

Agenda

Sacramento Suburban Water District Special Board Workshop

3701 Marconi Avenue, Suite 100
Sacramento, California 95821

Friday, September 16, 2016
2:00 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. Proposed Staffing Additions 2017/18
Receive written staff report and direct staff as appropriate.
2. 2017 Budget and 2018 Forecast – First Draft and Reserve Policy (PL – Fin 004)
Provide direction to staff regarding the draft 2017/18 budget.

Adjournment

Upcoming Meetings

Monday, September 19, 2016 at 6:30 p.m., Regular Board Meeting
Friday, September 30, 2016 at 3:00 p.m., Facilities and Operations Committee Meeting

I certify that the foregoing agenda for the September 16, 2016 meeting of the Sacramento Suburban Water District Board of Directors was posted by September 13, 2016 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 6, 2016

Subject: Proposed Staffing Additions 2017/18

Staff Contact: Daniel R. York, Assistant General Manager
Daniel A. Bills, Finance Director

Recommended Board Action:

Approve four full time positions in CY2017 at an all-in cost of \$328,000 per year beginning in 2017 and one full time position in CY2018 at an all-in cost of \$118,000 per year beginning in 2018. This item was presented to the Facilities and Operations Committee at their meeting on September 1, 2016, and the Committee was unanimous in recommending the subject positions be presented to the full Board for discussion and approval at the September 16, 2016 Board Workshop.

Discussion:

At the October 5, 2015 CY2016 Budget Workshop, staff presented a recommendation to approve the addition of two new Distribution Operator I (DOI) positions for the Field Operations Department in CY2016 to address the significantly increasing number of service requests pertaining to water meters that have been installed over the past twenty years. The Board of Directors (Board) approved adding one additional DOI position in CY2016 with direction to request the second additional DOI position in CY2017. Since then, Management has received 6 additional requests for staff in 2017 beyond the DOI position.

Positions requested by staff for 2017 are:

<u>Position</u>	<u>Department</u>	<u>Annual Salary</u>
Distribution Operator I	Field Services	\$40,000
Administrative Assistant I/II	Field Operations	\$40,000
Conservation Technician I	Water Conservation	\$40,000
Distribution Operator I	Distribution	\$40,000
Production Foreman	Production	\$61,000
Cross Connection Control Specialist	Production	\$58,000
Customer Service Representative	Administrative Services	\$58,000

For 2018, the staffing requests are:

<u>Position</u>	<u>Department</u>	<u>Annual Salary</u>
SCADA Integrator	Production	\$79,000
GIS/IT Specialist	IT	\$60,000

Management has reviewed these staff requests and recommends including the following positions for 2017 and 2018:

2017 Staffing Additions

<u>Position</u>	<u>Department</u>	<u>Annual Salary</u>
Administrative Assistant I/II	Field Operations	\$40,000
Distribution Operator I/II	Field Services	\$40,000
Cross Connection Control Specialist	Production	\$58,000
Customer Service Representative	Administrative Services	\$58,000

2018 Staffing Addition

<u>Position</u>	<u>Department</u>	<u>Annual Salary</u>
SCADA Integrator	Production	\$79,000

For the remaining staffing requests, management staff has requested further supporting justification/analysis before a determination is made to discuss with the full Board or not.

If the Board agrees with management's recommendation, the following will be added each year to the budget beginning with the proposed 2017/18 budget:

	<u>2017</u>	<u>2018</u>
Salaries	\$195,000	\$ 79,000
Benefits	82,000	33,000
Employer Taxes	16,000	6,000
Total Additions	<u>\$328,000</u>	<u>\$118,000</u>

To provide context for these recommendations, staff has gathered the following information:

Entity Name	Connections	Staff	Connections to Staff
SSWD	46,504	63	738
Rio Linda	4,618	10	462
Elk Grove WD	12,291	29	424
PCWA (excludes Power Div.)	35,394	181	196
Carmichael WD	11,887	34	350
Citrus Heights WD	19,600	32	613
Fair Oaks WD	13,894	29	479
Del Paso Manor	1,797	4	449
Dublin San Ramon	21,434	113	190
Elsinore Valley	43,690	164	266
Helix	<u>56,008</u>	<u>150</u>	<u>373</u>
Total, excluding SSWD	267,117	746	296
Average, excluding SSWD	22,061	75	296

(Source: 2015 Audited Financial Statements)

Background:

Upon consolidation of the former Arcade and Northridge Water Districts, an Organization Chart was not developed below the senior management level. In 2003, senior management made the decision to develop an Organization Chart to best fit the operational needs of the District. Upon completion of the Organization Chart, the District was comprised of the following departments:

Engineering

- Capital Improvement Program
- New Development
- Operations Support

Field Operations

- Production
- Distribution
- Field Services

Customer Service and Administration

Finance

Human Resources

Staff Growth since merger:

Since the creation of the District in 2002, there have been twelve additional positions approved by the Board, which are listed below in the department they were approved:

Engineering

Engineering Drafter, GIS/IT Technician, Assistant Engineer and Associate Engineer

Field Operations

Field Operations Coordinator (Field Operations)

Production Operator, Electrical/Instrumentation Technician and Environmental Compliance Supervisor (Production Department)

Water Conservation Supervisor, Water Conservation Technician and Distribution Operator I (Field Services)

Customer Service and Administration

Administrative Assistant

Over the years, as District workloads continued to increase, oftentimes with only the most urgent issues addressed directly by staff, less urgent matters and long-term projects were typically handled by outsourcing to consultants or contractors. For many functions, outsourcing has been acceptable, but for others it has become unacceptable. Accordingly, additions to staff have been warranted.

Staffing Request Support:

Below are the departmental justifications for the 2017/18 staffing requests:

Field Services Department

The Field Services Department is comprised of the Meter Department and the Water Conservation Department. Currently the Field Services Department is staffed with one (1) Superintendent (with two direct reports), a Distribution Foreman (with six direct reports), and a Water Conservation Supervisor (with one permanent direct report as well as temporary seasonal reports).

Meter Department

Below is a list of tasks that the Meter Department conducts/oversees:

- Distribution system maintenance, repairs, replacements, and investigations of:
 - Meter non-reads, tampers, and zero consumption
 - Meter replacements, installs, and rebuilds
 - Meter transponder, MTU, and register replacements
 - Meter box and lid replacements
 - Service point locations and verifications
 - Verify meter information
 - Meter leak determines responsibility

- Meter setter repairs
- Billing tasks:
 - Read meters
 - Lock offs and restores
 - Check accounts in disconnect status
 - Hang notice for 48 hour pending termination and need billing information
- Customer Service Requests:
 - Investigate high bill complaints and critical consumption
 - Water pressure inquiries
 - Voluntary meter installs and meter downsizes
 - Investigate reverse flow events
 - Meter box investigations
 - Turn off water – customer request
 - Move in and out final read
- Preventive Maintenance:
 - Meter rebuild
 - Meter replace
 - Meter test

Background

The District's Board of Directors approved adding one additional Distribution Operator I (DOI) position for the Field Services Department in CY2016 and tentatively approved adding a second additional DOI position in CY2017.

Discussion

During the past ten years, the number of meters installed throughout the District has more than doubled. The District currently has approximately 36,000 metered connections, with an additional 1,500 - 2,000 services being retrofitted with meters each year through 2024. Over the next seven to nine years, the District is expected to be fully metered at which point there will be approximately 45,000 meters in service.

As a result of this effort towards becoming fully metered, the Department is experiencing a continual significant increase in its workload as the newly installed meters need repair and/or replacing. In 2010, Field Services staff completed 8,852 Service Requests. In 2015, Field Services staff completed 10,344 Service Requests. That is a total workload increase of 16.8%. This increased workload has resulted in slower response times to customer requests, additional overtime, and an increase in the amount of work that is outsourced. It is anticipated that this workload will continue to increase each year until the District is fully metered.

Additionally, the increased workload has also resulted in the Meter Preventive Maintenance (PM) Program not receiving the time and attention needed to stay on schedule. To ensure District customers are billed fairly and correctly, it is of the utmost importance that the District's cash registers are operating and registering accurately. This can only be accomplished with a focused

effort on testing, repair, rebuilding, and replacement of these meters at regularly scheduled intervals.

The Meter Asset Management Plan (AMP) outlines the following PM Program schedule:

- 5/8", 3/4" and 1" meters will be replaced on a 20 year schedule or sooner if an excessive volume (typically 4 to 5 MG) has registered on the meter (estimated 2,100 meters per year).
- All 1.5" and 2" meters will be rebuilt every ten years (estimated 240 meters per year).
- All 3" and 4" meters will be tested every 5 years, all 6" or larger meters will be tested annually and both will be rebuilt if the meters are operating outside AWWA standards (estimated 114 total large meters to test annually).

With the addition of the full-time staff member to the Department in 2016, meeting the Meter PM Program schedule has been assigned a high priority. To accomplish all of the required annual testing and rebuilding of large meters requires a two-member team for approximately 24 hours per week. However, even with the addition of this staff member, the current workload in the Department is too great to dedicate existing resources to complete the requirements of the annual PM Program.

One full time staff member has been assigned to focus solely on the PM Program for CY2016, or until such time as the PM Program requirements have been met. To meet the additional labor requirement necessary to complete the PM Program for CY2016, staff requested and received approval to hire a student intern to assist with the PM Program working a maximum of 29 hours per week.

The PM Program has focused primarily on large meter testing. 114 large meters are scheduled for testing in CY2016. Meters that are operating outside of AWWA accuracy standards are rebuilt by staff immediately following the test. Staff will then shift their focus to rebuilding 1.5" and 2" meters. 240 meters are scheduled for rebuilding in CY2016. Year-to-date, 74 large meters have been tested and 213 1.5" and 2" meters have been rebuilt. It is anticipated that all PM Program goals outlined in the AMP will be met in CY2016.

The PM Program has not been replacing meters 1" and below in-house in CY2016. Approximately 800 meters 1" and below are scheduled to be replaced by a contractor this year as part of a CIP Project. To effectively maintain a 20 year replacement schedule, approximately 2,100 meters 1" and below will need to be replaced annually. The current average contractor labor cost for the replacement of a 1" and below meter is \$185.00. The approximate labor cost for the replacement of 2,100 meters is \$388,500.

Staff recommends assigning one additional Distribution Operator to the PM Program in CY2017, bringing the total of assigned staff to two. It is anticipated that two staff will be able to meet all PM Program goals outlined in the AMP, including the replacement of the scheduled 2,100

meters 1” and below. This will result in a significant cost-savings for the District when compared to outsourcing the replacement of the meters.

Customer Service Department

The Customer Service Department is currently staffed with 4 CSR’s and the Administrative Services Manager, the same organizational structure that existed when the District was formed in 2002. At that time, the District serviced roughly 42,000 connections, of which 12,000 were metered. Currently the District has 46,000 connections with 36,000 of those connections metered, or a tripling of the number of metered connections. Further, approximately 1,500-2,000 additional connections are being retrofitted with meters each year until it is fully metered by 2015.

Metered connections versus flat-rate connections create a significant additional burden on CSR staff in terms of number and length of calls and/or over-the-counter discussions. Because more data is available to metered customers there are more questions posed to CSR’s, such as usage concerns, meter accuracy over time, meter up/down sizing requests, and trying to understand meter billing data compared to flat rate billing data.

Also adding to the increase in CSR time spent with customer’s, over the past decade there have been a number of changes the District has made to improve customer information. Providing more payment options, details and information on monthly bills, water quality data and water conservation options has led to more customer dialogue with staff.

Beyond the additional time needed by CSR’s to address customer questions and concerns, the CSR’s are required to perform other critical department functions that may preclude them from answering phone calls. Those functions include:

- new customer set-up
- payment importing
- generating collection notices
- delinquency processing and lock-off notices
- flat rate disconnect checks
- liens and lien releases
- demand letters
- recurring payment set-up
- weekly billing
- former customer billing

Each time one of these tasks is performed a CSR may be off the phone causing customer questions to go unanswered and hold times to increase. Because of the greater demand posed by customers on CSR staff, there is a concern that meeting the District’s goal of “superior customer service” is at risk.

In addition, staff conducted a survey of some water agencies and found that the ratio of number of CSR's to connections averages much different than the ratios at SSWD. See survey details below:

Entity Name	Connections	CSR	Connections to CSR
SSWD	46,504	4	11,626
Elk Grove WD	12,291	3	4,097
PCWA (excludes Power Div.)	35,394	15	2,360
Carmichael WD	11,887	2	5,944
Citrus Heights WD	19,600	3	6,533
Fair Oaks WD	13,894	3	4,631
Del Paso Manor	4,458	1	4,458
Dublin San Ramon	21,434	8	2,679
Elsinore Valley	43,690	14	3,121
Helix	<u>56,008</u>	<u>43</u>	<u>1,303</u>
Total, excluding SSWD	215,995	92	2,348
Average, excluding SSWD	24,000	10	2,348

Field Operations Department

Field Operations is comprised of three major departments - Distribution, Field Service and Production, which also contain the Water Conservation and Environmental Compliance Departments. Currently there are a combined total of thirty-seven staff members conducting tasks related to facility repairs and replacement, preventive maintenance, regulatory compliance, and numerous types of field customer service. A great deal of documentation is required to ensure all of this work is completed accurately, efficiently and in accordance with regulatory requirements. This documentation places a large administrative burden on supervisory staff, some of which has been delegated to foremen and field staff, thus diminishing time spent in the field addressing customer concerns and mentoring of staff. Therefore, staff is requesting the addition of a new Administrative Assistant I position in Field Operations Department. Below is a description of the need and purpose of this additional staff request:

In 2013, Municipal Consulting Group conducted an Outsourcing/Insourcing Study (Study) for the District. As recommended in the Study, a need exists for an administrative position at the Walnut Corporation Yard (Walnut). The Study demonstrated a need at Walnut to provide clerical and administrative support for the Field Operations Department. Currently managerial and supervisory staff are performing the majority of these tasks with other tasks being performed by foreman positions, which takes away from their supervisory responsibilities. Having an administrative position would allow managerial and supervisory staff more opportunity to efficiently oversee daily operations.

Over the past five years Operations staff attempted to utilize the District's existing Administrative Assistant from the Marconi facility on a temporary, one-two day per week schedule to support clerical and administrative duties for managerial and supervisory staff. However, this arrangement proved to be inefficient, as recurring assignments could not be

delegated on such an irregular schedule. In addition, over the past two years staff has hired temporary Administrative Intern/Office Assistants. This too has proven ineffective as the interns/temporary help leave as soon as they are trained. However, when the temporary Administrative Intern/Office Assistants have been at the Walnut facility, there were signs of efficiencies.

Some of the responsibilities for each department for this new position are listed below, along with the estimated percentage of hours assisting each department.

- Provide clerical and administrative support
- Assist with compiling Monthly, Special and Committee Board Reports
- Assist with general spreadsheet, correspondence and PowerPoint development
- Assist with the annual review of the District's Emergency Response Plan and Injury and Illness Prevention Program.
- Performs administrative projects; researches and compiles data; maintains records and files
- Generates Safety Committee meeting minutes
- Maintain project tracking spreadsheets for CIP and OCB projects for Operations
- Scan all production department files into On-Base and index
- Update flow information on well update status from recent efficiency testing as well as other current production data
- Scan and index SCEMD Notices to Comply
- Scan and index the SWRCB, DDW Inspection Reports and Annual Reports
- Update and input information for MTU replacement data
- Assist with continuous flow notifications
- Assist with maintaining Stand-by Duty schedule
- Assist with maintaining, composing and distributing Water Service Agreements
- Assist with maintaining safety training schedule, generate topics and coordinate presenters
- Provide assistance in answering Conservation related emails and phone calls
- Respond to conservation related Call Customer Service Requests
- Maintain conservation rebates and upload rebate information into On-Base
- Scan and index all conservation notices into On-Base
- Maintain Conservation workshop attendees list

Operations Manager: 30%

Production Superintendent: 20%

Field Services Superintendent: 15%

Distribution Superintendent: 20%

Water Conservation Supervisor: 15%

Production Department

Currently there are 13 total staff in the Production Department including the Superintendent. The Production Superintendent has three direct reports, the Production Foreman has seven, and the Environmental Compliance Supervisor has one direct report. Staff is recommending five additional staff members within the next five years. Below is a brief description of the need and purpose for each additional staff request:

Cross-Connection Control Specialist

Under California Title 17 §7584, water purveyors are responsible for protecting the public water supply from contamination by the implementation of a Cross-Connection Control Program (CCCP). The tasks and assignments associated with this position are currently being conducted by the Environmental Compliance Technician and various Production Operators. The tasks for this position consist of the following:

- Coordinate the printing/mailing of backflow prevention assembly (Assembly) test notification letters with vendor and prepares/mails install and repair/replace letters.
- Assembly pre and post installation field inspections.
- Data entry of Assembly test report results daily into the District's CCCP software.
- Provides assistance to customers/testers regarding the CCCP.
- Maintains Assembly records.

The District currently has 4,512 Assemblies in the CCCP. Of the approximately 6,300 water services that are identified by District regulations that require an Assembly, approximately 1,700 are not protected. Of those services currently not protected, the District is mandated by the State Water Resource Control Board/Division of Drinking Water to retrofit a minimum of 50 Assemblies annually. In addition, the District adds approximately 150 Assemblies per year to the CCCP based on the main replacement projects. At the current rate of installation, the 6,300 water services are projected to be fully completed by 2027.

The addition of this position will allow the Environmental Compliance Technician and Production Operators more time to efficiently conduct their daily tasks and assist in complying with new and revised regulations, such as the following new or revised regulations implemented in the last ten years:

- Revision Public Notification Requirements for Drinking Water Violations (2006)
- Disinfectants and Disinfection Byproducts (2006)
- Radionuclide Drinking Water Regulations (2006)

- Primary Maximum Contaminant Level for Perchlorate (2007)
- Revision of the Arsenic MCL (2008)
- New Ground Water Rule (2011)
- e-CCR (2013)
- New MCL for Hexavalent Chromium (2014)
- New Statewide General NPDES Permit for Drinking Water System Discharges (2015)
- Revised Total Coliform Rule (2016)
- 1,2,3-Trichloropropane MCL revision (Pending)

SCADA Integrator

The District’s SCADA system will be completely built out in 2017 with well over 100 remote terminal units controlling, monitoring, and reporting critical operational information. The District currently contracts through TESCO for these services. This was efficient in the early stages of the SCADA system implementation, but as of late has proven to be expensive and cumbersome. The size of the District system demands full time staff is assigned to collaborate with the Information Technology Manager, Engineering, and Production Department staff to maintain a high quality and reliable SCADA system. Some of the duties would include:

- Provide instrumentation & control design services for water facilities, pumping stations, and related facilities.
- Provide design of SCADA systems.
- Assist with instrumentation, control system, and SCADA system programming, installation, and start-up.
- Inspection of work performed by contractors (Tesco)
- Perform more complex troubleshooting and diagnosis of SCADA and electronic problems and develop solutions.
- Manage data - collect and store information for reporting, troubleshooting, and maintenance indications.
- Extract and use data to reduce operating costs and improving system performance and reliability.

Fiscal Impact:

If the Board agrees with management’s recommendation, the following will be added each year to the budget beginning with the proposed 2017/18 budget:

	2017	2018
Salaries	\$196,000	\$ 79,000
Benefits	\$117,000	\$47,000
Employer Taxes	\$15,000	\$6,000
Total Additions	\$328,000	\$132,000

Strategic Plan Alignment:

Customer Service - B. Attract and retain a well-qualified staff with adequate compensation, effective training, and professional development.

Customer Service - C. Assure appropriate staffing at all levels consistent with service goals.

Customer Service - D. Provide customer and community relations by communicating, educating, and providing updates on District operations, water quality issues, water conservation, fiscal stability, environmental stewardship, sustainability of water resources and physical system assets.

Customer Service - F. Monitor and benchmark customer service parameters to ensure that the customers' needs are met.

Customers are the core of every business, and as such, should be the top priority. Increasing staff will benefit its customers by moving towards strengthening the relationship and improving efficiencies and response times.



Agenda Item: 2

Date: September 13, 2016

Subject: 2017 Budget and 2018 Forecast - First Draft and Reserve Policy (PL – Fin 004)

Staff Contact: Daniel A. Bills, Finance Director

Recommendation:

Discuss first draft of the 2017 budget and 2018 forecast. Provide direction to staff.

Discussion:

Attached are the summary and detailed analyses of the proposed 2017 budget and 2018 forecast. The assumptions used in the proposed 2017 budget were presented to the Finance and Audit Committee on Friday, August 12, 2016. Committee comments and suggestions have been incorporated into this first draft.

The 2017 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. Available upon request.

Reference Material:

1. Reserve Policy

Fiscal Impact:

If adopted as presented, the O&M budget would be \$21.5 million (including funding other post-employment benefits of \$0.5 million); the CIP budget would be \$16.7 million; the OCB budget would be \$1.2 million, and the debt service forecast would be \$7.8 million. The total of all four budgets would be \$47.2 million. Revenues are projected to be \$45.8 million, assuming the

anticipated 2017 ground water substitution transfer occurs, for a planned drawdown of reserves of \$1.4 million,. Projected reserve level at the end of 2017 is expected to be \$41.8 million.

Strategic Plan Alignment:

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

First Draft 2017 Budget and 2018 Forecast

Board Workshop
September 16, 2016

Mission Statement

- *To deliver a high quality, reliable supply of water and superior customer service at the lowest responsible 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 embracing sustainable practices to provide reliable delivery of high quality water.
- **Customer Service:**
 - Assure superior and reliable 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 impact the customers.

2017/18 Budget Development Process

- Staff Development of Budgets
- Finance and Audit Committee – 08/12/16, 3:00 pm
 - Initial Presentation; Provide Direction to Staff
- August Board Meeting – 08/15/16
 - Status Report; Provide Direction to Staff
- Board Workshop – 09/16/16, 2:00 pm
 - Initial Presentation; Provide Direction to Staff
- September Board Meeting – 09/19/16
 - Verbal Status Report; Provide Additional Direction to Staff
- October Board Meeting – 10/17/16
 - Budget Approval or Additional Direction to Staff

Definitions and Changes for 2017/18 Budget

Definitions

- Budget – The District’s Spending Plan - Comprises All District Costs:
 - O&M Budget – Operations and Maintenance Budget
 - CIP Budget – Capital Improvement Program Budget (Water Infrastructure Assets)
 - 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.
- SW = Surface Water; GW = Ground Water

2016 Changes

- Two Year Planning Process:
 - Revenue and Expenses Projected over a 2 Year Horizon
 - Budget Adopted for First Year
 - Forecast Provided for Second Year

2017 Changes

- 2017 CIP and OCB Projects Budgeted to Completion – (2017 and 2018)

Recap of 2016 Budget and Highlights

2016 Amended Budget

\$ Millions

Operations & Maintenance Budget	\$17.8
Capital Improvement Program Budget	\$18.8
Operating Capital Program Budget	\$ 1.0
Debt Service Budget	<u>\$ 7.6</u>
Total	\$45.2

2016 Budget Allowed the District to Accomplish:

- Projected Water Deliveries of roughly 33,000 Acre Feet (AF)
 - Includes Surface Water - 12,000 AF in NSA; 500 AF on SSA
 - 2,000 AF Wheeled to CalAm
- Completed Rutland Drive Well; On schedule to drill Palm Avenue Well
- Installed 2 Ground Water Monitoring Wells
- On Schedule to replace roughly 6.0 miles of Distribution Main Lines
- On Schedule to install 1,960 Water Meter Retrofits
 - (See slide 39 for current status of water meter retrofit program)

2017 Goals

Budget Will Allow the District to Accomplish the Following:

- Water Deliveries of 35,000 AF (32,700 AF to Customers)
 - Includes Wheeled Water Deliveries of 2,300 AF
- Follow modified asset management plans for replacing water infrastructure assets, to include:
 - For 2017/18, replace up to 8.8 miles of Distribution Main Lines, including 720 Meters
 - Install an Additional 1,232 Water Meter Retrofits – (1,216 Meter Retrofit Program, 16 Voluntary)
 - Complete Palm Avenue Well – Site Work and Pumping Facilities
 - Begin Permitting and Design of Manganese Treatment Facility at Verner Well
 - Begin Multi-Year Process to Connect Transmission Mains in NSA
- Anticipate GW Substitution Transfer of 8,000 AF for Net Revenues of \$2.0 Million

Budget Assumptions

Key Assumptions		2015		2016		2017		2018	
1	Rate Increase	4.00%	\$1,553,000	4.00%	\$1,615,000	0.00%	\$ -	4.00%	\$1,560,000
2	No Change in SSWD Service Boundaries								
3	New Service Connections (Growth)	Increase	0.43%	Increase	0.43%	Increase	0.52%	Increase	0.52%
4	Water Production: (A)	<u>Cost/AF</u>	<u>AF</u>	<u>Cost/AF</u>	<u>AF</u>	<u>Cost/AF</u>	<u>AF</u>	<u>Cost/AF</u>	<u>AF</u>
	a. Water Supply Forecast Based on 5 Year Average								
	b. SSA Surface Water (City)	\$ 332.00	1,000 AF	\$ 428.80	550 AF	\$ 450.24	1,000 AF	\$ 472.75	1,000 AF
	c. SSA Groundwater (Variable costs)	\$ 108.60	16,500 AF	\$ 118.39	10,550 AF	\$ 123.12	15,000 AF	\$ 128.05	15,000 AF
	d. NSA Surface Water (PCWA)	\$ 35.00	12,000 AF	\$ 48.05	12,000 AF	\$ 50.45	12,000 AF	\$ 52.98	12,000 AF
	e. NSA Surface Water (Wheeling)	\$ 19.00	12,000 AF	\$ 27.04	12,000 AF	\$ 28.39	12,000 AF	\$ 29.25	12,000 AF
	f. NSA Surface Water (Treatment)	\$ 65.00	12,150 AF	\$ 135.34	12,000 AF	\$ 175.00	12,150 AF	\$ 191.00	12,150 AF
	g. NSA Groundwater (Variable costs)	\$ 96.33	8,350 AF	\$ 106.81	8,900 AF	\$ 111.08	6,850 AF	\$ 115.52	6,850 AF
	h. NSA Bureau 215 Water	\$ 71.00	150 AF	\$ 72.80	0 AF	\$ 76.44	150 AF	\$ 80.26	150 AF
	i. NSA Wheel Water from Citrus Heights	\$ 24.20	300 AF	\$ 30.38	0 AF	\$ 30.99	300 AF	\$ 31.61	300 AF
	j. NSA Wheel Water to Citrus Heights (Revenue)	\$ (24.20)	300 AF	\$ (30.38)	0 AF	\$ (30.99)	300 AF	\$ (31.61)	300 AF
	k. NSA Wheel Water to Cal-AM (Revenue)	\$ (196.48)	2,000 AF	\$ (196.48)	2,000 AF	\$ (337.05)	2,000 AF	\$ (356.57)	2,000 AF
5	Anticipated Outside Water Sales, Net		None		None	\$2 Million	8,000 AF	\$2 Million	8,000 AF
6	Investment Yield		1.50%		1.75%		2.00%		2.00%
7	Variable Debt Interest Rate		4.00%		3.86%		3.86%		3.86%
8	Electrical Cost Increase		2.50%		2.50%		2.50%		2.50%
9	COLA (As of July 31)		1.80%		0.30%		0.60%		1.00%
10	Merit Program		3.00%		4.00%		4.00%		4.00%
11	Construction Inflation (B)		2.70%		2.10%		3.40%		2.50%
12	Health Care Cost (C)		4.90%		2.60%		-2.00%		3.00%
13	Tier 1 Pension Cost (% of Salaries)		25.82%	\$ 317,000	21.70%	\$ 373,000	21.50%	\$ 400,000	22.00%
14	Tier 2 Pension Cost (% of Salaries)		19.84%	\$ 5,000	16.20%	\$ 7,500	16.10%	\$ 10,000	17.00%
15	Tier 3 Pension Cost (% of Salaries)		6.70%		6.73%	\$ 200	6.90%	\$ 1,000	7.00%
16	New Hires		None		1		4		1
17	Funding of Post Retirement Benefits		\$ 591,000		\$ 459,600		\$ 472,200		\$ 485,200
Footnotes:									
(A)	SSA = South Service Area; NSA = North Service Area								
(B)	20 Cities CCI Index, Source: ENR								
(C)	From UnitedHealthcare to HealthNet Smart Care HMO								

Anticipated Water Transfers

➤ History:

	2009	2010	2013
Acre-Feet Sold	8,462	2,712	2,822
Revenue/AF	\$ 277	\$ 235	\$ 190
Cost/AF	\$ 58	\$ 56	\$ 45
Revenue	2,347,132	636,638	536,218
Cost (Water & Legal)	487,297	151,254	127,155
Net Sales Revenue	1,859,835	485,384	409,063

➤ 2017/18 Projection:

	2017	2018
Acre-Feet	8,000	8,000
Revenue/AF	\$ 300	\$ 300
Cost/AF	\$ 51	\$ 53
Revenue	2,400,000	2,400,000
Cost (Water & Legal)	408,000	420,240
Net Sales Revenue	1,992,000	1,979,760

2017 Budget and 2018 Forecast

	<u>2015 Actual</u>	<u>2015 Amended Budget</u>	<u>Actual As Of 7/31/16</u>	<u>Projected 2016</u>	<u>2016 Amended Budget</u>	<u>2017 Proposed Budget</u>	<u>2018 Forecast</u>
Income From Customers	\$ 38,690,419	\$ 38,837,000	\$ 22,713,562	\$ 41,141,000	\$ 41,410,000	\$ 42,094,000	\$ 43,780,000
Water Transfers	-	-	-	-	-	1,992,000	1,976,000
Total Other Income	1,778,494	1,742,000	1,264,785	2,472,730	2,905,000	1,714,000	1,610,000
Total Revenue	<u>\$ 40,468,913</u>	<u>\$ 40,579,000</u>	<u>\$ 23,978,347</u>	<u>\$ 43,613,730</u>	<u>\$ 44,315,000</u>	<u>\$ 45,800,000</u>	<u>\$ 47,366,000</u>
Budgets:							
Operations and Maintenance	16,854,403	17,895,000	9,526,428	17,827,000	17,895,000	21,530,000	22,399,000
Capital Improvement Program	17,179,377	18,332,000	8,578,198	17,846,000	18,796,000	16,725,000	19,600,000
Operating Capital Program	905,359	1,140,925	357,958	974,000	974,000	1,181,000	672,000
Debt Service (Forecast)	7,425,000	7,850,000	2,113,715	7,605,000	7,605,000	7,770,000	7,760,000
Total Costs	42,364,139	45,217,925	20,576,299	44,252,000	45,270,000	47,206,000	50,431,000
Change in Reserve Balance	(1,895,226)	(4,638,925)	3,402,048	(638,270)	(955,000)	(1,406,000)	(3,065,000)
Reserve (Cash) Balance	<u>\$ 43,839,120</u>	<u>\$ 40,173,552</u>	<u>\$ 46,297,277</u>	<u>\$ 43,201,120</u>	<u>\$ 42,884,120</u>	<u>\$ 41,795,120</u>	<u>\$ 38,730,120</u>

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

Budget Edits by Staff

	Management Staff Budget Proposal	Executive Staff Edits	Current Draft 2017 Proposed Budget
Income From Customers	\$ 42,094,000	\$ -	\$ 42,094,000
Water Transfers	1,992,000	-	1,992,000
Total Other Income	1,714,000	-	1,714,000
Total Revenue	<u>\$ 45,800,000</u>	<u>\$ -</u>	<u>\$ 45,800,000</u>
Budgets:			
Operations and Maintenance	21,568,000	(38,000)	21,530,000
Capital Improvement Program	20,505,000	(3,780,000)	16,725,000
Operating Capital Program	1,443,000	(262,000)	1,181,000
Debt Service (Forecast)	7,770,000	-	7,770,000
Total Costs	51,286,000	(4,080,000)	47,206,000
Change in Reserve Balance	(5,486,000)	4,080,000	(1,406,000)
Reserve (Cash) Balance	<u>\$ 37,715,120</u>	<u>\$ 41,795,120</u>	<u>\$ 41,795,120</u>

Thus far in the budget preparation process, roughly \$4.1 million of staff requests have been removed from consideration in 2017.

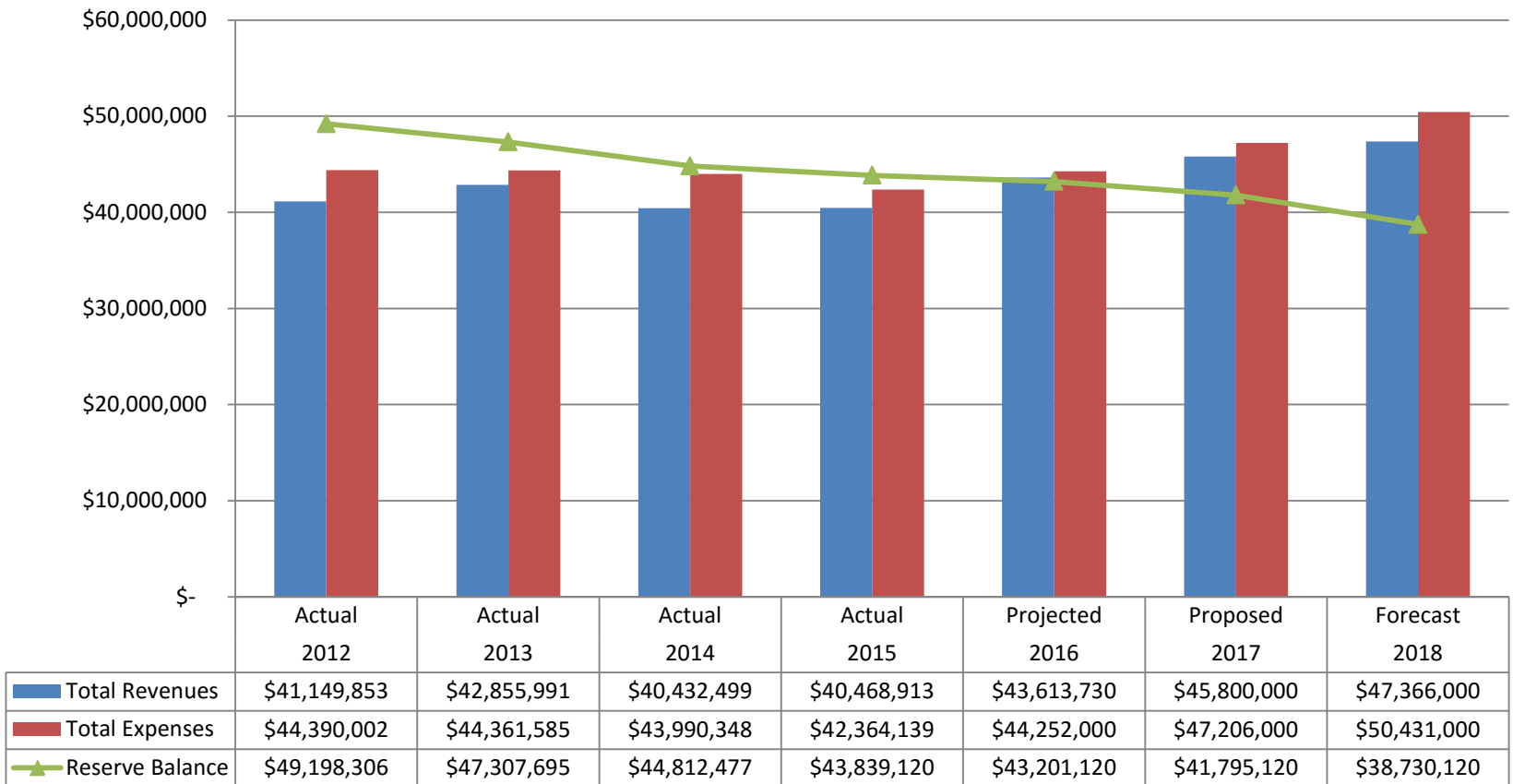
High Level Options for Consideration

	2017	Options If Water Transfer Occurs			If Water Transfer Does Not Occur
	<u>Budget</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Projected Revenue	\$45,800,000				(\$2,000,000)
Approved Rate Increase			\$1,600,000		\$1,600,000
O&M Budget	21,530,000			1,435,000	1,435,000
CIP Budget	16,725,000				
OCB Budget	1,181,000				
Debt Service	7,770,000				
Total Budget	47,206,000				
Net Difference	(\$1,406,000)	(\$1,406,000)	(\$1,406,000)	(\$1,406,000)	(\$371,000)
Impact on Reserves	(\$1,406,000)	(\$1,406,000)	\$194,000	\$29,000	(\$371,000)

Options:

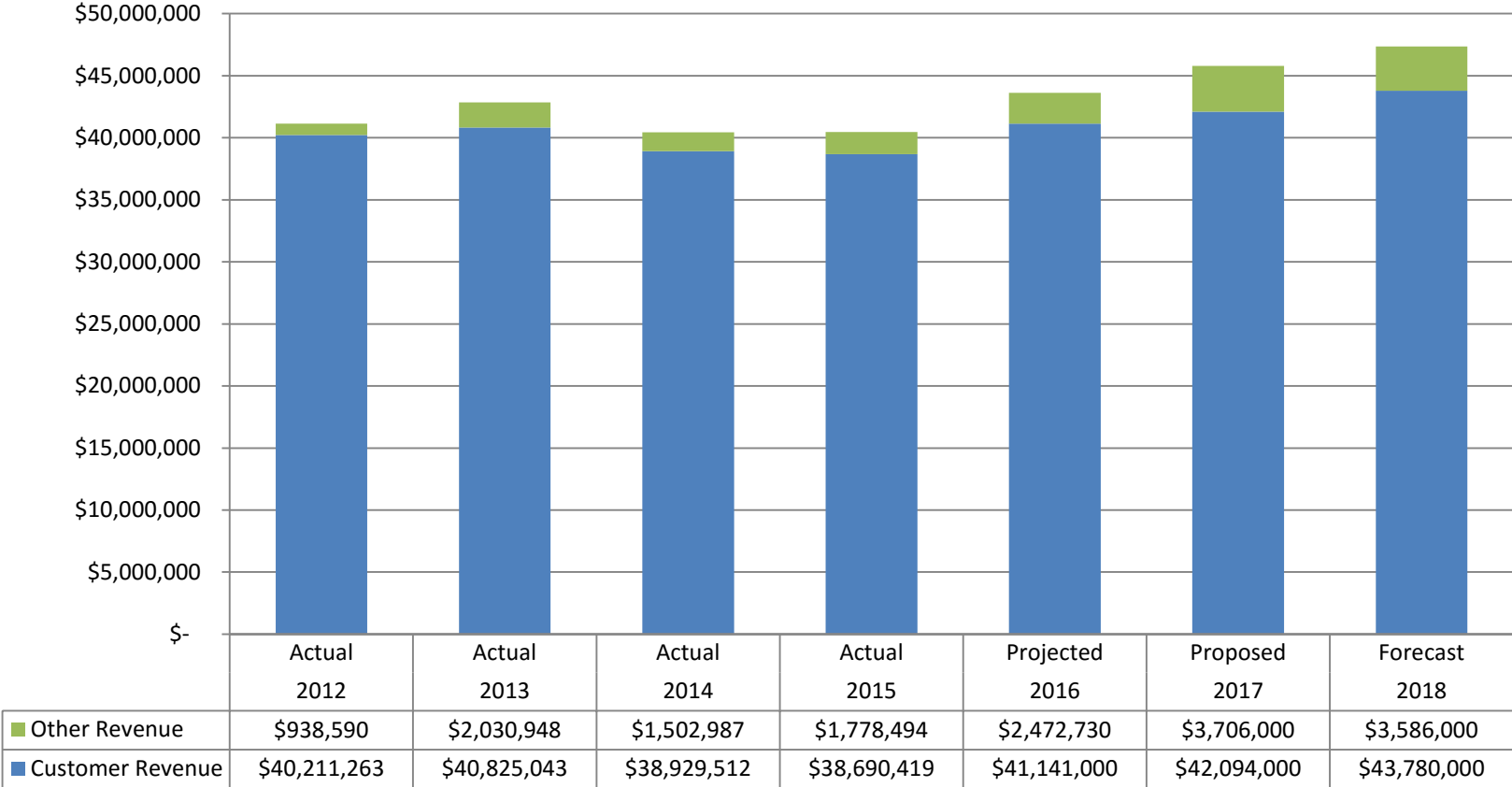
1. Use Reserves to cover shortfall
2. Allow already approved 4.0% rate increase
3. Reduce NSA Surface Water (SW) to 2,000 AF, No City SW – 1,000 AF
4. No GW Transfer; use Reserves, allow the 4.0% rate increase and supply only GW in 2017

Total Revenues Vs Total Expenditures 2012 to 2018



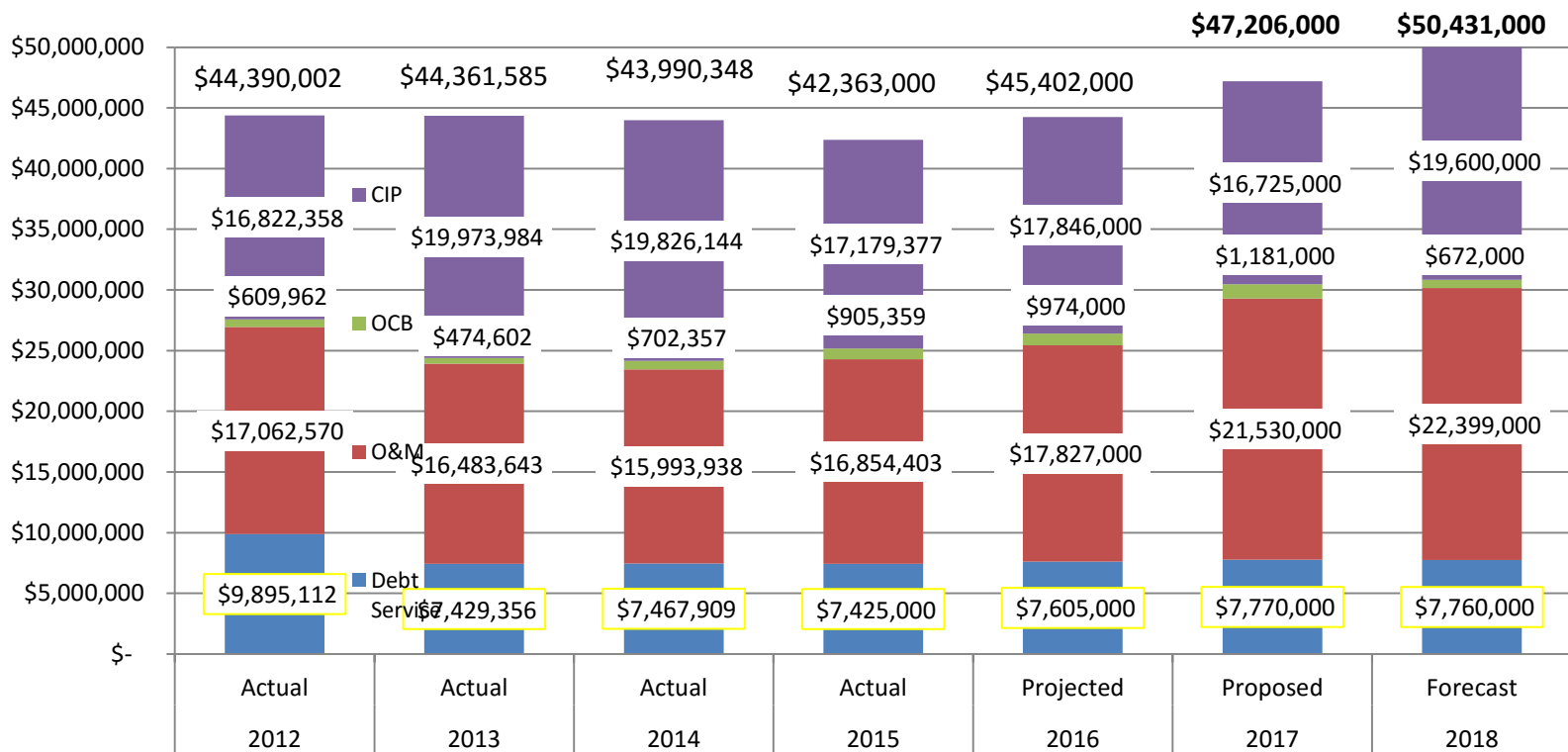
Slide 12, presented options to reduce revenue/expense difference.

Total Revenues 2012 to 2018



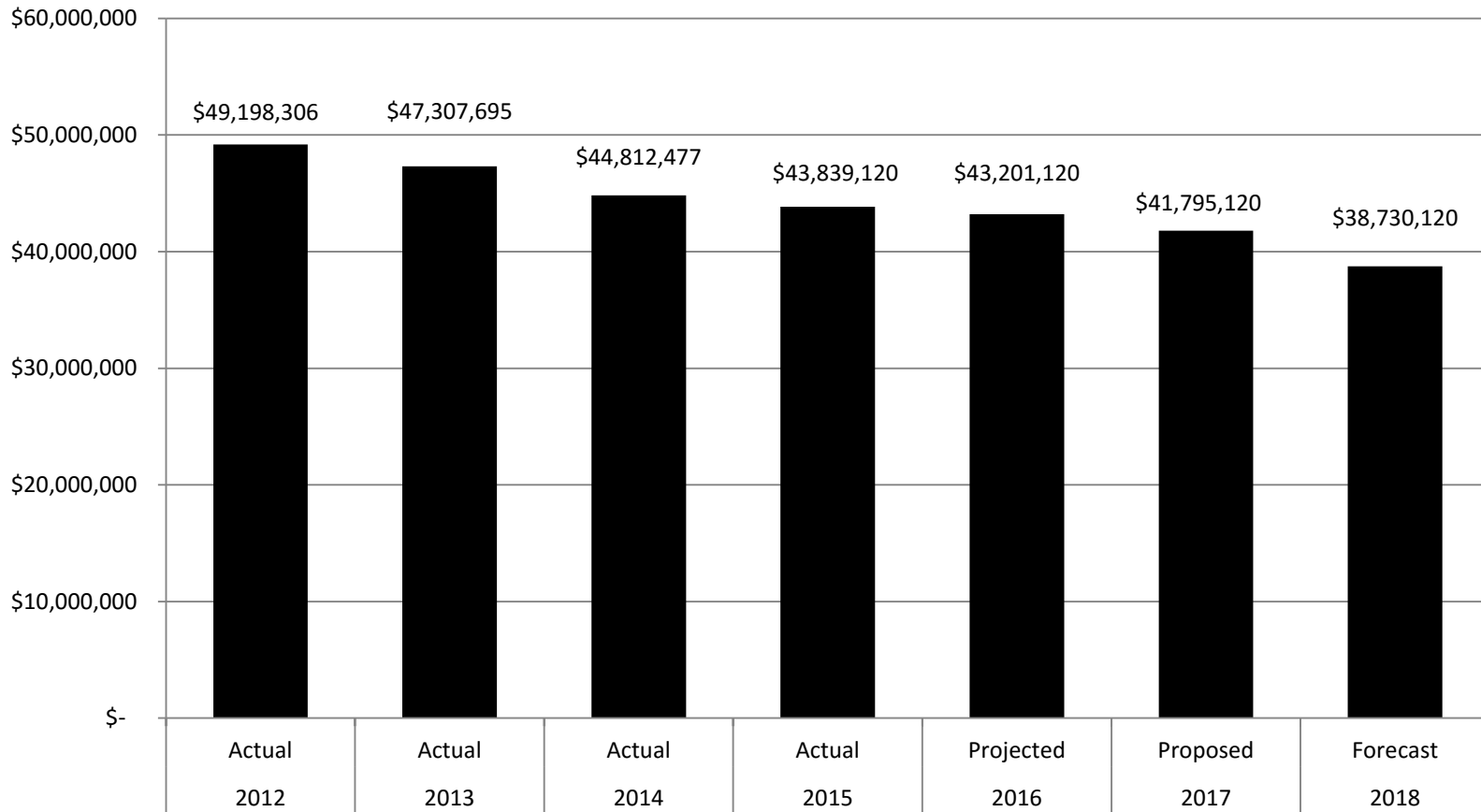
Customer revenue is expected to increase in 2017 due to increased production and \$2.0 million in net water transfer sales in both 2017 and 2018. At this point, the previously approved 2017 4.0% rate increase is not budgeted.

Total Expenditures 2012 to 2018



The increase in 2017 is primarily due to increased purchased water costs of \$1.5 million.

Reserve Balance 2012 to 2018



From a high of \$57.7 million at the end of 2009, the Board has strategically lowered the reserve balance to roughly \$40 million.

Reserve Balance Detail

2012 to 2018

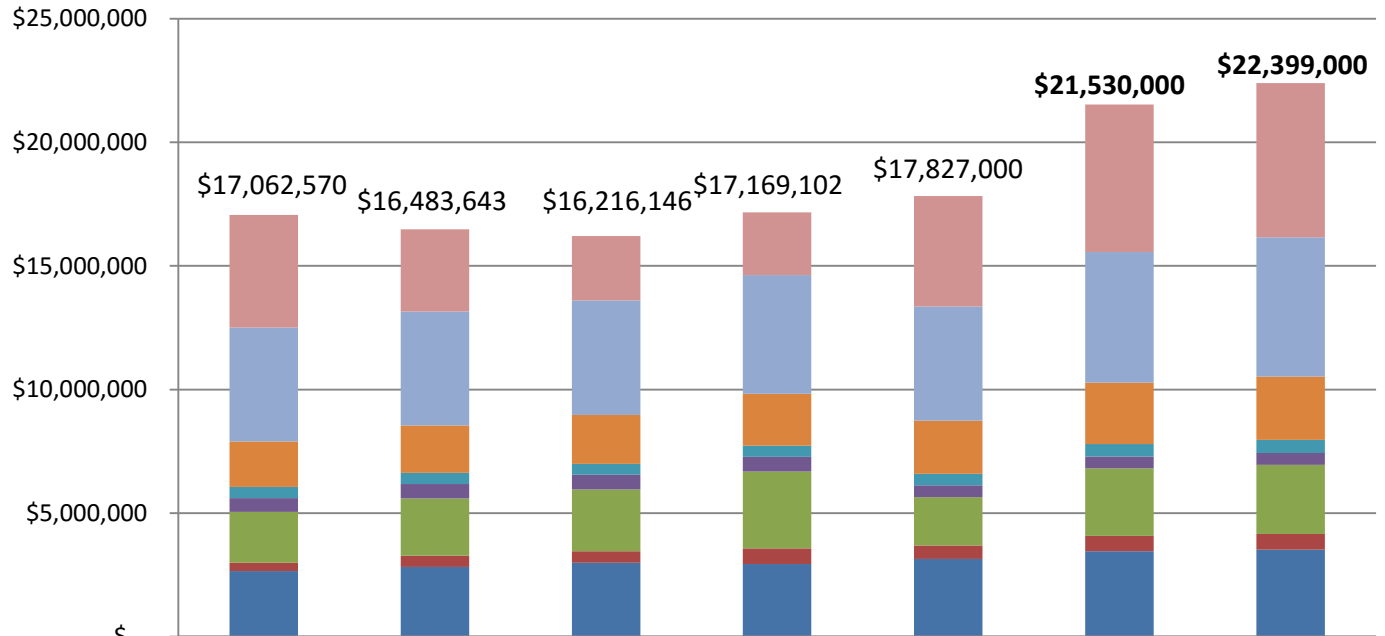
	Actual	Actual	Actual	Actual	Projected	Proposed	Forecast
	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>
Debt Service Reserve	\$ 3,532,012	\$ 3,520,472	\$ 3,540,082	\$ 3,523,427	\$ 3,500,000	\$ 3,517,500	\$ 3,517,500
Facilities Reimbursement	76,051	42,968	21,873	21,873	100,000	100,000	100,000
Emergency/Contingency	10,660,000	10,317,750	10,758,000	10,758,000	11,350,000	11,655,000	11,655,000
Operating	6,183,575	6,466,000	6,468,857	6,468,857	6,500,000	6,589,250	6,589,250
Rate Stabilization	5,470,000	5,525,000	5,870,000	5,870,000	5,900,000	6,136,000	6,381,440
Interest Rate Risk	-	-	-	-	-	-	-
Grant	7,696,000	3,832,000	654,000	654,000	1,000,000	500,000	500,000
Capital Asset	15,580,668	17,603,505	17,499,665	16,542,963	14,550,000	13,297,370	9,986,930
TOTAL	\$ 49,198,306	\$ 47,307,695	\$ 44,812,477	\$ 43,839,120	\$ 42,900,000	\$ 41,795,120	\$ 38,730,120

Individual reserve account changes based on proposed 2017 budget.

Actual fluctuations (years 2011 to 2015) are due to changes in CIP and/or consumption revenues.

O&M Budget

O&M Expenses 2012 to 2018

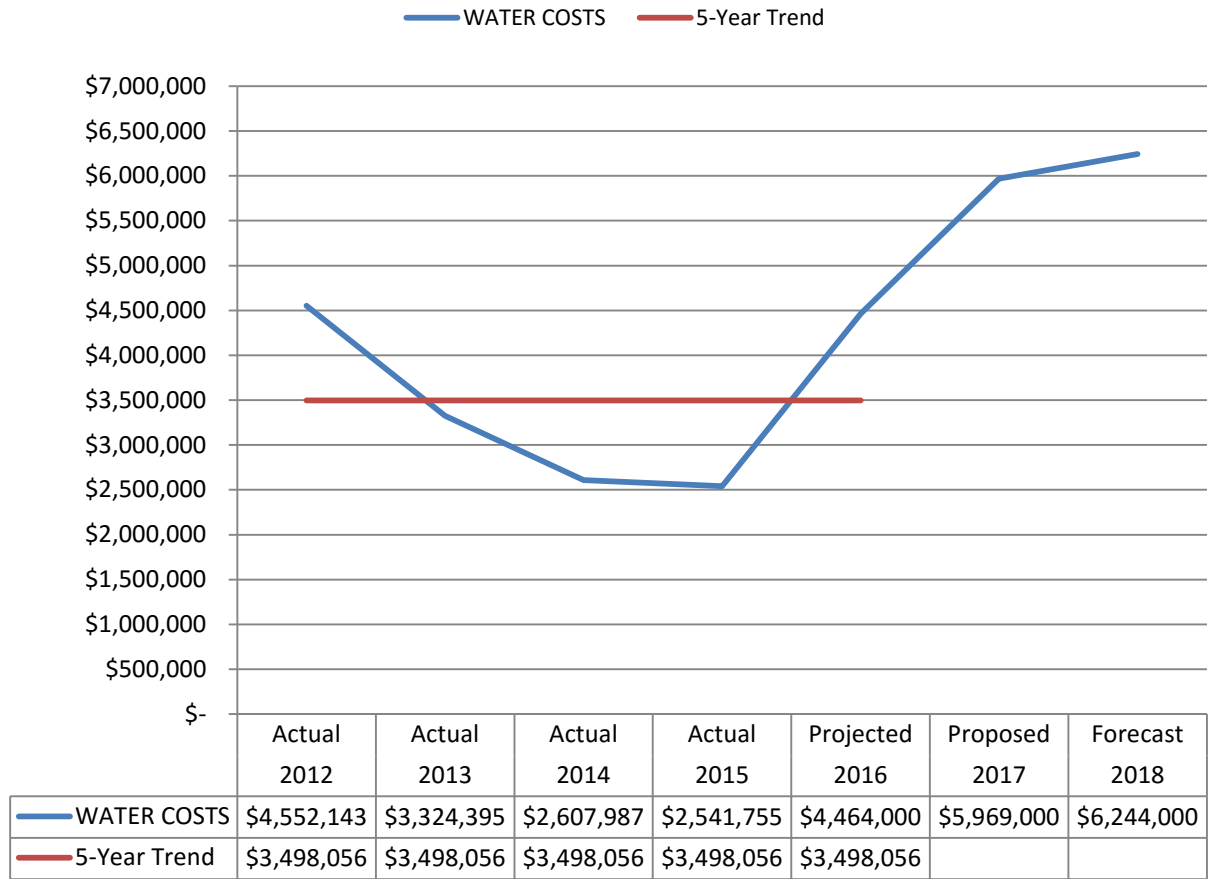


	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Projected 2016	Proposed 2017	Forecast 2018
■ WATER COSTS	\$4,552,143	\$3,324,395	\$2,607,987	\$2,541,755	\$4,464,000	\$5,969,000	\$6,244,000
■ SALARIES	\$4,607,863	\$4,610,564	\$4,633,287	\$4,794,117	\$4,615,000	\$5,277,000	\$5,621,000
■ EMPLOYEE BENEFITS	\$1,843,785	\$1,915,889	\$1,980,390	\$2,096,685	\$2,160,000	\$2,485,000	\$2,572,000
■ EMPLOYER TAXES & INSURANCE	\$451,568	\$457,888	\$439,159	\$460,746	\$465,000	\$508,000	\$527,000
■ OPEB	\$558,200	\$576,300	\$592,700	\$591,000	\$470,000	\$472,000	\$481,000
■ ENGINEERING & CONSTRUCTION SERVICES	\$2,046,857	\$2,323,246	\$2,501,575	\$3,102,132	\$1,964,000	\$2,732,000	\$2,787,000
■ PUBLIC OUTREACH & CONSERVATION	\$342,356	\$452,250	\$469,571	\$641,111	\$538,386	\$625,330	\$638,000
■ OTHER	\$2,659,798	\$2,823,111	\$2,991,477	\$2,941,556	\$3,150,614	\$3,461,670	\$3,529,000

Discussion of individual line items variances appear on subsequent pages.

O&M Expense Detail

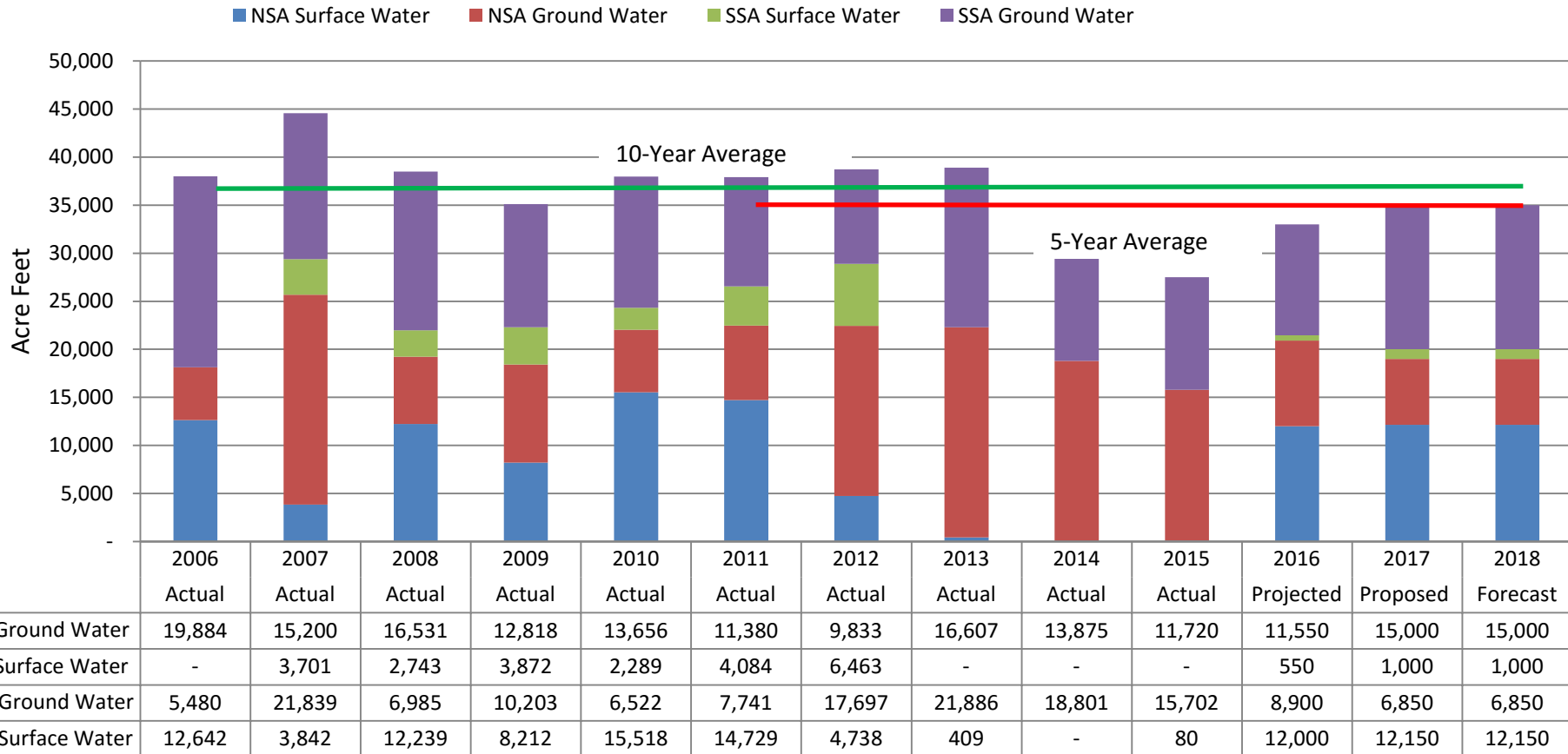
Water Costs



Water costs fluctuate based on hydrological conditions. Due to the conditions in 2013 - 15, SW was largely unavailable. 2017 and 2018 assume the purchase of 13,150 AF of SW (SSA - 1,000 AF and NSA 12,150 AF).

O&M Expense Detail

Water Production

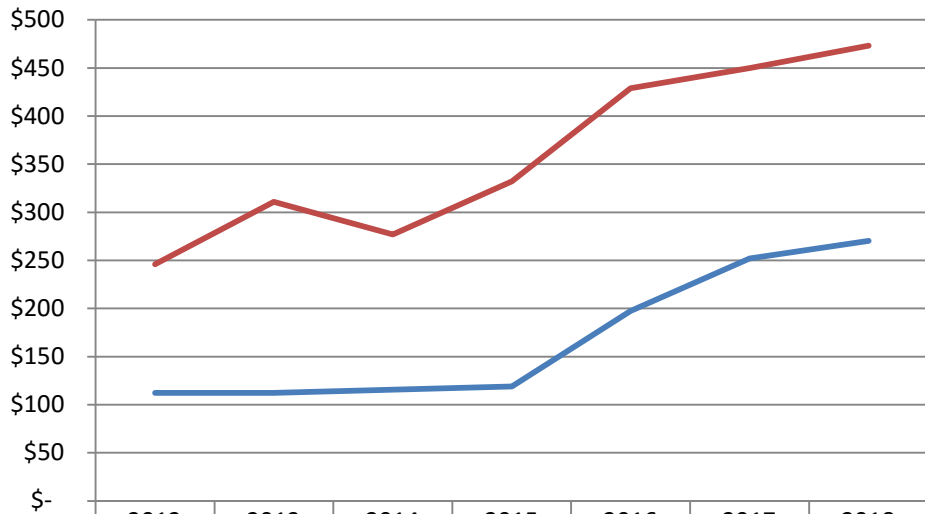


2017 production amounts/alternatives discussed with the Finance and Audit Committee.

Surface Water vs Ground Water Costs

Surface Water

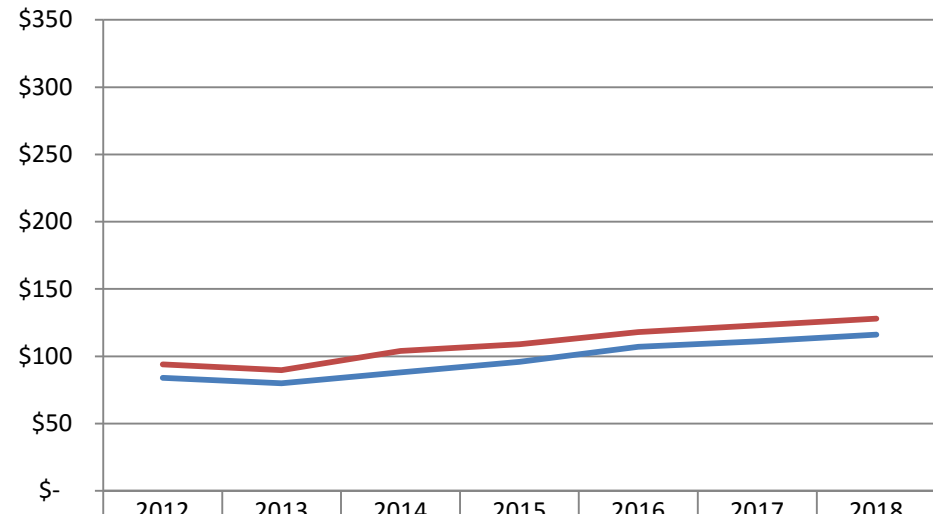
— NSA — SSA



	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Projected	2017 Budget	2018 Forecast
— NSA	\$112	\$112	\$115	\$119	\$197	\$252	\$270
— SSA	\$246	\$311	\$277	\$332	\$429	\$450	\$473

Ground Water

— NSA — SSA



	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Projected	2017 Budget	2018 Forecast
— NSA	\$84	\$80	\$88	\$96	\$107	\$111	\$116
— SSA	\$94	\$90	\$104	\$109	\$118	\$123	\$128

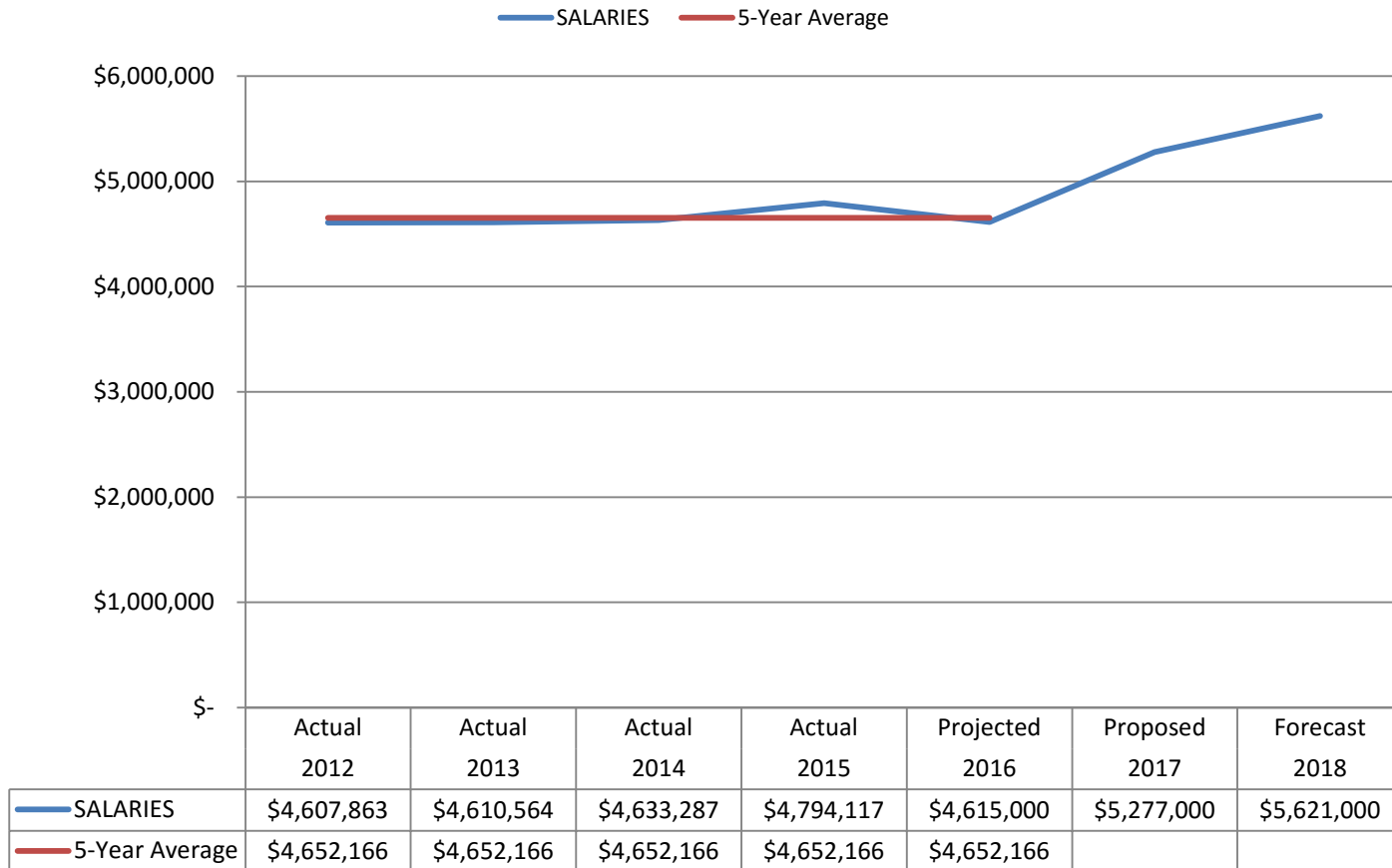
SSA - City SW cost is projected to increase 5% to \$450 per AF.

NSA – 2017 SJWD treatment cost increase is \$40/AF to \$175/AF. PCWA Water cost increase is 5.0% to \$51/AF.

Total NSA SW cost for 2017 expected to be \$252/AF compared to \$197/AF in 2016.

O&M Expense Detail

Salaries



Increase in 2017 due to four new positions (\$195,000) and Merit and COLA increases of 4.6% (\$195,000).

New Position Requests

➤ Position Presented to the Facilities & Operations Committee.

2017 Staffing Additions:

Administrative Assistant I/II
Distribution Operator I/II
Cross Connection Control Specialist
Customer Service Representative

2018 Staffing Addition:

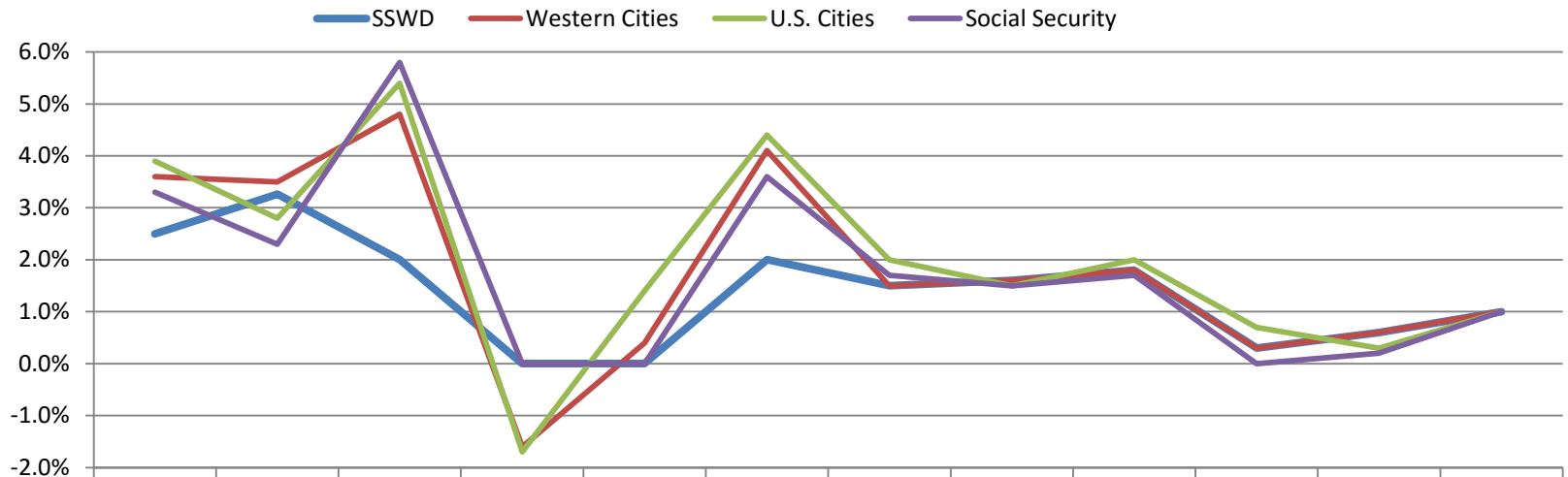
SCADA Integrator

➤ New Positions Costs:

	<u>2017</u>	<u>2018</u>
Salaries	\$195,000	\$79,000
Benefits & Employer Taxes	98,000	39,000
Annual Cost of New Positions	<u><u>\$328,000</u></u>	<u><u>\$118,000</u></u>

O&M Expense Detail

COLA



	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Proposed	2018 Forecast *
SSWD	2.5%	3.3%	2.0%	0.0%	0.0%	2.0%	1.5%	1.6%	1.8%	0.3%	0.6%	1.0%
Western Cities	3.6%	3.5%	4.8%	-1.6%	0.4%	4.1%	1.5%	1.6%	1.8%	0.3%	0.6%	1.0%
U.S. Cities	3.9%	2.8%	5.4%	-1.7%	1.4%	4.4%	2.0%	1.5%	2.0%	0.7%	0.3%	1.0%
Social Security	3.3%	2.3%	5.8%	0.0%	0.0%	3.6%	1.7%	1.5%	1.7%	0.0%	0.2%	1.0%

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.

* 2018 estimated by staff.

O&M Expense Detail

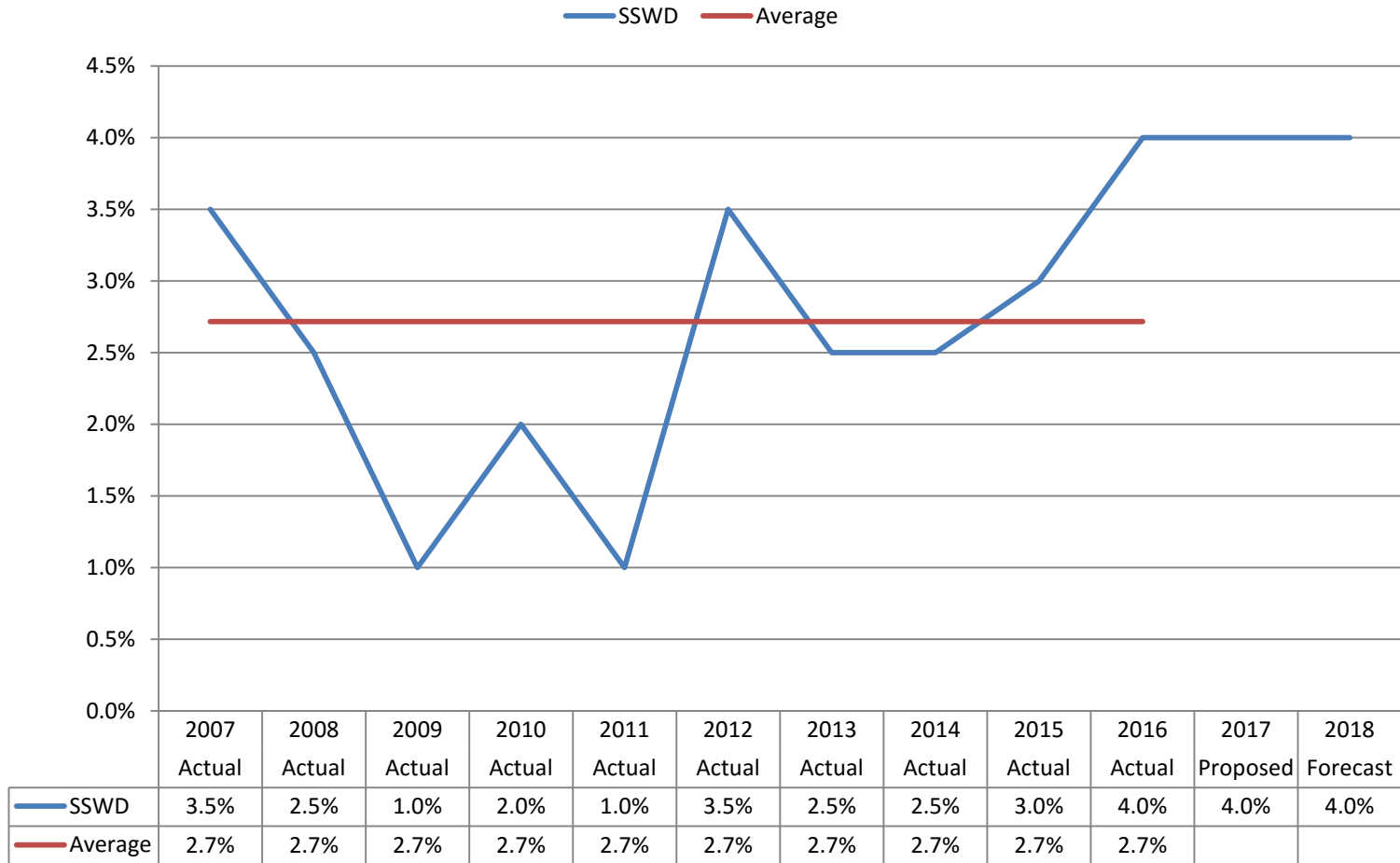
COLA – 10 Year Average

Index	Average	SSWD Average	SSWD Award%
Social Security	2.2%	1.6%	73%
U.S. Cities	2.5%	1.6%	64%
Western Cities	2.2%	1.6%	73%
Total	2.3%	1.6%	70%

SSWD Average COLA Increase over the past 10 years has been 70% of the average Western Cities, Social Security and US Cities COLAs.

O&M Expense Detail

Merit



Discussion of how merit is administered appears on slides 28 and 29.

O&M Expense Detail

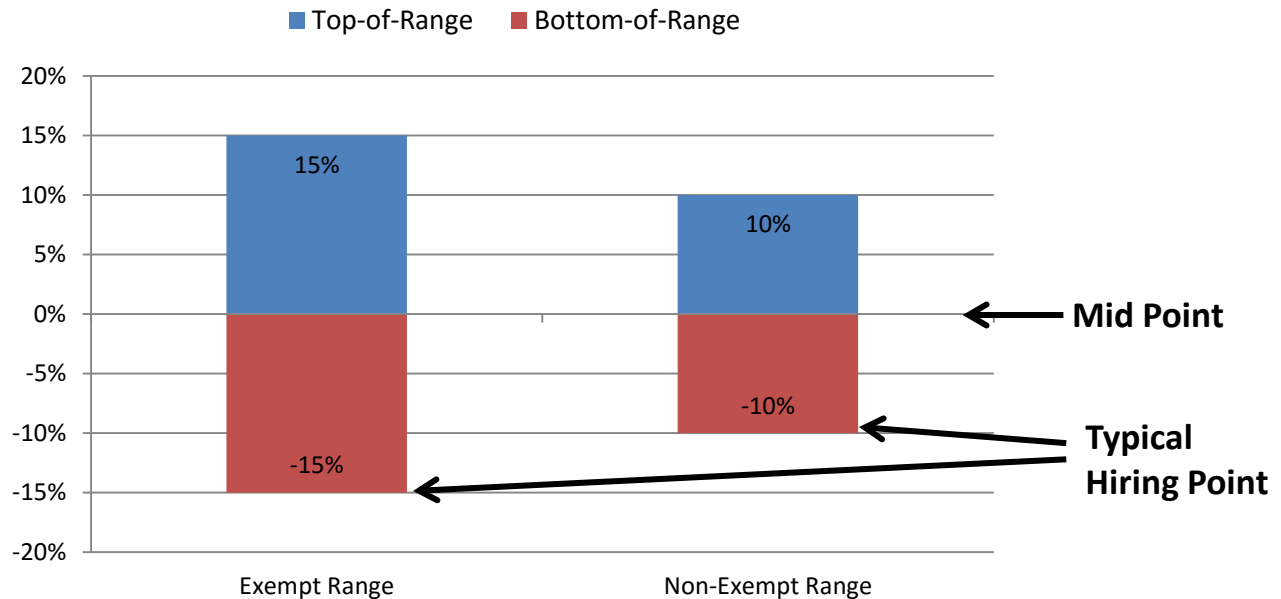
Salary Band Data

	<u>No. of Employees</u>	<u>At Salary Cap</u>	<u>Percentage</u>
Exempt	16	8	50%
Non-Exempt	47	23	49%
Total Employees	63	31	49%

Salary-Capped employees do not receive any change in base salary, but are eligible for a one-time vacation bonus.

O&M Expense Detail

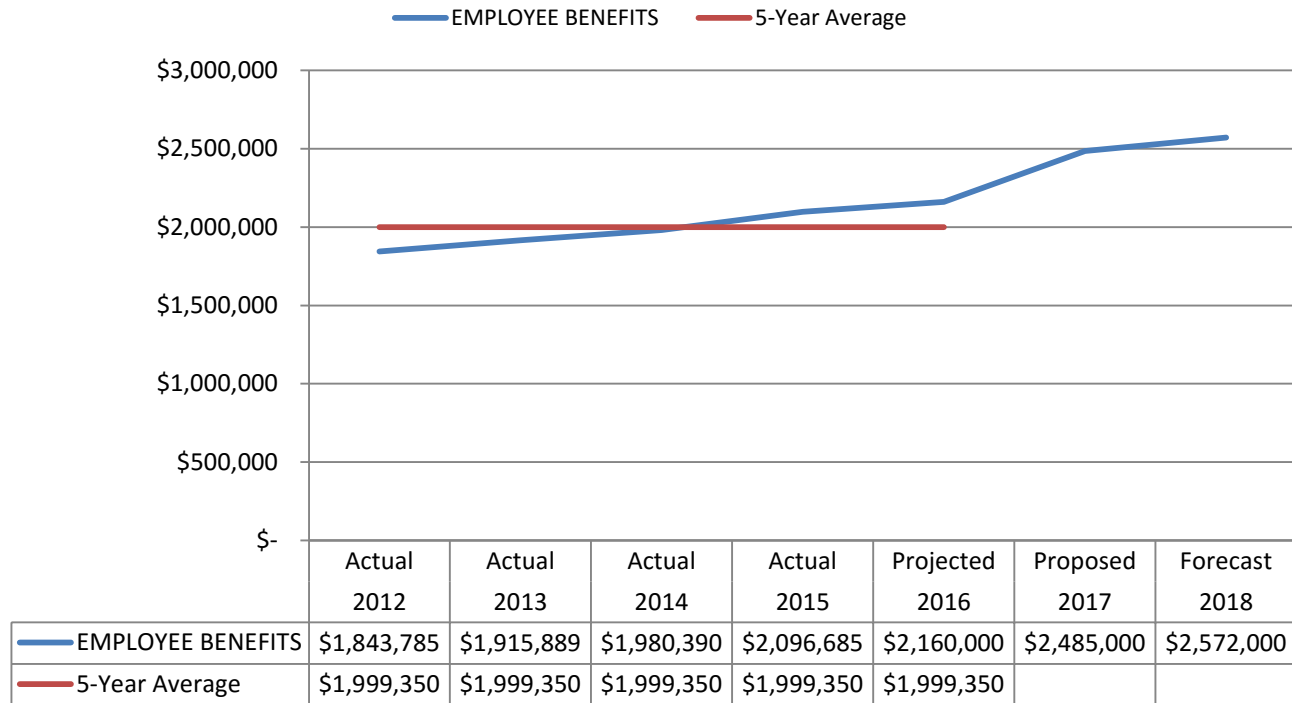
Salary Bands



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

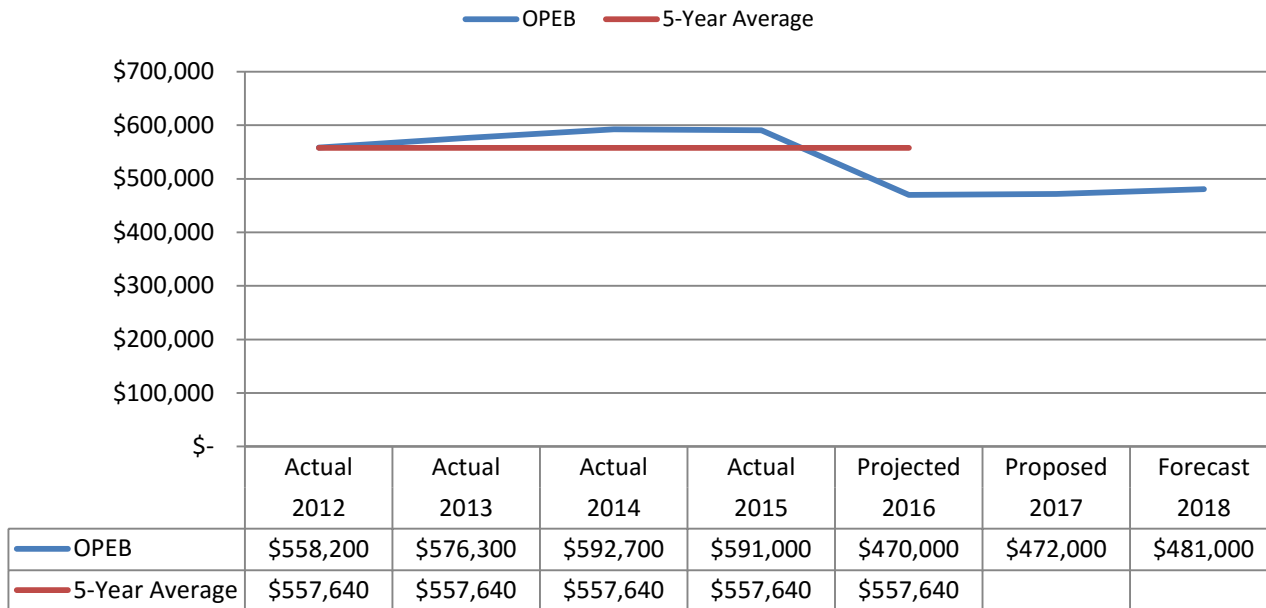
Employee Benefits



2017 increase due to increase in retirement costs and four new positions.

O&M Expense Detail

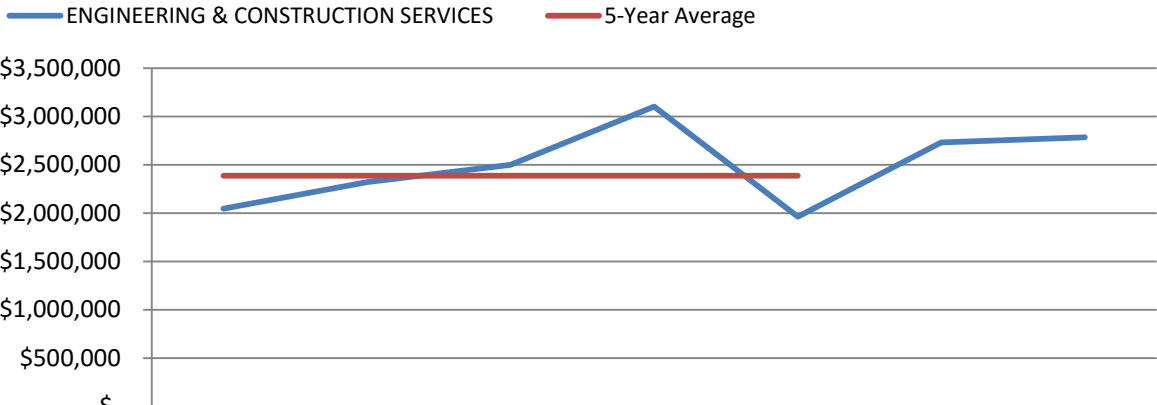
OPEB



2016 - 18 reduction due to a combination of – reduced projected liability and higher earnings inception-to-date; offset by a reduced UAAL amortization from 22 years down to 10 years.

O&M Expense Detail

Engineering, Construction & Consulting

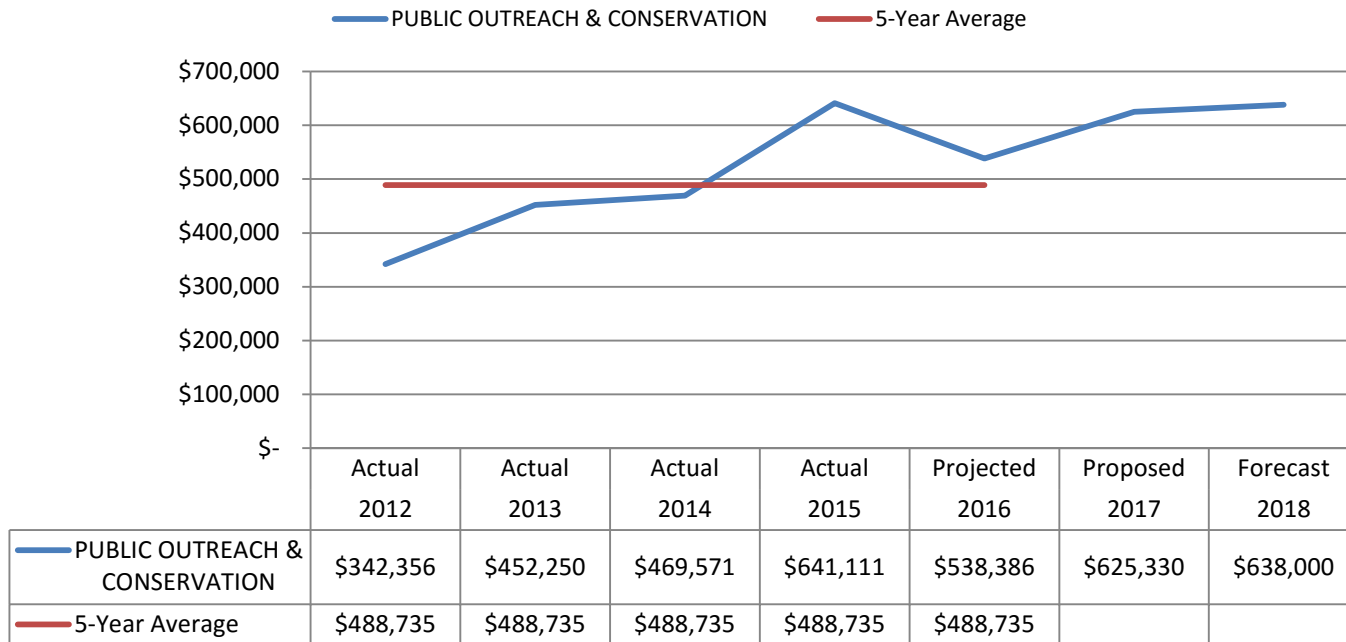


	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Projected 2016	Proposed 2017	Forecast 2018
ENGINEERING & CONSTRUCTION SERVICES	\$2,046,857	\$2,323,246	\$2,501,575	\$3,102,132	\$1,964,000	\$2,732,000	\$2,787,000
5-Year Average	\$2,387,562	\$2,387,562	\$2,387,562	\$2,387,562	\$2,387,562		

2017 increase primarily due to a reclassification of a number of projects previously captured in the CIP budget now moved to the O&M budget. Other increases include the Sacramento River Reliability Study and well monitoring and destruction.

O&M Expense Detail

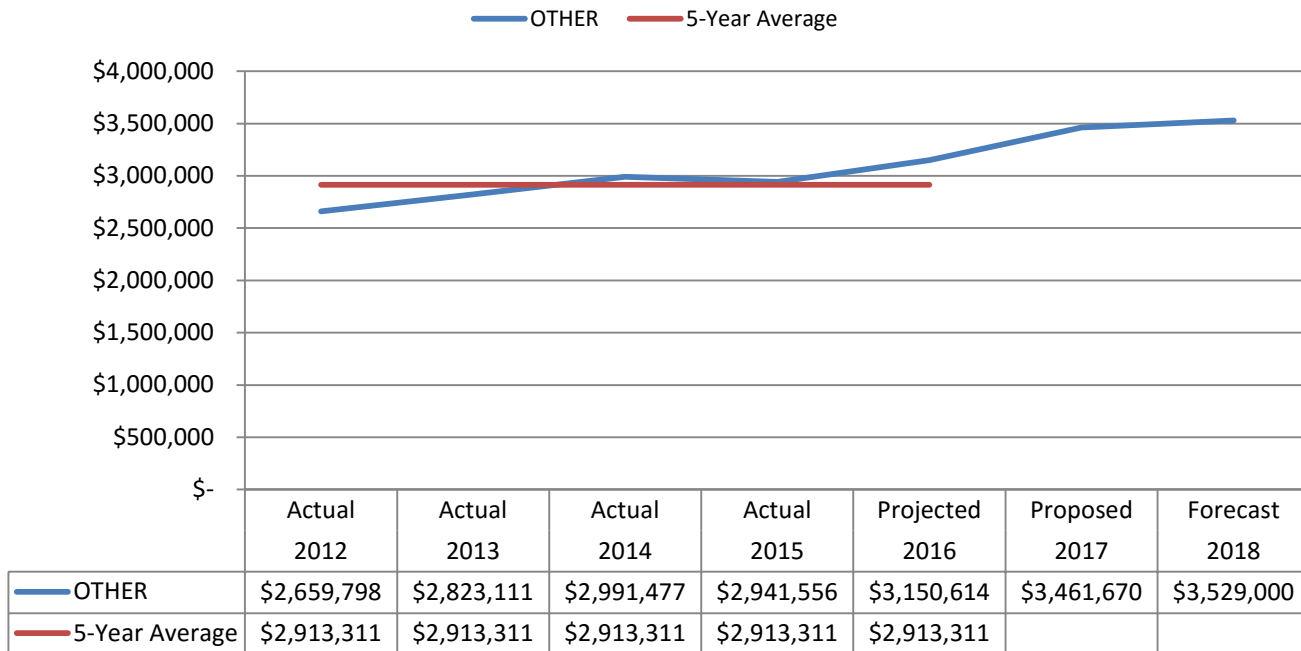
PUBLIC OUTREACH & CONSERVATION



2017 increase due primarily to increased customer conservation-based rebate programs, additional customer outreach and website monitoring and focus-groups.

O&M Expense Detail

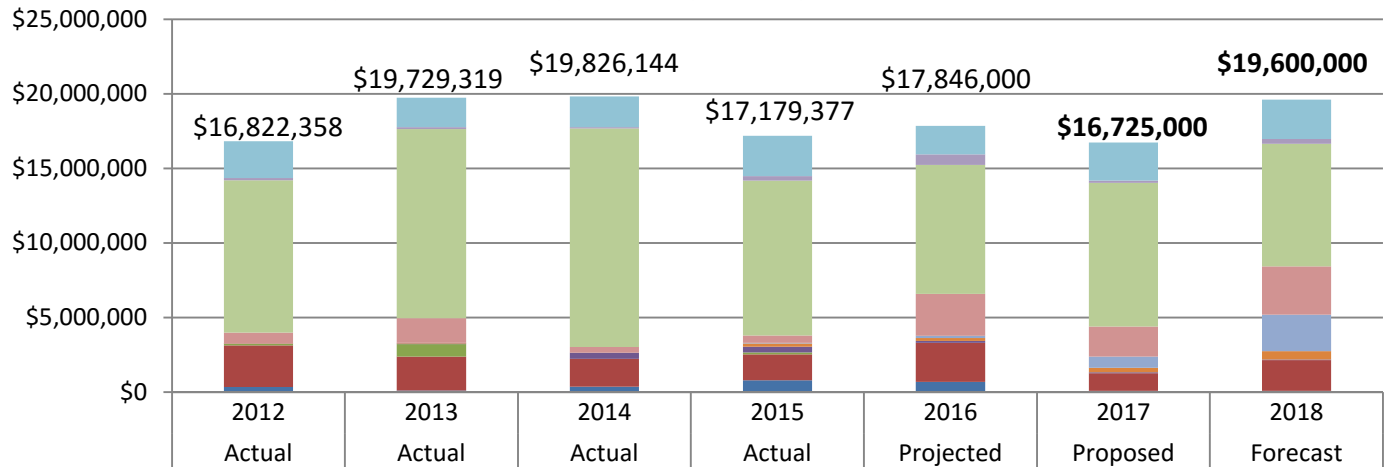
OTHER EXPENSES



2016 -18 increase due primarily to increased operating supplies and inventory for meter repairs, rebuilds and replacements.

CIP Budget

CIP Project Costs 2012 to 2018

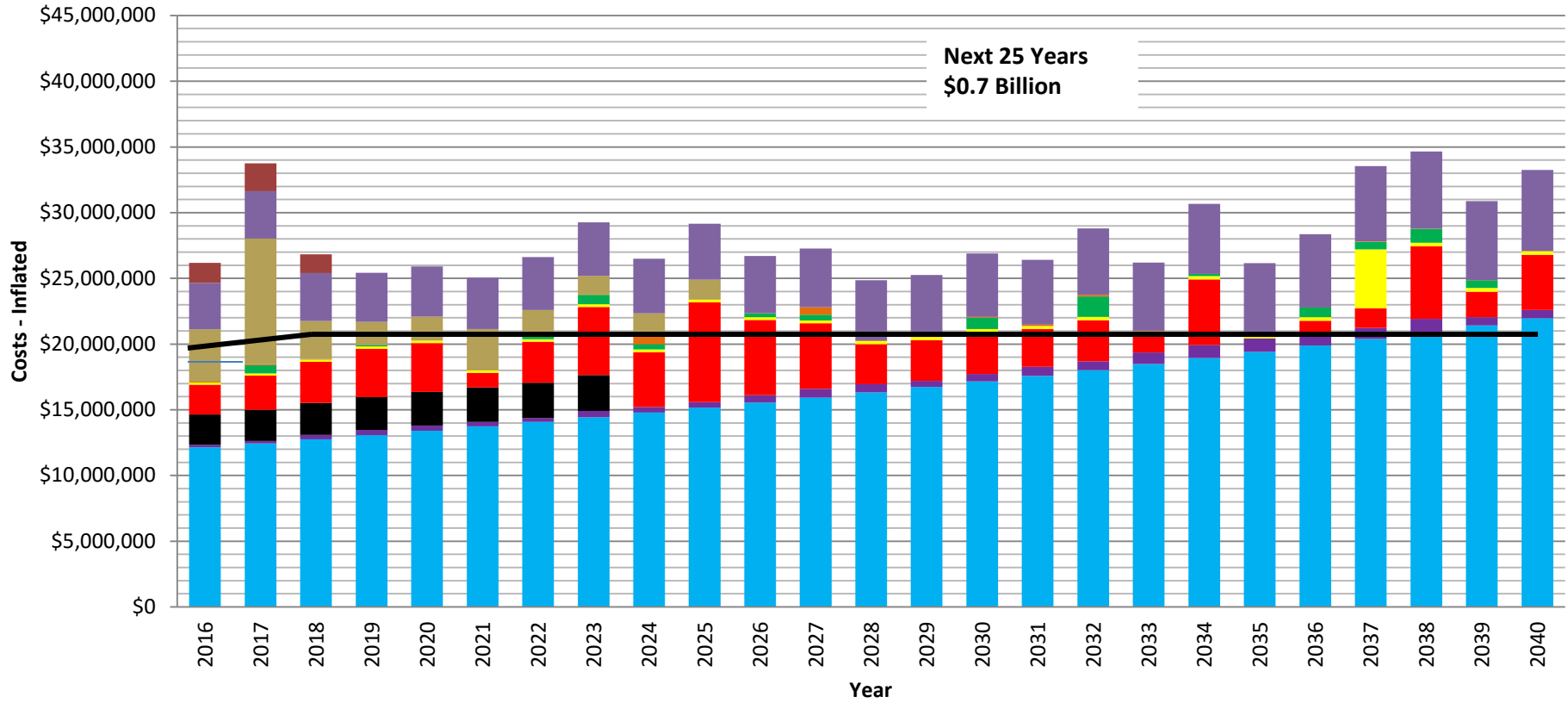


	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Projected	2017 Proposed	2018 Forecast
Meter Retrofit AMP	2,462,887	1,961,709	2,060,561	2,691,361	1,911,700	2,540,000	2,620,000
Meter Replacement & Repair AMP	152,219	132,922	80,975	307,870	698,000	150,000	340,000
Dist. Main Replacement AMP	10,212,546	12,674,933	14,672,460	10,381,851	8,645,000	9,650,000	8,200,000
Well Replacement AMP	744,091	1,655,646	377,974	507,393	2,820,000	2,000,000	3,250,000
Transmission Main AMP	-	-	-	31,866	150,000	750,000	2,450,000
Reservoir and Booster P.S. AMP	21,040	36,373	-	221,300	200,000	300,000	550,000
Buildings and Structures AMP	-	-	-	-	-	-	-
SCADA AMP	2,341	54,245	404,802	378,687	112,000	75,000	50,000
From 2009 Water System Master Plan	102,571	833,148	-	133,676	-	-	-
Other Re-Occurring Annual Capital Costs	2,774,657	2,274,474	1,859,724	1,745,028	2,621,300	1,185,000	2,065,000
Other Capitalized Projects	350,006	105,869	369,648	780,345	688,000	75,000	75,000

Discussion of individual line items appears on subsequent pages.

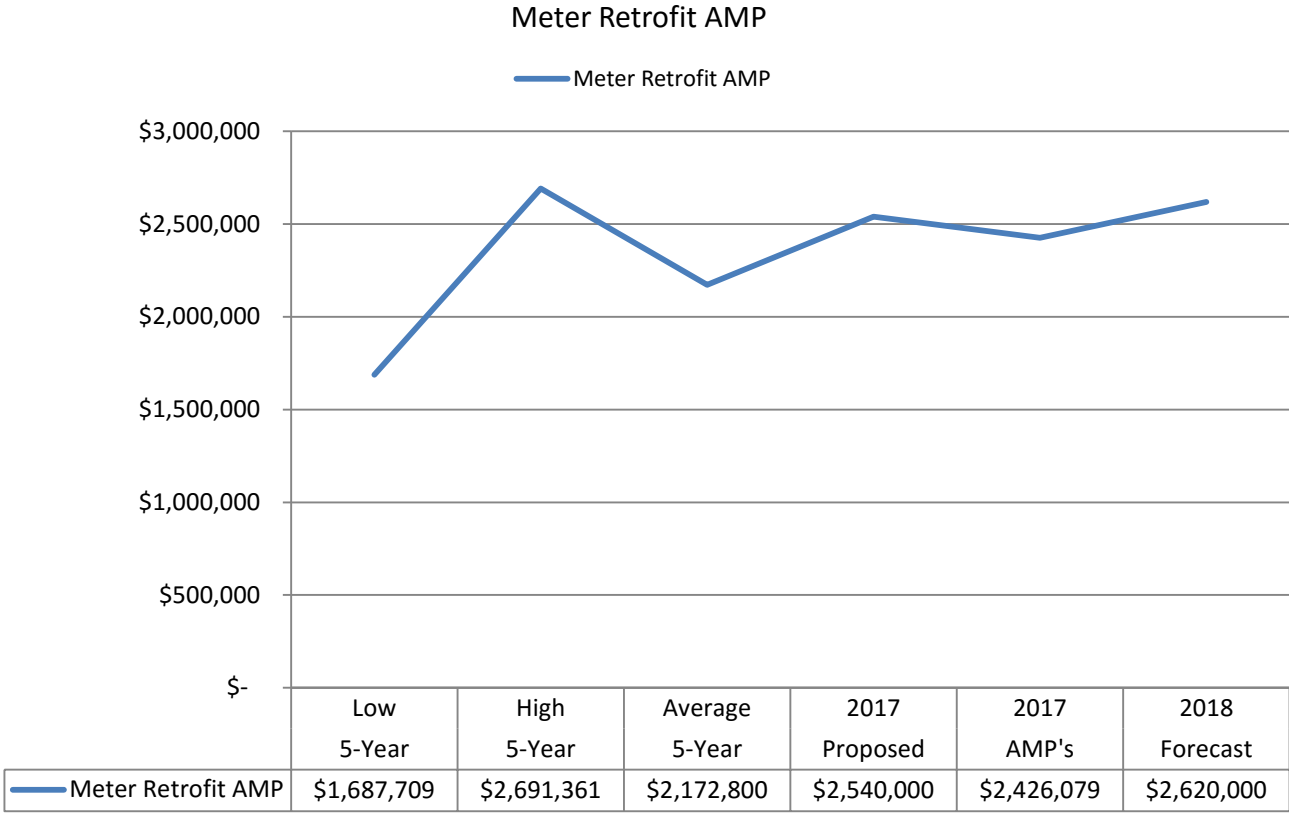
Capital Costs Next 25 Years

- Distribution Main Replacements
- Meter Retrofit Program
- Transmission Main Asset Management Plan
- Buildings and Structures Asset Management Plan
- Other Re-Occurring Annual Capital Costs (Not Included in Asset Management Plans)
- Meter Replacement and Repair Program
- Groundwater Well Replacement
- Reservoir and Booster P.S. Asset Management Plan
- Other Capital Needs from 2009 Water System Master Plan1
- SCADA Master Plan



Over the Next 25 Years, Capital Costs Continue to be Underfunded.
Funding Level Assumes Board Approved Rate Increases occur as Scheduled.

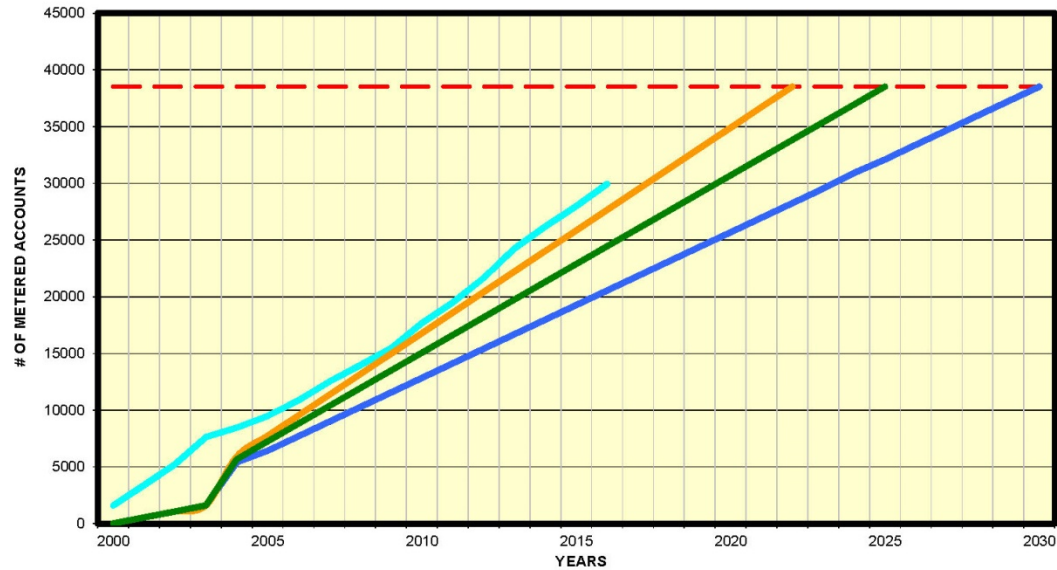
Water Meter Retrofit Program



Meters to be installed per Meter Retrofit Plan in 2017 is 1,216. (Meters installed as part of distribution main replacements expected to be 720 for 2017/18.) 2017 Voluntary Meter installations expected to be 16.

Water Meter Retrofit Program

SSWD 30 YEAR METERING PLAN (RESIDENTIAL)



- 38,521 - Total Unmetered Accounts as of 12/31/2001 (Corrected in 2013)
- 29,939 Total Projected Retrofitted Metered Accounts as of 12/31/2016
- Water Forum Agreement Schedule
- SSWD Proposed Schedule
- AB2572 Schedule

CIP Project Detail

Meter Replacement & Repair Costs

5-Year Low	5-Year High	5-Year Average	Budget 2017	AMP 2017	Forecast 2018
\$ 80,975	\$ 307,870	\$ 189,800	\$ 150,000	\$ 333,950	\$ 340,000

2017/18 Projects

Replace obsolete large meters (>3")	\$ 100,000
Replace/repair meters that have outlived their useful life	50,000
	\$ 150,000

Per Water Meter Asset Management Plan, beginning in 2016 a new program to replace water meters installed in 1990's began.

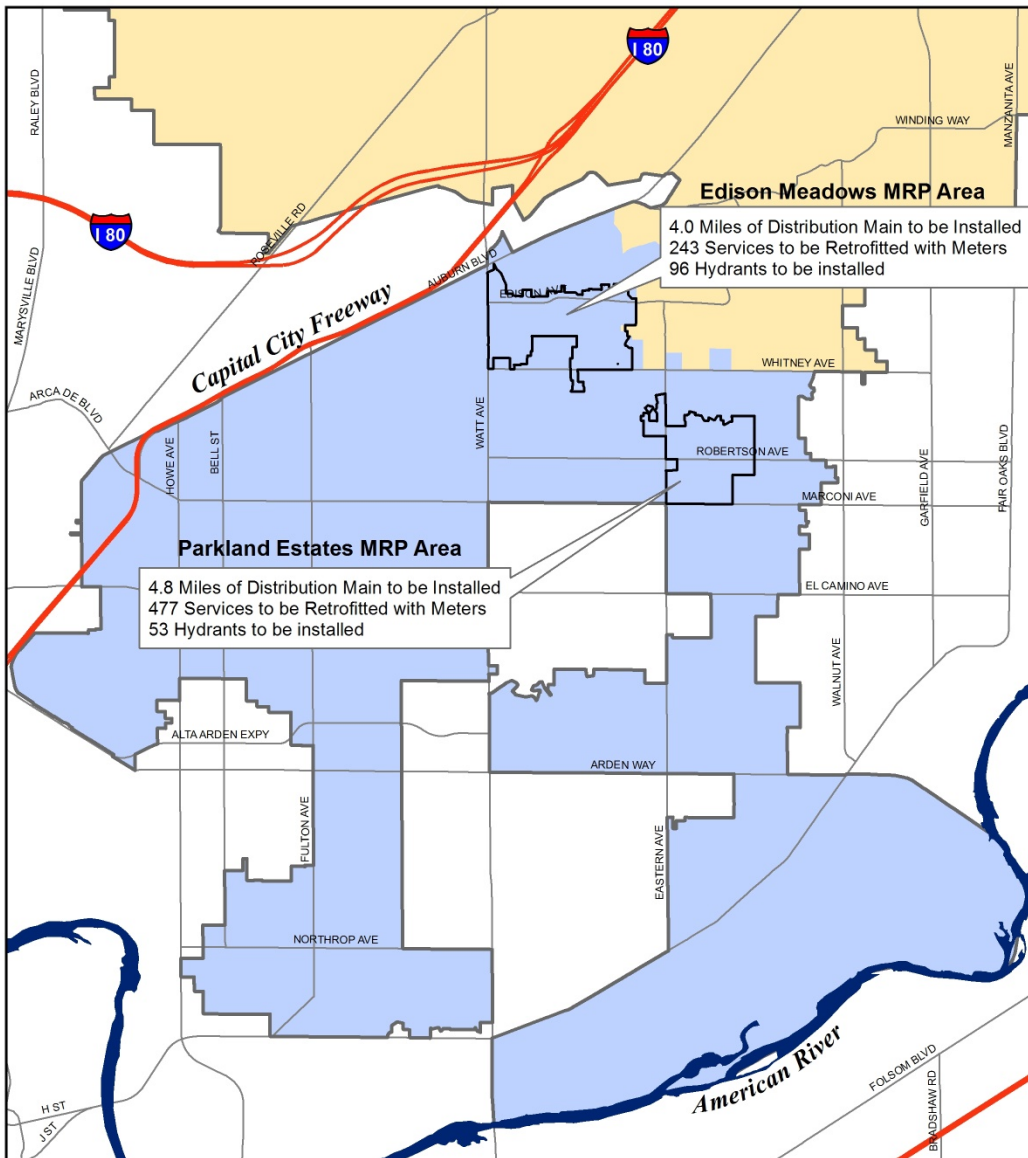
CIP Project Detail

Distribution Main Replacement Costs

5-Year Low	5-Year High	5-Year Average	Budget 2017	AMP 2017	Forecast 2018
\$ 10,212,546	\$ 14,672,460	\$ 11,700,200	\$ 9,650,000	\$ 12,756,628	\$ 8,200,000

2017/18 Projects

Parkland Estates and Edison Meadows, construction; also Arden Oaks and Jonas Area possible, and Project Design for 2018/2019, and Pre-purchase of 30,000 linear feet Ductile Iron Pipe for 2018	\$ 9,000,000
Various small main replacement projects	600,000
McClellan line replacements	50,000
	\$ 9,650,000



CIP Project Detail

Well Replacement Costs

5-Year Low	5-Year High	5-Year Average	Budget 2017	AMP 2017	Forecast 2018
\$ 377,974	\$ 1,655,646	\$ 835,900	\$ 2,000,000	\$ 3,131,172	\$ 3,250,000

2017/18 Projects

Complete construction of Palm Avenue Well & pumping facility,
And design and drill 2nd well on property of Verner Well , and 3rd well or (well site to be
acquired) to be initiated to address production losses from Chromium VI.

	\$ 2,000,000
	\$ 2,000,000

CIP Project Detail

Transmission Main Costs

5-Year Low	5-Year High	5-Year Average	Budget 2017	AMP 2017	Forecast 2018
\$ -	\$ 31,866	\$ 6,400	\$ 750,000	\$ 173,954	\$ 2,450,000

2017/18 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

Improve and complete the transmission network in the NSA that is not currently connected in many parts (new assets).

300,000

\$ 750,000

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

CIP Project Detail

SCADA System Costs

5-Year Low	5-Year High	5-Year Average	Budget 2017	AMP 2017	Forecast 2018
\$ -	\$ 404,802	\$ 168,000	\$ 75,000	\$ 1,430,830	\$ 50,000

2017/18 Projects

Complete SCADA at well N1 , N12 and Arbors PRV	\$ 75,000
	<u>\$ 75,000</u>

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

Reservoir and Booster P.S. Costs

5-Year Low	5-Year High	5-Year Average	Budget 2017	AMP 2017	Forecast 2018
\$ -	\$ 352,600	\$ 126,300	\$ 300,000	-	\$ 550,000

2017/18 Projects

Tank Inspections and Repairs - Tank 769, 216 and Capehart	\$	200,000
Spot Painting & Repairs various District's above ground storage reservoirs and miscellaneous well sites		100,000
	<u>\$</u>	<u>300,000</u>

CIP Project Detail

Other Re-Occurring Capital Costs

5-Year Low	5-Year High	5-Year Average	Budget 2017	Original Estimate 2017	Forecast 2018
\$ 1,745,028	\$ 2,774,657	\$ 2,201,200	\$ 1,185,000	\$ 3,641,437	\$ 2,065,000

2017/18 Projects

Well Rehabilitation - investigate and/or rehab various well sites and interties	\$ 700,000
Wellhead Treatment - replace/repair existing wellhead treatment or chemical feed system on an as needed basis, and construction of manganese treatment facility at the Verner well	250,000
Engine Generator Compliance	35,000
Lowering/Raising Valve Boxes	200,000
	\$ 1,185,000

CIP Project Detail

Other Capitalized Project Costs

5-Year Low	5-Year High	5-Year Average	Budget 2017	Original Estimate 2017	Forecast 2018
\$ 105,869	\$ 780,345	\$ 461,100	\$ 75,000	\$	\$ - 75,000

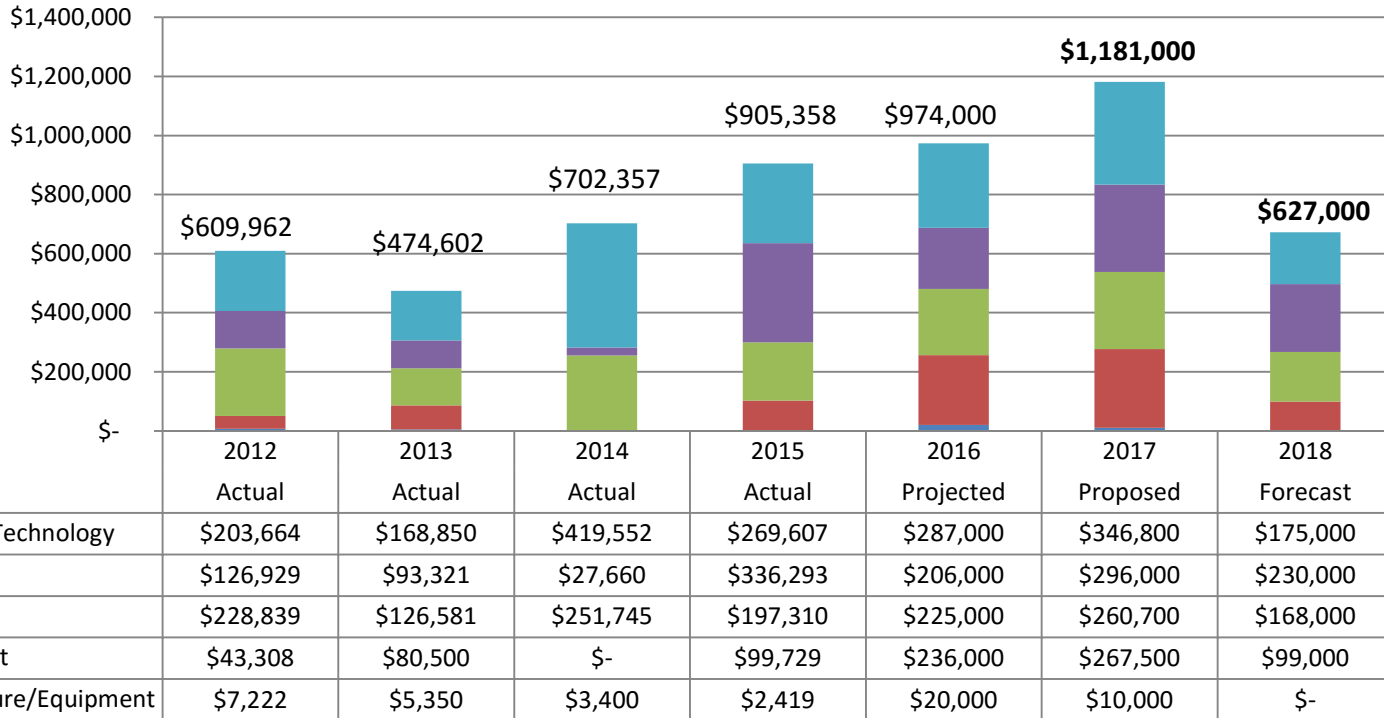
2017/18 Projects

Electrical Arc Flash Hazard Modifications at Various Well Sites
Right of way/easement acquisitions

25,000
50,000
<u>\$ 75,000</u>

OCB Budget

OCB Project Costs 2012 to 2018



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 2017	Forecast 2018
\$ 135,095	\$ 419,552	\$ 239,400	\$ 346,800	\$ 175,000
<u>2017/18 Projects</u>				
Hardware Refresh Program			\$ 122,800	\$ 90,000
Hardware for New Staff			6,000	
Software Enhancements/Modules			85,000	85,000
Web Site Upgrade			58,000	
GPS Asset Location Project			75,000	
			<u>\$ 346,800</u>	<u>\$ 175,000</u>

2016 budget was \$287,000

OCB Project Detail Maintenance

5-Year Low	5-Year High	5-Year Average	Budget 2017	Forecast 2018
\$ 27,660	\$ 336,293	\$ 159,600	\$ 296,000	\$ 230,000
<u>2017/18 Projects</u>				
Building and Structures Maintenance			\$ 95,000	\$ -
Walnut Facility Improvements			136,000	40,000
HVAC/Roof/Building repairs			30,000	
Marconi - Security Upgrade			15,000	
Antelope Facility Improvements			20,000	190,000
			<u>\$ 296,000</u>	<u>\$ 230,000</u>

2016 Budget was \$206,000.

OCB Project Detail

Operations Project Costs

	5-Year Low		5-Year High		5-Year Average		Budget 2017		Forecast 2018
\$	126,581	\$	279,117	\$	216,700	\$	260,700	\$	168,000
<u>2017/18 Projects</u>									
						\$	70,000	\$	45,000
							75,000	\$	75,000
							30,000		
							23,000		
							25,000		
							10,000		
							7,200		
							10,000		
							10,500		11,000
									20,000
									8,000
									9,000
						\$	260,700	\$	168,000

2016 budget was \$225,000

OCB Project Detail

Vehicles/Fleet

5-Year Low	5-Year High	5-Year Average	Budget 2017	Forecast 2018
\$ -	\$ 99,729	\$ 62,000	\$ 267,500	\$ 99,000
 <u>2017/18 Projects</u>				
New Production Department Vehicle			\$ 34,500	
Vehicle Replacement/Right Size - Truck #25			70,000	
Vehicle Replacement/Right Size - Truck # 27			130,000	
Vehicle Replacement/Right Size - Truck #41			33,000	
Vehicle Replacement/Right Size - Truck # 5				33,000
Vehicle Replacement/Right Size - Truck #11				33,000
Vehicle Replacement/Right Size - Truck # 21				33,000
			\$ 267,500	\$ 99,000

2016 budget was \$236,000 – Replaced three Trucks

OCB Project Detail

Office Furniture Costs

5-Year Low	5-Year High	5-Year Average	Budget 2017	Forecast 2018
\$ 2,419	\$ 7,222	\$ 4,400	\$ 10,000	\$ -

2017/18 Projects

New Staff Office Furniture/Workstations	\$	10,000	\$	-
	\$	10,000	\$	-

2016 budget was \$20,000

Debt Service Forecast

Debt Service Forecast

5-Year	5-Year	5-Year	Forecast	Forecast
Low	High	Average	2017	2018
\$ 7,425,000	\$ 9,895,112	\$ 8,061,142	\$ 7,770,000	\$ 7,760,000

	2012	2013	2014	2015	2016	2017	2018
Principal	\$ 5,994,000	\$ 3,580,000	\$ 3,675,000	\$ 3,795,000	\$ 3,945,000	\$ 4,060,000	\$ 4,240,000
Interest	3,901,112	3,849,356	3,792,909	3,630,000	3,624,000	3,710,000	3,520,000
Total Debt Service	\$ 9,895,112	\$ 7,429,356	\$ 7,467,909	\$ 7,425,000	\$ 7,569,000	\$ 7,770,000	\$ 7,760,000

2017/18 forecast assumes a variable interest rate of 3.86%. Average interest rate for total debt portfolio is 4.35%.

2017 Budget and 2018 Forecast Summary

	<u>2015 Actual</u>	<u>2015 Amended Budget</u>	<u>Actual As Of 7/31/16</u>	<u>Projected 2016</u>	<u>2016 Amended Budget</u>	<u>2017 Proposed Budget</u>	<u>2018 Forecast</u>
Income From Customers	\$ 38,690,419	\$ 38,837,000	\$ 22,713,562	\$ 41,141,000	\$ 41,410,000	\$ 42,094,000	\$ 43,780,000
Water Transfers	-	-	-	-	-	1,992,000	1,976,000
Total Other Income	<u>1,778,494</u>	<u>1,742,000</u>	<u>1,264,785</u>	<u>2,472,730</u>	<u>2,905,000</u>	<u>1,714,000</u>	<u>1,610,000</u>
Total Revenue	<u>\$ 40,468,913</u>	<u>\$ 40,579,000</u>	<u>\$ 23,978,347</u>	<u>\$ 43,613,730</u>	<u>\$ 44,315,000</u>	<u>\$ 45,800,000</u>	<u>\$ 47,366,000</u>
Budgets:							
Operations and Maintenance	16,854,403	17,895,000	9,526,428	17,827,000	17,895,000	21,530,000	22,399,000
Capital Improvement Program	17,179,377	18,332,000	8,578,198	17,846,000	18,796,000	16,725,000	19,600,000
Operating Capital Program	905,359	1,140,925	357,958	974,000	974,000	1,181,000	672,000
Debt Service (Forecast)	<u>7,425,000</u>	<u>7,850,000</u>	<u>2,113,715</u>	<u>7,605,000</u>	<u>7,605,000</u>	<u>7,770,000</u>	<u>7,760,000</u>
Total Costs	<u>42,364,139</u>	<u>45,217,925</u>	<u>20,576,299</u>	<u>44,252,000</u>	<u>45,270,000</u>	<u>47,206,000</u>	<u>50,431,000</u>
Change in Reserve Balance	(1,895,226)	(4,638,925)	3,402,048	(638,270)	(955,000)	(1,406,000)	(3,065,000)
Reserve (Cash) Balance	<u>\$ 43,839,120</u>	<u>\$ 40,173,552</u>	<u>\$ 46,297,277</u>	<u>\$ 43,201,120</u>	<u>\$ 42,884,120</u>	<u>\$ 41,795,120</u>	<u>\$ 38,730,120</u>

QUESTIONS

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; November 16, 2015, October XX, 2016**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 annually as part of the budget adoption process.