

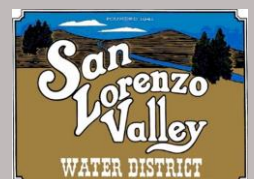
BUDGET

FY 2017/18

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
Gene Ratcliffe	President	Elected	December 2018
Charles Baughman	Vice President	Elected	December 2018
Margaret Bruce	Director	Elected	December 2020
Eric Hammer	Director	Elected	December 2018
Bill Smallman	Director	Elected	December 2020

DISTRICT CONTACT INFORMATION

District Manager : Brian Lee

Address: 13060 Highway 9 Boulder Creek, California 95006

Phone: (831) 338-2153

Website: www.slvwd.com

Office Hours: 8AM – 5PM Monday – Friday

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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 2017-18. This budget totals \$11.4M and includes all expected operating, non-operating and capital costs for the next year. The presentation of this year's budget is a significant departure from prior years. It is formatted to follow more of the Government Finance Officers Association (GFOA) standards for budget preparation. We hope you find the information presented is in a more meaningful format.

The District's anticipated operating expenses total \$7.17M, a 5% increase over the previous year. A majority of the increase is attributable to a fully staffed District, meaning no unfilled positions. Last year the District had a couple positions that were only filled for part of the year. The District is not expecting to add any new positions for the 2017-18 budget year. Operating revenue is expected to increase 4% from prior year, for a total of \$7.3M. This assumes that water sales remain relatively flat at 486 Million Gallons for the year and does not take into consideration any impact from upcoming decisions regarding our in-process rate study. District customers continue to demonstrate commitment to ongoing conservation efforts, maintaining at least a 15% reduction in yearly water usage from 2013 consumption levels. Water resources will continue to be a major focus for the District as we begin work developing a conjunctive use plan intended to strengthen the health of our watershed while simultaneously providing resiliency to our water supply. This effort is funded through a \$330,000 grant in partnership with the County of Santa Cruz.

The District's anticipated capital expenses total \$3.13M. We are expecting to begin construction on some key capital projects this upcoming budget year, including Swim Tank Replacement and Probation Tank Replacement, numerous winter-storm related capital projects and emergency projects. The District is actively engaged with the Federal Emergency Management Agency (FEMA) to secure their assistance in funding repairs to winter-storm damaged facilities. The District will rely on loans to complete other needed capital projects.

The greatest challenge facing the District remains funding capital projects. Projected revenue for this upcoming year only covers Operating and Non-operating expenses. The 2017-18 capital projects are being heavily funded through borrowing; both from our own reserves and through outside loans.

TRANSMITTAL LETTER

Our year-end review shows an approximately \$2M balance in the District's current reserves. About \$700k of those reserves are restricted for specific purposes and unavailable for emergency needs. Our 2017-18 budget relies on the use of approximately \$1M of our reserve funds for infrastructure replacement. Remaining reserves available for emergency use only total about \$300k. This remains an unsustainable position. The District has no more reserves available to fund infrastructure replacement.

Rate changes are currently being proposed that will improve the District's ability to fund capital projects with revenue. The District remains on track to develop a multi-year plan that ensures funds will be available to replace infrastructure while also maintaining healthy reserves for emergencies. If the proposed rate changes are adopted, the midyear budget review should show an increase in reserves and a reduction in borrowing.

A big thank you goes to Stephanie Hill and the Finance Department for the incredible effort put forth in creating this new budget format. It was time well spent and very much appreciated. I remain thankful to the community for their input, the Budget and Finance Committee for their efforts, and the full Board for providing both the vision and guidance necessary as we respond to the ever-changing challenges facing this District. 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,



Brian Lee, 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 33 employees, with a new hire in process, for a total of 34 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:

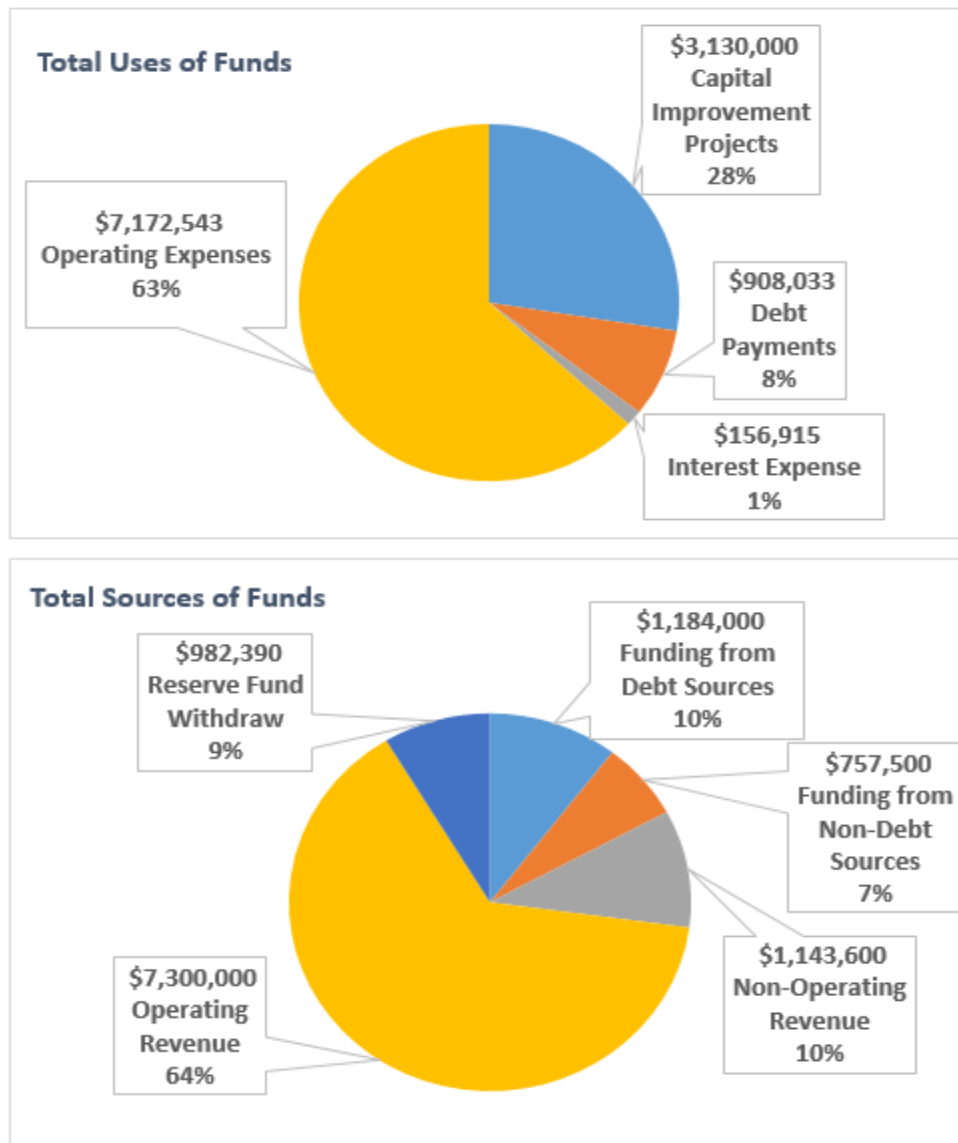
- This process typically begins internally in January, as templates and initial forecasts for the current year are prepared. Any budget assumptions, procedures and changes from the prior year's budget are discussed in a management kick-off meeting in February.
- Management begins to prepare departmental 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 the end of 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 2017/18 budget. The overall District budget request is \$11.4M. This includes uses of operating expenses, non-operating expenses such as interest expense, debt payments and capital improvement projects. Sources of funds come from operating revenue, non-operating revenue such as property taxes, assessments, debt or non-debt capital project funding and withdraws from reserves. Additional details on these numbers are listed below and in the Additional Support & Information section of this document.

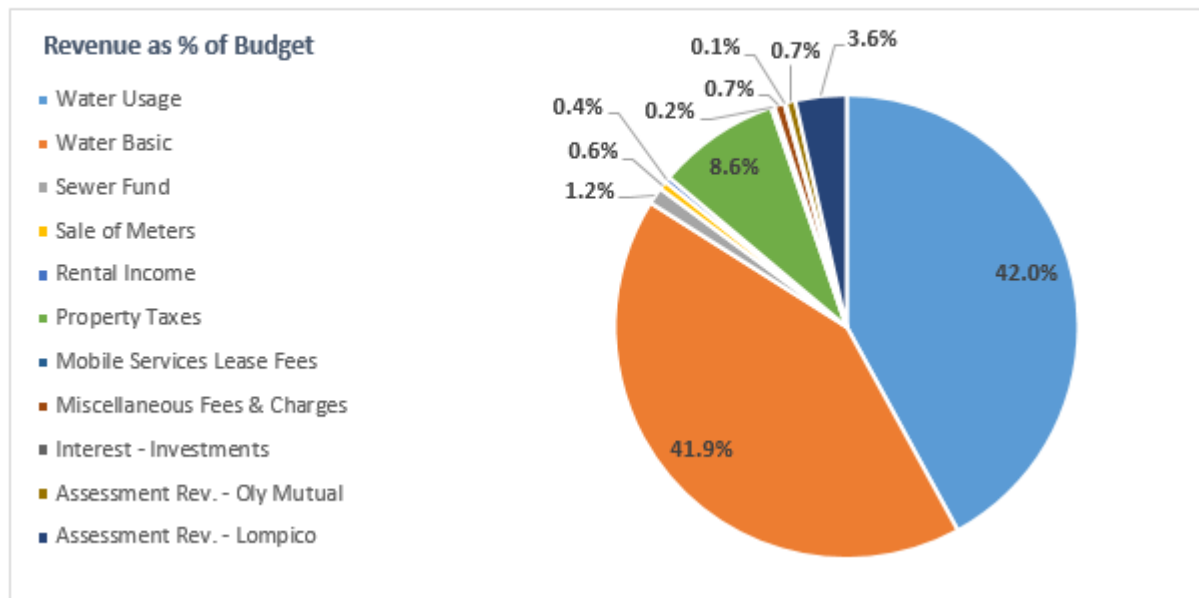


REVENUE SUMMARY

Overall District revenue is budgeted to be \$8.4M for FY1718. Revenues have increased \$347,160 or 4% compared to the prior year budget. Revenues are expected to remain relatively flat compared to the prior year actuals, and there is no anticipated change in consumption or rates. This does not include any funds received for grants, or other capital funding options.

Revenue Budget

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Operating Revenue							
Water Basic	\$ 3,540,000	\$ 3,326,000	\$ 3,625,000	\$ 214,000	6%	\$ (85,000)	-2%
Water Usage	3,550,000	3,521,640	3,450,000	28,360	1%	100,000	3%
Sewer Fund	100,000	100,000	100,000	-	0%	-	0%
Sale of Meters	50,000	25,000	50,000	25,000	100%	-	0%
Miscellaneous Fees & Charges	60,000	72,000	62,000	(12,000)	-17%	(2,000)	-3%
Total Operating Revenue	\$ 7,300,000	\$ 7,044,640	\$ 7,287,000	\$ 255,360	4%	\$ 13,000	0%
Non-operating Revenue							
Property Taxes	\$ 725,000	\$ 600,000	\$ 665,000	\$ 125,000	21%	\$ 60,000	9%
Assessment Rev. - Oly Mutual	56,000	57,600	56,000	(1,600)	-3%	-	0%
Assessment Rev. - Lompico	300,000	302,400	300,000	(2,400)	-1%	-	0%
Mobile Services Lease Fees	20,000	15,800	25,000	4,200	27%	(5,000)	-20%
Rental Income	32,600	36,000	32,600	(3,400)	-9%	-	0%
Reimb. For Manana Woods	-	35,000	46,000	(35,000)	-100%	(46,000)	-100%
Interest - Investments	10,000	5,000	8,000	5,000	100%	2,000	25%
Total Non-Operating Revenue	\$ 1,143,600	\$ 1,051,800	\$ 1,132,600	\$ 91,800	9%	\$ 11,000	1%
TOTAL REVENUE	\$ 8,443,600	\$ 8,096,440	\$ 8,419,600	\$ 347,160	4%	\$ 24,000	0%

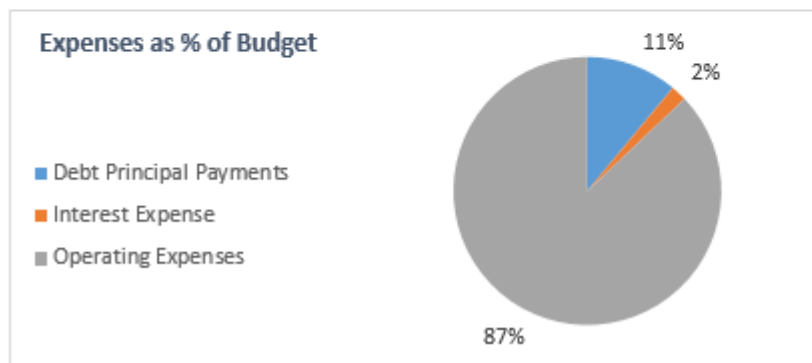


EXPENSE SUMMARY

District expenses, excluding capital projects, are budgeted to be \$8.2M for FY1718. Expenses have increased \$407,980 or 5% compared to the prior year budget. Expenses have increased \$440,555 or 6% compared to the prior year actuals. The main cause for the increase in both scenarios are increases to operating expenses, driven by a full year of new hires from FY1617.

Expense Budget

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget	Variance to FY1617 Est. Actuals
Operating Expenses					
Salaries & Benefits	\$ 4,531,632	\$ 4,097,927	\$ 4,276,926	\$ 433,705 11%	\$ 254,706 6%
Contract/Professional Services	1,206,061	1,236,483	1,185,055	(30,422) -2%	21,006 2%
Facilities	510,300	536,100	513,552	(25,800) -5%	(3,252) -1%
Gen. & Admin.	377,450	391,750	304,858	(14,300) -4%	72,592 24%
Operating Expenses	373,100	390,000	431,587	(16,900) -4%	(58,487) -14%
Maintenance	174,000	157,500	123,900	16,500 10%	50,100 40%
Total Operating Expenses	\$ 7,172,543	\$ 6,809,760	\$ 6,835,878	\$ 362,783 5%	\$ 336,665 5%
Interest Expense					
Refunding Bond	\$ 60,680	\$ 77,250	\$ 77,231	\$ (16,570) -21%	\$ (16,551) -21%
Felton Loan	40,771	45,000	44,242	(4,229) -9%	(3,471) -8%
Olympia SRF Loan	41,116	48,000	40,019	(6,884) -14%	1,097 3%
Solar Lease	10,918	-	6,838	10,918 0%	4,080 60%
Vehicle Lease	3,430	-	-	3,430 0%	3,430 0%
Total Interest Expense	\$ 156,915	\$ 170,250	\$ 168,330	\$ (13,335) -8%	\$ (11,415) -7%
Debt Principal Payments					
Refunding Bond	\$ 649,030	\$ 635,000	\$ 632,479	\$ 14,030 2%	\$ 16,551 3%
Felton Loan	146,026	145,000	142,555	1,026 1%	3,471 2%
Olympia SRF Loan	63,117	69,500	-	(6,383) -9%	63,117 0%
Solar Lease	28,081	-	15,911	28,081 0%	12,170 76%
Vehicle Lease	21,779	-	1,783	21,779 0%	19,996 1121%
Total Debt Payments	\$ 908,033	\$ 849,500	\$ 792,728	\$ 58,533 7%	\$ 115,305 15%
Total Non-operating Expenses	\$ 1,064,947	\$ 1,019,750	\$ 961,058	\$ 45,197 4%	\$ 103,890 11%
TOTAL EXPENSES	\$ 8,237,490	\$ 7,829,510	\$ 7,796,936	\$ 407,980 5%	\$ 440,555 6%



OPERATING BUDGET

SUMMARY

The recommended Operating Budget for FY1718 results in an Operating Income of \$127,457.

Operating revenues are budgeted to be \$7.3M, relatively flat with FY1617. Operating revenues make up the District's largest source of revenue, being 86.5% of overall revenue. Of the operating revenue, the water basic and water usage fees generate 97% of the operating revenue.

Operating expenses are budgeted to be \$7.2M. Expenses have increased \$362,783 or 5% to the prior year budget and \$336,665 or 5% to the estimated prior year actuals. This is due to recognizing the full year of new hires expenses and any regular increases to current employee salaries, health and retirement benefits.

Water usage is estimated to be similar to the prior year. Even though the area is still in a groundwater emergency, given the heavy rainfall this year it is possible to see slightly higher usage this FY1718. However, the District is going to continue to stress the importance of water conservation.

Rates will remain unchanged from the prior year as a result of no scheduled rate increases. The District currently is in the process of conducting a rate study, but results from the study have not been determined yet. If there is a significant difference between the rate study outcome and our rates, a revised budget amendment will be proposed.

Operating Revenue & Expenses

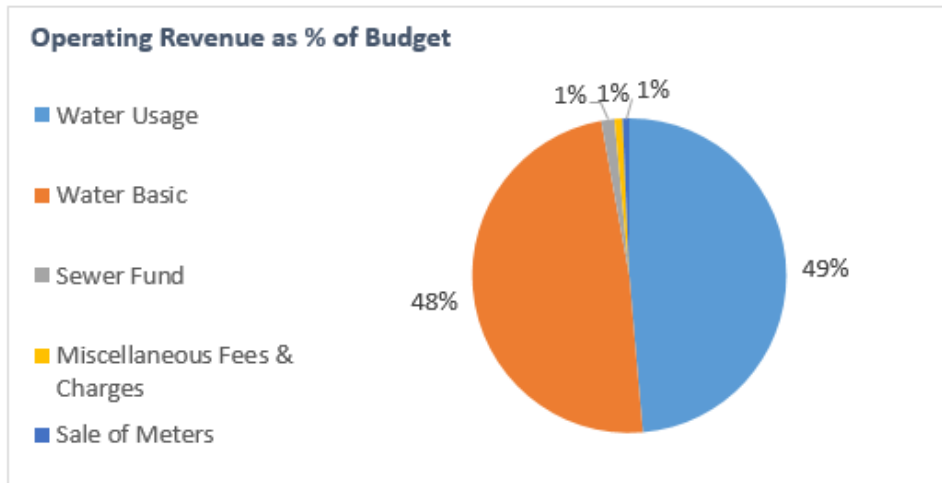
	FY1718 Proposed		FY1617 Adopted		FY1617 Est.		Variance to FY1617		Variance to	
Operating Revenue	Budget		Budget		Actuals		Budget		FY1617 Est.	
Water Basic	\$	3,540,000	\$	3,326,000	\$	3,625,000	\$	214,000	6%	\$ (85,000) -2%
Water Usage		3,550,000		3,521,640		3,450,000		28,360	1%	100,000 3%
Sewer Fund		100,000		100,000		100,000		-	0%	- 0%
Sale of Meters		50,000		25,000		50,000		25,000	100%	- 0%
Miscellaneous Fees & Charges		60,000		72,000		62,000		(12,000)	-17%	(2,000) -3%
Total Operating Revenue	\$	7,300,000	\$	7,044,640	\$	7,287,000	\$	255,360	4%	\$ 13,000 0%
Operating Expenses										
Salaries & Benefits	\$	4,531,632	\$	4,097,927	\$	4,276,926	\$	433,705	11%	\$ 254,706 6%
Contract/Professional Services		1,206,061		1,236,483		1,185,055		(30,422)	-2%	21,006 2%
Facilities		510,300		536,100		513,552		(25,800)	-5%	(3,252) -1%
Gen. & Admin.		377,450		391,750		304,858		(14,300)	-4%	72,592 24%
Operating Expenses		373,100		390,000		431,587		(16,900)	-4%	(58,487) -14%
Maintenance		174,000		157,500		123,900		16,500	10%	50,100 40%
Total Operating Expenses	\$	7,172,543	\$	6,809,760	\$	6,835,878	\$	362,783	5%	\$ 336,665 5%
OPERATING INCOME (LOSS)	\$	127,457	\$	234,880	\$	451,122	\$	(107,423)	-46%	\$ (323,665) -72%

OPERATING REVENUE SUMMARY

Operating revenue is expected to be relatively flat compared to FY1617. While the District is in the middle of conducting a rate study, there are no scheduled rate increases in this budget. Consumption levels were assumed to be similar to estimated FY1617 of approximately 650,000 units of water. For conversion purposes, 650,000 units equates to 486,200,000 gallons or 1,492 acre feet.

Operating Revenue Budget

Operating Revenue	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Water Basic	\$ 3,540,000	\$ 3,326,000	\$ 3,625,000	\$ 214,000	6%	\$ (85,000)	-2%
Water Usage	3,550,000	3,521,640	3,450,000	28,360	1%	100,000	3%
Sewer Fund	100,000	100,000	100,000	-	0%	-	0%
Sale of Meters	50,000	25,000	50,000	25,000	100%	-	0%
Miscellaneous Fees & Charges	60,000	72,000	62,000	(12,000)	-17%	(2,000)	-3%
Total Operating Revenue	\$ 7,300,000	\$ 7,044,640	\$ 7,287,000	\$ 255,360	4%	\$ 13,000	0%

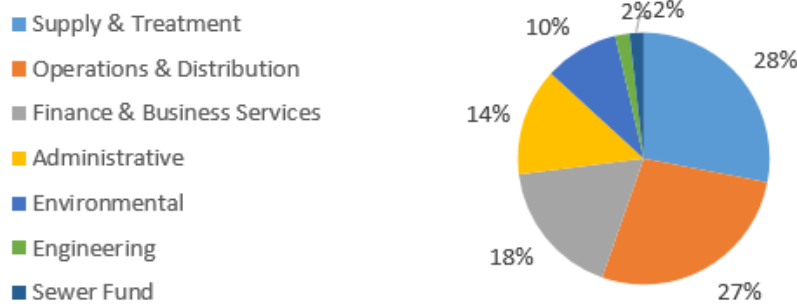


OPERATING EXPENSE SUMMARY

Operating Expense Budget by Department

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Administrative	\$ 990,497	\$ 1,031,838	\$ 1,212,541	\$ (41,341)	-4%	\$ (222,044)	-18%
Finance & Business Services	1,265,371	707,048	955,434	558,323	79%	309,937	32%
Engineering	131,032	179,531	54,315	(48,499)	-27%	76,717	141%
Operations & Distribution	1,959,315	2,104,498	2,164,370	(145,183)	-7%	(205,055)	-9%
Environmental	685,032	619,421	471,927	65,611	11%	213,105	45%
Supply & Treatment	2,010,965	2,051,706	1,831,351	(40,741)	-2%	179,614	10%
Sewer Fund	130,331	115,718	145,940	14,613	13%	(15,609)	-11%
Total Operating by Departments	\$ 7,172,543	\$ 6,809,760	\$ 6,835,878	\$ 362,783	5%	\$ 336,665	5%

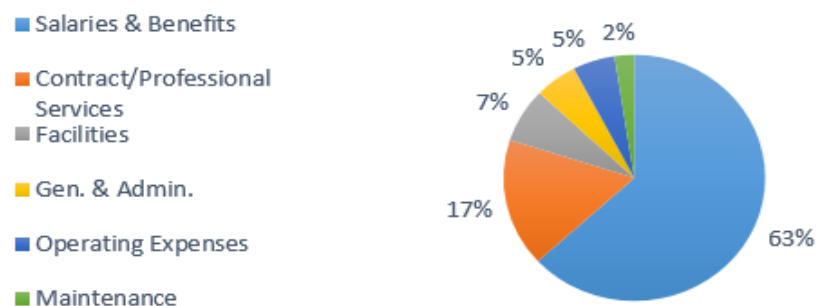
Operating Expense Budget by Department as % of Budget



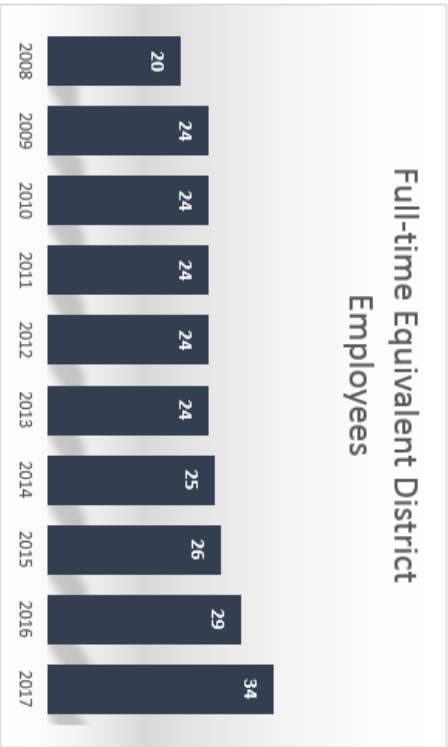
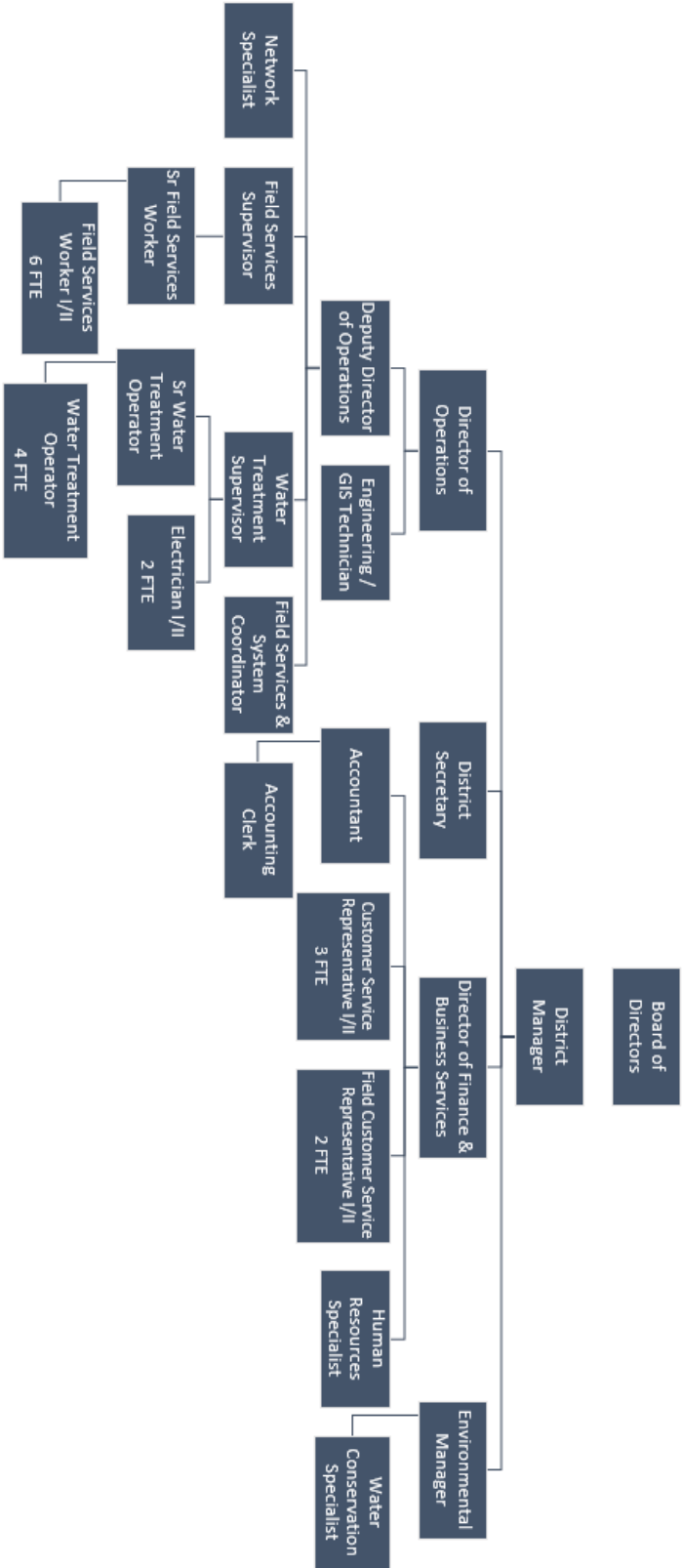
Operating Expense Budget by Expense Category

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Salaries & Benefits	\$4,531,632	\$4,097,927	\$4,276,926	\$433,705	11%	\$254,706	6%
Contract/Professional Services	1,206,061	1,236,483	1,185,055	(30,422)	-2%	21,006	2%
Facilities	510,300	536,100	513,552	(25,800)	-5%	(3,252)	-1%
Gen. & Admin.	377,450	391,750	304,858	(14,300)	-4%	72,592	24%
Operating Expenses	373,100	390,000	431,587	(16,900)	-4%	(58,487)	-14%
Maintenance	174,000	157,500	123,900	16,500	10%	50,100	40%
Total Operating by Category	\$ 7,172,543	\$ 6,809,760	\$ 6,835,878	\$ 362,783	5%	\$ 336,665	5%

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 FY2017/18 budget consists of 34 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:

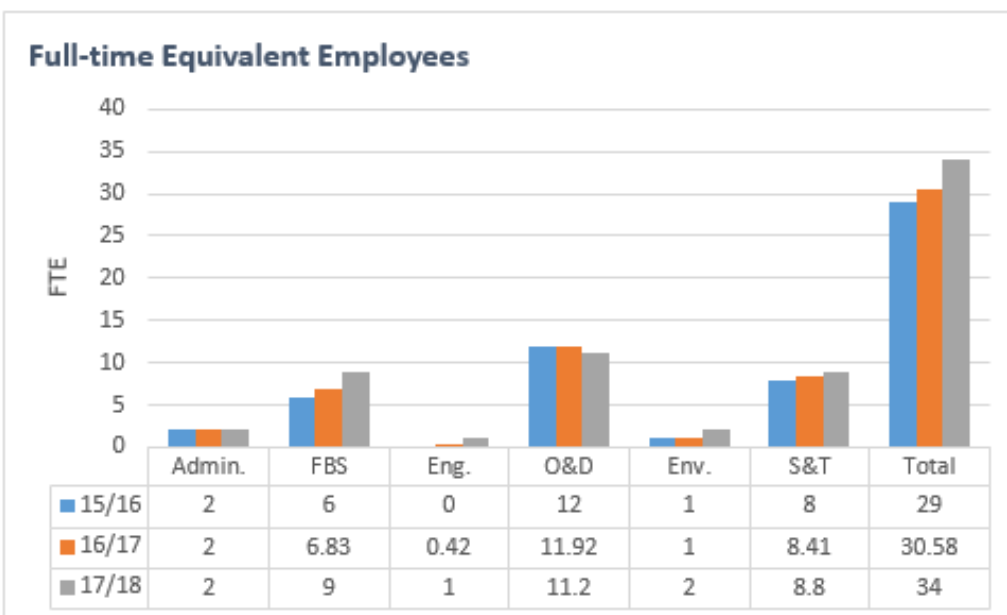
There are no new hire positions planned for this fiscal year budget. The chart below displays the FTE in FY1617 based on hire date, showing the year over year change versus the Org Chart where it displays them as of year-end.

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have increased \$433,705 or 11% compared to the prior year budget. This is due to recognizing the full year of new hire expenses and any regular increases to current employee salaries, health and retirement benefits.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

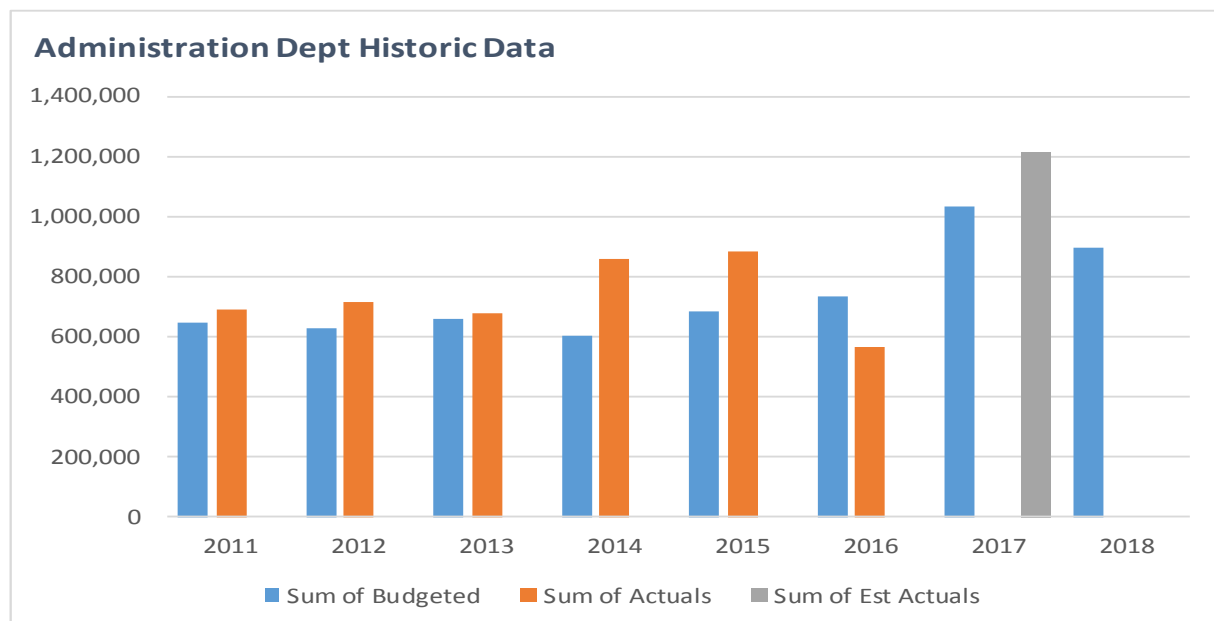
Expenses have increased \$254,706 or 6% compared to the estimated prior year actuals. This is due to recognizing the full year expenses of new hires hired during the year. In addition, the prior year actuals include a one-time payment to pay off a portion of the unfunded pension liability.



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 our third party consultant.
- This department also contains the direct expenses of the Board of Directors.



ADMINISTRATION DEPARTMENT

Administration by Expense Category

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Salaries & Benefits	\$ 429,397	\$ 422,938	\$ 527,235	\$ 6,459	2%	\$ (97,838)	-19%
Contract/Professional Services	359,400	365,200	515,000	(5,800)	-2%	(155,600)	-30%
Gen. & Admin.	148,200	197,700	130,350	(49,500)	-25%	17,850	14%
Facilities	28,000	30,000	24,252	(2,000)	-7%	3,748	15%
Maintenance	24,500	15,000	14,538	9,500	63%	9,962	69%
Operating Expenses	1,000	1,000	1,166	-	0%	(166)	-14%
Total Operating Expense	\$ 990,497	\$ 1,031,838	\$ 1,212,541	\$ (41,341)	-4%	\$ (222,044)	-18%

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have decreased \$41,341 or (4%) compared to the prior year budget. The decrease is due to less outside consultant and professional services expenditures.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have decreased \$222,044 or (18%) compared to the estimated prior year actuals. The decrease is due to a one-time CalPERS pension payment during FY1617 and a decrease in budgeted legal fees.

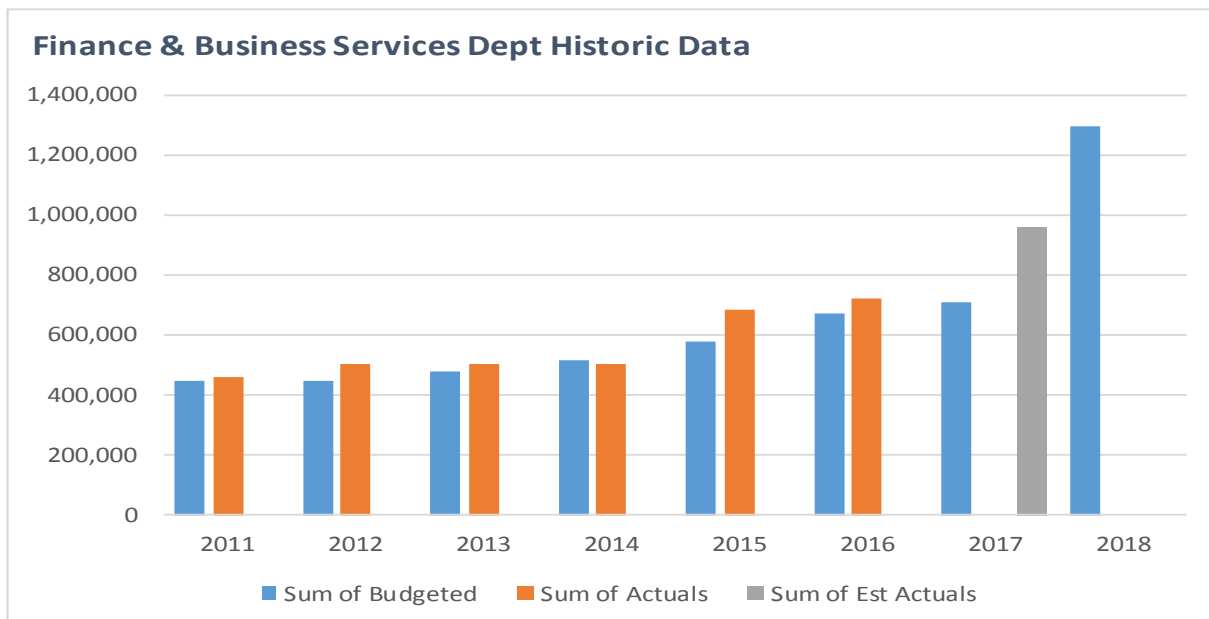
FY1718 BUDGET EXPENDITURES TO NOTE:

There is an expected \$140,400 expenditure for the Joint Powers Authority Santa Margarita Basin Groundwater Sustainability Agency. This represents the District's shared portion of the estimated \$360,000 overall cost. This is budgeted in the Contract/Professional Services account.

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 benefits administration, recruitment, 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

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Salaries & Benefits	\$ 997,621	\$ 494,748	\$ 686,445	\$ 502,873	102%	\$ 311,176	45%
Contract/Professional Services	114,000	106,000	126,059	8,000	8%	(12,059)	-10%
Gen. & Admin.	145,750	106,300	141,876	39,450	37%	3,874	3%
Maintenance	7,500	-	-	7,500	0%	7,500	0%
Operating Expenses	500	-	1,054	500	0%	(554)	-53%
Total Operating Expense	\$ 1,265,371	\$ 707,048	\$ 955,434	\$ 558,323	79%	\$ 309,937	32%

VARIANCE TO PRIOR YEAR BUDGET:

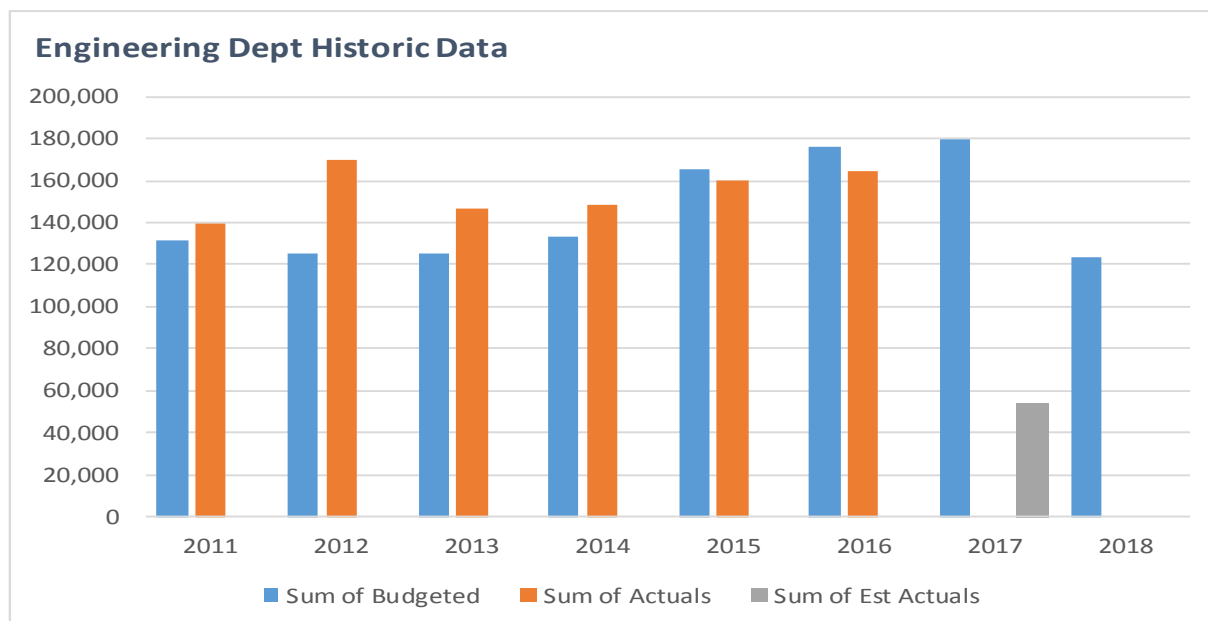
Expenses have increased \$558,323 or 79% compared to the prior year budget. The increase is due to a full year of new hire expenses, changes from a department reorganization, and two Field Customer Service Representatives transferring from the O&D Department to here. Other increases are due to the shift of HR expenses from the Administration Department, maintenance of vehicles and increased banking fees as more customers are utilizing electronic payments.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have increased \$309,937 or 32% compared to the estimated prior year actuals. The increase is due to a full year of new hire expenses, changes from a department reorganization and the shift of two Field Customer Service Representatives transferring from the O&D Department to here.

ENGINEERING DEPARTMENT

The Engineering Department 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 is 1 FTE.



ENGINEERING DEPARTMENT

Engineering by Expense Category

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Salaries & Benefits	\$ 101,632	\$ 154,831	\$ 47,701	\$ (53,199)	-34%	\$ 53,931	113%
Contract/Professional Services	25,000	10,000	4,748	15,000	150%	20,252	427%
Gen. & Admin.	3,200	3,700	969	(500)	-14%	2,231	230%
Facilities	1,200	3,000	897	(1,800)	-60%	303	34%
Maintenance	-	2,000	-	(2,000)	-100%	-	0%
Operating Expenses	-	6,000	-	(6,000)	-100%	-	0%
Total Operating Expense	\$ 131,032	\$ 179,531	\$ 54,315	\$ (48,499)	-27%	\$ 76,717	141%

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have decreased \$48,499 or (27%) compared to the prior year budget. The decrease from the prior year budget is due to employee changeover.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have increased \$76,717 or 127% compared to the estimated prior year actuals. The increase from prior year estimated actuals is due to the filling of a vacant position.

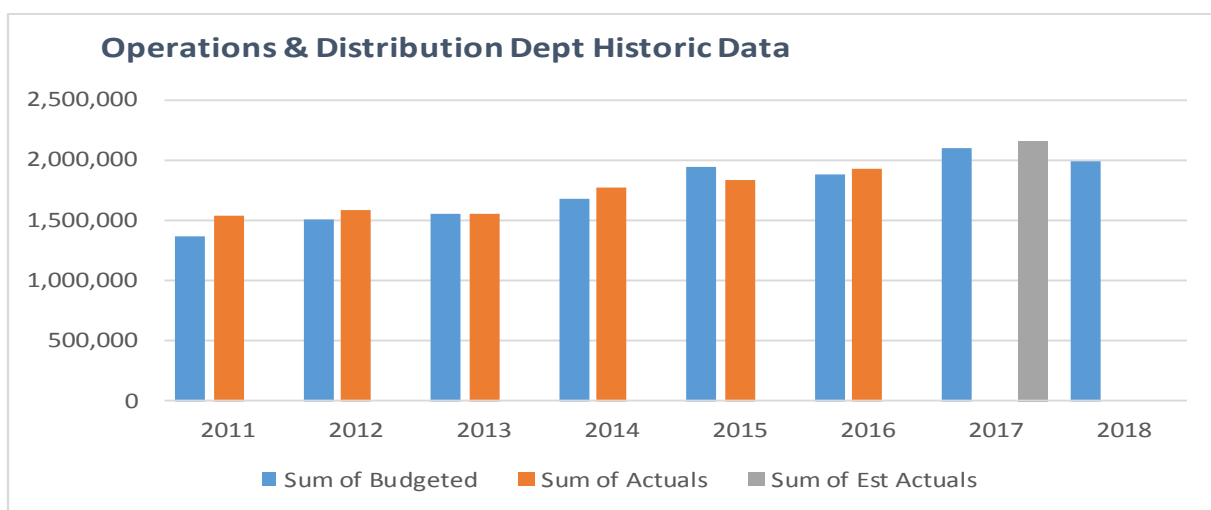
FY1718 BUDGET EXPENDITURES TO NOTE:

Towards the end of FY1617, the Board approved \$60K for contracting an engineering firm to assist in project design and management for upcoming projects. Only a small portion is in the Contract/Professional Services account, as the majority of these expenses are expected to be capitalized with the related projects.

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 11.2 FTE employees.

- Upper management consists of the Director of Operations and the Deputy Director of Operations, who oversee all staff within the Operations & Distribution and Supply & Treatment Departments. The Director of Operations also oversees the Engineering department.
- 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

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Salaries & Benefits	\$ 1,447,440	\$ 1,585,498	\$ 1,617,256	\$ (138,058)	-9%	\$ (169,816)	-11%
Contract/Professional Services	100,000	120,000	100,000	(20,000)	-17%	-	0%
Gen. & Admin.	12,000	13,500	9,191	(1,500)	-11%	2,809	31%
Facilities	176,000	177,000	175,149	(1,000)	-1%	851	0%
Maintenance	100,500	96,000	76,500	4,500	5%	24,000	31%
Operating Expenses	135,000	112,500	198,273	22,500	20%	(63,273)	-32%
Allocations	(11,625)	-	(12,000)	(11,625)	0%	375	-3%
Total Operating Expense	\$ 1,959,315	\$ 2,104,498	\$ 2,164,370	\$ (145,183)	-7%	\$ (205,055)	-9%

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have decreased \$145,183 or (7%) compared to the prior year budget. The majority of the decrease was due to the move of two Field Customer Service Representatives to the FBS Department. This was offset by the full year impact of prior year new hires.

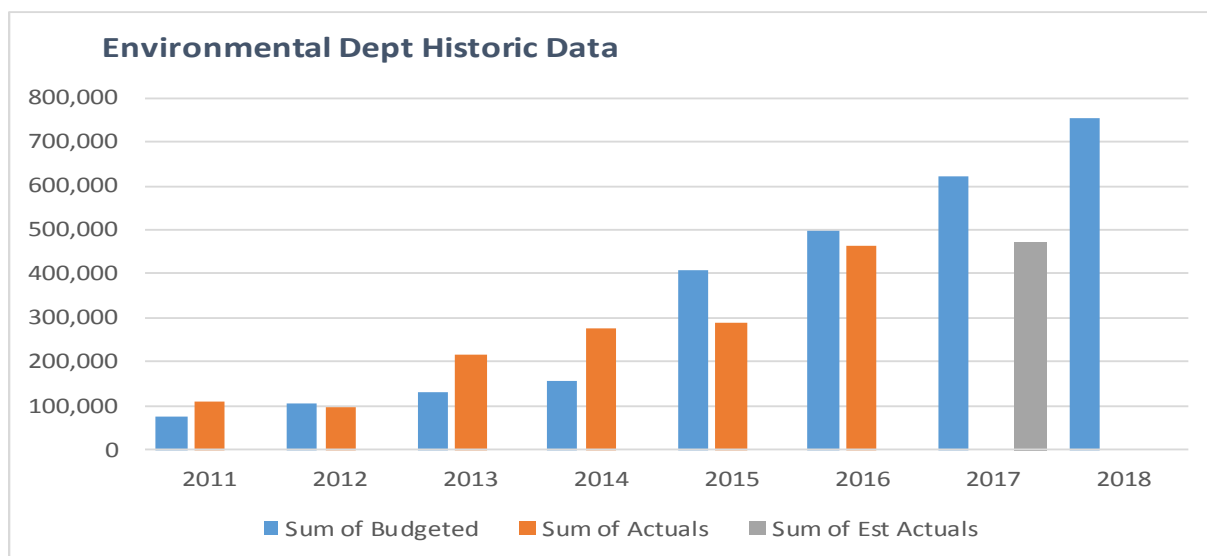
VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have decreased \$205,055 or (9%) compared to the estimated prior year actuals. The majority of the decrease was due to the move of two Field Customer Service Representatives to the FBS Department. This was offset by the full year impact of prior year new hires and a decrease in one-time operating expenses experienced in the prior year from the Lompico merger.

ENVIRONMENTAL DEPARTMENT

The Environmental Department oversees an array of strategies and programs related to increasing public awareness of the District's efforts investments to provide a safe and reliable water supply. There is 1 current FTE, with an additional 1 FTE approved and in the hiring process.

- Facilitates programs to encourage water users to improve or maintain long-term water-use efficiency.
- Helps identify current or potential drought conditions to help the District increase water conservation guidelines to meet demand or regulatory requirements.
- Identifies potential grant funding, prepares applications, coordinates with other agencies for collaborative grants and coordinates any grant implementation.
- Conducts California Environmental Quality Act (CEQA) review of District projects and determines potential impact.



ENVIRONMENTAL DEPARTMENT

Environmental by Expense Category

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Salaries & Benefits	\$ 253,271	\$ 192,288	\$ 155,743	\$ 60,983	32%	\$ 97,528	63%
Contract/Professional Services	357,661	347,283	290,000	10,378	3%	67,661	23%
Gen. & Admin.	61,300	63,050	21,135	(1,750)	-3%	40,165	190%
Facilities	300	300	-	-	0%	300	0%
Maintenance	10,000	15,000	5,000	(5,000)	-33%	5,000	100%
Operating Expenses	2,500	1,500	49	1,000	67%	2,451	4986%
Total Operating Expense	\$ 685,032	\$ 619,421	\$ 471,927	\$ 65,611	11%	\$ 213,105	45%

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have increased \$65,611 or 11% compared to the prior year budget. The increase is due to the full year of a new hire position in the process of being filled and an increase in water conservation/education expenses.

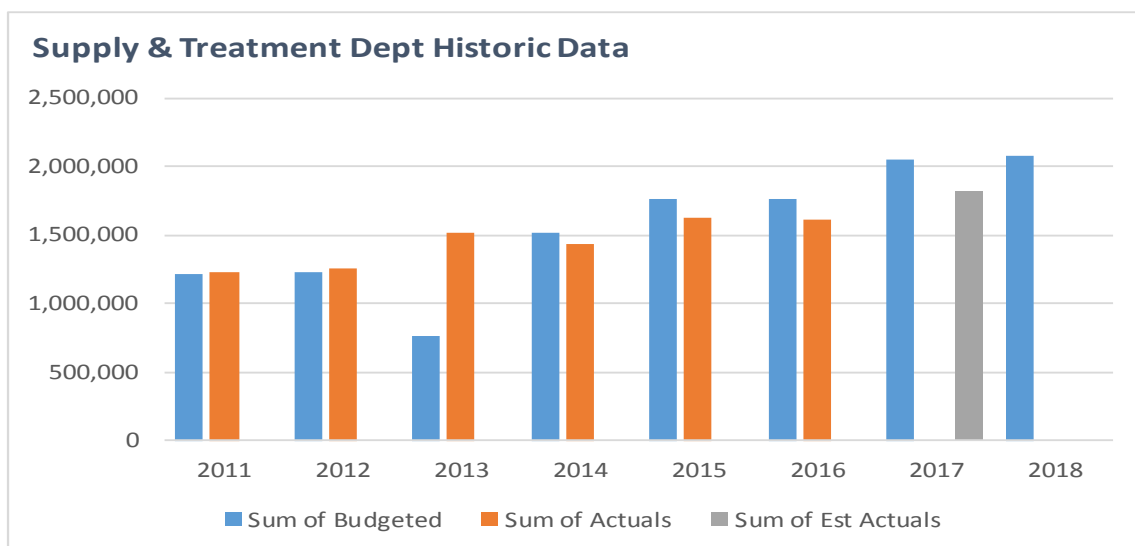
VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have increased \$213,105 or 45% compared to the estimated prior year actuals. The increase is due to the full year of a new hire position in the process of being filled and FY1617 budgeted items that have been pushed into this FY1718 budget.

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 8.8 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

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Salaries & Benefits	\$ 1,273,271	\$ 1,228,206	\$ 1,222,546	\$ 45,065	4%	\$ 50,725	4%
Contract/Professional Services	195,000	225,000	65,648	(30,000)	-13%	129,352	197%
Gen. & Admin.	7,000	7,500	1,337	(500)	-7%	5,663	424%
Facilities	295,000	315,000	304,817	(20,000)	-6%	(9,817)	-3%
Maintenance	31,000	28,500	27,862	2,500	9%	3,138	11%
Operating Expenses	212,600	247,500	212,142	(34,900)	-14%	458	0%
Allocations	(2,906)	-	(3,000)	(2,906)	0%	94	-3%
Total Operating Expense	\$ 2,010,965	\$ 2,051,706	\$ 1,831,351	\$ (40,741)	-2%	\$ 179,614	10%

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have decreased \$40,741 or (2%) compared to the prior year budget. The decrease is due to tightened expenditure budgeting, partially off-set by the increase for recognizing a full year of new hires.

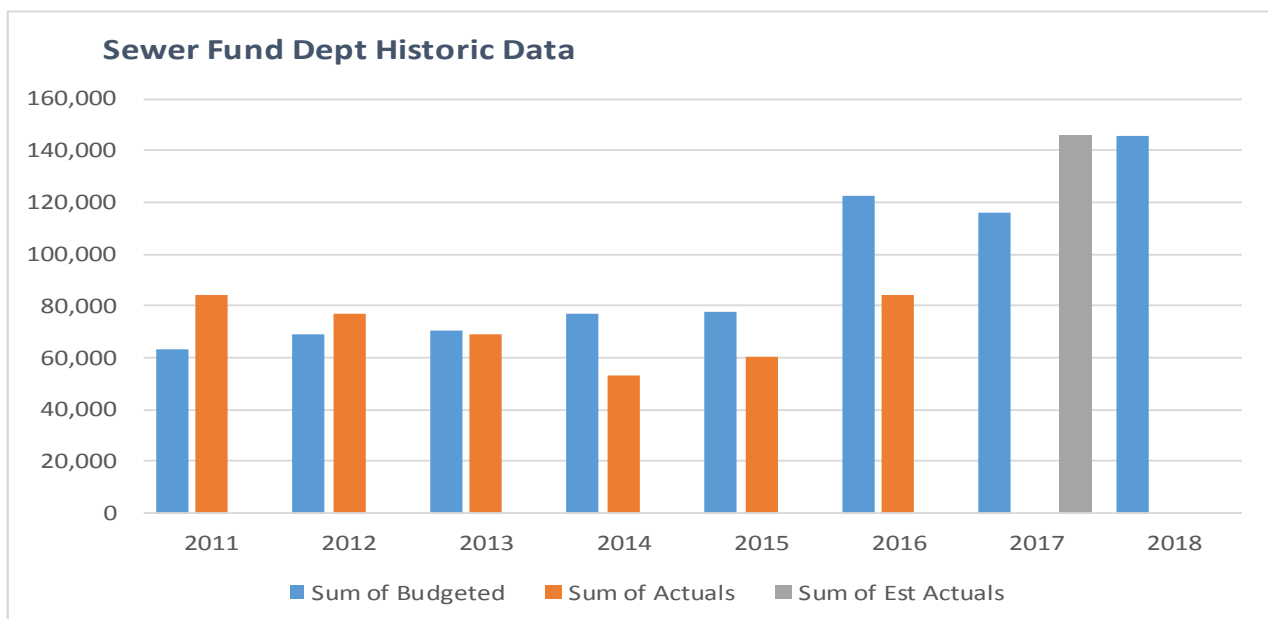
VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have increased \$179,614 or 10% compared to the estimated prior year actuals. The increase is due to the full year of a new hire position and one-time expenses from the Lompico merger.

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 staff being allocated from the Operations & Distribution or Supply & Treatment Departments.

- 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

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Salaries & Benefits	\$ 29,000	\$ 19,418	\$ 20,000	\$ 9,582	49%	\$ 9,000	45%
Contract/Professional Servi	55,000	63,000	83,600	(8,000)	-13%	(28,600)	-34%
Facilities	9,800	10,800	8,438	(1,000)	-9%	1,362	16%
Maintenance	500	1,000	-	(500)	-50%	500	0%
Operating Expenses	21,500	21,500	18,902	-	0%	2,598	14%
Allocations	14,531	-	15,000	14,531	0%	(469)	-3%
Total Operating Expense	\$ 130,331	\$ 115,718	\$ 145,940	\$ 14,613	13%	\$ (15,609)	-11%

VARIANCE TO PRIOR YEAR BUDGET:

Expenses have increased \$14,613 or 13% compared to the prior year budget. The increase is due to additional staffing and expense needs to maintain the system.

VARIANCE TO PRIOR YEAR ESTIMATED ACTUALS:

Expenses have decreased \$15,609 or (11%) compared to the estimated prior year actuals due to restricting expenditures until there is enough revenue to cover additional expenditures.

NON-OPERATING REVENUE & EXPENSES

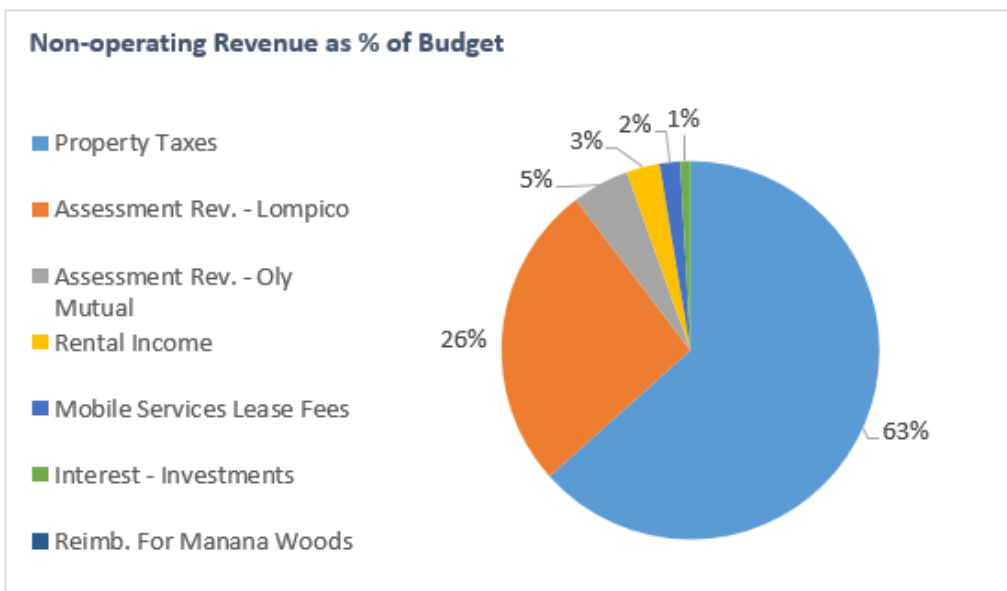
NON-OPERATING REVENUE

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. Given the strong real estate trends, there is an anticipated 9% increase to property tax revenue.

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

	FY1718 Proposed Budget	FY1617 Adopted Budget	FY1617 Est. Actuals	Variance to FY1617 Budget		Variance to FY1617 Est. Actuals	
Non-operating Revenue							
Property Taxes	\$ 725,000	\$ 600,000	\$ 665,000	\$ 125,000	21%	\$ 60,000	9%
Assessment Rev. - Oly Mutual	56,000	57,600	56,000	(1,600)	-3%	-	0%
Assessment Rev. - Lompico	300,000	302,400	300,000	(2,400)	-1%	-	0%
Mobile Services Lease Fees	20,000	15,800	25,000	4,200	27%	(5,000)	-20%
Rental Income	32,600	36,000	32,600	(3,400)	-9%	-	0%
Reimb. For Manana Woods	-	35,000	46,000	(35,000)	-100%	(46,000)	-100%
Interest - Investments	10,000	5,000	8,000	5,000	100%	2,000	25%
Total Non-Operating Revenue	\$ 1,143,600	\$ 1,051,800	\$ 1,132,600	\$ 91,800	9%	\$ 11,000	1%



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.

Non-Operating Expenses

Interest Expense	FY1718
Refunding Bond	\$ 60,680
Felton Loan	40,771
Olympia SRF Loan	41,116
Solar Lease	10,918
Vehicle Lease	3,430
Total Interest Expense	\$ 156,915

Additional Debt Information

Debt Principal Payments	FY1718	FY1718		
		Balance	Term. Date	Interest Rate
Refunding Bond	\$ 649,030	\$ 1,845,823	Ends 09/21	2.60%
Felton Loan	146,026	1,506,185	Ends 07/27	2.42%
Olympia SRF Loan	63,117	1,559,110	Ends 01/37	2.57%
Solar Lease	28,081	281,990	Ends 11/26	3.67%
Vehicle Lease	21,779	92,524	Ends 05/22	3.29%
Total Debt Payments	\$ 908,033	\$ 5,285,632		

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 allocated to the project and off-set the operating expense.

The District funds capital projects by funding internally from cash reserves, 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.

FY1718 CAPITAL PROJECTS ADDITIONAL NOTES:

The District recently 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.

CAPITAL PROJECT LISTING

#	Project	Funding Type	Spent in Prior FY	FY1718 Budget	Future FY Projection	Project Cost
General Water System:						
1	Swim Tanks Replacement	Loans	84,000	594,000		678,000
2	Probation Tank Replacement	Loans	199,000	590,000	951,000	1,740,000
3	Upper Paso Tank Fence	Reserves		8,000		8,000
4	Elsolyo Tank Fence	Reserves		6,000		6,000
5	Lyon WTP Filter Painting	Reserves		190,000		190,000
6	District Radio Replacement	Reserves		45,000		45,000
7	Emersion 64 Bit 7 Licensing	Reserves		26,000		26,000
8	Water Quality Vehicle	Reserves		32,000		32,000
9	Felton Heights Mutual	Partial customer, reserves		35,000	127,500	162,500
10	SCADA HMI Software upgrade	Reserves		105,000		105,000
11	Pasatiempo Well 6 Repairs	Reserves		45,000		45,000
12	Pasatiempo Well 7 Rehab	Reserves		65,000		65,000
13	Firehouse Booster Electrical	Reserves		75,000		75,000
14	Meter Replacement	Reserves		220,000		220,000
15	Operations Building Gate Openers	Reserves		8,000		8,000
16	Operations Replacement Vehicle	Reserves		36,000		36,000
17	Manana Woods Treatment Facility	Reserves		25,000	225,000	250,000
18	Glen Arbor Bridge Replacement	Reserves		60,000		60,000
19	Fall Creek Fish Ladder	Grants & Loans	360,000	60,000	740,000	1,160,000
Lompico Assessment District						
20	Lompico Lewis Tank Replacement	Assessment District		25,000	175,000	200,000
21	Lompico PRV Replacements	Assessment District		50,000	150,000	200,000
Storm Damage 2017 FEMA						
22	Highway 9 Western Ave 6"	FEMA, Reserves		300,000		300,000
23	Bear Creek Road 8"	FEMA, Reserves	10,000	190,000		200,000
24	Lyon Tank Access Road Repair	FEMA, Reserves	7,000	75,000	1,418,000	1,500,000
25	Small Main Repairs	FEMA, Reserves		40,000		40,000
26	Bull/Bennett Supply Line	FEMA, Reserves	20,000	35,000		55,000
27	Fall Creek Intake	FEMA, Reserves		55,000		55,000
28	Alta Via 4"	FEMA, Reserves		35,000		35,000
29	Bear Creek Tank SCADA	FEMA, Reserves		35,000		35,000
30	Foreman Creek Intake	FEMA, Reserves		25,000		25,000
31	Raw Water Supply Lines Repairs	FEMA, Reserves		40,000		40,000
			680,000	3,130,000	3,786,500	7,596,500
Expected funding from non-debt sources				(757,500)		
Expected funding from debt sources				(1,184,000)		
Ending cash reserves required				1,188,500		

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 located at the same location. 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	FY1718 Budget	Future FY Proj.	Total Project Cost
84,000	594,000		678,000



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	FY1718 Budget	Future FY Proj.	Total Project Cost
199,000	590,000	951,000	1,740,000



CAPITAL PROJECT DESCRIPTION

UPPER PASO TANK FENCE

The Upper Pasatiempo Tank is a 100,000 gallon concrete water storage tank located in Scotts Valley. The water tank supplies water to Manana Wood and Hidden Glen subdivisions approximately two hundred (200) service connections. Currently there is no security fencing at this facility. Trespass and homeless encampments are problematic at this facility.

Project Description:

Installation of approximately 200 lineal feet of 6 feet high chain line fencing and gates.

	FY1718		Total Project
Spent in Prior FY	Budget	Future FY Proj.	Cost
	8,000		8,000

EL SOLYO HEIGHTS TANK FENCING

The El Solyo Heights Water Storage Tank is a 20,000 gallon redwood water storage tank located in Felton. The water tank supplies water to the El Solyo Heights area approximately one hundred and fifty (150) service connections. Currently there is no security fencing at this facility.

Project Description:

Installation of approximately 160 lineal feet of 6 feet high chain line fencing and gates.

	FY1718		Total Project
Spent in Prior FY	Budget	Future FY Proj.	Cost
	6,000		6,000

CAPITAL PROJECT DESCRIPTION

LYON WATER TREATMENT PLANT - TREATMENT BAYS PAINTING & COATINGS

The Districts Lyon Surface Water Treatment Plant located in Boulder Creek was constructed in 1994. As part of the treatment process there are three treatment bays that contain media that treat the water. Two of the three treatment bays have significant signs of rust and corrosion at the base of the steel bays.

Project Description:

Painting, coatings inside/outside and media replacement of two treatment bays.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	190,000		190,000

DISTRICT RADIO REPLACEMENT

The District operates a licensed two-way radio system for communicating between staff. The Administration, Operations, Water Treatment Facilities and all District vehicles are equipped with radios. District Radios are key during emergencies and where cell phone coverage is nonexistent.

Project Description:

Radios are being changed out to a different frequency to improve coverage into areas of the District such as North Boulder Creek, Felton and Lompico.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	45,000		45,000

CAPITAL PROJECT DESCRIPTION

EMERSION 64 BIT 7 LICENSING

The Districts main SCADA system is proprietary and requires software licensing.

Project Description:

Upgrade of SCADA software at Lyon, Kirby Water Treatment Plant, and Operations Building

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	26,000		26,000

VEHICLE REPLACEMENTS

To perform 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:

Replacement of two vehicles, one Water Quality and one Distribution.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	68,000		68,000



CAPITAL PROJECT DESCRIPTION

FELTON HEIGHTS MUTUAL

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	FY1718 Budget	Future FY Proj.	Total Project Cost
	35,000	127,500	162,500



CAPITAL PROJECT DESCRIPTION

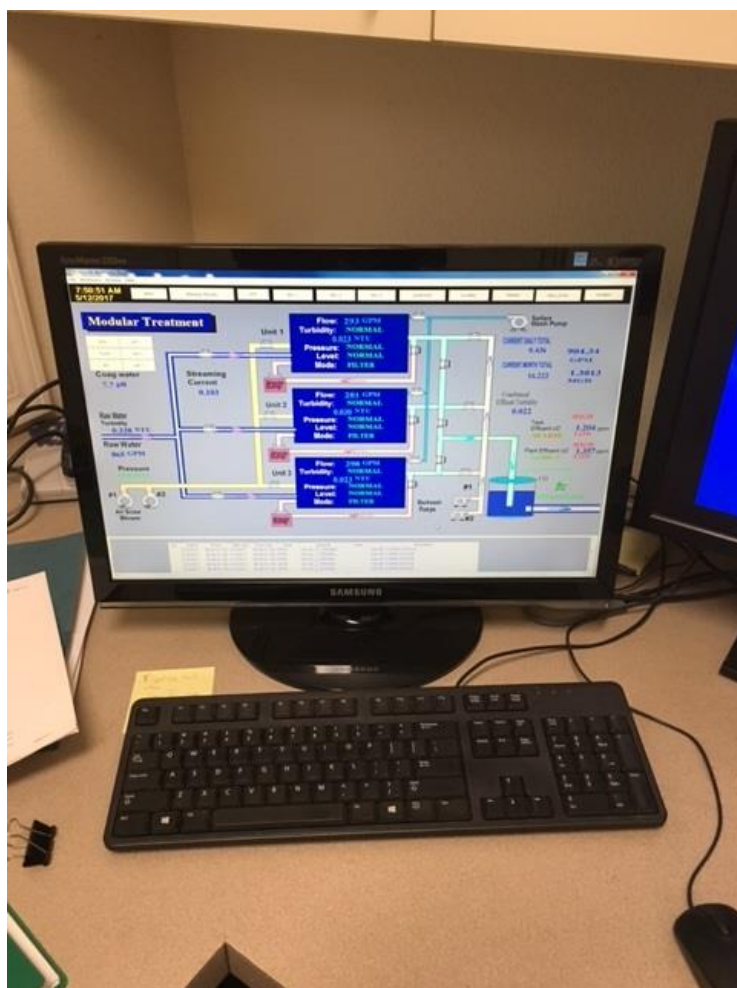
SCADA HMI SOFTWARE UPGRADE

The District utilizes a Supervisory Control and Data Acquisition system (SCADA) to operate and monitor the water system. The system consist of field hardware, main SCADA central computer. The system collects data from the water system and software is used for the Human Machine Interface (HMI). This software is outdated and requires upgrading.

Project Description:

Replacement/upgrade of HMI software.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	105,000		105,000



CAPITAL PROJECT DESCRIPTION

PASATIEMPO WELL 6 REPAIRS

The District's Pasatiempo Well 6 was constructed in 1990 located in Scotts Valley. The well supplies water to customers in the District's South System. The well has developed a hole in the casing allowing for gravel pack to enter into the well. Attempts to repair the well by placing a hydraulic swage have failed.

Project Description:

Consultant to review the damage and attempted repairs, develop a plan for repairs to the well casing.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	45,000		45,000

PASATIEMPO WELL 7 REHABILITATION

The District's Pasatiempo Well 7 was constructed in 1990 located in Scotts Valley. The well supplies water to customers in the District's South System. The performance of the well has declined and, based on past history, is assumed well is impacted by a build-up of iron bacteria biofilms that have plugged the screens. The occurrence of iron bacteria in wells in the Scotts Valley area is not unusual and many wells have chronic problems with this condition.

Project Description:

Rehabilitation of well, work plan is anticipated to include removal of pump, pre-rehabilitation video, mechanical cleaning, chemical treatment, post-chemical cleaning, disinfection, test pumping and post-rehabilitation video.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	65,000		65,000

CAPITAL PROJECT DESCRIPTION

FIREHOUSE BOOSTER ELECTRICAL REPLACEMENT

The Firehouse Booster Pump Station is an existing duplex water booster pump station located in an underground vault adjacent to the Boulder Creek Fire Station. The pump station provides water to approximately 1,630 service connections in North Boulder Creek. This facility was constructed in 1992 in conjunction with the Redwood Elementary School Project. In late 2016 the pump broke flooding the pumping station damaging electrical and SCADA control equipment located in the underground vault.

Project Description:

Replace and relocate electrical and SCADA controls outside of the pump station to avoid future flooding.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	75,000		75,000

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	FY1718 Budget	Future FY Proj.	Total Project Cost
	220,000		220,000

CAPITAL PROJECT DESCRIPTION

OPERATIONS BUILDING GATE ACTUATORS

The District operations building located in Boulder Creek utilizes electric gate actuators to open and close driveway gates. The exiting actuators were installed in 1995 and have reached their life expectancy and require replacement.

Project Description:

Replace both actuators.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	8,000		8,000

MANANA WOODS WATER TREATMENT FACILITY

The Manana Woods Water Treatment Facility was designed to treat water contaminated with petroleum hydrocarbons and gasoline additives. In 2016 the Regional Water Quality Control Board determined the contamination was no longer present in the water supply. In addition to the petroleum hydrocarbons and gasoline additives the treatment facility removes iron and manganese.

Project Description:

Redesign the treatment facility removing the granular activated carbon pressure filter witch removes the petroleum products and upgrading iron and manganese removal. This will be a two year project with the first year design and State Drinking Water Board approval and construction in 2018-1019.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	25,000	225,000	250,000

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	FY1718 Budget	Future FY Proj.	Total Project Cost
	60,000		60,000

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	FY1718 Budget	Future FY Proj.	Total Project Cost
360,000	60,000	740,000	1,160,000

CAPITAL PROJECT DESCRIPTION

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	FY1718 Budget	Future FY Proj.	Total Project Cost
	25,000	175,000	200,000



CAPITAL PROJECT DESCRIPTION

LOMPICO PRESSURE REGULATOR VALVES (PRV) REPLACEMENTS

As part of the consolidation of Lompico County Water into the District, the residents of Lompico are required to replace eight (8) mainline pressure regular 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	FY1718 Budget	Future FY Proj.	Total Project Cost
	50,000	150,000	200,000



CAPITAL PROJECT DESCRIPTION

HIGHWAY 9 & WESTERN AVE 6" (STORM DAMAGE)

North Bound lane of Highway 9 dropped off into the San Lorenzo River damaging approximately 500 lineal feet of six-inch water main.

Project Description:

Replacement/relocation of approximately 500 lineal feet of six-inch water main along Highway 9.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	300,000		300,000



CAPITAL PROJECT DESCRIPTION

BEAR CREEK ROAD MAIN REPLACEMENT/RELOCATION (STORM DAMAGE)

Roadway failure damaged 8" waterline.

Project Description:

Installation of approximately 400 LF of 8" Ductile Iron Pipe waterline in Bear Creek Road.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
10,000	190,000		200,000



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	FY1718 Budget	Future FY Proj.	Total Project Cost
7,000	75,000	1,418,000	1,500,000



CAPITAL PROJECT DESCRIPTION

BULL/BENNET SUPPLY LINE REPLACEMENT (STORM DAMAGE)

The Districts Bull/Bennet raw water supply line in the Felton Water System was damaged during winter storms. Approximately 2,000 lineal feet was damaged and another 1,000 lineal feet requires relocation.

Project Description:

Replace and relocate approximately 2,000 lineal feet of damaged water line with 8" HDPE, and relocate and replace additional 1,000 lineal feet of 8" HDPE. The pipe line will be relocated out of the creek bed and buried in the roadway.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
20,000	35,000		55,000



CAPITAL PROJECT DESCRIPTION

FALL CREEK INTAKE (STORM DAMAGE)

The District's Fall Creek Surface Water Intake located off Fall Creek Road in Felton experienced large amount of debris covering the intake and blocking the stream channel and damage to flow instrumentation from winter storms.

Project description:

Reestablish the stream channel and clear intake structure, replace stream flow instrumentation.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	55,000		55,000



CAPITAL PROJECT DESCRIPTION

ALTA VIA 4" WATERLINE REPLACEMENT (STORM DAMAGE)

Alta Via Road in Brookdale experience a mudslide damaging 300 lineal feet of water main.

Project Description:

Replace approximately 300 lineal feet of 4" water main.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	35,000		35,000

BEAR CREEK ESTATES WATER SCADA REPLACEMENT (STORM DAMAGE)

The Districts Bear Creek Estates Water Tank SCADA transmitter experience water damage during winter storms requiring replacement. The transmitter sends water tank levels through SCADA and controls the water service pump and alarms.

Project Description:

Replacement of the SCADA transmitter at the Bear Creek Estates Water Tank.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	35,000		35,000

FOREMAN CREEK INTAKE (STORM DAMAGE)

The Districts Foreman Creek Surface Water Intake located off Big Basin Way in Boulder Creek experienced large amount of debris covering the intake and blocking the stream channel from winter storms.

Project description:

Reestablish the stream channel and clear intake structure.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	25,000		25,000

CAPITAL PROJECT DESCRIPTION

SMALL MAIN REPAIRS

There were multiple small main breaks that need repair in different areas of the District.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	40,000		40,000

RAW WATER SUPPLY LINES REPAIRS (STORM DAMAGE)

The Districts Peavine and 5-mile Raw Water Supply Lines are located crossing the Ben Lomond Mountain. During heavy rainfall events several trees uprooted and small landslides damaged the supply lines at multiple locations.

Project Description:

Repairs to multiple locations along supply lines.

Spent in Prior FY	FY1718 Budget	Future FY Proj.	Total Project Cost
	40,000		40,000



ADDITIONAL SUPPORT & INFORMATION

STATEMENT OF REVENUES, EXPENSES & CHANGES IN RESERVES

Est. Beginning Reserves	
Est. Beginning Cash Reserves	\$ 2,000,000
Operating Revenue	
Water Fund	\$ 7,090,000
Sewer Fund	100,000
Misc Other	110,000
Total Operating Revenue	\$ 7,300,000
Operating Expenses	
Salaries & Benefits	\$ 4,531,632
Contract/Professional Services	1,206,061
Facilities	510,300
Gen. & Admin.	377,450
Operating Expenses	373,100
Maintenance	174,000
Total Operating Expenses	\$ 7,172,543
Non-operating Revenue	
Property Taxes	\$ 725,000
Assessment Revenue	356,000
Misc Other	62,600
Total Non-Operating Revenue	\$ 1,143,600
Interest Expense	\$ 156,915
Debt Principal Payments	\$ 908,033
Capital Improvement (Expenses) & Funding	
Capital Improvement Projects	\$ (3,130,000)
Funding from Non-Debt Sources	757,500
Funding from Debt Sources	1,184,000
Total Capital Funding Needed	\$ (1,188,500)
Increase (Decrease) in Reserves	\$ (982,390)
Ending Reserves	\$ 1,017,610
Estimated Reserve Balances	
Operating Reserve	\$ 366,163
Capital Reserve	-
Restricted Reserve - Debt	291,030
Restricted Reserve - Assessments	360,416
	\$ 1,017,610

FUND SUMMARY

The below provides a summary of the changes by fund for the FY1718 budget. This is similar to the cash flow activity table that was provided in past budget presentations.

The Water Fund has a budget shortfall of \$952,059, mainly due to capital projects. The Water Fund plans to withdraw from reserves to fund the projects to balance the budget. If any additional grants or debt are used to finance the projects, less money will need to come from reserves. If reserve balances are not available and other funding is not available, some projects will have to be delayed.

The Sewer Fund has a budget shortfall of \$30,331. The Sewer Fund continues to not have enough operating revenue to cover operating expenses. Sewer rates are part of the current rate study that is being conducted. It is important that the District continues to maintain and keep the sewer system functioning. Expenses will continue to be monitored and until more revenue is generated, there will not be any additional spending planned above normal operating activity.

Summary of Revenue, Expenses & Changes in Reserves by Fund

	Water Fund	Sewer Fund	Total
Operating Revenue	\$ 7,200,000	\$ 100,000	\$ 7,300,000
Operating Expenses	7,042,212	130,331	7,172,543
Operating Income (Expense)	\$ 157,788	\$ (30,331)	\$ 127,457
Non-Operating Revenue	\$ 1,143,600	\$ -	\$ 1,143,600
Non-Operating Expense	1,064,947	-	1,064,947
Non-Operating Income (Expense)	\$ 78,653	\$ -	\$ 78,653
Capital Project Expenses	\$ 3,130,000	\$ -	\$ 3,130,000
Capital Project Funding	1,941,500	-	1,941,500
Capital Funding Needed	\$ (1,188,500)	\$ -	\$ (1,188,500)
Increase (Decrease) in Reserves	\$ (952,059)	\$ (30,331)	\$ (982,390)

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 \$1,556,000.
 - 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 \$50,000.
 - 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.
- Cash going out or in such as debt principal payments and funds received from debt are included in the budget.
 - Debt principal payments of \$908,033 are not included in the below.
 - Debt funding for capital improvement projects of \$1,184,000 are not included in the below.

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

	Water Fund	Sewer Fund	Total
Revenues			
Operating Revenues	7,200,000	100,000	7,300,000
Non-Operating Revenues	1,143,600	-	1,143,600
Total Revenues	8,343,600	100,000	8,443,600
Expenses			
Operating Expenses	7,092,212	130,331	7,222,543
Non-Operating Expenses	156,915	-	156,915
Depreciation	1,500,000	56,000	1,556,000
Total Expenses	8,749,127	186,331	8,935,458
Net Income (Loss)	(405,527)	(86,331)	(491,858)
Capital Contributions	757,500	-	757,500
Change in Net Position	351,973	(86,331)	265,642