

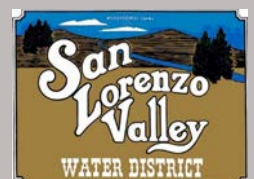
BUDGET

FY 2019/20

SAN LORENZO VALLEY WATER DISTRICT



BOULDER CREEK, CA



MISSION & CONTACT INFORMATION

OUR MISSION

Our mission is to provide our customers and all future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and, to ensure the fiscal vitality of the San Lorenzo Valley Water District.

BOARD OF DIRECTORS

| Name | Title | Elected/Appointed | Term Expires |
|---------------|--------------|--------------------------|---------------------|
| Lois Henry | President | Elected | December 2022 |
| Bob Fultz | Director | Elected | December 2022 |
| Steve Swan | Director | Elected | December 2022 |
| Bill Smallman | Director | Elected | December 2020 |
| Lew Farris | Director | Appointed | December 2020 |

DISTRICT CONTACT INFORMATION

District Manager : Rick Rogers

Address: 13060 Highway 9 Boulder Creek, California 95006

Phone: (831) 338-2153

Website: www.slvwd.com

Office Hours: 8AM – 5PM Monday – Friday, closed for lunch 12 - 1

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BUDGET OVERVIEW

TRANSMITTAL LETTER

Dear Board of Directors,

I am pleased to present you with the recommended budget for Fiscal Year 2019-20. This budget totals \$19.8M and includes all expected operating, non-operating and capital costs for the next year.

The District's Operating expenses remained relatively flat at \$7.6M, net overhead absorption, and operating revenues increased as expected with the rate increases. Reserves are expected to increase by \$1.9M, which will help fund reserves and could be used to pay off other District liabilities. Overall, these are positive signals for the District. The District is expecting to add one positions that were previously identified in the staffing study; Associate Engineer.

The Operating Budget for FY1920 results in an Operating Income of \$3M. The surplus will go towards capital projects and gradually building back up reserves.

Operating revenues are budgeted to be \$10.8M, which factors in the scheduled rate increases and that water sales remain relatively flat at 494 Million Gallons for the year. Operating revenues make up the District's largest source of revenue, being 90% of overall revenue. Of the operating revenue, the water basic and water usage fees generate over 97% of the operating revenue.

District customers continue to demonstrate commitment to ongoing conservation efforts, maintaining at least a 15-20% reduction in yearly water usage from 2013 consumption levels. Water resources remain a major focus for the District as we continue developing a conjunctive use plan intended to strengthen the health of our watershed while simultaneously providing resiliency to our water supply.

The District's anticipated capital expenses total \$8.8M for replacement of pipes, pumps and tanks. This is an aggressive capital schedule that assumes many pieces fall into place, including the hiring of an Associate Engineer and successfully securing a roughly \$10-12M loan. Interest rates are at near historic low, making it more advantageous to borrow for these larger projects. The new lending options will replace the previous USDA loan plan. We are excited to complete some key capital projects that have been in progress; Probation Tank, Swim Tank, Pasatiempo Well 6. We are also excited to begin some key projects; capital development of a water system computer model, smaller but no-less-important capital projects and numerous winter-storm

TRANSMITTAL LETTER

related capital projects and emergency projects. This budget provides increasing standby generators for facilities in response to Public Safety Power Shutoff's.

The rate increase schedule has been imperative to fund capital replacement and eventually building back up reserves. Last year's rate increase provides the District increased borrowing capacity by leveraging future revenue. Long-term borrowing helps keep rates lower while providing the money necessary to replace infrastructure. These loans are intended to kick-start a much-needed capital replacement program.

The Fiscal Year 2019-20 budget anticipates increasing reserves by \$1.9M, to an estimated \$4.4M balance. About \$350k of those reserves are restricted for specific purposes, \$2.9M for Operating Reserves and the remaining \$1.2M for building Capital/Emergency Reserves. Our 2019-20 budget relies on the use of current revenues and new debt funding for infrastructure replacement. The District remains on track to ensure funds will be available to replace infrastructure while also maintaining healthy reserves for emergencies.

We live and work in one of the most beautiful places on the earth. Fiscal responsibility, environmental stewardship and a commitment to future generations will remain key driving forces as we move forward.

Sincerely,

A handwritten signature in blue ink that reads "Richard Rogers". The signature is written in a cursive, flowing style.

Rick Rogers, District Manager

ABOUT THE COMMUNITY

The San Lorenzo Valley is located in the Santa Cruz mountains in Santa Cruz County, California. The area was once heavy in the logging industry, especially during the rebuilding of San Francisco after the 1906 earthquake. More recently, the growth in Silicon Valley has made the area more desirable and slightly more affordable than other areas of Silicon Valley. The San Lorenzo Valley contains multiple state parks, golf courses and an active railroad attraction. Over the years, the District's service area has changed from rural and vacation cabins to a more urbanized, year-round water-use area. It is home to over 35,000 people. The District's service area covers the towns of Ben Lomond, Felton, Brookdale, Boulder Creek and parts of the City of Scotts Valley.



ABOUT THE DISTRICT

The San Lorenzo Valley Water District was established in 1941 as an independent special district. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The San Lorenzo Valley Water District currently employs a full-time staff of 34 employees, with the one new hire this year it will employ 35 employees.

The District's boundaries comprise approximately 60 square miles and 170 miles of pipeline. The District currently provides service to approximately 7,900 residential, commercial, and institutional connections. The District relies on both surface water and groundwater resources, including nine currently active stream diversions, one groundwater spring, and eight active groundwater wells. The District owns, operates, and maintains four water systems from separate water sources. These sources are derived solely from rainfall within the San Lorenzo River watershed.

The District owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates, which serves approximately 56 homes.



ABOUT THE BUDGET PROCESS

Budgets are a fiscally responsible instrument for local government agencies, to help plan, prepare and forecast the financial and operational objectives of the District. The District operates as an enterprise fund with a fiscal year that begins July 1 and ends June 30. For financial reporting, the District follows Generally Accepted Accounting Principles (GAAP), of which we follow accrual based accounting, meaning revenues are recognized in the period in which they were earned and expenses when incurred. For the most part, the budget is prepared by the same accrual based method. Non-cash expense items such as depreciation expense for fixed assets and accrued compensated absences are excluded from the budget, however they are included later as additional information to help bridge a comparison to the audited financials.

The budget planning and preparation process is an important District activity and provides opportunity for the Board of Directors, management and staff to reassess goals and objectives for the upcoming and future years:

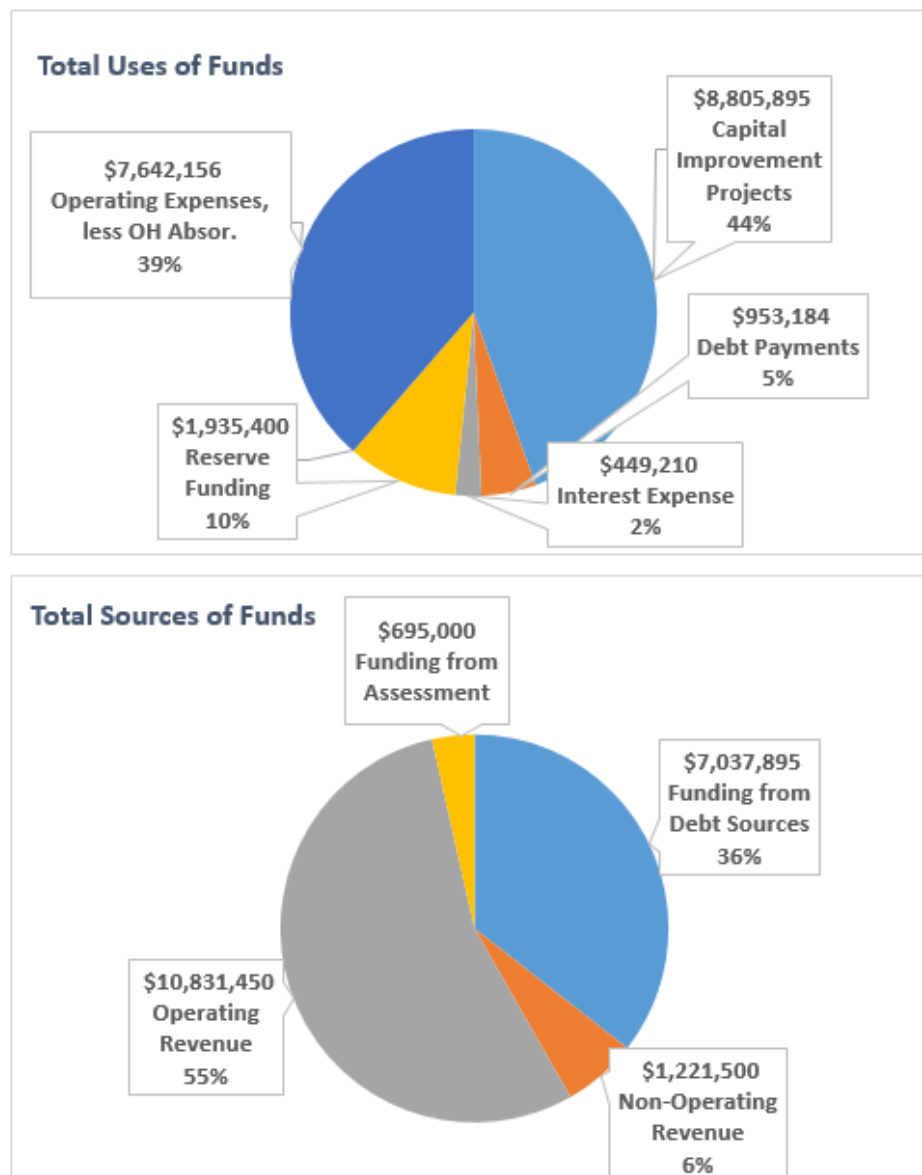
- This process typically begins internally in January, as templates and initial forecasts for the current year are prepared. Any budget assumptions, procedures and changes from the prior year's budget are discussed in a management kick-off meeting in February.
- Management begins to prepare departmental operating and capital expenditure forecasts. Finance compiles a consolidated budget package and begins comparative analysis to identify any anomalies or outliers that need further explanation.
- Finance will forecast revenue expectations based on active rate schedules in connection with historic and anticipated future consumption levels.
- Meetings typically begin with the Budget & Finance Committee during March, then escalate to the full Board of Directors. The budget continues to be a regular discussion as it is updated throughout the process.
- The budget will typically be reviewed by the Board of Directors two to three times throughout the process, allowing optimal discussion and public input. The budget is intended to be approved prior to the beginning of the new fiscal year.

A budget should be balanced with revenues equal to or greater than expenditures and the District may elect to utilize reserves to attain a balanced budget. In the event a budget is not balanced, an action plan should be put in place to explain the shortfall and how the District plans to find a resolution.

OVERALL BUDGET SUMMARY

OVERALL SUMMARY

The chart below illustrates the breakdown of recommended sources (revenue) and uses (expenditures) of funds for the Fiscal Year 2019-20 budget. The overall District budget request is \$19.8M. Highlights include \$8.8M in capital projects, which is a significant increase over prior years. Operating expenses remained relatively flat and operating revenues increased as expected with the rate increases. Reserves are expected to increase by \$1.9M, which will help fund reserves and could be used to pay off certain unfunded liabilities. Overall these are positive signals for the District.



REVENUE SUMMARY

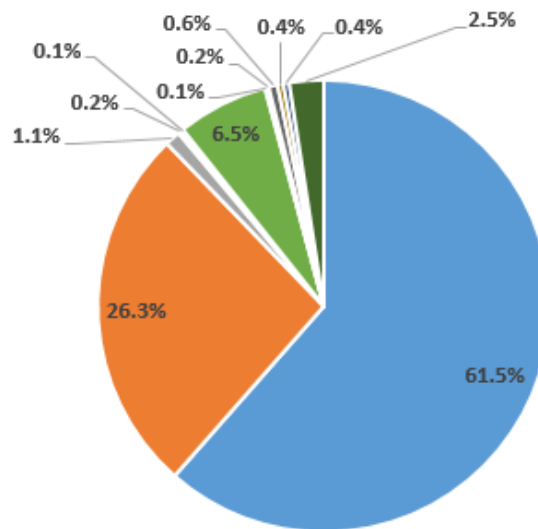
Overall District revenue is budgeted to be \$12.1M for FY1920. Revenues have increased \$884K or 8% compared to the prior year budget. Consumption is anticipated to remain relatively flat, at 660,00 units of water sold, and the scheduled rate increases factored in.

Revenue Budget

| | FY1920 Proposed Budget | FY1819 Adopted Budget | FY1819 Estimated Actuals | FY1920 PROPOSED BUDGET | | | |
|------------------------------------|------------------------------|-----------------------------|--------------------------------|------------------------------|-----------|------------------------------------|--------------|
| | | | | Variance to FY1819 Budget | | Variance to FY1819 Est. Actuals | |
| Operating Revenue | | | | | | | |
| Water Basic | \$ 3,163,000 | \$ 2,986,000 | \$ 2,984,000 | \$ 177,000 | 6% | \$ 179,000 | 6% |
| Water Usage | 7,395,500 | 6,846,000 | 7,024,000 | 549,500 | 8% | 371,500 | 5% |
| Sewer Fund | 132,170 | 100,000 | 110,140 | 32,170 | 32% | 22,030 | 20% |
| Sale of Meters | 55,000 | 30,000 | 30,000 | 25,000 | 83% | 25,000 | 83% |
| Operating Grants | 10,000 | - | - | 10,000 | 0% | 10,000 | 0% |
| Miscellaneous Fees & Charges | 75,780 | 60,000 | 78,000 | 15,780 | 26% | (2,220) | -3% |
| Total Operating Revenue | \$ 10,831,450 | \$ 10,022,000 | \$ 10,226,140 | \$ 809,450 | 8% | \$ 605,310 | 6% |
| Non-operating Revenue | | | | | | | |
| Property Taxes | \$ 783,750 | \$ 738,400 | \$ 750,000 | \$ 45,350 | 6% | \$ 33,750 | 5% |
| Assessment Rev. - Oly Mutual | 51,000 | 51,000 | 51,000 | - | 0% | - | 0% |
| Assessment Rev. - Lompico | 295,000 | 295,000 | 300,000 | - | 0% | (5,000) | -2% |
| Mobile Services Lease Fees | 23,750 | 20,000 | 23,750 | 3,750 | 19% | - | 0% |
| Rental Income | 18,000 | 32,600 | 19,300 | (14,600) | -45% | (1,300) | -7% |
| Interest - Investments | 50,000 | 10,000 | 69,000 | 40,000 | 400% | (19,000) | -28% |
| Total Non-Operating Revenue | \$ 1,221,500 | \$ 1,147,000 | \$ 1,213,050 | \$ 74,500 | 6% | \$ 8,450 | 1% |
| Capital Contributions | | | | | | | |
| Capital Grants | \$ - | \$ - | \$ 33,000 | \$ - | 0% | \$ (33,000) | -100% |
| FEMA Reimbursements | - | - | - | - | 0% | - | 0% |
| Total Capital Contributions | \$ - | \$ - | \$ 33,000 | \$ - | 0% | \$ (33,000) | -100% |
| TOTAL REVENUE | \$ 12,052,950 | \$ 11,169,000 | \$ 11,472,190 | \$ 883,950 | 8% | \$ 580,760 | 5% |

Revenue as % of Budget

- Water Usage
- Water Basic
- Sewer Fund
- Sale of Meters
- Rental Income
- Property Taxes
- Operating Grants
- Mobile Services Lease Fees
- Miscellaneous Fees & Charges
- Interest - Investments
- Assessment Rev. - Oly Mutual
- Assessment Rev. - Lompico



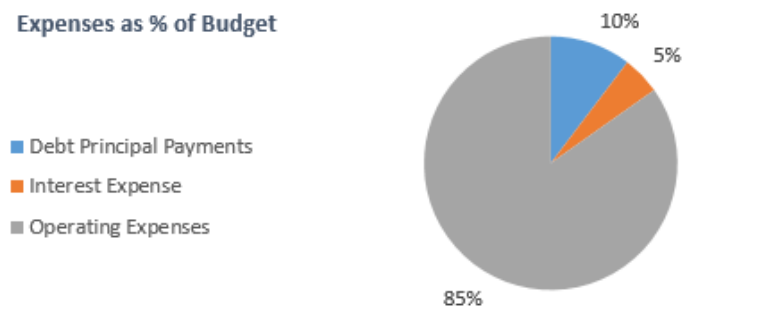
EXPENSE SUMMARY

Expenses, excluding capital projects, are budgeted to be \$9.2M for FY1920. Expenses have decreased \$212K or 2% compared to the prior year budget. Expenses have increased \$441K or 5% compared to the prior year actuals. The main cause for the increase from prior year are increases to full year of new hires and anticipated new debt expense for capital projects.

Expense Budget

| | FY1920 Proposed Budget | FY1819 Adopted Budget | FY1819 Estimated Actuals | FY1920 PROPOSED BUDGET | | | |
|-------------------------------------|------------------------------|-----------------------------|--------------------------------|------------------------------|-------------|------------------------------------|-------------|
| | | | | Variance to FY1819 Budget | | Variance to FY1819 Est. Actuals | |
| Operating Expenses | | | | | | | |
| Salaries & Benefits | \$ 5,164,975 | \$ 5,048,246 | \$ 4,830,428 | \$ 116,729 | 2% | \$ 334,547 | 7% |
| Contract/Professional Services | 1,070,711 | 1,316,360 | 1,332,227 | (245,649) | -19% | (261,516) | -20% |
| Operating Expenses | 435,250 | 420,500 | 415,826 | 14,750 | 4% | 19,424 | 5% |
| Maintenance | 218,850 | 184,350 | 175,878 | 34,500 | 19% | 42,972 | 24% |
| Facilities | 591,700 | 571,800 | 580,276 | 19,900 | 3% | 11,424 | 2% |
| Gen. & Admin. | 335,670 | 420,400 | 359,056 | (84,730) | -20% | (23,386) | -7% |
| Total Operating Expenses | \$ 7,817,156 | \$ 7,961,656 | \$ 7,693,691 | \$ (144,500) | -2% | \$ 123,465 | 2% |
| Interest Expense | | | | | | | |
| Refunding Bond | \$ 26,267 | \$ 43,695 | \$ 43,696 | \$ (17,428) | -40% | \$ (17,429) | -40% |
| Felton Loan | 33,582 | 37,220 | 37,220 | (3,638) | -10% | (3,638) | -10% |
| Olympia SRF Loan | 37,987 | 39,657 | 39,657 | (1,670) | -4% | (1,670) | -4% |
| Probation Tank Loan | 77,146 | 130,000 | 26,000 | (52,854) | -41% | 51,146 | 197% |
| \$10.5M Loan Est. | 263,500 | - | - | 263,500 | 0% | 263,500 | 0% |
| Solar Lease | 8,775 | 9,869 | 9,862 | (1,094) | -11% | (1,087) | -11% |
| Vehicle Lease | 1,953 | 2,703 | 2,703 | (750) | -28% | (750) | -28% |
| Total Interest Expense | \$ 449,210 | \$ 263,144 | \$ 159,138 | \$ 186,066 | 71% | \$ 290,072 | 182% |
| Debt Principal Payments | | | | | | | |
| Refunding Bond | \$ 582,031 | \$ 666,015 | \$ 660,015 | \$ (83,984) | -13% | \$ (77,984) | -12% |
| Felton Loan | 153,215 | 149,577 | 149,577 | 3,638 | 2% | 3,638 | 2% |
| Olympia SRF Loan | 66,246 | 64,576 | 64,576 | 1,670 | 3% | 1,670 | 3% |
| Probation Tank Loan | 50,716 | 275,000 | - | (224,284) | -82% | 50,716 | 0% |
| \$10.5M Loan Est. | 47,500 | - | - | 47,500 | 0% | 47,500 | 0% |
| Solar Lease | 30,220 | 29,130 | 29,132 | 1,090 | 4% | 1,088 | 4% |
| Vehicle Lease | 23,256 | 22,505 | 22,505 | 751 | 3% | 751 | 3% |
| Total Debt Payments | \$ 953,184 | \$ 1,206,803 | \$ 925,805 | \$ (253,619) | -21% | \$ 27,379 | 3% |
| Total Non-operating Expenses | \$ 1,402,394 | \$ 1,469,947 | \$ 1,084,943 | \$ (67,553) | -5% | \$ 317,451 | 29% |
| TOTAL EXPENSES | \$ 9,219,550 | \$ 9,431,603 | \$ 8,778,634 | \$ (212,053) | -2% | \$ 440,916 | 5% |

Expenses as % of Budget



OPERATING BUDGET

SUMMARY

The recommended Operating Budget for FY1920 results in an Operating Income of \$3M. The surplus will go towards capital projects and gradually building back up reserves.

Operating revenues are budgeted to be \$10.8M, which factors in the scheduled rate increases. Operating revenues make up the District's largest source of revenue, being 90% of overall revenue. Of the operating revenue, the water basic and water usage fees generate over 97% of the operating revenue.

Operating expenses are budgeted to be \$7.8M. Expenses have decreased \$145K or 2% to the prior year budget and increased \$123K or 2% to the estimated prior year actuals.

VARIANCE TO PRIOR YEAR BUDGET:

- Increase in headcount related of \$130K. Full year of FY1819 hire and half a year of a FY1920 new hire.
- Decreases to expected legal bills of \$55K due to settlement in litigation from FY1819.
- Decreases in environmental for water conservation of \$150K. Decreased funding of the programs lead to not funding the Water Conservation Specialist position.
- Decrease in other administrative consulting work such as public outreach firm of \$60K.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

- Increase in new hire headcount of \$270K. Full year of two FY1819 hires and half a year of a FY1920 new hire.
- General annual increases related to employee salaries and benefits of ~\$125K.
- Decreases to expected legal bills of \$145K due to settlement in litigation from FY1819.
- Decreases in environmental for water conservation of \$150K. Decreased funding of the programs lead to not funding the Water Conservation Specialist position.
- Decrease in other administrative consulting work such as public outreach firm of \$60K.

OPERATING REVENUE SUMMARY

Operating revenue is expected to be \$10.8M. This is \$809K, or 8%, higher than the prior year budget and \$605K or 6% higher than the prior year estimated actuals. FY1920 consumption was based on 660,000 units of water sold, considering the average rainfall and prior years average consumption. For conversion purposes, 660,000 units equates to 493,680,000 gallons or 1,515 acre feet.

The District has active rate increase schedules for both the Water and Sewer funds. See rate schedule listed below:

| Fixed Service Charge | FY1718 | FY1819 | FY1920 | FY2021 | FY2122 |
|----------------------|-----------|-----------|-----------|-----------|-----------|
| 5/8" | \$ 28.27 | \$ 30.24 | \$ 32.06 | \$ 33.66 | \$ 35.34 |
| 3/4" | \$ 28.27 | \$ 30.24 | \$ 32.06 | \$ 33.66 | \$ 35.34 |
| 1" | \$ 42.36 | \$ 45.33 | \$ 48.05 | \$ 50.45 | \$ 52.97 |
| 1 1/2" | \$ 77.61 | \$ 83.04 | \$ 88.03 | \$ 92.43 | \$ 97.05 |
| 2" | \$ 119.91 | \$ 128.30 | \$ 136.00 | \$ 142.80 | \$ 149.94 |
| 3" | \$ 232.70 | \$ 248.98 | \$ 263.92 | \$ 277.12 | \$ 290.97 |
| 4" | \$ 359.58 | \$ 384.75 | \$ 407.84 | \$ 428.23 | \$ 449.64 |
| Volumetric Charge | FY1718 | FY1819 | FY1920 | FY2021 | FY2122 |
| Flat Rate | \$ 10.12 | \$ 10.83 | \$ 11.48 | \$ 12.06 | \$ 12.66 |
| Sewer Service Charge | FY1819 | | FY1920 | FY2021 | |
| Sewer Rate | \$ 178.80 | | \$ 214.56 | \$ 257.47 | |

Operating Revenue Budget

| | FY1920 | FY1819 | FY1819 | FY1920 PROPOSED BUDGET | | | |
|--------------------------------|----------------------|----------------------|----------------------|---------------------------|-----------|-------------------------|-----------|
| | Proposed Budget | Adopted Budget | Estimated Actuals | Variance to FY1819 Budget | | Variance to FY1819 Est. | |
| Operating Revenue | | | | | | | |
| Water Basic | \$ 3,163,000 | \$ 2,986,000 | \$ 2,984,000 | \$ 177,000 | 6% | \$ 179,000 | 6% |
| Water Usage | 7,395,500 | 6,846,000 | 7,024,000 | 549,500 | 8% | 371,500 | 5% |
| Sewer Fund | 132,170 | 100,000 | 110,140 | 32,170 | 32% | 22,030 | 20% |
| Sale of Meters | 55,000 | 30,000 | 30,000 | 25,000 | 83% | 25,000 | 83% |
| Operating Grants | 10,000 | - | - | 10,000 | 0% | 10,000 | 0% |
| Miscellaneous Fees & Charges | 75,780 | 60,000 | 78,000 | 15,780 | 26% | (2,220) | -3% |
| Total Operating Revenue | \$ 10,831,450 | \$ 10,022,000 | \$ 10,226,140 | \$ 809,450 | 8% | \$ 605,310 | 6% |

Operating Revenue as % of Budget

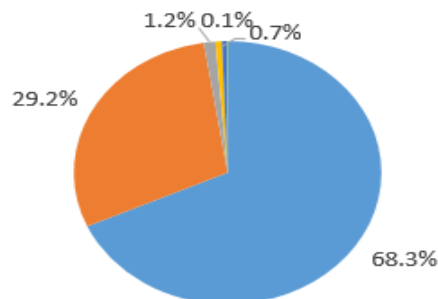
Water Usage

Water Basic

Sewer Fund

Miscellaneous Fees & Charges

Sale of Meters



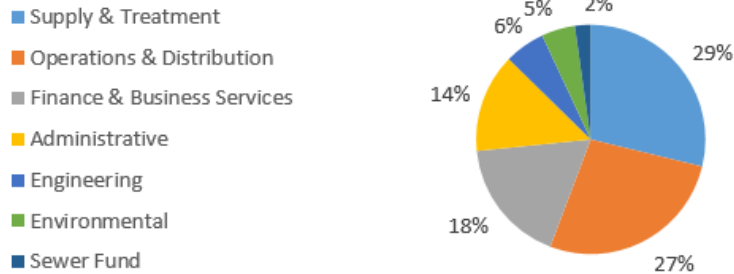
OPERATING EXPENSE SUMMARY

The below shows the operating expense summary by department and category. Individual departments are highlighted later in this document.

Operating Expense Budget by Department

| | FY1920 Proposed Budget | FY1819 Adopted Budget | FY1819 Estimated Actuals | FY1920 PROPOSED BUDGET | | | |
|---------------------------------------|------------------------------|-----------------------------|--------------------------------|------------------------------|------------|------------------------------------|-----------|
| | | | | Variance to FY1819 Budget | | Variance to FY1819 Est. Actuals | |
| Administrative | \$ 1,089,851 | \$ 1,196,980 | \$ 1,232,983 | \$ (107,129) | -9% | \$ (143,132) | -12% |
| Finance & Business Services | 1,378,104 | 1,353,931 | 1,344,387 | 24,173 | 2% | 33,717 | 3% |
| Engineering | 446,117 | 268,865 | 150,818 | 177,252 | 66% | 295,299 | 196% |
| Operations & Distribution | 2,106,985 | 2,168,424 | 2,072,958 | (61,439) | -3% | 34,028 | 2% |
| Environmental | 370,709 | 620,665 | 553,628 | (249,956) | -40% | (182,919) | -33% |
| Supply & Treatment | 2,251,657 | 2,206,874 | 2,212,456 | 44,783 | 2% | 39,201 | 2% |
| Sewer Fund | 173,733 | 145,917 | 126,461 | 27,816 | 19% | 47,272 | 37% |
| Total Operating by Departments | \$ 7,817,156 | \$ 7,961,656 | \$ 7,693,691 | \$ (144,500) | -2% | \$ 123,465 | 2% |

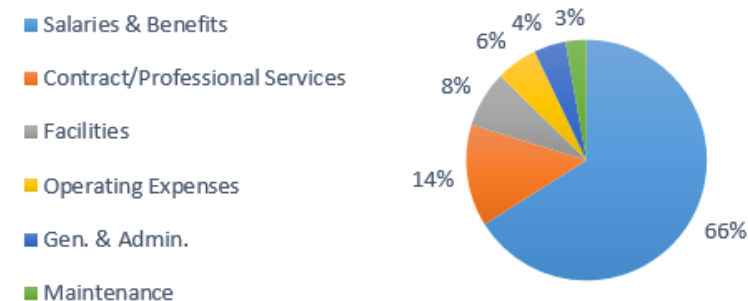
Operating Expense Budget by Department as % of Budget



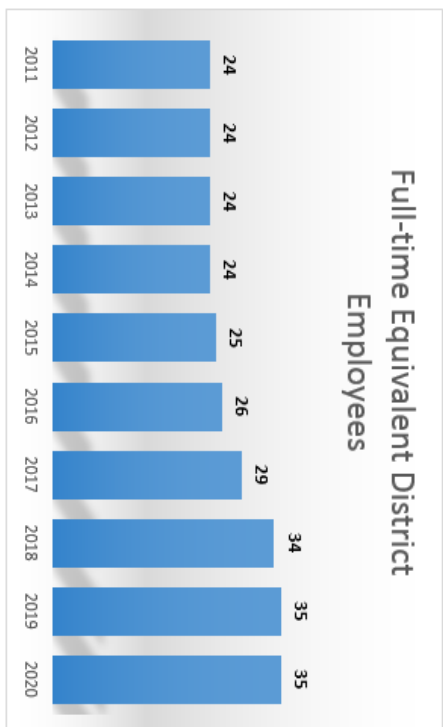
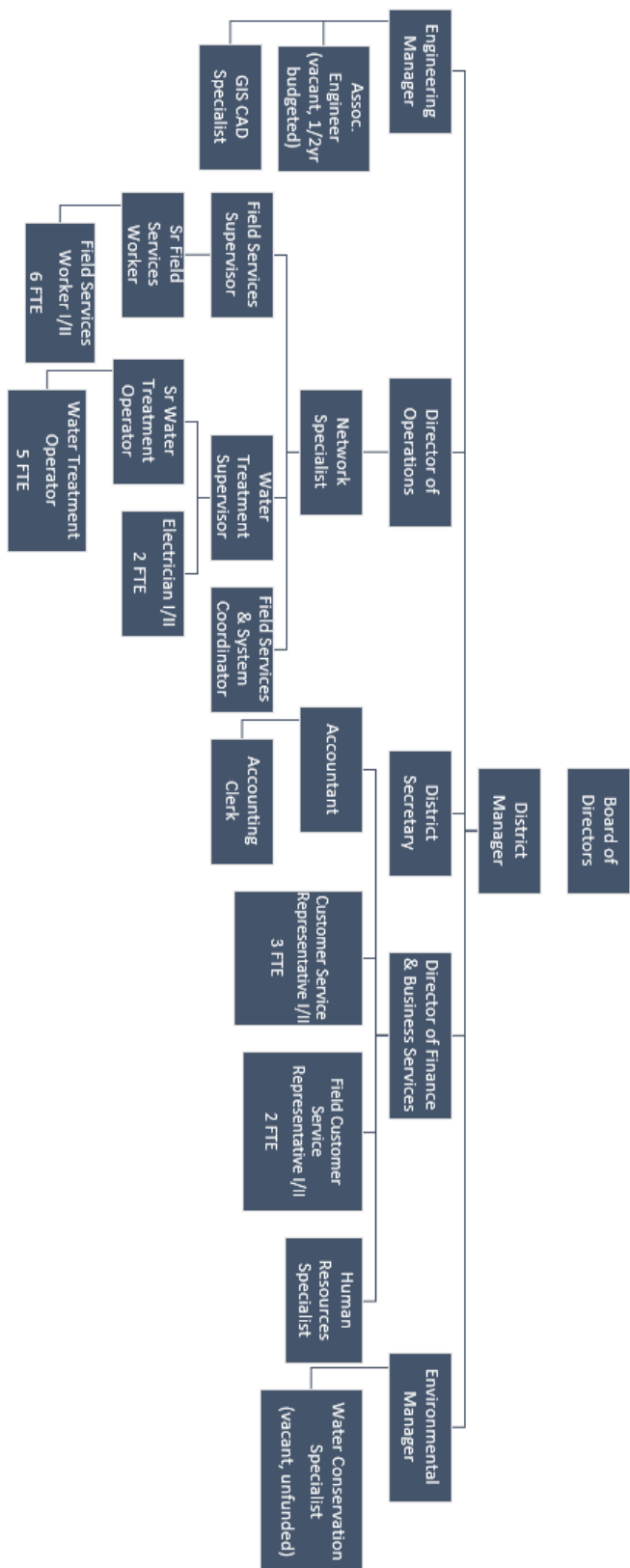
Operating Expense Budget by Expense Category

| | FY1920 Proposed Budget | FY1819 Adopted Budget | FY1819 Estimated Actuals | FY1920 PROPOSED BUDGET | | | |
|------------------------------------|------------------------------|-----------------------------|--------------------------------|------------------------------|------------|------------------------------------|-----------|
| | | | | Variance to FY1819 Budget | | Variance to FY1819 Est. Actuals | |
| Salaries & Benefits | \$5,164,975 | \$5,048,246 | \$4,830,428 | \$ 116,729 | 2% | \$ 334,547 | 7% |
| Contract/Professional Services | 1,070,711 | 1,316,360 | 1,332,227 | (245,649) | -19% | (261,516) | -20% |
| Operating Expenses | 435,250 | 420,500 | 415,826 | 14,750 | 4% | 19,424 | 5% |
| Maintenance | 218,850 | 184,350 | 175,878 | 34,500 | 19% | 42,972 | 24% |
| Facilities | 591,700 | 571,800 | 580,276 | 19,900 | 3% | 11,424 | 2% |
| Gen. & Admin. | 335,670 | 420,400 | 359,056 | (84,730) | -20% | (23,386) | -7% |
| Total Operating by Category | \$ 7,817,156 | \$ 7,961,656 | \$ 7,693,691 | \$ (144,500) | -2% | \$ 123,465 | 2% |

Operating Expense Budget by Category as % of Budget



ORGANIZATIONAL CHART



PERSONNEL

Overall, the largest operating expense of the District is the salary & benefits portion, making up approximately 64% of the overall operating expense. The FY2019/20 budget consists of 34.5 full-time equivalent (FTE) employees, with over 65% of them typically being out in the field. District employees make our mission to provide our customers and all future generations with reliable, safe, and high quality water possible.

REQUESTED NEW HIRES:

There is one new hire position planned for this fiscal year budget:

- Associate Engineer, budgeted hire January 2020

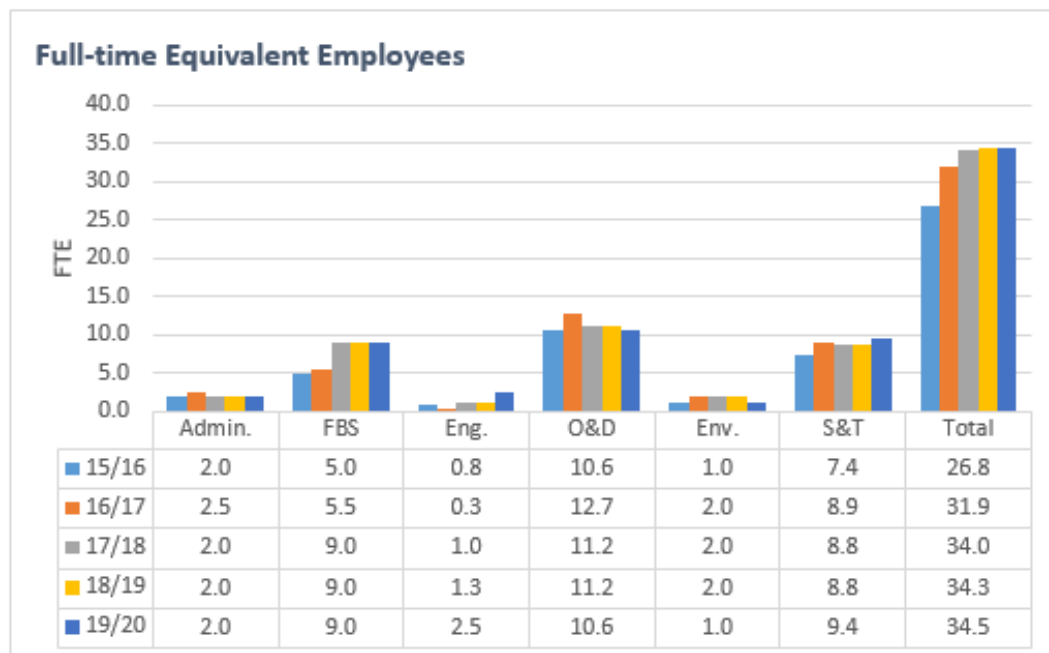
The chart below displays the FTE in FY1920 based on hire date, showing the year over year change versus the Org Chart where it displays them as of year-end being 35 FTE.

VARIANCE TO PRIOR YEAR BUDGET:

Salaries and benefits expenses have increased approximately \$117K or 2% compared to the prior year budget. This is due to the full year of prior year water treatment hire and the half year of budgeted new hire this year, mentioned above.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

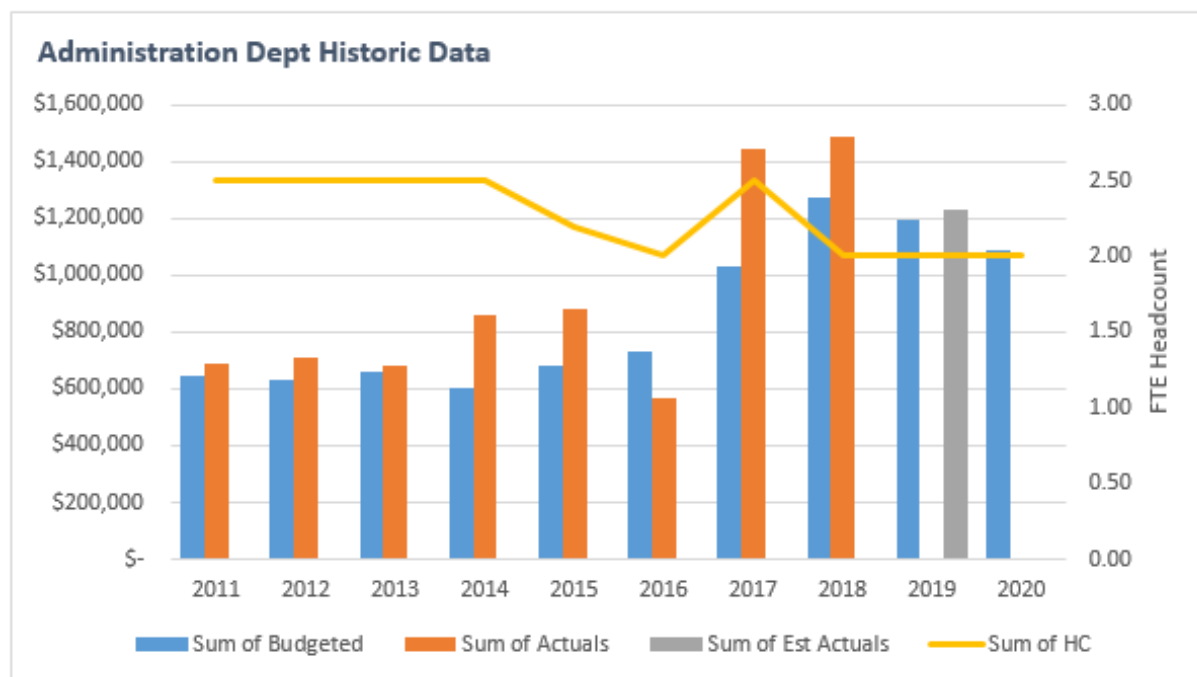
Salaries and benefits expenses have increased approximately \$335K or 7% compared to prior year estimated actuals. Approximately \$270K of this is related to new hires, \$60K related to pension payments and remainder regular employee increases. This was offset with savings from no longer funding the Water Conservation Specialist position.



ADMINISTRATION DEPARTMENT

The Administration Department is responsible for maintaining communications, coordinating meetings and providing requested support to the public and the Board of Directors. The department assists in developing policies and procedures, rules and regulations and the overall strategic plan of the District. There are 2 FTE employees.

- The District Manager is appointed by the Board of Directors and is responsible for exercising overall supervision of District staff. The District Manager is responsible for the execution of contracts and other documents on behalf of the District to the extent provided by the Board of Directors.
- The District Secretary prepares Board agenda packets for all Board meetings, documents the notes from the meetings, maintains insurance policies and claims, and coordinates public outreach communication with staff or third party consultants.
- This department also contains the direct expenses of the Board of Directors.



ADMINISTRATION DEPARTMENT

| | FY1920 Proposed Budget | FY1819 Adopted Budget | FY1819 Estimated Actuals | FY1920 PROPOSED BUDGET | | | |
|--------------------------------|---------------------------------------|--------------------------------------|---|--------------------------------------|------------|------------------------------------|-------------|
| | | | | Variance to FY1819 Budget | | Variance to FY1819 Est. | |
| Salaries & Benefits | \$ 491,956 | \$ 450,812 | \$ 440,028 | \$ 41,144 | 9% | \$ 51,927 | 12% |
| Contract/Prof. Services | 394,100 | 534,000 | 590,000 | (139,900) | -26% | (195,900) | -33% |
| Operating Expenses | 1,986 | 993 | 2,071 | 993 | 100% | (85) | -4% |
| Maintenance | 15,887 | 15,887 | 15,887 | - | 0% | (0) | 0% |
| Facilities | 26,810 | 25,817 | 26,389 | 993 | 4% | 421 | 2% |
| Gen. & Admin. | 159,112 | 169,471 | 158,608 | (10,359) | -6% | 505 | 0% |
| Total Operating Expense | \$ 1,089,851 | \$ 1,196,980 | \$ 1,232,983 | \$ (107,129) | -9% | \$ (143,132) | -12% |

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have decreased \$107K or (9%) compared to the prior year budget. The decrease is due to less outside consultant and professional services expenditures, with the majority being legal and less outside public relation consultants.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have decreased \$143K or (12%) compared to the estimated prior year actuals. The decrease is related to decreased legal fees, with approximately \$100K being related to the legal settlement in FY1819 and not continuing with certain memberships such as ACWA.

BUDGET EXPENDITURES TO NOTE:

Contract/Professional Services:

- \$195K for legal services. FY1819 estimated actuals are \$340K.
 - There was a \$75K legal settlement, with estimated \$25K in additional legal fees in FY1819.
- \$140K for participation in the Santa Margarita Groundwater Agency.

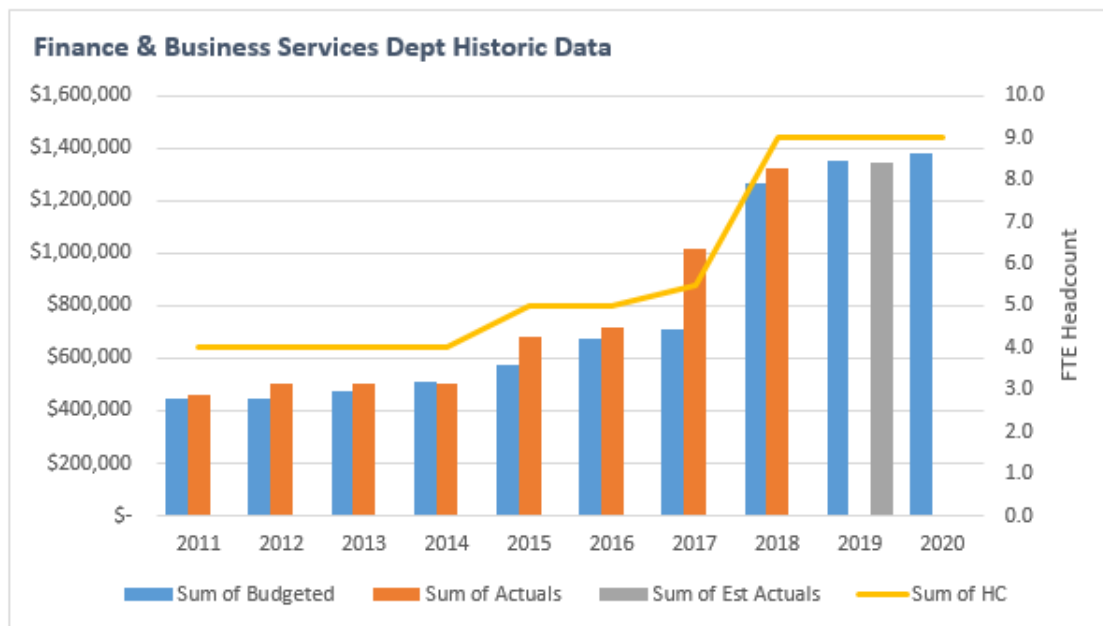
General & Administrative Services:

- \$105K for insurances, this includes the increase notice from the carrier.
- \$25K for different memberships such as LAFCO and CSDA.

FINANCE & BUSINESS SERVICES DEPARTMENT

The Finance & Business Services (FBS) Department is responsible for the District's accounting and financial duties, customer service, field customer service and human resources needs. The department has the responsibility to oversee the general day-to-day business of the District, meeting short and long term financial objectives, as well as ensuring all financial reporting requirements are being met. There are 9 FTE employees.

- The Customer Service Team is responsible for customer accounts, billing, processing payments, customer inquiries and assigning customer service orders.
- The Field Customer Service Team is responsible for reading and maintaining meters, investigating high and low usage, turning service on/off, customer rebate program field review and other service orders as assigned.
- Human Resources (HR) provides administrative and operational support to District employees and retirees on payroll, benefits administration (FSA, FMLA, COBRA etc.), CalPERS, recruitment, MOU negotiations, training and other essential HR functions.
- The Finance Team is responsible for finance and accounting duties that support all departments, ensuring adequate internal controls, and preparing and analyzing annual financial and budget reports of the District. This department also maintains the general ledger, accounts payable/receivable, capital project accounting, grant accounting, payroll, inventory management and purchasing.



FINANCE & BUSINESS SERVICES DEPARTMENT

Finance & Business Services by Expense Category

| | FY1920 Proposed Budget | FY1819 Adopted Budget | FY1819 Estimated Actuals | FY1920 PROPOSED BUDGET | | | |
|--------------------------------|---------------------------------------|--------------------------------------|---|--------------------------------------|-----------|------------------------------------|-----------|
| | | | | Variance to FY1819 Budget | | Variance to FY1819 Est. | |
| Salaries & Benefits | \$ 1,102,927 | \$ 1,075,259 | \$ 1,048,826 | \$ 27,668 | 3% | \$ 54,101 | 5% |
| Contract/Prof. Services | 108,728 | 105,253 | 111,436 | 3,475 | 3% | (2,708) | -2% |
| Operating Expenses | 1,738 | 993 | 1,619 | 745 | 75% | 119 | 7% |
| Maintenance | 15,738 | 12,759 | 15,391 | 2,979 | 23% | 348 | 2% |
| Facilities | 1,500 | - | - | 1,500 | 0% | 1,500 | 0% |
| Gen. & Admin. | 147,473 | 159,667 | 167,116 | (12,193) | -8% | (19,642) | -12% |
| Total Operating Expense | \$ 1,378,104 | \$ 1,353,931 | \$ 1,344,387 | \$ 24,173 | 2% | \$ 33,717 | 3% |

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have increased \$24K or 2% compared to the prior year budget. The increase is due to changes in employee benefits and regular increases in salaries and benefits. Other increases are due to Badger meter fees, and maintenance of vehicles. The District is currently looking for ways to decrease the banking fees associated with payment conveniences, such as fees associated with credit card payments.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have increased \$43K or 3% compared to the estimated prior year actuals. The increase is due to changes in employee benefits and regular increases in salaries and benefits.

BUDGET EXPENDITURES TO NOTE:

Contract/Professional Services:

- \$30K for software related
- \$35K billing related
- \$15K human resources related
- \$21K for audit services

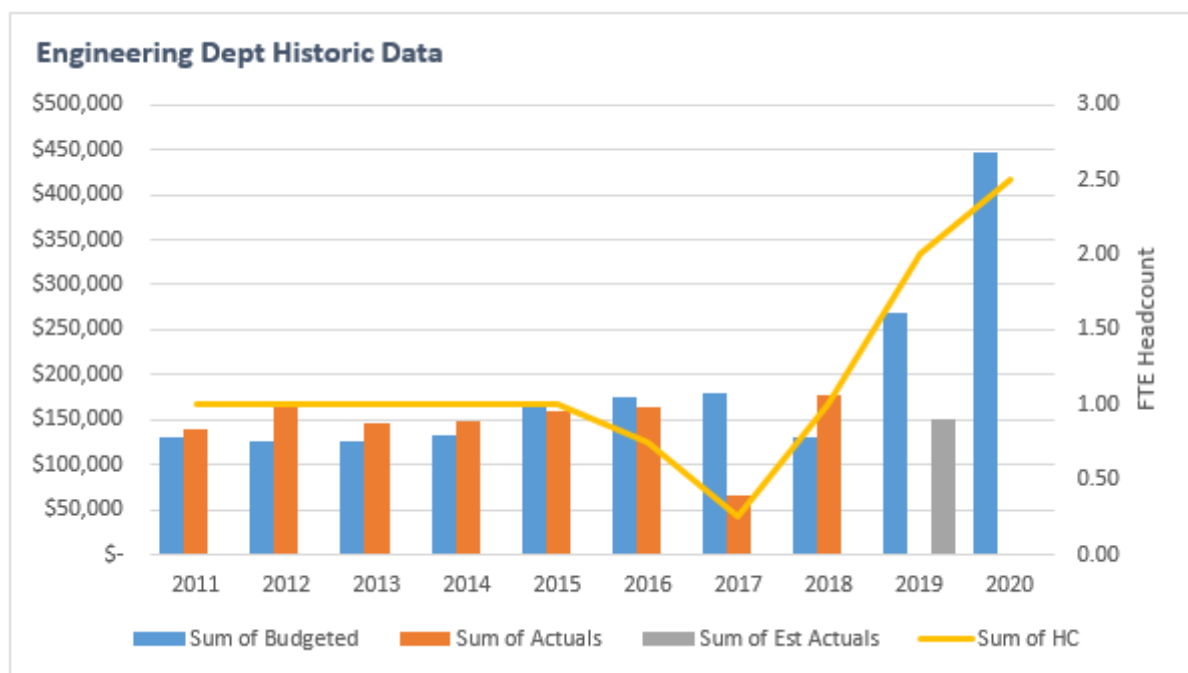
General & Administrative Services:

- \$100K for banking related, mainly due to online and credit card payments
- \$33K for postage

ENGINEERING DEPARTMENT

The Engineering Department designs, plans, coordinates and inspects the efforts of projects to expand the water system. Projects can include contracted out projects or internal meter reviews for individual parcels coming on to the water system. Engineering also maintains the District infrastructure drawings and maps. The Engineering Department is responsible for Geographic Information Systems (GIS) and the development of valuable tools for more efficient and effective access, linking, analysis, and maintenance of information for and about the District and its service connections. There are 2 FTE, with an Engineering Associate budgeted to start mid-year, for a total of 2.5 FTE for the budget, but 3 FTE ongoing.

The District recently hired an Engineering Manager, it is estimated 50% of the time will be capitalized to projects. This will show up as overhead absorption, crediting the operating expenses for the work capitalized. This remains as a budgeted operating expense as it is an ongoing expense of the District and can fluctuate for the basis of time worked on different tasks.



ENGINEERING DEPARTMENT

Engineering by Expense Category

| | FY1920 | FY1819 | FY1819 | FY1920 PROPOSED BUDGET | | | |
|--------------------------------|-------------------|-------------------|-------------------|------------------------|------------|-------------------|-------------|
| | Proposed | Adopted | Estimated | Variance to | | Variance to | |
| | Budget | Budget | Actuals | FY1819 Budget | | FY1819 Est. | |
| | | | | | | Actuals | |
| Salaries & Benefits | \$ 379,817 | \$ 246,165 | \$ 121,450 | \$ 133,652 | 54% | \$ 258,367 | 213% |
| Contract/Prof. Services | 32,000 | 15,000 | 25,000 | 17,000 | 113% | 7,000 | 28% |
| Operating Expenses | 23,000 | - | - | 23,000 | 0% | 23,000 | 0% |
| Maintenance | 1,000 | - | - | 1,000 | 0% | 1,000 | 0% |
| Facilities | 2,500 | 1,200 | 500 | 1,300 | 108% | 2,000 | 400% |
| Gen. & Admin. | 7,800 | 6,500 | 3,868 | 1,300 | 20% | 3,932 | 102% |
| Total Operating Expense | \$ 446,117 | \$ 268,865 | \$ 150,818 | \$ 177,252 | 66% | \$ 295,299 | 196% |

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have increased \$177K or 66% compared to the prior year budget. The increase from the prior year budget is due to the change from a Project Coordinator to an Engineering Manager, along with the mid-year Associate Engineer new hire position. The other increases are related to equipment or software associated with the new hires.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have increased \$295K or 196% compared to the estimated prior year actuals. The increase from the prior year estimated actuals is due to the timing of hiring the Engineering Manager position. It was originally slated to be a full year, but was only about 2.5 months.

BUDGET EXPENDITURES TO NOTE:

Contract/Professional Services:

- \$15K other outside engineering work
- \$10K software maintenance
- \$7K scanning services

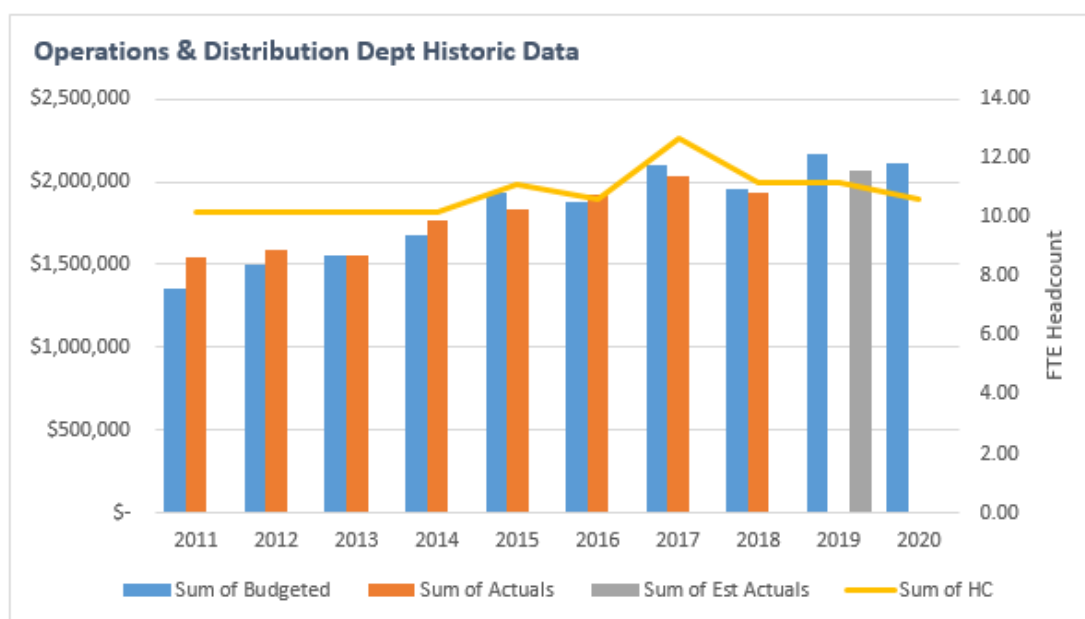
Operating Expenses:

- \$15K GPS location equipment
- \$8K equipping two new employees

OPERATIONS & DISTRIBUTION DEPARTMENT

The Operations & Distribution Department is responsible for the District's operations and maintenance of the water system infrastructure, wastewater system, facilities security and emergency preparedness programs. In addition to complying with all applicable environmental regulations, this department is responsible for: performing preventive and corrective fleet, facilities and right of way maintenance, managing computerized controls equipment and monitoring and maintaining infrastructure assets. The Operations Team operates the water system and facilities 24-hour a day, 7 days a week. There are 10.6 FTE employees.

- The Director of Operations oversees all staff within the Operations & Distribution and Supply & Treatment Departments.
- The Field Services Supervisor oversees the Field Service Worker staff, who are responsible for the daily operation and maintenance of the systems, repairing and replacing service lines, distribution mains and valves, annual flushing to maintain water quality and locating services from Dial 811.
- The Field Services & System Coordinator provides administrative support to the Director of Operations, and performs a variety of field work relative to the operations and maintenance of water and wastewater systems.
- The Network Specialist performs administrative and technical work maintaining servers, computers and peripherals; maintains and prepares records and reports; monitors SCADA systems to report alarms; develops and maintains the District website, email and security systems.



OPERATIONS & DISTRIBUTION DEPARTMENT

Operations & Distribution by Expense Category

| | FY1920 Proposed Budget | FY1819 Adopted Budget | FY1819 Estimated Actuals | FY1920 PROPOSED BUDGET | | | |
|--------------------------------|---------------------------------------|--------------------------------------|---|--------------------------------------|------------|------------------------------------|-----------|
| | | | | Variance to FY1819 Budget | | Variance to FY1819 Est. | |
| Salaries & Benefits | \$ 1,482,930 | \$ 1,529,876 | \$ 1,477,259 | \$ (46,946) | -3% | \$ 5,671 | 0% |
| Contract/Prof. Services | 140,000 | 142,000 | 110,000 | (2,000) | -1% | 30,000 | 27% |
| Operating Expenses | 172,000 | 187,000 | 186,171 | (15,000) | -8% | (14,171) | -8% |
| Maintenance | 105,749 | 108,728 | 98,302 | (2,979) | -3% | 7,447 | 8% |
| Facilities | 197,866 | 191,387 | 194,991 | 6,479 | 3% | 2,875 | 1% |
| Gen. & Admin. | 8,440 | 9,433 | 6,235 | (993) | -11% | 2,205 | 35% |
| Total Operating Expense | \$ 2,106,985 | \$ 2,168,424 | \$ 2,072,958 | \$ (61,439) | -3% | \$ 34,028 | 2% |

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have decreased \$61K or 3% compared to the prior year budget. The Deputy Director of Operations position was created for retirement transition. This was fulfilled in FY1819 and the position is not being refilled. There was \$42K budgeted for leak detection work in the prior year, this does not occur every year.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have increased \$34K or 2% compared to the estimated prior year actuals. The increase is associated with \$40K prior stream flow gaging being expensed to the Environmental department, where the operation portion will now hit this department.

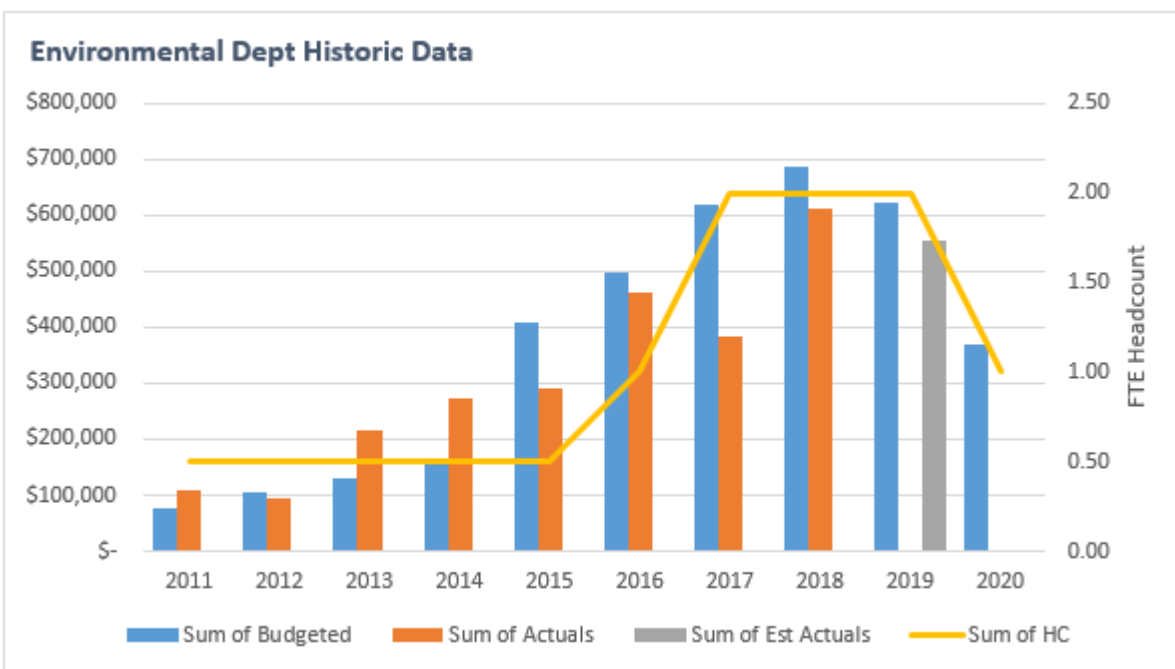
BUDGET EXPENDITURES TO NOTE:

The majority are routine, regularly occurring expenses such as utilities, vehicle maintenance, inventory parts, other regular maintenance and so forth.

ENVIRONMENTAL DEPARTMENT

The Environmental Department oversees an array of strategies and programs related to providing a safe, reliable and sustainable water supply. There is 1 FTE employees.

- Facilitates District's sustainable water supply planning.
- Conducts environmental permitting for capital improvement projects.
- Conducts legislative review and advocates to protect District resources.
- Facilitates public engagement and communication of District activities through an integrated multi-media approach.
- Helps identify current or potential drought conditions to help the District increase water conservation guidelines to meet demand and regulatory requirements.
- Identifies grant funding opportunities, prepares applications, coordinates with other agencies for collaborative grants and administers grants awarded.
- Manages District lands to protect water supply.



ENVIRONMENTAL DEPARTMENT

Environmental by Expense Category

| | FY1920 | FY1819 | FY1819 | FY1920 PROPOSED BUDGET | | | |
|--------------------------------|------------------|------------------|-------------------|---------------------------|-------------|---------------------------------|-------------|
| | Proposed Budget | Adopted Budget | Estimated Actuals | Variance to FY1819 Budget | | Variance to FY1819 Est. Actuals | |
| Salaries & Benefits | \$ 193,048 | \$ 264,605 | \$ 281,137 | \$ (71,557) | -27% | \$ (88,089) | -31% |
| Contract/Prof. Services | 160,111 | 275,360 | 246,000 | (115,249) | -42% | (85,889) | -35% |
| Operating Expenses | 4,500 | 4,500 | 2,441 | - | 0% | 2,059 | 84% |
| Maintenance | 8,000 | 10,000 | 5,000 | (2,000) | -20% | 3,000 | 60% |
| Facilities | 1,200 | 600 | 2,224 | 600 | 100% | (1,024) | -46% |
| Gen. & Admin. | 3,850 | 65,600 | 16,827 | (61,750) | -94% | (12,977) | -77% |
| Total Operating Expense | \$370,709 | \$620,665 | \$553,628 | \$(249,956) | -40% | \$(182,919) | -33% |

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have decreased \$250K or (40%) compared to the prior year budget. There are major reductions in the water conservation program, along with no longer funding the Water Conservation Specialist position. Prior year had a temperature monitoring program that will not occur this year, and there was the change in coding of the \$40K stream gaging that is now in Operations department.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have decreased \$183K or 33% compared to the estimated prior year actuals. Similar to the above, and the offset by irregular occurring items such work for the 2020 Urban Water Management Plan (UWMP). Different programs or requirements vary by year in which they occur, which makes this department subject to varying costs year by year.

BUDGET EXPENDITURES TO NOTE:

Contract/Professional Services:

- \$55K Hydrogeologist Consulting Services
- \$55K Stream Flow Monitoring
- \$20K Water Shortage Contingency Plan/ Drought Risk Assessment – UWMP
- \$12K Fish & Habitat Monitoring

Please see the following page for further explanation of some of these projects.

ENVIRONMENTAL DEPARTMENT

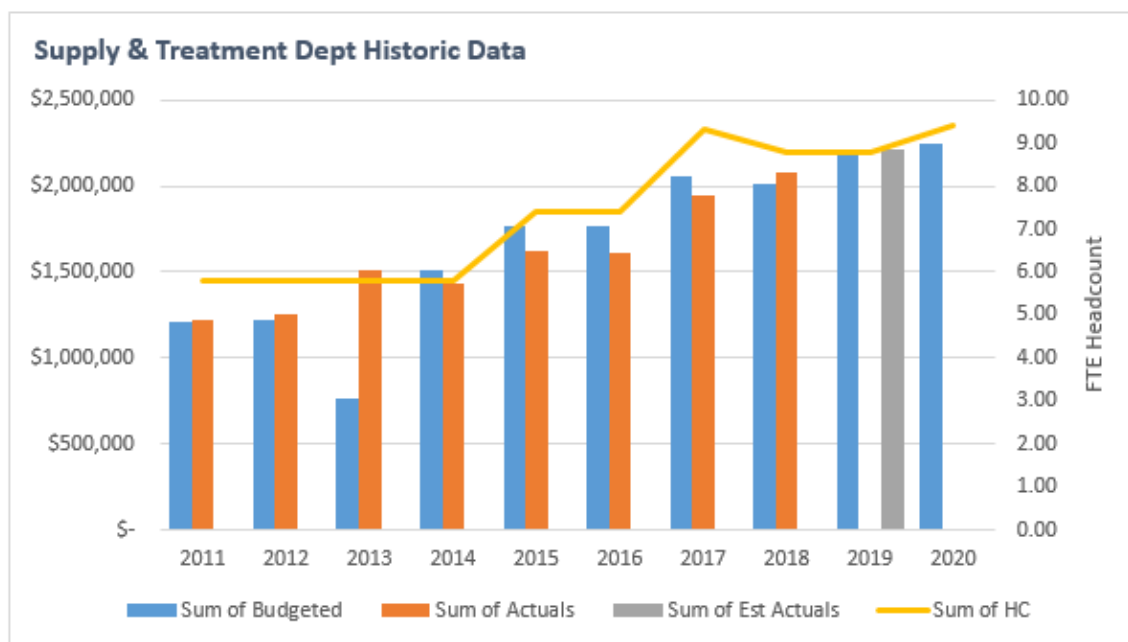
Below further explains some of the major projects within the department. Some professional services are more regularly recurring, others studies come up more irregularly or are one-time expenses.

- Hydrogeologist Consulting Services – An as needed contract to provide hydrogeologic expertise to the District in support of the District’s ongoing sustainable water supply planning efforts.
- Stream Flow Monitoring – The District has monitored stream flow in the San Lorenzo River and tributaries associated with District diversions for 4 years to quantify the impact on river habitat. The data is being used to improve District operations to ensure water supply reliability and improve fish habitat. Changes in district operations will likely require changes to water rights. Further monitoring will quantify habitat improvements, and will be used to negotiate forbearance agreements and bypass flow requirements.
- Water Shortage Contingency Plan/ Drought Risk Assessment –Drought Risk Assessment and other requirements will be components of the 2020 Urban Water Management Plan (UWMP) Update. Development of this document will begin spring 2020, and will be the 1st phase of the 2020 UWMP due July 2021. The full cost of the UWMP update will be approximately \$70K with the majority being expensed in FY2021. The UWMP is required for all water purveyors who serve over 3,000 connections and are required to be complete and in good standing in order to qualify for grants and loans.
- Fish & Habitat Monitoring – The District has been partnering with the Juvenile Salmonid and Steelhead Habit Monitoring Partner Group (JSSH) for 20 years to monitor fish populations and habitat quality throughout Santa Cruz County. JSSH is developing new tools to help make informed decisions about conservation and restoration and to improve science communication with regard to fish and habitat. Partners are providing staff for monitoring field work to lower costs.

SUPPLY & TREATMENT DEPARTMENT

The Supply & Treatment Department receives raw water from multiple surface and groundwater sources. The department treats the water utilizing full conventional treatment technologies to meet all state and federal potable water standards and performs all chemical and biologic analyses required by the California Department of Public Health and the U.S. Environmental Protection Agency. There are 9.4 FTE employees.

- The Water Treatment Supervisor plans, organizes, and participates in the operation, maintenance and repair of equipment used in the operation of the water and wastewater treatment systems, including wells, pumps, valves, reservoirs and treatment plants. This position also plans and implements a comprehensive water quality monitoring program.
- The Water Treatment Operator staff inspect stream intakes, water production, treatment and storage facilities, and wastewater collection, transmission and treatment facilities. This team also collects water and wastewater samples at various locations, performs routine laboratory analysis and records and reports results.
- The Electrician Staff perform a variety of skilled work related to the installation, maintenance and repair of industrial high voltage electrical motors, motor controls and equipment used in water and wastewater facilities; and installs, maintains, calibrates, repairs and operates electrical, pneumatic and mechanical instrumentation, controls, and equipment associated with the Supervisor Control and Data Acquisition (SCADA) system.



SUPPLY & TREATMENT DEPARTMENT

Supply & Treatment by Expense Category

| | FY1920 Proposed Budget | FY1819 Adopted Budget | FY1819 Estimated Actuals | FY1920 PROPOSED BUDGET | | | |
|--------------------------------|---------------------------------------|--------------------------------------|---|--------------------------------------|-----------|------------------------------------|-----------|
| | | | | Variance to FY1819 Budget | | Variance to FY1819 Est. | |
| Salaries & Benefits | \$ 1,457,630 | \$ 1,438,509 | \$ 1,407,852 | \$ 19,121 | 1% | \$ 49,777 | 4% |
| Contract/Prof. Services | 160,000 | 180,000 | 210,000 | (20,000) | -11% | (50,000) | -24% |
| Operating Expenses | 207,000 | 204,000 | 204,498 | 3,000 | 1% | 2,502 | 1% |
| Maintenance | 70,003 | 34,753 | 40,094 | 35,250 | 101% | 29,909 | 75% |
| Facilities | 349,577 | 341,669 | 345,352 | 7,908 | 2% | 4,225 | 1% |
| Gen. & Admin. | 7,447 | 7,944 | 4,659 | (496) | -6% | 2,788 | 60% |
| Total Operating Expense | \$ 2,251,657 | \$ 2,206,874 | \$ 2,212,456 | \$ 44,783 | 2% | \$ 39,201 | 2% |

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have increased \$45K or 2% compared to the prior year budget. The increase is due to needed repairs to some vehicles and maintenance such as replacing treatment plant flooring. Offsetting each other is the portion of the Deputy Director of Operations position not being refilled and the full year of the Water Treatment Plant Operator new hire from the prior year.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have increased \$39K or 2% compared to the estimated prior year actuals. The increase is due to the full year of the prior year hire and increased maintenance. This is offset by high contract services for unexpected well rehab in the prior year.

BUDGET EXPENDITURES TO NOTE:

The majority are routine, regularly occurring expenses such as utilities, maintenance, alarm services, and so forth.

Contract/Professional Services:

- \$60K for water analysis, testing requirements will vary by year.

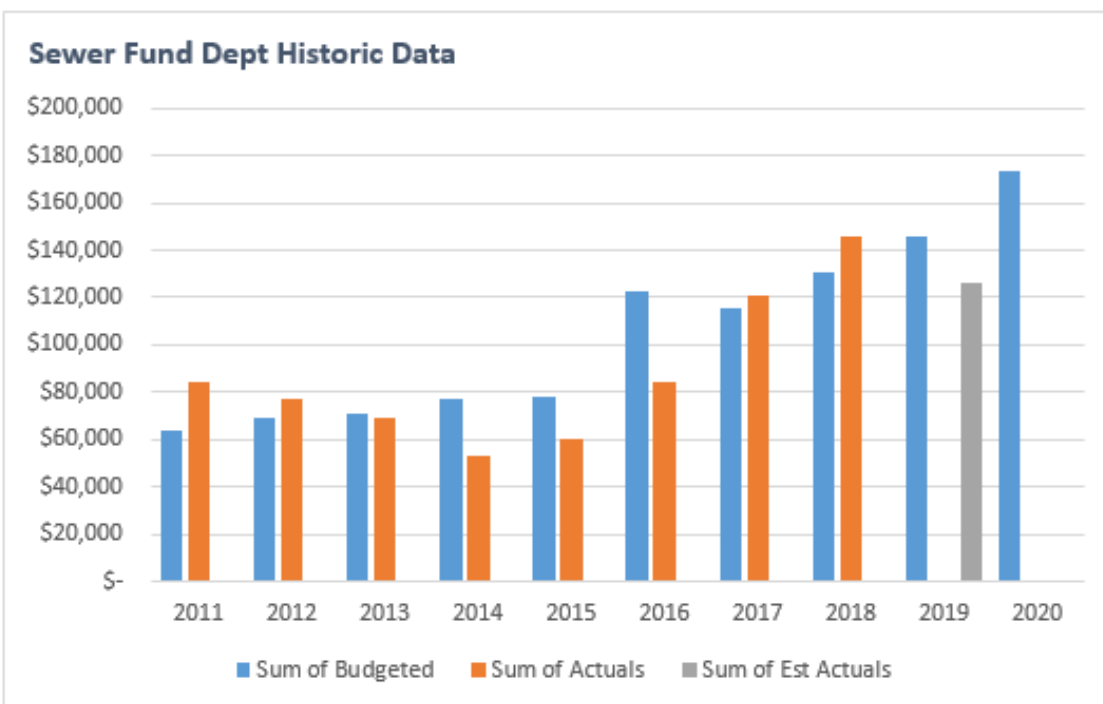
Operating Expenses:

- \$20K for new laboratory supplies needed for required state sampling.

SEWER FUND

The District owns, operates and maintains a wastewater system in Boulder Creek's Bear Creek Estates, which serves approximately 56 homes. The system is operating on a routine or as needed basis with direct staff being allocated from the Operations & Distribution or Supply & Treatment Departments. An indirect allocation process is used based on number of overall customers to allocate indirect costs identified as being a shared benefit to all customers.

- The system collects and treats domestic wastewater flow.
- The existing collection system consists of 19 manholes, 2 cleanouts, approximately 3,600 linear feet of gravity sewer, 2,600 linear feet of force mains, 2 sewer pump stations and 56 laterals.
- Initially constructed in 1985, it consisted of two (2) cast-in-place, underground concrete tanks, an influent pump station and an effluent pump station discharging treated effluent to a subsurface 2.3-acre leach field.
- From 2005 through 2013, the District completed several modifications aimed at achieving regulatory compliance and improved nitrogen removal efficiency. This resulted in the existing treatment septic system being modified to incorporate a 3-stage trickling filter system, new internal recirculation/splitter/ball valves, and new air blowers with high capacity disc diffusers in the clarifier tanks.
- Due to higher regulatory requirements, there is still significant improvements needed for the wastewater system.



SEWER FUND

Sewer Fund by Expense Category

| | FY1920 | FY1819 | FY1819 | FY1920 PROPOSED BUDGET | | | |
|--------------------------------|-------------------|-------------------|-------------------|---------------------------|------------|---------------------------------|------------|
| | Proposed Budget | Adopted Budget | Estimated Actuals | Variance to FY1819 Budget | | Variance to FY1819 Est. Actuals | |
| Salaries & Benefits | \$ 56,667 | \$ 43,020 | \$ 53,875 | \$ 13,647 | 32% | \$ 2,792 | 5% |
| Contract/Prof. Services | 75,772 | 64,747 | 39,791 | 11,025 | 17% | 35,981 | 90% |
| Operating Expenses | 25,026 | 23,014 | 19,026 | 2,012 | 9% | 6,000 | 32% |
| Maintenance | 2,472 | 2,222 | 1,204 | 250 | 11% | 1,268 | 105% |
| Facilities | 12,248 | 11,128 | 10,820 | 1,120 | 10% | 1,428 | 13% |
| Gen. & Admin. | 1,547 | 1,785 | 1,744 | (238) | -13% | (197) | -11% |
| Total Operating Expense | \$ 173,733 | \$ 145,917 | \$ 126,461 | \$ 27,816 | 19% | \$ 47,272 | 37% |

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have increased \$28K or 19% compared to the prior year budget. The increase is due to allocations of direct and indirect staff time and expenses and increased consulting for the study on the system.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have increased \$47K or 37% compared to the estimated prior year actuals due to the upcoming study.

BUDGET EXPENDITURES TO NOTE:

Contract/Professional Services:

- \$30K for water analysis. Testing requirements will vary by year.
- \$45K for planned wastewater infrastructure study

NON-OPERATING REVENUE & EXPENSES

NON-OPERATING REVENUE

The District receives a large portion of non-operating revenue from the District's share of property taxes levied by the County on certain parcels within the District. Property tax revenue is typically designated to help pay any debt or fund reserves.

There is a portion of non-operating revenue received by two assessment districts, Olympia Mutual and Lompico. These are considered restricted funds, as they are specifically earmarked to repay debt from past projects or fund future projects.

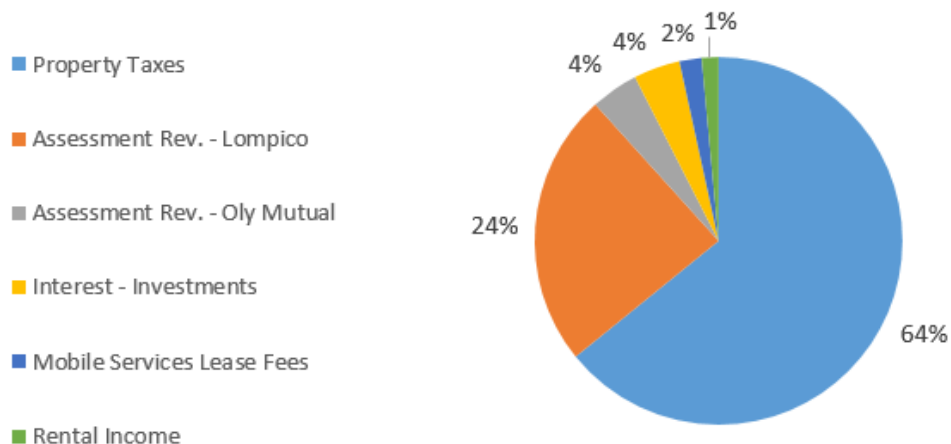
Non-Operating Revenue Budget

| | FY1920 Proposed Budget | FY1819 Adopted Budget | FY1819 Estimated Actuals | FY1920 PROPOSED BUDGET | | | |
|------------------------------------|------------------------------|-----------------------------|--------------------------------|------------------------------|-----------|------------------------------------|-----------|
| Non-operating Revenue | | | | Variance to FY1819 Budget | | Variance to FY1819 Est. Actuals | |
| Property Taxes | \$ 783,750 | \$ 738,400 | \$ 750,000 | \$ 45,350 | 6% | \$ 33,750 | 5% |
| Assessment Rev. - Oly Mutual | 51,000 | 51,000 | 51,000 | - | 0% | - | 0% |
| Assessment Rev. - Lompico | 295,000 | 295,000 | 300,000 | - | 0% | (5,000) | -2% |
| Mobile Services Lease Fees | 23,750 | 20,000 | 23,750 | 3,750 | 19% | - | 0% |
| Rental Income | 18,000 | 32,600 | 19,300 | (14,600) | -45% | (1,300) | -7% |
| Interest - Investments | 50,000 | 10,000 | 69,000 | 40,000 | 400% | (19,000) | -28% |
| Total Non-Operating Revenue | \$ 1,221,500 | \$ 1,147,000 | \$ 1,213,050 | \$ 74,500 | 6% | \$ 8,450 | 1% |

Capital Contributions

| | | | | | | | |
|------------------------------------|-------------|-------------|------------------|-------------|-----------|--------------------|--------------|
| Grants | \$ - | \$ - | \$ 33,000 | \$ - | 0% | \$ (33,000) | -100% |
| FEMA Reimbursements | - | - | - | - | 0% | - | 0% |
| Total Capital Contributions | \$ - | \$ - | \$ 33,000 | \$ - | 0% | \$ (33,000) | -100% |

Non-operating Revenue as % of Budget



NON-OPERATING EXPENSES

The main component of non-operating expenses are interest payments on debt owed.

For budgetary purposes, the District includes principal payments of debt as part of the non-operating expenses. Principal payments are a cash transaction, therefore deemed appropriate to be displayed in the budget as a non-operating expense. For regular financial purposes, principal debt payments would be shown as a cash payment and reduction on the balance sheet to reduce the debt liability.

The District is in the process of securing debt funding for capital projects. In the prior year, the District was utilizing the USDA program, more recently, favorable financing options have become available and the District is pursuing \$10-\$12M in financing expected to close late July 2019. A portion of the debt will go towards funding the Lompico Assessment District projects. The estimated structure will be 3-4% with a 30 year term. FY1920 will only see one of the semi-annual debt payments for the new financing.

Non-Operating Expenses

| Interest Expense | FY1920 |
|-------------------------------|-------------------|
| Refunding Bond | \$ 26,267 |
| Felton Loan | 33,582 |
| Olympia SRF Loan | 37,987 |
| Probation Tank Loan | 77,146 |
| \$10.5M Loan Estimate | 263,500 |
| Solar Lease | 8,775 |
| Vehicle Lease | 1,953 |
| Total Interest Expense | \$ 449,210 |

| | | Additional Debt Information | | |
|----------------------------|-------------------|-----------------------------|------------|-------|
| | | FY1920 | Interest | |
| Debt Principal Payments | FY1920 | Balance | Term. Date | Rate |
| Refunding Bond | \$ 582,031 | \$ 1,199,872 | Ends 09/21 | 2.60% |
| Felton Loan | 153,215 | 603,777 | Ends 07/27 | 2.42% |
| Olympia SRF Loan | 66,246 | 1,396,206 | Ends 01/37 | 2.57% |
| Probation Tank Loan | 50,716 | 1,949,284 | Ends 09/38 | 3.88% |
| \$10.5M Loan Estimate | 47,500 | 10,452,500 | Ends XX/50 | ~3-4% |
| Solar Lease | 30,220 | 222,591 | Ends 11/26 | 3.67% |
| Vehicle Lease | 23,256 | 46,763 | Ends 05/22 | 3.29% |
| Total Debt Payments | \$ 953,184 | \$ 15,870,993 | | |

CAPITAL PROJECTS

SUMMARY

The Capital Improvement Projects (CIP) section is a component of the non-operating expense section of the budget. The CIP budget includes expenditures for fixed asset/equipment purchases as well as the accumulation of expenditures associated with construction projects undertaken by the District. Whenever a project is done in-house, the related labor costs will be capitalized to the project and off-set the operating expense.

The District funds capital projects by funding internally from cash reserves (pay-go), grants awarded, individual assessments or debt financing. In more recent years, the District has paid from cash reserves. For some of these upcoming projects, the District is attempting to leverage grant monies or debt financing. Interest rates are still near historic lows, financing by debt will allow the District to rebuild reserves at a more favorable interest rate.

The Capital Project Listing will list out project titles, anticipated funding, any monies spent in prior years, expected to be spent in the current budget year and any future spending. Each project will be described in further detail in the Capital Project Description sections.

FY1920 CAPITAL PROJECTS ADDITIONAL NOTES:

The District incurred storm damage from severe winter storms spanning December 2016-February 2017. The President of the United States has declared three major disasters making federal disaster aid available to 34 counties in the State of California, including Santa Cruz County. The District is currently working with FEMA on our qualified projects to receive an estimated 75% funding from FEMA. Some of these projects entail significant engineering and will continue to be worked on spanning into future fiscal years.

CAPITAL PROJECT LISTING

| # | Project | Funding Type | FY1920 BUDGET REQUEST | Future FY Projection | Total Project Cost | Est. Completion Year |
|----|------------------------------------|--------------------------|-----------------------------|-------------------------|-----------------------|-------------------------|
| | General Water System: | | | | | |
| 1 | Probation Tank | PRE FUNDED LOAN | 1,670,770 | - | 2,250,000 | FY1920 |
| 2 | Felton Heights Tank and Booster | LOAN | 300,000 | - | 300,000 | FY1920 |
| 3 | Meter Replacement | RESERVES | 200,000 | 1,935,137 | 2,400,000 | Ongoing |
| 4 | 1 Field CS Vehicle | RESERVES | 35,000 | - | 35,000 | FY1920 |
| 5 | 2 Ops Vehicles | RESERVES | 80,000 | - | 80,000 | FY1920 |
| 6 | 1 Pooled Vehicle (Eng./Env.) | RESERVES | 28,000 | - | 28,000 | FY1920 |
| 7 | Glen Arbor Bridge South | RESERVES | 75,000 | - | 85,000 | FY1920 |
| 8 | System Wide Master Plan (2) | RESERVES/ \$70K GRANT | 200,000 | - | 200,000 | FY2021 |
| 9 | Swim Tank | LOAN | 2,000,000 | - | 2,086,440 | FY1920 |
| 10 | Lyon Zone Pipe | LOAN | 1,950,000 | 1,450,000 | 3,400,000 | FY2021 |
| 11 | Fall Creek Fish Ladder | LOAN | 40,000 | 530,000 | 1,000,000 | FY2021 |
| 12 | San Lorenzo Bridge Pipeline | RESERVES | 15,000 | 235,000 | 250,000 | FY2021 |
| 13 | El Solyo Tank | LOAN | 50,000 | - | 50,000 | FY1920 |
| 14 | Highland Tank | LOAN | 25,000 | 275,000 | 300,000 | FY2021 |
| 15 | Brookdale Tank Coating | LOAN | 250,000 | - | 250,000 | FY1920 |
| 16 | Blair Tank Coating | LOAN | 225,000 | - | 225,000 | FY1920 |
| 17 | 4 Mobile Generators | LOAN | 320,000 | - | 320,000 | FY1920 |
| 18 | 4 Fixed Generators | LOAN | 100,000 | - | 100,000 | FY1920 |
| 19 | Vactor Truck | RESERVES | 25,000 | - | 25,000 | FY1920 |
| 20 | HCP Report District Wide | RESERVES | 130,000 | - | 130,000 | FY1920 |
| 21 | CEQA for Intertie (2) | 100% GRANT | 85,000 | - | 85,000 | FY2021 |
| | Lompico Assessment District | | | | | |
| 22 | PRV's | LOMPICO AD | 100,000 | - | 506,528 | FY1920 |
| 23 | Madrone Tank | LOMPICO AD | 267,375 | 603,875 | 891,250 | FY2021 |
| 24 | Kaski Tank | LOMPICO AD | 206,250 | 461,250 | 687,500 | FY2021 |
| 25 | Lewis Tank | LOMPICO AD | 228,500 | 894,000 | 1,142,500 | FY2122 |
| | Storm Damage 2017 FEMA | | | | | |
| 26 | Lyon Slide Repair | FEMA/RESERVES | 200,000 | 1,632,618 | 2,000,000 | FY2021 |
| | | | 8,805,895 | 8,016,880 | 18,827,218 | |

SUMMARY OF FUNDING SOURCES FOR CAPITAL PROJECTS:

DEBT FUNDED:

PRE-FUNDED (1,670,770)

LOAN (5,367,125)

TOTAL DEBT FUNDED (7,037,895) *Funded through water revenue based debt*

LOMPICO AD FUNDED (695,000) *Funded through AD revenues*

FUNDING FROM RESERVES 1,073,000 *Amount needed from reserves*

EXPECTED FUTURE YEAR GRANT REIMBURSEMENT 155,000 *Future grant funding estimated for FY2021.*

(1) Partial customer reimbursement: \$30/month on 21 parcels, over 10 years, \$75,600 overall. (Shows as operating revenue)

(2) Future grant funding. Completion estimated for FY2021. Funds will be disbursed upon project completion.

CAPITAL PROJECT DESCRIPTION

PROBATION TANK REPLACEMENT

The probation water storage tank is a 100,000 gallon redwood tank located directly behind the Santa Cruz County Juvenile Probation Center off Graham Hill Road in Scotts Valley. This facility provides water service to approximately four-hundred sixty (460) connections in the area of Lockwood Lane and Whispering Pines Drive, in Scotts Valley. The Probation Tank is approximately 50 years old and has reached its life expectancy, requires ongoing leakage repair and is undersized. The surrounding area contains sensitive environmental habitat.

Project Description:

Construction of a new 500,000 gallon welded steel water storage tank in the Probation Zone. This project will replace the existing Redwood tank. The project includes but is not limited to, temporary water storage for customers, new water tank, SCADA control, fencing, and environmental permitting.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 1,980,000 | 1,670,770 | 0 | 2,250,000 |



CAPITAL PROJECT DESCRIPTION

FELTON HEIGHTS TANK AND BOOSTER

In 2013, the District took ownership of Felton Heights Mutual located in Felton. The 21 water connections were receiving water from the District through a single master water meter. As a requirement for the transfer of ownership is to replace existing undersized water storage tank with a 60,000 gallon water tank. The twenty-one homes are responsible for a portion of the project.

Project Description:

The project includes but is not limited to property acquisition by easement, engineering, and water tank construction.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 300,000 | 0 | 300,000 |



CAPITAL PROJECT DESCRIPTION

METER REPLACEMENTS

The District maintains a meter replacement program. Meters should be replaced every 10-15 years. Meters that are greater than 15 years old have a higher tendency to under-report water use or fail all together. Failing meters are identified in the meter reading process and replaced as needed. There should be approximately 500 meters replaced annually to maintain the meters.

Project Description:

Replace approximately 500 meters in the District.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 264,863 | 200,000 | 1,935,137 | 2,400,000 |

4 VEHICLES

To perform customer service, operations and maintenance, the District maintains a fleet of various types of vehicles. With the increase in staff and replacement of existing vehicles that have reached their life expectancy, additional vehicles are needed. The fleet is evaluated annually for replacement.

Project Description:

Three vehicles for replacement: one Field Customer Service similar to an F-150, two Distribution similar to an F-250. All three vehicles have approximately 150,000 miles.

One new shared vehicle: A pool vehicle for the engineering, environmental, and Network Specialist is needed for field and other location work by these departments/individuals. The pool vehicle used now is a carryover from Lompico that is a 2003 Ford F-250 4x4 with 162,000 miles. This will be a fuel efficient small SUV.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 143,000 | 0 | 143,000 |

CAPITAL PROJECT DESCRIPTION

GLEN ARBOR BRIDGE (SOUTH) WATER REPAIR/REPLACEMENT

The waterline crossing the Glen Arbor Bridge South is embedded in a concrete tube in the bridge, inaccessible for repairs. Constructed in 1968 the waterline has developed a small leak in the bridge structure.

Project Description:

Repair/Replacement of the waterline crossing the bridge

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 10,000 | 75,000 | 0 | 85,000 |

SYSTEM WIDE MASTER PLANS

Preparation and calibration of a computer simulation hydraulic model of the District's water system for analysis of fire flows, storage requirements and system efficiencies for the respective zones. Once the models have been calibrated, the District will use them to study what current pipe diameters/ pump stations/ storage tanks are deficient for fire flows and/or normal operation. Use of these models will help to prioritize capital Improvement projects.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 200,000 | 0 | 200,000 |

CAPITAL PROJECT DESCRIPTION

SWIM TANK REPLACEMENT

The Swim Water Storage tanks, located off Scenic Way in Ben Lomond, is part of the original water distribution system acquired by the District in 1965 from Citizens Utilities Company. This facility provides water service to approximately one hundred twenty five (125) connections. The existing redwood storage tank consists of two 20,000 gallon redwood storage tanks located off a steep embankment with no vehicular access. The existing redwood tanks require ongoing maintenance to control leakage. In 2015, the lower tank was lined to stop excessive leakage. The tanks are undersized for the service area.

Project Description:

Construction of a new 64,000 gallon bolted steel water tank. The project includes, but is not limited to construction of a new bolted steel water tank, SCADA control, fencing and retaining walls.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 86,440 | 2,000,000 | 0 | 2,086,440 |



CAPITAL PROJECT DESCRIPTION

LYON DISTRIBUTION ZONE PIPING REPLACEMENT

The Lyon Surface Water Treatment Plant supplies water to the North System through the Lyon Distribution Piping. The existing mainline is 6-inch and creates a restriction limiting the amount of water supply.

Project Description:

Construction of approximately 3,000 lineal feet of new 12-inch water main and appurtenances thereto. This project will replace the existing 6-inch water main along Highway 236 from Big Steel Water Storage Tank to Highway 9. The existing distribution system is outside the Highway 236 right-of-way and traverses under homes. Undersized water main is the source of flow capacity restriction between Big Steel, Brookdale and Reader Zones.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 1,950,000 | 1,450,000 | 3,400,000 |

FALL CREEK FISH LADDER

The Fall Creek Diversion Facility, located off Fall Creek Road in Felton, is part of the water system acquired by the District in 2007 from the California-American Water Company. This facility supplies raw water from Fall Creek to the Kirby Water Treatment Plant in Felton. The Diversion Facility includes a series of weirs, pools and jumps used by salmon for upstream and downstream travel. The facility has needed upgrading since before the District acquired it. Upgrades will include reducing the jump height between the pools for fish travel, as required by State and Federal regulations and improvements to the intakes.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 430,000 | 40,000 | 530,000 | 1,000,000 |

CAPITAL PROJECT DESCRIPTION

SAN LORENZO BRIDGE PIPELINE

The county is putting plans and specs together to replace this bridge. The district has a 2" and a 1.5" pipeline crossing this bridge now, which is insufficient. This is also an opportunity to tie in to the City of Santa Cruz's raw water line coming from Loch Lomond Reservoir in order to eventually be able to treat the Districts allotment of water from Loch Lomond.

Project Description:

To design and install with the county bridge replacement a larger potable water line, and to make a connection and bring a pipe across the bridge from City of Santa Cruz's raw water line coming from Loch Lomond Reservoir for future treatment by the District.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 15,000 | 235,000 | 250,000 |

EL SOLYO REDWOOD TANK REPLACEMENT

El Solyo Tank is located off of El Solyo Drive in Felton. This is a 20,000 gallon redwood tank that is leaking. The District has had diving contractors out to try and repair this tank multiple times with little to no effectiveness. The State Department of Water Resources has been instructing the District to replace all of its redwood tanks every year during annual inspections.

Project Description:

Replace the existing 20,000 gallon redwood tank with two 10,000 gallon poly tanks.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 50,000 | 0 | 50,000 |

CAPITAL PROJECT DESCRIPTION

HIGHLAND REDWOOD TANK REPLACEMENT

Highland Tank is located off of Highland Drive in Boulder Creek. This is a 64,000 gallon redwood tank that is leaking. The District has had diving contractors out to try and repair this tank multiple times, this worked for a short period of time then the leaks continue. The State Department of Water Resources has been instructing the District to replace all of its redwood tanks every year during annual inspections.

Project Description:

Replace the existing 64,000 gallon redwood tank. It is undetermined at this time what is going to be the best option as a replacement. This will all be determined in the design phase.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 25,000 | 275,000 | 300,000 |

BROOKDALE TANK PAINTING AND COATING

Brookdale Tank is located off of Annie's Way in Brookdale. This is a 73,000 gallon welded steel tank that is in need of painting and coating. The District has had contractors out to assess the tank, and has been determined it is past time to rehab this tank, before catastrophic failure. The State Department of Water Resources also has requested that the tank be rehabilitated.

Project Description:

Take Brookdale tank offline and have a painting and coating contractor rehab the existing tank.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 250,000 | 0 | 250,000 |

CAPITAL PROJECT DESCRIPTION

BLAIR TANK PAINTING AND COATING

Blair Tank is located off of Blair Street in Felton. This is a 26,000 gallon welded steel tank that is in need of painting and coating. The District has had contractors out to assess the tank, and has been determined it is past time to rehab this tank, before catastrophic failure. The State Department of Water Resources also has requested that the tank be rehabilitated.

Project Description:

Take Blair tank offline and have a painting and coating contractor rehab the existing tank.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 225,000 | 0 | 225,000 |



CAPITAL PROJECT DESCRIPTION

MOBILE GENERATORS

The District at this time has three mobile generators for 20+ sites that require generator power during power outages. With the new PG&E fire protection power outages and the man hours moving these generators from site to site during other power outages the District needs to move forward with procuring these mobile generators.

Project Description:

Purchase and procure 4 mobile generators for these sites with no standby power.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 320,000 | 0 | 320,000 |

FIXED IN PLACE GENERATORS

The District has eleven facilities with fixed in place standby generators. There are multiple facilities that are capable of housing these types of generators. This would help alleviate some of the moving of mobile generators in to small areas with tight roads and footprints to stage mobile generators. With the new PG&E fire protection power outages and the many of power outages this District experiences it is of best interest to make more of our sites stand alone.

Project Description:

Purchase, procure and install four fixed in place standby generators at four District sites.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 100,000 | 0 | 100,000 |

CAPITAL PROJECT DESCRIPTION

VACTOR TRUCK

The District has a vehicle capable of being converted to a vactor truck. This will save the District money and time; spoil material, backfill material, asphalt, and man hours. A vactor truck is capable of digging out leaks, meters, valves, and etc. with a lot less impact.

Project Description:

Purchase and procure a skid mounted vactor, mount, and install on District truck #747 a Ford F-550.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 25,000 | 0 | 25,000 |

SANDHILLS HABITAT CONSERVATION PLAN (HCP)

A Habitat Conservation Plan is a permit which identifies compensation for the loss of habitat and impact on endangered species in sandhills habitat which result from the District's Capital Improvement Projects. The proposed length of term for the permit will be approximately 25 years and will cover multiple District projects.

Project Description:

An outside consultant will work with the District and Fish & Wildlife on an approved HCP.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 130,000 | 0 | 130,000 |

CEQA FOR INTERTIES

The Prop 50 Emergency Interties had additional permitting required to be able to fully utilize for conjunctive use. This will be 100% grant reimbursed, however, not expected to come in until FY2021.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 0 | 85,000 | 0 | 85,000 |

CAPITAL PROJECT DESCRIPTION

LOMPICO PRESSURE REGULATOR VALVES (PRV) REPLACEMENTS

As part of the consolidation of Lompico County Water into the District, it was identified to replace eight (8) mainline pressure regulator valves. The existing valves have reached their life expectancy and require replacement.

Project Description:

Engineering, design and replacement of eight (8) pressure regulator valves.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 406,528 | 100,000 | 0 | 506,528 |



CAPITAL PROJECT DESCRIPTION

MADRONE TANKS LOMPICO

Madrone tanks are two 60,000 gallon tanks in Lompico that are part of the Lompico assessment. These are redwood tanks that are in the assessment for replacement. These tanks have been in design in fiscal year 18/19. This budget item is to continue the design and then start construction of these tanks. The State Department of Water Resources has been instructing the District to replace all of its redwood tanks every year during annual inspections.

Project Description:

Continue to design and construct to replace these two redwood tanks.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 20,000 | 267,375 | 603,875 | 891,250 |



CAPITAL PROJECT DESCRIPTION

KASKI TANKS LOMPICO

Kaski tanks are two 60,000 gallon tanks in Lompico that are part of the Lompico assessment. These are redwood tanks that are in the assessment for replacement. These tanks have been in design in fiscal year 18/19. This budget item is to continue the design and then start construction of these tanks. The State Department of Water Resources has been instructing the District to replace all of its redwood tanks every year during annual inspections.

Project Description:

Continue to design and construct to replace these two redwood tanks.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 20,000 | 206,250 | 461,250 | 687,500 |

LOMPICO LEWIS WATER TANK REPLACEMENT

As part of the consolidation of Lompico County Water into the District, the residents of Lompico are required to replace the Lewis Water Tank. The 100,000 gallon tank supplies water service to approximately 240 service connections and has reached its life expectancy requiring replacement. The location of this tank is in sensitive habitat and will require permitting from Federal Fish & Wildlife which is expected to take 18 months to obtain.

Project Description:

This project will replace the existing Redwood tank. The project includes but is not limited to, temporary water storage for customers, new water tank, SCADA control, fencing, and environmental permitting.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 20,000 | 228,500 | 894,000 | 1,142,500 |

CAPITAL PROJECT DESCRIPTION

LYON WATER TREATMENT PLANT ACCESS ROAD REPAIRS (STORM DAMAGE)

The access road to the Lyon Water Treatment Facility was severely damaged in two locations during storm events.

Project Description:

Stabilize and repair access road in two locations. Replace asphalt paving.

| Spent in Prior FY(s) | FY1920 Budget | Future FY Proj. | Total Project Cost |
|-------------------------|------------------|-----------------|-----------------------|
| 167,382 | 200,000 | 1,632,618 | 2,000,000 |



ADDITIONAL SUPPORT & INFORMATION

STATEMENT OF REVENUES, EXPENSES & CHANGES IN RESERVES

| | |
|---|-----------------------|
| Est. Beginning Reserves | |
| Est. Beginning Cash Reserves | \$ 2,500,000 |
| Operating Revenue | |
| Water Basic | \$ 3,163,000 |
| Water Usage | 7,395,500 |
| Sewer Fund | 132,170 |
| Misc Other | 140,780 |
| Total Operating Revenue | \$ 10,831,450 |
| Operating Expenses | |
| Salaries & Benefits | \$ 5,164,975 |
| Contract/Professional Services | 1,070,711 |
| Operating Expenses | 435,250 |
| Maintenance | 218,850 |
| Facilities | 591,700 |
| Gen. & Admin. | 335,670 |
| Total Operating Expenses | \$ 7,817,156 |
| Overhead Absorption (1) | \$ (175,000) |
| Non-operating Revenue | |
| Property Taxes | \$ 783,750 |
| Misc Other | 91,750 |
| Assessment Revenue - Oly | 51,000 |
| Assessment Revenue - Lompico | 295,000 |
| Total Non-Operating Revenue | \$ 1,221,500 |
| Interest Expense | \$ 449,210 |
| Debt Principal Payments | \$ 953,184 |
| Capital Improvement (Expenses) & Funding | |
| Capital Improvement Projects | \$ (8,805,895) |
| Funding from Debt Sources | 7,037,895 |
| Funding from Assessment District | 695,000 |
| Total Capital Funding Needed | \$ (1,073,000) |
| Increase (Decrease) in Reserves | \$ 1,935,400 |
| Ending Reserves | \$ 4,435,400 |
| Estimated Reserve Balances | |
| Operating Reserve | \$ 2,931,434 |
| Capital Reserve | 1,153,967 |
| Restricted Reserve - Debt | 291,000 |
| Restricted Reserve - Oly AD | 59,000 |
| | \$ 4,435,400 |

(1) Overhead absorption is typically employee labor time that is capitalized for work performed on capital projects.

FUND SUMMARY

The below provides a summary of the changes by fund for the FY1920 budget.

The Water Fund has a budget surplus of \$2M, mainly due to the increased water revenue from the rate increases and financing upcoming capital projects. Any additional funds will be used to build back up the reserve fund balances.

The Sewer Fund has a budget shortfall of \$42K. The Sewer Fund passed a 3 year rate increase that should meet expenses by year 3. It was known that year 1 would have higher consulting expenses. It is important that the District continues to maintain and keep the sewer system functioning.

Summary of Revenue, Expenses & Changes in Reserves by Fund

| | Water Fund | Sewer Fund | Total |
|--|-----------------------|--------------------|-----------------------|
| Operating Revenue | \$ 10,699,280 | \$ 132,170 | \$10,831,450 |
| Operating Expenses | 7,468,423 | 173,733 | 7,642,156 |
| Operating Income (Expense) | \$ 3,230,857 | \$ (41,563) | \$ 3,189,294 |
| Non-Operating Revenue | \$ 1,221,500 | \$ - | \$ 1,221,500 |
| Non-Operating Expense | 1,402,394 | - | 1,402,394 |
| Non-Operating Income (Expense) | \$ (180,894) | \$ - | \$ (180,894) |
| Capital Project Expenses | \$ 8,805,895 | \$ - | \$ 8,805,895 |
| Capital Project Funding | 7,732,895 | - | 7,732,895 |
| Capital Funding Needed | \$ (1,073,000) | \$ - | \$ (1,073,000) |
| Increase (Decrease) in Reserves | \$ 1,976,963 | \$ (41,563) | \$ 1,935,400 |

RESERVE FUND SUMMARY

The District is currently in the process of establishing more defined reserve funds and target guidelines. Below are the main ones currently being utilized. This area will continue to develop as these are established and funded. The District's Reserve Policy is reviewed annually as part of the budget process.

The FY1920 budget is projected to have a beginning reserve balance of \$2.5M and ending reserves of \$4.4M. The increase in reserves is attributed to the rate increases and utilizing debt to fund capital projects.

| Reserve Fund | Description | Type | Target Guidelines | Est. FY1920 Funding Level |
|--------------------------|---|------------|--|---------------------------|
| Operating Reserves | To cover unexpected cash flow shortages, expense or losses. These might be caused by delayed payments, unexpected building repairs, or economic conditions. | Committed | 4.5 months of the current years operating expense budget | \$ 2,931,434 |
| Capital Project Reserves | To cover replacement of existing facilities and equipment. For new projects to upgrade the District's system. For emergency repairs due to natural disasters. | Committed | Currently set at \$2M, suggested to be 2.5% of full capital replacement estimated to be \$150M, which would be \$3.75M | \$ 1,153,967 |
| Debt Reserve | Required to fund any current debt covenant requirements. | Restricted | Based on debt covenant | \$ 291,000 |
| Assessment Districts | Assessment revenue obligated to be used for specific purposes. | Restricted | Based on assessment balances | \$ 59,000 |

PRO FORMA FINANCIALS WITH DEPRECIATION

The Pro Forma Statement of Revenues, Expenses and Changes in Net Position is intended to help bridge the difference from the budget to the audited financial statement.

- Non-cash expense items such as depreciation expense for fixed assets and accrued compensated absences are excluded from the budget.
 - Estimated depreciation has been included in the below as a separate line item, totaling \$1,642,350.
 - When an asset is capitalized, the depreciation expense is gradually recognized over the life of the asset. In the budget, we look at the current project expenses expected to use the funds.
 - Estimated accrued compensated absences has been included in the Operating Expense line, totaling \$130,000.
 - At year end, accrued compensated absences either increase or decrease based on time off taken versus accrued. As it is not a cash item, it is not included in the budget. It is important to note this is still a cash liability employees will eventually be paid out for.
 - GASB Pension & OPEB reporting requirements created deferred inflows and outflows which are not estimated in the budget process.
- Capitalized in-house labor and materials is expected to be approximately \$175K, mainly attributed to the engineering and operational staff time working on capital projects.
- Cash going out or in such as debt principal payments and funds received from debt are included in the budget.
 - Debt principal payments of \$1M are not included in the below.

Pro Forma Statement of Revenues, Expenses and Changes in Net Position

| Revenues | Water Fund | Sewer Fund | Total |
|-------------------------------|-------------------|-----------------|-------------------|
| Operating Revenues | 10,699,280 | 132,170 | 10,831,450 |
| Non-Operating Revenues | 1,221,500 | - | 1,221,500 |
| Total Revenues | 11,920,780 | 132,170 | 12,052,950 |
| Expenses | | | |
| Operating Expenses | 7,773,423 | 173,733 | 7,947,156 |
| Non-Operating Expenses | 449,210 | - | 449,210 |
| Overhead Absorbtion | (175,000) | - | (175,000) |
| Depreciation | 1,600,000 | 42,350 | 1,642,350 |
| Total Expenses | 9,647,633 | 216,083 | 9,863,716 |
| Net Income (Loss) | 2,273,147 | (83,913) | 2,189,234 |
| Change in Net Position | 2,273,147 | (83,913) | 2,189,234 |

APPENDIX

Includes a glossary of terms, acronyms, and an understanding of general ledger accounts.

ACRONYMS

ACWA – Association of California Water Agencies

CAFR – Comprehensive Annual Financial Report

CalPERS – California Public Employees Retirement System

CCF – Centum Cubic-Feet

CEQA – California Environmental Quality Act

CIP – Capital Improvement Project or Capital Improvement Program

CSDA – California Special Districts Association

FBS – Finance and Business Services

FMLA – Family Medical Leave Act

FSA – Flexible Spending Accounts

FTE – Full Time Equivalent

GAAP – Generally Accepted Accounting Principles

GASB – Governmental Accounting Standards Board

GFOA – Government Finance Officers Association

GIS – Geographic Information Systems

HCP - Habitat Conservation Plan

LAFCO – Local Agency Formation Commission

LAIF – Local Agency Investment Fund

MOU – Memorandum of Understanding

OPEB – Other Post-Employment Benefits

SCADA – Supervisory Control and Data Acquisition

USDA – United States Department of Agriculture

UWMP – Urban Water Management Plan

GLOSSARY OF TERMS

Accrual Basis of Accounting – Method of accounting that recognizes the financial effect of transactions, and activities when they occur, regardless of the timing of related cash flows. Revenues are recorded when earned and expenses are recognized when incurred.

Acre Foot – an acre foot is enough water to cover an acre of land, about the size of a football field, one foot deep. It is the equivalent of about 326,000 gallons.

Asset – Anything of value such as an area of land, or a building, or an item of plant or equipment or infrastructure that provides service potential or future economic benefits over a period greater than three years, and has a cost that is material (at least \$5,000).

Balanced Budget – The District’s current operating expenses will be paid from current revenues and reserves carried forward from the prior year.

Board of Directors – The five public officials elected to represent the population within the District’s service area. Also referred to as “the Board”.

Budget – A financial plan showing authorized planned expenditures and their funding sources.

Budget Process – The schedule of key dates or milestones, which the District follows in the development, preparation, adoption, and administration of the budget.

California Environmental Quality Act (CEQA) – A California statute passed in 1970, shortly after the United States federal government passed the National Environmental Policy Act (NEPA), to institute a statewide policy of environmental protection. CEQA does not directly regulate land uses, but instead requires state and local agencies within California to follow a protocol of analysis and public disclosure of environmental impacts of proposed projects and adopt all feasible measures to mitigate those impacts.

Capital Improvement Program (CIP) – Authorized expenditures for tangible and long-term physical improvements or additions of a fixed or permanent nature.

Capital Project – Projects budgeted as capital projects fall within the definition of capital expenditures, which means (1) they create or extend the lives of assets, (2) their work products have a useful life of more than three years, and (3) they involve an expenditure of District resources equal to or greater than \$5,000.

Centum Cubic-Feet (CCF) – The standard rate of billing for water service. The District calculates one CCF as one unit of water. One CCF is equal to 100 cubic feet of water, which is 748 gallons.

Consolidated Omnibus Budget Reconciliation Act (COBRA) – COBRA gives employees the right to pay premiums and keep the group health insurance that they would otherwise lose after they quit their jobs, lose their jobs, or reduce their work hours. COBRA benefits are typically available for 18 months.

GLOSSARY OF TERMS

Debt Service – The current year portion of interest costs and current year principal payments incurred on long-term debt.

Department – A major organizational unit with overall managerial responsibility for functional programs of the District.

Depreciation – The reduction in value of a long lived asset from use or obsolescence. The decline in value is recognized by a periodic allocation of the original cost of the asset to current operations on an income statement.

Enterprise Fund – A fund established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through “user charges.”

Environment Impact Review (EIR) – Written record submitted to a deciding authority that identifies and examines the likely environmental effects of the continuing operations of an existing facility or those of a proposed project, and proposes measures to avoid, mitigate, or offset the identified effects.

Expense – A cost incurred in the operations of the District, most often settled with the payment of cash.

Fiscal Year (FY) – A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. (SLVWD’s fiscal year is July 1 through June 30).

Flexible Spending Accounts (FSA) – A tax-favored program offered by employers that allows their employees to pay for eligible out-of-pocket health care and dependent care expenses with pre-tax dollars.

Full-Time Equivalent (FTE) – A measure of labor requirement equal to the full time use of one worker (e.g., could be one person full time or two people half time).

Generally Accepted Accounting Principles (GAAP) – A collection of commonly-followed accounting rules and standards for financial reporting.

Geographical Information Systems (GIS) – An information system integrating maps with electronic data.

Governmental Accounting Standards Board (GASB) – A private, non-governmental organization that is the source of generally accepted accounting principles (GAAP) used by State and Local governments in the United States.

Intertie – An interconnection permitting passage of water between two or more water utility systems.

GLOSSARY OF TERMS

Local Agency Formation Commission (LAFCO) – A public agency with county-wide jurisdiction that regulates, approves, or denies boundary changes proposed by other public agencies or individuals.

Memorandum of Understanding (MOU) – A formal agreement between two or more parties, such as between the District and its labor bargaining groups.

Meter – A device that measures and records the quantity of a substance, such as water or energy that has passed through it during a specified period.

Non-Operating Budget – Budgeted income and expenses derived from non-operating type categories, such as interest income and expenses, gain on the sale of assets, rents, and any other income/expenses not associated with the operations of a water system.

Operating Budget – The normal, ongoing operating costs incurred to operate the District, including wages, materials, utilities, professional and outside services, and the revenues generated through operations, such as water sales and service charges, and developer paid fees to connect to the water system.

Other Post-Employment Benefits (OPEB) – Benefits, other than pensions, that a state or local government employee receives as part of his or her package of retirement benefits. The District's OPEB is limited to retiree health benefits.

Pay-Go – A capital financing strategy to pay-as-you go by cash funding capital projects with current and accumulated revenues rather than borrowing funds that will be repaid with future revenues.

Pressure Reducing Valve (PRV) – A pressure reducing valve is a relief valve that automatically reduces high incoming water pressure to provide a lower, more functional pressure for residential water use.

Pump – A mechanical device for raising or lifting water, pushing it, and changing flow and pressure.

Pump Station – A structure containing pumps and appurtenant piping, valves, and other mechanical and electrical equipment for pumping raw water.

Regulatory – Something that is required due to a permit requirement, mandated regulation, or legislation.

Reliability – The probability that a system performs a specified function or mission under given conditions for a prescribed time.

Reserves – The portion of cash and investments that are held for a specific future use.

Revenue – Income the District receives from a variety of sources such as rates and charges, fees, and interest earnings.

GLOSSARY OF TERMS

Strategic Plan – The long-term goals, objectives, and performance measurement standards for the District.

Supervisory Control and Data Acquisition (SCADA) – A computer system that monitors and controls real time data from remote locations. The District uses a SCADA system to manage the tanks and pumps throughout the water distribution system.

Sustainability – The use of natural, community, fiscal, or utility resources in a manner that satisfies current needs without compromising future needs or options.

Tank – A vessel or container used to hold water or other liquid.

Transmission Main – A large water main that transports water from the main supply or source, to a distant area where the water is then further distributed. Finished water transmission mains usually have no or few connections.

Urban Water Management Plan (UWMP) – A plan prepared by California urban water suppliers to support their long-term resource planning and ensure adequate water supplies are available to meet existing and future water demands. The UWMP must be prepared every 5 years. The District is currently starting its 2020 UWMP.

Valve – A device to regulate or isolate the flow of water.

Water Distribution System – A network of pipe, pumps, and storage facilities to transport potable water from the source/treatment facility to the consumer.

Water Quality – Various measures by which materials (contaminants) and appearance (aesthetics) are compared against what are considered appropriate levels for suitably potable water.

Water Quality Monitoring – Instrumentation and activities for measuring the quality of water.

Water Treatment – Any process that intentionally alters and improves the chemical, biological, or physical characteristics of water.

Water Treatment Plant – A facility where water treatment is performed to produce water for a specific end-use.

Well – (1) A subsurface source of water that is generally accessed through a drilled casing and pipe into the aquifer. (2) The entire system of the underground water source, pipe casing, pump, etc. Also called a borehole.

UNDERSTANDING OF GENERAL LEDGER ACCOUNTS

General Ledger – The main accounting record of a company or organization. Contains all the accounts for recording transactions relating to a company's assets, liabilities, equity, revenue, and expenses.

Account – A general ledger account is an account or record used to sort, store and summarize a company's transactions. The accounts are formatted as follows: XX-XXX-XXXX

XX = Enterprise Fund – A fund established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through "user charges." The District has two funds established:

Fund 01 = Water Fund

Fund 02 = Sewer Fund

XXX = Department – A major organizational unit with overall managerial responsibility for functional programs of the District. The District has seven departments:

100 = Administration

200 = Finance

300 = Engineering

400 = Operations & Distribution

500 = Environmental

600 = Sewer

800 = Water Supply & Treatment

XXXX = Category – Groups individual accounts into main expense categories. The District has six main categories:

Salaries & Benefits 51XX = This includes all of the employees regular salaries/wages, overtime wages, standby pay, health insurance, retirement benefits, etc.

Contract/Professional Services 52XX = This includes any services rendered by a third party that the District would not perform in house.

Operating Expenses 53XX = This includes all inventory, materials, small tools, rentals, etc.

Maintenance 54XX = This includes all safety equipment and vehicle & building maintenance.

Facilities 55XX = This includes all utilities; power, electric, phones, etc.

General & Administration 56XX = This includes any office supplies, banking fees, trainings, postage, and memberships.