

BIENNIAL  
BUDGET  
FY 2021-2023

**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

<b>Name</b>	<b>Title</b>	<b>Elected/Appointed</b>	<b>Term Expires</b>
Gail Mahood	President	Elected	December 2024
Lois Henry	Vice President	Elected	December 2022
Bob Fultz	Director	Elected	December 2022
Mark Smolley	Director	Appointed	December 2022
Jayne Ackemann	Director	Appointed	December 2022

### DISTRICT CONTACT INFORMATION

District Manager: Rick Rogers

Address: 13060 Highway 9 Boulder Creek, California 95006

Phone: (831) 338-2153

Website: [www.slvwd.com](http://www.slvwd.com)

Office Hours: 9AM – 4PM 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 biennial budget for Fiscal Year 2021-23. This budget totals \$32.1M for the first fiscal year 2021-22 and \$24.8M for the second fiscal year 2022-23 and includes all expected operating, non-operating and capital costs.

The table below summarizes the District's changes in operating, non-operating, capital and reserves. Expenses are net of an overhead absorption (OHA):

<b>Operating Position</b>	<b>FY2021/22</b>	<b>FY2022/23</b>
Operating Revenues	\$ 12,918,235	\$ 13,078,112
Operating Expenses, net OHA	\$ 9,000,675	\$ 9,318,080
<b>Operating Income (loss)</b>	<b>\$ 3,917,560</b>	<b>\$ 3,760,032</b>
<b>Non-Operating Position</b>	<b>FY2021/22</b>	<b>FY2022/23</b>
Non-Operating Revenues	\$ 1,412,098	\$ 1,372,924
Non-Operating Expenses	\$ 2,322,635	\$ 2,186,103
<b>Non-Operating Income (loss)</b>	<b>\$ (910,537)</b>	<b>\$ (813,179)</b>
<b>Total Income (Loss)</b>	<b>\$ 3,007,023</b>	<b>\$ 2,946,852</b>
<b>Capital Projects</b>	<b>FY2021/22</b>	<b>FY2022/23</b>
Capital Funding Debt/Grants	\$ 19,742,871	\$ 14,393,375
Capital Project Expenditures	\$ 20,750,371	\$ 13,304,250
<b>Capital Funding Surplus (deficit)</b>	<b>\$ (1,007,500)</b>	<b>\$ 1,089,125</b>
<b>Change in Reserves</b>	<b>\$ 1,999,523</b>	<b>\$ 4,035,977</b>

Operating expenses came in at \$9M and \$9.3M, respective of FY21-22 and FY22-23. This includes a new hire Project Manager position starting in FY21-22. Total FTE headcount for the District is 36 employees. This budget also includes increases in expenses related to the CZU Fire damage to surface water sources and increasing PG&E power and operational costs. Additionally, this budget provides for a water rate study in FY21-22.

Operating revenues are budgeted to be \$12.9 and \$13.1M, respective of FY21-22 and FY22-23. This is factoring in the year 5 – 5% rate increase. Operating revenues make up the District's largest source of revenue, being 88% of overall revenue. Of the operating revenue, the water basic and water usage fees generate over 96% of the operating revenue. Consumption is expected to be 496 million gallons and 486 million gallons, respective of FY21-22 and FY22-23.

Operating revenue includes the fire recovery surcharge to aid in the increased operational and capital expenditures caused by the 2020 CZU Lightening Fires, surcharge revenues are \$917K and \$1M respective of FY21-22 and FY22-23. All Surcharge revenues received by the District will be maintained in a restricted fund or account from which CZU Wildfire expenses will be payable

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. In addition, the District is committed as a member of the Santa Margarita Groundwater Agency, to developing a Groundwater Sustainability Plan (GSP). The GSP must be completed by 2022, and the basin must reach sustainability by 2042.

The District's anticipated capital expenses total \$20.8M and \$13.3M, respective of FY21-22 and FY22-23. This is significantly more than in previous years and mainly due to repairing damage from the CZU Fire. In FY20-21, the District successfully secured a \$15M loan for CZU and other planned projects, with Interest rates at near historic low, making it more advantageous to borrow for these larger projects. The CZU Fire impacted operations of the water system destroying the District North System surface water transmission piping. With COVID 19 and the CZU Fire, the District was still able to complete several projects during the fiscal year which included replacement of six leaking water storage tanks in Lompico, mainline replacements on California Drive and Fern Drive.

The rate increase schedule has been imperative to fund capital replacement and eventually build back up reserves. The 2017 rate increase schedule provided 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. To insure that the District continues meeting financial responsibilities, replacing undersized and leaking piping, and to ensure reliable water supply the district will be undertaking a water rate study in FY 21-22.

The biennial FY2021-2023 budgets forecast increase to reserves of \$2M and \$4M, respective of FY21-22 and FY22-23. The increases are in part related to the 2017 scheduled rate increases, as well as the financing a portion of the CZU fire projects until there is a favorable cash flow from the anticipated FEMA reimbursements. The combination of these are bringing the District to meet the target levels of reserves per the reserve fund policy.

Over the next two years we will focus on facilitating repairs of the \$20+ million dollars in CZU fire damage and continuing with the many scheduled mainline replacement projects budgeted. 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 "Rick Rogers". The signature is written in a cursive, flowing style.

Rick Rogers, District Manager



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## *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 25,000 people. The District's service area covers the towns of Ben Lomond, Felton, Brookdale, Boulder Creek and parts of the City of Scotts Valley.





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## *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 35 employees, with one additional new hire in this budget, for a total of 36.

The District's boundaries comprise approximately 60 square miles and 190 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.



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## MAJOR EVENTS

### CZU Lightning Complex Fires

Beginning in August 2020, the CZU Lightning Complex fires burned through San Mateo and Santa Cruz counties, including portions of the SLVWD service area and Conjunctive Use Plan area. In total, the fire burned approximately 86,500 acres, destroyed 7,567 buildings, and damaged SLVWD water supply infrastructure, resulting in significant operational capacity losses. Damaged or destroyed infrastructure included: intake lines, approximately seven miles of distribution piping, over 30 storage and/or settling tanks, and four surface water intakes.

High Density Poly Ethylene (HDPE) mains in the burn area were damaged and melted, causing depressurization of the water distribution system. Immediately after discovery, SLVWD contacted the State Water Resources Control Board (SWRCB), which recommended issuing a precautionary Do Not Drink, Do Not Boil (DND-DNB) notice to all affected residents in the depressurized zones (SLVWD 2021b). The DND-DNB order was in effect for portions of the District's service area until October 23, 2020.



The District intends to replace the remaining infrastructure damaged by the fire. The District released a Request for Proposals (RFP) on May 5, 2021 for a Constructability Study related to the replacement of approximately seven linear miles of raw water supply cross-country pipeline, which was destroyed during the CZU fire event. SLVWD is considering alternative replacement strategies for this pipeline, including replacement in-kind (HDPE pipe) at grade; use of alternate, more fire-resistant materials; installation of HDPE or other material pipe below grade; and re-routing of the pipeline.



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## *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. This is the District's first biennial budget, which helps add to forward thinking and planning. 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. The Biennial Budget is developed and monitored on a modified accrual basis. Depreciation and amortization are not included; payment of debt service is included. The modified–accrual basis of accounting provides a better match of revenues and expenses for budgeting and reporting. 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.

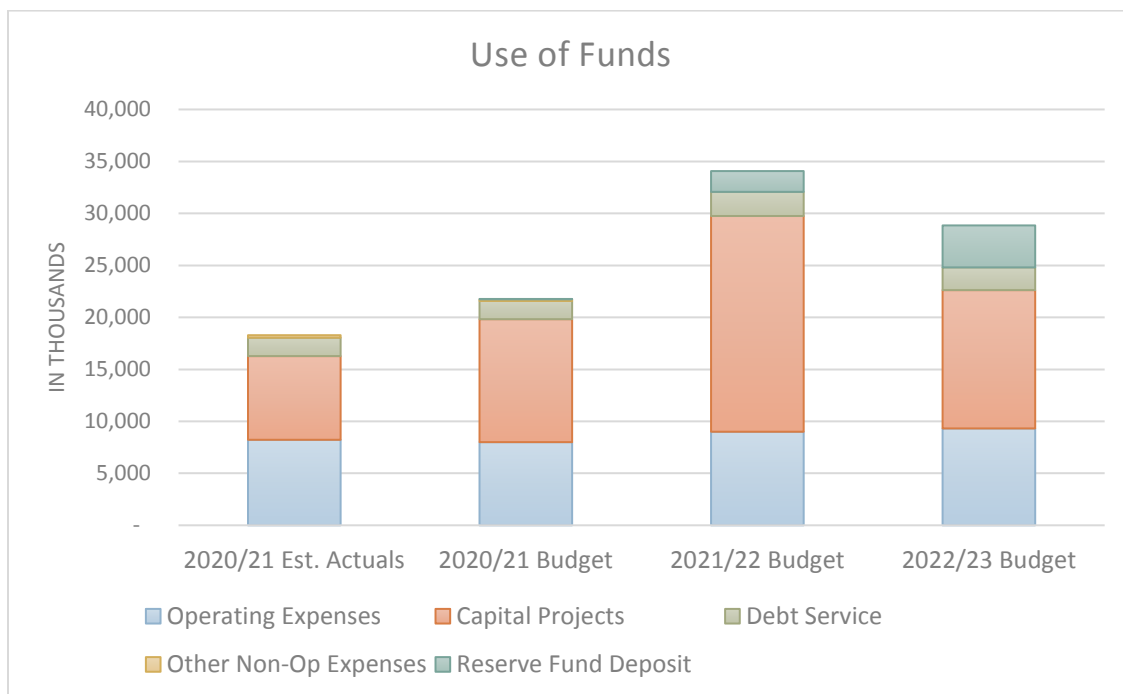
A budget should be balanced with revenues equal to or greater than expenditures and the District may elect to utilize reserves to attain a balanced budget. In the event a budget is not balanced, an action plan should be put in place to explain the shortfall and how the District plans to find a resolution.

## OVERALL BUDGET SUMMARY

### OVERALL SUMMARY

The charts below illustrate the breakdown of uses (expenditures) and sources (revenue) of funds over time. The FY21/22 apportionment of \$34.1M is comprised of \$20.8M or 60.9% for capital projects, \$9M or 26.4% for operating expenses, \$2.3M or 6.8% percent for debt service, and \$2M or 5.9% for deposits to the reserve fund. The FY22/23 apportionment of \$28.8M is comprised of \$13.3M or 46.1% for capital projects, \$9.3M or 32.3% for operating expenses, \$2.2M or 7.6% percent for debt service, and \$4M or 14% for deposits to the reserve fund.

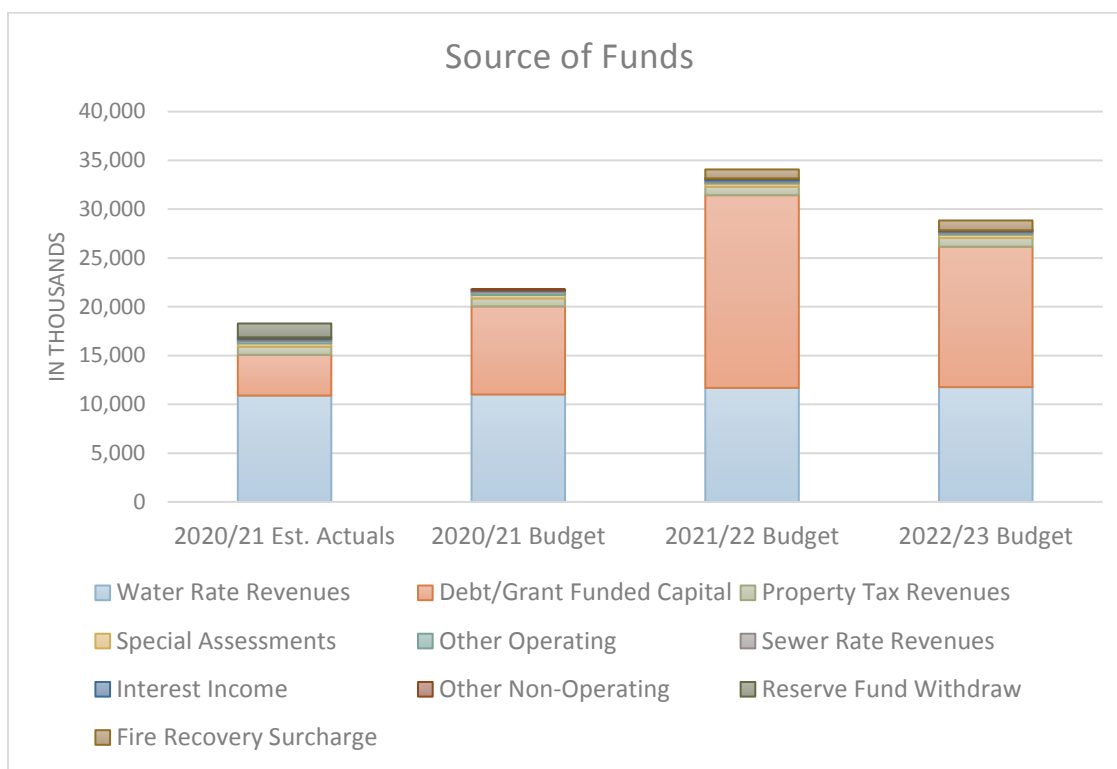
This Biennial Budget is unique for the capital financing and FEMA reimbursements of projects from the 2020 CZU Lightening Fire emergency. It is creating an influx of reserves to be used to pay for future expenditures and replenish monies spent from reserves during the emergency event.





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## OVERALL SUMMARY



The FY21/22 apportionment from source of funds of \$34.1M is comprised of \$19.7M or 57.9% from debt or capital contributions used for funding capital projects, \$11.7M or 34.3% from operating revenues, \$0.9M or 2.7% percent from the fire recovery surcharge, and \$0.9M or 2.5% from property tax revenues. The FY22/23 apportionment of \$28.8M is comprised of \$14.4M or 49.9% from debt or capital contributions used for funding capital projects, \$11.8M or 40.8% from operating revenues, \$1M or 3.5% percent from the fire recovery surcharge, and \$0.9M or 3.1% from property tax revenues.

The Fire Recovery Surcharge is an operating revenue that will be maintained in a restricted fund or account from which CZU Wildfire expenses will be payable. The District will track CZU Wildfire costs against the revenues generated by the Surcharge. These expenses may be operating, capital or debt related expenditures. The overall surcharge is intended to collect \$5 million dollars over a 5 year period, or sooner if the related expenses are below \$5M.

## REVENUES, EXPENSES & CHANGES IN RESERVES

The below shows the flow of District funds and the estimated reserve fund balances, as described in the District's Reserve Fund Policy.

DISTRICT FUNDS	FY2223 Proposed Budget	DISTRICT FUNDS	FY2122 Proposed Budget
<i>Beginning Reserve Balance</i>	\$ 5,802,146	<i>Beginning Reserve Balance</i>	\$ 3,802,249
<b>Revenues</b>		<b>Revenues</b>	
Operating Revenues <sup>(1)</sup>	\$ 13,078,112	Operating Revenues <sup>(1)</sup>	\$ 12,918,235
Non-operating Revenues	1,372,924	Non-operating Revenues	1,412,098
<b>Total Revenues</b>	<b>\$ 14,451,036</b>	<b>Total Revenues</b>	<b>\$ 14,330,333</b>
<b>Expenses</b>		<b>Expenses</b>	
Operating Expenses	\$ 9,468,080	Operating Expenses	\$ 9,150,675
Non-operating Expenses	2,186,103	Non-operating Expenses	2,322,260
Overhead Absorption <sup>(2)</sup>	(150,000)	Overhead Absorption <sup>(2)</sup>	(150,000)
<b>Total Expenses</b>	<b>\$ 11,504,183</b>	<b>Total Expenses</b>	<b>\$ 11,322,935</b>
<b>Capital Improvement Expenses &amp; Funding</b>		<b>Capital Improvement Expenses &amp; Funding</b>	
Capital Projects	\$ 13,304,250	Capital Projects	\$ 20,750,371
Grant/FEMA Funded <sup>(3)</sup>	(8,466,375)	Grant/FEMA Funded <sup>(3)</sup>	(3,145,500)
Debt Funded	(5,927,000)	Debt Funded	(16,597,371)
<b>Capital Project Expenses</b>	<b>\$ (1,089,125)</b>	<b>Capital Project Expenses</b>	<b>\$ 1,007,500</b>
Increase (Decrease)	\$ 4,035,977	Increase (Decrease)	\$ 1,999,898
<b>Ending Reserve Balance</b>	<b>\$ 9,838,124</b>	<b>Ending Reserve Balance</b>	<b>\$ 5,802,146</b>

<b>Reserve Balances</b>		<b>Reserve Balances</b>	
Operating Reserve	\$ 3,550,530	Operating Reserve	\$ 3,431,503
Capital Reserve	3,750,000	Capital Reserve	975,643
Compensated Absences	191,667	Compensated Absences	188,333
Restricted - Fire Recovery	1,916,667	Restricted - Fire Recovery	916,667
Restricted Reserve - Debt	180,000	Restricted Reserve - Debt	180,000
Restricted Reserve - Oly AD	110,000	Restricted Reserve - Oly AD	110,000
Surplus Reserves	139,260	Surplus Reserves	-
	<b>\$ 9,838,124</b>		<b>\$ 5,802,146</b>

(1) The Fire Recovery Surcharge is included in the operating revenue. The District will track CZU Wildfire costs against the revenues generated by the Surcharge. These expenses may be operating, capital or debt related expenditures and will be maintained in a restricted account.

(2) Overhead absorption is typically employee labor time that is capitalized for work performed on capital project in lieu of an outside consultant.

(3) FEMA/Grant reimbursements are being based on cash basis accounting to represent the actual cash flow needs. Accrual based accounting will recognize the 75% FEMA portion at the time being spent in the audit.

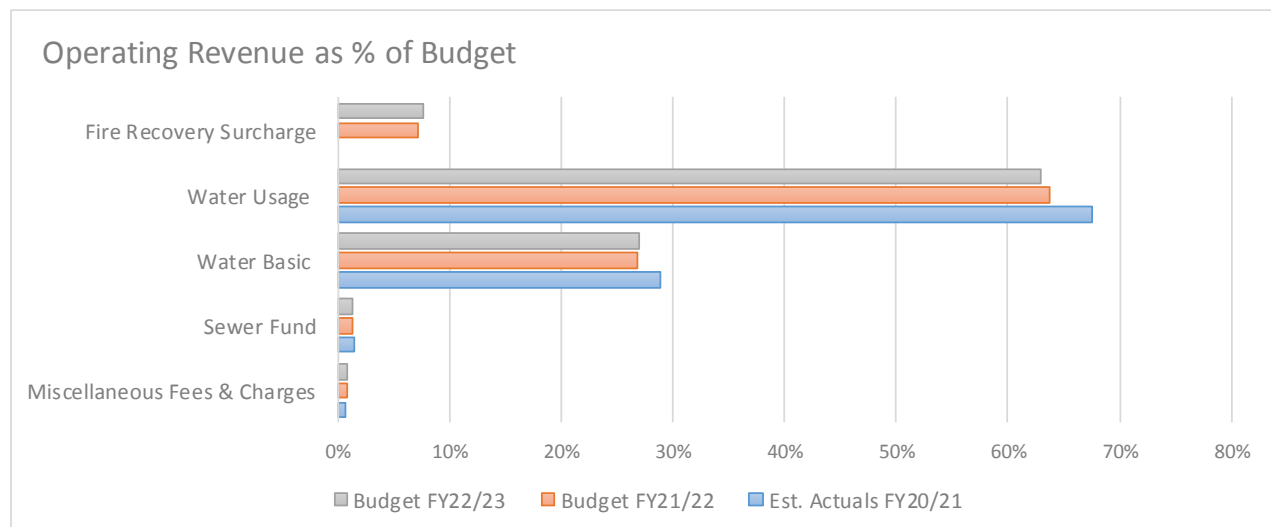
## REVENUE SUMMARY

Overall District revenue is budgeted to be \$14.3M for FY21-22 and \$14.5M for FY22-23. Revenues have increased \$1.6M or 12.4% compared to the prior year FY20-21 budget and \$121K or 0.8% from FY21-22 to FY22-23. The increase is largely due to the Fire Recovery Surcharge that is to start in FY21-22, and then from the final year 5 – 5% rate increase from the 2017 rate study. Consumption is anticipated to decrease slightly to 496 million gallons of water sold, and 486 million gallons in the respective biennial budget years. The District will continue to monitor consumption levels during the drought.

### Operating Revenue Budget

					2020/21 Budget	2021/22 Budget
					Compared to	Compared to
	2020/21 Estimated Actuals	2020/21 Adopted Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget
<b>Operating Revenue</b>						
Water Basic	\$ 3,267,526	\$ 3,335,600	\$ 3,459,600	\$ 3,536,400	\$ 124,000	\$ 76,800
Water Usage	7,634,730	7,680,512	8,231,387	8,231,131	550,875	(256)
Sewer Fund	158,600	158,603	173,021	173,021	14,418	-
Sale of Meters	30,000	30,000	32,000	32,000	2,000	-
Fire Recovery Surcharge <sup>(1)</sup>	-	-	916,667	1,000,000	916,667	83,333
Operating Grants	150,000	150,000	-	-	(150,000)	-
Miscellaneous Fees & Charges	72,000	85,000	105,560	105,560	20,560	-
<b>Total Operating Revenue</b>	<b>\$ 11,312,856</b>	<b>\$ 11,439,715</b>	<b>\$ 12,918,235</b>	<b>\$ 13,078,112</b>	<b>\$ 1,478,520</b>	<b>\$ 159,877</b>

(1) The Fire Recovery Surcharge is an operating revenue that will be maintained in a restricted fund or account from which CZU Wildfire expenses will be payable. The District will track CZU Wildfire costs against the revenues generated by the Surcharge. These expenses may be operating, capital or debt related expenditures.



## REVENUE SUMMARY

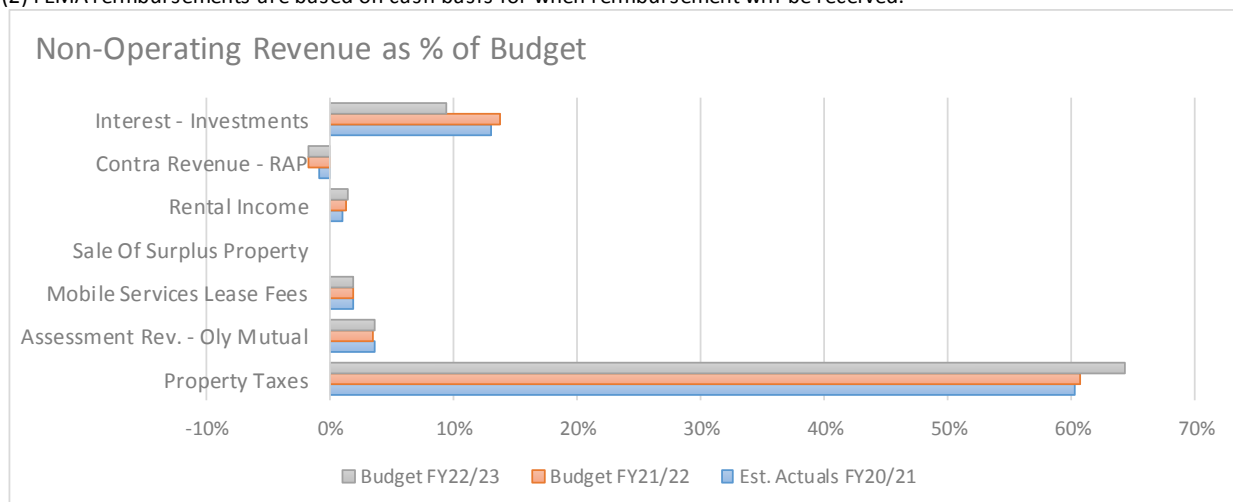
Non-operating revenues remain consistent with prior years. Interest earnings remains higher than normal due to the large restricted loan financing that remains in the District's accounts and is expensed as the projects progress. Capital contributions for FY21-22 are projected to be \$3.1M and \$8.5M for FY22-23. These are the anticipated cash basis reimbursements to be received from FEMA for the approximate 75% portion covered for the CZU Fire related projects.

### Non-Operating Revenue Budget

					2020/21 Budget	2021/22 Budget
					Compared to 2021/22 Proposed Budget	Compared to 2022/23 Proposed Budget
Non-Operating Revenue	2020/21 Estimated Actuals	2020/21 Adopted Budget	2021/22 Proposed Budget	2022/23 Proposed Budget		
Property Taxes	\$ 832,000	\$ 825,000	\$ 856,960	\$ 882,669	\$ 31,960	\$ 25,709
Assessment Rev. - Oly Mutual	48,500	48,500	48,500	48,500	-	-
Assessment Rev. - Lompico	295,000	295,000	295,000	295,000	-	-
Mobile Services Lease Fees	25,000	25,000	25,000	25,000	-	-
Rental Income	13,725	18,500	18,500	18,500	-	-
Contra Revenue - RAP <sup>(1)</sup>	(12,000)	(25,000)	(25,000)	(25,000)	-	-
Interest - Investments	180,000	120,000	193,138	128,255	73,138	(64,883)
<b>Total Non-Operating Revenue</b>	<b>\$ 1,382,225</b>	<b>\$ 1,307,000</b>	<b>\$ 1,412,098</b>	<b>\$ 1,372,924</b>	<b>\$ 105,098</b>	<b>\$ (39,174)</b>
<b>Capital Contributions</b>						
Capital Grants	\$ 330,000	\$ -	\$ -	\$ -	\$ -	\$ -
FEMA Reimbursements <sup>(2)</sup>	-	-	3,145,500	8,466,375	3,145,500	5,320,875
<b>Total Capital Contributions</b>	<b>\$ 330,000</b>	<b>\$ -</b>	<b>\$ 3,145,500</b>	<b>\$ 8,466,375</b>	<b>\$ 3,145,500</b>	<b>\$ 5,320,875</b>

(1) RAP - Rate Assistance Program

(2) FEMA reimbursements are based on cash basis for when reimbursement will be received.





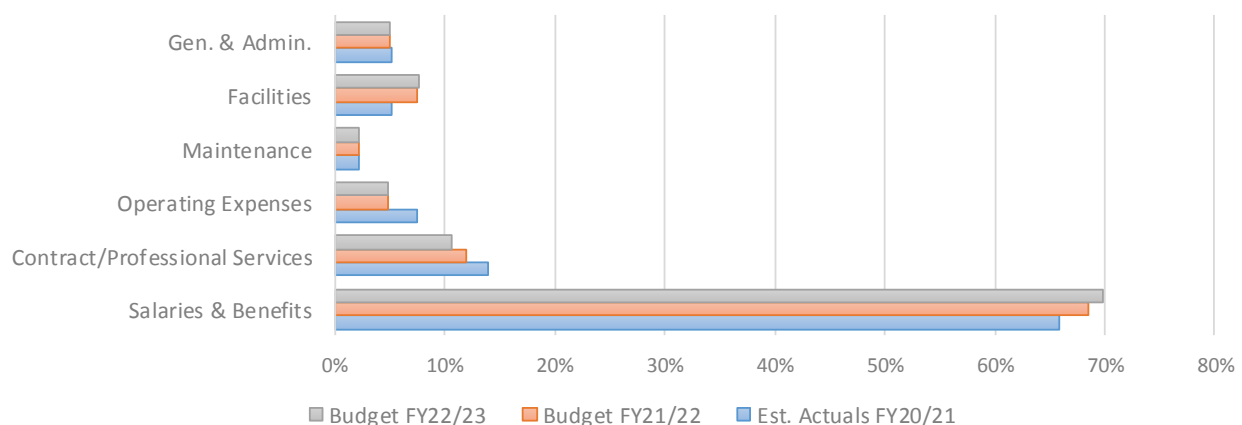
## EXPENSE SUMMARY

Operating expenses, excluding capital projects, are budgeted to be \$9.2M for FY21-22 and \$9.5M for FY22-23. Operating expenses have increased \$1M or 12.9% compared to the prior FY20-21 budget and increased \$317K or 3.5% from FY21-22 to FY22-23. The below table breaks down operating expenses from two views, by the main categories and then by the departments. These will be broken down in more detail further in this document.

### Operating Expense Budget

					2020/21 Budget Compared to	2021/22 Budget Compared to
	2020/21 Estimated Actuals	2020/21 Adopted Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget
<b>By Category</b>						
Salaries & Benefits	\$ 5,621,404	\$ 5,547,687	\$ 6,262,422	\$ 6,607,296	\$ 714,735	\$ 344,874
Contract/Professional Services	1,188,981	959,000	1,100,283	1,008,645	141,283	(91,638)
Operating Expenses	643,326	595,300	446,700	455,450	(148,600)	8,750
Maintenance	188,176	185,750	198,300	202,700	12,550	4,400
Facilities	439,033	381,600	685,050	725,795	303,450	40,745
Gen. & Admin.	445,128	435,150	457,920	468,194	22,770	10,274
<b>Total Operating by Category</b>	<b>\$ 8,526,048</b>	<b>\$ 8,104,487</b>	<b>\$ 9,150,675</b>	<b>\$ 9,468,080</b>	<b>\$ 1,046,188</b>	<b>\$ 317,405</b>
				<i>% Change</i>	12.9%	3.5%
<b>By Department</b>						
Administrative	\$ 1,193,506	\$ 999,134	\$ 1,522,886	\$ 1,466,984	\$ 523,752	\$ (55,903)
Finance & Business Services	1,558,285	1,494,841	1,554,816	1,621,485	59,974	66,669
Engineering	356,138	488,970	433,076	453,401	(55,893)	20,324
Operations & Distribution	2,388,202	2,238,537	2,486,938	2,595,209	248,401	108,271
Environmental	447,239	363,300	326,416	333,723	(36,884)	7,308
Supply & Treatment	2,485,953	2,369,932	2,711,445	2,878,402	341,513	166,957
Sewer Fund	96,725	149,773	115,098	118,876	(34,676)	3,779
<b>Total Operating by Department</b>	<b>\$ 8,526,048</b>	<b>\$ 8,104,487</b>	<b>\$ 9,150,675</b>	<b>\$ 9,468,080</b>	<b>\$ 1,046,188</b>	<b>\$ 317,405</b>

### Operating Expenses By Category as % of Budget



## EXPENSE SUMMARY

Non-operating expenses are mainly comprised of debt service and remain around \$2M for each fiscal year. In 2021 the District secured a \$15M financing over 20 years at a 2.40% interest rate. Approximately \$9M is for CZU Fire related projects and the remaining \$6M is for continued capital replacement of aging mainlines.

### Non-Operating Expense Budget

						2020/21 Budget	2021/22 Budget
						Compared to	
		2020/21 Estimated Actuals	2020/21 Adopted Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget
<b>Interest Expense</b>							
Refunding Bond		\$ 12,354	\$ 12,354	\$ 1,345	\$ -	\$ (11,009)	\$ (1,345)
Felton Loan		29,859	29,859	26,039	22,129	(3,820)	(3,910)
Olympia SRF Loan		36,273	36,273	34,515	32,712	(1,758)	(1,803)
Probation Tank Loan		80,158	74,009	77,146	74,009	3,137	(3,138)
2019 \$14.5M COP		519,850	519,850	507,975	495,350	(11,875)	(12,625)
2021 \$15M Loan		-	-	367,467	342,167	367,467	(25,300)
Solar Lease		7,647	7,647	6,477	5,263	(1,170)	(1,214)
Vehicle Lease		1,177	1,176	-	-	(1,176)	-
<b>Interest Expense</b>		<b>\$ 687,318</b>	<b>\$ 681,168</b>	<b>\$ 1,020,965</b>	<b>\$ 971,630</b>	<b>\$ 339,797</b>	<b>\$ (49,334)</b>
				<b>% Change</b>		<b>49.9%</b>	<b>-4.8%</b>
<b>Debt Principal Payments</b>							
Refunding Bond	Exp. 2022 @ 2.60%	\$ 494,531	\$ 494,531	\$ 103,454	\$ -	\$ (391,077)	\$ (103,454)
Felton Loan	Exp. 2027 @ 2.42%	156,938	156,938	160,758	164,668	3,820	3,910
Olympia SRF	Exp. 2037 @ 2.57%	67,960	67,960	69,717	71,521	1,757	1,803
Probation Tank	Exp. 2038 @ 4.15%	71,820	71,820	74,831	77,969	3,011	3,138
2019 \$14.5M COP	Exp. 2049 @ 2.99%	230,000	230,000	245,000	260,000	15,000	15,000
2021 \$15M Loan	Exp. 2041 @ 2.40%	-	-	592,284	606,584	592,284	14,300
Solar Lease	Exp. 2026 @ 3.67%	36,573	31,348	32,518	33,731	1,170	1,213
Vehicle Lease	Exp. 2022 @ 3.29%	24,031	24,031	22,732	-	(1,299)	(22,732)
<b>Debt Principal Expense</b>		<b>\$1,081,853</b>	<b>\$ 1,076,628</b>	<b>\$ 1,301,295</b>	<b>\$ 1,214,473</b>	<b>\$ 224,667</b>	<b>\$ (86,822)</b>
<b>Other Non-Operating Expenses</b>							
Investment in SMGWA <sup>(1)</sup>		\$ 184,470	\$ 150,000	\$ -	\$ -	\$ (150,000)	\$ -
Debt Issuance Costs		55,000	-	-	-	-	-
<b>Other Non-Op Expense</b>		<b>\$ 239,470</b>	<b>\$ 150,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (150,000)</b>	<b>\$ -</b>
<b>TOTAL NON-OPERATING EXPENSE</b>		<b>\$2,008,641</b>	<b>\$ 1,907,796</b>	<b>\$ 2,322,259</b>	<b>\$ 2,186,103</b>	<b>\$ 414,463</b>	<b>\$ (136,156)</b>
				<b>% Change</b>		<b>21.7%</b>	<b>-5.9%</b>

(1) Santa Margarita Ground Water Agency is expected to receive enough grant funds to cover FY21/22 expenses. FY 22/23 is more unknown and will be updated at the mid year review.

## OPERATING BUDGET

### SUMMARY – OPERATING BUDGET

The recommended Operating Budget for FY21-22 results in an Operating Income of \$3.8M and \$3.6M for FY22-23. The surplus will go towards capital projects and gradually building back up reserves.

#### High Level Revenue & Expense Summary

Operating Revenue & Expense	2020/21 Estimated Actuals	2020/21 Adopted Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2021/22 Budget	2022/23 Budget
					Compared to 2020/21 Proposed Budget	Compared to 2021/22 Proposed Budget
<b>Operating Revenue</b>						
Water Basic	\$ 3,267,526	\$ 3,335,600	\$ 3,459,600	\$ 3,536,400	\$ 124,000	\$ 76,800
Water Usage	7,634,730	7,680,512	8,231,387	8,231,131	550,875	(256)
Sewer Fund	158,600	158,603	173,021	173,021	14,418	-
Sale of Meters	30,000	30,000	32,000	32,000	2,000	-
Fire Recovery Surcharge	-	-	916,667	1,000,000	916,667	83,333
Operating Grants	150,000	150,000	-	-	(150,000)	-
Miscellaneous Fees & Charges	72,000	85,000	105,560	105,560	20,560	-
<b>Total Operating Revenue</b>	<b>\$ 11,312,856</b>	<b>\$ 11,439,715</b>	<b>\$ 12,918,235</b>	<b>\$ 13,078,112</b>	<b>\$ 1,478,520</b>	<b>\$ 159,877</b>
<b>Operating Expenses</b>						
Salaries & Benefits	\$ 5,621,404	\$ 5,547,687	\$ 6,262,422	\$ 6,607,296	714,735	344,874
Contract/Professional Services	1,188,981	959,000	1,100,283	1,008,645	141,283	(91,638)
Operating Expenses	643,326	595,300	446,700	455,450	(148,600)	8,750
Maintenance	188,176	185,750	198,300	202,700	12,550	4,400
Facilities	439,033	381,600	685,050	725,795	303,450	40,745
Gen. & Admin.	445,128	435,150	457,920	468,194	22,770	10,274
<b>Total Operating Expenses</b>	<b>\$ 8,526,048</b>	<b>\$ 8,104,487</b>	<b>\$ 9,150,675</b>	<b>\$ 9,468,080</b>	<b>\$ 1,046,188</b>	<b>\$ 317,405</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 2,786,808</b>	<b>\$ 3,335,228</b>	<b>\$ 3,767,560</b>	<b>\$ 3,610,032</b>	<b>\$ 432,332</b>	<b>\$ (157,528)</b>
			% Change		13.0%	-4.2%

#### FY21-22 BUDGET VARIANCE TO PRIOR FY20-21 BUDGET:

- Increase revenue due to 5% rate increase, \$675K
- Increase revenue due to Fire Recovery Surcharge, \$917K
- Decrease revenue from operating grants, \$150K
- Increase expense \$220K related to new hire and 3 promotions
- Increase expense one-time \$200K pension liability pay down
- Increase expense employee related (COLA, taxes, medical, pension) of \$287K
- Increase expense \$100K for rate study
- Increase expense \$90K in utilities for PG&E PSPS and fire related
- Increase expense \$70K in insurance premiums

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## SUMMARY – OPERATING BUDGET

### FY22-23 BUDGET VARIANCE TO FY21-22 BUDGET:

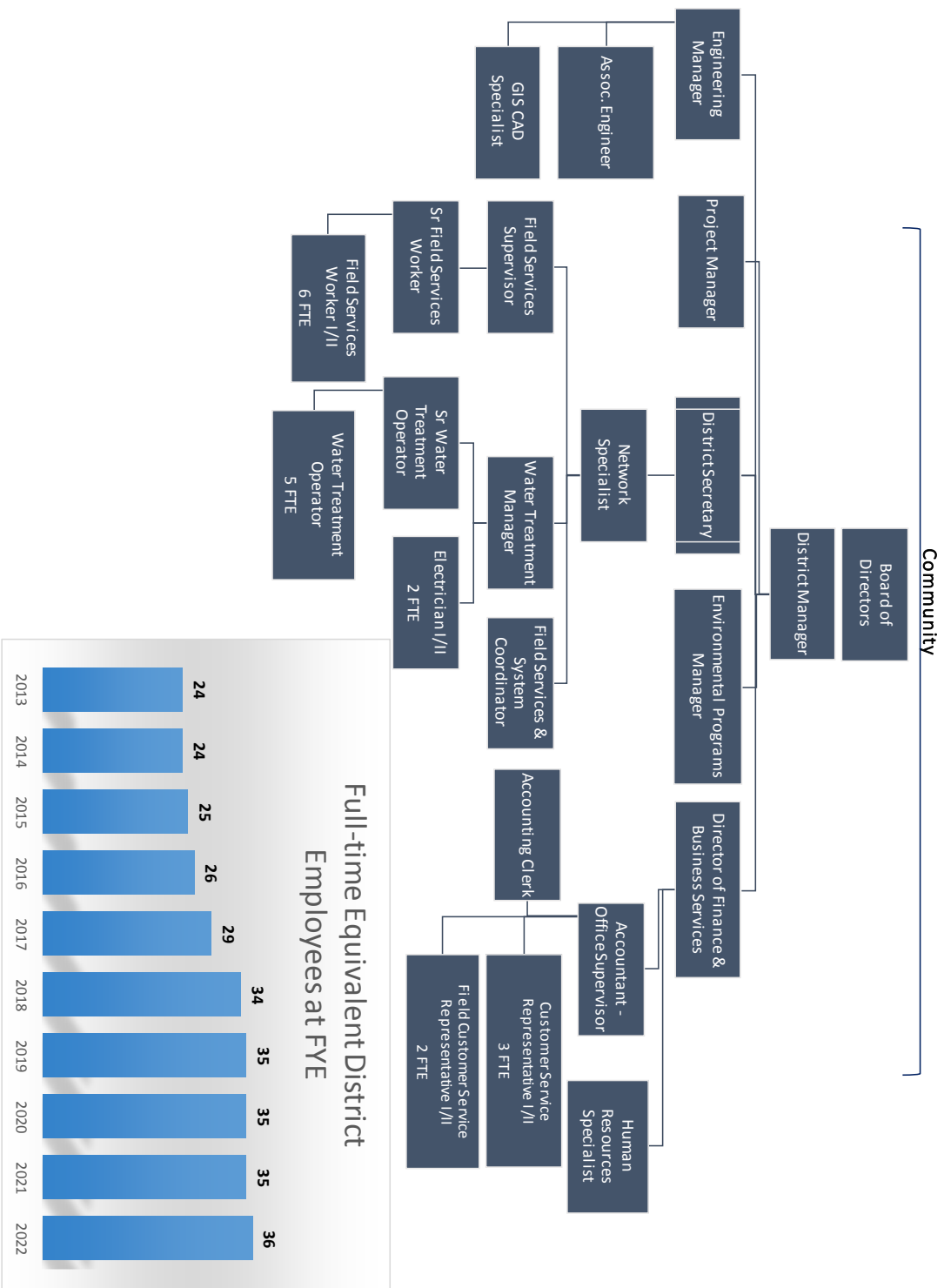
- Increase revenue due to prior year partial year rate increase, \$76K
- Increase revenue due to prior year partial Fire Recovery Surcharge, \$83K
- Increase expense one-time \$100K pension liability pay down
- Increase expense employee related (COLA, taxes, medical, pension) of \$220K
- Increase expense election year, \$30K
- Increase expense in utilities for PG&E PSPS and fire related, \$40K
- Decrease expense \$100K for rate study

The District has the following rate schedules in place. The timing of these occur during the fiscal year, which means the increase will flow through the following fiscal year before a full year of the increase is recognized. Water related occurred in November and sewer related in January:

<b>Fixed Service Charge</b>	<b>FY1718</b>	<b>FY1819</b>	<b>FY1920</b>	<b>FY2021</b>	<b>FY2122</b>
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
<b>Volumetric Charge</b>	<b>FY1718</b>	<b>FY1819</b>	<b>FY1920</b>	<b>FY2021</b>	<b>FY2122</b>
Flat Rate	\$ 10.12	\$ 10.83	\$ 11.48	\$ 12.06	\$ 12.66
<b>Sewer Service Charge</b>		<b>FY1819</b>	<b>FY1920</b>	<b>FY2021</b>	
Sewer Rate		\$ 178.80	\$ 214.56	\$ 257.47	



ORGANIZATIONAL CHART



## PERSONNEL

Overall, the largest operating expense of the District is the salary & benefits portion, making up approximately 68% of the overall operating expense. The Biennial Budget consists of 36 full-time equivalent (FTE) employees. District employees make our mission to provide our customers and all future generations with reliable, safe, and high quality water possible.

This was especially shown by staff's dedication during the CZU Lightening Fires, which was one of the worst natural disasters the area has seen for many years.

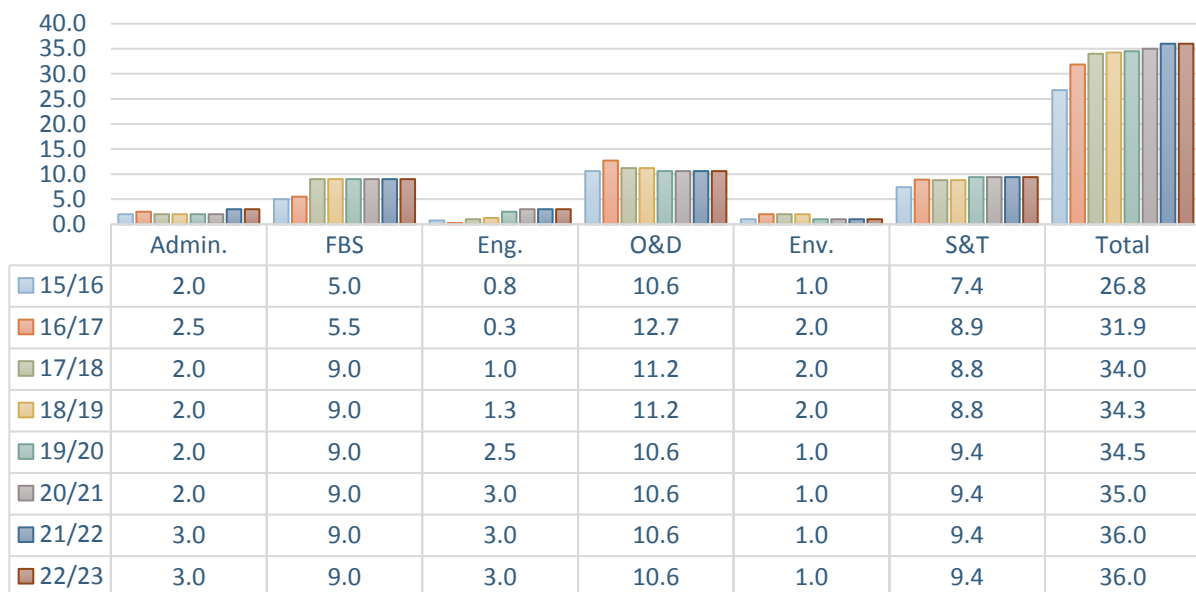
### REQUESTED NEW HIRES:

FY21-22 has one full time Project Manager new hire. This resulted in \$160K fully encumbered in the budget.

### EMPLOYEE RELATED EXPENSES:

- Regular increases in employee items such as cost of living increases, payroll taxes, medical benefits and required pension payments occur each year.
- FY21-22 includes an additional unfunded pension liability payment of \$200K, and FY22-23 has one for \$100K.
- Similarly, there are one time contributions to the OPEB Section 125 Trust fund of approximately \$25K in each fiscal year.

Full-time Equivalent Employees

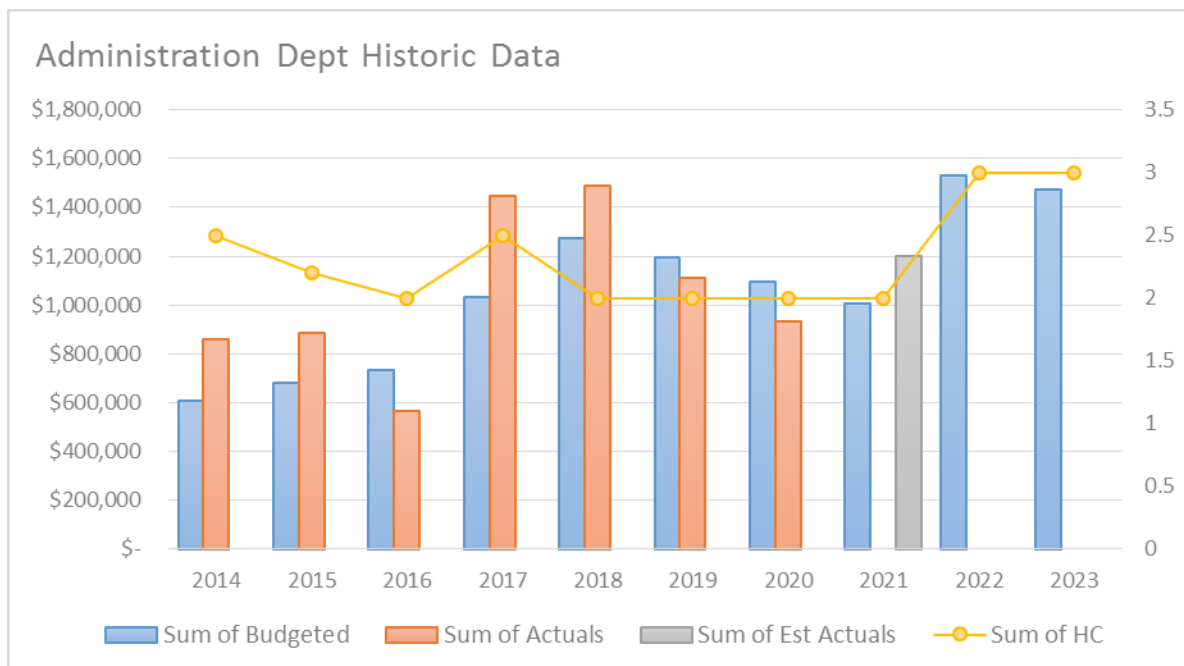


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## ADMINISTRATION DEPARTMENT

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 3 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.
- The new Project Manager position will lead special projects as assigned.
- This department also contains the direct expenses of the Board of Directors.



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## ADMINISTRATION DEPARTMENT

### Administration by Expense Category

	2020/21	2020/21	2021/22	2022/23	2021/22	2022/23
	Estimated	Adopted	Proposed	Proposed	Compared	Compared
	Actuals	Budget	Budget	Budget	2020/21	2021/22
					Budget	Budget
Salaries & Benefits	\$ 491,561	\$ 493,581	\$ 760,518	\$ 790,327	\$ 266,937	\$ 29,809
Contract/Professional Services	401,781	275,000	464,700	355,494	189,700	(109,206)
Operating Expenses	11,477	5,686	4,468	6,454	(1,218)	1,986
Maintenance	17,702	16,377	18,618	18,618	2,241	-
Facilities	26,092	29,884	24,725	25,961	(5,159)	1,236
Gen. & Admin.	244,894	178,605	249,857	270,129	71,252	20,272
<b>Total Operating Expense</b>	<b>\$1,193,506</b>	<b>\$ 999,134</b>	<b>\$1,522,886</b>	<b>\$1,466,984</b>	<b>\$ 523,752</b>	<b>\$ (55,903)</b>
			% Change		52%	-4%

### FY21-22 BUDGET VARIANCE TO PRIOR YEAR FY20-21 BUDGET:

Expenses have increased \$524K or 52% compared to the prior year budget. The increase is due to a new hire, a rate study, increased legal expenses and increases to insurance policies.

### FY22-23 BUDGET VARIANCE TO FY21-22 BUDGET:

Expenses have decreased \$56K or -4% compared to the FY21-22 budget. The decrease is due to the rate study expense in FY21-22, off-set by FY22-23 being an election year.

### BUDGET EXPENDITURES TO NOTE:

#### Contract/Professional Services:

- FY21-22: Non-recurring \$100K for a rate study
- FY21-22: \$240K for legal services, FY20-21 actuals expected to be \$280K vs. a budgeted \$180K.

#### General & Administrative Services:

- FY21-22: \$200K for insurances, this includes an estimated increase due to the more recent claims.
- FY22-23: \$220K for insurances, this includes an estimated increase due to the more recent claims.

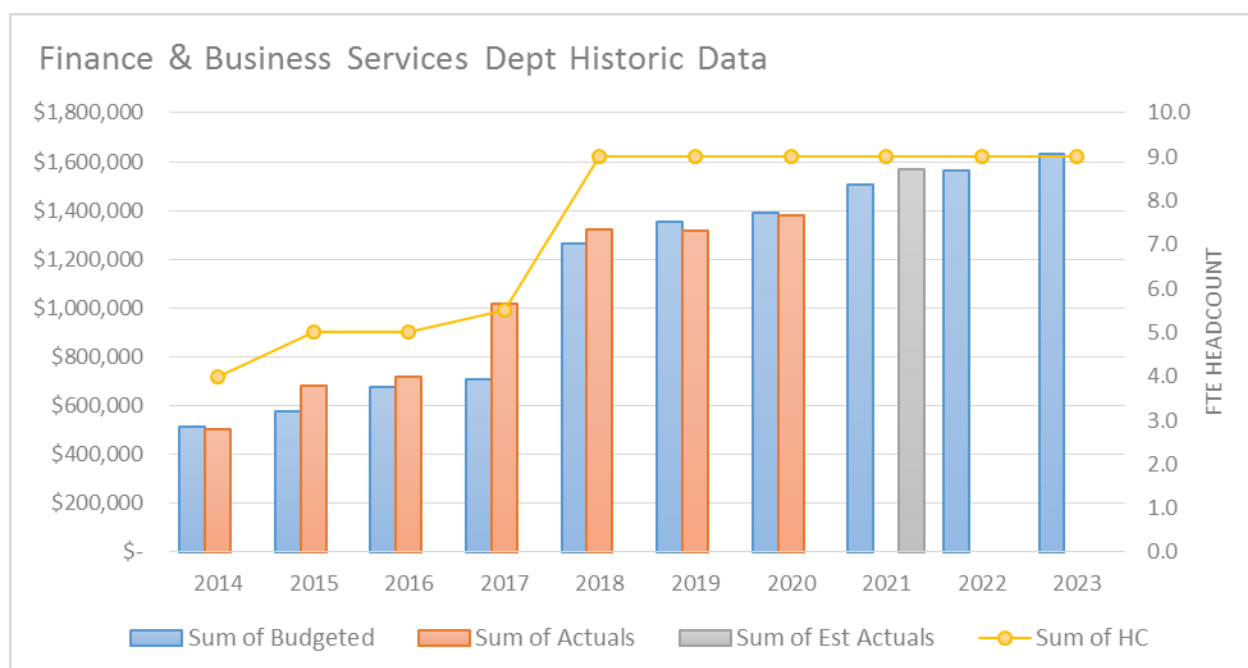


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## FINANCE & BUSINESS SERVICES DEPARTMENT

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.



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## FINANCE & BUSINESS SERVICES DEPARTMENT

### Finance & Business Services by Expense Category

	2020/21	2020/21	2021/22	2022/23	2021/22	2022/23
	Estimated	Adopted	Proposed	Proposed	Compared	Compared
	Actuals	Budget	Budget	Budget	2020/21	2021/22
					Budget	Budget
Salaries & Benefits	\$1,219,807	\$1,168,747	\$1,205,942	\$1,278,005	\$ 37,195	\$ 72,063
Contract/Professional Services	134,051	138,020	162,433	164,983	24,413	2,550
Operating Expenses	24,080	8,192	5,213	5,213	(2,979)	-
Maintenance	14,249	14,249	10,277	10,277	(3,972)	-
Facilities	1,265	1,300	1,291	1,291	(9)	-
Gen. & Admin.	164,833	164,333	169,659	161,715	5,326	(7,944)
<b>Total Operating Expense</b>	<b>\$1,558,285</b>	<b>\$1,494,841</b>	<b>\$1,554,816</b>	<b>\$1,621,485</b>	<b>\$ 59,974</b>	<b>\$ 66,669</b>
			% Change		4%	4%

### FY21-22 BUDGET VARIANCE TO PRIOR YEAR FY20-21 BUDGET:

Expenses have increased \$60K or 4% 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 an upgrade in the ERP system to go to the cloud. The District is currently looking for ways to decrease administrative fees such as a going green campaign to reduce paper waste and reduce postage fees.

### FY22-23 BUDGET VARIANCE TO FY21-22 BUDGET:

Expenses have increased \$67K or 4% compared to the FY21-22 budget. The increase is due to changes in employee benefits and regular increases in salaries and benefits.

### BUDGET EXPENDITURES TO NOTE:

#### Contract/Professional Services:

- \$56K billing related
- \$60K for ERP software related
- \$15K human resources related
- \$24K for audit services

#### General & Administrative Services:

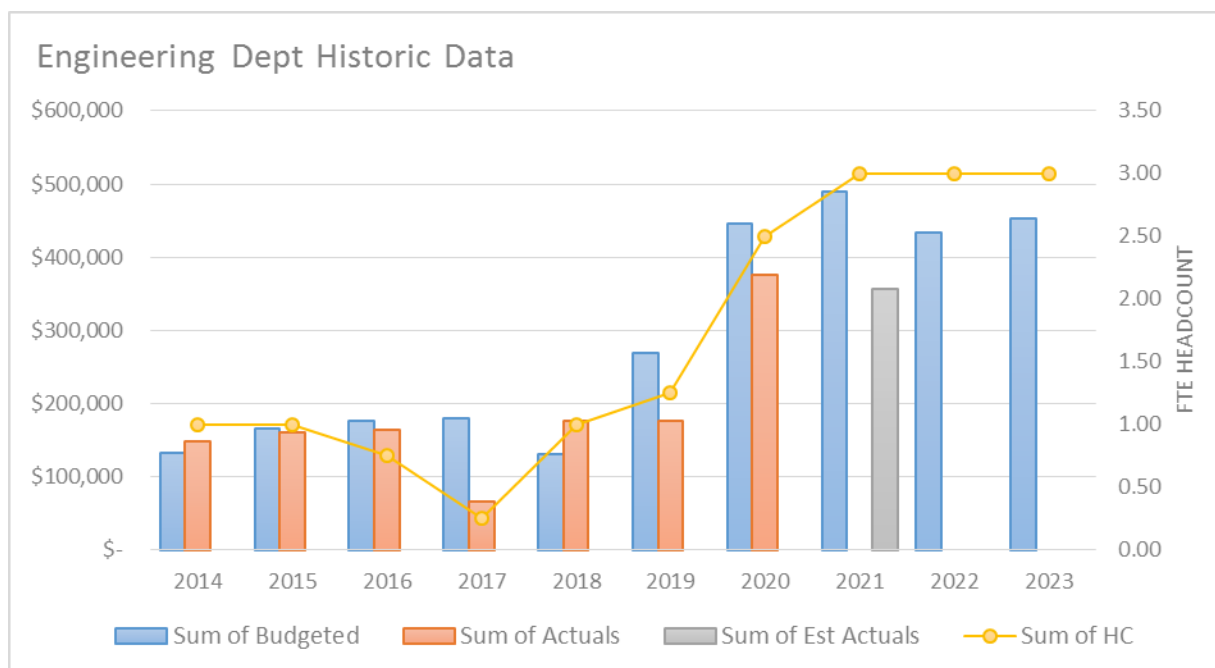
- \$110K for banking related, mainly due to online and credit card payments
- \$35K for postage

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## 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 3 FTE employees.

It is estimated that 80% of the Engineering Manager's 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.



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## ENGINEERING DEPARTMENT

### Engineering by Expense Category

	2020/21	2020/21	2021/22	2022/23	2021/22	2022/23
	Estimated	Adopted	Proposed	Proposed	Compared	Compared
	Actuals	Budget	Budget	Budget	2020/21	2021/22
					Budget	Budget
Salaries & Benefits	\$ 315,538	\$ 444,870	\$ 394,226	\$ 419,051	\$ (50,643)	\$ 24,824
Contract/Professional Services	30,000	30,000	30,000	25,000	-	(5,000)
Operating Expenses	4,000	5,000	1,000	1,000	(4,000)	-
Maintenance	250	1,000	1,500	2,000	500	500
Facilities	850	2,000	850	850	(1,150)	-
Gen. & Admin.	5,500	6,100	5,500	5,500	(600)	-
<b>Total Operating Expense</b>	<b>\$ 356,138</b>	<b>\$ 488,970</b>	<b>\$ 433,076</b>	<b>\$ 453,401</b>	<b>\$ (55,893)</b>	<b>\$ 20,324</b>
			% Change		-11%	5%

### FY21-22 BUDGET VARIANCE TO PRIOR YEAR FY20-21 BUDGET:

Expenses have decreased \$56K or -11% compared to the prior year budget. The decrease is from due to employee changes.

### FY22-23 BUDGET VARIANCE TO FY21-22 BUDGET:

Expenses have increased \$20K or 5% compared to the FY21-22 budget. The increase is due to changes in employee benefits and regular increases in salaries and benefits.

### BUDGET EXPENDITURES TO NOTE:

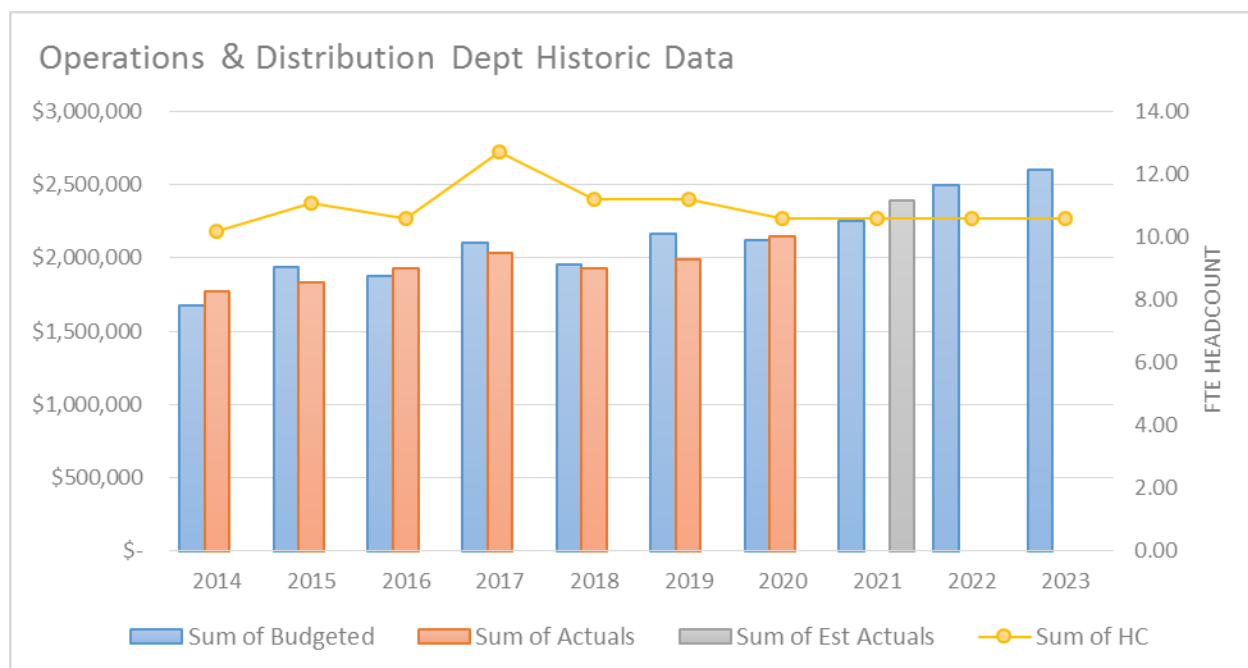
Contract/Professional Services:

- \$10K Water Master Plan scenarios
- \$10K software maintenance
- \$5K scanning services

## 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.





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## OPERATIONS & DISTRIBUTION DEPARTMENT

### Operations & Distribution by Expense Category

	2020/21	2020/21	2021/22	2022/23	2021/22	2022/23
	Estimated	Adopted	Proposed	Proposed	Compared	Compared
	Actuals	Budget	Budget	Budget	2020/21	2021/22
					<i>Budget</i>	<i>Budget</i>
Salaries & Benefits	\$1,815,008	\$1,639,932	\$1,858,777	\$1,943,608	\$ 218,845	\$ 84,831
Contract/Professional Services	71,868	100,000	90,000	90,000	(10,000)	-
Operating Expenses	173,117	192,000	189,000	204,000	(3,000)	15,000
Maintenance	92,439	99,295	102,276	105,255	2,981	2,979
Facilities	231,438	199,366	239,438	244,403	40,072	4,965
Gen. & Admin.	4,333	7,944	7,447	7,944	(496)	496
<b>Total Operating Expense</b>	<b>\$2,388,202</b>	<b>\$2,238,537</b>	<b>\$2,486,938</b>	<b>\$2,595,209</b>	<b>\$ 248,401</b>	<b>\$ 108,271</b>
			% Change		11%	4%

### FY21-22 BUDGET VARIANCE TO PRIOR YEAR FY20-21 BUDGET:

Expenses have increased \$248K or 11% compared to the prior year budget. The increase has \$115K related to pension, this includes the portion for the pension pay down. The remaining is regular payroll related increases and an increase in PG&E bills from the CZU fires.

### FY22-23 BUDGET VARIANCE TO FY21-22 BUDGET:

Expenses have increased \$108K or 4% compared to the FY21-22 budget. The increase is associated with regular salary & benefit increases.

### BUDGET EXPENDITURES TO NOTE:

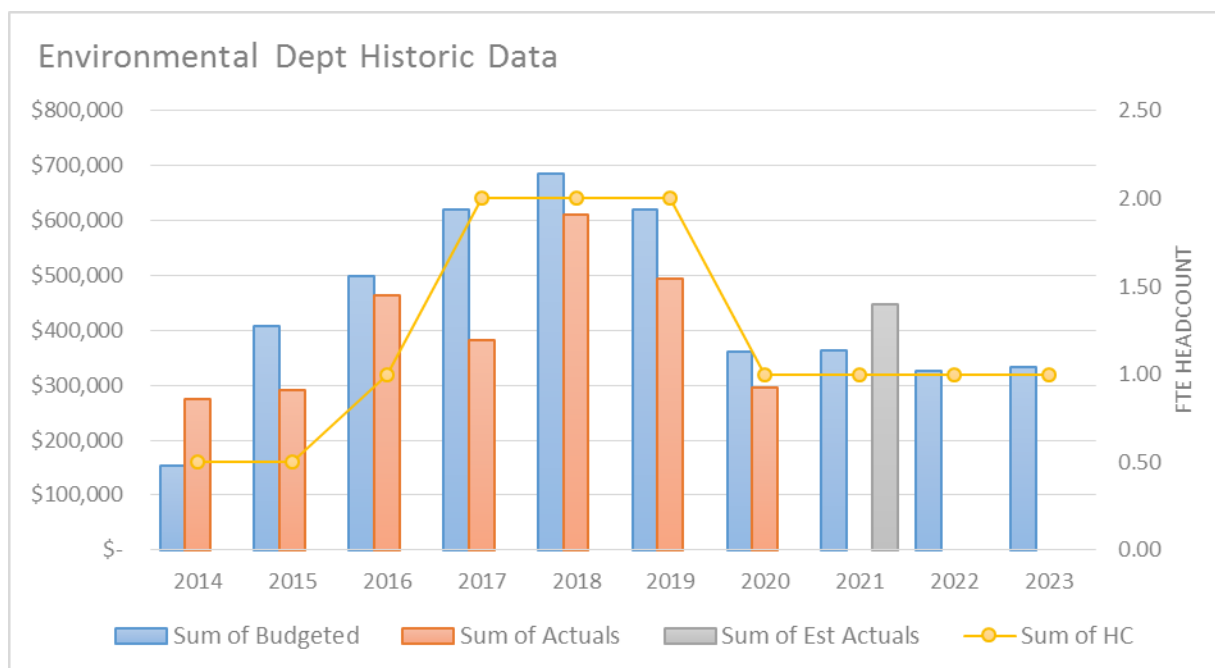
The majority are routine, regularly occurring expenses such as utilities, vehicle maintenance, inventory parts, other regular maintenance and so forth.

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## 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.



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## ENVIRONMENTAL DEPARTMENT

### Environmental by Expense Category

Environmental by Expense Category	2020/21	2020/21	2021/22	2022/23	2021/22	2022/23
	Estimated	Adopted	Proposed	Proposed	Compared	Compared
	Actuals	Budget	Budget	Budget	2020/21	2021/22
					<i>Budget</i>	<i>Budget</i>
Salaries & Benefits	\$ 119,939	\$ 124,800	\$ 132,816	\$ 140,123	\$ 8,016	\$ 7,308
Contract/Professional Services	315,000	215,000	170,000	172,000	(45,000)	2,000
Operating Expenses	2,200	1,000	1,250	1,750	250	500
Maintenance	2,500	5,500	5,500	5,500	-	-
Facilities	-	-	-	-	-	-
Gen. & Admin.	7,600	17,000	16,850	14,350	(150)	(2,500)
<b>Total Operating Expense</b>	<b>\$ 447,239</b>	<b>\$ 363,300</b>	<b>\$ 326,416</b>	<b>\$ 333,723</b>	<b>\$ (36,884)</b>	<b>\$ 7,308</b>
			% Change		-10%	2%

### FY21-22 BUDGET VARIANCE TO PRIOR YEAR FY20-21 BUDGET:

Expenses have decreased \$37K or -10% compared to the prior year budget. FY20-21 had high expenses due to the 2020 Urban Water Management Plan, this occurs every 5 years.

### FY22-23 BUDGET VARIANCE TO FY21-22 BUDGET:

Expenses have increase \$7K or 2% compared to the FY21-22 budget. The increase is associated with regular salary & benefit increases.

### BUDGET EXPENDITURES TO NOTE:

Contract/Professional Services:

- \$20K Hydrogeologist Consulting Services
- \$55K Stream Flow Monitoring
- \$50K Fire Management Plan
- \$25K Mitigation/restoration monitoring
- \$13K Fish & Habitat Monitoring

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

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## 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.

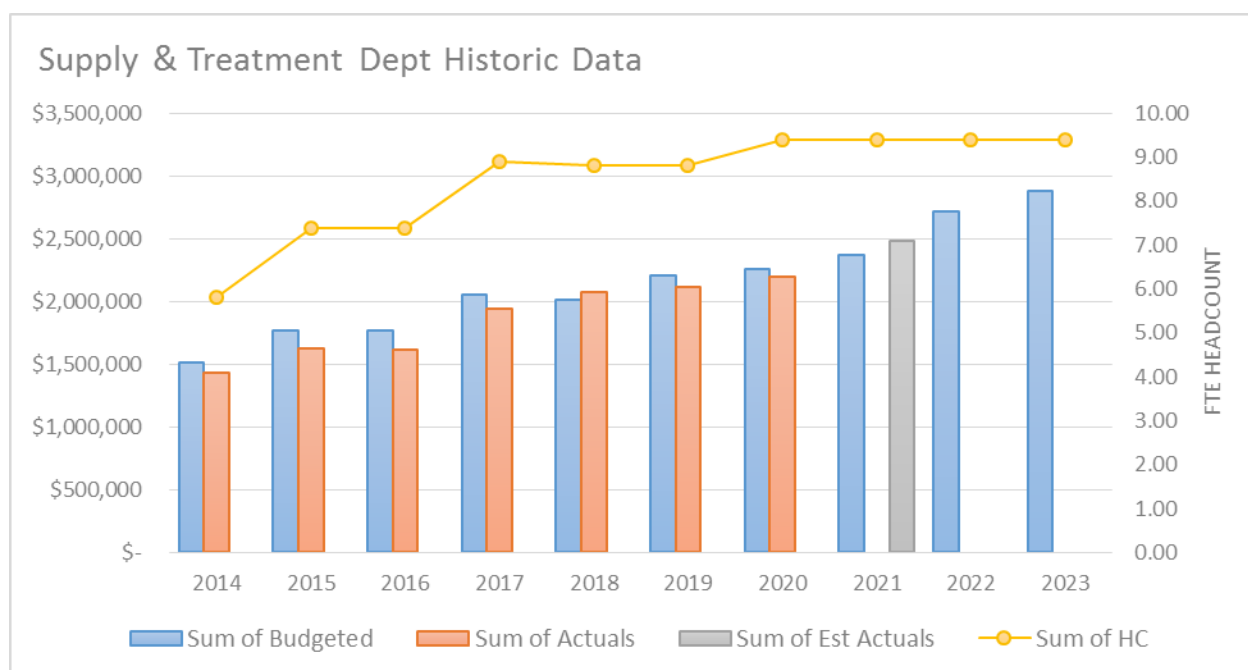
- Hydrogeologist Consulting Services – An as needed contract to provide hydrogeological expertise to the District in support of the District’s ongoing sustainable water supply planning efforts.
- Stream Flow Monitoring – The District has monitored stream flow in the San Lorenzo River and tributaries 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.
- 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.
- Olympia Restoration/Conservation Area - The Olympia Conservation Area Management & Monitoring Plan was developed to guide habitat management, restoration, enhancement, and related activities, and monitoring within the Olympia Conservation Area. As part of the Olympia Conservation Area Management & Monitoring Plan a 5-year phase of implementation was agreed upon with reports due annually to the Federal Fish & Wildlife Service to maintain an incidental take permit (TE58263C-0).
- Fire Management Plan - The District adopted a Vegetation and Fuels Management Plan on June 3rd, 2021. The plan expanded mapping, created fuel reduction projects, prioritized fuel reduction and hardening of District infrastructure, identified funding sources, improved road access for fire personnel and improved communications with Fire Prevention Agencies. The next steps will be plan implementation including; securing funding, acquiring permits, and carrying out prioritized projects.

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## 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.





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## SUPPLY & TREATMENT DEPARTMENT

### Supply & Treatment by Expense Category

	2020/21	2020/21	2021/22	2022/23	2021/22	2022/23
	Estimated	Adopted	Proposed	Proposed	Compared	Compared
	Actuals	Budget	Budget	Budget	2020/21	2021/22
					Budget	Budget
Salaries & Benefits	\$1,627,999	\$1,618,535	\$1,868,496	\$1,993,876	\$ 249,960	\$ 125,380
Contract/Professional Services	205,113	150,000	152,000	170,000	2,000	18,000
Operating Expenses	211,316	198,200	220,700	209,950	22,500	(10,750)
Maintenance	59,733	47,662	57,791	58,188	10,129	397
Facilities	371,543	349,577	405,508	439,438	55,931	33,930
Gen. & Admin.	10,249	5,958	6,951	6,951	993	-
<b>Total Operating Expense</b>	<b>\$2,485,953</b>	<b>\$2,369,932</b>	<b>\$2,711,445</b>	<b>\$2,878,402</b>	<b>\$ 341,513</b>	<b>\$ 166,957</b>
			% Change		14%	6%

### FY21-22 BUDGET VARIANCE TO PRIOR YEAR FY20-21 BUDGET:

Expenses have increased \$342K or 14% compared to the prior year budget. The increase has \$138K related to pension, this includes the portion for the pension pay down. The remaining is regular payroll related increases, increased water testing and an increase in PG&E bills from the CZU fires.

### FY22-23 BUDGET VARIANCE TO FY21-22 BUDGET:

Expenses have increased \$167K or 6% compared to the FY21-22 budget. Increases are due to regular salary & benefit increases, and increased PG&E bills.

### BUDGET EXPENDITURES TO NOTE:

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

### Contract/Professional Services:

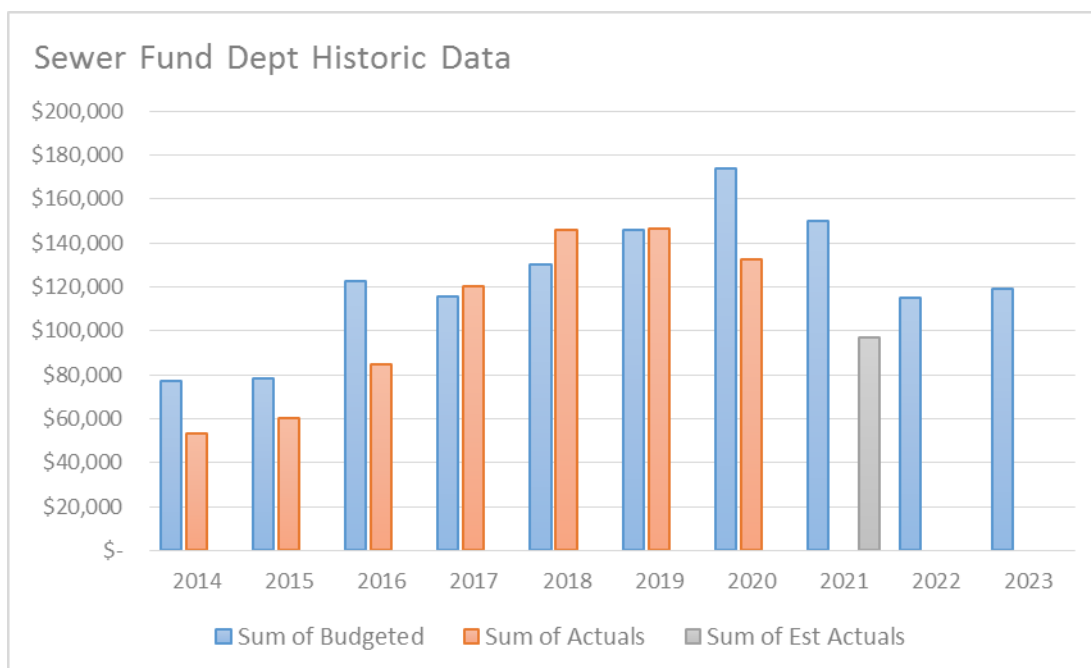
- FY21-22: \$62K for water analysis, testing requirements will vary by year.
- FY22-23: \$75K for water analysis, testing requirements will vary by year.

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## 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.



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## SEWER FUND

### Sewer Fund by Expense Category

	2020/21	2020/21	2021/22	2022/23	2021/22	2022/23
	Estimated	Adopted	Proposed	Proposed	Compared	Compared
	Actuals	Budget	Budget	Budget	2020/21	2021/22
					Budget	Budget
Salaries & Benefits	\$ 31,553	\$ 57,222	\$ 41,648	\$ 42,307	\$ (15,574)	\$ 659
Contract/Professional Services	31,169	50,980	31,150	31,168	(19,830)	18
Operating Expenses	18,937	25,072	25,069	27,083	(4)	2,014
Maintenance	1,303	1,667	2,338	2,862	671	524
Facilities	12,140	13,173	13,239	13,853	66	614
Gen. & Admin.	1,623	1,660	1,656	1,605	(4)	(51)
<b>Total Operating Expense</b>	<b>\$ 96,725</b>	<b>\$ 149,773</b>	<b>\$ 115,098</b>	<b>\$ 118,876</b>	<b>\$ (34,676)</b>	<b>\$ 3,779</b>
			% Change		-23%	3%

### FY21-22 BUDGET VARIANCE TO PRIOR YEAR FY20-21 BUDGET:

Expenses have decreased \$35K or -23% compared to the prior year budget. The decrease is due to prior year water testing on the system and less time spent by staff.

### FY22-23 BUDGET VARIANCE TO FY21-22 BUDGET:

Expenses have increased \$4K or 3% compared to the FY21-22 budget due to regular small increases in other departments.

### BUDGET EXPENDITURES TO NOTE:

Contract/Professional Services:

- Both fiscal years: \$15K for water analysis. Testing requirements will vary by year.

## 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.

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.

The District created a Rate Assistance Program to allocate \$25,000 of non-water rate revenue to help If you are an income-eligible customer who currently receives a discounted rate through PG&E's CARE program you may be eligible to receive \$10 off your monthly water bill.

Interest earnings have been higher than normal due to the upfront funding of the 2019 \$14.5M COP and 2021 \$15M loan. The loan proceeds sit in an interest bearing account and are projected to go down over the next few years as the projects are completed.

Capital contributions is also high for this Biennial Budget as all reimbursements from FEMA will show up here. This will trickle into FY23-24 as well.

### Non-Operating Revenue Budget

					2020/21 Budget	2021/22 Budget
					Compared to 2021/22 Proposed Budget	Compared to 2022/23 Proposed Budget
	2020/21 Estimated Actuals	2020/21 Adopted Budget	2021/22 Proposed Budget	2022/23 Proposed Budget		
<b>Non-Operating Revenue</b>						
Property Taxes	\$ 832,000	\$ 825,000	\$ 856,960	\$ 882,669	\$ 31,960	\$ 25,709
Assessment Rev. - Oly Mutual	48,500	48,500	48,500	48,500	-	-
Assessment Rev. - Lompico	295,000	295,000	295,000	295,000	-	-
Mobile Services Lease Fees	25,000	25,000	25,000	25,000	-	-
Rental Income	13,725	18,500	18,500	18,500	-	-
Contra Revenue - RAP <sup>(1)</sup>	(12,000)	(25,000)	(25,000)	(25,000)	-	-
Interest - Investments	180,000	120,000	193,138	128,255	73,138	(64,883)
<b>Total Non-Operating Revenue</b>	<b>\$ 1,382,225</b>	<b>\$ 1,307,000</b>	<b>\$ 1,412,098</b>	<b>\$ 1,372,924</b>	<b>\$ 105,098</b>	<b>\$ (39,174)</b>
<b>Capital Contributions</b>						
Capital Grants	\$ 330,000	\$ -	\$ -	\$ -	\$ -	\$ -
FEMA Reimbursements <sup>(2)</sup>	-	-	3,145,500	8,466,375	3,145,500	5,320,875
<b>Total Capital Contributions</b>	<b>\$ 330,000</b>	<b>\$ -</b>	<b>\$ 3,145,500</b>	<b>\$ 8,466,375</b>	<b>\$ 3,145,500</b>	<b>\$ 5,320,875</b>

(1) RAP - Rate Assistance Program

(2) FEMA reimbursements are based on cash basis for when reimbursement will be received.

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## NON-OPERATING EXPENSES

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

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.

In FY20-21, the District secured a \$15M loan at 2.40% interest rate over a 20 year period to fund upcoming capital projects. This was integral in advancing the capital project plan and fund some of the CZU fire damage.

There is no new debt financing currently being pursued.

### Non-Operating Expenses

Interest Expense	FY21/22	FY22/23
2021 \$15M Loan	\$ 367,467	\$ 342,167
2019 \$14.5M COP	507,975	495,350
Probation Tank Loan	77,146	74,009
Refunding Bond	1,345	-
Felton Loan	26,039	22,129
Olympia SRF Loan	34,515	32,712
Solar Lease	6,477	5,263
Vehicle Lease	-	-
<b>Total Interest Expense</b>	<b>\$ 1,020,965</b>	<b>\$ 971,630</b>

			Additional Debt Information			
Debt Principal Payments	FY21/22	FY22/23	FY21/22	FY22/23	Term. Date	Interest Rate
			Balance	Balance		
2021 \$15M Loan	\$ 592,284	\$ 606,584	\$ 14,407,716	\$ 14,106,233	Ends 03/41	2.40%
2019 \$14.5M COP	245,000	260,000	13,550,000	13,290,000	Ends 08/49	2.99%
Probation Tank Loan	74,831	77,969	1,802,633	1,724,663	Ends 09/38	3.88%
Refunding Bond	103,454	-	-	-	Ends 09/21	2.60%
Felton Loan	160,758	164,668	882,176	717,507	Ends 07/27	2.42%
Olympia SRF Loan	69,717	71,521	1,258,529	1,187,008	Ends 01/37	2.57%
Solar Lease	32,518	33,731	158,725	124,994	Ends 11/26	3.67%
Vehicle Lease	22,732	-	-	-	Ends 05/22	3.29%
<b>Total Debt Payments</b>	<b>\$ 1,301,295</b>	<b>\$ 1,214,473</b>	<b>\$ 32,059,778</b>	<b>\$ 31,150,406</b>		

## CAPITAL PROJECTS

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### 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. For some of these upcoming projects, the District has leveraged grant/FEMA monies and debt financing. Interest rates are near historic lows, financing by debt allows the District to rebuild reserves at a more favorable interest rate for some of the longer term assets.

The Capital Project Listing will list out project titles, anticipated funding sources, and amount expected to be spent in the current budget year. Each project will be described in further detail in the Capital Project Description sections.

### CAPITAL PROJECTS ADDITIONAL NOTES:

Due to the CZU fires, there is an exceptionally high amount of capital projects. The District typically has \$5-10M in the budget, so these next two fiscal years are abnormal.

Funding for the projects is coming from the following sources:

- 2019 \$14.5 COP – this is repaid over time through the general fund
- FEMA – these are projects that are expected to receive 75% reimbursement from FEMA
  - The remaining 25% will come from the general fund, with a portion coming from the fire recovery surcharge
- 2021 \$15M – this is repaid over time through the general fund
- 2021 \$15M / FEMA – these are projects that are being financed long term through the loan, but will also receive FEMA reimbursement.
  - Non-FEMA projects will be repaid through the general fund.
  - FEMA projects will be repaid over time, with a portion coming from the fire recovery surcharge
- Reserves – any projects above the debt financing amount or projects that did not have a different source of funding are being paid by the general reserve funds.
  - This would include the portion FEMA does not cover.



## CAPITAL PROJECT LISTING

Below is the capital project listing with estimated cost and funding source. Further in the document has the project descriptions that line up with this listing.

FY2021-2023 CIP PLANNING		FY21/22	FY22/23	FUNDING <sup>(1)</sup>
PROJECT TYPE	PROJECT NAME	CONSTRUC./ PROCUREMENT	CONSTRUC./ PROCUREMENT	
Building & Equip.	CZU Five Mile Box & Turbidity Station	\$ 225,000		\$15M Loan / FEMA
Building & Equip.	CZU Lyon WTP Accessory Building	\$ 70,000		FEMA
Enviro.	Fall Creek Fish Ladder	\$ 1,300,000		RESERVES
Equip.	Brookdale TRTU SCADA Upgrades	\$ 160,000		RESERVES
Equip.	Dump Truck	\$ 65,000		RESERVES
Equip.	Waste Water Generator	\$ 60,000		RESERVES
Equip.	Fork Lift Quail 5	\$ 30,000		RESERVES
Meters	600 Meter Replacement Program (15/day)	\$ 225,000	\$ 236,250	RESERVES
Meters	CZU Services & Water Meter Replacement	\$ 75,000	\$ 75,000	FEMA
Pipe	CZU Clear Creek 5 Mile supply liine	\$ 50,000	\$ 3,200,000	FEMA
Pipe	Quail Hollow Pipeline	\$ 4,945,411		\$14.5M COP
Pipe	Lyon Zone Pipe	\$ 3,435,840		\$14.5M COP
Pipe	CZU Alta Via Distribution System Piping	\$ 2,000,000		\$15M Loan / FEMA
Pipe	CZU Peavine Supply	\$ 1,500,000		\$15M Loan / FEMA
Pipe	CZU Sweetwater Supply Line	\$ 675,000	\$ 1,000,000	\$15M Loan / FEMA
Pipe	Hermosa Oak Fernwood Main Replacement	\$ 200,000	\$ 1,485,000	\$15M Loan
Pipe	Juanita Woods Water Main Replacement	\$ 200,000	\$ 1,485,000	\$15M Loan
Pipe	CZU Foreman Creek Diversion	\$ 800,000		FEMA
Pipe	Orman Road Water Main Replacement	\$ 175,000	\$ 990,000	\$15M Loan
Pipe	Zayante Drive Water Main Replacement	\$ 75,000	\$ 770,000	\$15M Loan
Pipe	CZU South Zone Distribution Piping	\$ 150,000	\$ 450,000	\$15M Loan / FEMA
Pipe	CZU Eckley Pumping Station / Main Line	\$ 380,000		\$15M Loan / FEMA
Pipe	CZU Bennett Spring Supply /Transmission ma	\$ 380,000		\$15M Loan / FEMA
Pipe	Brookdale Viaduct	\$ 300,000		RESERVES
Pipe	Kings Creek Bridge		\$ 250,000	RESERVES
Pipe	Monaco Ln. Bridge		\$ 250,000	RESERVES
Pipe	Glen Arbor Bridge South	\$ 200,000		RESERVES
Pipe	Redwood Park Tank Pipeline (Country Club)	\$ 200,000		\$14.5M COP
Pipe	Sequoia Pipeline	\$ 166,120		\$14.5M COP
Pipe	CZU Harmon Street 2"	\$ 75,000		\$15M Loan / FEMA

Continues on next page

## CAPITAL PROJECT LISTING

### FY2021-2023 CIP PLANNING

PROJECT TYPE	PROJECT NAME	FY21/22	FY22/23	FUNDING <sup>(1)</sup>
		CONSTRUC./ PROCUREMENT	CONSTRUC./ PROCUREMENT	
Pump Station	Madrone Booster Pump Station		\$ 100,000	RESERVES
Pump Station	El Solyo Boster Pump Station		\$ 60,000	RESERVES
Study	Loch Lomond Feasibility Study		\$ 100,000	RESERVES
Tank	CZU Big Steel Tank/Piping	\$ 1,095,000		\$15M Loan / FEMA
Tank	Blue Ridge Tank Replacement	\$ 95,000	\$ 880,000	\$15M Loan
Tank	Redwood Park (Swim) Tank	\$ 625,000		\$14.5M COP
Tank	Felton Heights Tank (1)	\$ 400,000		RESERVES
Tank	Highland Tank	\$ -	\$ 300,000	RESERVES
Tank Maint.	Blair Tank Coating		\$ 325,000	RESERVES
Tank Maint.	Brookdale Tank Coating	\$ 300,000		RESERVES
Tank Maint.	Bear Creek Tank Coating		\$ 300,000	RESERVES
Vehicle	Vehicle - 2 WT Trucks - 1 each year	\$ 48,000	\$ 48,000	RESERVES
Vehicle	Vehicle - Eng./Env.	\$ 30,000		RESERVES
Repair	Lyon Slide Repair	\$ 40,000	\$ 1,000,000	FEMA
	<b>TOTAL PROJECTS</b>	<b>\$ 20,750,371</b>	<b>\$ 13,304,250</b>	

BREAKDOWN BY FUNDING SOURCE	FY21/22	FY22/23
\$15M Loan	\$ 745,000	\$ 4,477,000
\$14.5M COP	\$ 9,372,371	\$ -
\$15M Loan / FEMA	\$ 6,480,000	\$ 1,450,000
FEMA	\$ 776,250	\$ 3,206,250
IN EXCESS \$15M LOAN (RESERVES)	\$ -	\$ 1,133,000
RESERVES	\$ 3,376,750	\$ 3,038,000
<b>TOTAL CAPITAL PROJECTS</b>	<b>\$ 20,750,371</b>	<b>\$ 13,304,250</b>

### INFLOWS FROM CAPITAL CONTRIBUTIONS

*Future*

Financed FEMA Reimbursement	\$ 4,860,000	\$ 1,087,500	
Reserve Funded FEMA Reimb.	\$ 776,250	\$ 3,206,250	
	\$ 5,636,250	\$ 4,293,750	\$ 2,880,188
<b>EST. PHYSICAL CASH INFLOW</b>	<b>\$ 3,145,500</b>	<b>\$ 8,466,375</b>	<b>\$ 4,331,063</b>

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## CAPITAL PROJECT DESCRIPTIONS

PROJECT NAME	PROJECT DESCRIPTION
CZU Five Mile Box & Turbidity Station	Replace Turbidity station building and settling chamber, replace turbidity, SCADA equipment and automatic valves.
CZU Lyon WTP Accessory Building	Replace Building Container and equipment, replaced burned flight pump, water quality sampling stations, and lawn mowers.
Fall Creek Fish Ladder	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.
Brookdale RTU SCADA Upgrades	Upgrade Brookdale RTU and 4 legacy communication sites
Dump Truck	Used purchase with low miles.
Waste Water Generator	Generator obsolete, parts unavailable. Important generator.
Fork Lift Quail 5	Replace old fork lift
Meter Replacements	Replace approximately 600 meters in the District. Assumes 15 meters per day.
CZU Services & Water Meter Replacement	Replace 150 water meters, meter valves, house valve, meter check coupling, and service lines.
CZU Clear Creek 5 Mile supply line	Fire damaged intake structure and destroyed 5.5 MI of 8" HDPE pipeline and metering and monitoring equipment. replace supply line, constructability study Harding for future fire.
Quail Hollow Pipeline	Construction of approximately 7,500 feet of 12-inch water main and appurtenances thereto.
Lyon Zone Pipe	Construction of approximately 3,000 lineal feet of new 12-inch water main and appurtenances thereto.
CZU Alta Via Distribution System Piping	Replace 5,000 LF temporary with permanent piping to AWWA/District standards in roadway, including 38 water meter service sets and 6 fire hydrants. Requires plans & Specifications for bidding.
CZU Peavine Supply	Fire destroyed 8,000 LF of 8" HDPE above ground raw water pipeline and support structures, intake and flow/metering monitoring equipment. Replace pipeline, monitoring equipment constructability study Harding for future fire.
CZU Sweetwater Supply Line	Fire damaged intake structure and destroyed 1.5 MI of 8" HDPE pipeline and metering and monitoring equipment, replace supply line, constructability study Harding for future fire.
Hermosa Oak Fernwood Water Main Replacement	Replace 3,000 LF of 8" main, due to current leaking water main. Project will include new water service runs and fire hydrants, including isolation valving.

Juanita Woods Water Main Replacement	Replace 3,000 LF with new 8" water main and apparatuses for proper fire flow. The project will replace existing 2-inch water mains.
CZU Foreman Creek Diversion	Install new piping, support structure, repair intake
Orman Road Water Main Replacement	Replace 2,000 LF with new 8" water main and apparatuses. The project will replace the existing 2-inch and 1 ½-inch water main along Orman Road. Undersized water mains are the source of intermittent low water pressure, interruption of water service, and inadequate fire flow.
Zayante Drive Water Main Replacement	Replace 1,500 LF with new 8" DIP. This improvement will remove a piping restriction to the Lompico Booster increasing fire flow into the Lompico Canyon.
CZU South Zone Distribution Piping	Replace 4,000 LF temporary water distribution piping, 26 water services and meters and install underground to AWWA/District standards along Forest and Western Ave.
CZU Eckley Pumping Station / Main Line	Replace pumping station, power drop, SCADA control, Communications wire. Including engineering plans and specifications.
CZU Bennett Spring Supply /Transmission main	Replace temporary piping and install underground to AWWA/District Standards approximately 1500 lineal Feet
Brookdale Viaduct	CalTrans Required Project
Kings Creek Bridge	CalTrans Required Project
Monaco Ln. Bridge	CalTrans Required Project
Glen Arbor Bridge South	Repair/Replacement of the waterline crossing the bridge
Redwood Park Tank Pipeline (Country Club)	The Country Club Pipeline Project is required as a result of the relocation of the Redwood Park Tank. The pipeline will be designed and constructed with the replacement of the Redwood Park Tank.
Sequoia Pipeline	Construction involves approximately 800 feet of 8-inch water main and appurtenances thereto.
CZU Harmon Street 2"	Replace 1,000 LF temporary piping in accordance AWWA/District Standards
Madrone Booster Pump Station	Replace deteriorated wood building, floods and pumps need redesign. Plus fire harden.
El Solyo Boster Pump Station	Replace deteriorated wood building, fire harden.
Loch Lomond Feasibility Study	Study to evaluate processing water from the Loch Lomond allotment
CZU Big Steel Tank/Piping	Replace temporary 8" HDPE water main in accordance AWWA/District Standards and relocate to public right of way.
Blue Ridge Tank Replacement	Construction of a new 64,000 gallon bolted steel tank in the Blue Ridge Zone. This project will replace the existing redwood storage tank which has reached its service life. Project includes, but not limited to site improvements, tank construction, SCADA control, and appurtenances.

Redwood Park (Swim) Tank	Construction of a new 120,000 gallon bolted steel water tank. The project includes, but is not limited to, construction of a new bolted steel water tank, SCADA control, fencing, retaining walls and a new pump station.
Felton Heights Tank (1)	The project includes but is not limited to property acquisition by easement, engineering, and 60,000 gallon water tank construction.
Highland Tank	Replace the existing 64,000 gallon redwood tank.
Blair Tank Coating	Pushed out from FY20-21 budget.
Brookdale Tank Coating	Pushed out from FY20-21 budget.
Bear Creek Tank Coating	Tank quality inspection and retrofit.
Vehicle - 2 WT Trucks - 1 each year	Replacing VE-249 & VE-280
Vehicle - Eng./Env.	Pushed out from FY20-21 budget. (possible to come back into FY20-21
Lyon Slide Repair	Lyon Slide project may be able to have an access road put in for a significant cost reduction than originally planned.

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## *FY21-22 BUDGET 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 \$1,657,000.
    - 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 \$100,000.
    - 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 cash liability employees will eventually be paid out for.
  - GASB Pension & OPEB requirements create deferred inflows and outflows which are not estimated in the budget process, these are not factored in below.
- Capitalized in-house labor and materials is expected to be approximately \$150K, 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 \$1.3M are not included in the below.
- Capital contributions in the budget are the expected actual cash flow, where the below is accrual based accounting for what is owed at that time.

<b>Revenues</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
Operating Revenues	12,745,214	173,021	<b>12,918,235</b>
Non-Operating Revenues	1,412,098	-	<b>1,412,098</b>
<b>Total Revenues</b>	<b>14,157,312</b>	<b>173,021</b>	<b>14,330,333</b>
<b>Expenses</b>			
Operating Expenses	9,135,577	115,098	<b>9,250,675</b>
Non-Operating Expenses	1,020,965	-	<b>1,020,965</b>
Overhead Absorbtion	(150,000)	-	<b>(150,000)</b>
Depreciation	1,615,000	42,000	<b>1,657,000</b>
<b>Total Expenses</b>	<b>11,621,542</b>	<b>157,098</b>	<b>11,778,640</b>
<b>Net Income (Loss)</b>	<b>2,535,770</b>	<b>15,923</b>	<b>2,551,693</b>
Capital Contributions	5,636,250	-	<b>5,636,250</b>
<b>Change in Net Position</b>	<b>8,172,020</b>	<b>15,923</b>	<b>8,187,943</b>

## DEBT COVERAGE 5 YEAR FORECAST

The below is a conservative forecast showing the 5 year debt coverage forecast. This assumes no future increases to operating revenue charges, flat consumption, and expenses increasing at the historic trends. The District has debt covenants that require a 1.25 debt coverage ratio.

The proposed rate study in FY21-22 will help analyze and discuss this issue.

	YR 1 2021/22 Proposed Budget	YR 2 2022/23 Proposed Budget	YR 3 2023/24 Forecast	YR 4 2024/25 Forecast	YR 5 2025/26 Forecast	ASSUMP. % Change
<b>Regular Operating Revenue</b>						
Water Basic	\$ 3,459,600	\$ 3,536,400	\$ 3,536,400	\$ 3,536,400	\$ 3,536,400	0%
Water Usage	8,231,387	8,231,131	8,231,131	8,231,131	8,231,131	0%
Sewer Fund	173,021	173,021	173,021	173,021	173,021	0%
Sale of Meters	32,000	32,000	32,000	32,000	32,000	0%
Fire Recovery Surcharge	916,667	1,000,000	1,000,000	1,000,000	1,000,000	0%
Miscellaneous Fees & Charges	105,560	105,560	105,560	105,560	105,560	0%
<b>Total Operating Revenue</b>	<b>\$ 12,918,235</b>	<b>\$ 13,078,112</b>	<b>\$ 13,078,112</b>	<b>\$ 13,078,112</b>	<b>\$ 13,078,112</b>	
<b>Non-operating Revenue</b>						
Property Taxes	\$ 856,960	\$ 882,669	\$ 909,149	\$ 936,424	\$ 964,516	3%
Assessment Rev. - Oly Mutual	48,500	48,500	48,500	48,500	48,500	0%
Assessment Rev. - Lompico	295,000	295,000	295,000	295,000	295,000	0%
Mobile Services Lease Fees	25,000	25,000	25,000	25,000	25,000	0%
Rental Income	18,500	18,500	18,500	18,500	18,500	0%
Contra Revenue - RAP	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	0%
Interest - Investments	193,138	128,255	128,255	128,255	128,255	0%
<b>Total Non-Operating Revenue</b>	<b>\$ 1,412,098</b>	<b>\$ 1,372,924</b>	<b>\$ 1,399,404</b>	<b>\$ 1,426,678</b>	<b>\$ 1,454,771</b>	
<b>Operating Expenses</b>						
Salaries & Benefits	\$ 6,262,422	\$ 6,607,296	\$ 7,069,807	\$ 7,564,693	\$ 8,094,222	7%
Contract/Professional Services	1,100,283	1,008,645	1,028,818	1,049,394	1,070,382	2%
Operating Expenses	446,700	455,450	464,559	473,850	483,327	2%
Maintenance	198,300	202,700	206,754	210,889	215,107	2%
Facilities	685,050	725,795	769,343	815,503	864,433	6%
Gen. & Admin.	457,920	468,194	482,240	496,707	511,608	3%
<b>Total Non-Operating Expenses</b>	<b>\$ 9,150,675</b>	<b>\$ 9,468,080</b>	<b>\$ 10,021,520</b>	<b>\$ 10,611,037</b>	<b>\$ 11,239,080</b>	
<b>TOTAL INCOME (LOSS)</b>	<b>\$ 5,179,658</b>	<b>\$ 4,982,955</b>	<b>\$ 4,455,995</b>	<b>\$ 3,893,753</b>	<b>\$ 3,293,803</b>	
<b>TOTAL DEBT SERVICE</b>	<b>\$ 2,322,635</b>	<b>\$ 2,186,103</b>	<b>\$ 2,182,853</b>	<b>\$ 2,183,978</b>	<b>\$ 2,184,353</b>	
<b>DEBT SERVICE COVERAGE RATIO</b>	<b>2.23</b>	<b>2.28</b>	<b>2.04</b>	<b>1.78</b>	<b>1.51</b>	



## APPENDIX

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

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### 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

– 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

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## *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.

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## *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.

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## *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.

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## *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.

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## 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.*