

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

3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821

Monday, October 9, 2017  
6:00 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**

**Pledge of Allegiance**

**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. Second Draft 2018 Budget and 2019 Forecast and Reserve Policy (PL – Fin 004)  
*Provide direction to staff regarding the second draft 2018/19 budget.*

**Adjournment**

\* \* \* \* \*

**Upcoming Meetings:**

Tuesday, October 10, 2017 at 4:30 p.m., Special Board Meeting – Closed Session

Monday, October 16, 2017 at 3:00 p.m., Water Quality Committee Meeting

Monday, October 16, 2017 at 6:00 p.m., Regular Board Meeting

\* \* \* \* \*

I certify that the foregoing agenda for the October 9, 2017, meeting of the Sacramento Suburban Water District Special Board Workshop was posted by October 5, 2017, in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was made available to the public during normal business hours.

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



## Agenda Item: 1

**Date:** October 5, 2017

**Subject:** Second Draft 2018 Budget and 2019 Forecast and Reserve Policy (PL – Fin 004)

**Staff Contact:** Daniel A. Bills, Finance Director

### Recommendation:

As recommended by the Finance and Audit Committee (Committee), discuss second draft of the 2018 Budget and 2019 Forecast (Exhibit 1). Review the District's Reserve Policy (Exhibit 2). Provide direction to staff.

### Discussion:

Attached are the proposed 2018 Budget and 2019 Forecast. The assumptions used in the proposed 2018 Budget were presented to the Finance and Audit Committee and the Board in July 2017. The Committee met on October 2, 2017, many of their comments and suggestions have been incorporated into this second draft.

As required by the District's Budget Policy (PL Fin-012), the proposed 2018 Budget is balanced (revenues equaling expenses) when the \$3.69 million carryover of the two delayed 2017 projects, scheduled for completion in 2018, is taken into account.

The 2018 Budget and 2019 Forecast materials are presented in the following order in the attached PowerPoint presentation (Exhibit 1):

1. District Goals and Budget Process
2. 2018 and 2019 Key Assumptions
3. Total Revenue, Expense and Reserve Balance Analysis
4. Operation & Maintenance (O&M) Budget
5. Capital Improvement Program (CIP) Budget
6. Operating Capital Budget (OCB)
7. Debt Service Forecast
8. Reserve Policy (Exhibit 2)

### Fiscal Impact:

If adopted as presented, the 2018 O&M budget would be \$21.9 million (including funding other post-employment benefits of \$0.56 million); the 2018 CIP budget would be \$19.4 million; the 2018 OCB budget would be \$1.3 million, and the 2018 debt service forecast would be \$7.7 million. The total of all four budgets would be \$50.2 million. Revenues are projected to be \$46.5 million resulting in a planned drawdown of reserves of \$3.4 million. The reserve planned

drawdown is the result of \$3.7 million of delayed CIP projects, consisting of the Parkland Estates Phase 2 distribution main project and the Palm well. Projected reserve level at the end of 2018 is expected to be \$41.2 million.

**Strategic Plan Alignment:**

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

2018 Budget  
2019 Forecast  
Second Draft

Special Board Workshop  
October 9, 2017

# 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.

# 2018/19 Budget Development Process

- Staff Development of Budgets
- Finance and Audit Committee – 07/10/17, 3:00 pm
  - Budget Assumptions; Provide Direction to Staff
- September Board Meeting – 09/18/17
  - Status Report; Provide Direction to Staff
- Finance and Audit Committee – 10/02/17, 3:00 pm
  - First Draft; Provide Direction to Staff
- Board Workshop – 10/09/17, 6:00 pm
  - Second Draft; Provide Direction to Staff
- October Board Meeting – 10/16/17
  - As Directed at Board Workshop; Provide Additional Direction to Staff
- November Board Meeting – 11/20/17
  - Budget Approval or Additional Direction to Staff



# 2018/19 Budget Process

- Two Year Planning Process
  - Revenue and Expenses Projected over a 2 Year Horizon
- O&M and OCB Budget
  - Budget Adopted for First Year
  - Forecast Provided for Second Year
- CIP Projects and Budget
  - Budget Adopted through Project Completion (2018 and into 2019)
  - Projects Approved for 2 Year Period

# 2018/19 Budget Assumptions

Key Assumptions	2016		2017		2018		2019	
1 Rate Increase	4.00% \$1,600,000		4.00% \$1,700,000		4.00% \$1,800,000			
2 No Change in SSWD Service Boundaries								
3 New Service Connections (Growth)	Increase	0.43%	Increase	0.52%	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)	\$ 428.80	550 AF	\$ 450.24	1,000 AF	\$ 463.75	1,000 AF	\$ 477.66	1,000 AF
c. SSA Groundwater (Variable costs)	\$ 118.39	10,550 AF	\$ 123.12	15,000 AF	\$ 128.72	13,000 AF	\$ 133.86	13,000 AF
d. NSA Surface Water (PCWA – Raw Water)	\$ 48.05	12,000 AF	\$ 50.45	12,000 AF	\$ 35.00	12,000 AF	\$ 35.00	12,000 AF
e. NSA Surface Water (Bureau - Wheeling)	\$ 27.04	12,000 AF	\$ 28.39	12,000 AF	\$ 32.21	12,000 AF	\$ 33.82	12,000 AF
f. NSA Surface Water (SJWD - Treatment)	\$ 135.34	12,000 AF	\$ 161.92	12,150 AF	\$ 176.49	12,150 AF	\$ 192.37	12,150 AF
g. NSA Groundwater (Variable costs)	\$ 106.81	8,900 AF	\$ 111.08	6,850 AF	\$ 117.00	6,850 AF	\$ 121.68	6,850 AF
h. NSA Bureau 215 Water	\$ 72.80	0 AF	\$ 76.44	150 AF	\$ 80.26	150 AF	\$ 84.28	150 AF
i. NSA Wheel Water to Cal-AM, RLEVWD (Revenue)	\$ (196.48)	2,500 AF	\$ (337.05)	2,500 AF	\$ (356.14)	2,500 AF	\$ (373.95)	2,500 AF
5 Anticipated Outside Water Sales, Net	None		None		None		None	
6 Investment Yield	1.75%		2.00%		2.00%		2.00%	
7 Variable Debt Interest Rate	3.86%		3.86%		3.86%		3.86%	
8 Electrical Cost Increase	2.50%		2.50%		2.50%		2.50%	
9 COLA (As of July 31)	0.30%		0.70%		2.30%		2.30%	
10 Merit Program	4.00%		3.00%		3.00%		3.00%	
11 Construction Inflation (B)	3.00%		2.80%		3.00%		3.00%	
12 Health Care Cost (C)	2.60%		-2.00%		2.33%		3.00%	
13 Tier 1 Pension Cost (% of Salaries)	\$317,000	21.70%	\$ 373,000	21.50%	\$ 470,000	22.37%	\$ 582,000	23.00%
14 Tier 2 Pension Cost (% of Salaries)	\$ 5,000	16.20%	\$ 7,500	16.10%	\$ 12,500	16.64%	\$ 18,000	17.10%
15 Tier 3 Pension Cost (% of Salaries)		6.73%	\$ 200	6.90%	\$ 500	7.30%	\$ 900	7.30%
16 New Hires		1		4		2		-
17 Funding of Post Retirement Benefits	\$ 459,600		\$ 472,200		\$ 560,000		\$ 575,000	
<b>Footnotes:</b>								
(A) SSA = South Service Area; NSA = North Service Area								
(B) 20 Cities CCI Index, Source: ENR								
(C) From UnitedHealthcare to HealthNet Smart Care HMO								

# 2017 Projected Actual and Highlights

	<b>Amended 2017 Budget \$ Millions</b>	<b>Projected 2017 Actual \$ Millions</b>
Operations & Maintenance Budget	\$21.3	\$19.5
Capital Improvement Program Budget	\$17.0	\$13.3
Operating Capital Program Budget	\$ 1.1	\$ 1.2
Debt Service Budget	<u>\$ 7.8</u>	<u>\$ 7.5</u>
Total	\$47.2	\$41.5

## 2017 Projected Results:

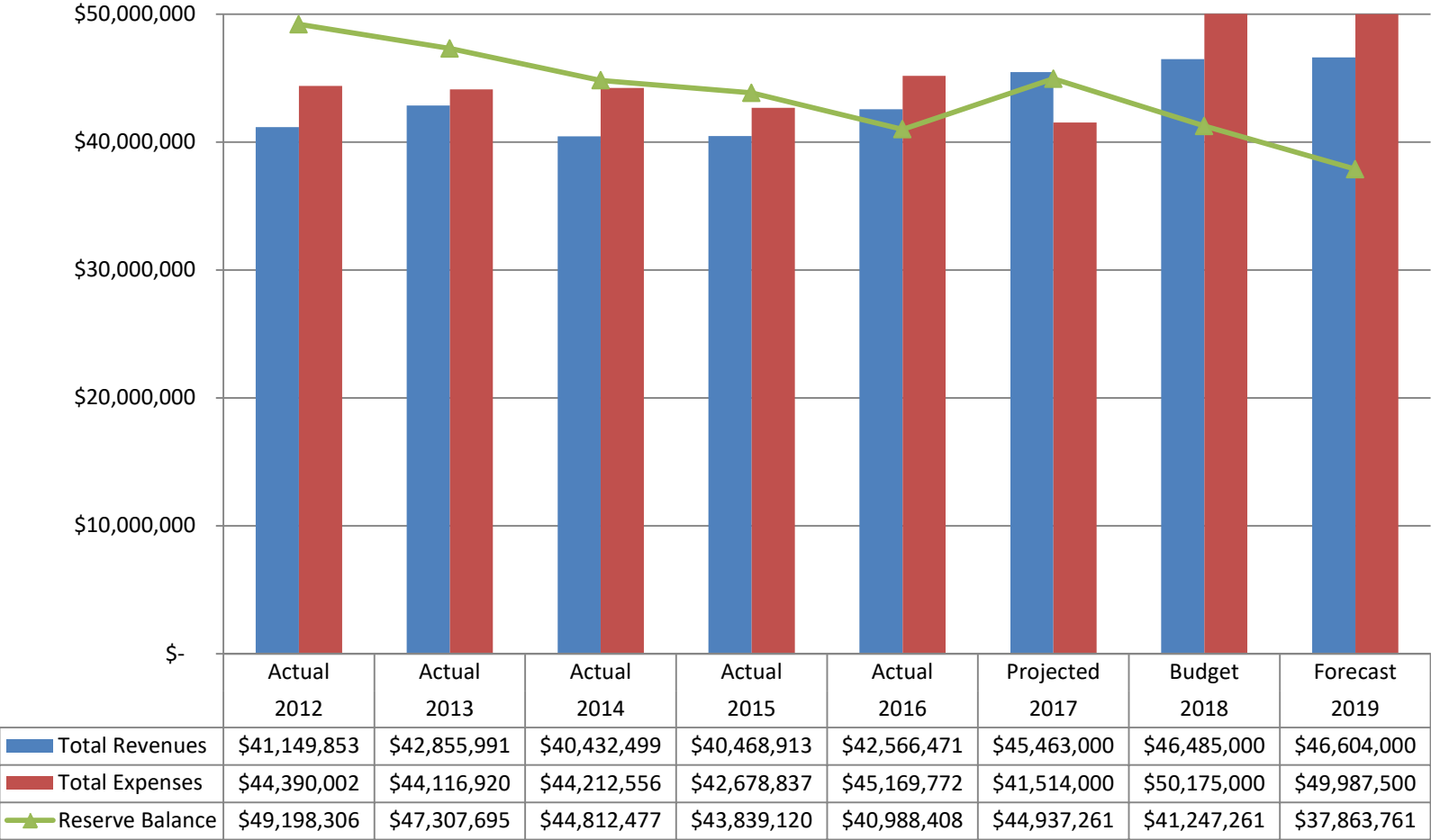
- Water Deliveries of 34,100 AF
  - Comprised of 32,300 AF to Customers and Wheeled Water Deliveries of 1,800 AF
- Follow modified asset management plans for replacing water infrastructure assets, to include:
  - For 2017 expect to replace 5.3 miles of Distribution Main Lines, including 180 Meters
  - Install an Additional 1,298 Water Meter Retrofits – (1,283 Meter Retrofit Program, 15 Voluntary)
  - Continue work on Palm Avenue Well – Site Work and Pumping Facilities
  - Began Permitting and Design of Manganese Treatment Facility at Verner Well
  - Began Multi-Year Process to Acquire Future Well Sites
  - Deferring to 2018 \$3.69 million – Palm Well \$1.45 million; Parkland Estates \$2.24 million

# 2018 Budget and 2019 Forecast

	<u>2016 Actual</u>	<u>2016 Amended Budget</u>	<u>Actual As Of 8/31/17</u>	<u>2017 Projected</u>	<u>2017 Amended Budget</u>	<u>2018 Proposed Budget</u>	<u>2019 Forecast</u>
Water Sales Charge	\$ 11,053,442	\$ 10,850,000	\$ 7,893,131	\$ 11,949,000	\$ 11,952,000	\$ 12,489,000	\$ 12,554,000
Water Service Charge	6,348,507	7,000,000	4,221,807	6,460,000	7,146,000	6,752,000	6,787,000
Capital Facilities/Debt Repayment	22,574,500	22,000,000	15,369,030	23,495,000	22,977,000	24,557,000	24,685,000
Wheeling Water Charge	167,337	560,000	165,788	168,000	633,000	175,000	175,000
Other Charges for Services	939,242	1,000,000	671,721	982,000	1,018,000	1,047,000	1,047,000
Income From Customers	41,083,028	41,410,000	28,321,477	43,054,000	43,726,000	45,020,000	45,250,000
Water Transfers	-	-	-	-	1,992,000	-	-
Interest Income	557,770	680,000	595,367	893,000	820,000	899,000	780,000
Other Income (Leases, Cells, Etc.)	262,861	300,000	322,693	409,000	250,000	266,000	274,000
Facility Development Charges	264,209	500,000	91,097	137,000	500,000	300,000	300,000
Grant Income	398,603	1,425,000	32,882	970,000	210,000	-	-
Total Other Income	1,483,443	2,905,000	1,042,039	2,409,000	3,772,000	1,465,000	1,354,000
Total Revenue	<u>\$ 42,566,471</u>	<u>\$ 44,315,000</u>	<u>\$ 29,363,516</u>	<u>\$ 45,463,000</u>	<u>\$ 47,498,000</u>	<u>\$ 46,485,000</u>	<u>\$ 46,604,000</u>
<b>Budgets:</b>							
<b>Operations and Maintenance</b>	19,680,747	17,895,000	12,199,230	19,545,148	21,311,000	<b>21,851,000</b>	22,427,000
<b>Capital Improvement Program</b>	17,179,377	18,796,000	6,335,378	13,285,000	16,975,000	<b>19,360,000</b>	18,550,000
<b>Operating Capital Program</b>	722,684	974,000	571,122	1,141,000	1,166,000	<b>1,264,000</b>	1,290,500
<b>Debt Service (Forecast)</b>	7,505,697	7,605,000	2,322,001	7,543,000	7,770,000	<b>7,700,000</b>	7,720,000
<b>Total Costs</b>	45,088,505	45,270,000	21,427,731	41,514,148	47,222,000	<b>50,175,000</b>	49,987,500
Change in Reserve Balance	(2,522,034)	(955,000)	7,935,785	3,948,853	276,000	(3,690,000)	(3,383,500)
Reserve (Cash) Balance	<u>\$ 40,988,408</u>	<u>\$ 40,033,408</u>	<u>\$ 48,370,727</u>	<u>\$ 44,937,261</u>	<u>\$ 41,264,408</u>	<u>\$ 41,247,261</u>	<u>\$ 37,863,761</u>

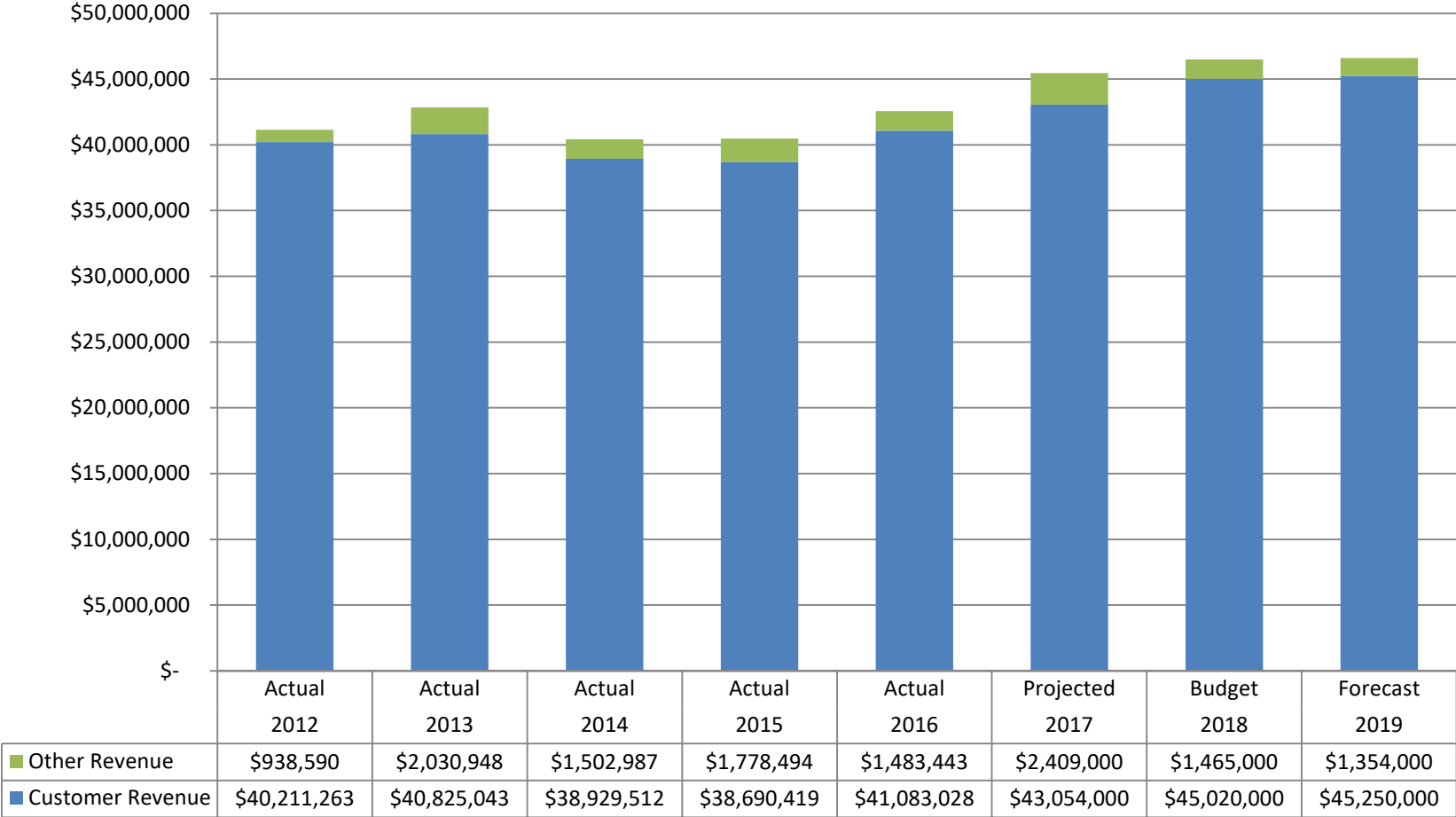
Note: Bolded lines are the Budgets – O&M, CIP, OCB, and Debt Service Forecast

# Total Revenues Vs Total Expenditures 2012 to 2019



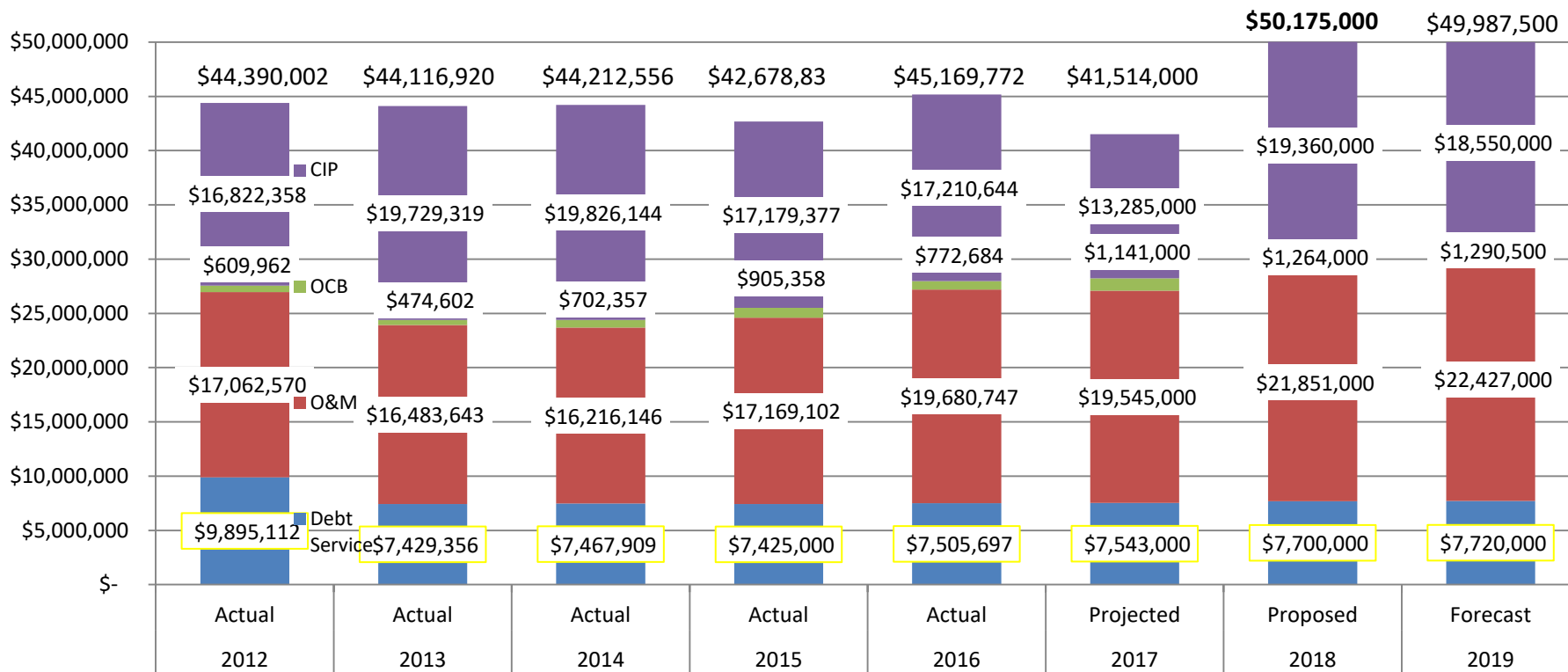
Per Section 200.00, Part A of the District's Budget Policy (PL – Fin 012) the proposed 2018 Budget is balanced (revenues equal expenses) when the \$3.69 million in deferred 2017 CIP Projects is included.

# Total Revenues 2012 to 2019



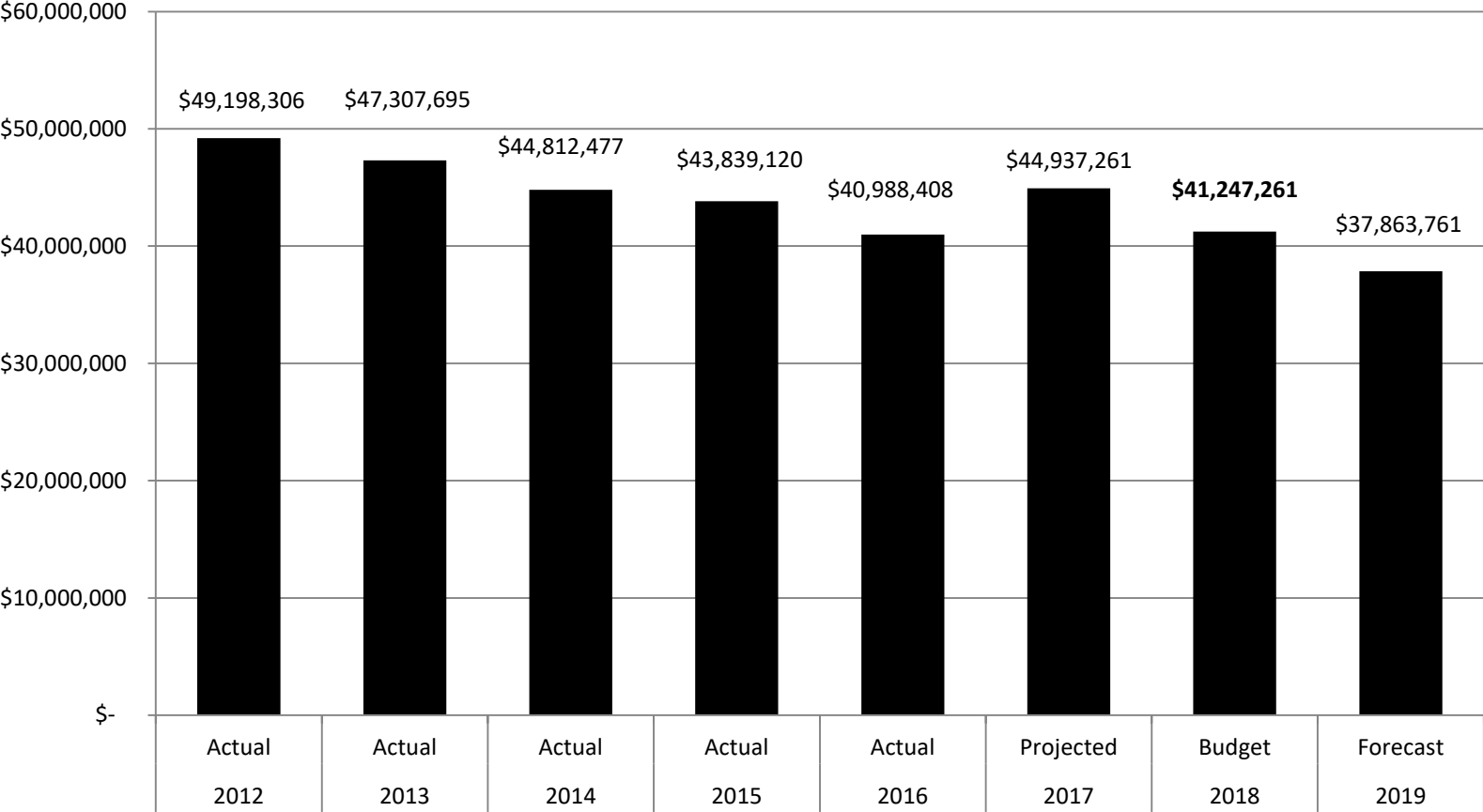
Customer revenue is expected to increase \$1.8 million in 2018 due to the 4.0% per annum rate increase approved in 2013. No rate increases have been approved for 2019.

# Total Expenditures 2012 to 2019



The increase in 2018 is due primarily to two 2017 deferred CIP Projects -\$3.69 million - being completed in 2018.

# Reserve Balance 2012 to 2019



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

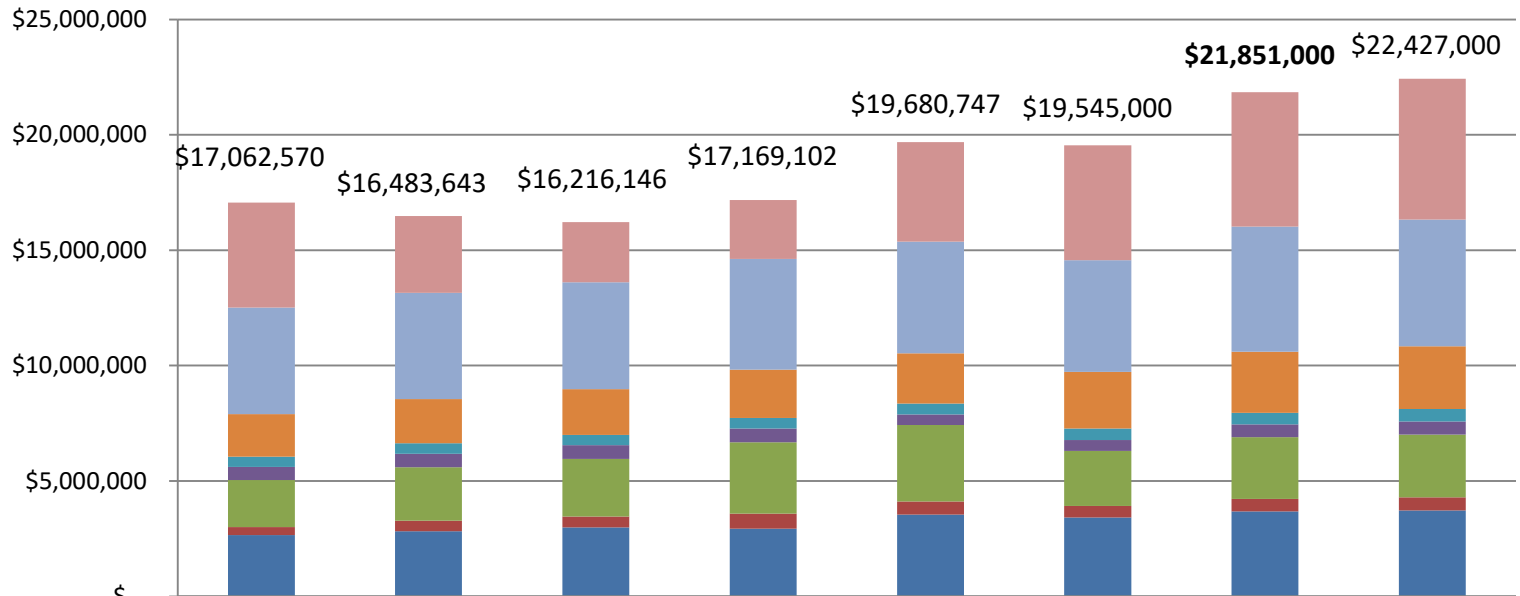
## 2012 to 2019

	Actual	Actual	Actual	Actual	Actual	Projected	Budget	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>	<u>12/31/2019</u>
Debt Service Reserve	\$ 3,532,012	\$ 3,520,472	\$ 3,540,082	\$ 3,523,427	\$ 3,540,038	\$ 3,561,255	\$ <b>3,517,500</b>	\$ 3,517,500
Facilities Reimbursement	76,051	42,968	21,873	21,873	-	-	-	-
Emergency/Contingency	10,660,000	10,317,750	10,758,000	10,758,000	10,387,000	10,931,500	<b>11,255,000</b>	11,312,500
Operating	6,183,575	6,466,000	6,468,857	6,468,857	6,490,750	7,270,250	<b>7,403,750</b>	7,553,000
Rate Stabilization	5,470,000	5,525,000	5,870,000	5,870,000	5,630,000	5,976,000	<b>6,244,500</b>	6,277,000
Interest Rate Risk	-	-	-	-	-	-	-	-
Grant	7,696,000	3,832,000	654,000	654,000	1,068,000	210,000	-	-
Capital Asset	15,580,668	17,603,505	17,499,665	16,542,963	13,872,620	15,317,567	<b>12,826,511</b>	9,203,761
<b>TOTAL</b>	<u>\$ 49,198,306</u>	<u>\$ 47,307,695</u>	<u>\$ 44,812,477</u>	<u>\$ 43,839,120</u>	<u>\$ 40,988,408</u>	<u>\$ 43,266,572</u>	<u>\$ <b>41,247,261</b></u>	<u>\$ 37,863,761</u>

Individual reserve account changes based on proposed 2018 budget.  
 Actual fluctuations (years 2012 to 2017) are due to changes in CIP and/or Consumption Revenues.

# O&M Budget

# O&M Expenses 2012 to 2019



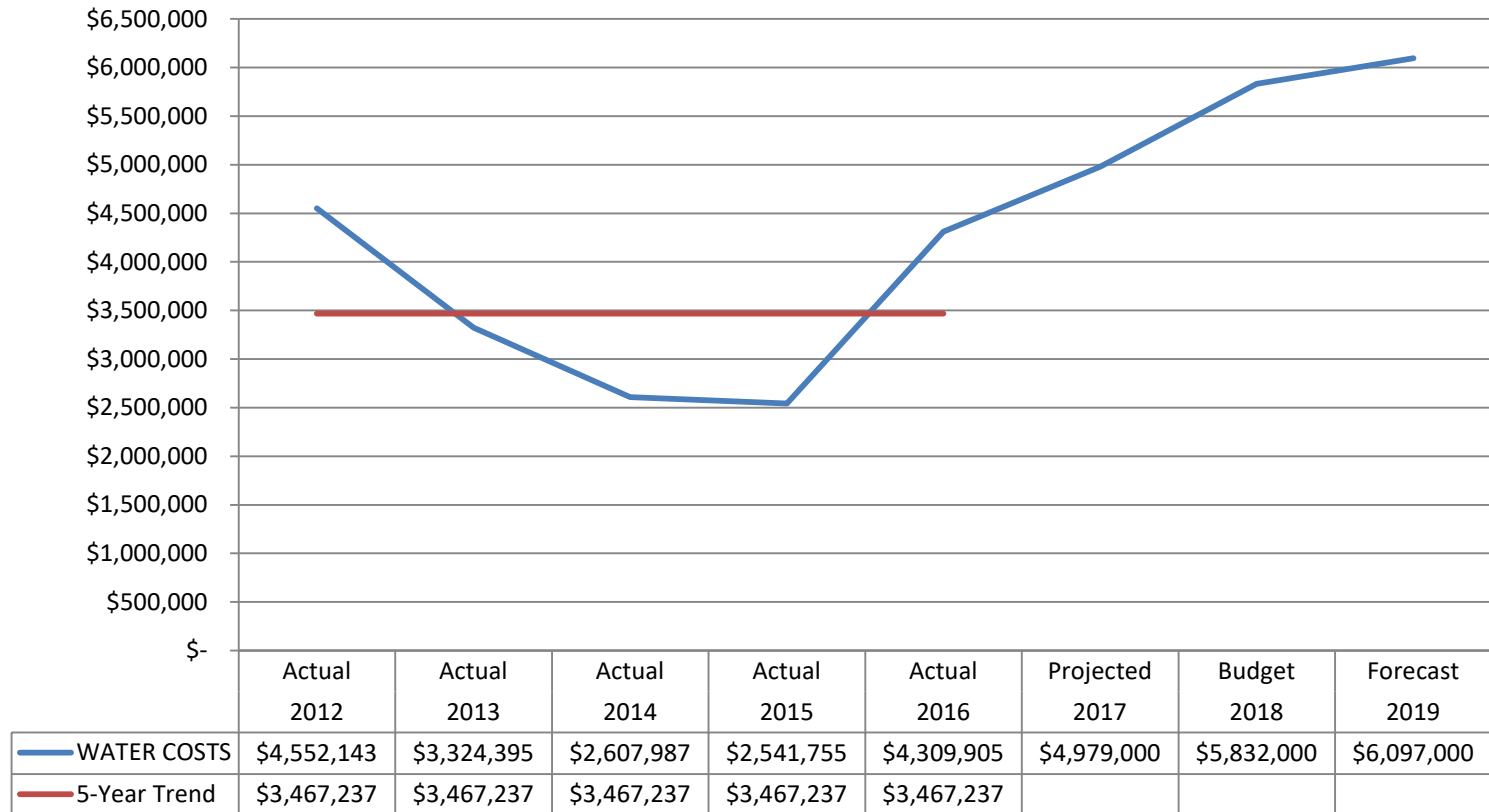
	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Projected 2017	Budget 2018	Forecast 2019
WATER COSTS	\$4,552,143	\$3,324,395	\$2,607,987	\$2,541,755	\$4,309,905	\$4,979,000	\$5,832,000	\$6,097,000
SALARIES	\$4,607,863	\$4,610,564	\$4,633,287	\$4,794,117	\$4,833,627	\$4,834,000	\$5,417,000	\$5,494,000
EMPLOYEE BENEFITS	\$1,843,785	\$1,915,889	\$1,980,390	\$2,096,685	\$2,187,134	\$2,459,000	\$2,641,000	\$2,720,000
EMPLOYER TAXES & INSURANCE	\$451,568	\$457,888	\$439,159	\$460,746	\$458,614	\$501,000	\$506,000	\$533,000
OPEB	\$558,200	\$576,300	\$592,700	\$591,000	\$470,000	\$472,200	\$560,000	\$575,000
ENGINEERING & CONSTRUCTION SERVICES	\$2,046,857	\$2,323,246	\$2,501,575	\$3,102,132	\$3,314,420	\$2,375,000	\$2,667,000	\$2,720,000
PUBLIC OUTREACH & CONSERVATION	\$342,356	\$452,250	\$469,571	\$641,111	\$565,157	\$511,390	\$549,000	\$560,000
OTHER	\$2,659,798	\$2,823,111	\$2,991,477	\$2,941,556	\$3,541,890	\$3,413,410	\$3,679,000	\$3,728,000

Discussion of individual line items variances appear on subsequent pages.

# O&M Expense Detail

## Water Costs

— WATER COSTS — 5-Year Trend



Water costs fluctuate based on hydrological conditions. Due to the conditions in 2013 - 15, SW was largely unavailable. 2018 and 2019 assume the purchase of 13,150 AF of SW (SSA - 1,000 AF and NSA 12,150 AF).

# O&M Expense Detail

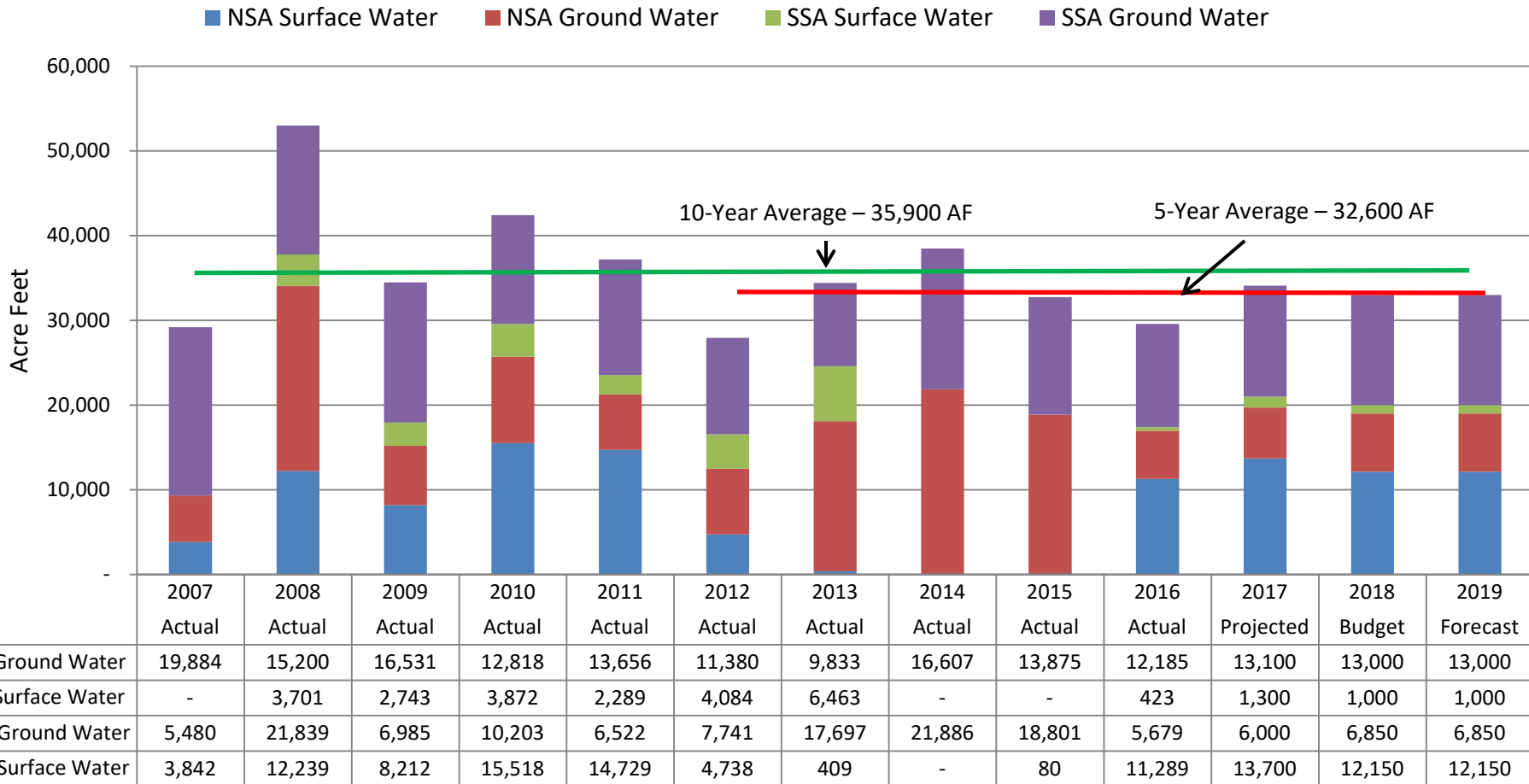
## 2017/18 Farmer's Almanac



Winter will be cooler than normal, with rainfall above normal in the north and near normal in the south. The coldest periods will occur from late November into early December and in early February. Mountain snows will be above normal, with the stormiest periods in early to mid-November and early and late January. April and May will be slightly drier than normal. Temperatures will be below normal near the coast and above normal inland. Summer will be cooler than normal, with near-normal rainfall. The hottest periods will be from late May into early June and in mid-June and mid-July. September and October will have near-normal temperatures, with rainfall above normal in the north and below normal in the south.

# O&M Expense Detail

## Water Production

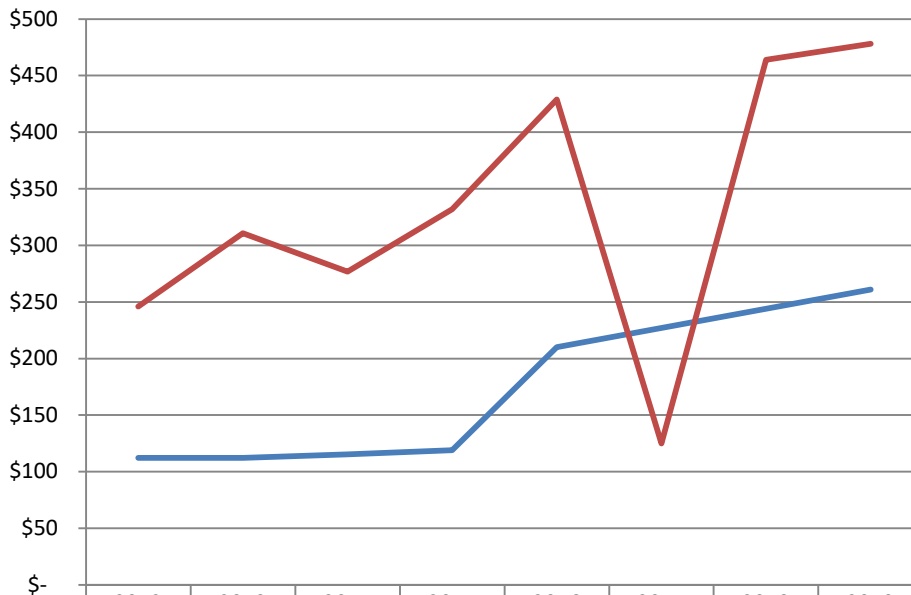


2018 production amounts/alternatives discussed with the Finance and Audit Committee and Board in July.

# Surface Water vs Ground Water Costs

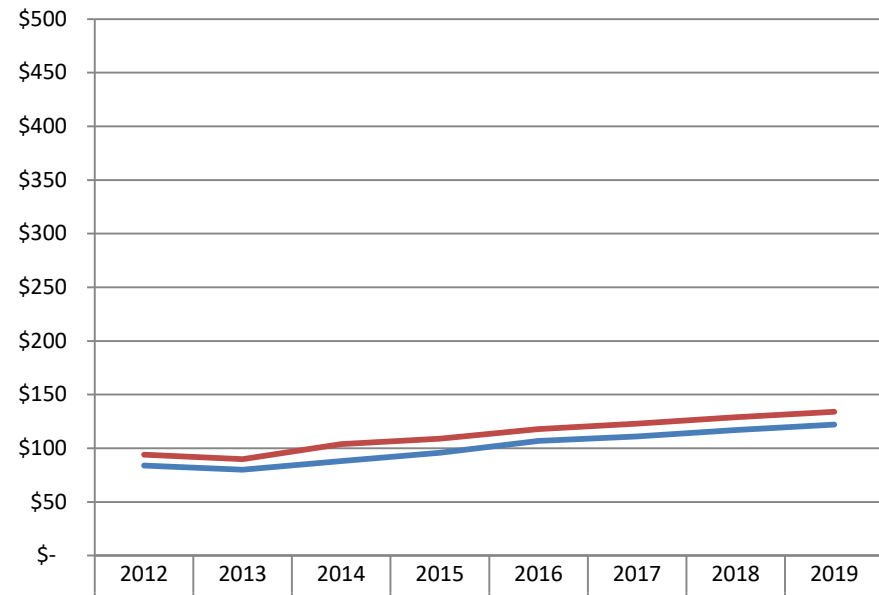
## Variable Surface Water Costs

— NSA — SSA



## Variable Ground Water Costs

— NSA — SSA



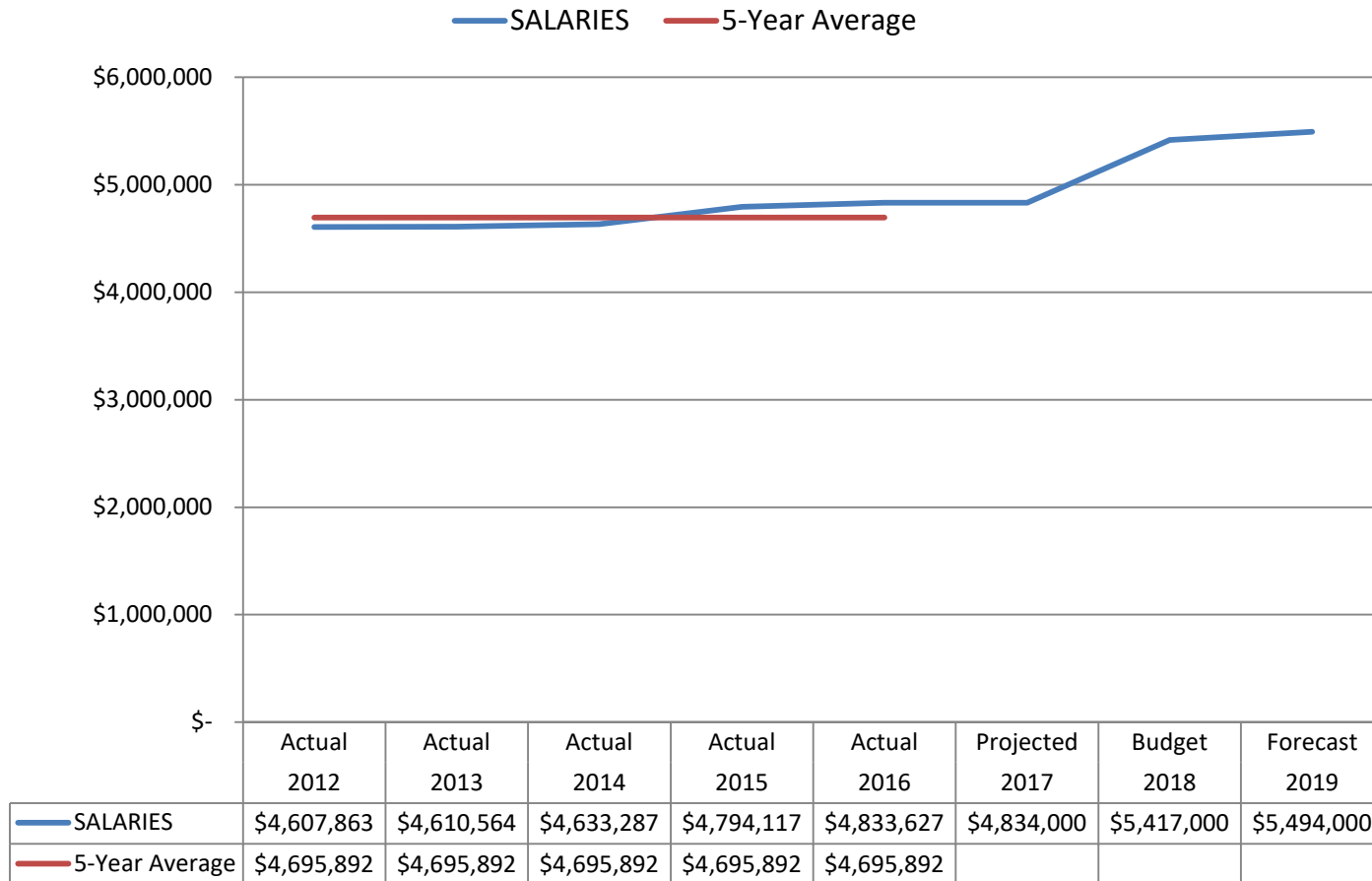
	2012	2013	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Actual	Actual	Projected	Budget	Forecast
NSA	\$112	\$112	\$115	\$119	\$210	\$227	\$244	\$261
SSA	\$246	\$311	\$277	\$332	\$429	\$125	\$464	\$478

	2012	2013	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Actual	Actual	Projected	Budget	Forecast
NSA	\$84	\$80	\$88	\$96	\$107	\$111	\$117	\$122
SSA	\$94	\$90	\$104	\$109	\$118	\$123	\$129	\$134

SSA - SW cost was uniquely low in 2017 due to testing on the City's new filtration system. SW sold at treatment cost.  
 NSA - SW cost for 2018 and 2019 expected to be \$244/AF and \$261/AF, respectively, compared to \$227/AF in 2017.  
 SSA/NSA - GW costs increasing due to - 1.0% electricity, 3.0% chemical and 8.5% SGA fees.

# O&M Expense Detail

## Salaries

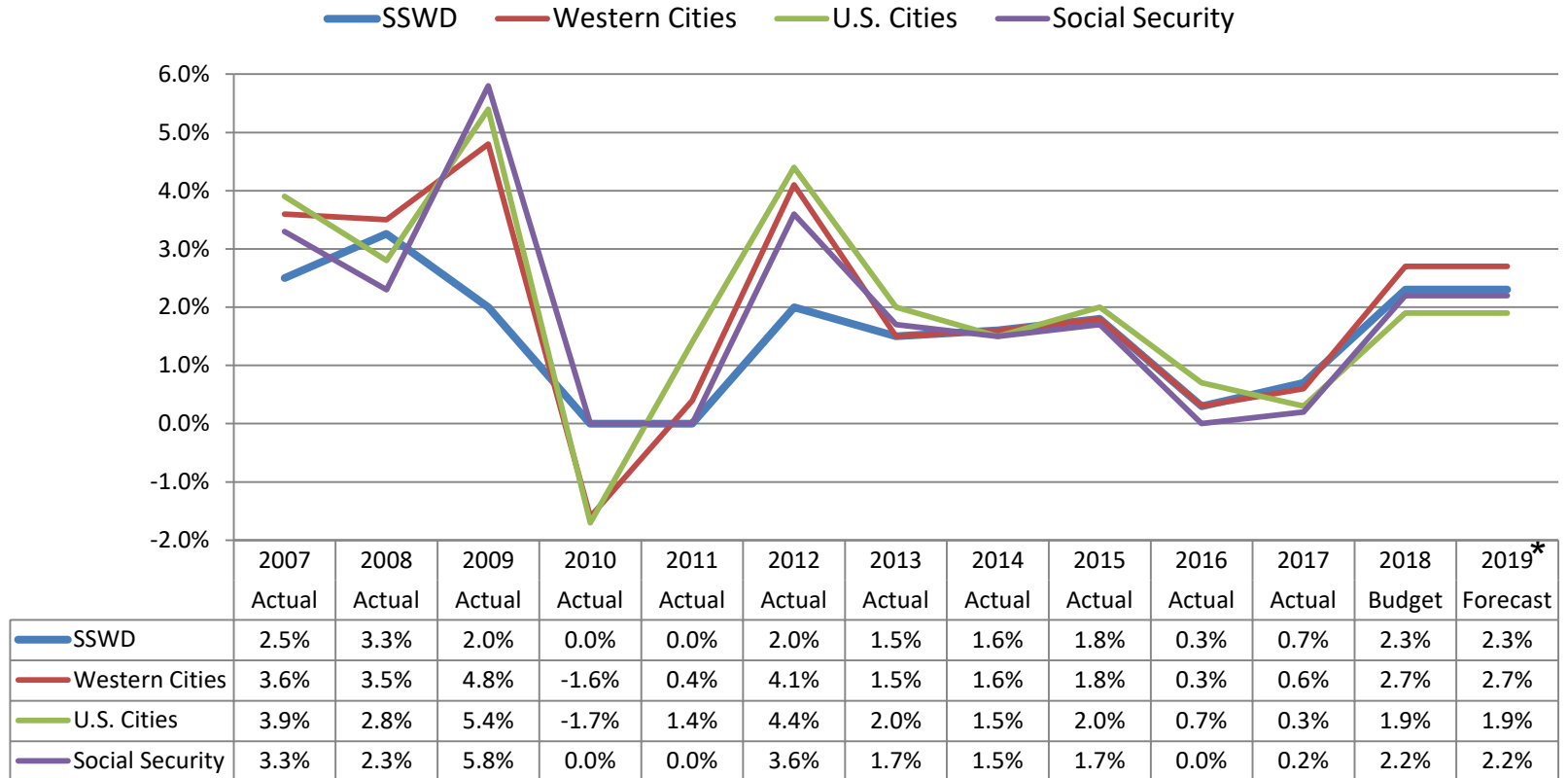


2018 Base Salary - \$4.95 million. 2018 increase due to budgeting for 2 General Manager positions (\$180,000), Merit and COLA increase of 5.3% (\$238,000) and 2017 unfilled positions being filled in 2018 (\$110,000). Other 2018 Salary costs include \$190,000 in Overtime and \$44,000 Stand-By pay.



# O&M Expense Detail

## COLA



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. (Note: excludes both GM positions in 2018.)

\* 2019 estimated by staff as no change from 2018.

# O&M Expense Detail

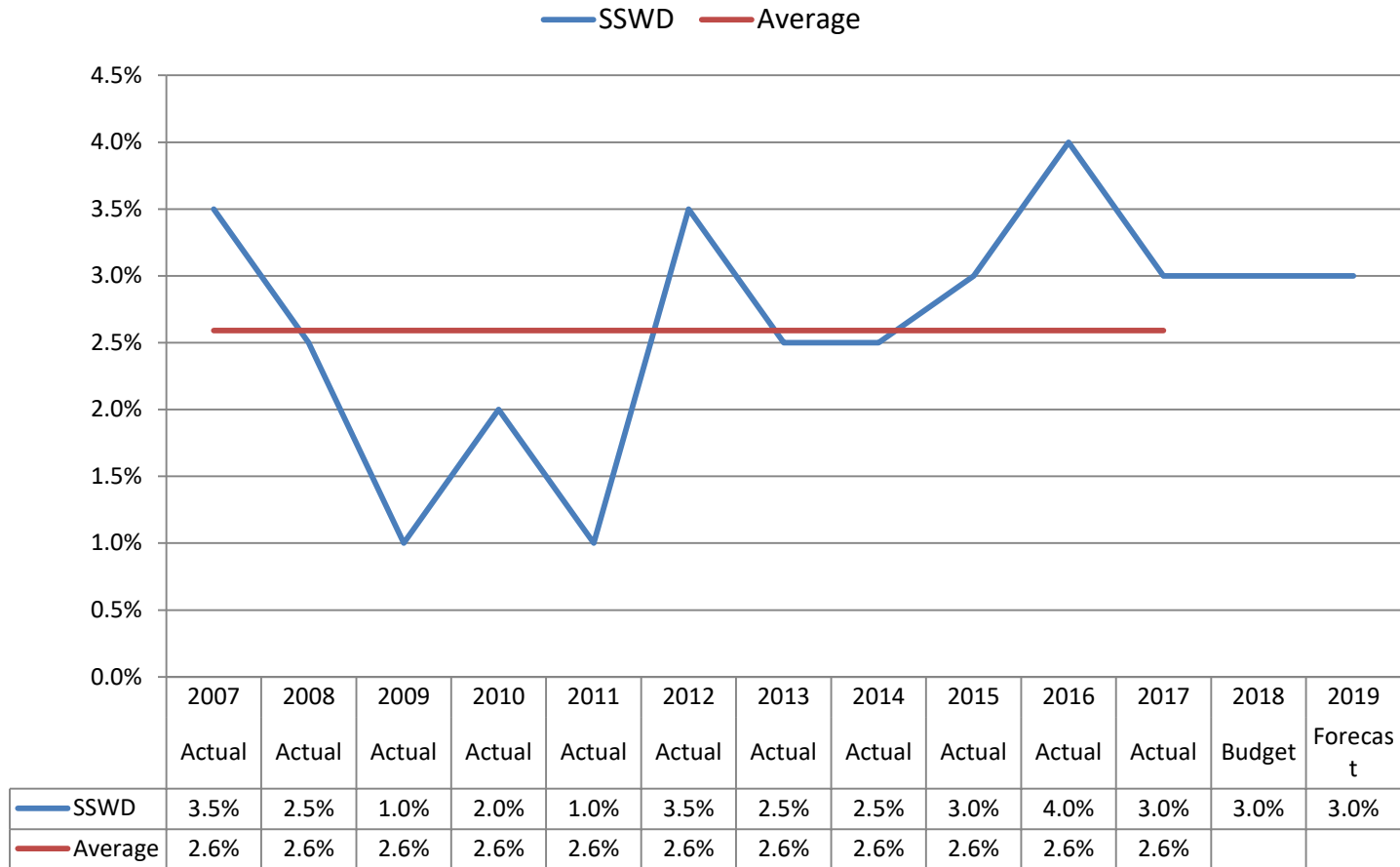
## COLA – 10 Year Average

Index	Average	SSWD Average	SSWD Award%
Social Security	2.0%	1.5%	75%
U.S. Cities	2.2%	1.5%	67%
Western Cities	2.0%	1.5%	75%
Total	2.1%	1.5%	72%

SSWD Average COLA Increase over the past 10 years has been 72% of the average Western Cities, Social Security and US Cities COLAs.

# O&M Expense Detail

## Merit



Discussion of how merit is administered appears on the two following slides. (Note: excludes both GM positions in 2018).

# O&M Expense Detail

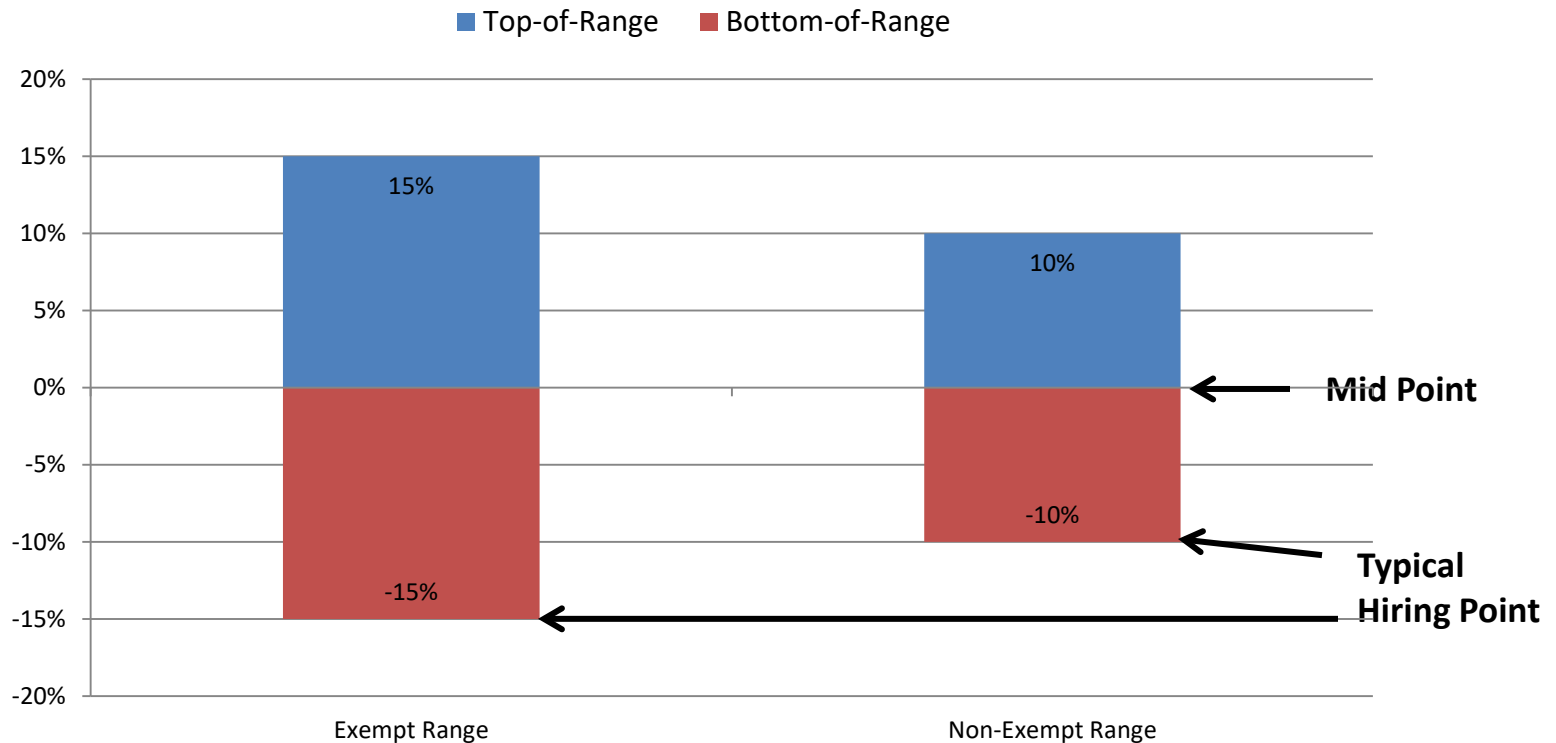
## Salary Band Data

	<u>No. of</u> <u>Employees</u>	<u>At Salary Cap</u>	<u>Percentage</u>
Exempt	17	9	53%
Non-Exempt	50	22	44%
Total Employees	67	31	46%

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

# O&M Expense Detail

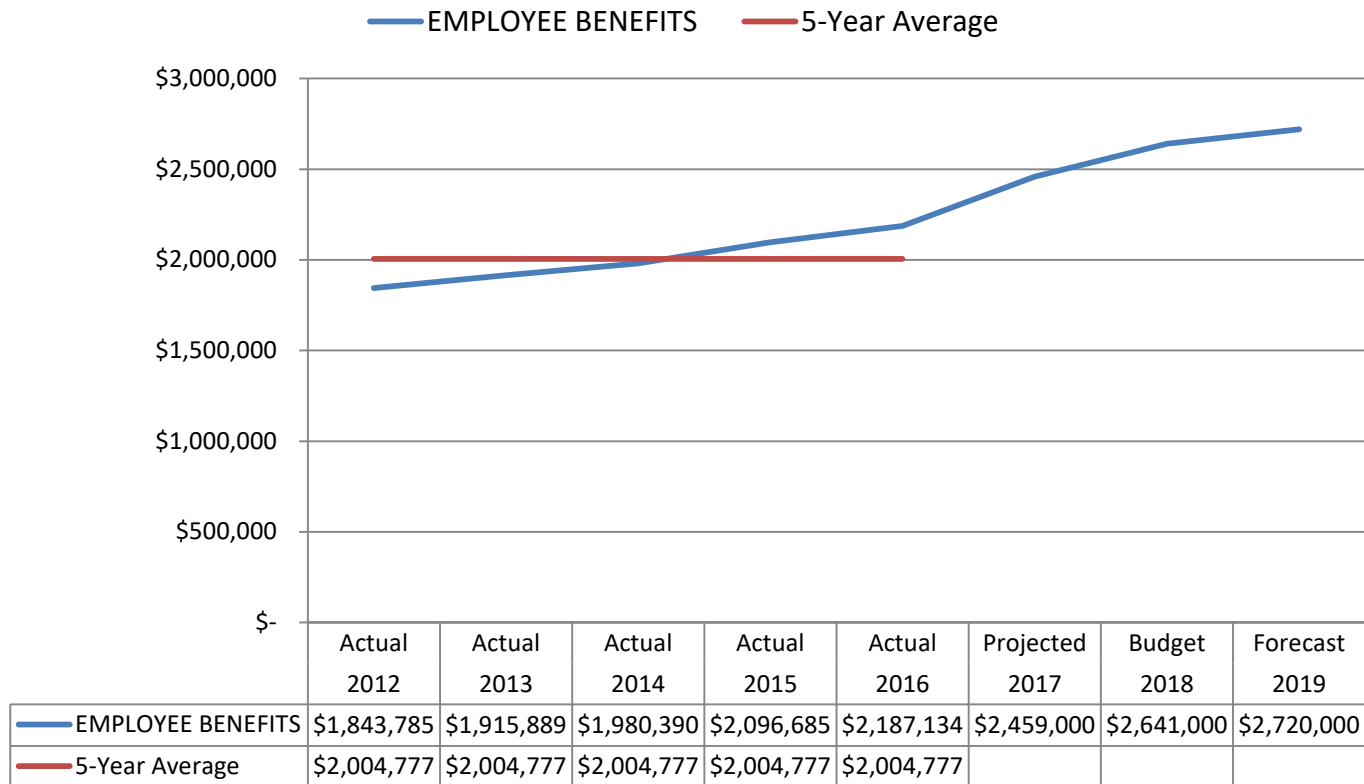
## Salary Bands



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



2018 increase due to increase in pension costs, health care costs and 2<sup>nd</sup> General Manager position (\$81,000).

# O&M Expense Detail

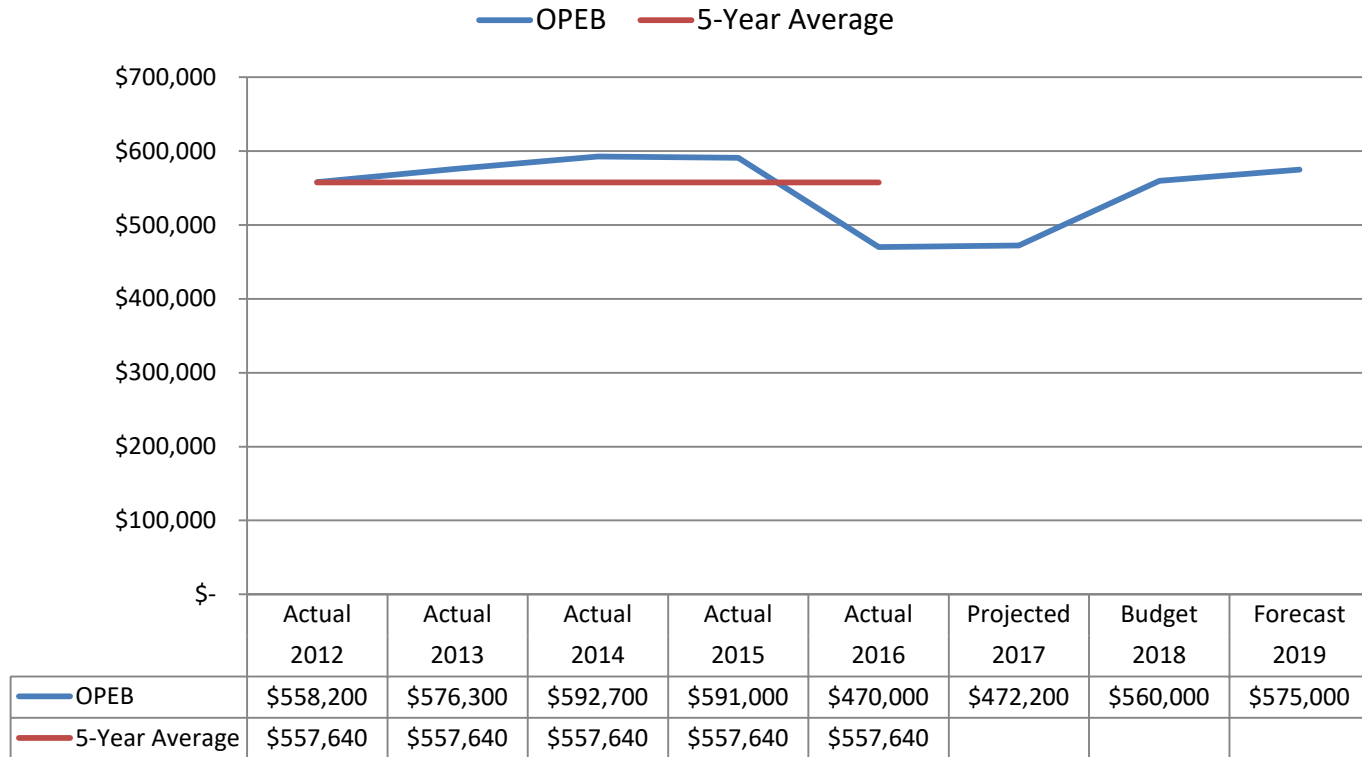
## Employee Benefits

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Projected	2018 Budget	2019 Forecast
<b>EMPLOYEE BENEFITS</b>	\$ 1,843,785	\$ 1,915,889	\$ 1,980,390	\$ 2,096,685	\$ 2,187,134	\$ 2,459,000	\$ 2,641,000	\$ 2,720,000
Medical Insurance	\$ 741,126	\$ 797,192	\$ 846,251	\$ 905,832	\$ 922,772	\$ 1,006,000	\$ 1,095,000	\$ 1,128,000
Dental Insurance	81,593	82,640	96,894	102,555	94,682	107,000	120,000	124,000
Vision Insurance	16,419	16,304	15,065	13,845	14,083	18,000	16,000	16,000
Life Insurance	16,732	16,648	17,090	17,731	17,708	22,000	22,000	23,000
LTD Insurance	23,075	23,147	22,050	22,966	22,970	30,000	30,000	31,000
CalPERS Pension	924,410	940,005	944,510	1,007,417	1,081,615	1,220,000	1,297,000	1,336,000
Miscellaneous *	40,430	39,953	38,530	26,339	33,304	56,000	61,000	63,000
<b>Total Employee Benefits</b>	<u>\$ 1,843,785</u>	<u>\$ 1,915,889</u>	<u>\$ 1,980,390</u>	<u>\$ 2,096,685</u>	<u>\$ 2,187,134</u>	<u>\$ 2,459,000</u>	<u>\$ 2,641,000</u>	<u>\$ 2,720,000</u>

\* Miscellaneous includes - Unemployment costs (\$15k), CalPERS Admin Fees (\$5k), LT Care for Former GM/Spouse (\$11k), EAP Program (\$2k), Education Assistance (\$6k), OT Meals (\$3k), Etc.

# O&M Expense Detail

## OPEB

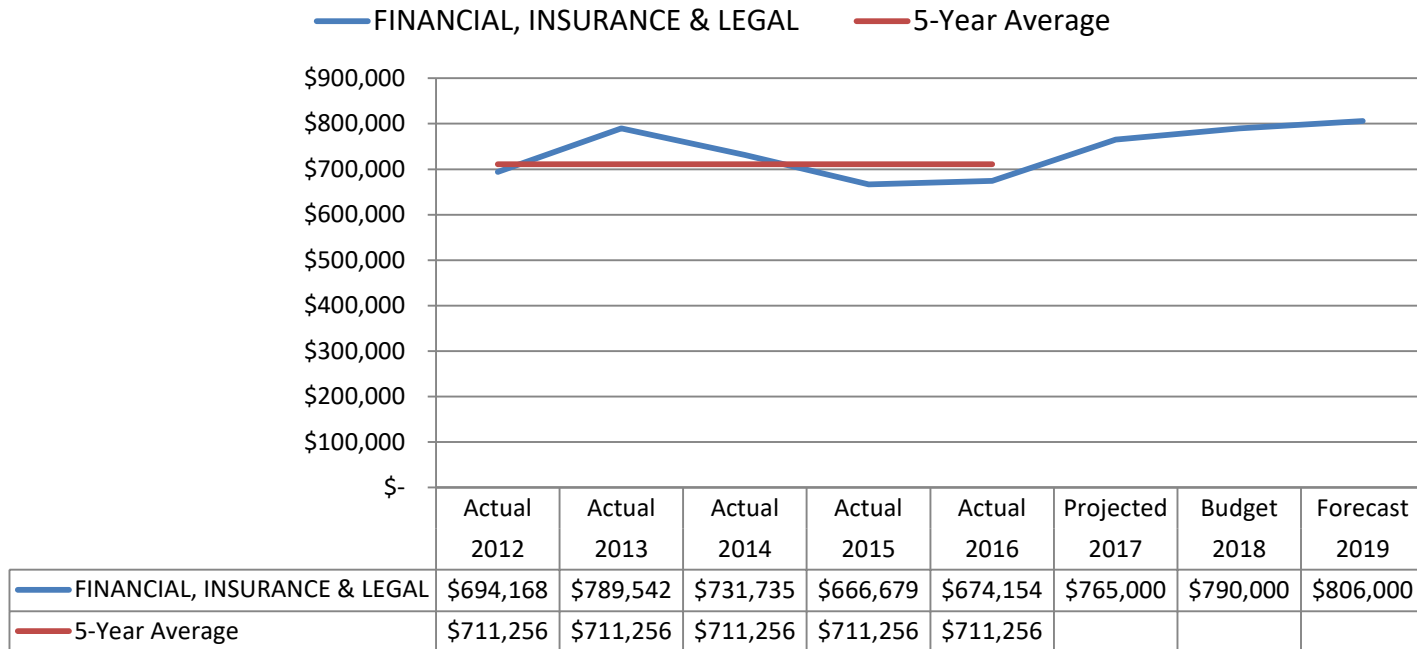


2016 - 17 reduction due to a combination of – reduced projected liability and higher earnings inception-to-date; offset by a reduced UAAL amortization from 22 years down to 10 years. 2018 and 2019 increase due to a reduced discount rate (7.0% in 2015, 6.5% in 2017); increased health care costs; increased participants, and a change in demographic assumptions.



# O&M Expense Detail

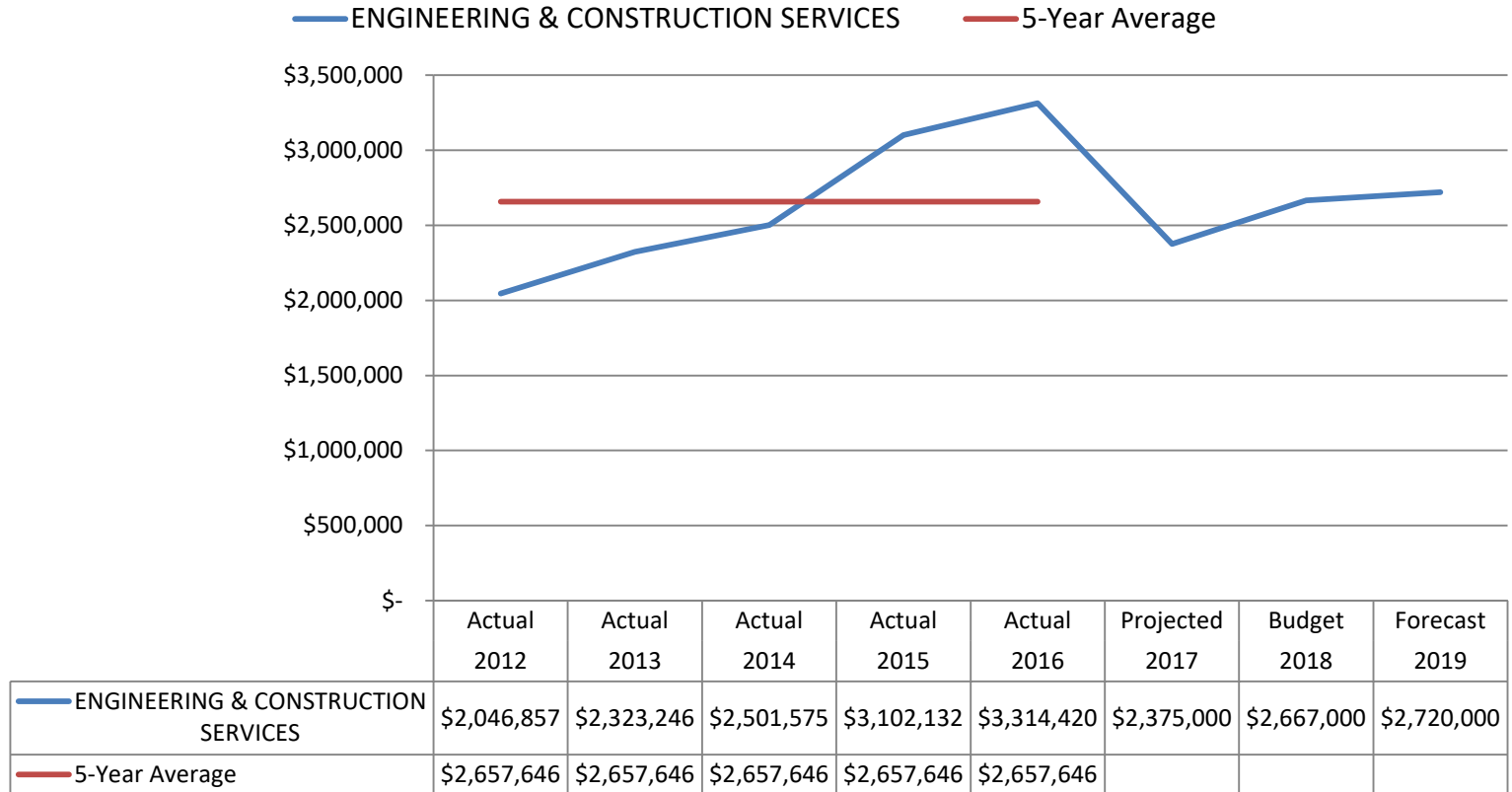
## Financial, Insurance & Legal



2017 – 19 cost increases primarily due to legal and consulting costs; 2018 Major Legal Costs - \$76,000 Cal Water Fix and \$30,000 Chrome 6. 2018 Major Consulting Costs – Jt. Defense Agreement \$160,000 and Long-Term Warren Act Agreement - \$70,000. Audit costs reduced by \$4,000 by having staff perform some of the auditor expanded testing procedures.

# O&M Expense Detail

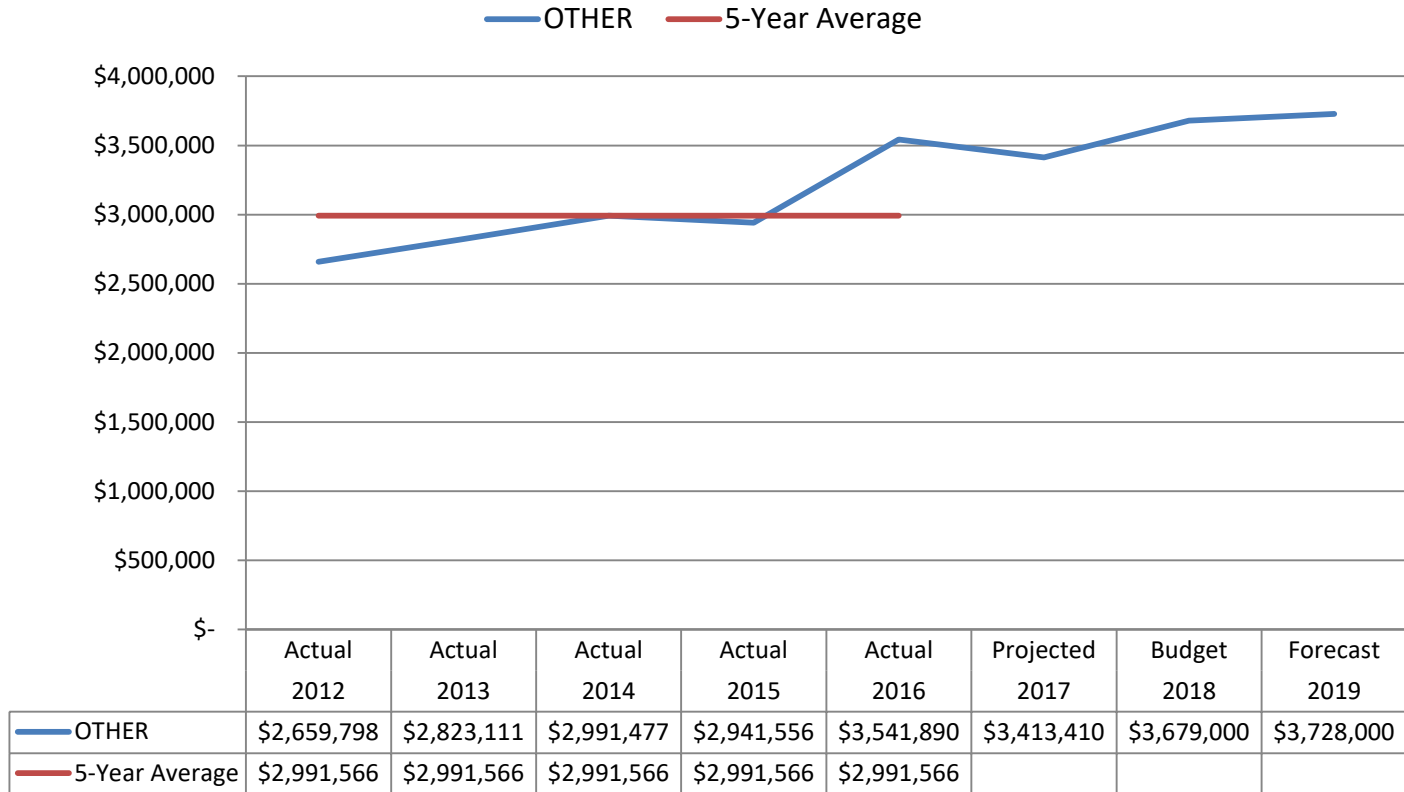
## Engineering, Construction & Consulting



2018 includes \$75,000 for consulting costs on SCADA Control System Integration

# O&M Expense Detail

## OTHER EXPENSES

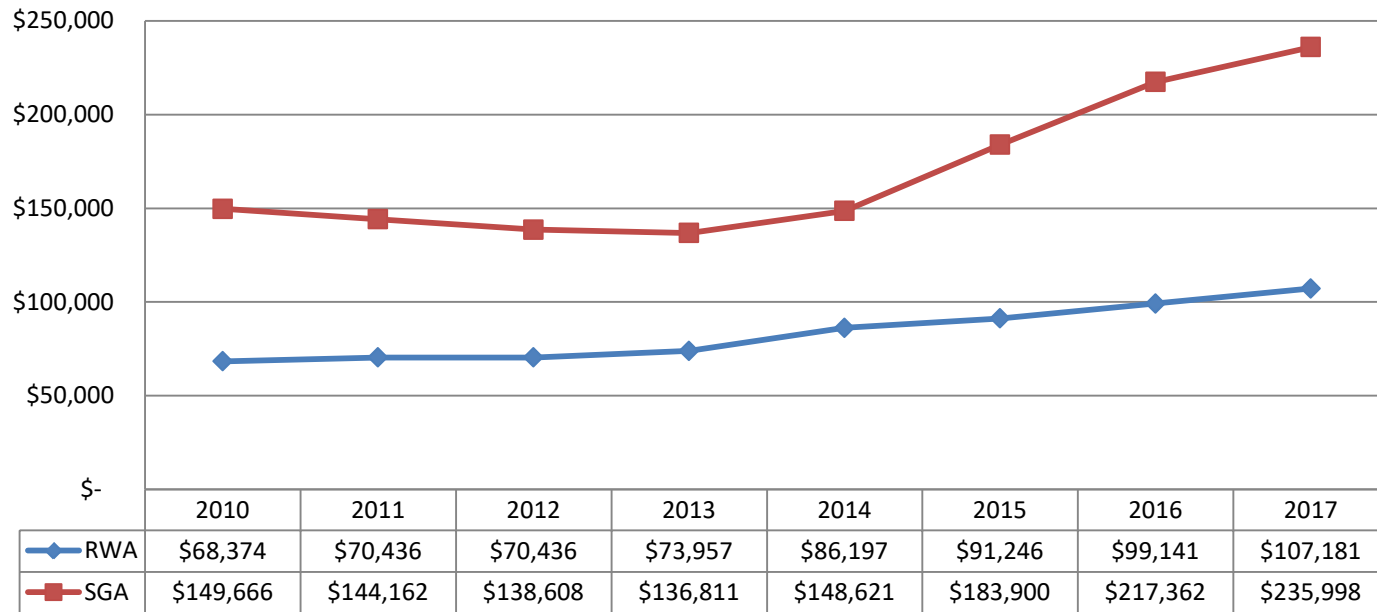


2018 -19 increase due primarily to – 1) Election cost \$25,000; 2) Licenses – Software and DDW permitting \$82,000; 3) Memberships - RWA and ACWA \$107,000; 4) Rate Study \$60,000; 5) Printing \$21,000 – increased costs for flyers and envelopes; and 6) Operating Supplies – \$190,000.

# O&M Expense Detail

## RWA/SGA ANNUAL FEES

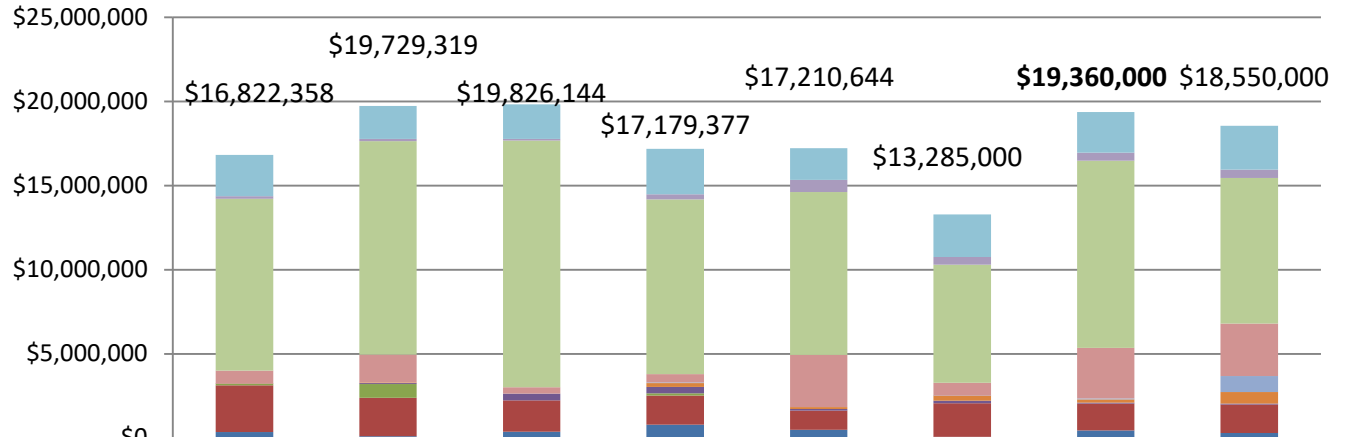
Annual Fees



Since 2010 Annual Fees have Increased by: RWA – 57%; SGA – 58%

# CIP Budget

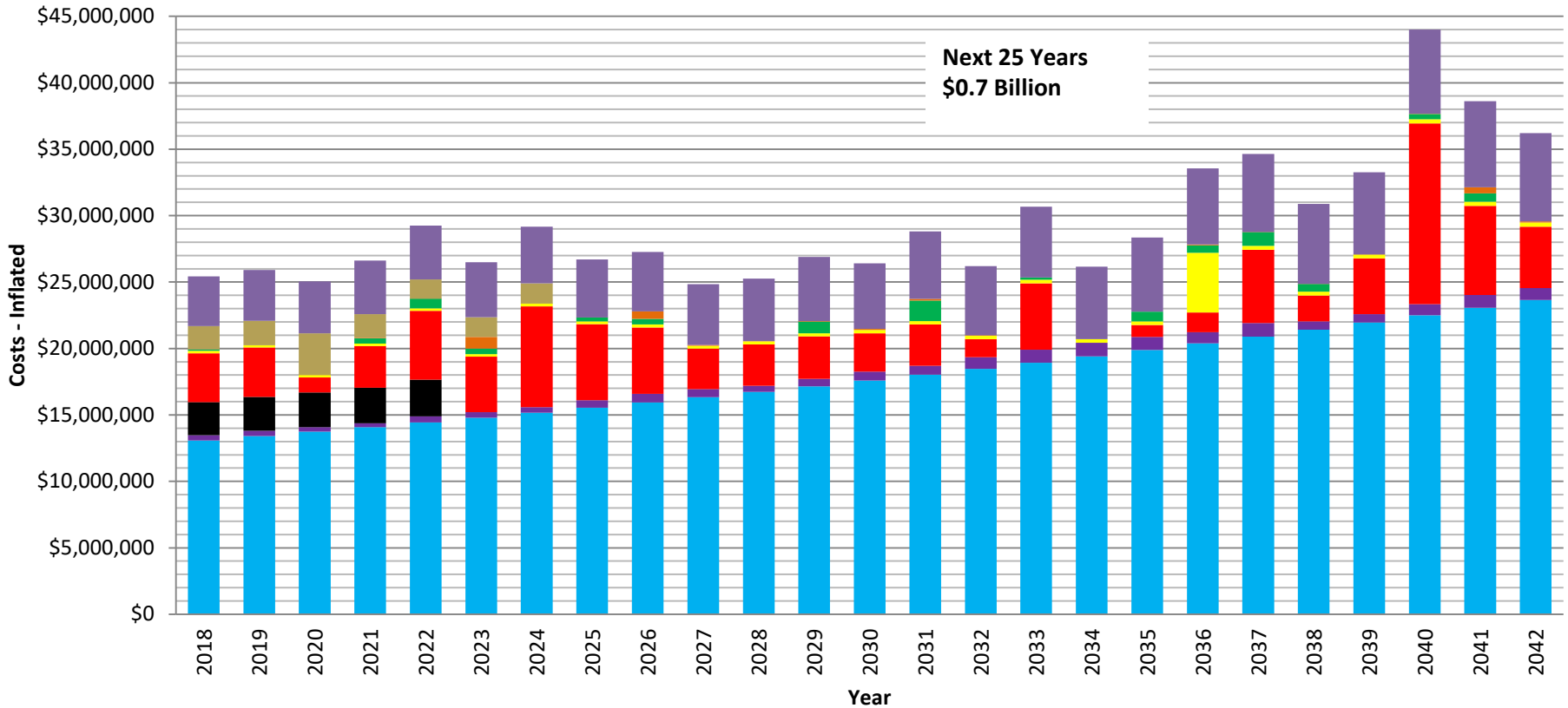
# CIP Project Costs 2012 to 2019



	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Projected	2018 Budget	2019 Budget
■ Meter Retrofit AMP	2,462,887	1,961,709	2,060,561	2,691,361	1,880,514	2,540,000	2,400,000	2,600,000
■ Meter Replacement & Repair AMP	152,219	132,922	80,975	307,870	715,337	450,000	490,000	490,000
■ Dist. Main Replacement AMP	10,212,546	12,674,933	14,672,460	10,381,851	9,674,096	7,020,000	11,120,000	8,655,000
■ Well Replacement AMP	744,091	1,655,646	377,974	507,393	3,099,875	750,000	3,000,000	3,125,000
■ Transmission Main AMP	-	-	-	31,866	-	5,000	50,000	950,000
■ Reservoir and Booster P.S. AMP	21,040	36,373	-	221,300	116,901	310,000	200,000	680,000
■ Buildings and Structures AMP	-	-	-	-	-	-	-	-
■ SCADA AMP	2,341	54,245	404,802	378,687	94,243	140,000	60,000	60,000
■ 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	1,149,924	2,009,000	1,590,000	1,690,000
■ Other Capitalized Projects	350,006	105,869	369,648	780,345	479,754	61,000	450,000	300,000

# Capital Costs Next 25 Years

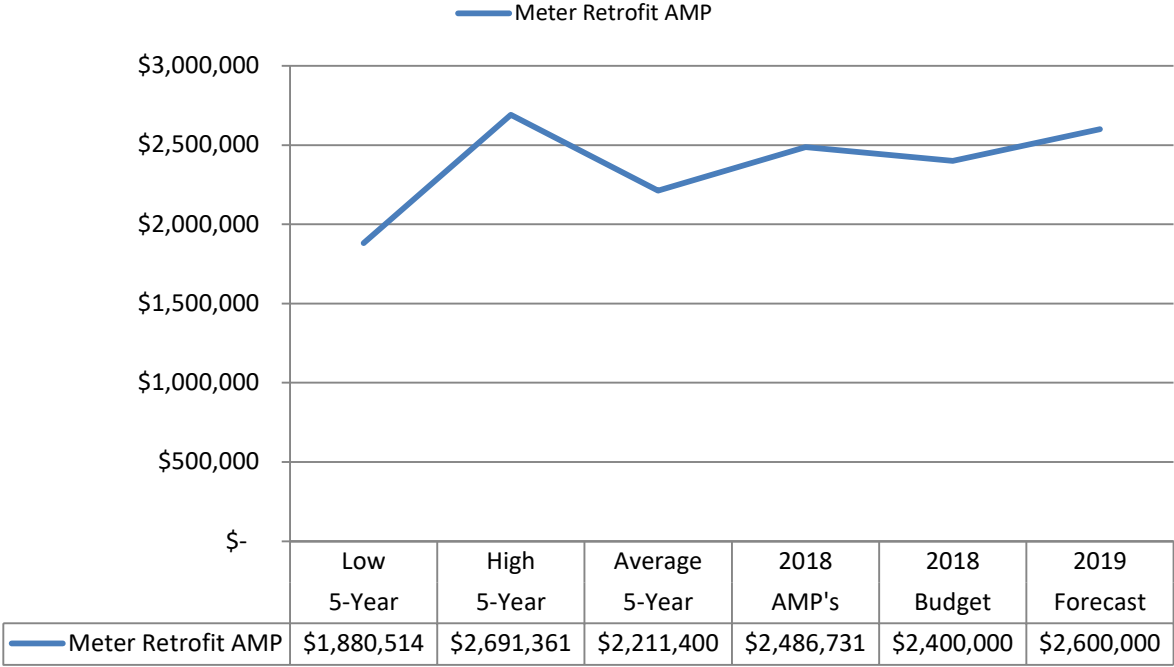
- Distribution Main Replacements
- Meter Retrofit Program
- Transmission Main Asset Management Plan
- Buildings and Structures Asset Management Plan
- Other Re-Occurring Annual Capital Costs (Not Included in Asset Management Plans)
- Meter Replacement and Repair Program
- Groundwater Well Replacement
- 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

Meter Retrofit AMP

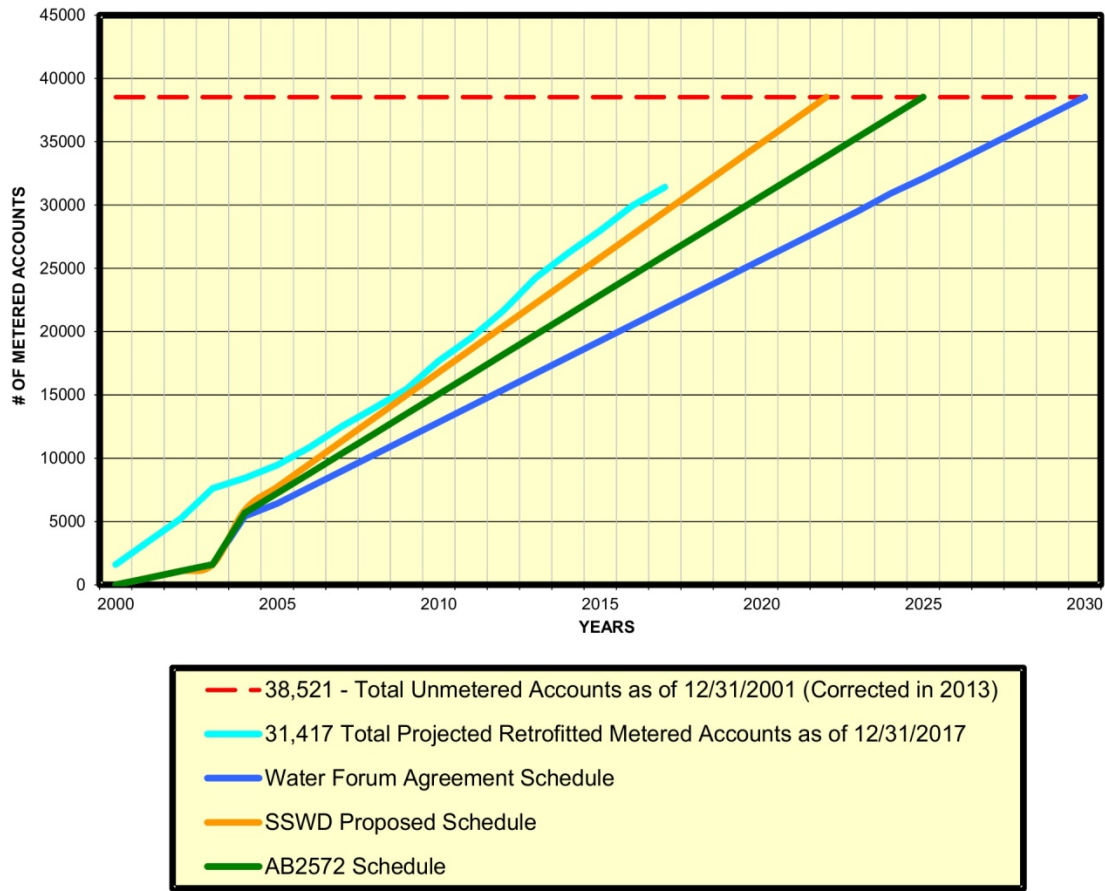


Meters expected to be installed per Meter Retrofit Plan in 2017, 2018 and 2019 is 1,283, 1290 and 1230. Voluntary Meter installations in 2017, 2018 and 2019 is expected to be 15 each year.



# Water Meter Retrofit Program

## SSWD 30 YEAR METERING PLAN (RESIDENTIAL)



Meters added in 2017 – 1,283 per meter retrofit project, 15 voluntary and 180 through distribution main projects; Total = 1,478 meters.

# CIP Project Detail

## Meter Replacement & Repair Costs

5-Year Low	5-Year High	5-Year Average	AMP 2018	Budget 2018	Forecast 2019
\$ 80,975	\$ 715,337	\$ 277,900	\$ 393,512	\$ <b>490,000</b>	\$ 490,000

### 2018/19 Projects

Replace obsolete large meters (>3")	<b>140,000</b>	140,000
Replace/repair meters that have outlived their useful life	<b>350,000</b>	350,000
	<b>\$ 490,000</b>	<b>\$ 490,000</b>

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

# CIP Project Detail

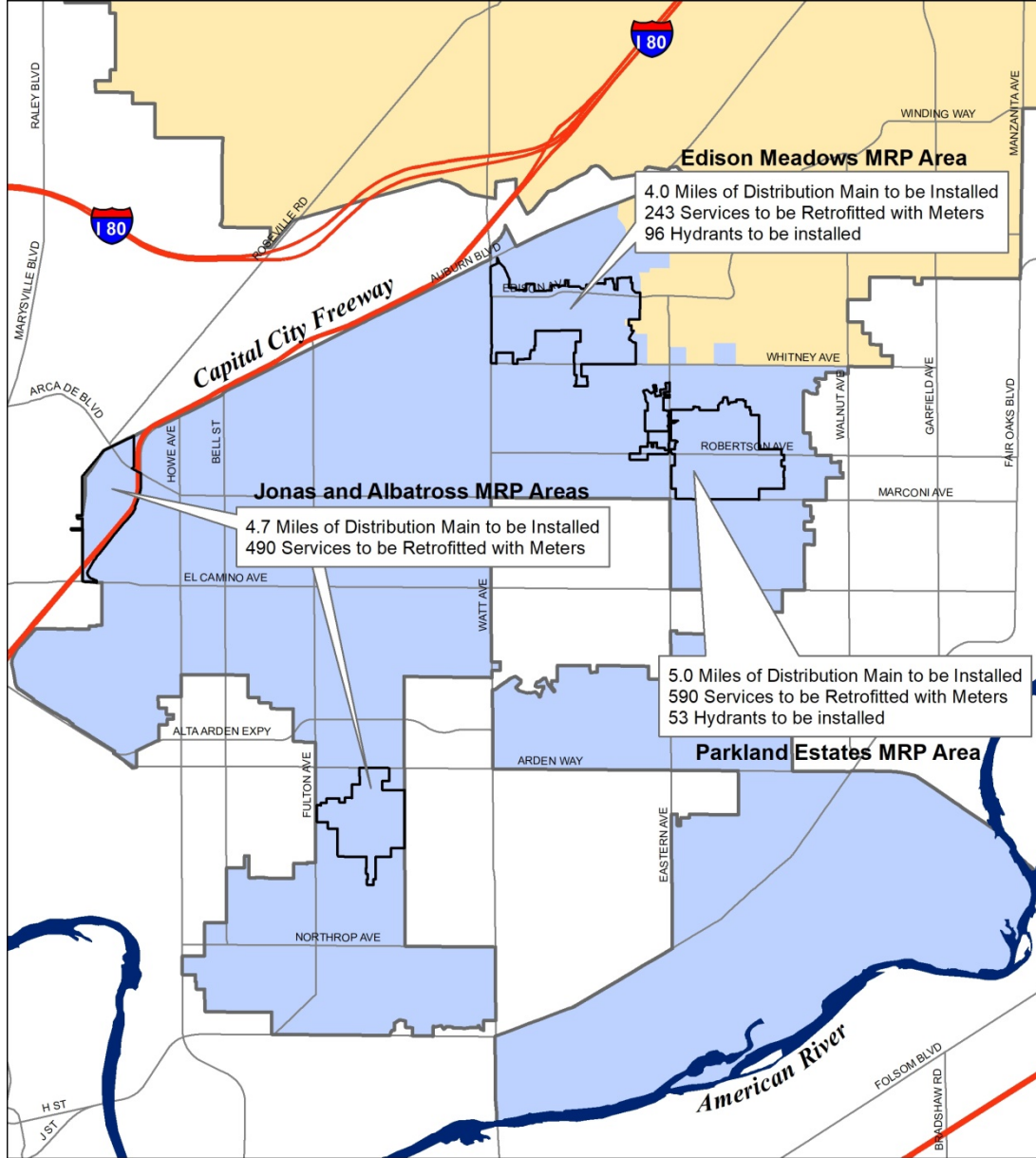
## Distribution Main Replacement Costs

5-Year Low	5-Year High	5-Year Average	AMP 2018	Budget 2018	Forecast 2019
\$ 9,674,096	\$ 14,672,460	\$ 11,523,200	\$ 13,075,543	\$ <b>11,120,000</b>	\$ 8,655,000

### 2018/19 Projects

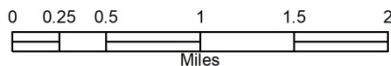
Parkland Estates Phase 2 (2017 Carryover = \$2.24 million)	\$ <b>3,270,000</b>	\$ -
Edison Meadows	<b>6,700,000</b>	
Jonas - Albatross	<b>500,000</b>	7,305,000
Design for 2020 Projects		700,000
Various small main replacement projects	<b>600,000</b>	600,000
McClellan line replacements	<b>50,000</b>	50,000
	<b>\$ 11,120,000</b>	<b>\$ 8,655,000</b>

See next slide for further details



**Legend**

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



**Proposed 2018-2019  
 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 27, 2017  
 Main Replacements-2018-2019.mxd

# CIP Project Detail

## Well Replacement Costs

5-Year Low	5-Year High	5-Year Average	AMP 2018	Budget 2018	Forecast 2019
\$ 377,974	\$ 3,099,875	\$ 1,277,000	\$ 3,684,926	\$ 3,000,000	\$ 3,125,000

### 2018/19 Projects

Well #78 - Butano/Cottage	\$ 1,140,000	\$ 950,000
Well #N6A - Palm (2017 Carryover = \$1.45 million)	<b>1,450,000</b>	
Well #N36-1 - Verner	<b>410,000</b>	1,655,000
Well #69-1 - Hilldale/Cooper	-	520,000
	<b>\$ 3,000,000</b>	<b>\$ 3,125,000</b>

Asset Management Plan assumed replacing four wells at various stages of planning, design and construction.

# CIP Project Detail

## Transmission Main Costs

5-Year Low	5-Year High	5-Year Average	AMP 2018	Budget 2018	Forecast 2019
\$ -	\$ 31,866	\$ 6,400	\$ 178,303	\$ <b>50,000</b>	\$ 950,000

### 2018/19 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)

\$ **50,000**    \$ 450,000

Improve and complete the transmission network in the NSA that is weak and not currently connected in many parts.

-    500,000

---

**\$ 50,000**    \$ **950,000**

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	AMP 2018	Budget 2018	Forecast 2019
\$ 2,341	\$ 404,802	\$ 186,900	\$ -	\$ 60,000	\$ 60,000

### 2018/19 Projects

Complete SCADA at well 12 and N20 Arbors PRV	\$ 60,000	\$ 60,000
	<u>\$ 60,000</u>	<u>\$ 60,000</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	AMP 2018	Budget 2018	Forecast 2019
\$ -	\$ 221,300	\$ 79,100	\$ 118,869	\$ <b>200,000</b>	\$ 680,000

### 2018/19 Projects

Tank Inspections and Repairs - Walnut Elevated tank and Watt/Elkhorn Reservoir and demolition of Tank #769	\$	<b>100,000</b>	\$	30,000
Spot Painting & Repairs various District's above ground storage reservoirs and miscellaneous well sites	\$	<b>100,000</b>	\$	650,000
	<b>\$</b>	<b>200,000</b>	<b>\$</b>	<b>680,000</b>



# CIP Project Detail

## Other Re-Occurring Capital Costs

5-Year Low	5-Year High	5-Year Average	Estimate <b>2018</b>	<b>Budget 2018</b>	Forecast 2019
\$ 1,149,924	\$ 2,774,657	\$ 1,960,800	\$ 3,732,473	\$ <b>1,590,000</b>	\$ 1,690,000

### 2018/19 Projects

Well Rehabilitation - investigate and/or rehab various well sites and improve/modify existing entertie with the City of Sacramento	<b>\$ 1,000,000</b>	\$ 1,000,000
Wellhead Treatment - replace/repair existing wellhead treatment or chemical feed systems	<b>150,000</b>	250,000
Engine Generator Compliance	<b>240,000</b>	240,000
Lowering/Raising Valve Boxes	<b>200,000</b>	200,000
	<b>\$ 1,590,000</b>	<b>\$ 1,690,000</b>

# CIP Project Detail

## Other Capitalized Project Costs

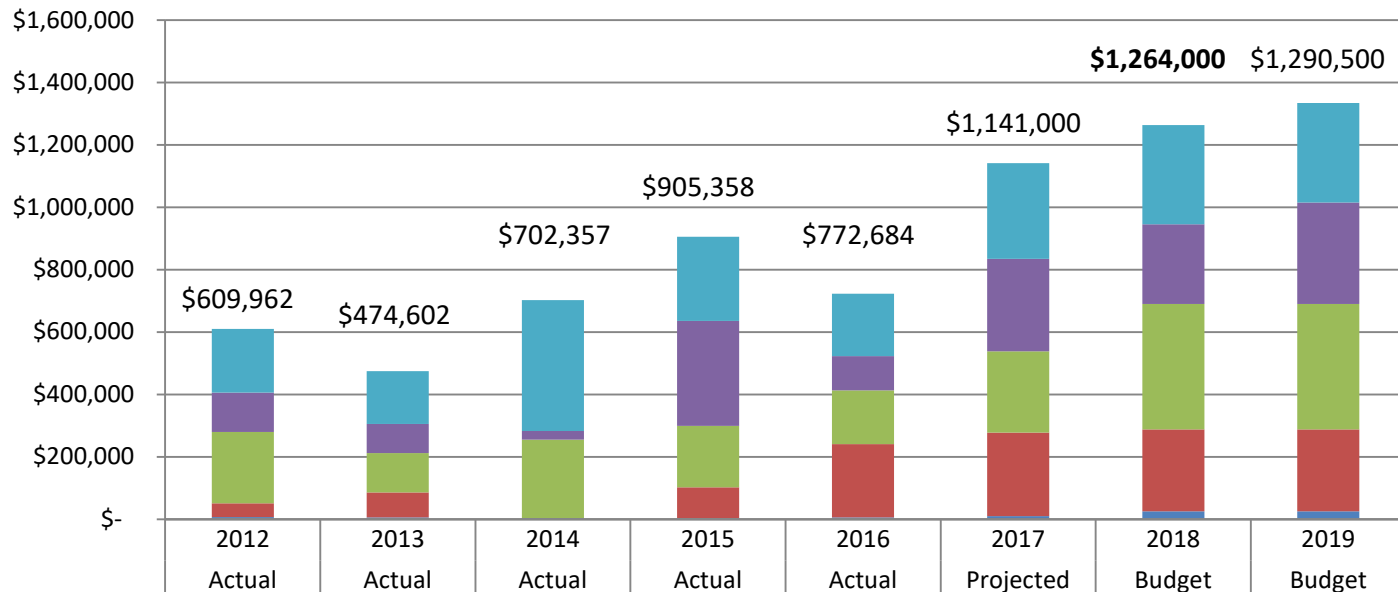
5-Year Low	5-Year High	5-Year Average	Original Estimate <b>2018</b>	<b>Budget 2018</b>	Forecast 2019
\$ 105,869	\$ 780,345	\$ 417,100	-	\$ <b>450,000</b>	\$ 300,000

### 2018/19 Projects

Electrical Improvements at Various Facilities	\$ 200,000	\$ 50,000
Right of way/easement acquisitions	50,000	50,000
Land for Future Well Sites	200,000	200,000
	<b>\$ 450,000</b>	<b>\$ 300,000</b>

# OCB Budget

# OCB Project Costs 2012 to 2019



	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Projected	2018 Budget	2019 Budget
Information Technology	\$203,664	\$168,850	\$419,552	\$269,607	\$200,060	\$306,800	\$318,500	\$318,500
Maintenance	\$126,929	\$93,321	\$27,660	\$336,293	\$109,647	\$296,000	\$255,000	\$325,000
Operations	\$228,839	\$126,581	\$251,745	\$197,310	\$171,914	\$260,700	\$402,500	\$402,500
Vehicles/Fleet	\$43,308	\$80,500	\$-	\$99,729	\$235,576	\$267,500	\$263,000	\$263,000
Office Furniture/Equipment	\$7,222	\$5,350	\$3,400	\$2,419	\$5,487	\$10,000	\$25,000	\$25,000

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 2018	Forecast 2019
\$ 168,850	\$ 419,552	\$ 252,300	\$ <b>318,500</b>	\$ 275,000

### 2018/19 Projects

Hardware Refresh Program	\$ <b>108,500</b>	\$ 115,000
Software Enhancements/Modules	<b>160,000</b>	160,000
Server Room	<b>50,000</b>	
	<b>\$ 318,500</b>	\$ 275,000

2017 budget was \$306,800

# OCB Project Detail Maintenance

5-Year Low	5-Year High	5-Year Average	<b>Budget 2018</b>	Forecast 2019
\$ 27,660	\$ 336,293	\$ 138,800	\$ <b>255,000</b>	\$ 325,000

2018/19 Projects

Well Site and Building Structures Maintenance	\$ <b>195,000</b>	\$ 325,000
Walnut Facility - Exterior Seal South Wall Shop	<b>12,000</b>	
Walnut Facility - Distribution Foreman & Environmental Compliance Remodel	<b>31,000</b>	
Walnut Facility - Window Covering Replacement	<b>5,000</b>	
Rekey all Facilities	<b>12,000</b>	
	<b>\$ 255,000</b>	\$ 325,000

2017 Budget was \$296,000.

# OCB Project Detail

## Operations Project Costs

5-Year Low	5-Year High	5-Year Average	<b>Budget 2018</b>	Forecast 2019
\$ 126,581	\$ 251,745	\$ 195,300	\$ <b>402,500</b>	\$ 402,500

### 2018/19 Projects

Asphalt Repair/Replacement/Sealing - Various Well Sites	\$ <b>30,000</b>	\$ 30,000
Fence Replacement - 4 Well Sites	<b>28,000</b>	28,000
Peristaltic Chemical Dosing Pumps	<b>27,500</b>	27,500
UCMR 4 Monitoring	<b>120,000</b>	120,000
Ditch Witch FX65 Vacuum Excavation System	<b>103,000</b>	103,000
Compact Mini Excavator	<b>62,000</b>	62,000
Meter Vault Lid Replacement	<b>32,000</b>	32,000
	<b>\$ 402,500</b>	\$ 402,500

2017 budget was \$260,700

# OCB Project Detail

## Vehicles/Fleet

5-Year Low	5-Year High	5-Year Average	Budget 2018	Forecast 2019
\$ -	\$ 235,576	\$ 91,800	\$ <b>263,000</b>	\$ 263,000

### 2018/19 Projects

Trailer Replacement/Trailer # 168 & 169	\$ <b>20,000</b>	\$ 20,000
Vehicle Replacement/Right Size - Truck #2	<b>75,000</b>	75,000
Vehicle Replacement/Right Size - Truck # 11	<b>33,000</b>	33,000
Vehicle Replacement/Right Size - Truck # 14	<b>45,000</b>	45,000
Vehicle Replacement/Right Size - Truck # 47	<b>45,000</b>	45,000
Vehicle Replacement/Right Size - Truck #48	<b>45,000</b>	45,000
	<b>\$ 263,000</b>	<b>\$ 263,000</b>

2017 budget was \$267,500 – Replaced three Trucks and purchased one new truck for the new production operator position. Annual Maintenance costs on the new vehicles will be comprised of oil changes, batteries and tires for the first 5 years.



# OCB Project Detail

## Office Furniture & Equipment

5-Year Low	5-Year High	5-Year Average	Budget 2018	Forecast 2019
\$ 2,419	\$ 7,222	\$ 4,800	\$ 25,000	\$ 25,000

### 2018/19 Projects

3 Foremen Furniture/Workstations	\$ 12,000	
Env Compliance Furniture/Workstations		\$ 15,000
Folding Tables & Chairs	<b>13,000</b>	10,000
	<b>\$ 25,000</b>	<b>\$ 25,000</b>

2017 budget was \$10,000 – For Walnut Facility remodel.

# Debt Service Forecast

# Debt Service Forecast

5-Year	5-Year	5-Year	Budget	Forecast
Low	High	Average	2018	2019
\$ 7,425,000	\$ 9,895,112	\$ 7,944,615	\$ 7,700,000	\$ 7,720,000

	2012	2013	2014	2015	2016	2017	2018	2019
Principal	\$ 5,994,000	\$ 3,580,000	\$ 3,675,000	\$ 3,795,000	\$ 3,945,000	\$ 4,060,000	\$ 4,240,000	\$ 4,390,000
Interest	3,901,112	3,849,356	3,792,909	3,630,000	3,560,697	3,483,002	3,460,000	3,330,000
Total Debt Service	<u>\$ 9,895,112</u>	<u>\$ 7,429,356</u>	<u>\$ 7,467,909</u>	<u>\$ 7,425,000</u>	<u>\$ 7,505,697</u>	<u>\$ 7,543,002</u>	<u>\$ 7,700,000</u>	<u>\$ 7,720,000</u>

2018/19 forecast assumes a variable interest rate of 3.86%. Average interest rate for total debt portfolio is 4.35%.

# 2018 Budget and 2019 Forecast Summary

	<u>2016 Actual</u>	<u>2016 Amended Budget</u>	<u>Actual As Of 8/31/17</u>	<u>2017 Projected</u>	<u>2017 Amended Budget</u>	<u>2018 Proposed Budget</u>	<u>2019 Forecast</u>
Income From Customers	\$ 41,083,028	\$ 41,410,000	\$ 28,321,477	\$ 43,054,000	\$ 43,726,000	\$ 45,020,000	\$ 45,250,000
Water Transfers	-	-	-	-	1,992,000	-	-
Total Other Income	1,483,443	2,905,000	1,042,039	2,409,000	1,780,000	1,465,000	1,354,000
<b>Total Revenue</b>	<b><u>\$ 42,566,471</u></b>	<b><u>\$ 44,315,000</u></b>	<b><u>\$ 29,363,516</u></b>	<b><u>\$ 45,463,000</u></b>	<b><u>\$ 47,498,000</u></b>	<b><u>\$ 46,485,000</u></b>	<b><u>\$ 46,604,000</u></b>
<b>Budgets:</b>							
<b>Operations and Maintenance</b>	19,680,747	17,895,000	12,199,230	19,545,148	21,311,000	<b>21,851,000</b>	22,427,000
<b>Capital Improvement Program</b>	17,179,377	18,796,000	6,335,378	13,285,000	16,975,000	<b>19,360,000</b>	18,550,000
<b>Operating Capital Program</b>	722,684	974,000	571,122	1,141,000	1,166,000	<b>1,264,000</b>	1,290,500
<b>Debt Service (Forecast)</b>	7,505,697	7,605,000	2,322,001	7,543,000	7,770,000	<b>7,700,000</b>	7,720,000
<b>Total Costs</b>	45,088,505	45,270,000	21,427,731	41,514,148	47,222,000	<b>50,175,000</b>	49,987,500
Change in Reserve Balance	(2,522,034)	(955,000)	7,935,785	3,948,853	276,000	(3,690,000)	(3,383,500)
Reserve (Cash) Balance	<u>\$ 40,988,408</u>	<u>\$ 40,033,408</u>	<u>\$ 48,370,727</u>	<u>\$ 44,937,261</u>	<u>\$ 41,264,408</u>	<u>\$ 41,247,261</u>	<u>\$ 37,863,761</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 17, 2016; April 17, 2017**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 (FDC) 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 Target Funding Level**

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

<b>Fund Classification</b>	<b>Funding Level</b>
Debt Service Reserve Fund	Determined upon bond issuance.
Facilities Reimbursement Fund	20% of FDC charges collected annually less developer payouts.
Emergency/Contingency Fund	25% of annual revenues.
Operating Fund	25% of annual operating and debt service expenditures.
Rate Stabilization Fund	50% of water consumption revenues.
Interest Rate Risk Management Fund	Accumulated earnings on short-term investments above 3.283% on the unhedged portion of variable-rate debt.
Grant Fund	Sufficient to pay for “local cost share” on all outstanding and applied-for grants.

Capital Asset Fund	Sufficient to fund CIP projects above the amount CIP funding amount anticipated at rate setting or budget preparation time.
Facilities Development Charge Fund	Remaining amounts of FDC Charges after amounts used by Facilities Reimbursement Fund expended. For new infrastructure.
<b>Minimum Reserve Funding Target</b>	<b>\$40 million</b>

**500.00 Authority**

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

**600.00 Procedure**

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

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

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

**700.00 Policy Review**

This Policy will be reviewed annually as part of the budget adoption process.