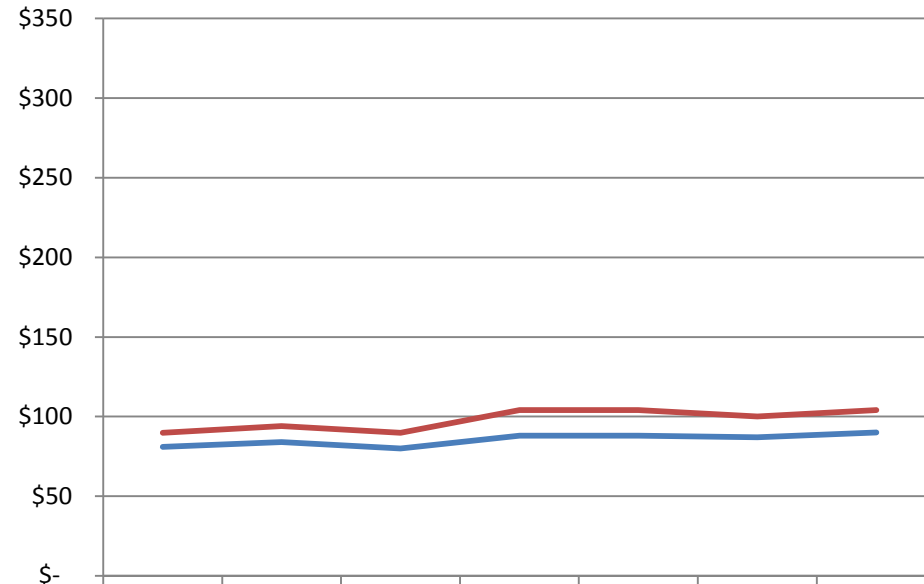
Surface Water

— NSA — SSA



Ground Water

— NSA — SSA

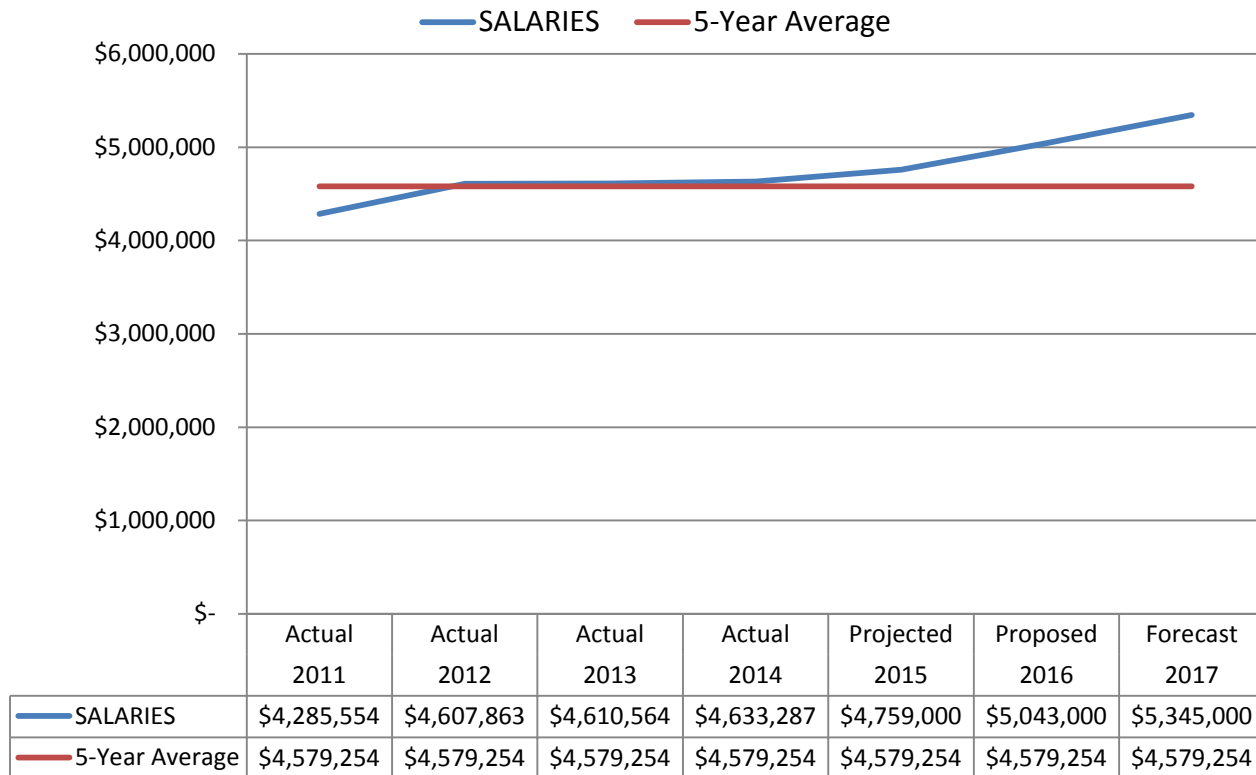


SSA - City Surface Water (SW) price increase is \$97/AF for 2016, for a total of \$429 per AF.

NSA - SJWD treatment cost increase is \$62/AF due to USBR cost increase. Total SW cost will be \$177 per AF. 20

O&M Expense Detail

Salaries



Increase in 2016 primarily due to one new position (\$40,000) and Merit and COLA increases of 4.3% (\$198,000).

New Position Request

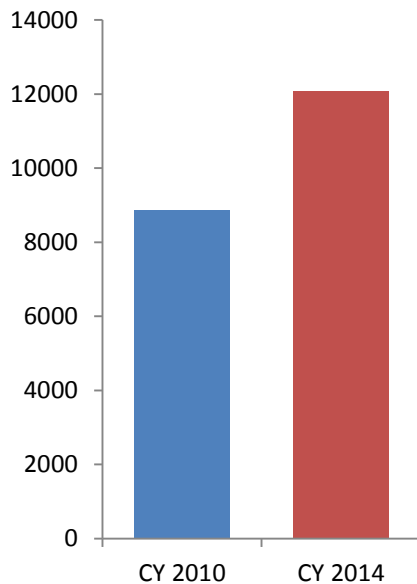
- District has Installed 27,979 Meters Since 2001
 - All Commercial Accounts Metered Prior to Consolidation – Circa 1990's

- Distribution Operator I
 - Addition to Field Services Department Staff
 - Perform Meter Maintenance & Repairs & Other Department Functions
 - Repair, Rebuild and Replace Meters
 - See Workload Issues With Current Staffing Level on Subsequent Slides

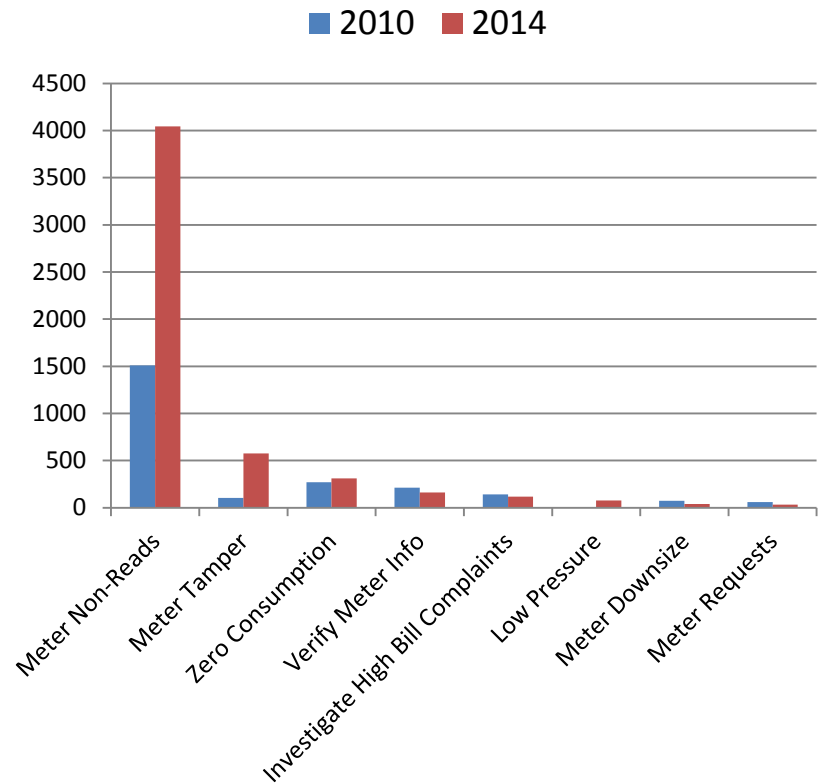
- Cost:
 - Annual Salary ~ \$40,000
 - Annual Salary, Benefits, Employer Taxes ~ \$61,000
 - New Vehicle & Equipment ~ \$45,000

Service Requests 2010 Compared to 2014

Customer Service Requests *



Meter Related Requests **

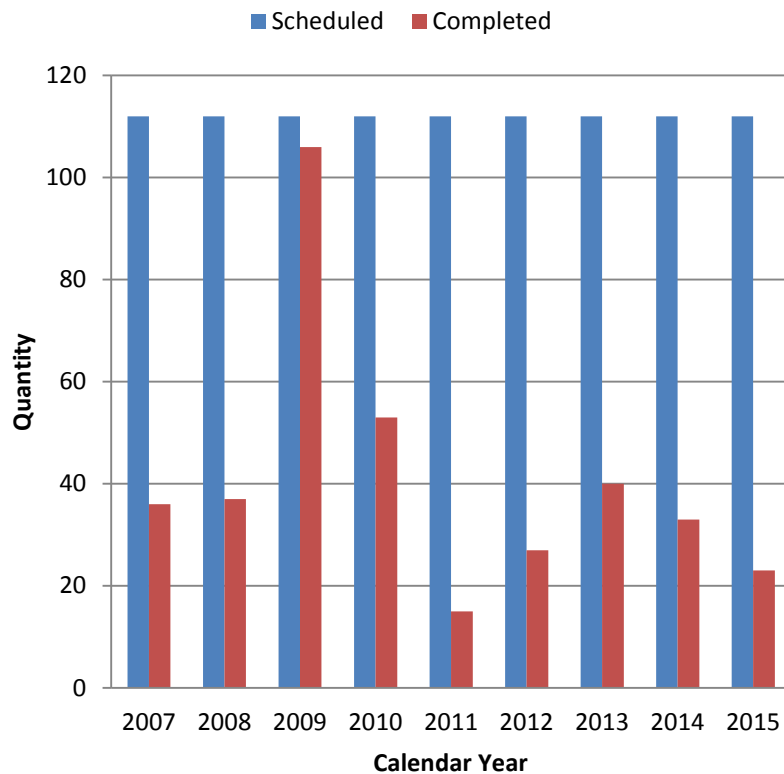


* 36% Increase in Service Requests Since 2010.

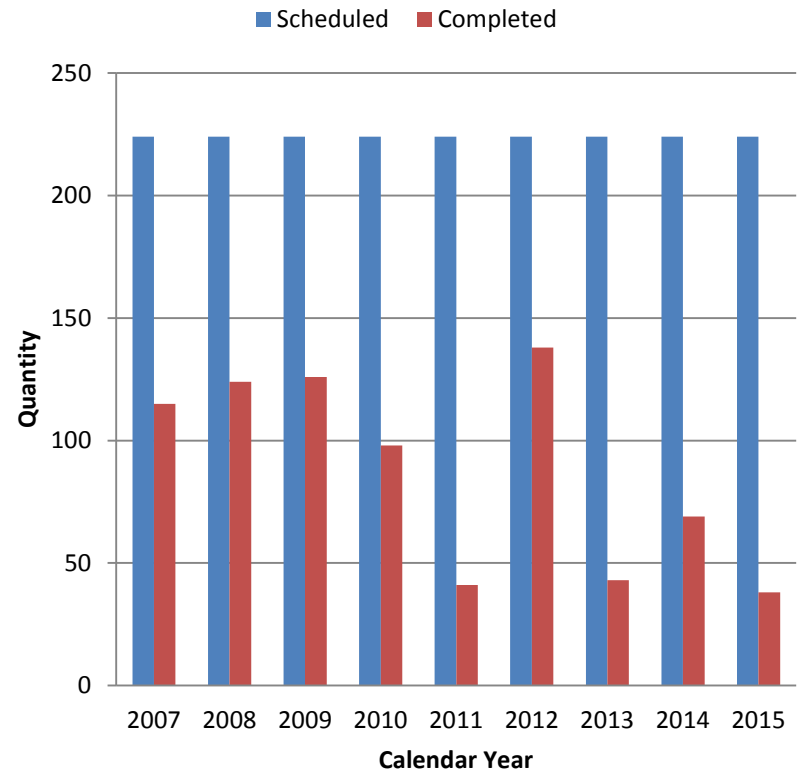
** Meter Related Requests Increased by 126% Since 2010.

Meter Replacement and Repairs

Large Meter Testing *



1.5" and 2" Rebuilds **

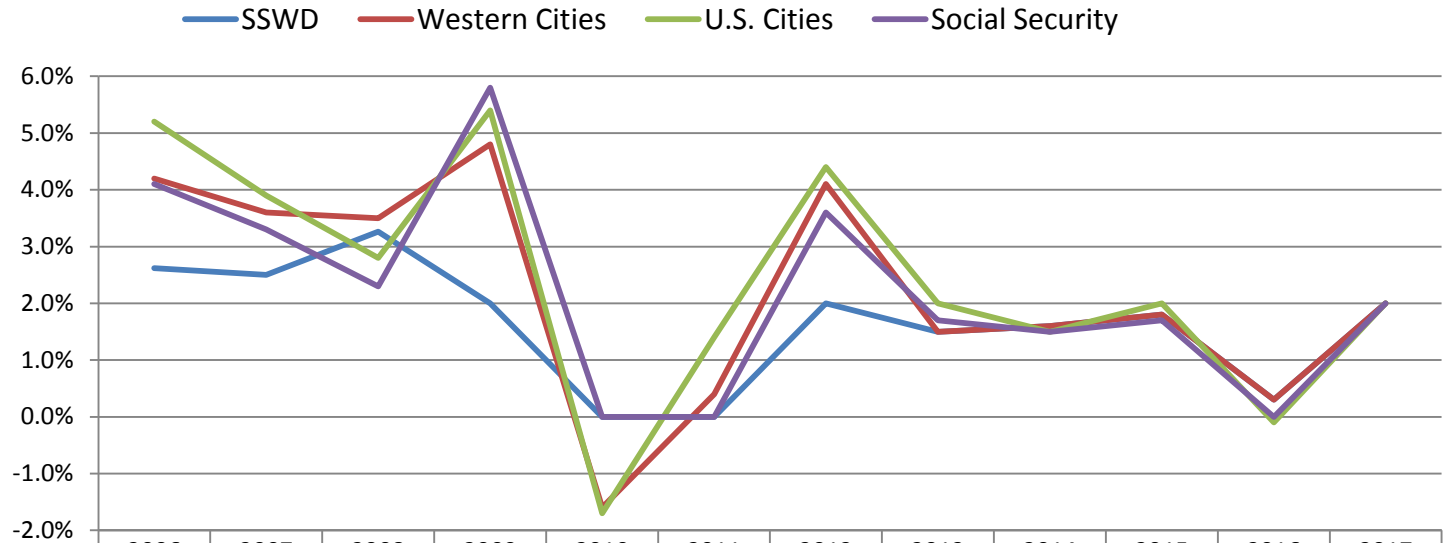


* Large Meters (>3") Tested for Accuracy. Rebuilt or Replaced if Inaccurate.

** 1.5" and 2" Meters Rebuilt Every 10 Years.

O&M Expense Detail

COLA



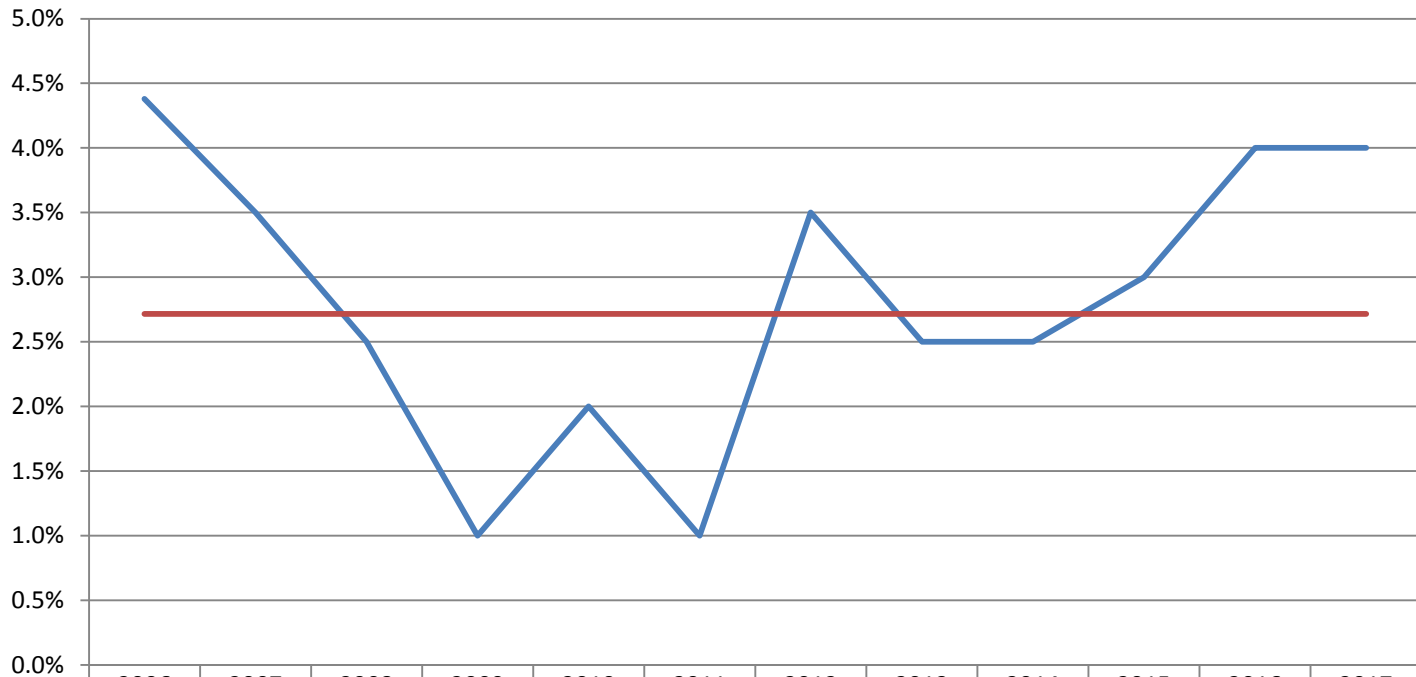
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Proposed	2017 Forecast
SSWD	2.6%	2.5%	3.3%	2.0%	0.0%	0.0%	2.0%	1.5%	1.6%	1.8%	0.3%	2.0%
Western Cities	4.2%	3.6%	3.5%	4.8%	-1.6%	0.4%	4.1%	1.5%	1.6%	1.8%	0.3%	2.0%
U.S. Cities	5.2%	3.9%	2.8%	5.4%	-1.7%	1.4%	4.4%	2.0%	1.5%	2.0%	-0.1%	2.0%
Social Security	4.1%	3.3%	2.3%	5.8%	0.0%	0.0%	3.6%	1.7%	1.5%	1.7%	0.0%	2.0%

SSWD COLA is intended to be equal to the Western Cities Index. Comparison is also shown to National Consumer Price and Social Security Indices as published on their respective websites.

O&M Expense Detail

Merit

—SSWD —Average



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proposed	Forecast
SSWD	4.4%	3.5%	2.5%	1.0%	2.0%	1.0%	3.5%	2.5%	2.5%	3.0%	4.0%	4.0%
Average	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%

Discussion of staff recommendation appears on slides 27 and 28.

O&M Expense Detail

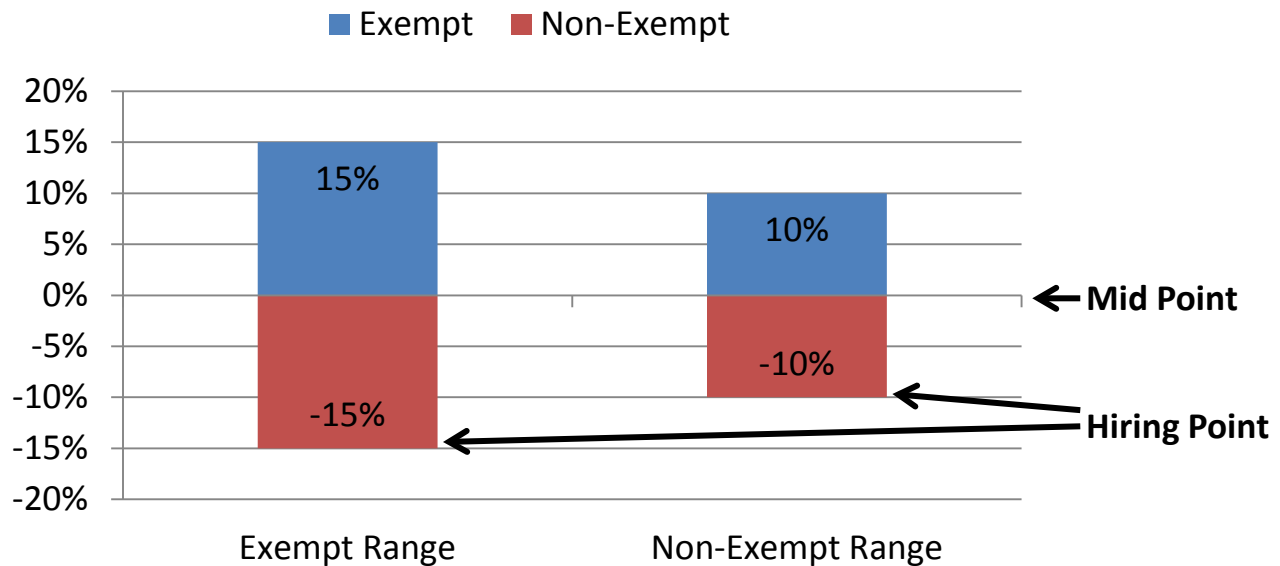
Salary Band Data

	<u>No. of Employees</u>	<u>At Salary Cap</u>	<u>Percentage</u>
Exempt	16	8	50%
Non-Exempt	46	19	41%
Total Employees	<u>62</u>	<u>27</u>	<u>44%</u>

Salary-Capped employees do not receive a full merit increase.

O&M Expense Detail

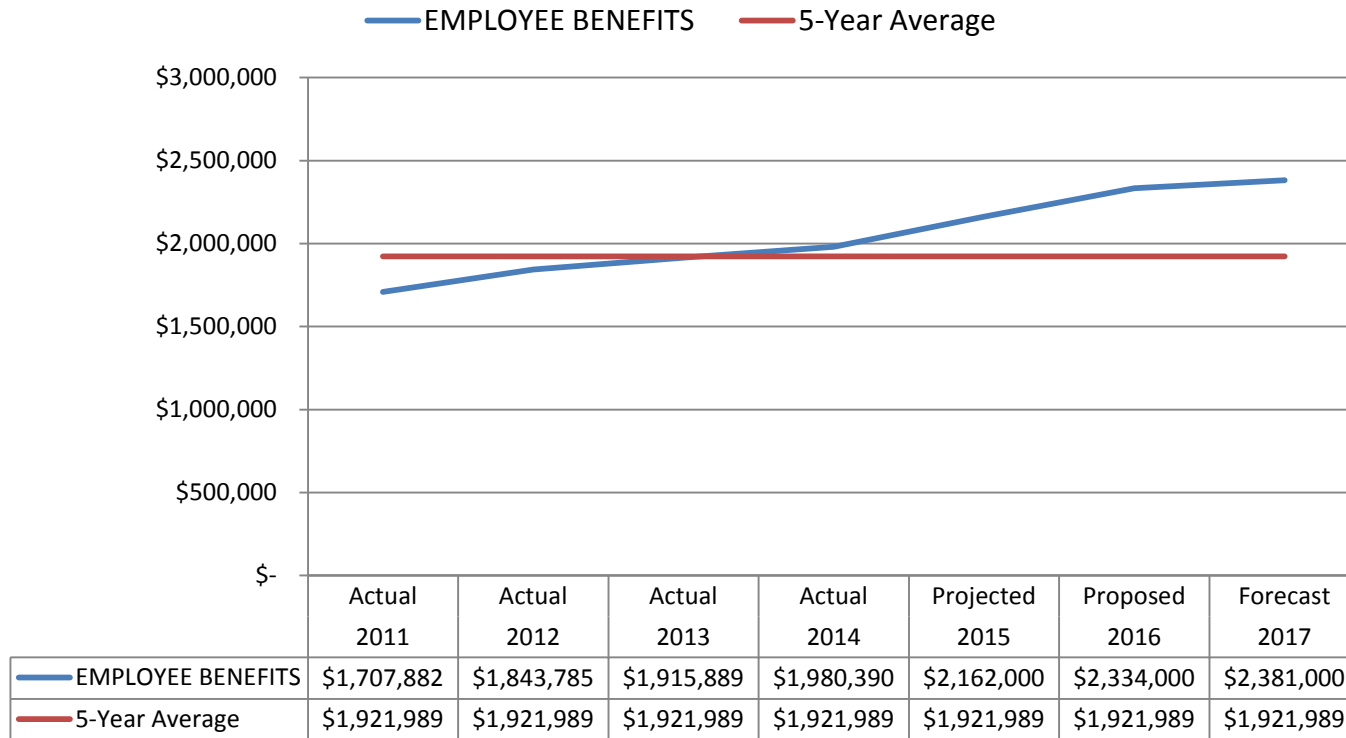
Salary Bands



New employees typically hired at or near bottom of salary range. Based on performance, an average merit increase of 4.0% will move a good performing non-exempt employee through their salary range in 5 years and an exempt employee in 7.5 years.

O&M Expense Detail

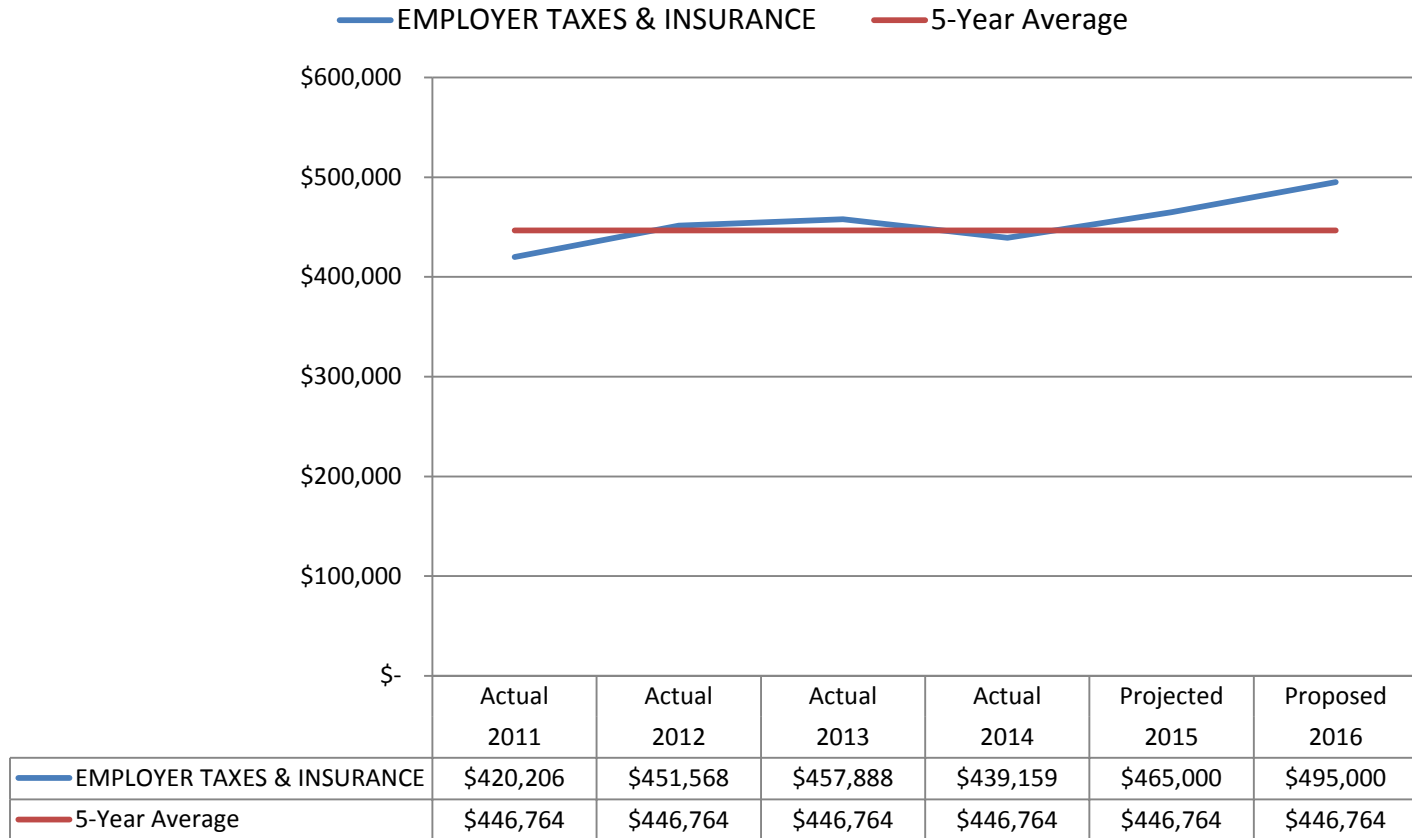
Employee Benefits



Increase in 2016 primarily due to pension and medical premium increases of 7.1% and 2.6%, respectively .

O&M Expense Detail

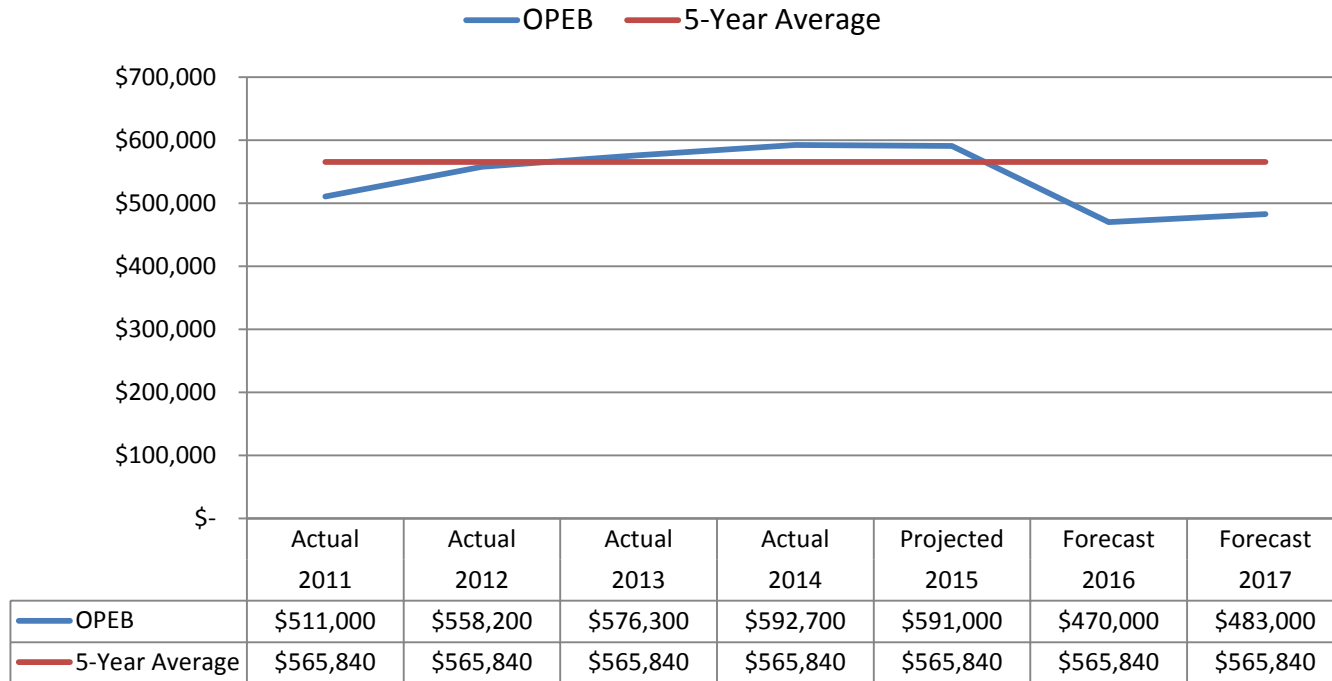
EMPLOYER TAXES & INSURANCE



2016 reduction due to Increased salaries as discussed previously.

O&M Expense Detail

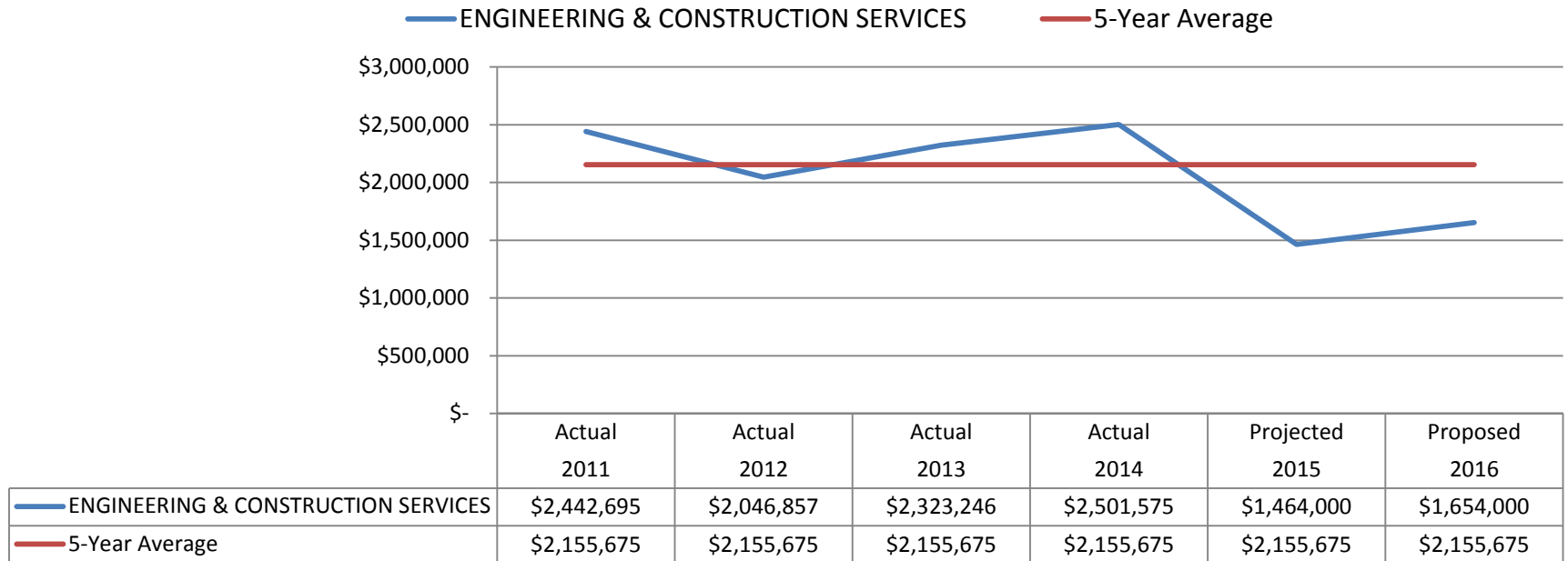
OPEB



2016/17 reduction due to a combination of – reduced projected liability, prior contribution level and higher earnings inception-to-date.

O&M Expense Detail

Engineering, Construction & Consulting

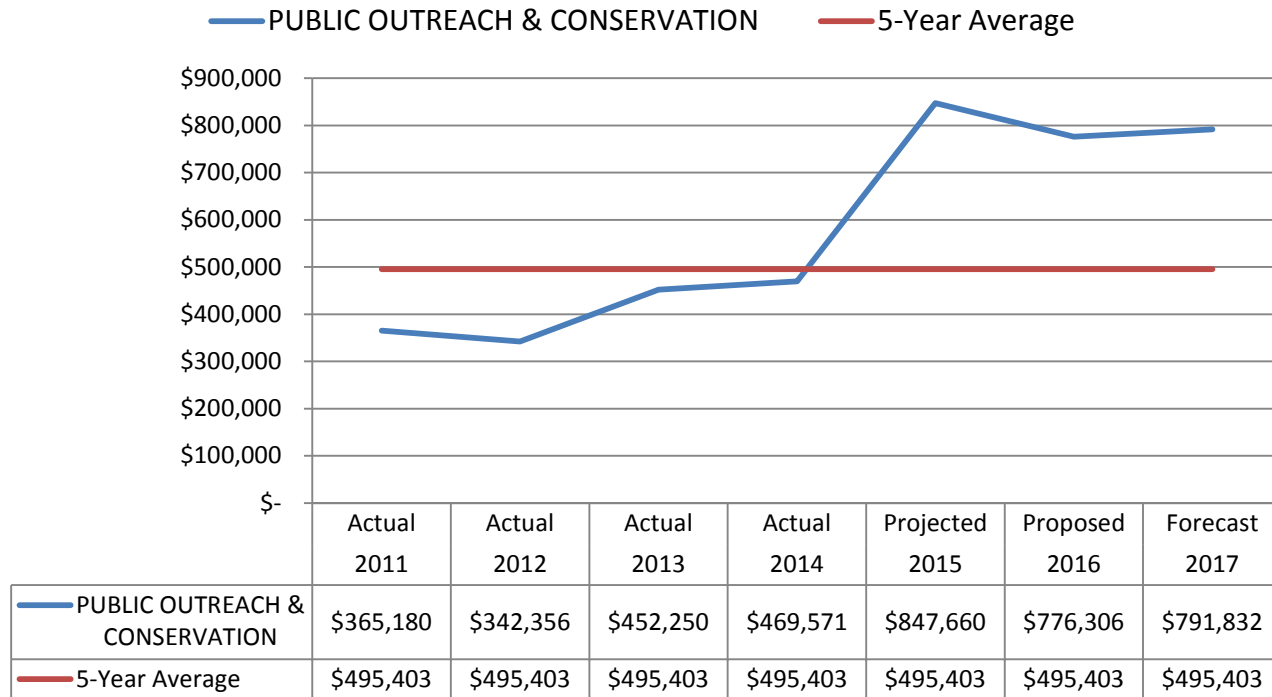


2015 decrease due to approval of an Assistant Engineer position.

Budget to-be-determined for 2016 consolidation study. 2015 actual was \$93,000.

O&M Expense Detail

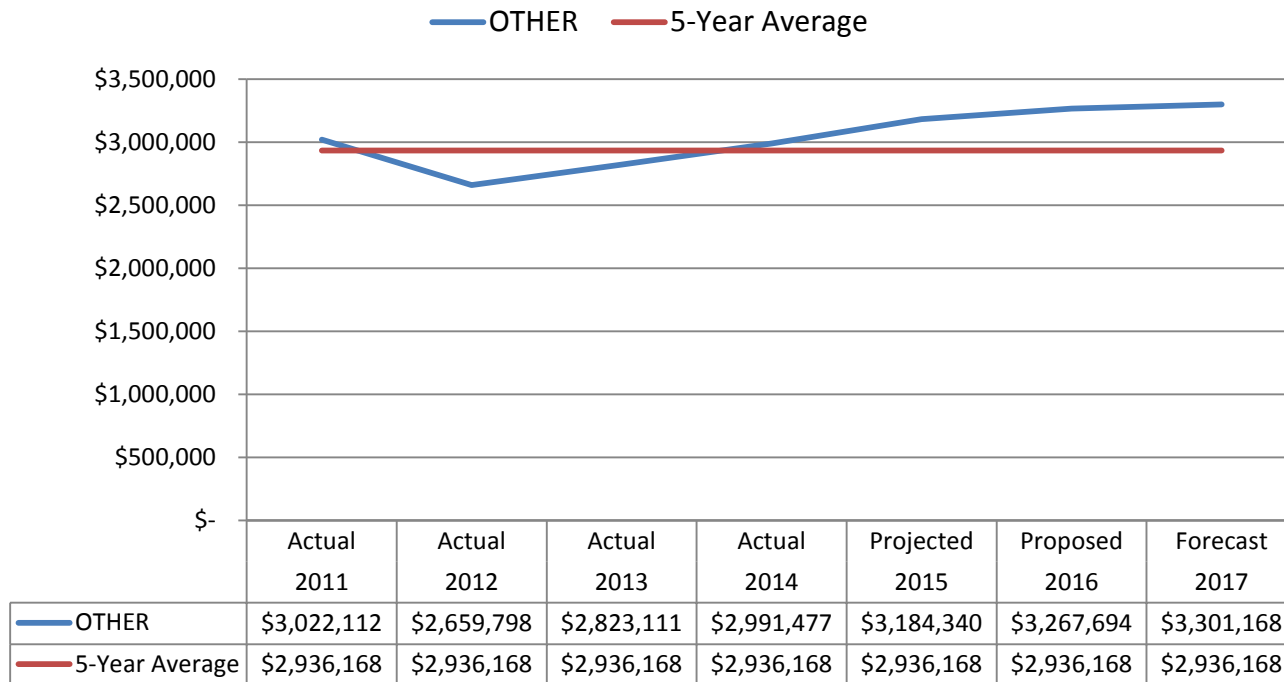
PUBLIC OUTREACH & CONSERVATION



2015/16/17 increase due primarily to customer relation cost increases for conservation and outreach plus conservation-based rebates (\$400,000).

O&M Expense Detail

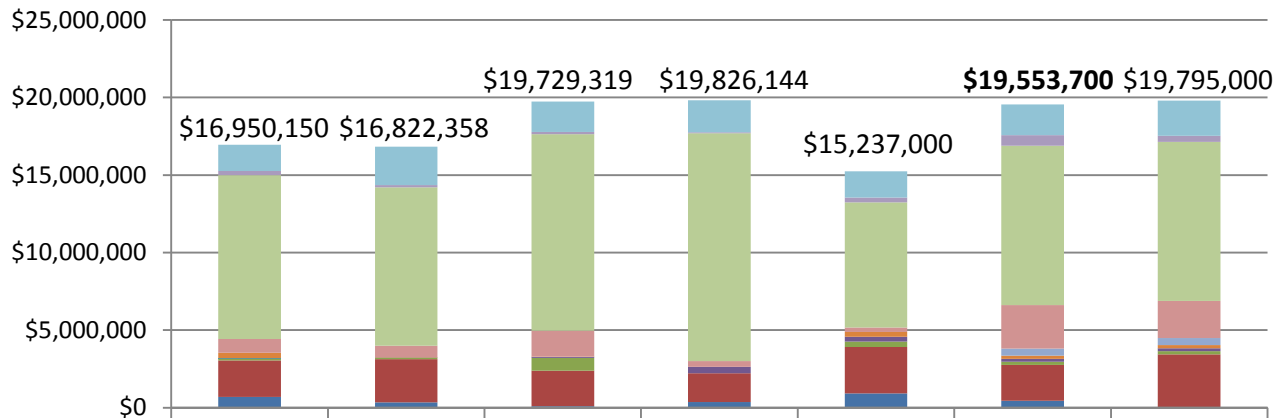
OTHER EXPENSES



2015/16/17 increase due primarily to increased operating supplies and inventory for repairs, rebuilds and replacement of meters (\$400,000).

CIP Budget

CIP Project Costs 2011 to 2017

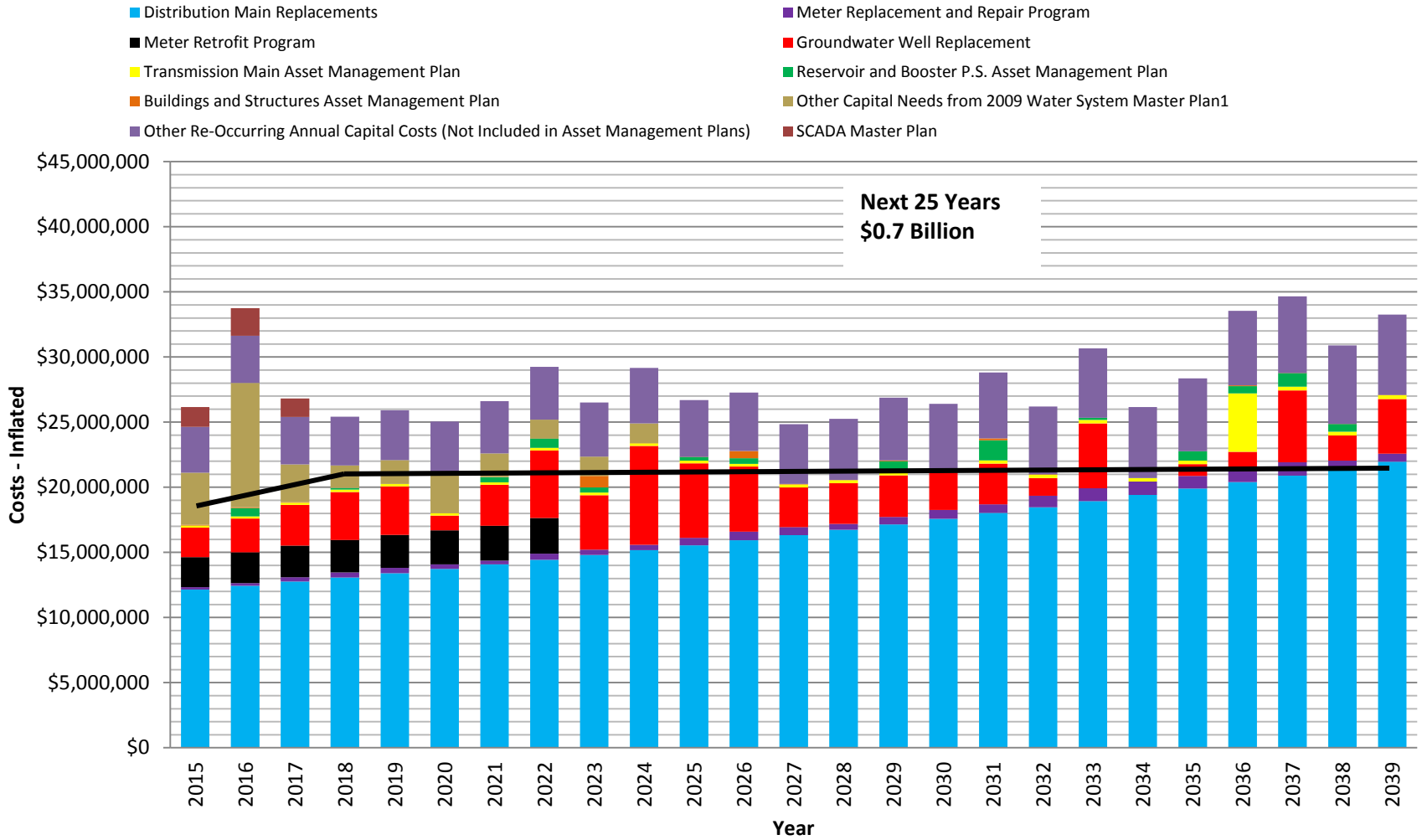


	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Projected	2016 Proposed	2017 Forecast
Meter Retrofit AMP	1,687,709	2,462,887	1,961,709	2,060,561	1,688,000	1,975,000	2,275,000
Meter Replacement & Repair AMP	275,191	152,219	132,922	80,975	315,000	698,000	380,000
Dist. Main Replacement AMP	10,558,971	10,212,546	12,674,933	14,672,460	8,060,000	10,275,000	10,250,000
Well Replacement AMP	894,325	744,091	1,655,646	377,974	300,000	2,800,000	2,400,000
Transmission Main AMP	-	-	-	-	-	450,000	450,000
Reservoir and Booster P.S. AMP	352,600	21,040	36,373	-	300,000	200,000	200,000
Buildings and Structures AMP	14,599	-	-	-	-	-	-
SCADA AMP	-	2,341	54,245	404,802	300,000	200,000	200,000
From 2009 Water System Master Plan	115,293	102,571	833,148	-	370,000	200,000	200,000
Other Re-Occurring Annual Capital Costs	2,352,022	2,774,657	2,274,474	1,859,724	2,990,000	2,310,000	3,440,000
Other Capitalized Projects	699,440	350,006	105,869	369,648	914,000	445,700	-

Discussion of individual line items appears on subsequent pages.

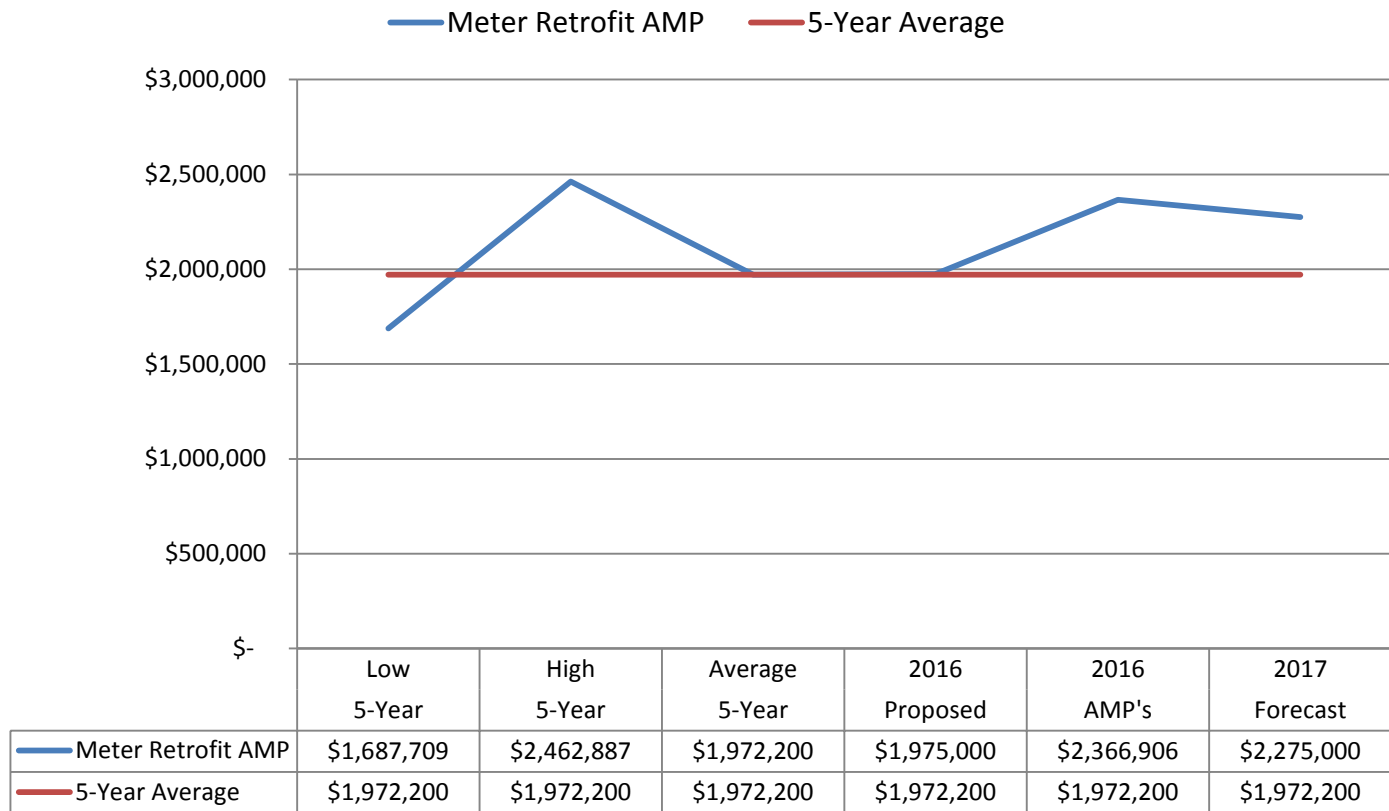
Asset Management Plans (AMPs)

Next 25 Years



Black line shows capital funding level from customer rates.

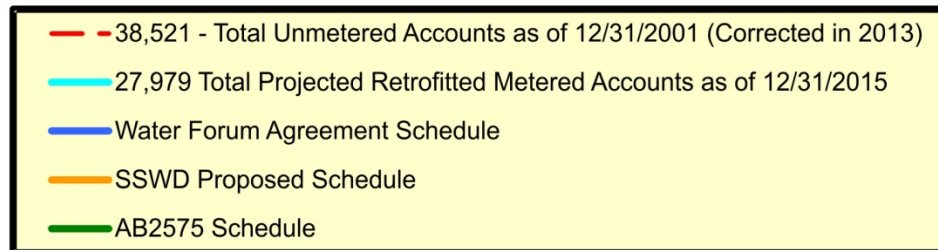
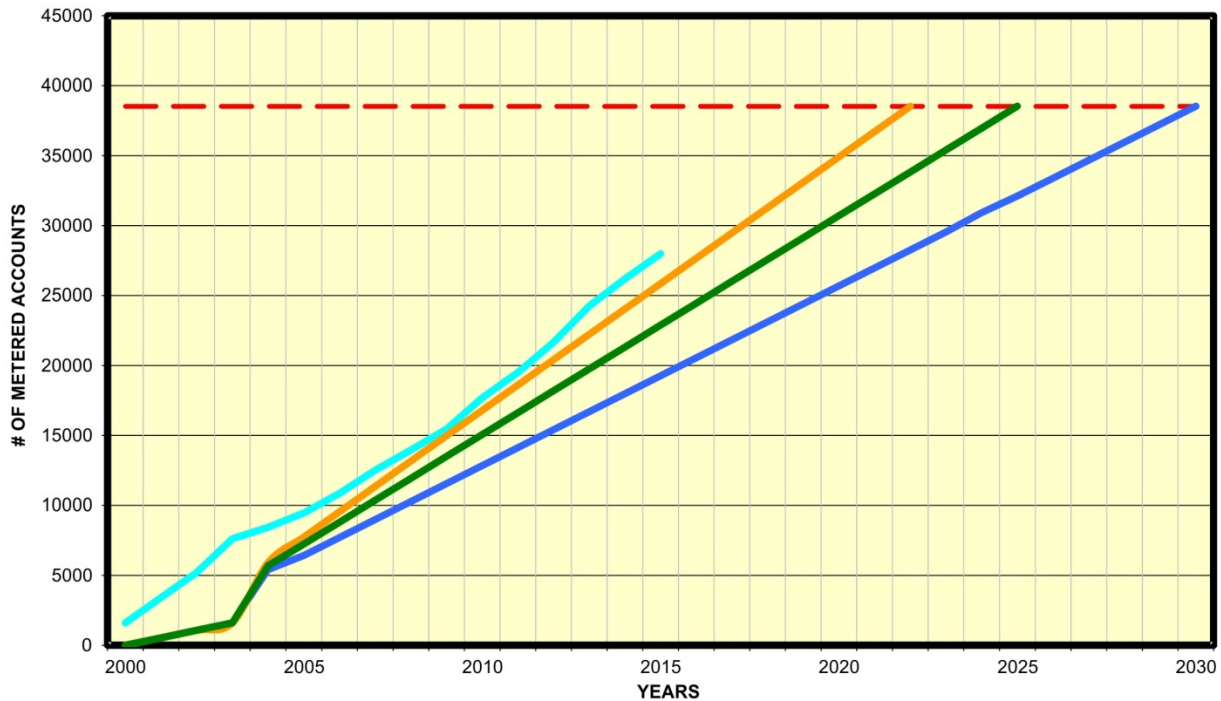
Water Meter Retrofit Program



Meters to be installed per Meter Retrofit Plan in 2016 is 1,510, including 139 meters funded by grant monies and 1,216 in 2017. (Note: total meter installation for 2016 and 2017 is expected to be 1,881 and 1,780, respectively, which includes 371 meters and 564 meters installed as part of replacing distribution mains.)

Water Meter Retrofit Program

SSWD 30 YEAR METERING PLAN (RESIDENTIAL)



CIP Project Detail

Meter Replacement & Repair Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	AMP 2016	Forecast 2017
\$ 80,975	\$ 315,000	\$ 191,300	\$ 698,000	\$ 539,463	\$ 380,000

2016/17 Projects

Replace obsolete large meters (>3")	140,000
Replace 1,200 3/4" to 1" meters and 188 1-1/2" to 2" meters	<u>558,000</u>
	<u><u>\$ 698,000</u></u>

Per 2015 Water Meter Asset Management Plan, beginning in 2016, replacement of water meters installed in 1990's that have outlived their useful life will begin.

CIP Project Detail

Distribution Main Replacements (2015)

	Amended Budget 2015	Projected 2015
<u>2015 Projects</u>		
Arden Oaks - Final Paving, and Santa Anita - Phase 2 , and Fair Oaks Estates, and Country Club Vista North, and Project Design for 2017/2018, and Pre-purchase of 40,000 linear feet Ductile Iron Pipe for 2016	\$ 9,060,000	\$ 8,060,000
	\$ 9,060,000	\$ 8,060,000

All 3 Paving Projects Deferred to 2016 due to paving conditions (weather).

CIP Project Detail

Distribution Main Replacement Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	AMP 2016	Forecast 2017
\$ 9,085,000	\$ 14,672,460	\$ 11,440,800	\$ 10,275,000	\$ 12,445,490	\$ 10,250,000

2016/17 Projects

Drayton Heights - Phase 2, Construction, and
Edison Meadows - Phase 1, Construction, and
Riviera Woods, and

Final Paving for Santa Anita, Phase 2,

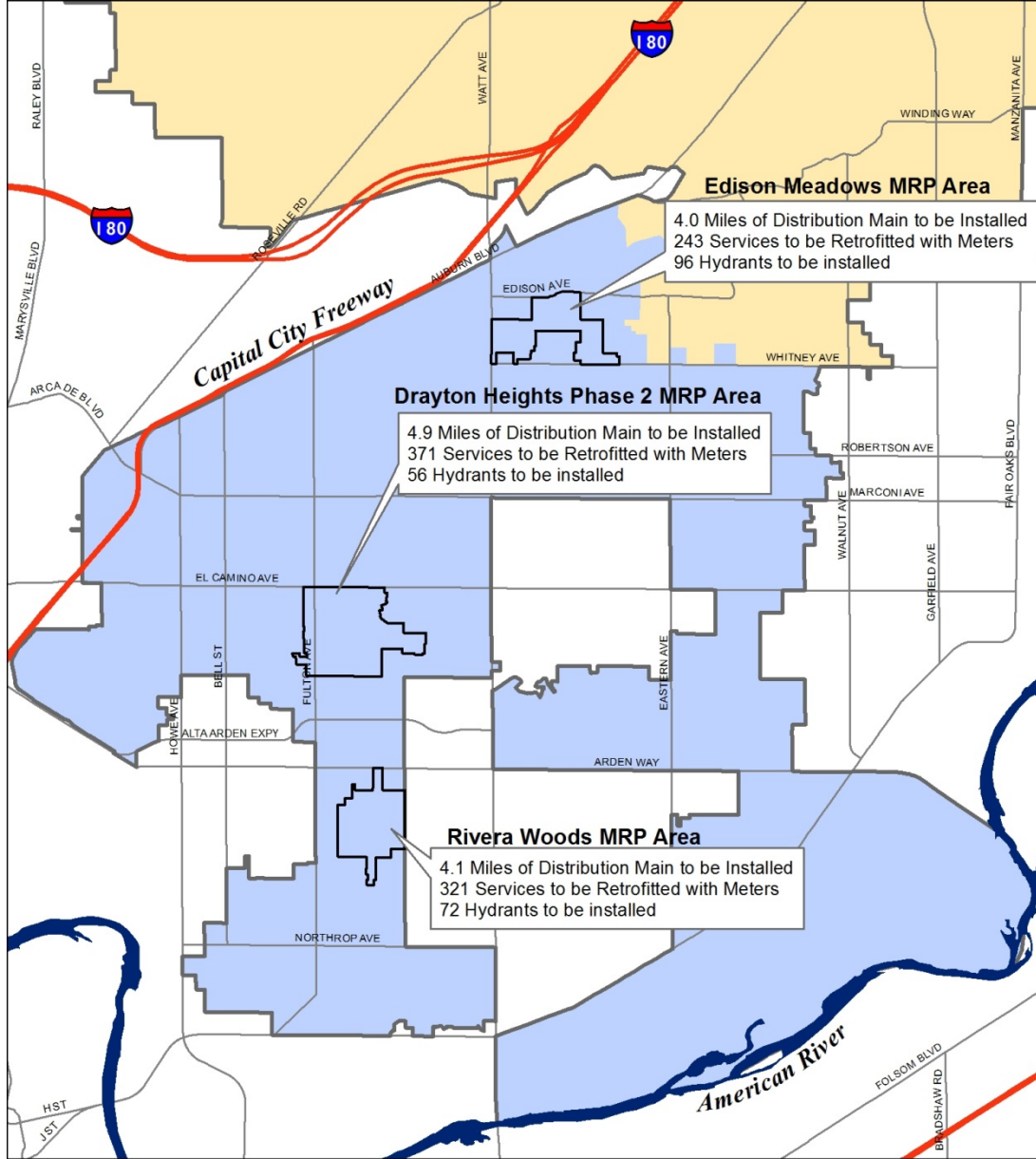
Fair Oaks Estates and Barcelona, and

Project Design for 2017/2018, and

Pre-purchase of 40,000 linear feet Ductile Iron Pipe for 2017

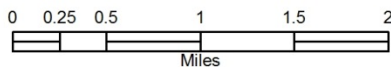
\$ 10,275,000

\$ 10,275,000



Legend

- Distribution Main Replacement Areas
- North Service Area
- South Service Area



**Proposed 2016-2017
 Distribution Main Projects**

Base Data: Sacramento County Gis Base Map
 Projection: CA State Plane 2, NAD83
 Scale: No Scale
 Prepared by: JWS, SSWD
 Sacramento, CA - September 29, 2015
 Main Replacements-2016-2017.mxd

CIP Project Detail

Well Replacement Costs (2015)

	Amended	
<u>2015 Projects</u>	Budget	Projected
	2015	2015
Design and drilling of a new well on property to be obtained within the new Barrett Ranch East Subdivision. Also to acquire more land for future replacement well sites within the District.	\$ 2,100,000	\$ 300,000
	\$ 2,100,000	\$ 300,000

Barrett Ranch Property to be Acquired in 2016. Rutland Well Delayed until 2016.

CIP Project Detail

Well Replacement Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	AMP 2016	Forecast 2017
\$ 300,000	\$ 1,655,646	\$ 794,400	\$ 2,800,000	\$ 2,602,239	\$ 2,400,000

2016/17 Projects

Complete construction of Rutland well pumping plant, and

Design and drill a new well on property to be obtained within the new Barrett Ranch East Subdivision. Also to acquire more land for future replacment well sites within the District.

\$	2,800,000
\$	<u>2,800,000</u>

CIP Project Detail

Transmission Main Replacement Cost

5-Year Low	5-Year High	5-Year Average	Budget 2016	AMP 2016	Forecast 2017
\$ -	\$ 50,000	\$ 10,000	\$ 450,000	\$ 169,711	\$ 450,000

2016/17 Projects

Install impressed current cathodic protection to each District's major transmission pipelines (CTP, Walerga Pipeline, Antelope North Pipeline, Mission Ave Pipeline and Bell/Northrop Pipeline)

\$	450,000
\$	<u>450,000</u>

Asset Management Plan called for an equal amount of repair/replacement costs each year.

CIP Project Detail

Reservoir and Booster Station Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	AMP 2016	Forecast 2017
\$ -	\$ 352,600	\$ 142,000	\$ 200,000	\$ 622,275	\$ 200,000

2016/17 Projects

Spot Painting & Repairs at Antelope, Watt/Elkhorn and Enterprise Northrop Reservoirs and miscellaneous well sites

\$	200,000
\$	<u>200,000</u>

Asset Management Plan called for complete recoating (interior and exterior) of the Antelope Reservoir.

CIP Project Detail

Buildings & Structures Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	AMP 2016	Forecast 2017
\$ -	\$ 14,599	\$ 2,900	\$ -	\$ 61,096	\$ -

2016/17 Projects

None \$ -

Asset Management Plan called for painting the Antelope Booster Pump Station and Capehart Well Sites.

CIP Project Detail

SCADA System Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	AMP 2016	Forecast 2017
\$ -	\$ 404,802	\$ 152,300	\$ 200,000	\$ 2,132,026	\$ 200,000

2016/17 Projects

Three well sites to be upgraded with new MCC Panels and RTU and
two well sites to have new PLC's/RTU's

\$	200,000
\$	200,000

Asset Management Plan called for an expanded RTU Pilot Study and SCADA System completion, which includes purchasing and installing SCADA system components on 24 remote water facility sites that currently do not have SCADA.

CIP Project Detail

Projects Recommended in 2009 Master Plan

5-Year Low	5-Year High	5-Year Average	Budget 2016	WSMP 2016	Forecast 2017
\$ -	\$ 833,148	\$ 210,200	\$ 200,000	\$ 9,560,399	\$ 200,000

2016/17 Projects

Fire Hydrant Replacement/Rehabilitation	\$ 200,000
	\$ 200,000

Master Plan assumed an increased amount of developer related projects, that have not occurred, such as \$6.3 million in storage facilities at McClellan BP. Also, \$3.4 million was planned for fluoridating the North Service Area.

CIP Project Detail

Other Re-Occurring Capital Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	Original Estimate 2016	Forecast 2017
\$ 1,859,724	\$ 2,774,657	\$ 2,250,200	\$ 2,310,000	\$ 3,609,192	\$ 3,440,000

2016/17 Projects

Well Rehabilitation - investigate and rehab 9 well sites and destruction of 3 wells	\$ 890,000
Wellhead Treatment - Install tablet chlorinator unit for 6 wells and construction of manganese treatment facility at the Verner well	370,000
Engine Generator Compliance	75,000
Distribution Main Improvements/Extensions/Interties	375,000
Distribution Major Repairs - Large Main Break Repairs	350,000
Professional Services - CEQA, Design, Studies, Etc.	100,000
Lowering/Raising Valve Boxes	150,000
	\$ 2,310,000

CIP Project Detail

Other Capitalized Project Costs

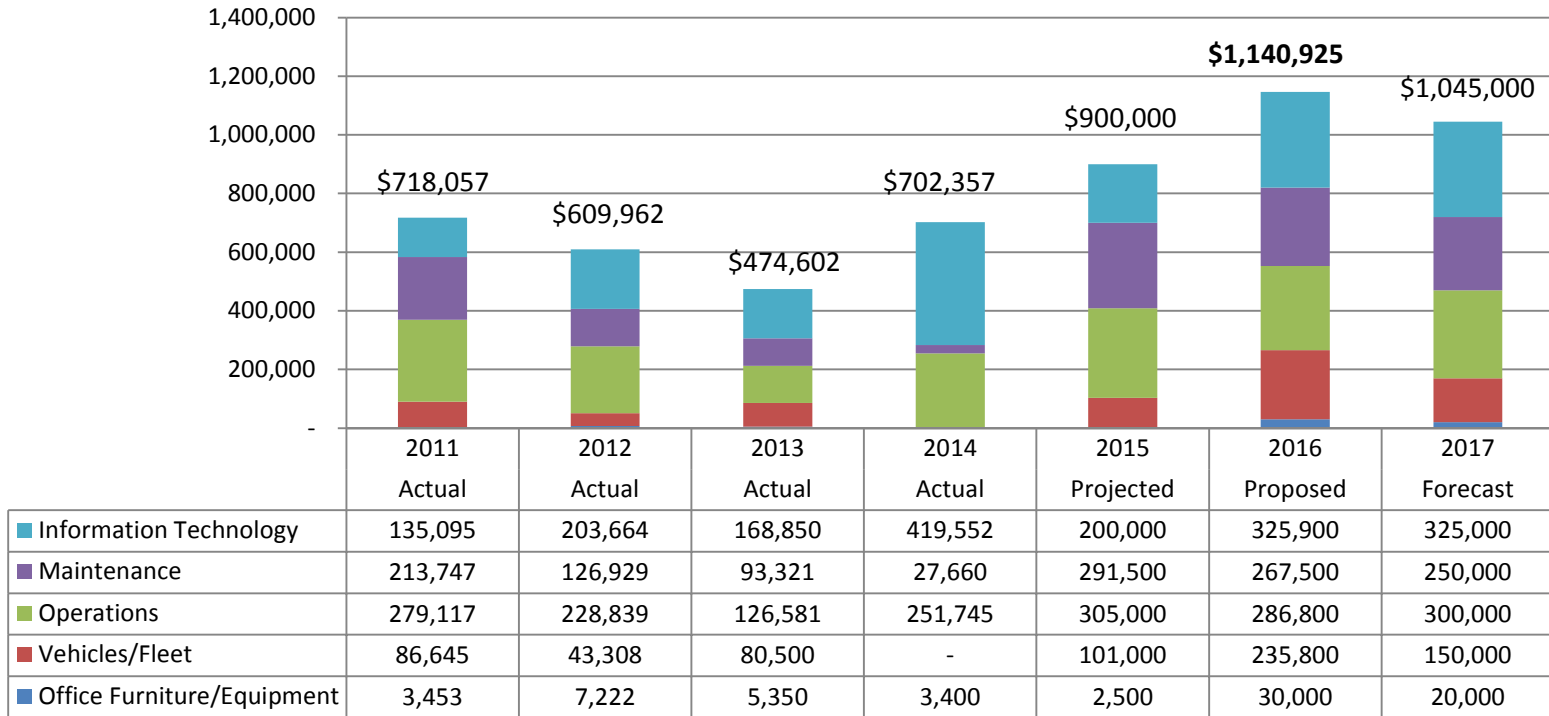
5-Year Low	5-Year High	5-Year Average	Budget 2016	Original Estimate 2016	Forecast 2017
\$ 105,869	\$ 1,209,000	\$ 546,800	\$ 445,700	-	-

2016/17 Projects

Water Quality Sampling and Testing - 2 Monitoring Wells	\$ 50,000
Enterprise Intertie Improvements	178,700
Electrical Arc Flash Hazard Improvements at Marconi	210,000
Cooperative Transmission Pipeline Corrosion Testing	7,000
	\$ 445,700

OCB Budget

OCB Project Costs 2011 to 2017



Discussion of individual line items appear on subsequent pages.

OCB Project Detail

Information Technology Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	Forecast 2017
\$ 135,095	\$ 419,552	\$ 225,400	\$ 325,900	\$ 325,000

2016/17 Projects

Hardware Refresh Program	\$ 169,900	\$ 120,000
Software Enhancements/Modules	115,000	130,000
Web Site Upgrade	35,000	
Trimble Nomad Handheld Computer for Production	6,000	
GPS Asset Location		75,000
	<u>\$ 325,900</u>	<u>\$ 325,000</u>

2015 budget was \$274,900

OCB Project Detail Maintenance

5-Year Low	5-Year High	5-Year Average	Budget 2016	Forecast 2017
\$ 27,660	\$ 291,500	\$ 150,600	\$ 267,500	\$ 250,000

2016/17 Projects

Remodel Customer Service Area	\$	35,000		
Replace exterior/garage lighting at Marconi with LED		20,000		
Replace interior lighting Suite #100/200 with LED		31,500		
Install five additional cameras at Walnut		20,000		
Replace obsolete cameras at the Marconi Facility		6,000		
HVAC/Roof/Building repairs		30,000		
Building and Structures Maintenance		125,000		250,000
	\$	267,500	\$	250,000

2015 Budget was \$302,500.

OCB Project Detail

Operations Project Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	Forecast 2017
\$ 126,581	\$ 305,000	\$ 238,300	\$ 286,800	\$ 300,000

2016/17 Projects

Asphalt Repair/Replacement - Various Well Sites	\$ 35,500	\$ 29,000
Production Meter Replacement Program, Magmeters	85,000	85,000
Fox Fury Lighting - Nomad 360/Area Spot Light	3,800	
Bosch Demolition Hammer Package	2,500	
Water Conservation Master Plan	45,000	
Update 2015 Urban Water Management Plan	115,000	150,000
Chemical Vat/Tank Replacement		36,000
	\$ 286,800	\$ 300,000

2015 budget was \$452,200

OCB Project Detail

Vehicles/Fleet

5-Year Low	5-Year High	5-Year Average	Budget 2016	Forecast 2017
\$ -	\$ 101,000	\$ 62,300	\$ 235,800	\$ 150,000

2016/17 Projects

New Field Service Department Vehicle	\$ 45,000	\$ 45,000
Vehicle Replacement/Right Size - Truck #32 & 41	157,325	
Vehicle Replacement - Truck #26	33,500	
Vehicle Replacement/Right Size 2 Trucks		105,000
	\$ 235,825	\$ 150,000

2015 budget was \$105,825 – Replaced Leak Truck (F-450).

OCB Project Detail

Office Furniture Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	Forecast 2017
\$ 2,500	\$ 7,222	\$ 4,400	\$ 30,000	\$ 20,000

2016/17 Projects

Office Furniture - Marconi	\$ 5,000	\$ 20,000
Office Furniture - Walnut	20,000	
Board Room Wall		
Maps	5,000	
	\$ 30,000	\$ 20,000

2015 budget was \$5,500

Debt Service Forecast

Debt Service Forecast

5-Year	5-Year	5-Year	Forecast	Forecast
Low	High	Average	2016	2017
\$ 7,429,356	\$ 9,895,112	\$ 8,022,285	\$ 7,805,000	\$ 7,770,000

	2011	2012	2013	2014	2015	2016	2017
Principal	\$ 3,315,000	\$ 5,994,000	\$ 3,580,000	\$ 3,675,000	\$ 3,795,000	\$ 3,945,000	\$ 4,060,000
Interest	4,773,331	3,901,112	3,849,356	3,792,909	3,653,000	3,860,000	3,710,000
Total Debt Service	<u>\$ 8,088,331</u>	<u>\$ 9,895,112</u>	<u>\$ 7,429,356</u>	<u>\$ 7,467,909</u>	<u>\$ 7,448,000</u>	<u>\$ 7,805,000</u>	<u>\$ 7,770,000</u>

2016/17 forecast assumes a variable interest rate of 3.86%, which incorporates the terms for the new Letter-of-Credit negotiated in 2015. Average interest rate for total debt portfolio is 4.35%.

2016 Budget and 2017 Forecast Summary

	<u>2014 Actual</u>	<u>2014 Amended Budget</u>	<u>Actual As Of 8/31/2015</u>	<u>Projected 2015</u>	<u>2015 Amended Budget</u>	<u>2016 Proposed Budget</u>	<u>2017 Forecast</u>
Income From Customers	\$ 38,929,512	\$ 39,640,000	\$ 25,104,407	\$ 38,734,000	\$ 38,837,000	\$ 41,548,000	\$ 43,210,000
Total Other Income	1,502,987	1,631,000	1,293,090	1,657,000	1,742,000	2,548,000	2,060,000
Total Revenue	<u>\$ 40,432,499</u>	<u>\$ 41,271,000</u>	<u>\$ 26,397,497</u>	<u>\$ 40,391,000</u>	<u>\$ 40,579,000</u>	<u>\$ 44,096,000</u>	<u>\$ 45,270,000</u>
Budgets:							
Operations and Maintenance	15,993,938	16,639,000	9,634,133	15,736,000	17,282,427	18,737,000	19,285,000
Capital Improvement Program	19,826,144	20,955,000	8,586,667	15,237,000	18,332,000	19,554,000	19,795,000
Operating Capital Program	702,357	944,000	237,564	900,000	1,140,925	1,146,000	1,045,000
Debt Service (Forecast)	7,467,909	7,625,000	2,435,192	7,448,000	7,850,000	7,805,000	7,770,000
Total Costs	43,990,348	46,163,000	20,893,556	39,321,000	44,605,352	47,242,000	47,895,000
Change in Reserve Balance	(3,557,849)	(4,892,000)	5,503,941	1,070,000	(4,026,352)	(3,146,000)	(2,625,000)
Reserve (Cash) Balance	<u>\$ 44,812,477</u>	<u>\$ 43,844,600</u>	<u>\$ 48,723,237</u>	<u>\$ 45,882,477</u>	<u>\$ 40,786,125</u>	<u>\$ 42,736,477</u>	<u>\$ 40,111,477</u>

QUESTIONS

DETAILED ANALYSIS



Part 1

The key assumptions used in the proposed budget are attached. Such assumptions have been reviewed and approved by the Finance and Audit Committee, but may be changed by the Board at their discretion.

**Sacramento Suburban Water District
Budget Assumptions**

Key Assumptions

2014

2015

2016

2017

	Increase Cost/AF	0.43% AF	4.00% Increase Cost/AF	0.43% AF	4.00% Increase Cost/AF	0.43% AF	4.00% Increase Cost/AF	0.43% AF
1			\$ 276.77		\$ 332.00		\$ 428.80	
2			\$ 103.54		\$ 108.60		\$ 99.87	
3			\$ 35.00		\$ 35.00		\$ 35.00	
4			\$ 18.36		\$ 19.00		\$ 16.64	
			\$ 62.10		\$ 65.00		\$ 125.07	
			\$ 87.72		\$ 96.33		\$ 86.66	
			\$ 68.30		\$ 71.00		\$ 72.80	
			\$ 24.20		\$ 24.20		\$ 25.17	
			\$ (24.20)		\$ (24.20)		\$ (25.17)	
			\$ (196.48)		\$ (196.48)		\$ (196.48)	
			\$ (439.96)		\$ (457.38)		\$ (474.80)	
5		None				None		None
6		1.50%		1.50%		1.50%		1.75%
7		4.00%		4.00%		4.00%		3.86%
8		2.50%		2.50%		2.50%		2.50%
9		1.60%		1.60%		1.80%		0.30%
10		2.50%		3.00%		3.00%		3.50%
11		2.10%		2.70%		2.10%		2.10%
12		9.00%		4.90%		4.90%		2.60%
13		24.77%		25.82%		25.82%		21.70%
14		18.10%		19.84%		19.84%		16.20%
15		6.70%		6.70%		6.70%		6.73%
16		1		None		None		1
17		\$ 592,700		\$ 591,000		\$ 470,333		\$ 483,267
Footnote:								
(A)	SSA = South Service Area; NSA = North Service Area							
(B)	20 Cities CCI Index, Source: ENR							
(C)	From PERS Select PPO to UnitedHealthcare HMO							



Part 2

A summary of cash basis income/expenditures from 2014 to 2017 and definitions of the revenue accounts are included in this section.

The cash basis income/expense budget summary report identifies all the projected 2016 revenues and expenses. The projected revenue for 2016 has been derived from various sources. Such sources include year-to-date income for 2015, current financial market and economic conditions, hydrologic expectations, recent Federal Reserve Board actions, etc.

Expenditures come from Debt Service Charges, the Operations and Maintenance budget (O&M Budget), the Operating Capital Budget (OCB Budget), and the Capital Improvement Project Budget (CIP Budget.) Individual budgets are detailed in subsequent sections of this report.

SACRAMENTO SUBURBAN WATER DISTRICT
2016 Budget Proposed and 2017 Forecast

	2014 Actual	2014 Amended Budget	Actual As Of 8/31/2015	Projected 2015	2015 Amended Budget	2016 Proposed Budget	2017 Forecast
Water Sales Charge	\$ 10,826,599	\$ 11,050,000	\$ 6,072,797	\$ 9,872,000	\$ 9,412,000	\$ 11,260,000	\$ 11,710,000
Water Service Charge	6,306,241	6,940,000	4,214,768	6,678,000	6,980,000	6,945,000	7,223,000
Capital Facilities/Debt Repayment Charges	20,677,853	20,530,000	14,148,324	21,184,000	21,430,000	22,031,000	22,912,000
Wheeling Water Charge	5,551	190,000	4,111	6,000	5,000	278,000	289,000
Other Charges for Services	1,113,268	930,000	664,407	994,000	1,010,000	1,034,000	1,075,000
Total Income From Customers	38,929,512	39,640,000	25,104,407	38,734,000	38,837,000	41,548,000	43,210,000
Interest Income	\$ 548,363	\$ 600,000	\$ 400,840	\$ 600,000	\$ 600,000	\$ 680,000	\$ 760,000
Other Income (Leases-Bldg, Cell Towers)	368,031	312,000	197,142	282,000	288,000	300,000	300,000
Facility Development Charges	560,784	200,000	523,936	600,000	200,000	500,000	500,000
Grant Income	25,809	519,000	171,172	175,000	654,000	1,068,000	500,000
Total Revenue	\$ 40,432,499	\$ 41,271,000	\$ 26,397,497	\$ 40,391,000	\$ 40,579,000	\$ 44,096,000	\$ 45,270,000
Debt Service Costs - principal	(3,675,000)	(3,675,000)	-	(3,795,000)	(3,795,000)	(3,945,000)	(4,060,000)
Debt Service Costs - Interest expense	(3,792,909)	(3,950,000)	(2,435,192)	(3,653,000)	(4,055,000)	(3,860,000)	(3,710,000)
Operations and Maintenance Budget	(15,401,238)	(16,046,300)	(9,240,133)	(15,145,000)	(16,691,427)	(18,267,000)	(18,802,000)
OPEB - Annual Required Contribution	(592,700)	(592,700)	(394,000)	(591,000)	(591,000)	(470,000)	(483,000)
Amount Remaining for Capital Projects	16,970,652	17,007,000	14,328,172	17,207,000	15,446,573	17,554,000	18,215,000
Operating Capital Budget	(702,357)	(944,000)	(237,564)	(900,000)	(1,140,925)	(1,146,000)	(1,045,000)
Capital Improvement Program Budget	(19,826,144)	(20,955,000)	(8,586,667)	(15,237,000)	(18,332,000)	(19,554,000)	(19,795,000)
Change in Reserve Balance	(2,495,684)	(4,892,000)	3,910,760	1,070,000	(4,026,352)	(3,146,000)	(2,625,000)
Reserve (Cash) Balance	\$ 44,812,477	\$ 43,844,600	\$ 48,723,237	\$ 45,882,477	\$ 40,786,125	\$ 42,736,477	\$ 40,111,477

2016 Budgeted Revenue Highlights

Revenue Source Descriptions

- 1) Water Sales Charge – charge for actual usage on metered accounts, estimated usage on flat-rate accounts. Calculated based on expected water production of 35,000 acre-feet.
- 2) Water Service Charge – fixed charge, based on connection size, for metered and flat rate accounts. Calculated based on 2014 actual times the approved rate increase of 4.0%.
- 3) Capital Facilities/ Debt Repayment Charges – composed of two service charges: the first is the charge to pay for District principal and interest from debt borrowed for the District's Capital Improvement Program (CIP) projects; the second is the CIP charge for annual CIP project costs. Total charges are increasing due to the approved rate increase of 4.0%.
- 4) Wheeling Water Charge – charge for actual usage by neighboring water purveyors. Assumed usage for 2016 expected to be 2,800 Acre Feet.
- 5) Other Charges for Services – composed of late fees and other penalty charges. Current economic climate conditions are expected to remain through 2017. Charges are based on 2015 projected charges times the assumed rate increase of 4.0%.
- 6) Interest Income – is composed of interest income and gains/losses earned by the District from investing in short-term debt securities. Amount is based on expected investment returns and net gains on sales equating to an estimate of 1.75% per annum in 2016 and 2.0% in 2017.
- 7) Other Income – is composed of income received on leases and other miscellaneous income. Amounts were estimated by using actual leases expected to remain in force in 2016 and 2017.
- 8) Facilities Development Charge – Charges to Developers to connect to the District's water system. Amount/projects dependent on fees received.
- 9) Grant Fee Income – The District expects to receive proceeds from a Proposition 84 grant of \$750 million and 3 United States Bureau of Reclamation grants (USBR) of \$318 million in 2016 and 2017.



Part 3

The Operations and Maintenance (O&M) budget covers all the annual costs of the daily operating activities of the District. Examples of elements of the O&M budget include: purchased water, purchased power, treatment chemicals, system repairs, draws from inventory, labor and benefits, non-capitalizable consulting services, billing, printing and postage, and supplies. It is composed of 14 department sub-budgets representing each operating section of the District.

Purchased Water

The budget for purchased surface water is based on anticipated annual water production that is derived from a 5 year seasonally-adjusted average of recent historical experience. Surface Water has been largely unavailable to the District since early 2012.

Surface water costs in the North Service Area are expected to be roughly \$2.2 million (combination of treatment, conveyance and purchase of raw water costs). These costs reflect a \$62 per Acre-Foot (AF) price increase for treated water from San Juan Water District (SJWD) due to the USBR passing along cost increases. Water Production for the North Surface Area is expected to be 12,000 AF in Surface Water and 150 AF in Section 215 Water. 2,800 AF of this surface water will be conveyed to 3 neighboring purveyors.

The budget for purchased water in the South Service Area is \$0.5 million reflecting a \$97/AF increase in the cost of water by the City of Sacramento for a total per AF charge of \$429. The District is budgeting to take 1,000 AF in 2016 and 2017.

The Surface Water Budget will be revisited each year in May once availability is determined.

Ground Water

Groundwater costs are expected to be roughly \$2.3 million, representing 6,850 AF of water in the North Service Area and 15,000 AF of water in the South Service Area.

Labor Costs

Employee salaries and taxes are expected to increase by roughly \$284,000 in 2016 over 2015. The increase is due to: 1) a 4% merit increase, 2) a 0.3% COLA increase, and 3) the addition of 1 field service position.

Benefit costs are expected to increase by roughly \$172,000 in 2016 due primarily to increases in pension costs of 7.1% and medical insurance costs of 2.6%.

**Sacramento Suburban Water District
Budget Year 2016
Operations and Maintenance Budget**

	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Projected	2016 Proposed	2017 Forecast
WATER COSTS	\$ 4,642,206	\$ 4,552,143	\$ 3,324,395	\$ 2,607,987	\$ 2,263,000	\$ 4,697,000	\$ 4,791,000
SALARIES	\$ 4,285,554	\$ 4,607,863	\$ 4,610,564	\$ 4,633,287	\$ 4,759,000	\$ 5,043,000	\$ 5,345,000
EMPLOYEE BENEFITS	\$ 1,707,882	\$ 1,843,785	\$ 1,915,889	\$ 1,980,390	\$ 2,162,000	\$ 2,334,000	\$ 2,381,000
EMPLOYER TAXES & INSURANCE	\$ 420,206	\$ 451,568	\$ 457,888	\$ 439,159	\$ 465,000	\$ 495,000	\$ 505,000
OPEB	\$ 511,000	\$ 558,200	\$ 576,300	\$ 592,700	\$ 591,000	\$ 470,000	\$ 483,000
ELECTION	\$ -	\$ 3,320	\$ -	\$ 47,548	\$ -	\$ 30,000	\$ -
MEMBERSHIP & DUES	\$ 162,073	\$ 157,930	\$ 171,515	\$ 175,408	\$ 213,000	\$ 205,000	\$ 209,000
POSTAGE & SHIPPING	\$ 235,639	\$ 227,287	\$ 264,166	\$ 264,807	\$ 328,000	\$ 299,000	\$ 305,000
LICENSES, PERMITS & FEES	\$ 419,020	\$ 411,369	\$ 409,454	\$ 457,611	\$ 547,000	\$ 565,000	\$ 576,000
FINANCIAL, INSURANCE & LEGAL	\$ 659,444	\$ 694,168	\$ 789,542	\$ 731,735	\$ 710,000	\$ 672,000	\$ 685,000
ENGINEERING & CONSTRUCTION SERVICES	\$ 2,442,695	\$ 2,046,857	\$ 2,323,246	\$ 2,501,575	\$ 1,464,000	\$ 1,654,000	\$ 1,687,000
EQUIPMENT & VEHICLE MAINTENANCE	\$ 137,643	\$ 167,759	\$ 163,192	\$ 161,533	\$ 173,000	\$ 187,000	\$ 191,000
SUPPLIES	\$ 1,136,091	\$ 741,258	\$ 770,426	\$ 843,427	\$ 848,000	\$ 863,000	\$ 880,000
CONSERVATION REBATES	\$ 18,013	\$ 11,533	\$ 19,923	\$ 33,536	\$ 291,000	\$ 263,000	\$ 268,000
OTHER	\$ 619,369	\$ 587,530	\$ 687,143	\$ 745,443	\$ 922,000	\$ 960,000	\$ 979,000
TOTAL	\$ 17,396,835	\$ 17,062,570	\$ 16,483,643	\$ 16,216,146	\$ 15,736,000	\$ 18,737,000	\$ 19,285,000



Part 4

The Operating Capital Budget (OCB) covers annual short term capital costs that are commonly smaller in size and typically have a depreciation life of five years or less. Examples of projects included in this budget are vehicle replacements, facility improvements, computer hardware and software replacements and additions, tools or equipment costing more than \$1,000, and projects that are singular in nature such as special studies. Each department manager submits their request, which includes a detailed expense justification, for review by management. Projected costs are based on: quotes from vendors, estimates based on previous like-kind purchases, or, in some cases estimates based on best available information.

The OCB Budget presentation consists of a Summary by Project Type Report comparing the proposed budget for 2016 to the prior year.

**Sacramento Suburban Water District
2016/17**

Operating Capital Budget

Project Type	2014 Actual	2015 Projected	2016 Proposed	2017 Forecast
OFFICE FURNITURE/EQUIPMENT	\$ 3,400	\$ 2,500	\$ 30,000	\$ 20,000
VEHICLES/FLEET	-	101,000	235,800	150,000
OPERATIONS	251,745	305,000	286,800	300,000
MAINTENANCE	27,660	291,500	267,500	250,000
INFORMATION TECHNOLOGY	419,552	200,000	325,900	325,000
Totals	\$ 702,357	\$ 900,000	\$ 1,146,000	\$ 1,045,000

SACRAMENTO SUBURBAN WATER DISTRICT OPERATING CAPITAL BUDGET - 2016			
Department	Project Number	Project Name	Budgeted Amount
Office Furniture/Equipment			\$ 30,000
2016	3-1	Office Furniture Suite 200	3,000
2016	5-4	Walnut Facility Office Furniture Replacement	20,000
2016	15-2	New Furniture for Suite 300	2,000
2016	16-1	Board Room Wall Maps	5,000
Vehicles/Fleet			\$ 235,825
2016	8-1	New Field Services Department Vehicle	45,000
2016	5-1	Vehicle Replacement/Right Size - Truck #32	123,825
2016	5-2	Vehicle Replacement - Truck #26	33,500
2016	5-3	Vehicle Replacement/Right Size - Truck #41	33,500
Operations			\$ 286,800
2016	6-1	Asphalt Repair/Replacement - Various well sites	35,500
2016	6-2	Production Meter Replacement Program, Magmeters	85,000
2016	7-1	Fox Fury Lighting - Nomad 360/Area Spot ligh	3,800
2016	8-3	Bosch Demolition Hammer Package	2,500
2016	13-1	Water Conservation Master Plan	45,000
2016	15-1	Updage 2015 Urban Water Management Plan	115,000

SACRAMENTO SUBURBAN WATER DISTRICT OPERATING CAPITAL BUDGET - 2015			
Department	Project Number	Project Name	Budgeted Amount
Office Furniture/Equipment			\$ 5,500
	5-1	Walnut Facility Office Chair Replacement	2,500
	12-4	Replacement/purchase of office furniture.	3,000
Vehicles/Fleet			\$ 105,825
	5-2	Vehicle Replacement/Right Size - Truck #33	105,825
Operations			\$ 452,200
	6-1	Pump Control Valve Freeze Protection Blankets	19,000
	6-2	Asphalt Repair/Replacement - Various well sites	27,000
	6-3	Production Meter Replacement Program, Magmeters	30,000
	6-4	UCMR3	15,000
	7-1	Makita Demolition Hammer & 2 Honda EU2000 Generators	6,200
	15-2	2015 Urban Water Management Plan Update to 2009 Water System Master Plan	80,000
	15-3	Construction Safety Equipment	250,000
	15-4		25,000

SACRAMENTO SUBURBAN WATER DISTRICT OPERATING CAPITAL BUDGET - 2016				
Department	Project Number	Project Name	Budgeted Amount	
Maintenance			\$ 267,500	
2016	4-1	Remodel Customer Service Area	35,000	
2016	12-1	Replace exterior/garage lighting at Marconi with LED	20,000	
2016	12-2	Replace interior lighting Suite #100/200 with LED	31,500	
2016	12-3	Install five additional cameras at Walnut	20,000	
2016	12-4	Replace obsolete cameras at the Marconi Facility	6,000	
2016	12-5	HVAC/Roof/Building repairs	30,000	
2016	12-6	Building and Structures Maintenance	125,000	
Information Technology			\$ 325,900	
2016	18-1	Hardware Refresh	169,900	
2016	18-2	Software Enhancements/Modules	115,000	
2016	4-2	Web Site Upgrade	35,000	
2016	8-4	Trimble Nomad Handheld Computer for Production	6,000	
Grand Total			\$ 1,146,025	

SACRAMENTO SUBURBAN WATER DISTRICT OPERATING CAPITAL BUDGET - 2015				
Department	Project Number	Project Name	Budgeted Amount	
Maintenance			\$ 302,500	
	15-1	Remodel Administration Building Suite 100 or 300	180,000	
	12-1	Replace barb wire and razor wire - Walnut Yard	10,000	
	12-3	Replace Tufftrack Grass Parking Pavers at the Antelope Garden	20,000	
	12-5	Per the 2011 Buildings and Structures Asset Management Plan, several District facilities require painting as part of their normal scheduled maintenance.	62,500	
	12-6	HVAC and Roof replacements on District Buildings	30,000	
Information Technology			\$ 274,900	
	18-1	5 Desktop Computers - Refresh Program	12,500	
	18-2	8 Laptop Computers - Refresh Program	15,400	
	18-3	3 Servers - Refresh Program	32,000	
	18-4	Add capability for customers to view daily reads on web	15,000	
	18-5	Explore new app to allow customers to contact the District via smart phone	10,000	
	18-6	New Financial Accounting System	15,000	
	18-7	GPS Locate Asset Pilot	50,000	
	18-8	3 Copier Replacement - Refresh	50,000	
	18-9	On-demand routing of work-orders & PDC Enhancements for Production Dept	10,000	
	18-10	Business Intelligence & Operational R	15,000	
	18-11	Inventory Checkout Scanning Pilot	20,000	
	18-12	KVM, Monitor, and Keyboard Replacem	20,000	
	18-13		10,000	
Grand Total			\$ 1,140,925	



Part 5

The Capital Improvement Budget (CIP) covers the anticipated annual costs of the Capital Improvement/Replacement Programs of the District. For budget purposes, capital improvements include system improvements and infrastructure replacements with relatively long depreciation schedules. The projects covered by this budget are the water-system capital projects of the District, which extend the life of the infrastructure or add significant components to the same. The projects covered by this budget fall within eleven project types recommended in the Assets Master Plan: Meter Retrofit, Meter Replacement and Repair, Distribution Main Replacement, Well Replacement, Transmission Main, Reservoir and Booster P.S., Buildings and Structures, SCADA, Projects from 2009 Water System Master Plan, Other Re-occurring Annual Capital Projects and other Capitalized Projects.

Examples of the Distribution Main Replacement program (Project No. 018) are projects which replace older water mains that have outlived their useful life; this program represents a significant amount of the total CIP effort. An example of the Other Re-Occurring Annual Capital Projects would be Well Rehabilitation/Pump Station Improvements (Project No. 009); this program addresses the annual repair and rehabilitation program for the District's 85 water production wells.

**Sacramento Suburban Water District
2016/17
Capital Improvement Program Budget**

Project Type	2014 Actual	2015 Projected	2016 Proposed	2017 Forecast
ASSET MANAGEMENT PLANS				
METER RETROFIT	\$ 2,060,561	\$ 1,688,000	\$ 1,975,000	\$ 2,275,000
METER REPLACEMENT & REPAIR	80,975	315,000	698,000	380,000
DISTRIBUTION MAIN REPLACEMENT	14,672,460	8,060,000	10,275,000	10,250,000
WELL REPLACEMENT	377,975	300,000	2,800,000	2,400,000
TRANSMISSION MAIN	-	-	450,000	450,000
RESERVOIR AND BOOSTER P.S.	-	300,000	200,000	200,000
BUILDINGS AND STRUCTURES	-	-	-	-
SCADA	404,802	300,000	200,000	200,000
FROM 2009 WATER SYSTEM MASTER PLAN	1,859,724	370,000	200,000	200,000
OTHER RE-OCCURRING ANNUAL CAPITAL COSTS	369,648	2,990,000	2,310,000	3,440,000
OTHER CAPITALIZED PROJECTS		914,000	445,700	-
Totals	\$ 19,826,145	\$ 15,237,000	\$ 19,553,700	\$ 19,795,000

**Sacramento Suburban Water District
2016/17
Capital Improvement Program Budget
1st Draft**

AMP Plan ¹	Project No.	Project Name	Project Approval Date	Total Project Budget	(2) 2015 Carryover	(3) 2016 Budget	(2) + (3) Total 2016 Budget	(4) 2017 Projected Costs	Funding Source	2016/17 Project Details (Proposed Need)
PRODUCTION (SOURCE OF SUPPLY)										
1	007	SSWD Groundwater Monitoring and Modeling Project	10/5/2015	\$50,000	\$30,000	\$20,000	\$50,000	\$0	LGA Grant/Water Sales	This is a continuation of a project originally initiated in CY2014. The District has received a partial Prop. 84 Local Groundwater Assistance (LGA) grant from the Department of Water Resources (DWR) in the amount of \$157,135. The funded project consists of two groundwater monitoring wells and related tasks, including water quality sampling and testing. The two proposed monitoring well locations were both changed in 2015 resulting in some delays. The two monitoring wells will be constructed in late-2015. Remaining work will include quarterly water quality sampling/testing and grant reporting. The total estimated project cost is approximately \$207,000. Therefore, the District's local cost share is approx. \$50,000.
10	009	Well Rehabilitation / Pump Station Improvements	10/5/2015	\$1,780,000	\$0	\$890,000	\$890,000	\$890,000	Water Sales	Projects planned for CY 2016 may include, but not be limited to: well investigations/evaluations and/or rehabilitation projects for Wells #23 (Marconi North/Fulton), #74 (River Walk/NETP South) and #N6 (Palm); replacement or removal of hydropneumatic tanks (replace with new tanks or install flush-to-waste assemblies) at Wells #N3 (Engle), #N15 (Cabana), #N17 (Oakdale) and #N22 (River College); rebuild two pressure vessels and replace underdrain system at Well #32A (Eden/Root); investigation and possible installation of a VFD at Well #68R (Northrop/Dornajo); and destruction of Wells #N11 (Diablo), #N18 (McCloud), #N19 (Larchmont), #67 (El Camino/Eastern) and #63 A-F (AWD infiltration gallery). Specific projects for CY 2017 have not yet been identified.
8	010	SCADA Remote Terminal Units (RTU's) / Communication Improvements / MCC Panel Replacement/Upgrades	10/5/2015	\$400,000	\$0	\$200,000	\$200,000	\$200,000	Water Sales	This project includes improvements and modifications recommended in the <i>SCADA Master Plan</i> . The District is very close to having all active wells on SCADA. Well sites to be upgraded with new MCC panels and/or PLC's/RTU's in CY2016 are #N25 (Sutter), #N8 (Field), and #N14 (Orange Grove). Two other well sites, yet to be determined, will be upgraded with new PLC's/RTU's only. These sites were selected from staff's motor control center study and analysis.
10	011	Wellhead Treatment / Chemical Feed System Rehab. / Improvements	10/5/2015	\$1,870,000	\$220,000	\$150,000	\$370,000	\$1,500,000	Water Sales	Project to cover costs associated with needing to install new and repair/replace existing wellhead treatment or chemical feed systems on an as-needed basis. Seven District wells have Chromium VI levels above the established MCL. A Chromium VI operations plan is currently being prepared that will address the potential need for wellhead treatment as compared to other options. A carryover project from 2015 is the design and eventual construction of a manganese (Mn) treatment facility at the existing Verner Well (#N36). Luhdorff & Scalmanini has been selected for this work. The alternatives evaluation phase and pre and final design work will extend into the fall of 2016. Construction of a proposed 1,500 gpm Mn treatment facility would begin in late-2016 and extend into 2017. The estimated construction cost for this facility is \$1.5 million. The Mn treatment facility would be designed to be expandable since it may be possible to drill additional wells at this site. In addition, several well sites (gas engine sites) not currently equipped with disinfection equipment will be equipped with tablet chlorinator units purchased in 2014 including Wells #37 (Morse/Cottage Park), #40 (Auburn/Yard), #43 (Edison/Truax), #45 (Jamestown/Middleberry), #46 (Jonas/Sierra Mills), and #47 (Copenhagen/Arden).
4	012	Well Replacement	10/5/2015	\$5,200,000	\$1,800,000	\$1,000,000	\$2,800,000	\$2,400,000	Prop. 84 Grant/Water Sales	* Priority depends on the well. Recommended in 2009 Water System Master Plan capital needs analysis. The Rutland Well pumping plant will be under construction starting in October 2015 but construction will not be completed until June 2016. For 2016, budget is also included for design and drilling of a new well on property to be obtained within the new Barrett Ranch East Subdivision. Also, costs are budgeted to acquire additional land for future replacement well sites within the District. For 2017, it is assumed that the pumping plant will be constructed for the Barrett Ranch well.
11	013	Electrical Arc Flash Hazard Modifications at Various Well Sites	10/5/2015	\$210,000	\$10,000	\$200,000	\$210,000	\$0	Water Sales	An electrical engineering consultant was previously hired to perform a hazard assessment of all of the District's electrical panels to determine what modifications are necessary for panels rated as Category 3 or higher. Based on work already performed, required modifications are expected to cost up to \$15,000 per well site. The highest priority modifications were completed in 2011 - 2014. Some additional panels required some sort of modification and/or corrective action and these modifications were, for the most part, completed in 2015. However, two items of work remain in 2016. The arc flash labels at all of the sites need to be updated to reflect improvements and corrections made over the past few years. In addition, arc flash modifications are still required for the electrical distribution panel at the Administration Building. This panel will be replaced with a new panel in 2016. In addition, a new SMUD transformer will be installed at the Admin. Building due to access issues related to the existing transformer.
10	040	Engine Generator Compliance	10/5/2015	\$150,000	\$0	\$75,000	\$75,000	\$75,000	Water Sales	Funds are included for a major engine overhaul and/or engine generator replacement. Anticipate one new engine generator (for Administration Building) in 2016 and an engine overhaul in 2017.

AMP Plan ¹	Project No.	Project Name	Project Approval Date	Total Project Budget	(2) 2015 Carryover	(3) 2016 Budget	(2) + (3) Total 2016 Budget	(4) 2017 Projected Costs	Funding Source	2016/17 Project Details (Proposed Need)
CONJUNCTIVE USE										
11	045	Enterprise Intertie Improvements	10/5/2015	\$178,700	\$10,000	\$168,700	\$178,700	\$0	Prop. 84 Grant/Water Sales	SSWD has an existing intertie with the City of Sacramento at SSWD's Enterprise Reservoir site. This intertie was originally designed for SSWD to take delivery of treated surface water purchased from the City of Sacramento. With the addition of some piping, a control valve and instrumentation and controls, this intertie can also be used for SSWD to deliver excess groundwater supplies to the City of Sacramento in dry years, thereby promoting conjunctive use. It is estimated that an instantaneous supply of as much as 20.0 mgd could be made available for delivery to the City. The estimated total project cost is \$178,700 but a Prop. 84 Drought Implementation Grant in the amount of \$118,225 has been awarded by the Dept. of Water Resources (DWR). Currently a cost-sharing agreement is being negotiated with the City of Sacramento. Once an agreement is finalized, design work can begin. It is anticipated that design and construction will both be completed in 2016.
STORAGE										
6	034	Corrosion Control for Reservoir/Tank and Well Site Painting/Coating, Upgrades and Improvements	10/5/2015	\$400,000	\$0	\$200,000	\$200,000	\$200,000	Water Sales	Note: Includes funds originally budgeted under O&M Account 06-54508. Transmission mains, storage and hydropneumatic tanks, and corrosion control facilities are on a scheduled maintenance program for inspection, testing, and recoating as necessary. Many of the District's above ground storage reservoirs have existing cathodic protection systems in place, but they have not been serviced since installation. The District is going to complete a survey on each system verifying its proper operation. As part of this process, a corrosion consultant is assisting with coating inspections in 2015 to determine a baseline for each of the above ground storage reservoirs. These inspections are being performed by a certified Coating Inspector Level 1. This condition assessment will help provide the District with better knowledge of the existing conditions of the tanks and which tanks are in need of repair or restoration in 2016.
DISTRIBUTION										
5	034A	Corrosion Control - Transmission Mains	10/5/2015	\$900,000	\$0	\$450,000	\$450,000	\$450,000	Water Sales	After completing initial surveys of many of the District's major transmission pipelines (i.e., Conveyance Transmission Pipeline (CTP), Walerga Pipeline, Antelope North Pipeline, Mission Avenue Pipeline, Bell/Northrop Pipeline) it has been determined that it is time to install impressed current cathodic protection to each of the pipelines. Impressed current systems can be installed on a system by system basis allowing the District to focus on one or two installations a year. These systems would be complete for each individual transmission main, for example five rectifiers are needed to completely protect the CTP. Other systems will require less equipment based on the current demand. JDH Corrosion has worked extensively this year on the CTP and Walerga impressed current system designs. By the end of this year the CTP design will be completed and ready for bid.
3	018	Distribution Main Replacements	10/5/2015	\$19,000,000	\$1,000,000	\$8,500,000	\$9,500,000	\$9,500,000	Water Sales	This project assumes up to 8 miles of distribution mains to be replaced per year using the service contract approach combined with District purchase of materials. Some contracted design and construction work from 2015 is anticipated to carryover into CY2016. Projects planned for construction in CY 2016 include the Drayton Heights Phase 2, Edison Meadows Phase 1 and Rivera Woods (size to be determined based on remaining budget). This includes approximately 35,000 lf of new 8" and 12" mains. Work planned for 2016 also includes completion of final paving for the Santa Anita Phase 2, Fair Oaks Estates and Barcelona Main Replacement Projects. Also includes hiring consultant(s) to provide support services (surveying and mapping services, SWPPP, construction management, etc.) for in-house design of projects planned for construction in 2017/2018. In addition, funds are included to pre-purchase up to 40,000 linear feet of ductile iron pipe in the fall of 2016, for installation in 2017, before anticipated price increases take affect. Includes installation of 371 water meters in 2016 and 564 in 2017.
3	019	Distribution Main Improvements / Extensions / Interties and Resolving Utility Conflicts	10/5/2015	\$1,525,000	\$25,000	\$750,000	\$775,000	\$750,000	Water Sales	Includes various small main replacement projects to solve distribution system hydraulic issues and relocating District water mains and appurtenances due to grade conflicts with County of Sacramento improvements (storm drains, etc.). Small main replacement projects planned for construction in 2016 include the El Camino/Bell Main Extension and Keema Avenue Main Extension projects.
3	020	McClellan Improvements	10/5/2015	\$0	\$0	\$0	\$0	\$0	Water Sales	Improvements required per agreement with McClellan AFB. (Combined into project -019 above.)
10	022	Water Related Street Improvements (Lowering/Raising Valve Boxes)	10/5/2015	\$300,000	\$0	\$150,000	\$150,000	\$150,000	Water Sales	This project includes lowering and raising existing water valve boxes before and after pavement grinding and overlay by the County of Sacramento and/or the City of Citrus Heights. Typically, the County of Sacramento and City of Citrus Heights have 2 to 4 projects a year and the District's cost projection is an annual average of their project impacts. This project also includes work identified by the District's Preventative Maintenance (PM) crew including raising valve boxes, etc.

AMP Plan ¹	Project No.	Project Name	Project Approval Date	Total Project Budget	(2) 2015 Carryover	(3) 2016 Budget	(2) + (3) Total 2016 Budget	(4) 2017 Projected Costs	Funding Source	2016/17 Project Details (Proposed Need)
1	024	Meter Retrofit Program - District and Grant Funded	10/5/2015	\$4,100,000	\$0	\$1,900,000	\$1,900,000	\$2,200,000	Water Sales/CalFed Grant/Water SMART Grant	District is on schedule to comply with AB 2572 requirement to install meters in California by 2025. Specific meter retrofit schedule is in accordance with updated Water Meter Retrofit Plan originally adopted in September 2004 and last updated in 2015. In 2016, an estimated 1,510 meters will be replaced as part of the retrofit program. Note that the District committed to installing 1,476 meters to receive the grant funding; the remaining 34 meters are being installed to complete a meter retrofit area. It is currently anticipated that available 2015 CIP funds will be used to purchase materials in advance for the 2016 retrofit project. Approximately 56 meters will be replaced using CalFed Water Use Efficiency grant funds (\$98,000) and 83 meters will be replaced using the CalFed WaterSMART grant funds (\$145,000). Both of these grants were obtained to accelerate meter installation. In 2017, an estimated 1,216 meters will be replaced as part of the retrofit program (with no grant funds).
1	024A	Voluntary Meter Retrofit Program	10/5/2015	\$150,000	\$0	\$75,000	\$75,000	\$75,000	Water Sales	Budget is provided to install new water meters as requested by customers through the District's voluntary meter program. Expenditures over the past five years have averaged approximately \$75,000/year.
10	027	Distribution System Major Repairs	10/5/2015	\$700,000	\$0	\$350,000	\$350,000	\$350,000	Water Sales	Consists of repair of major main breaks that require replacement of infrastructure.
10	028	Distribution System Improvements	10/5/2015	\$750,000	\$0	\$375,000	\$375,000	\$375,000	Water Sales	Note: New account. Includes funds originally budgeted under O&M Accounts No. 07-54507, 07-54511 and 08-54507. Covers costs for miscellaneous distribution system repairs and improvements including new taps/saddles, new water service lines, etc.
2	038	Large Water Meter (> 3") Replacement Program	10/5/2015	\$280,000	\$0	\$140,000	\$140,000	\$140,000	Water Sales	Budget is provided for the replacement of large (> 3") water meters that have outlived their useful life. In most cases, it is unnecessary to replace the meters; instead the large meters are rebuilt. As a result, this account is generally used to upgrade the service to current District standards with a bypass to allow for future testing and maintenance without interrupting water service to the customer. This is an ongoing project and work is scheduled according to findings related to the Meter PM Program. For 2016 and 2017, an additional \$50,000 has been included in the budget for the installation of meter bypasses.
3, 9	039	Fire Hydrant Replacement / Rehabilitation / Additions	10/5/2015	\$400,000	\$0	\$200,000	\$200,000	\$200,000	Water Sales	Note: Similar to 2015, the 2016 budget has been increased by \$100,000 using funds that were originally included in the O&M budget (Account #07-54507). The 2009 Water System Master Plan identifies some areas with insufficient fire flow. This project will bring these areas into compliance with minimum District and fire district standards, especially in those areas where main replacement projects are not scheduled for several years. A similar budget is proposed for 2017.
2	042	Meter Replacement and Repair	10/5/2015	\$798,000	\$0	\$558,000	\$558,000	\$240,000	Water Sales	As recommended in the 2015 Water Meter Asset Management Plan (100-year replacement schedule) with some adjustments to level out the work each year. This is the initiation of a planned program to repair and/or replace water meters that have outlived their useful life (estimated at 20 years). In the Asset Management Plan, an inventory of meters installed from pre-1990 through 2014 was used to project a 100-year meter replacement schedule. In 2016, it is estimated that 1,200 existing water meters in sizes from 3/4-inch to 1-inch will be replaced. An additional 188 existing meters in the 1-1/2" and 2" sizes will also be replaced as these meters are not rebuildable and they are not compatible with AMR. The new water meters will be compatible with the fixed network meter reading system. For 2017, an additional 1,200 existing water meters in sizes from 3/4-inch to 1-inch will also be replaced.
SPECIAL PROJECTS										
10	035	Professional / Special Services	10/5/2015	\$200,000	\$0	\$100,000	\$100,000	\$100,000	Water Sales	Includes potential professional services for CEQA Work, Preliminary Design, Special Studies, Hydraulic Modeling, Surveying, etc.
11	044	Capital Improvements to CTP (Per Contract Agreement with SJWD)	10/5/2015	\$7,000	\$0	\$7,000	\$7,000	\$0	Water Sales	District's cost share (owed to San Juan Water District) for Cooperative Transmission Pipeline (CTP) Corrosion Testing for 2015.
Total - Project Costs				\$39,348,700	\$3,095,000	\$16,458,700	\$19,553,700	\$19,795,000		

REFERENCE MATERIAL

Sacramento Suburban Water District

Reserve Policy

Adopted: August 18, 2003

Revised: September 20, 2004; August 21, 2006; August 18, 2008, November 19, 2012,
January 27, 2014

100.00 Purpose of the Policy

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 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.

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.

Debt Service Reserve Fund

Financial assets held by the District per bond or certificate-of-participation (COP) debt covenants. The amount of assets to be held as debt service reserves is determined at the time of debt issuance. Such assets may only be used to repay the outstanding bond or COP for which the assets were placed in reserve as long as the bond or COP remains outstanding.

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.

Facilities Reimbursement Fund

As established by the Board in the District's Regulations Governing Water Service (Regulations), the District will retain a percentage of Facility Development Charges 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.

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 twenty-five percent (25%) of its following year's anticipated annual revenues in this fund. Conditions for utilization of such reserves and a plan for fund replenishment will be approved 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 minimum balance in short-term investments and/or cash equal to twenty-five percent (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 at annual budget time.

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. Financial fluctuations occur when situations vary from the assumption. The District shall target a balance of fifty percent (50%) of its expected upcoming year consumption revenues in this fund. Conditions for utilization of such reserves and a plan for fund replenishment will be directed by the Board at annual budget time.

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).

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. Through the annual budget process, staff shall recommend capital replacement projects and any necessary appropriations from this 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.

Facilities Development Charge 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 Facilities 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 Facility Development Charges. 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.

400.00 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.

500.00 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 dropping below established minimums balances, or diminishing reserves as a result of covering unanticipated costs.

600.00 Policy Review

This Policy will be reviewed at least biennially.