

Agenda
Sacramento Suburban Water District
Special Board Workshop

3701 Marconi Avenue, Suite 100
Sacramento, CA 95821

Monday, September 10, 2018
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 916.679.3972. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Call to Order

Pledge of Allegiance

Roll Call

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. First Draft 2019 Budget
Provide direction to staff regarding the first draft 2019 budget.

Adjournment

Upcoming Meetings:

Thursday, September 13, 2018 at 2:00 p.m., Facilities and Operations Committee Meeting
Monday, September 17, 2018 at 6:00 p.m., Regular Board Meeting
Wednesday, October 3, 2018 at 4:30 p.m., San Juan Water District/Sacramento Suburban Water District Water Management/Re-Organization Committee Meeting
Monday, October 15, 2018 at 6:00 p.m., Regular Board Meeting

I certify that the foregoing agenda for the September 10, 2018, meeting of the Sacramento Suburban Water District Special Board Workshop was posted by September 6, 2018, 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.

Dan York
General Manager/Secretary
Sacramento Suburban Water District



Agenda Item: 1

Date: September 6, 2018

Subject: First Draft 2019 Budget

Staff Contact: Daniel A. Bills, Finance Director

Discussion:

Attached is the proposed 2019 Budget and 2020 Forecast. The assumptions used in this proposed Budget were reviewed by the Board at the July 16, 2018 Board meeting, with comments and suggestions incorporated into this first draft.

The 2019 Budget and 2020 Forecast materials are presented in the following order in the attached PowerPoint presentation:

1. District Goals and Budget Process
2. 2019 Key Assumptions
3. 2018 Highlights and 2019 Goals
4. Proposed 2019 Budget and 2020 Forecast
5. Total Revenue, Expense and Reserve Balance Analysis
6. Operation & Maintenance (O&M) Budget
7. Capital Improvement Program (CIP) Budget
8. Operating Capital Budget (OCB)
9. Debt Service Forecast

As required by the District's Budget Policy (PL Fin-012), the proposed 2019 Budget is balanced (revenues equaling expenses) when \$2.3 million of reserves are utilized. As adopted by the Board at the August 20, 2018 Board meeting, the target reserve balance level is to be \$36.5 million. The reserve balance is projected to be \$41.8 million at the end of 2018 or \$5.3 million above target. Staff recommends utilizing \$2.3 million of excess reserves for the 2019 Budget.

There remains two outstanding items, which are in process of completion that will have a material impact on the Budget:

1. The 2018 Water Rate Study is in process with results not expected until later in the year.
2. The 2018 Employee Compensation Study is in process with results pending.

Once these studies are complete, the new information will be incorporated in the 2019 Budget.

Fiscal Impact:

If adopted as presented, the 2019 O&M budget would be \$22.7 million (including funding other post-employment benefits of \$0.58 million); the 2019 CIP budget would be \$19.3 million; the

First Draft 2019 Budget

September 6, 2018

Page 2 of 2

2019 OCB budget would be \$0.9 million, and the 2019 debt service forecast would be \$7.4 million. The total of all four budgets would be \$50.3 million. Revenues are projected to be \$48.1 million resulting in a potential drawdown of reserves of \$2.3 million.

Strategic Plan Alignment:

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

2019 Budget First Draft

Board Workshop
September 10, 2018

Mission Statement

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

2019 Budget Development Process

- June Board Meeting – 06/18/18, 6:00 pm
 - Budget Preparation Timeline Approved
- Finance and Audit Committee – 07/10/18, 4:00 pm
 - Consider Budget Assumptions; Provide Direction to Staff
- July Board Meeting – 07/16/18, 6:00 pm
 - Approve Budget Assumptions; Provide Direction to Staff
- August Board Meeting – 08/20/18, 6:00 pm
 - Status Report; Provide Direction to Staff
- Board Workshop – 09/10/18, 6:00 pm
 - First Draft Presentation; Provide Direction to Staff
- September Board Meeting – 09/17/18, 6:00 pm
 - Updates from Board Workshop; Provide Additional Direction to Staff
- October Board Meeting – 10/15/18, 6:00 pm
 - Budget Approval

Budget Periods

- O&M and OCB Budget
 - Projects and Budget Adopted for One Year

- CIP Budget
 - Projects Approved for Two Year Period
 - Budget Adopted for one Year Plus Encumbrances for Second Year

2019 Budget Assumptions

Key Assumptions	2017		2018		2019	
1 Rate Increase	4.00% \$1,700,000		4.00% \$1,800,000		In Process (D)	??
2 No Change in SSWD Service Boundaries						
3 New Service Connections (Growth)	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>
a. Water Supply Forecast Based on 5 Year Average						
b. SSA Surface Water (City)	\$ 559.00	1,000 AF	\$ 483.50	1,000 AF	\$ 507.68	1,000 AF
c. SSA Groundwater (City)						3,800 AF
d. SSA Groundwater (Variable costs)	\$ 110.65	15,000 AF	\$ 121.43	13,000 AF	\$ 136.51	9,200 AF
e. NSA Surface Water (PCWA)	\$ 35.00	12,000 AF	\$ 36.65	12,000 AF	\$ 38.48	12,000 AF
f. NSA Surface Water (Bureau)	\$ 30.68	12,000 AF	\$ 21.26	12,000 AF	\$ 22.32	12,000 AF
g. NSA Surface Water (SJWD Treatment)	\$ 161.92	12,150 AF	\$ 176.49	12,150 AF	\$ 192.37	12,150 AF
h. NSA Groundwater (Variable costs)	\$ 97.33	6,850 AF	\$ 112.30	6,850 AF	\$ 117.12	6,850 AF
i. NSA Bureau 215 Water	\$ 74.55	150 AF	\$ 78.28	150 AF	\$ 80.26	150 AF
j. NSA Wheel Water to Cal-AM, RLEVWD (Revenue)	\$ (337.05)	1,935 AF	\$ (356.14)	2,000 AF	\$ (366.71)	2,000 AF
5 Anticipated Outside Water Sales, Net		None	\$ 684,000	4,000 AF	None	None
6 Investment Yield		2.00%		2.00%		2.00%
7 Variable Debt Interest Rate		3.86%		3.86%		3.86%
8 Electrical Cost Increase		2.50%		2.50%		2.00%
9 COLA (As of May 31)		0.70%		3.00%		3.90%
10 Merit Program		3.00%		3.00%		3.00%
11 Construction Inflation (B)		2.80%		3.00%		8.00%
12 Health Care Cost (C)		-2.00%		2.33%		2.00%
13 Tier 1 Pension Cost (% of Salaries)	\$373,000	21.50%	\$ 470,000	22.37%	\$ 582,000	23.00%
14 Tier 2 Pension Cost (% of Salaries)	\$ 7,500	16.10%	\$ 12,500	16.64%	\$ 18,000	17.10%
15 Tier 3 Pension Cost (% of Salaries)	\$ 200	6.90%	\$ 500	7.30%	\$ 900	7.30%
16 New Hires		4		-		3
17 Funding of Post Retirement Benefits		\$ 472,200		\$ 560,000		\$ 580,000
18 2018 Compensation Study is currently in process						??
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						
(D) 2018 Rate Study is currently in process						

2018 Projected Actual and Highlights

	Approved 2018 Budget \$ Millions	Projected 2018 Actual \$ Millions	Projected Unspent %
Operations & Maintenance Budget	\$21.9	\$21.0	(4)
Capital Improvement Program Budget	19.2	18.7	(3)
Operating Capital Program Budget	1.2	1.2	-
Debt Service Budget	<u>7.7</u>	<u>7.5</u>	<u>(2)</u>
Total	<u>\$50.0</u>	<u>\$48.4</u>	<u>(3)</u>

2018 Projected Results:

- Water Deliveries of 32,850 AF
 - Comprised of 30,850 AF to Customers and Wheeled Water Deliveries of 2,000 AF
- Follow modified asset management plans for replacing water infrastructure assets, to include:
 - For 2018 expect to replace 4.3 miles of Distribution Main Lines, including approximately 670 Meters
 - Install (Retrofit) an additional 1,285 Water Meter Retrofits – (1,270 Meter Retrofit Program, 15 Voluntary)
 - Replace 1,200 Old Water Meters that have outlived their useful life (estimated at 20 Years)
 - Continue Work on Palm Avenue Well – Site Work and Pumping Facilities
 - Continue Work on Design and Construction of Butano, Palm and Verner Wells
 - Began Multi-Year Process to Acquire Future Well Sites

2019 Goals

Budget Will Allow the District to Accomplish the Following:

- Water Deliveries of 33,000 AF
 - 31,000 AF to Customers
 - 2,000 AF Wheeled to Cal-American
- Follow modified asset management plans for replacing water infrastructure assets, to include:
 - For 2019, replace up to 4.3 miles of Distribution Main Lines, including approximately 312 Meters
 - Install (Retrofit) an Additional 1,207 Water Meter Retrofits plus 15 Voluntary
 - Complete Palm Well – Pumping Facility Construction
 - Continue Work on Butano Well – Pumping Facility Design & Construction
 - Continue Work on Verner Well – Pumping Facility Design & Construction
 - Rehab River College Well and Northrop Well
 - Destroy 3 - 5 Abandoned Well Sites

2019 Budget

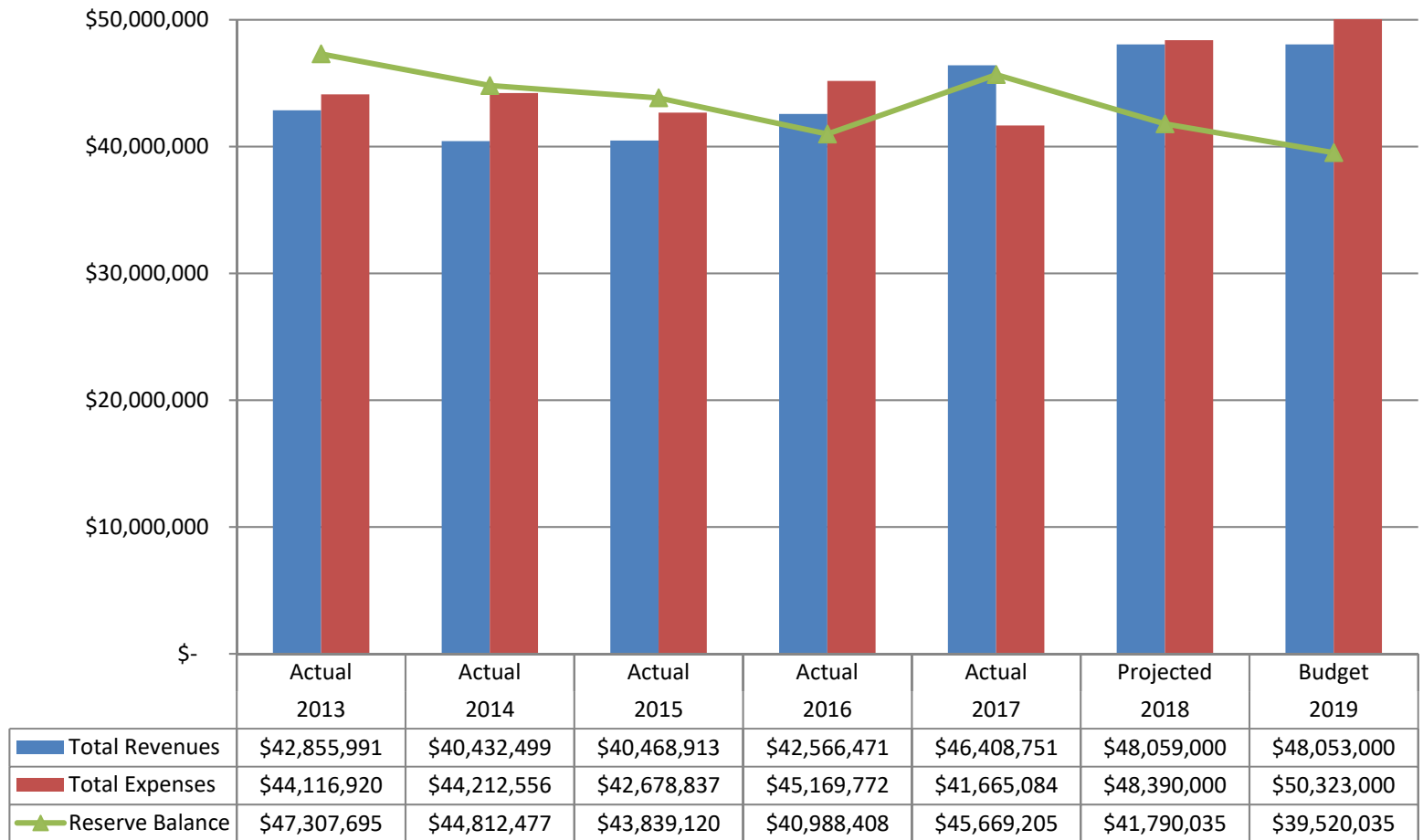
	2017 Actual	2017 Amended Budget	Actual As Of 07/31/18	2018 Projected	2018 Approved Budget	2019 Proposed Budget
Water Sales Charge	\$ 12,543,644	\$ 11,952,000	\$ 6,307,147	\$ 13,235,000	\$ 12,489,000	\$ 13,304,000
Water Service Charge	6,365,984	7,146,000	3,668,946	6,458,000	6,752,000	6,492,000
Capital Facilities/Debt Repayment	23,498,931	22,977,000	13,949,764	24,444,000	24,557,000	24,571,000
Wheeling Water Charge	675,830	633,000	165,452	710,000	175,000	730,000
Other Charges for Services	1,077,174	1,018,000	571,658	1,068,000	1,047,000	1,074,000
Income From Customers	44,161,563	43,726,000	24,662,967	45,915,000	45,020,000	46,171,000
Water Transfers	-	1,992,000	-	684,000	-	-
Interest Income	571,716	820,000	414,163	710,000	899,000	907,000
Other Income (Leases, Cells, Etc.)	452,653	250,000	310,762	450,000	266,000	400,000
Facility Development Charges	135,073	500,000	116,284	300,000	300,000	300,000
Grant Income	1,087,746	210,000	17,053	-	-	275,000
Total Other Income	2,247,188	3,772,000	858,262	2,144,000	1,465,000	1,882,000
Total Revenue	\$ 46,408,751	\$ 47,498,000	\$ 25,521,229	\$ 48,059,000	\$ 46,485,000	\$ 48,053,000
Budgets:						
Operations and Maintenance	19,424,311	21,311,000	10,624,364	21,004,000	21,860,000	22,724,000
Capital Improvement Program	13,585,527	16,975,000	6,489,359	18,660,000	19,160,000	19,321,000
Operating Capital Program	1,135,278	1,166,000	355,451	1,161,000	1,161,000	858,000
Debt Service (Forecast)	7,519,968	7,770,000	1,748,828	7,565,000	7,700,000	7,420,000
Total Costs	41,665,084	47,222,000	19,218,002	48,390,000	49,881,000	50,323,000
Change in Reserve Balance	4,743,667	276,000	6,303,227	(331,000)	(3,396,000)	(2,270,000)
Reserve (Cash) Balance	\$ 45,669,205	\$ 41,264,408	\$ 47,812,028	\$ 45,338,205	\$ 41,566,409	\$ 39,520,035
Refunding 2009B			\$ (3,548,170)	\$ (3,548,170)		
	\$ 45,669,205	\$ 41,264,408	\$ 44,263,858	\$ 41,790,035	\$ 41,566,409	\$ 39,520,035

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

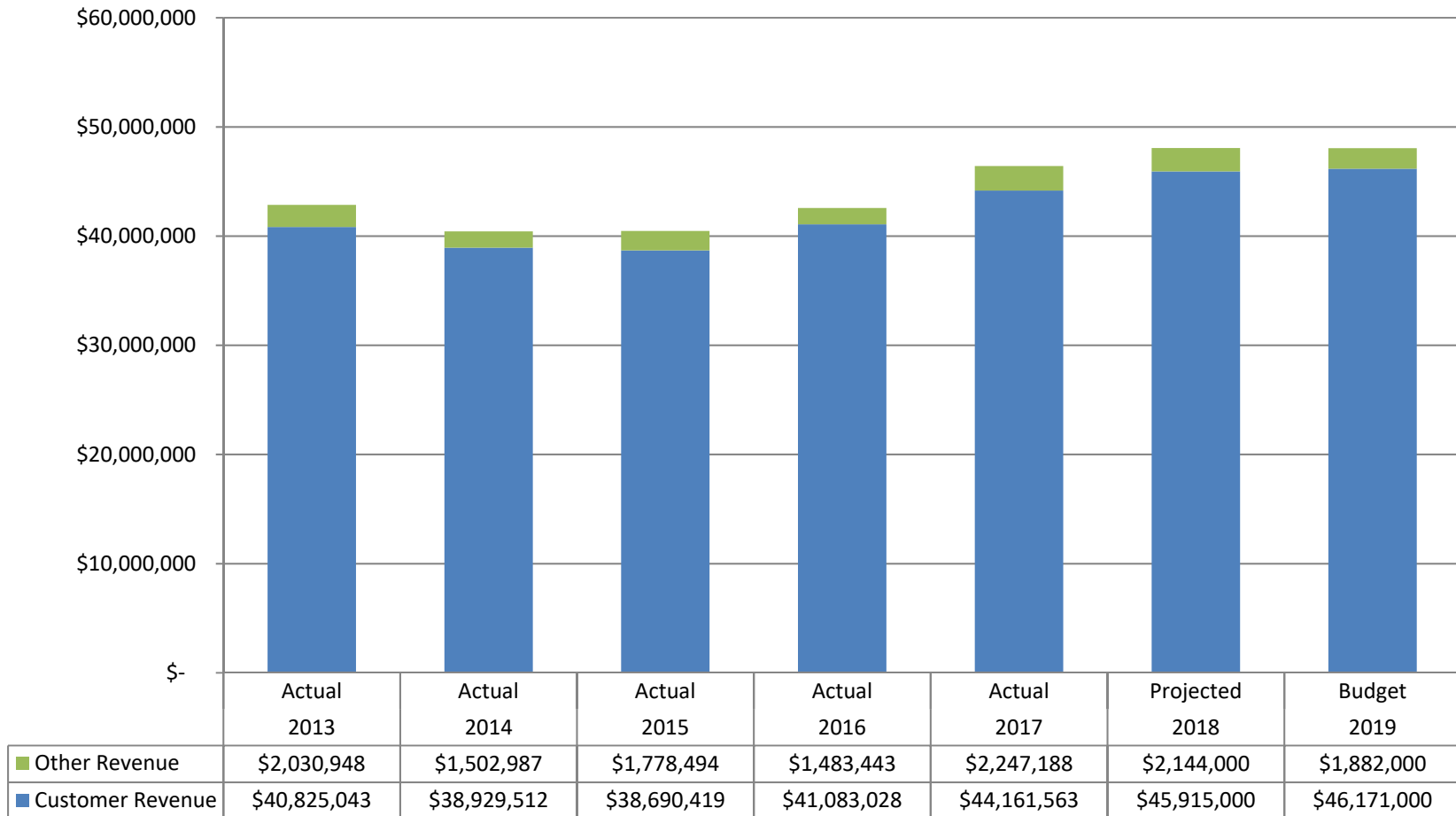
2019 Budget Changes

- Operations and Maintenance – Increasing by \$1.7 Million
 - NSA Surface Water Treatment Costs increasing by \$19/AF (\$228,000)
 - SSA Surface Water Cost increasing by 5% (\$25,000)
 - Groundwater electrical and chemicals (\$45,000)
 - Salaries – 3 New Positions (\$236,000); Merit & COLA (\$338,000) less Former GM Salary (-\$215,000)
 - Employee Benefits – Pension (\$188,000) and 3 New Positions (\$76,000)
 - Reclass Small Meters from CIP Budget to O&M Budget (\$250,000)
- Capital Improvement Program
 - Increasing by \$161,000 compared to 2018 Budget; \$1.7 Million Compared to Projected 2018
 - Increase is primarily in Distribution and Well Projects
- Operating Capital Budget
 - Decreasing by \$300,000
- Debt Service Forecast
 - Decreasing by \$150,000 due to Refunding the 2009B COP

Total Revenues Vs Total Expenditures 2013 to 2019

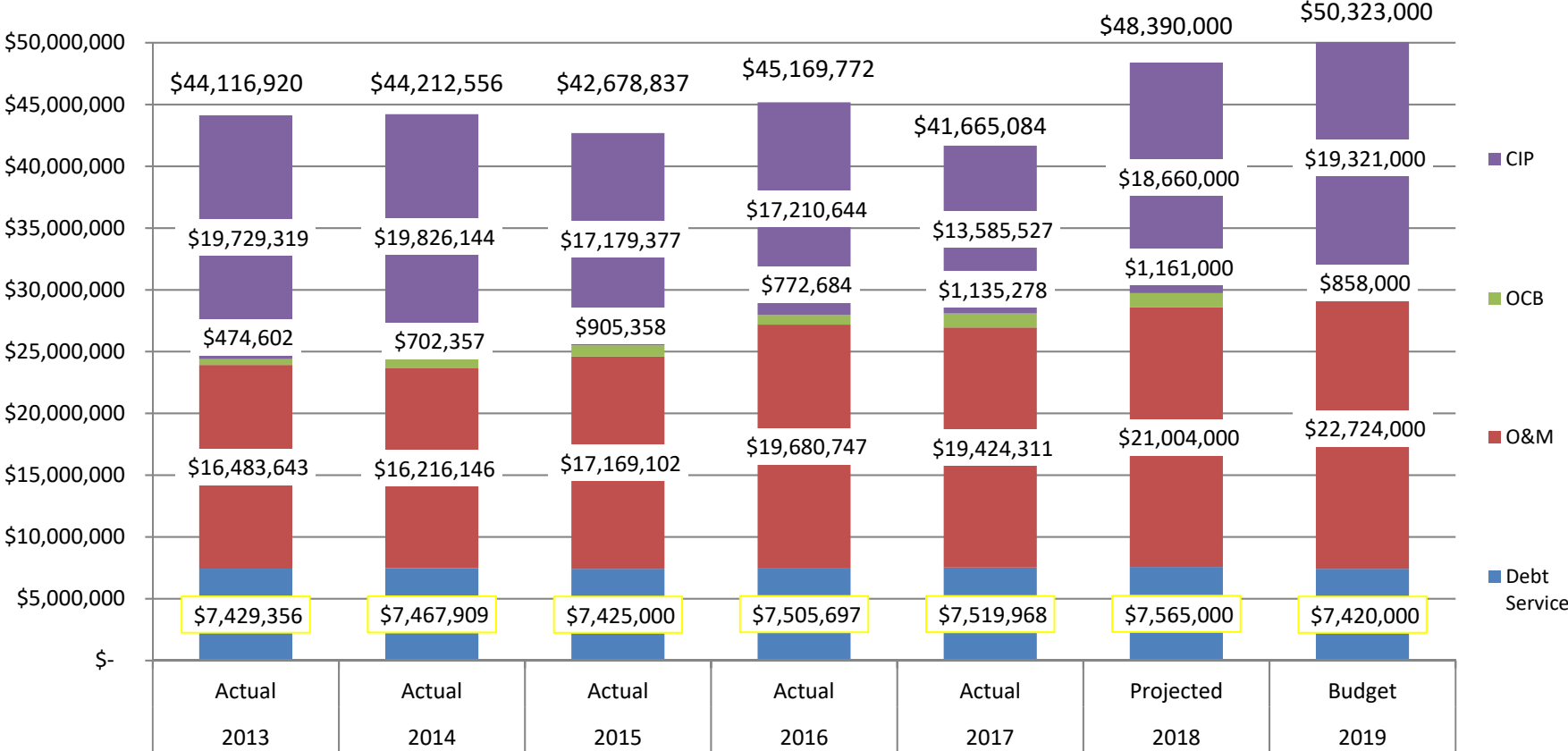


Total Revenues 2013 to 2019



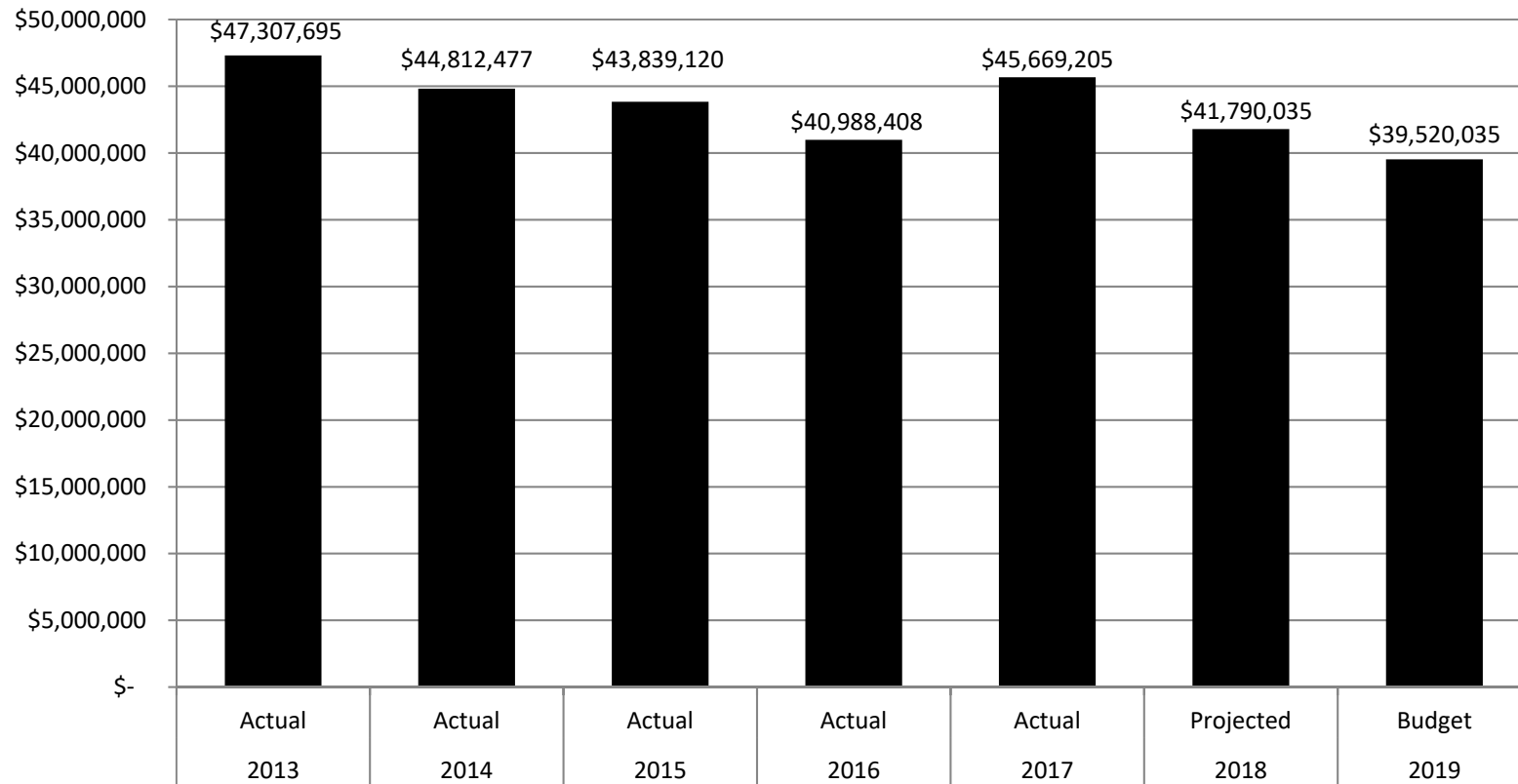
The 2018 Rate Study is in process. No rate changes assumed for 2019 at this point.

Total Expenditures 2013 to 2019



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

Reserve Balance 2013 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. With the pay-off of the 2009B COP in 2018, the Debt Service Reserve Fund of \$3.5 million was liquidated. The new reserve balance target is \$36.5 million.

Reserve Balance Detail

2013 to 2019

	Actual	Actual	Actual	Actual	Actual	Projected	Budget
	<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 (DSRF)	\$ 3,520,472	\$ 3,540,082	\$ 3,523,427	\$ 3,540,038	\$ 3,548,170	\$ 12,531	\$ -
Facilities Reimbursement	42,968	21,873	21,873	-	-	-	-
Emergency/Contingency	10,317,750	10,758,000	10,758,000	10,387,000	10,931,500	11,255,000	11,542,750
Operating	6,466,000	6,468,857	6,468,857	6,490,750	7,270,250	7,390,000	7,536,000
Rate Stabilization	5,525,000	5,870,000	5,870,000	5,630,000	5,976,000	6,244,500	6,652,000
Interest Rate Risk	-	-	-	-	-	-	-
Grant	3,832,000	654,000	654,000	1,068,000	210,000	-	-
Capital Asset	17,603,505	17,499,665	16,542,963	13,872,620	17,733,285	16,888,004	13,789,285
TOTAL	<u>\$ 47,307,695</u>	<u>\$ 44,812,477</u>	<u>\$ 43,839,120</u>	<u>\$ 40,988,408</u>	<u>\$ 45,669,205</u>	<u>\$ 41,790,035</u>	<u>\$ 39,520,035</u>

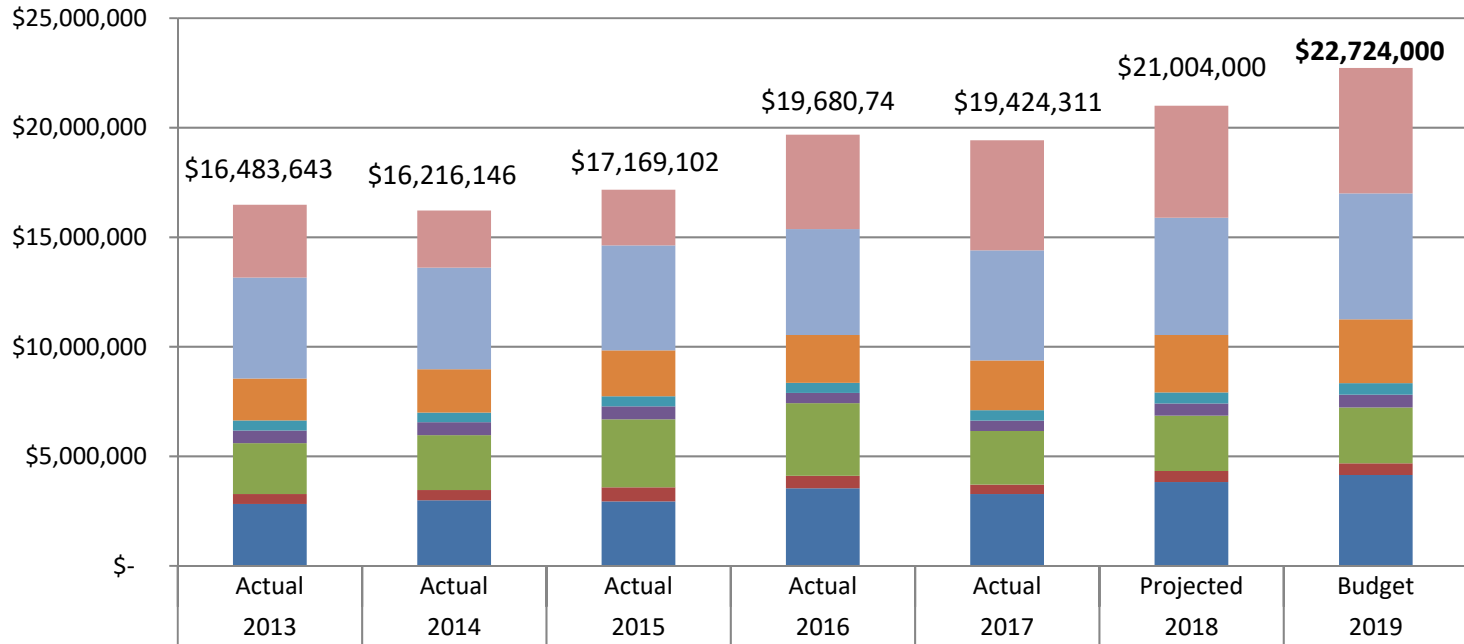
Individual reserve account changes based on approved 2019 budget.

Actual fluctuations (2013 to 2017) are due to changes in CIP costs and/or Consumption Revenues.

Reduction in 2018 due to pay-off of 2009B COP and liquidation of DSRF - \$3.5 million.

O&M Budget

O&M Expenses 2013 to 2019

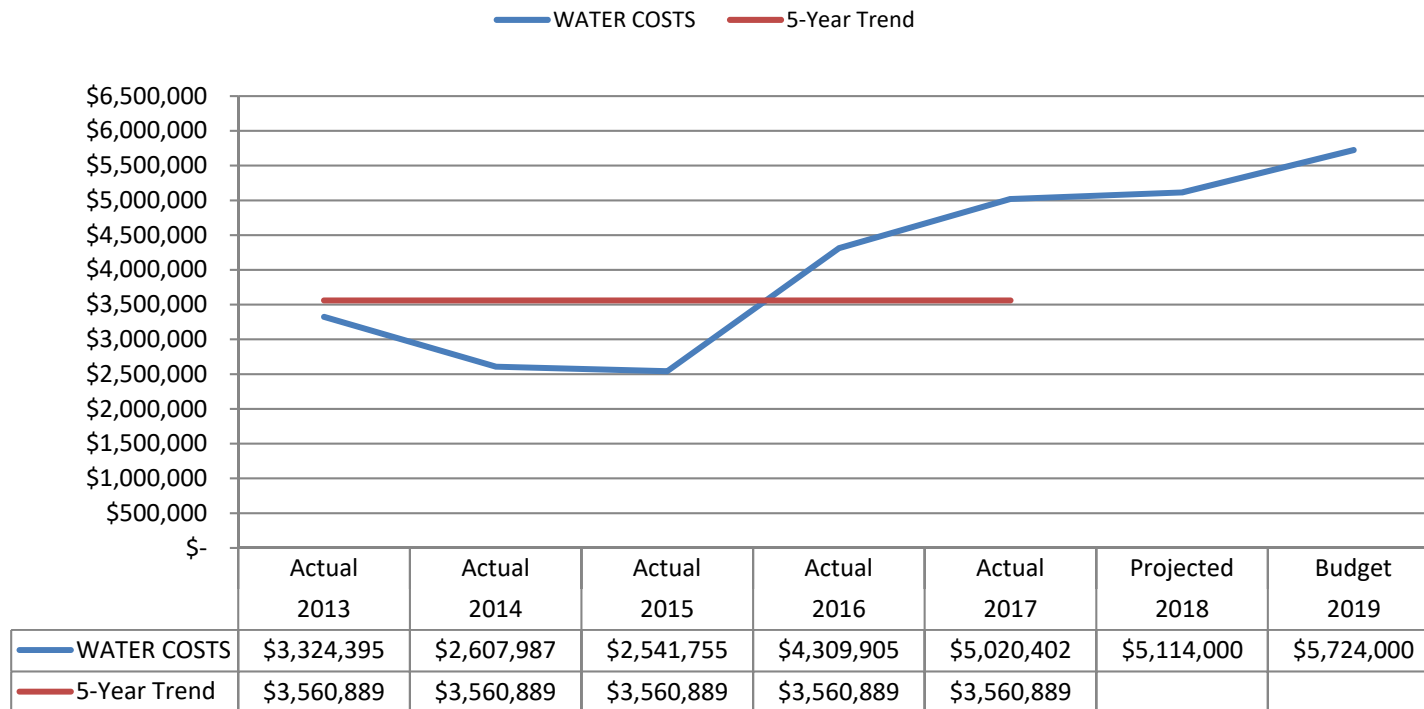


	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Projected 2018	Budget 2019
WATER COSTS	\$3,324,395	\$2,607,987	\$2,541,755	\$4,309,905	\$5,020,402	\$5,114,000	\$5,724,000
SALARIES	\$4,610,564	\$4,633,287	\$4,794,117	\$4,833,627	\$5,031,276	\$5,354,000	\$5,747,000
EMPLOYEE BENEFITS	\$1,915,889	\$1,980,390	\$2,096,685	\$2,187,134	\$2,267,113	\$2,620,000	\$2,914,000
EMPLOYER TAXES & INSURANCE	\$457,888	\$439,159	\$460,746	\$458,614	\$476,780	\$502,000	\$530,000
OPEB	\$576,300	\$592,700	\$591,000	\$470,000	\$472,200	\$560,000	\$580,000
ENGINEERING & CONSTRUCTION SERVICES	\$2,323,246	\$2,501,575	\$3,102,132	\$3,314,420	\$2,449,179	\$2,526,000	\$2,552,000
PUBLIC OUTREACH & CONSERVATION	\$452,250	\$469,571	\$641,111	\$565,157	\$427,633	\$506,990	\$530,000
OTHER	\$2,823,111	\$2,991,477	\$2,941,556	\$3,541,890	\$3,279,728	\$3,821,010	\$4,147,000

Discussion of individual line items variances appear on subsequent pages.

O&M Expense Detail

Water Costs



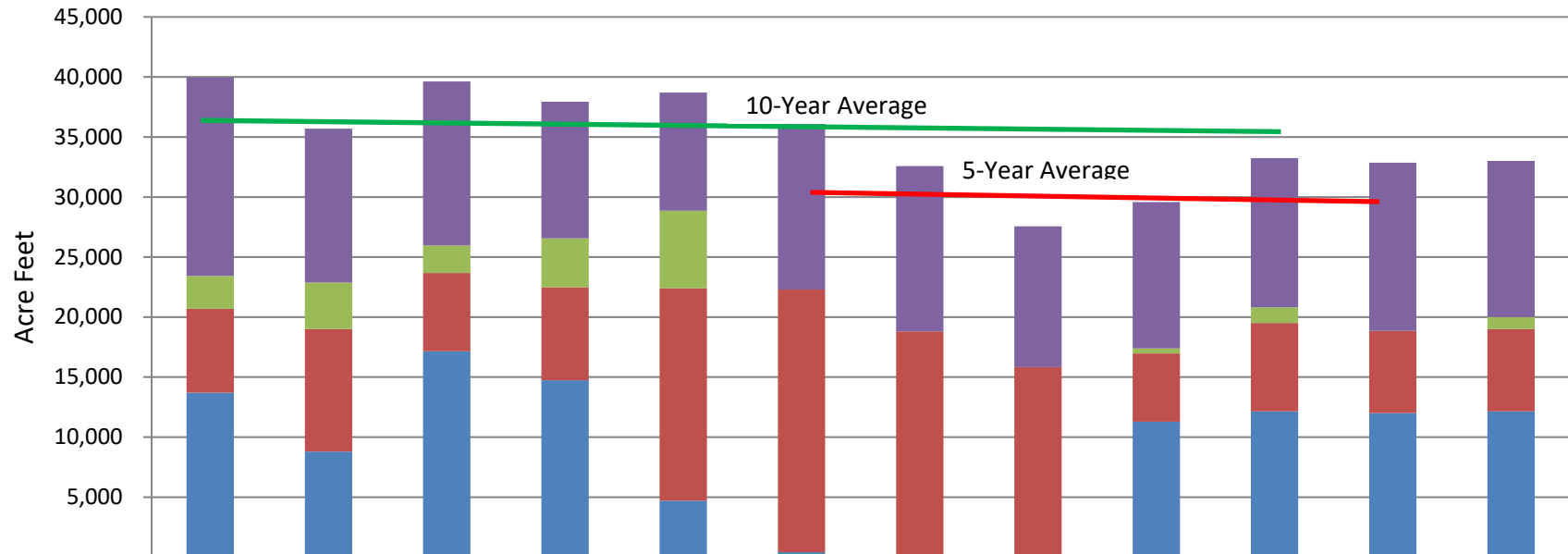
Water costs fluctuate based on hydrological conditions. Due to the conditions in 2013 - 2015, SW was largely unavailable. 2019 assumes the purchase of 13,150 AF of SW (SSA - 1,000 AF and NSA 12,150 AF). GW pumping is expected to produce 19,850 AF, (SSA - 13,000* AF and NSA – 6,850 AF). In 2019, 3,800 AF will be supplied by City at no cost.

SW = Surface Water; GW = Ground Water

O&M Expense Detail

Water Production

■ NSA Surface Water ■ NSA Ground Water ■ SSA Surface Water ■ SSA Ground Water



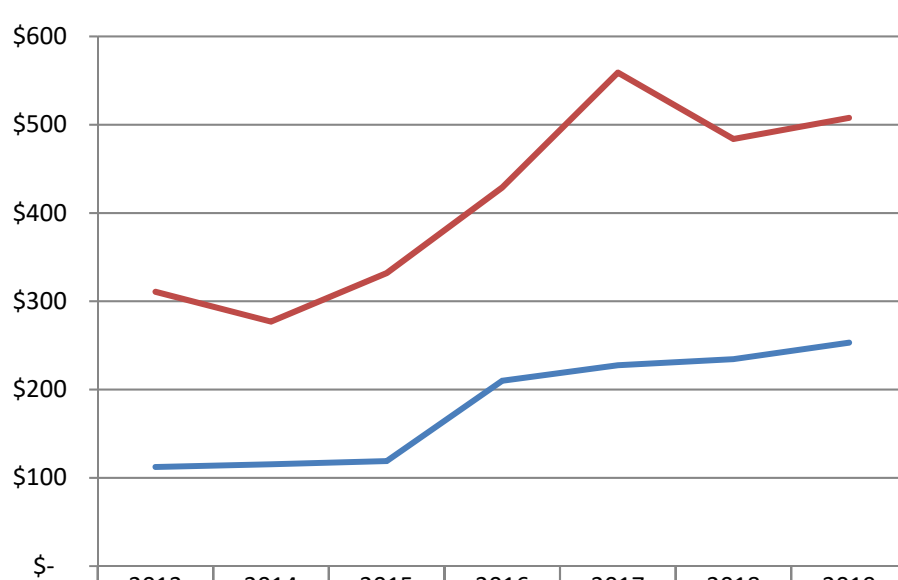
	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Projected	2019 Proposed
■ SSA Ground Water	16,531	12,818	13,656	11,380	9,833	16,607	13,771	11,719	12,185	12,427	14,000	13,000
■ SSA Surface Water	2,743	3,872	2,289	4,084	6,463	-	-	-	423	1,301	-	1,000
■ NSA Ground Water	6,985	10,203	6,522	7,741	17,697	21,886	18,790	15,702	5,678	7,364	6,850	6,850
■ NSA Surface Water	13,697	8,799	17,150	14,729	4,705	409	11	131	11,289	12,146	12,000	12,150

Production amounts for 2018 – Per Budget - 33,000 AF; Projected Actual – 32,850 AF.
 Production estimate for 2019 – 33,000 AF.

Surface Water vs Ground Water Costs

Variable Surface Water Costs

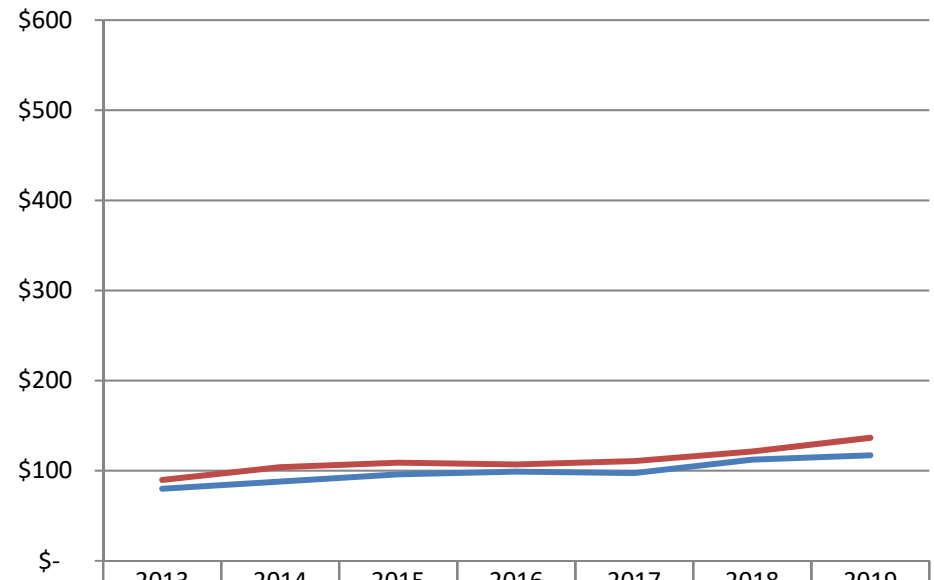
— NSA — SSA



	2013	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Actual	Actual	Projecte d	Budget
— NSA	\$112	\$115	\$119	\$210	\$228	\$234	\$253
— SSA	\$311	\$277	\$332	\$429	\$559	\$484	\$508

Variable Ground Water Costs

— NSA — SSA



	2013	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Actual	Actual	Projecte d	Budget
— NSA	\$80	\$88	\$96	\$99	\$97	\$112	\$117
— SSA	\$90	\$104	\$109	\$107	\$111	\$121	\$137

SSA - SW cost is projected to increase 5% to \$508 per AF in 2019.

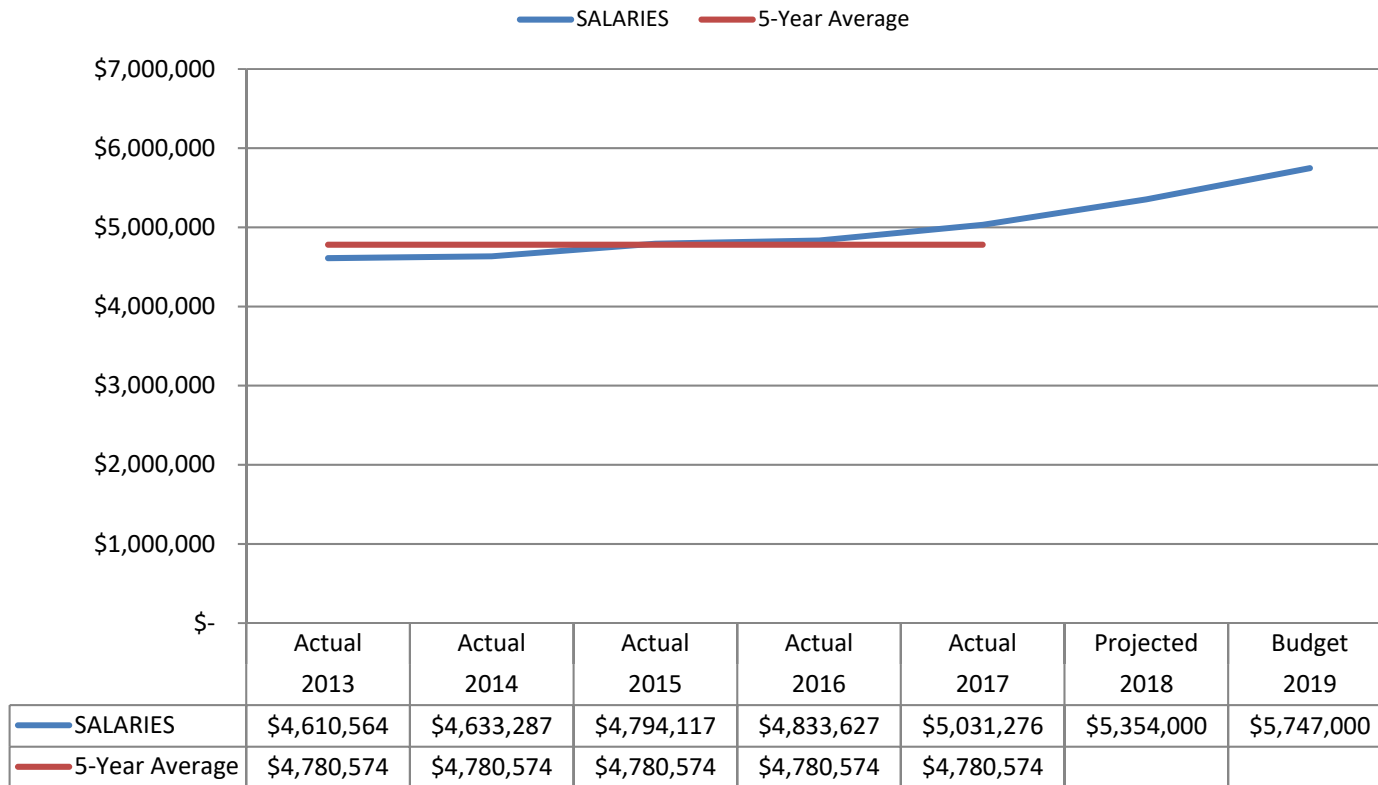
NSA –SW cost for 2019 expected to be \$253/AF, compared to \$234/AF in 2018.

SSA/NSA - GW costs increasing due to - 1.0% electricity and 3.0% chemical cost increases.

SW = Surface Water; GW = Ground Water

O&M Expense Detail

Salaries



2019 Base Salary - \$4,954,000. 2019 increase due to budgeting for 3 new positions (\$236,000), 3% Merit and 3.9% COLA increase (\$338,000); net of the reduction in former GM's salary of \$215,000.

O&M Expense Detail

New Position Requests

➤ New Positions Requested by Staff:

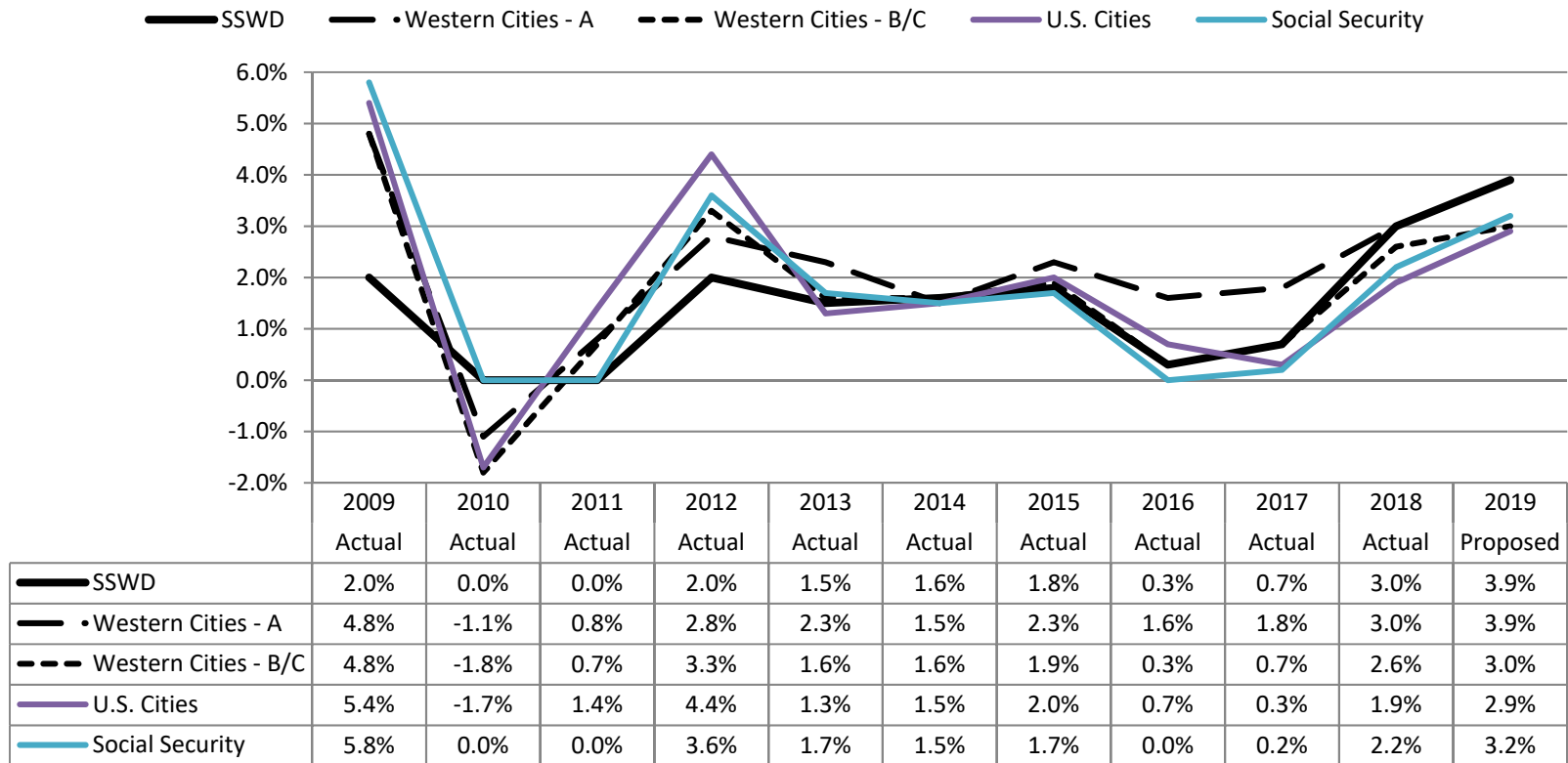
1. Information Technology Analyst
2. Production Operator I
3. Assistant Engineer

➤ New Positions Costs:

	<u>Annual Cost</u>
Salaries	\$ 236,000
Employer Taxes	22,000
Employer Benefits	76,000
Annual Cost of New Positions	<u><u>\$ 334,000</u></u>

O&M Expense Detail

COLA



As was done in the prior year, SSWD COLA is proposed to equal the Western Cities – A Index as published by the US Bureau of Labor Statistics.

O&M Expense Detail

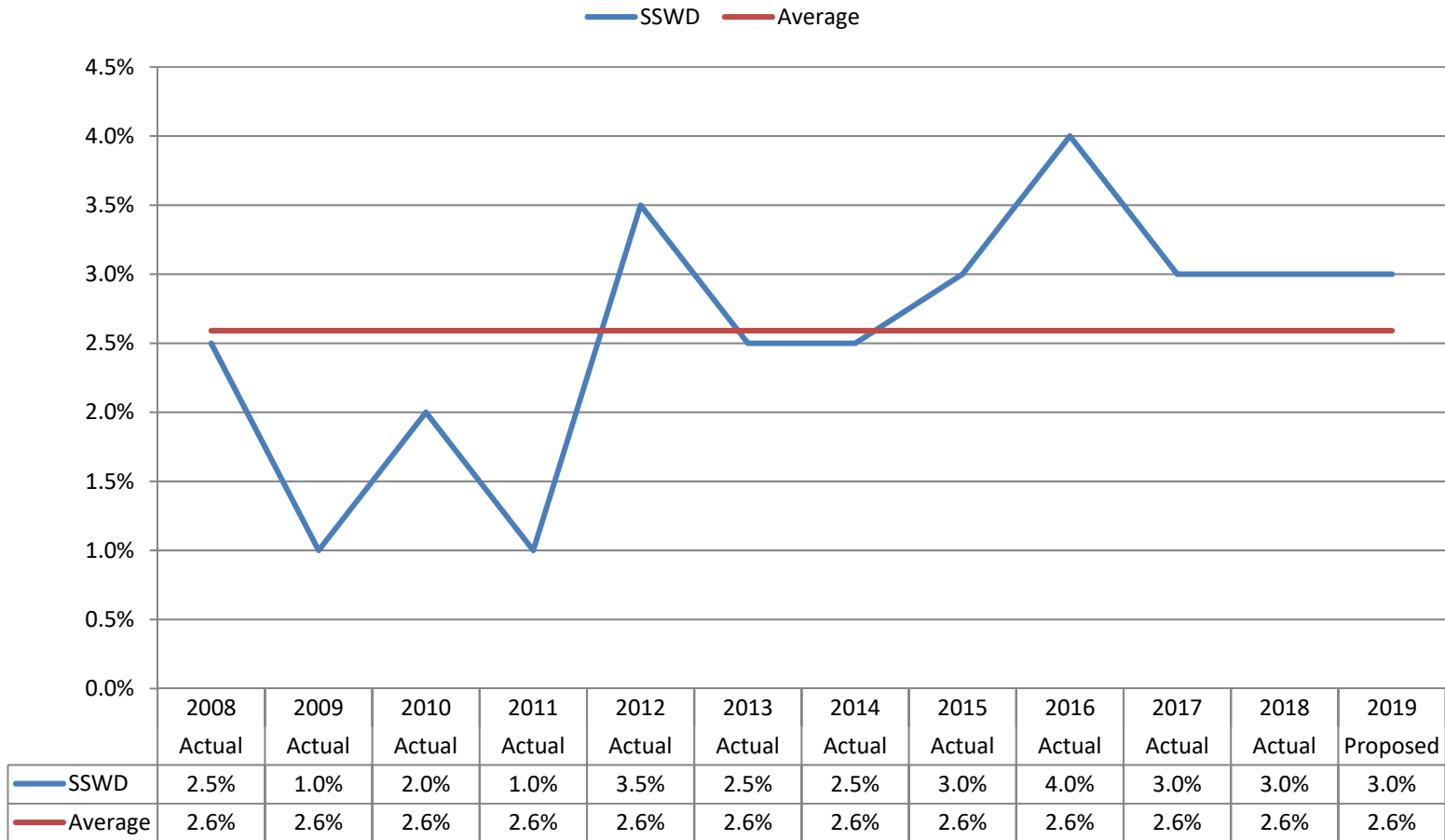
COLA – 10 Year Average

Index	Average	SSWD Average	SSWD Award%
Social Security	1.7%	1.3%	76%
U.S. Cities	1.7%	1.3%	76%
Western Cities	2.0%	1.3%	65%
Average	1.8%	1.3%	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.

O&M Expense Detail

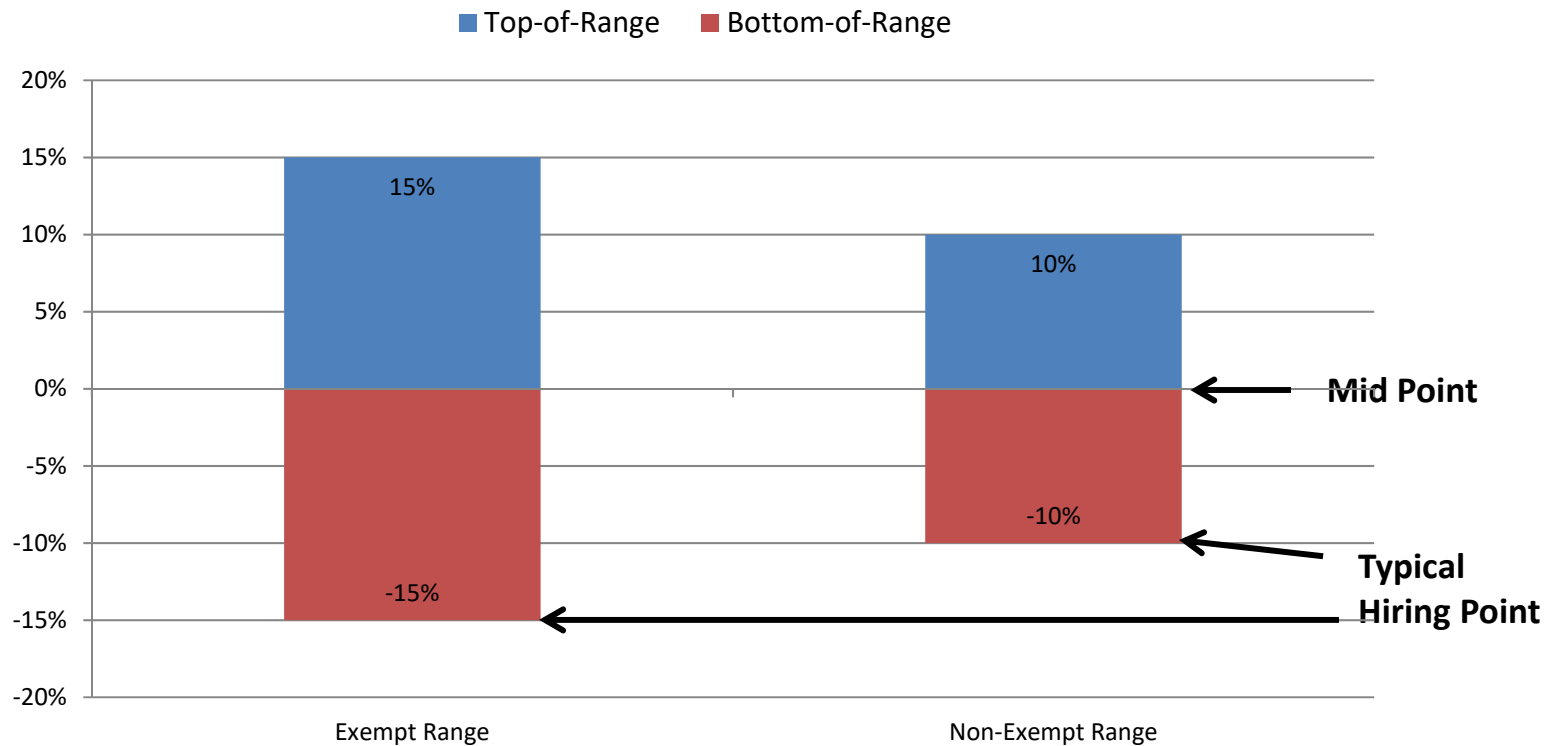
Salary Band Data

	<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

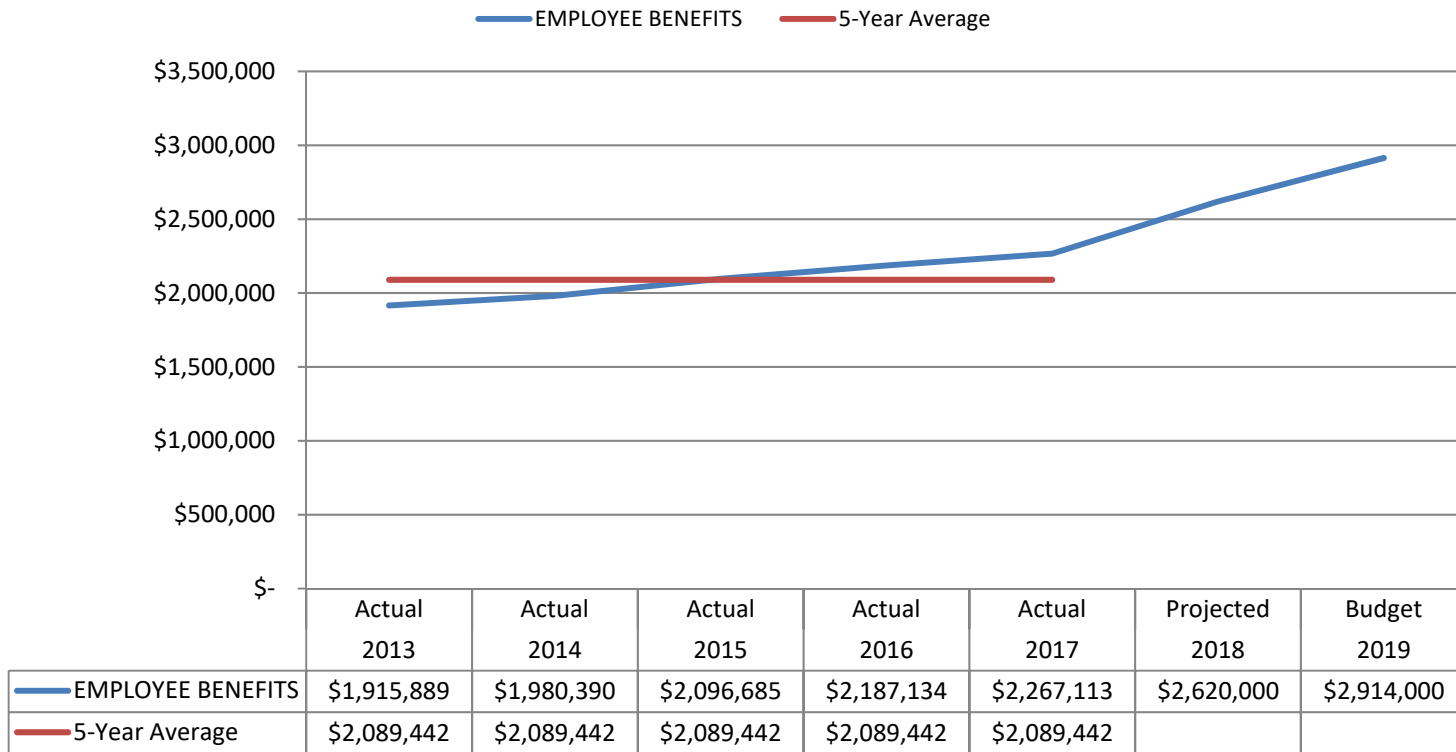
Salary Bands



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



2019 increase due primarily to increased pension costs (\$188,000), health care costs (\$20,000) and 3 new positions (\$76,000).

O&M Expense Detail

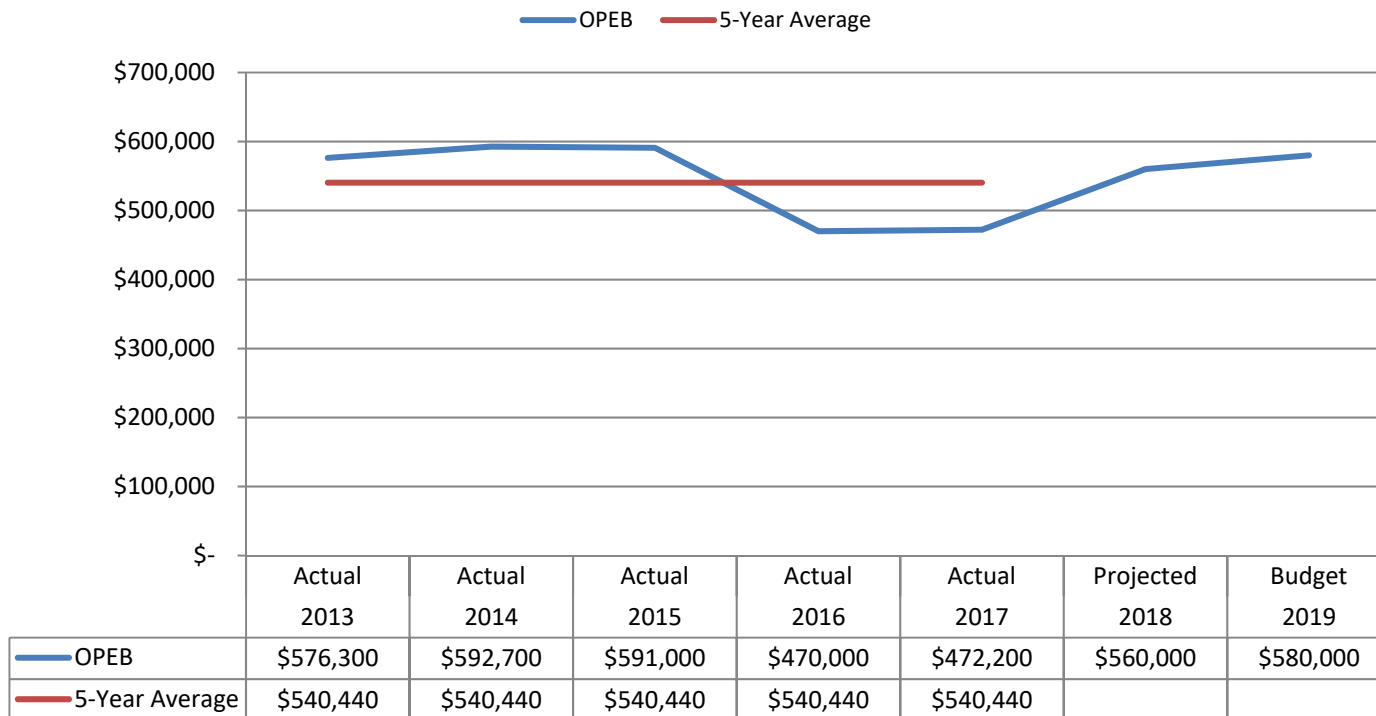
Employee Benefits

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Projected	2019 Budget
EMPLOYEE BENEFITS	\$ 1,915,889	\$ 1,980,390	\$ 2,096,685	\$ 2,187,134	\$ 2,267,113	\$ 2,620,000	\$ 2,914,000
Medical Insurance	\$ 797,192	\$ 846,251	\$ 905,832	\$ 922,772	\$ 968,600	\$ 1,074,700	\$ 1,131,000
Dental Insurance	82,640	96,894	102,555	94,682	100,119	120,437	128,000
Vision Insurance	16,304	15,065	13,845	14,083	8,167	16,320	16,000
Life Insurance	16,648	17,090	17,731	17,708	20,266	22,472	25,000
LTD Insurance	23,147	22,050	22,966	22,970	26,050	29,696	33,000
CalPERS Pension	940,005	944,510	1,007,417	1,081,615	1,099,669	1,295,689	1,522,000
Miscellaneous *	39,953	38,530	26,339	33,304	44,242	60,778	59,000
Total Employee Benefits	<u>\$ 1,915,889</u>	<u>\$ 1,980,390</u>	<u>\$ 2,096,685</u>	<u>\$ 2,187,134</u>	<u>\$ 2,267,113</u>	<u>\$ 2,620,092</u>	<u>\$ 2,914,000</u>

* Miscellaneous includes - Unemployment costs (\$15k), CalPERS Admin Fees (\$6k), LT Care for Former GM/Spouse (\$11k), Employee Morale (19k), EAP Program (\$2k), Education Assistance (\$3k), OT Meals (\$3k).

O&M Expense Detail

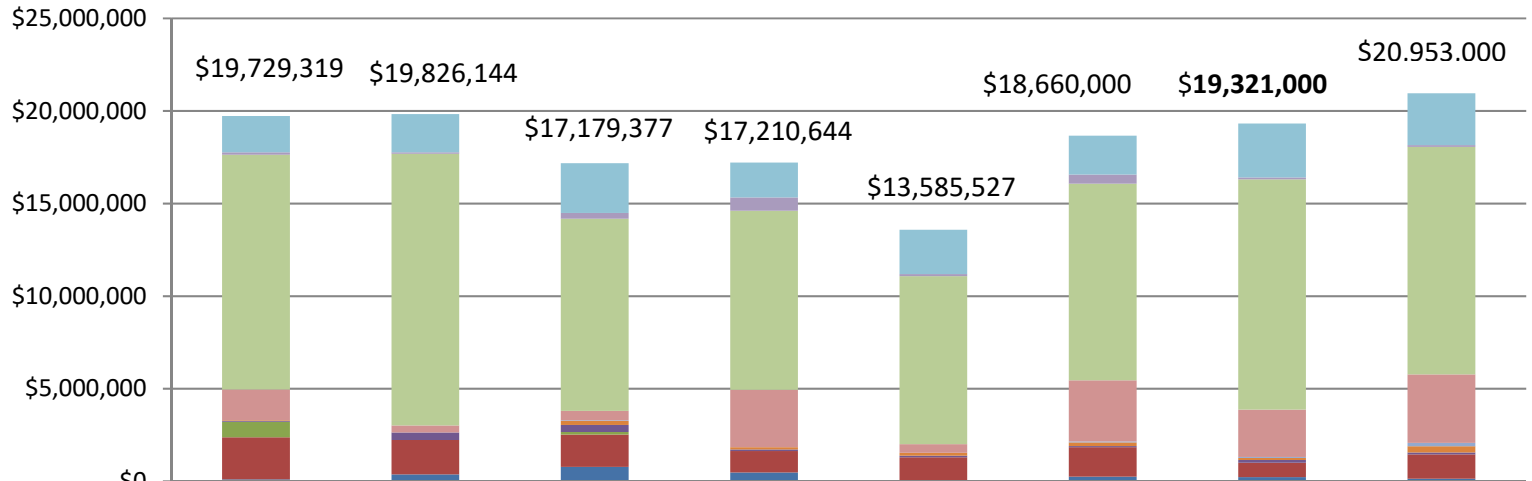
OPEB



2016 - 2017 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, 2018 and 2019); increased health care costs; increased participants, and a change in demographic assumptions.

CIP Budget

CIP Project Costs 2013 to 2019

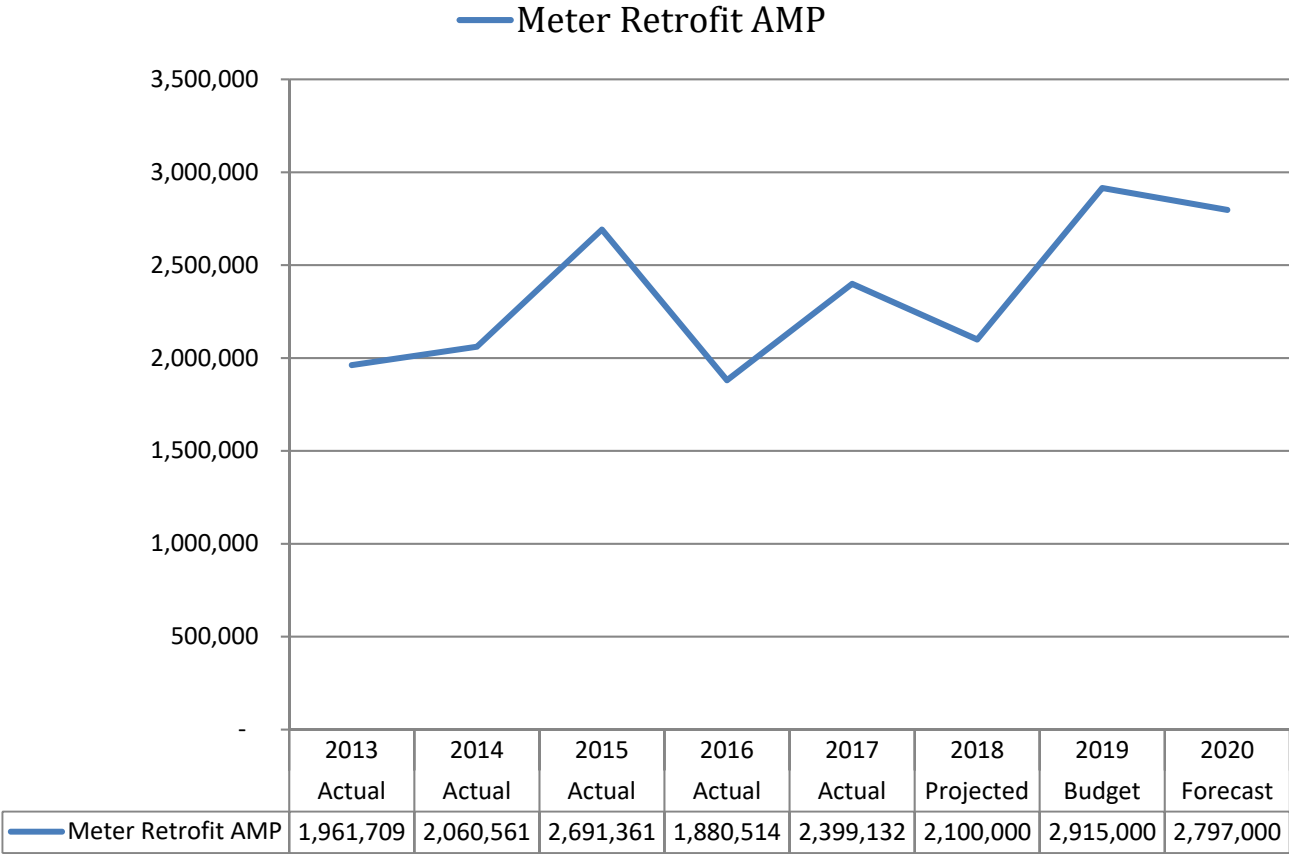


	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Projected	2019 Budget	2020 Forecast
■ Meter Retrofit AMP	1,961,709	2,060,561	2,691,361	1,880,514	2,399,132	2,100,000	2,915,000	2,797,000
■ Meter Replacement & Repair AMP	132,922	80,975	307,870	715,337	107,278	490,000	100,000	100,000
■ Dist. Main Replacement AMP	12,674,933	14,672,460	10,381,851	9,674,096	9,077,465	10,620,000	12,435,000	12,283,000
■ Well Replacement AMP	1,655,646	377,974	507,393	3,099,875	460,816	3,300,000	2,560,000	3,702,000
■ Transmission Main AMP	-	-	31,866	-	-	50,000	50,000	180,000
■ Reservoir and Booster P.S. AMP	36,373	-	221,300	116,901	160,494	200,000	115,000	335,000
■ Buildings and Structures AMP	-	-	-	-	-	-	-	-
■ SCADA AMP	54,245	404,802	378,687	94,243	85,495	60,000	142,000	100,000
■ From 2009 Water System Master Plan	833,148	-	133,676	-	-	-	-	-
■ Other Re-Occurring Annual Capital Costs	2,274,474	1,859,724	1,745,028	1,149,924	1,241,934	1,590,000	779,000	1,321,000
■ Other Capitalized Projects	105,869	369,648	780,345	479,754	52,913	250,000	225,000	135,000

Discussion of individual line items appears on subsequent pages.

CIP Budget

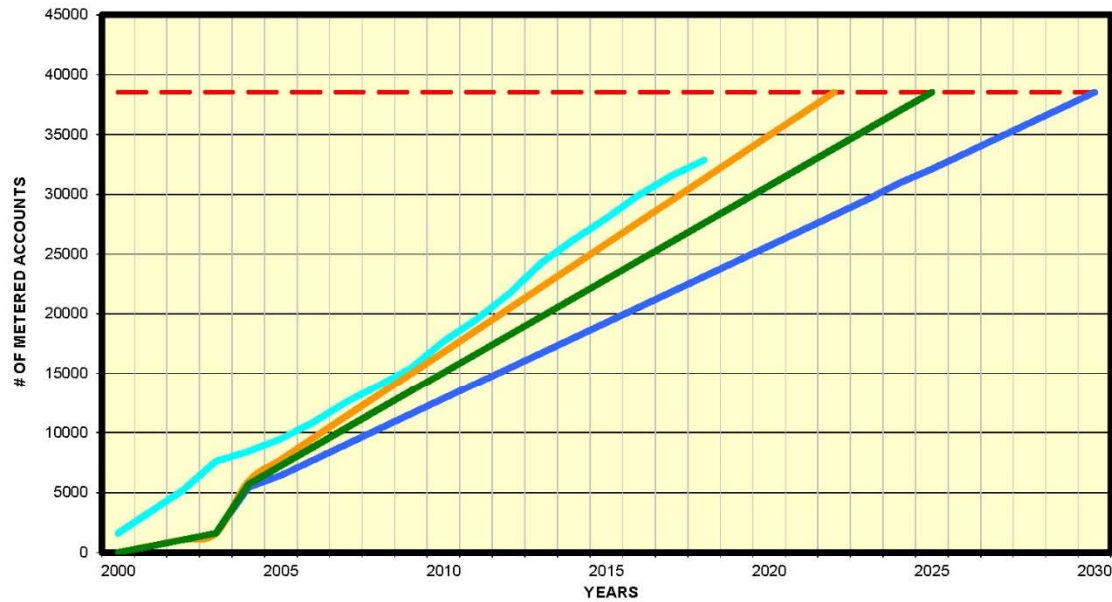
Water Meter Retrofit Program



Meters installed in 2018 are expected to be 1,285. Meters expected to be installed in 2019 and 2020 is 1,222 and 1,015, respectively.

Water Meter Retrofit Program

SSWD 30 YEAR METERING PLAN (RESIDENTIAL)



2018 Meters added – 1,955; 1,270 meter retrofit program, 15 voluntary and 670 main replacement project.
 2019 Meters added – 1,534; 1,207 meter retrofit program, 15 voluntary and 312 main replacement project.

CIP Project Detail

Meter Replacement & Repair Costs

5-Year Low	5-Year High	5-Year Average	AMP 2019	Budget 2019	Forecast 2020
\$ 80,975	\$ 715,337	\$ 268,900	\$ 404,926	\$ 100,000	\$ 100,000

2019/20 Projects

Replace obsolete large meters (>3")	100,000	100,000
	\$ 100,000	\$ 100,000

Per Water Meter Asset Management Plan, beginning in 2016 a new program to replace large water meters (>3") installed as far back as the 1990's began.

CIP Project Detail

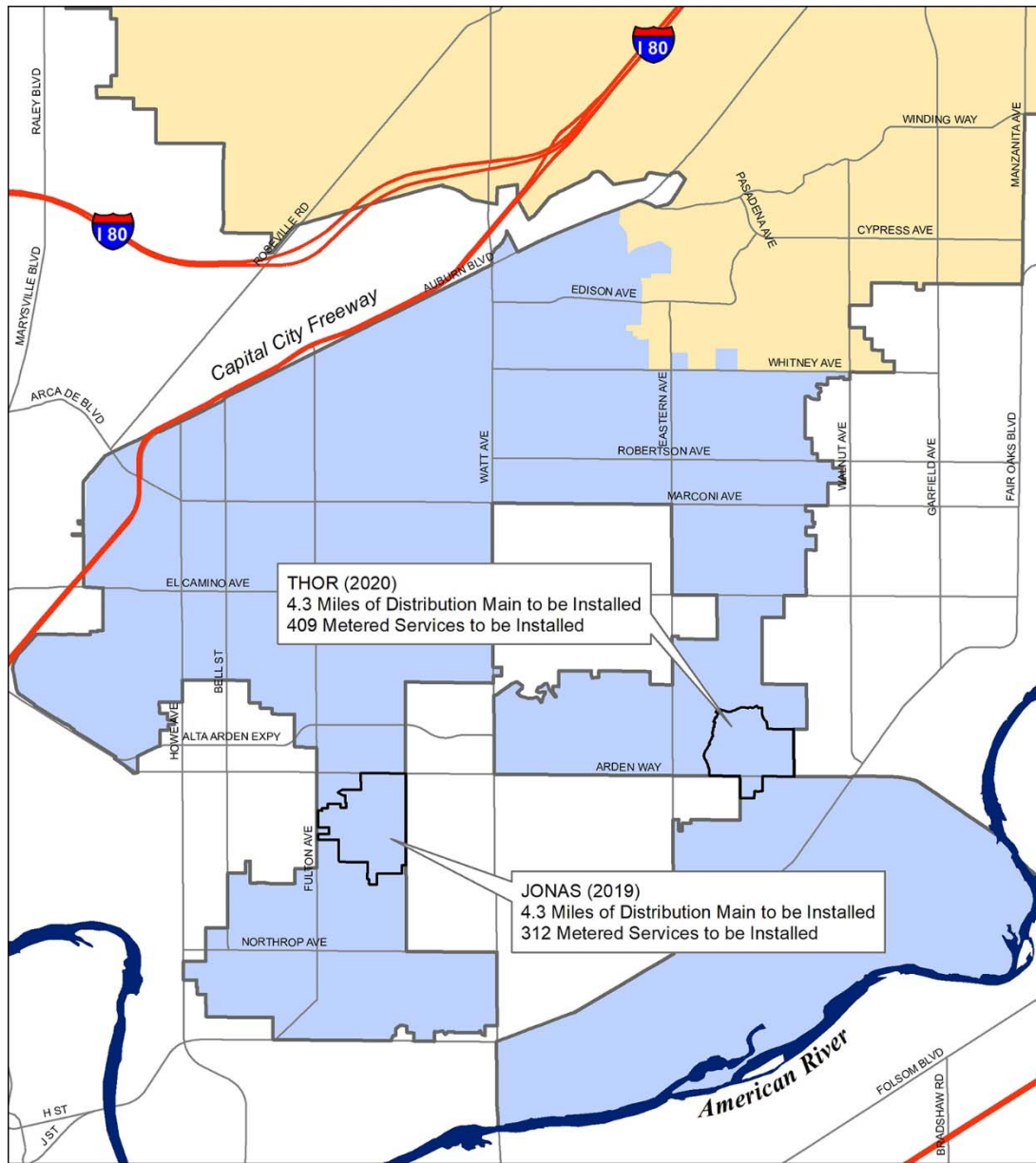
Distribution Main Replacement Costs

5-Year Low	5-Year High	5-Year Average	AMP 2019	Budget 2019	Forecast 2020
\$ 9,077,465	\$ 14,672,460	\$ 11,296,200	\$ 13,402,435	\$ 12,435,000	\$ 12,283,000

2019/20 Projects

Edison Meadows	\$ 255,000	\$ -
Jonas (Area 48)	11,095,000	
Albatross (Area 42B)	275,000	-
Thor (Area 90B/C/D)	330,000	11,363,000
Various small main replacement projects	400,000	600,000
McClellan line replacements	80,000	320,000
	\$ 12,435,000	\$ 12,283,000

See next slide for further details



Legend

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



**Proposed 2019-2020
Distribution Main Projects**

Prepared by: JWS, SSWD
 Sacramento, CA - September 5, 2018
 Main Replacements-2019-2020.mxd

CIP Project Detail

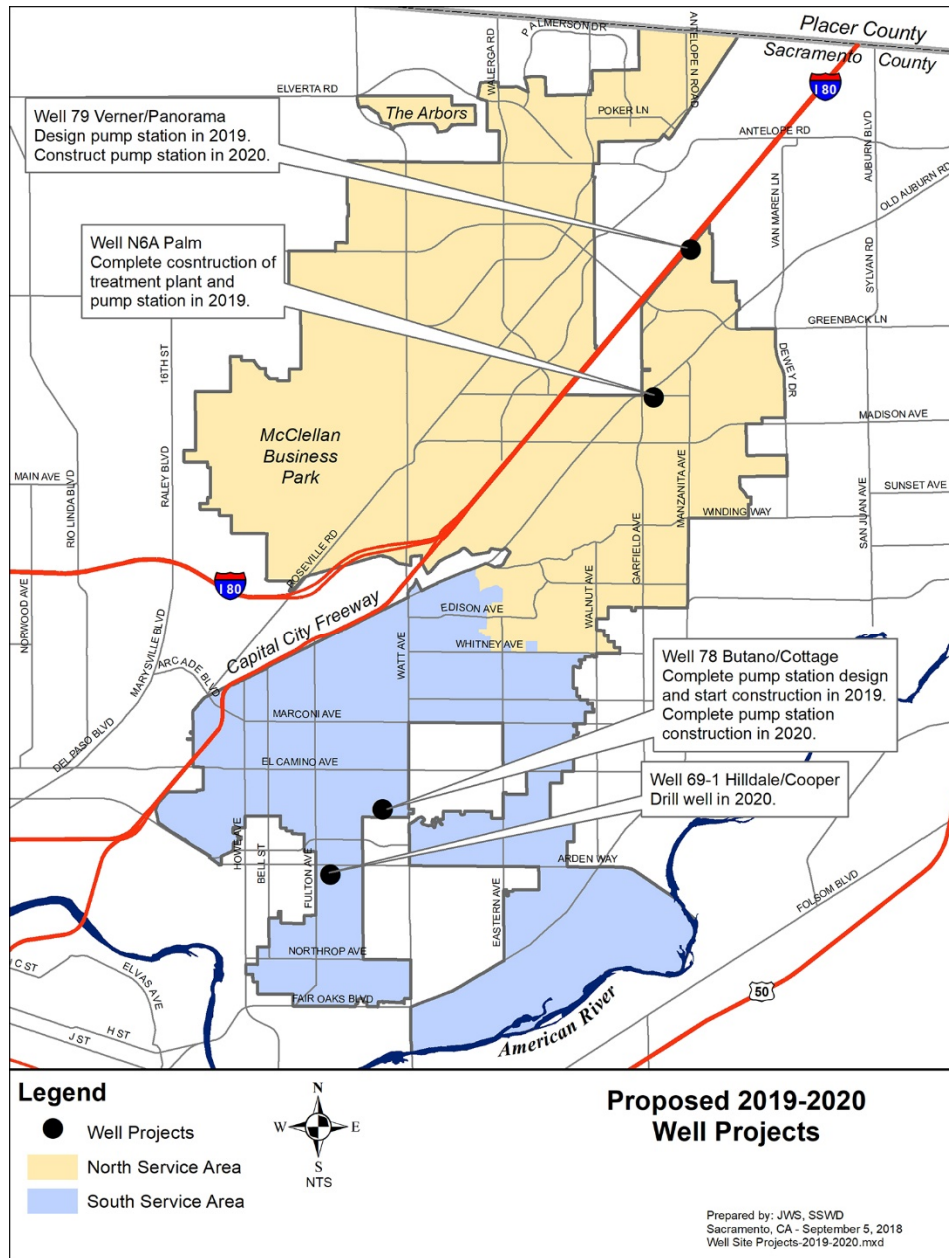
Well Replacement Costs

5-Year Low	5-Year High	5-Year Average	AMP 2019	Budget 2019	Forecast 2020
\$ 377,974	\$ 3,099,875	\$ 1,220,300	\$ 3,716,129	\$ 2,560,000	\$ 3,702,000

2019/20 Projects

Well #N6A - Palm	\$ 780,000	\$ -
Well #78 - Butano/Cottage	1,230,000	1,090,000
Well #79 - Verner/Panorama	300,000	2,040,000
Well #69-1 - Hilldale/Cooper	.	572,000
Property Acquisition (TBD)	250,000	-
	\$ 2,560,000	\$ 3,702,000

See next slide for further details



Well Design and Construction Planned for 2019 and 2020 are shown in the Map above.

CIP Project Detail

Transmission Main Costs

5-Year Low	5-Year High	5-Year Average	AMP 2019	Budget 2019	Forecast 2020
\$ -	\$ 31,866	\$ 6,400	\$ 182,760	\$ 50,000	\$ 180,000

2019/20 Projects

Corrosion Control-Variou Protection and/or Cathodic Protection for existing transmission mains

	\$	50,000	\$	180,000
	\$	50,000	\$	180,000

Corrosion Control on Transmission Mains is comprised of planning activities in 2019 and construction in 2020.

CIP Project Detail

SCADA System Costs

5-Year Low	5-Year High	5-Year Average	AMP 2019	Budget 2019	Forecast 2020
\$ 54,245	\$ 404,802	\$ 203,500	-	\$ 142,000	\$ 100,000

2019/20 Projects

SCADA Radio Evaluation	\$	100,000	\$	100,000
Install PLC from Well 20 to Well N20		42,000		
	\$	142,000	\$	100,000

Projects include SCADA Radio Evaluation (2019 – SSA, 2020 – NSA) and installation of SCADA equipment on Well N20.

CIP Project Detail

Reservoir and Booster P.S. Costs

5-Year Low	5-Year High	5-Year Average	AMP 2019	Budget 2019	Forecast 2020
\$ -	\$ 221,300	\$ 107,000	\$ -	\$ 115,000	\$ 335,000

2019/20 Projects

Tank Inspections and Repairs - Inspect Walnut Tank, Tank 216, Caphart Tank and Enterprise Reservoir and repairs/modify to storage facilities as needed

\$ **80,000** \$ 100,000

Hydropneumatic Tanks and Antelope Reservoir Interior Coating

35,000 235,000

\$ 115,000 \$ 335,000

CIP Project Detail

Other Re-Occurring Capital Costs

5-Year Low	5-Year High	5-Year Average	Estimate 2019	Budget 2019	Forecast 2020
\$ 1,149,924	\$ 2,274,474	\$ 1,654,200	\$ 3,825,785	\$ 779,000	\$ 1,321,000

2019/20 Projects

Well Rehabilitation - Rehabs Well 68 & N22 in 2019 and Wells 70, 18, N5 and 66 in 2020; Remove natural gas engines at 3 sites in 2019 and 4 sites in 2020; Destroy 3-5 abandoned wells each year

\$ **559,000** \$ 1,071,000

Lowering/Raising Valve Boxes (Based on County provided information)

220,000 250,000

\$ 779,000 \$ 1,321,000

CIP Project Detail

Other Capitalized Project Costs

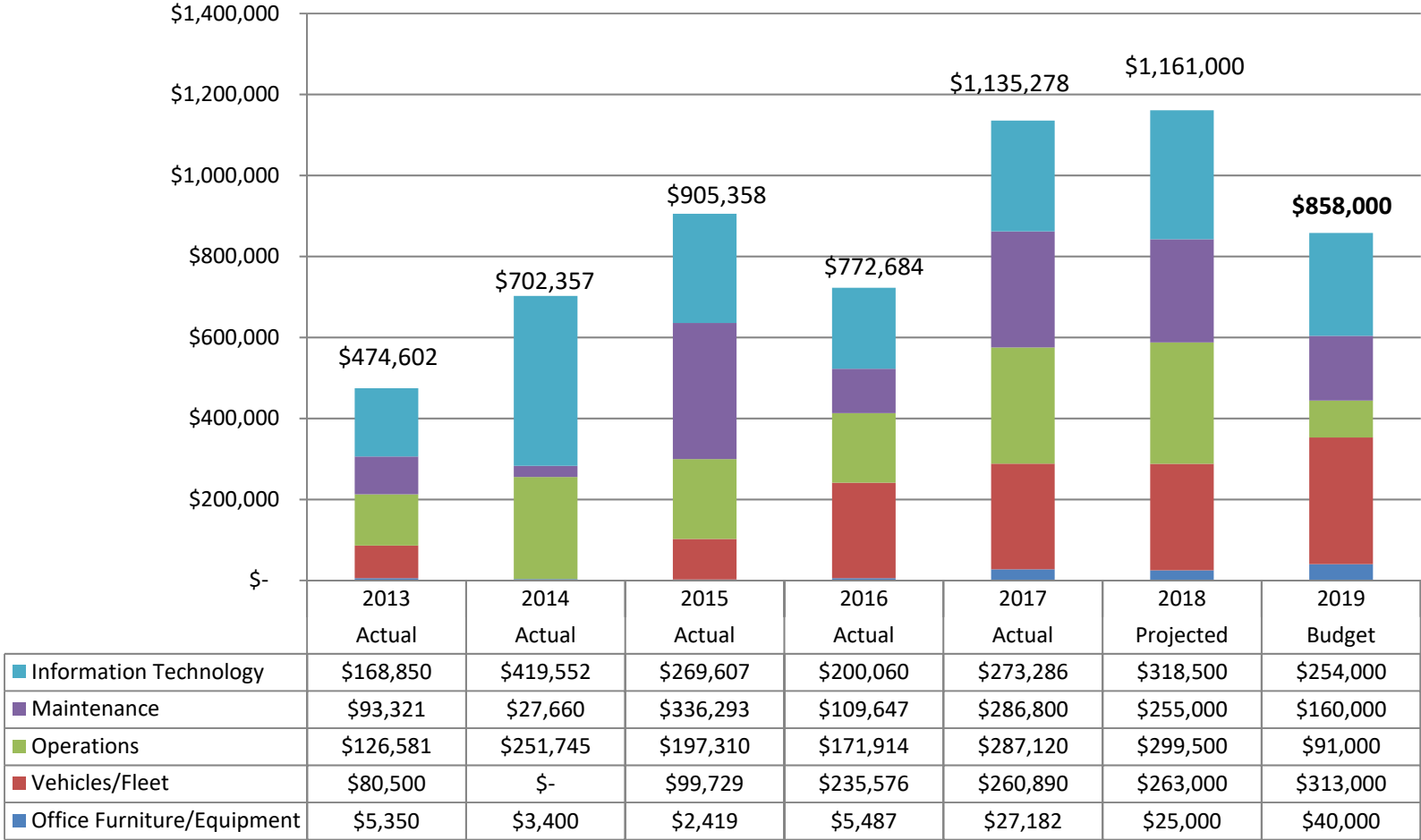
5-Year Low	5-Year High	5-Year Average	Estimate 2019	Budget 2019	Forecast 2020
\$ 52,913	\$ 780,345	\$ 357,700	\$ -	\$ 225,000	\$ 135,000

2019/20 Projects

Electrical Improvements at Marconi facility	\$	220,000	\$	130,000
Right of way/easement acquisitions		5,000		5,000
	\$	225,000	\$	135,000

OCB Budget

OCB Project Costs 2013 to 2019



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 2019
\$	168,850	\$	419,552	\$	266,300	\$	254,000
 <u>2019 Projects</u>							
						\$	107,000
							55,000
							5,000
							35,000
							30,000
							9,000
							13,000
						\$	254,000

2018 budget was \$318,500

OCB Project Detail Maintenance

5-Year Low	5-Year High	5-Year Average	Budget 2019
\$ 27,660	\$ 336,293	\$ 170,700	\$ 160,000

2019 Projects

Well Site and Building Structures Maintenance	\$ 60,000
HVAC/Roof/Building Repairs	50,000
Removing /Paving Antelope Garden	50,000
	\$ 160,000

2018 Budget was \$255,000.

OCB Project Detail

Operations Project Costs

5-Year Low	5-Year High	5-Year Average	Budget 2019
\$ 126,581	\$ 287,120	\$ 206,900	\$ 91,000

2019 Projects

Fence Replacement - 3 Well Sites	\$ 21,000
UCMR 4 Monitoring	<u>70,000</u>
	<u>\$ 91,000</u>

2018 budget was \$260,500

OCB Project Detail

Vehicles/Fleet

5-Year Low	5-Year High	5-Year Average	Budget 2019
\$ -	\$ 260,890	\$ 135,300	\$ 313,000
 <u>2019 Projects</u>			
Trailer Replacement/Upgrade/Addition			\$ 30,000
Vehicle Replacement - Truck #3			29,000
Vehicle Replacement - Truck 21			29,000
Vehicle Replacement - Truck # 12			31,000
Vehicle Replacement - Truck # 45			31,000
Vehicle Replacement - Truck # 51			45,000
Vehicle Replacement - Truck # 6			42,000
Vehicle Addition - Production Operator I			45,000
Vehicle Addition - Safety Officer			31,000
			\$ 313,000

2018 budget was \$230,000 – Replaced four Trucks and two trailers.

OCB Project Detail

Office Furniture & Equipment

5-Year Low	5-Year High	5-Year Average	Budget 2019
\$ 2,419	\$ 27,182	\$ 8,800	\$ 40,000

2019 Projects

Office Furniture/Workstations	\$ 40,000
	\$ 40,000

2019 budget is for Walnut Facility remodel and new staff.

Debt Service Forecast

Debt Service Forecast

5-Year	5-Year	5-Year	Budget
Low	High	Average	2019
\$ 7,425,000	\$ 7,509,550	\$ 7,467,502	\$ 7,420,000

	2013	2014	2015	2016	2017	2018	2019
Principal	\$ 3,580,000	\$ 3,675,000	\$ 3,795,000	\$ 3,945,000	\$ 4,060,000	\$ 4,425,000	\$ 4,570,000
Interest	3,849,356	3,792,909	3,630,000	3,560,697	3,449,550	3,140,000	2,850,000
Total Debt Service	<u>\$ 7,429,356</u>	<u>\$ 7,467,909</u>	<u>\$ 7,425,000</u>	<u>\$ 7,505,697</u>	<u>\$ 7,509,550</u>	<u>\$ 7,565,000</u>	<u>\$ 7,420,000</u>

2019 forecast assumes a variable interest rate of 3.86%.

2018 and 2019 reflect the refunding of the 2009B COP and the issuance of the 2018A Bond.

2019 Budget Summary

	<u>2017 Actual</u>	<u>2017 Amended Budget</u>	<u>Actual As Of 07/31/18</u>	<u>2018 Projected</u>	<u>2018 Approved Budget</u>	<u>2019 Proposed Budget</u>
Income From Customers	\$ 44,161,563	\$ 43,726,000	\$ 24,662,967	\$ 45,915,000	\$ 45,020,000	\$ 46,171,000
Water Transfers	-	1,992,000	-	684,000	-	-
Total Other Income	<u>2,247,188</u>	<u>1,780,000</u>	<u>858,262</u>	<u>1,460,000</u>	<u>1,465,000</u>	<u>1,882,000</u>
Total Revenue	<u>\$ 46,408,751</u>	<u>\$ 47,498,000</u>	<u>\$ 25,521,229</u>	<u>\$ 48,059,000</u>	<u>\$ 46,485,000</u>	<u>\$ 48,053,000</u>
Budgets:						
Operations and Maintenance	19,424,311	21,311,000	10,624,364	21,004,000	21,860,000	22,724,000
Capital Improvement Program	13,585,527	16,975,000	6,489,359	18,660,000	19,160,000	19,321,000
Operating Capital Program	1,135,278	1,166,000	355,451	1,161,000	1,161,000	858,000
Debt Service (Forecast)	<u>7,519,968</u>	<u>7,770,000</u>	<u>1,748,828</u>	<u>7,565,000</u>	<u>7,700,000</u>	7,420,000
Total Costs	<u>41,665,084</u>	<u>47,222,000</u>	<u>19,218,002</u>	<u>48,390,000</u>	<u>49,881,000</u>	50,323,000
Change in Reserve Balance	4,743,667	276,000	6,303,227	(331,000)	(3,396,000)	(2,270,000)
Reserve (Cash) Balance	<u>\$ 45,669,205</u>	<u>\$ 41,264,408</u>	<u>\$ 47,812,028</u>	<u>\$ 45,338,205</u>	<u>\$ 41,566,409</u>	<u>\$ 39,520,035</u>
Refunding 2009B			\$ (3,548,170)	\$ (3,548,170)		
	<u>\$ 45,669,205</u>	<u>\$ 41,264,408</u>	<u>\$ 44,263,858</u>	<u>\$ 41,790,035</u>	<u>\$ 41,566,409</u>	<u>\$ 39,520,035</u>