

## 2019 Budget

<b>Operations and Maintenance Budget</b>	<b>2019 Budget</b>
Water Costs	\$5,722,000
Salaries	6,061,000
Employee Benefits	2,995,000
Employer Taxes and Insurance	560,000
OPEB	580,000
Engineering and Construction Services	2,552,000
Public Outreach & Conservation	530,000
Other	4,241,000
<b>Total</b>	<b>\$23,241,000</b>

<b>Capital Improvement Program Budget</b>	<b>2019 Budget</b>
Production (Source of Supply)	\$3,870,000
Transmission	50,000
Storage	735,000
Distribution	13,500,000
Special Projects	105,000
<b>Total</b>	<b>\$18,260,000</b>

<b>Operating Capital Budget</b>	<b>2019 Budget</b>
Information Technology	\$296,000
Maintenance	164,000
Operations	131,000
Vehicles and Fleet	319,000
Office Furniture and Equipment	40,000
<b>Total</b>	<b>\$950,000</b>

<b>Debt Service Forecast</b>	<b>\$7,420,000</b>
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<b>Total 2019 Budget</b>	<b>\$49,871,000</b>
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<b>Capital Improvement Program Budget</b>	<b>2020 Inaugural Budget</b>
Production (Source of Supply)	\$2,000,000
Distribution	1,800,000
<b>Total 2020 CIP Inaugural Budget</b>	<b>\$3,800,000</b>

<b>Capital Improvement Program (CIP) Projects for 2019 &amp; 2020</b>
Edison Meadows Distribution Main Project
Jonas Distribution Main Project
Thor Distribution Project
Arcade Creek Crossing
Well 78, 69-1, 79 and N6A – Treatment, Drilling and Pump Stations
Meters – 1,327 in 2019 and 1,424 in 2020
Special Projects – Buy Parcels for Future Well Sites; Easement Acquisitions
<b>CIP Projects - Recurring Maintenance, Failures or Improvements</b>
Production Projects – Well Rehabilitation; SCADA Terminals/RTUs; Electrical Improvements; and Engine Generator Compliance Projects
Transmission Projects – Corrosion Control; Pipeline Connections
Storage Projects– Tank/Well Corrosion Control; Tank Inspection/Repairs
Distribution Projects – Small Projects – e.g., Utility Conflicts; McClellan Surveying Work; Lowering/Raising Valve Boxes; Meter Replacement/Repair

<b>Operating Capital Projects for 2019</b>
Various Well Site Asphalt & Sealing
Fence Replacement – 3 Well Sites
UCMR 4 Monitoring
Office Furniture New staff and replacements
Trailer Replacements
Vehicle Replacement/Right Size - Truck #3, 6, 12, 21, 45 and 51
Vehicles for Safety Officer and Production Foreman
Remove Antelope Garden
HVAC/Roof/Building Repairs
Well Site and Building Structures Maintenance
Computer Hardware Refresh Program Purchases
Software Enhancements/Modules & Engineering Software
Server Room – Walnut, Complete Marconi
Board Room Monitors and Director Laptops
Computers/Phones/Licenses for 3 New Employees

# 2019 Budget Approved Final

Board Meeting  
December 17, 2018



# Mission Statement

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

# 2019 Budget Development Process

- June Board Meeting – 06/18/18, 6:00 pm
  - Budget Preparation Timeline Approved
- Finance and Audit Committee – 07/10/18, 4:00 pm
  - Consider Budget Assumptions; Provide Direction to Staff
- July Board Meeting – 07/16/18, 6:00 pm
  - Approve Budget Assumptions; Provide Direction to Staff
- August Board Meeting – 08/20/18, 6:00 pm
  - Status Report; Provide Direction to Staff
- Board Workshop – 09/10/18, 6:00 pm
  - First Draft Presentation; Provide Direction to Staff
- September Board Meeting – 09/17/18, 6:00 pm
  - Updates from Board Workshop; Provide Additional Direction to Staff
- October Board Meeting – 10/15/18, 6:00 pm
  - Provide Additional Direction to Staff
- November Board Meeting – 11/19/18, 6:00 pm
  - Budget Approval or Provide Additional Direction to Staff
- December Board Meeting – 12/17/18, 6:00 pm
  - Budget Approval

# Budget Periods

- O&M and OCB Budget
  - Projects and Budget Adopted for One Year
  
- CIP Budget
  - Projects Approved for Two Year Period
  - Budget Adopted for one Year Plus Encumbrances for Second Year

# 2019 Budget Assumptions

Key Assumptions	2017		2018		2019	
1 Rate Increase	4.00%	\$1,700,000	4.00%	\$1,800,000	In Process (D)	
2 No Change in SSWD Service Boundaries						
3 New Service Connections (Growth)	Increase	0.52%	Increase	0.52%	Increase	0.52%
4 Water Production: (A)	<u>Cost/AF</u>	<u>AF</u>	<u>Cost/AF</u>	<u>AF</u>	<u>Cost/AF</u>	<u>AF</u>
a. Water Supply Forecast Based on 5 Year Average						
b. SSA Surface Water (City)	\$ 559.00	1,000 AF	\$ 483.50	1,000 AF	\$ 507.68	1,000 AF
c. SSA Groundwater (City)						3,800 AF
d. SSA Groundwater (Variable costs)	\$ 110.65	15,000 AF	\$ 121.43	13,000 AF	\$ 136.51	9,200 AF
e. NSA Surface Water (PCWA)	\$ 35.00	12,000 AF	\$ 36.65	12,000 AF	\$ 38.48	12,000 AF
f. NSA Surface Water (Bureau)	\$ 30.68	12,000 AF	\$ 21.26	12,000 AF	\$ 22.32	12,000 AF
g. NSA Surface Water (SJWD Treatment)	\$ 161.92	12,150 AF	\$ 176.49	12,150 AF	\$ 192.37	12,150 AF
h. NSA Groundwater (Variable costs)	\$ 97.33	6,850 AF	\$ 112.30	6,850 AF	\$ 117.12	6,850 AF
i. NSA Bureau 215 Water	\$ 74.55	150 AF	\$ 78.28	150 AF	\$ 80.26	150 AF
j. NSA Wheel Water to Cal-AM, RLEVWD (Revenue)	\$ (337.05)	1,935 AF	\$ (356.14)	2,000 AF	\$ (366.71)	2,000 AF
5 Anticipated Outside Water Sales, Net		None	\$ 900,000	4,000 AF	None	None
6 Investment Yield		2.00%		2.00%		2.00%
7 Variable Debt Interest Rate		3.86%		3.86%		3.86%
8 Electrical Cost Increase		2.50%		2.50%		2.00%
9 COLA (As of May 31)		0.70%		3.00%		0.00%
10 Merit Program		3.00%		3.00%		0.00%
11 2018 Compensation Study		0.00%		0.00%		\$ 535,000
12 Construction Inflation (B)		2.80%		3.00%		8.00%
13 Health Care Cost (C)		-2.00%		2.33%		2.00%
14 Tier 1 Pension Cost (% of Salaries)	\$373,000	21.50%	\$ 470,000	22.37%	\$ 582,000	23.00%
15 Tier 2 Pension Cost (% of Salaries)	\$ 7,500	16.10%	\$ 12,500	16.64%	\$ 18,000	17.10%
16 Tier 3 Pension Cost (% of Salaries)	\$ 200	6.90%	\$ 500	7.30%	\$ 900	7.30%
17 New Hires		4		-		3
18 Funding of Post Retirement Benefits		\$ 472,200		\$ 560,000		\$ 580,000
19 2018 Compensation Study is currently in process						
<b>Footnotes:</b>						
(A) SSA = South Service Area; NSA = North Service Area						
(B) 20 Cities CCI Index, Source: ENR						
(C) From UnitedHealthcare to HealthNet Smart Care HMO						
(D) 2018 Rate Study is currently in process						

# 2018 Projected Actual and Highlights

	Approved 2018 Budget \$ Millions	Projected 2018 Actual \$ Millions	Projected Unspent %
Operations & Maintenance Budget	\$21.9	\$21.0	(4.1)
Capital Improvement Program Budget	19.1	18.2	(4.7)
Operating Capital Program Budget	1.2	1.1	(8.3)
Debt Service Budget	<u>7.7</u>	<u>7.6</u>	<u>(1.3)</u>
Total	<u>\$49.9</u>	<u>\$47.9</u>	<u>(4.0)</u>

## 2018 Projected Results:

- Water Deliveries of 32,850 AF
  - Comprised of 30,850 AF to Customers and Wheeled Water Deliveries of 2,000 AF
- Select critical/necessary projects from asset management plans that included:
  - For 2018 expect to replace 4.3 miles of Distribution Main Lines, including approximately 670 Meters
  - Install an additional 1,955 Water Meters – (1,270 Meter Retrofit Program, 15 Voluntary and 670 as part of main replacement projects)
  - Replace 1,200 Old Water Meters that have outlived their useful life (estimated at 20 Years)
  - Continue Work on Palm Avenue Well – Site Work and Pumping Facilities
  - Continue Work on Design and Construction of Butano, Palm and Verner Wells
  - Began Multi-Year Process to Acquire Future Well Sites



# 2019 Goals

## **Budget Will Allow the District to Accomplish the Following:**

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

# 2019 Budget

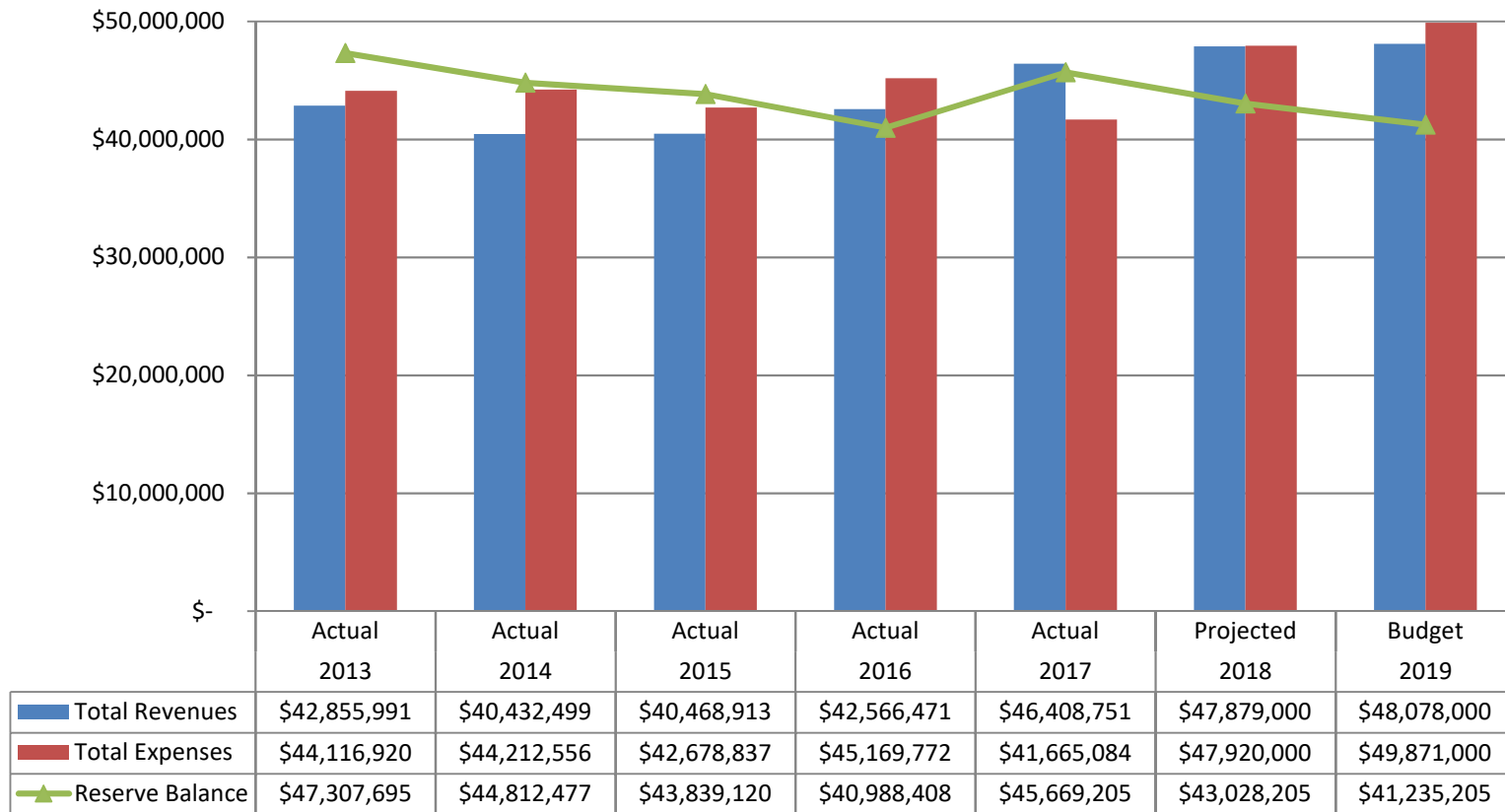
	<u>2017 Actual</u>	<u>2017 Amended Budget</u>	<u>Actual As Of 10/31/18</u>	<u>2018 Projected</u>	<u>2018 Approved Budget</u>	<u>2019 Proposed Budget</u>
Water Sales Charge	\$ 12,543,644	\$ 11,952,000	\$ 11,233,049	\$ 13,235,000	\$ 12,489,000	\$ 13,304,000
Water Service Charge	6,365,984	7,146,000	5,280,170	6,458,000	6,752,000	6,492,000
Capital Facilities/Debt Repayment	23,498,931	22,977,000	20,067,221	24,444,000	24,557,000	24,571,000
Wheeling Water Charge	675,830	633,000	329,835	530,000	175,000	730,000
Other Charges for Services	1,077,174	1,018,000	867,415	1,068,000	1,047,000	1,074,000
Income From Customers	44,161,563	43,726,000	37,777,690	45,735,000	45,020,000	46,171,000
Water Transfers	-	1,992,000	-	900,000	-	-
Interest Income	571,716	820,000	288,066	494,000	899,000	932,000
Other Income (Leases, Cells, Etc.)	452,653	250,000	371,203	450,000	266,000	400,000
Facility Development Charges	135,073	500,000	116,284	300,000	300,000	300,000
Grant Income	1,087,746	210,000	17,053	-	-	275,000
Total Other Income	2,247,188	3,772,000	792,606	2,144,000	1,465,000	1,907,000
Total Revenue	<u>\$ 46,408,751</u>	<u>\$ 47,498,000</u>	<u>\$ 38,570,296</u>	<u>\$ 47,879,000</u>	<u>\$ 46,485,000</u>	<u>\$ 48,078,000</u>
<b>Budgets:</b>						
<b>Operations and Maintenance</b>	19,424,311	21,311,000	16,204,588	21,024,000	21,860,000	<b>23,241,000</b>
<b>Capital Improvement Program</b>	13,585,527	16,975,000	11,856,016	18,170,000	19,160,000	<b>18,260,000</b>
<b>Operating Capital Program</b>	1,135,278	1,166,000	631,617	1,161,000	1,161,000	<b>950,000</b>
<b>Debt Service (Forecast)</b>	7,519,968	7,770,000	2,625,864	7,565,000	7,700,000	<b>7,420,000</b>
<b>McClellan BP Settlement</b>				2,600,000		
<b>Total Costs</b>	<u>41,665,084</u>	<u>47,222,000</u>	<u>31,318,085</u>	<u>50,520,000</u>	<u>49,881,000</u>	<u>49,871,000</u>
Change in Reserve Balance	4,743,667	276,000	7,252,211	(2,641,000)	(3,396,000)	(1,793,000)
Reserve (Cash) Balance	<u>\$ 45,669,205</u>	<u>\$ 41,264,408</u>	<u>\$ 48,452,890</u>	<u>\$ 46,576,375</u>	<u>\$ 41,566,409</u>	<u>\$ 41,235,205</u>
Refunding 2009B			\$ (3,548,170)	\$ (3,548,170)		
	<u>\$ 45,669,205</u>	<u>\$ 41,264,408</u>	<u>\$ 44,904,720</u>	<u>\$ 43,028,205</u>	<u>\$ 41,566,409</u>	<u>\$ 41,235,205</u>

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

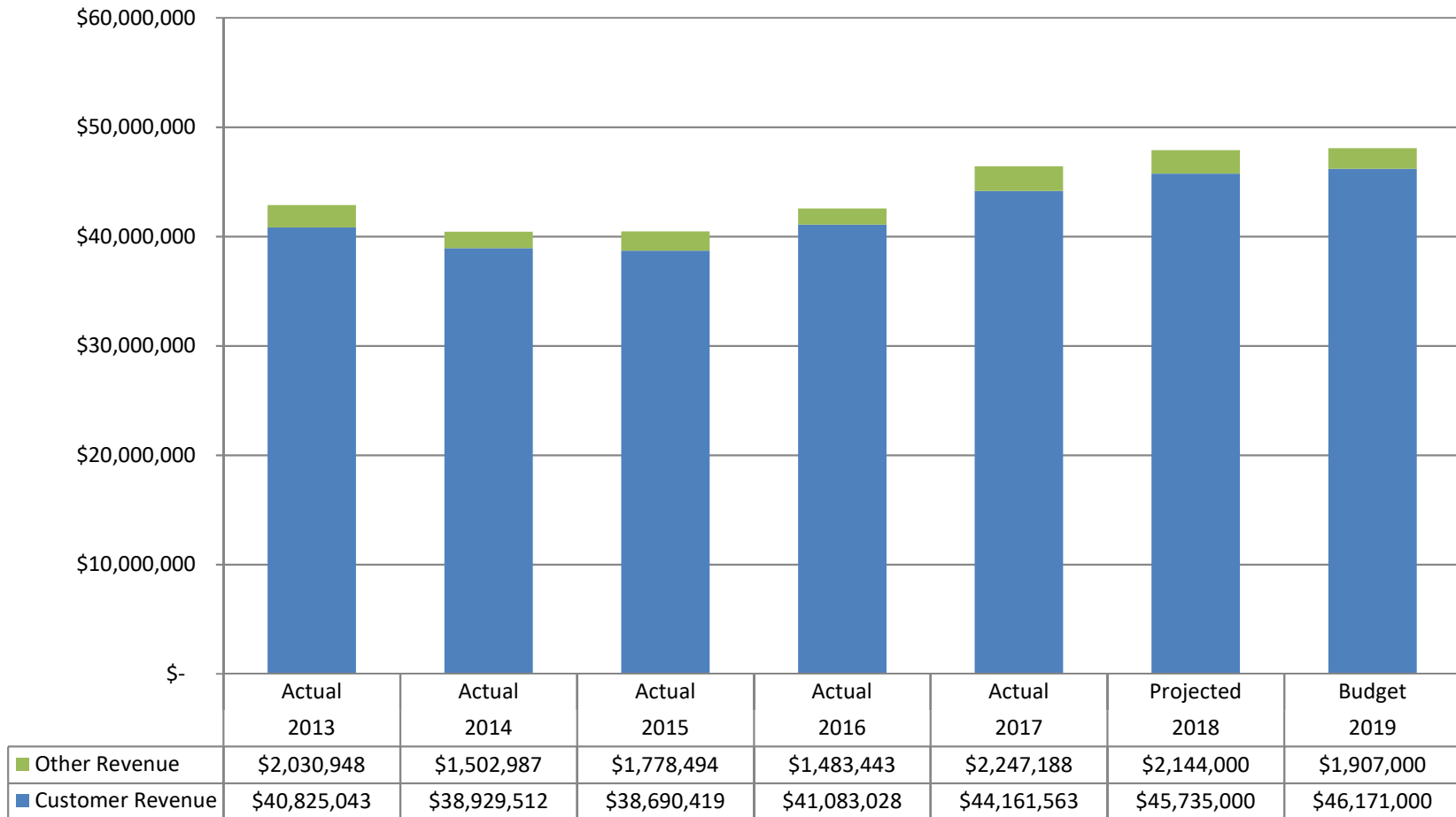
# 2019 Budget Changes

- Operations and Maintenance – Increasing by \$2.2 Million
  - NSA Surface Water Treatment Costs increasing by \$19/AF (\$228,000)
  - SSA Surface Water Cost increasing by \$22/AF (\$220,000)
  - Groundwater electrical and chemicals reduced by (\$300,000)
  - Salaries: Increasing to Median based on Comp Study – 9.8% (\$535,000); 3 New Positions – (\$243,000); Less Former GM Salary (-\$215,000)
  - Employee Benefits - Increase of \$375,000 – Primarily Pension (\$220,000) and 3 New Positions (\$88,000)
  - Reclass Small Meters from CIP Budget to O&M Budget (\$250,000)
- Capital Improvement Program - Increasing by \$0.1 Million
  - Increase of \$0.4 Million compared to 2018 Budget; \$0.1 Million Compared to Projected 2018
  - Increase is primarily due to painting the Antelope Reservoir (\$0.7 million)
- Operating Capital Budget - Decreasing by \$0.2 Million
  - Decrease due to reduced office remodeling
- Debt Service Forecast - Decreasing by \$0.2 Million
  - Decreasing by \$150,000 due to Refunding the 2009B COP in 2018

# Total Revenues Vs Total Expenditures 2013 to 2019

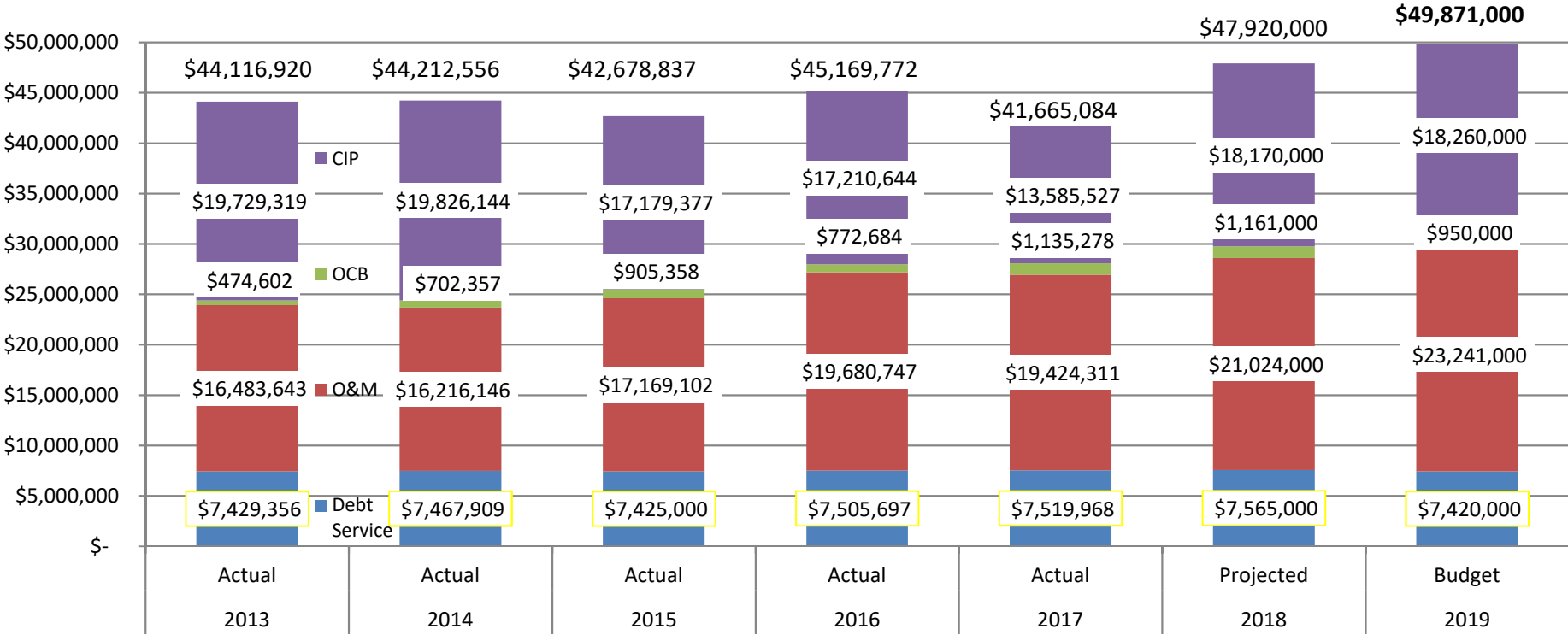


# Total Revenues 2013 to 2019



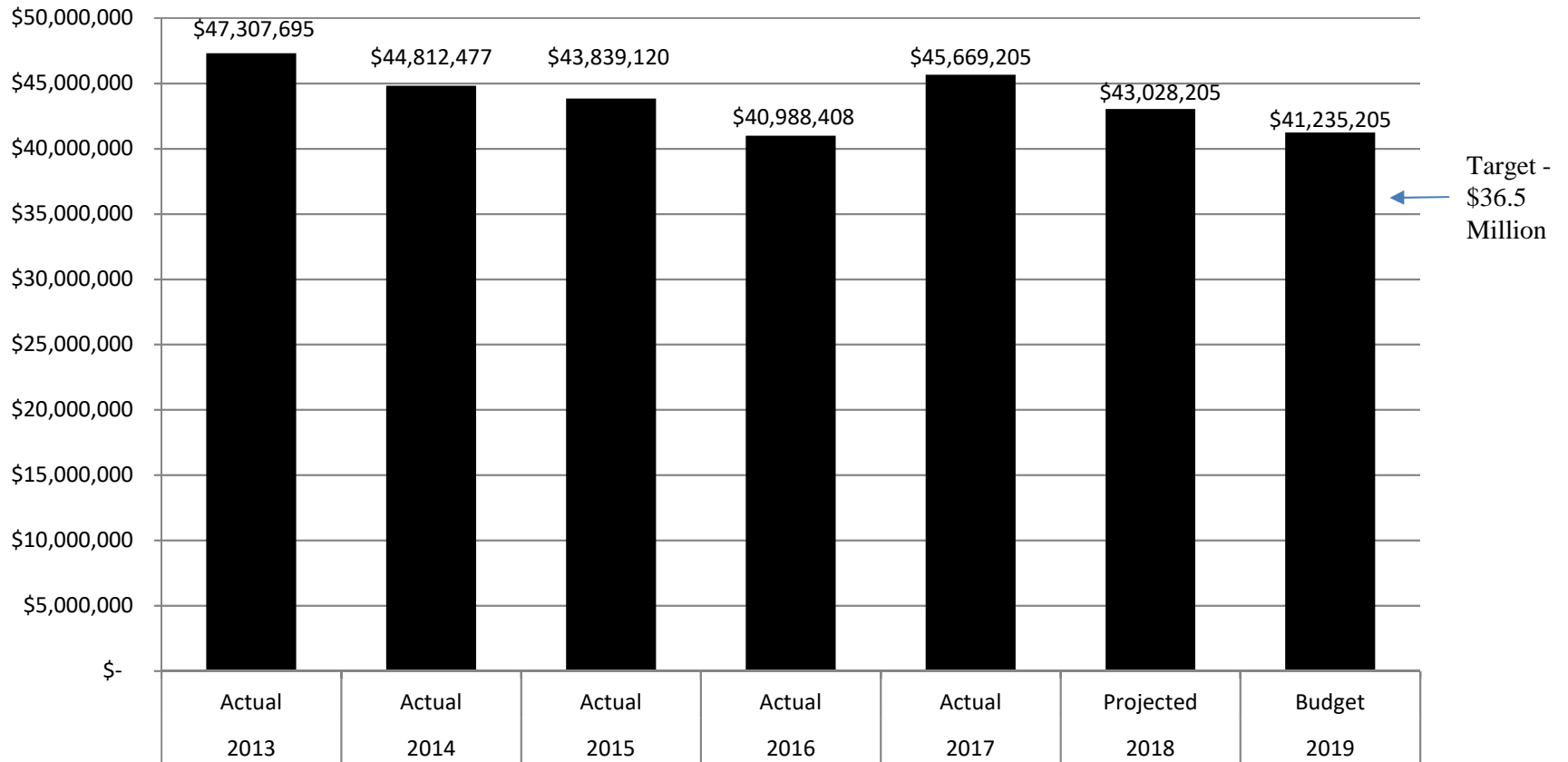
The 2018 Rate Study is in process. No rate changes assumed for 2019.

# Total Expenditures 2013 to 2019



The increase in 2018 is due primarily to two 2017 deferred CIP Projects - \$3.69 million. The increase in 2019 is due primarily to a \$2.2 million O&M increase.

# Reserve Balance 2013 to 2019



From a high of \$57.7 million at the end of 2009, the Board has strategically lowered the reserve balance to roughly \$40 million. With the pay-off of the 2009B COP in 2018, the Debt Service Reserve Fund of \$3.5 million was liquidated. The reserve balance target was changed to \$36.5 million.

# Reserve Balance Detail

## 2013 to 2019

	Actual <u>12/31/2013</u>	Actual <u>12/31/2014</u>	Actual <u>12/31/2015</u>	Actual <u>12/31/2016</u>	Actual <u>12/31/2017</u>	Projected <u>12/31/2018</u>	<b>Budget</b> <b><u>12/31/2019</u></b>
Debt Service Reserve	\$ 3,520,472	\$ 3,540,082	\$ 3,523,427	\$ 3,540,038	\$ 3,548,170	\$ 12,531	\$ -
Facilities Reimbursement	42,968	21,873	21,873	-	-	-	-
Emergency/Contingency	10,317,750	10,758,000	10,758,000	10,387,000	10,931,500	11,255,000	<b>11,542,750</b>
Operating	6,466,000	6,468,857	6,468,857	6,490,750	7,270,250	7,390,000	<b>7,665,250</b>
Rate Stabilization	5,525,000	5,870,000	5,870,000	5,630,000	5,976,000	5,044,500	<b>4,859,000</b>
Interest Rate Risk	-	-	-	-	-	-	-
Grant	3,832,000	654,000	654,000	1,068,000	210,000	-	-
Capital Asset	17,603,505	17,499,665	16,542,963	13,872,620	17,733,285	19,326,174	<b>17,168,205</b>
<b>TOTAL</b>	<b>\$ 47,307,695</b>	<b>\$ 44,812,477</b>	<b>\$ 43,839,120</b>	<b>\$ 40,988,408</b>	<b>\$ 45,669,205</b>	<b>\$ 43,028,205</b>	<b>\$ 41,235,205</b>

Projected \$1.8 million reduction is primarily due to O&M increases. Therefore, Rate Stabilization Reserve Fund utilized. Individual reserve account changes based on approved 2019 budget.

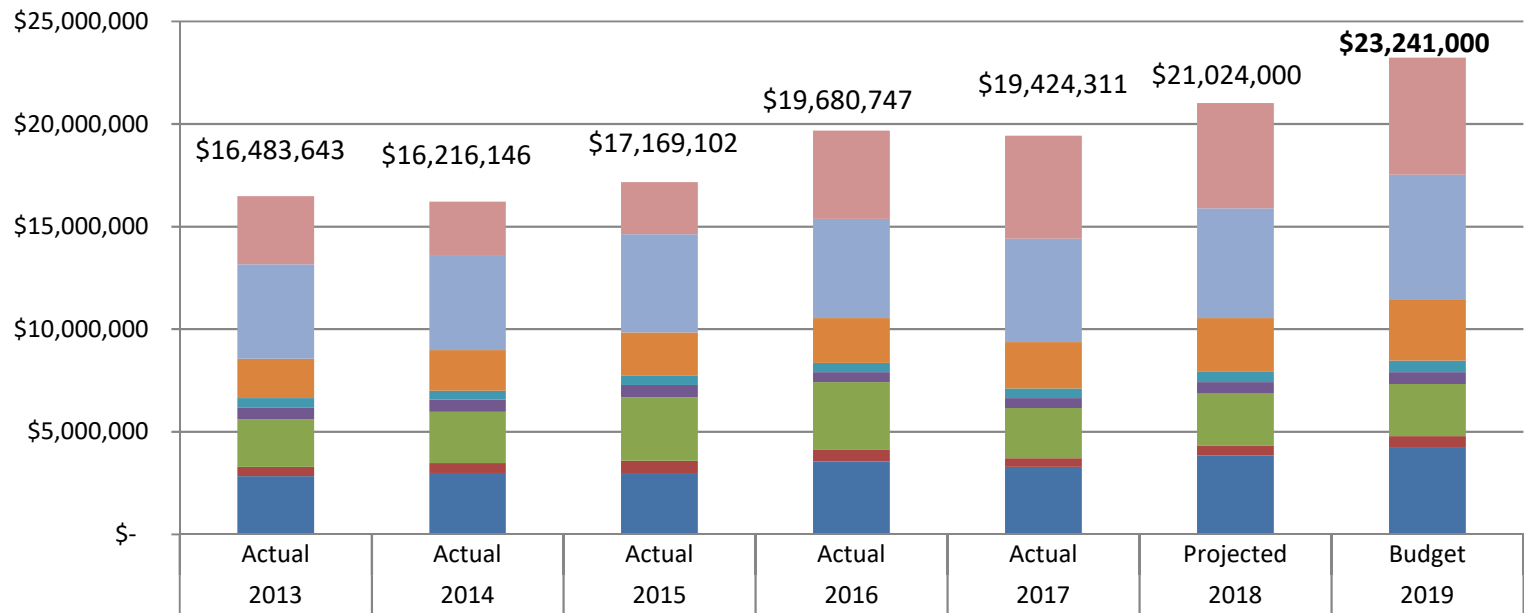
Actual fluctuations (2013 to 2017) are due to changes in CIP expenditures and/or Consumption Revenues.

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



# O&M Budget

# O&M Expenses 2013 to 2019

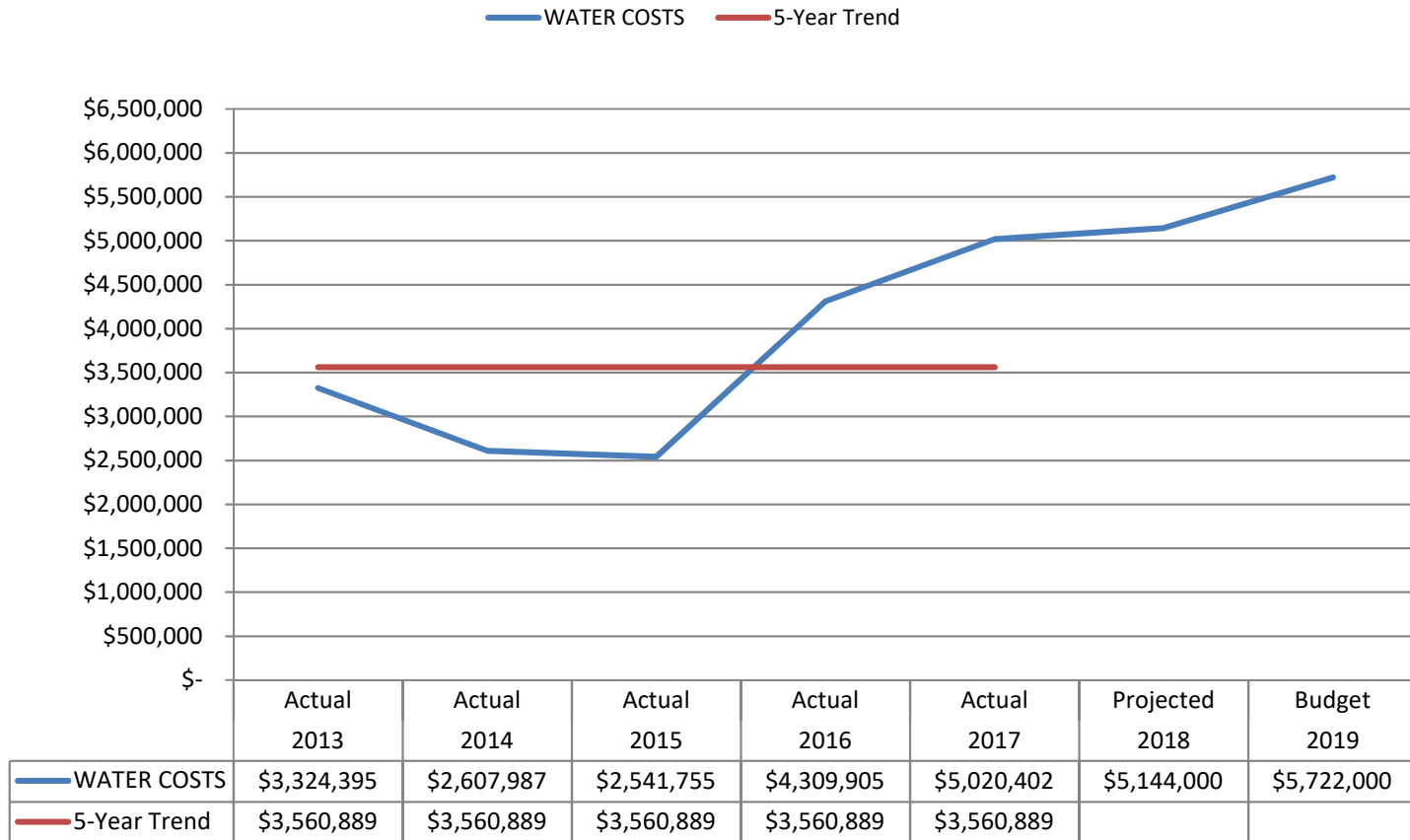


	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Projected 2018	Budget 2019
■ WATER COSTS	\$3,324,395	\$2,607,987	\$2,541,755	\$4,309,905	\$5,020,402	\$5,144,000	\$5,722,000
■ SALARIES	\$4,610,564	\$4,633,287	\$4,794,117	\$4,833,627	\$5,031,276	\$5,352,000	\$6,061,000
■ EMPLOYEE BENEFITS	\$1,915,889	\$1,980,390	\$2,096,685	\$2,187,134	\$2,267,113	\$2,614,000	\$2,995,000
■ EMPLOYER TAXES & INSURANCE	\$457,888	\$439,159	\$460,746	\$458,614	\$476,780	\$500,000	\$560,000
■ OPEB	\$576,300	\$592,700	\$591,000	\$470,000	\$472,200	\$560,000	\$580,000
■ ENGINEERING & CONSTRUCTION SERVICES	\$2,323,246	\$2,501,575	\$3,102,132	\$3,314,420	\$2,449,179	\$2,526,000	\$2,552,000
■ PUBLIC OUTREACH & CONSERVATION	\$452,250	\$469,571	\$641,111	\$565,157	\$427,633	\$506,990	\$530,000
■ OTHER	\$2,823,111	\$2,991,477	\$2,941,556	\$3,541,890	\$3,279,728	\$3,821,010	\$4,241,000

Discussion of individual line items variances appear on subsequent pages.

# O&M Expense Detail

## Water Costs

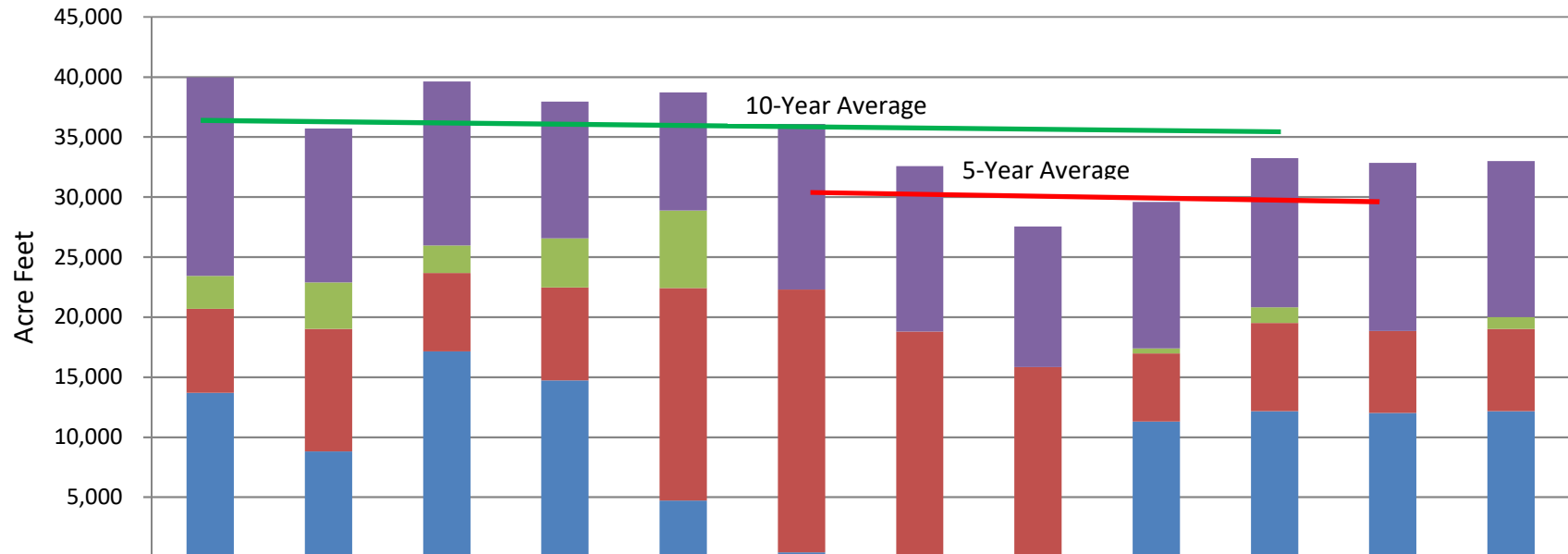


Water deliveries and costs fluctuate based on hydrological conditions. Due to the conditions in 2013 - 2015, SW was largely unavailable. 2019 assumes the purchase of 13,150 AF of SW (SSA - 1,000 AF and NSA 12,150 AF). GW pumping is expected to produce 19,850 AF, (SSA - 13,000\* AF and NSA – 6,850 AF).  
 \* Due to 2018 water transfer, in 2019, 3,875 AF of 13,000AF (SSA) GW will be supplied by City at no cost.  
 SW = Surface Water; GW = Ground Water

# O&M Expense Detail

## Water Production

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

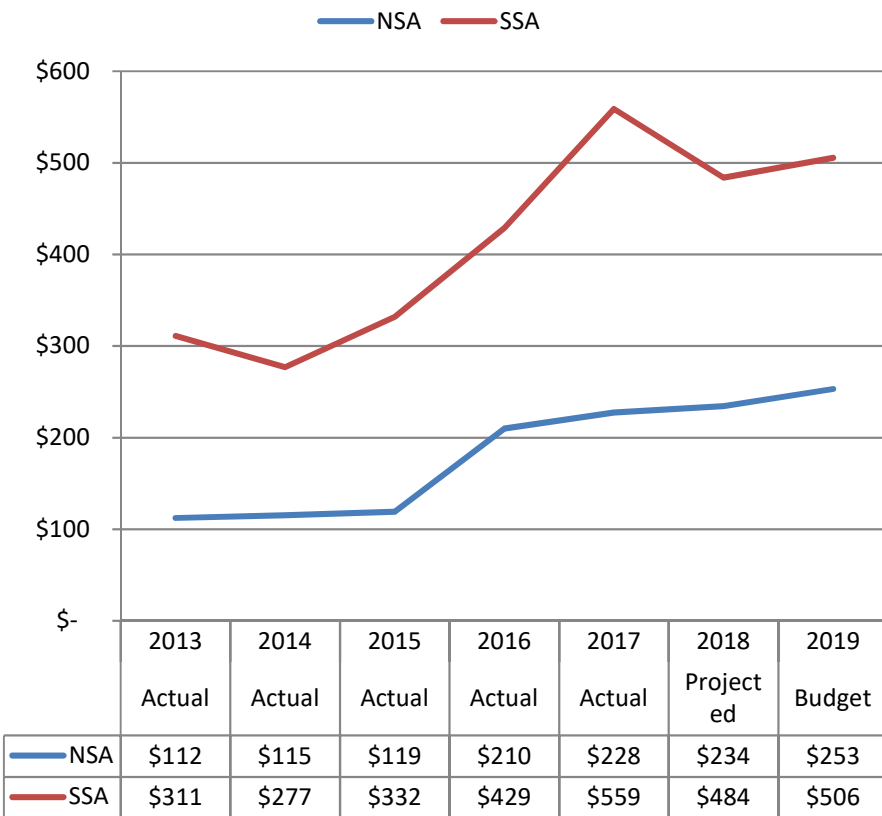


	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Proposed
■ SSA Ground Water	16,531	12,818	13,656	11,380	9,833	16,607	13,771	11,719	12,185	12,427	14,000	13,000
■ SSA Surface Water	2,743	3,872	2,289	4,084	6,463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

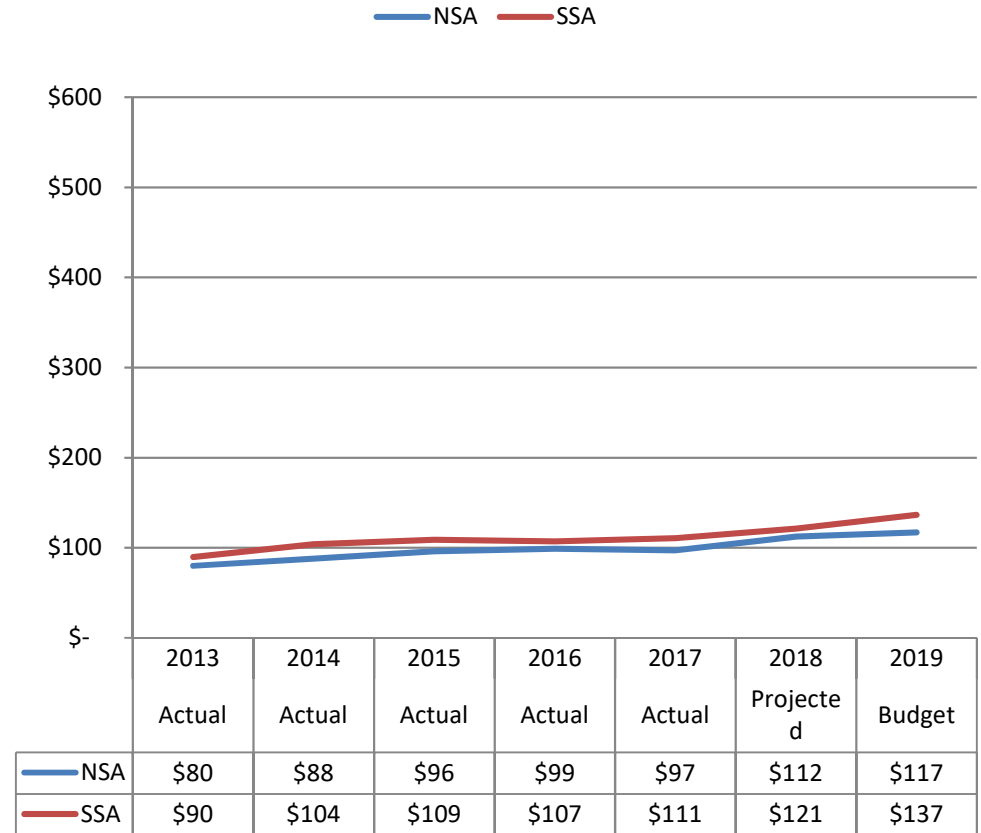
Production amounts for 2018 – Per Budget - 33,000 AF; Projected Actual – 32,850 AF.  
 Production estimate for 2019 – 33,000 AF.

# Surface Water vs Ground Water Costs

## Variable Surface Water Costs



## Variable Ground Water Costs



SSA - SW cost will be \$506 per AF in 2019.

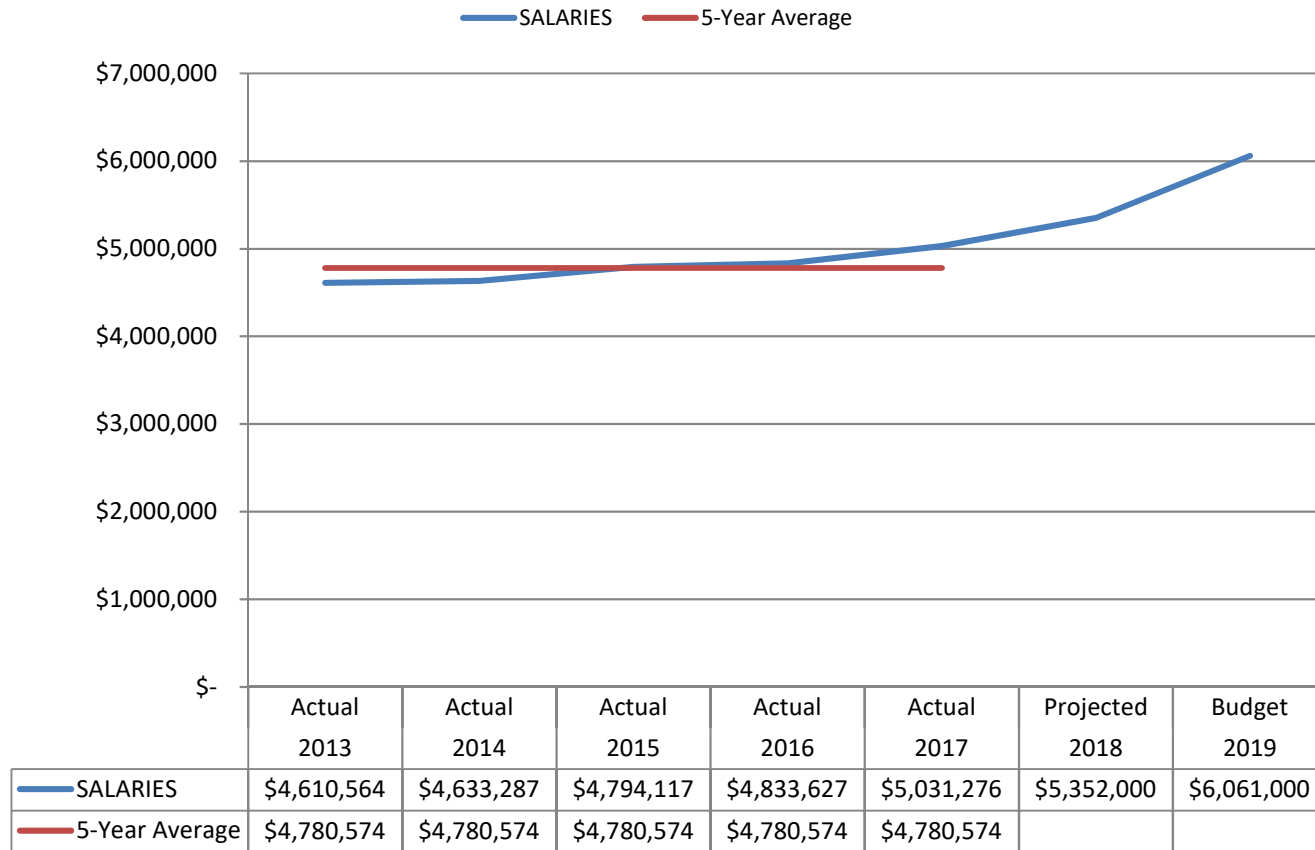
NSA –SW cost will be \$253/AF in 2019, compared to \$234/AF in 2018.

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

SW = Surface Water; GW = Ground Water

# O&M Expense Detail

## Salaries



2019 increase due to - 3 new positions (\$243,000), 2018 Comp Study equity adjustment (\$535,000); ½ year AGM’s salary (\$75,000); 8 Promotions (\$100,000); net of the reduction in former GM’s salary of \$215,000.

# O&M Expense Detail

## New Position Requests

➤ New Position Requests:

1. Information Technology Analyst
2. Production Foreman
3. Assistant Engineer

➤ New Positions Cost:

	<u>Annual Cost</u>
Salaries	\$ 243,000
Employer Taxes	24,000
Employer Benefits	<u>88,000</u>
Annual Cost of New Positions	<u><b>\$ 355,000</b></u>

# NEW POSITION SUPPORT

- Information Technology Analyst
  - To Replace IT Consultant (Consulting costs savings of ~ \$80k/annum)
  - Duties To Perform Include:
    - Data Analysis and Cleanup
    - SQL Queries and Programming
    - System Integration
    - System Security – Hardware, Software and Recovery
    - Implementation and Maintenance of Apps and Programs
    - SCADA Software Management
    - Database and Software Updates
    - Resolves System Problems



# NEW POSITION SUPPORT

## ➤ Production Foreman

- The current Production Foreman has seven direct reports. The Instrumentation/Electrician Technician is reporting directly to the Production Superintendent as the Production Foreman is in excess of the number of desired direct reports to be effective and efficient. Additionally, Production Department staffing is projected to increase adding to the number of current direct reports. This addition will allow each Production Foreman the bandwidth to develop staff properly and efficiently by having 4 direct reports each. Production staff performed a comprehensive 10 week task audit of the current Production Foreman. The current Production Foreman is only able to spend 4% of time mentoring and training staff. This has resulted in poorly trained staff in vital areas (e.g., automated control valves, SCADA, etc.)
- Since 2014 overtime hours/annum for this position have increased from 72 to 307 in 2017.
- Benefits from this position include better communication and staff training plus an improved balance in workload.

# NEW POSITION SUPPORT

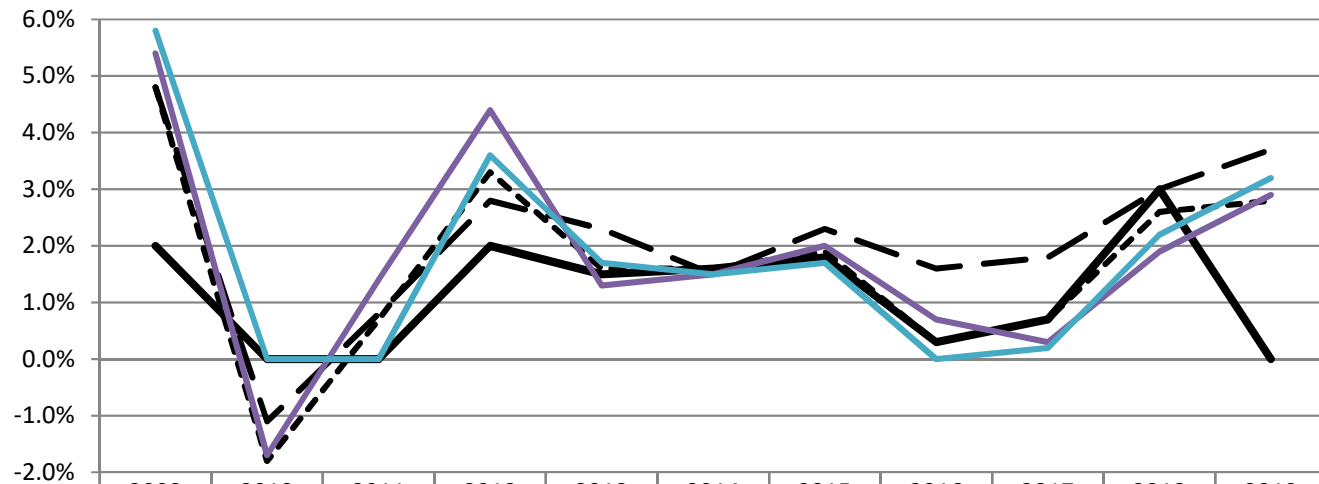
## ➤ Assistant Engineer

- Needed for demands of planning, design and construction of District structures and facilities, improvements to groundwater wells and water production and storage, and distribution facilities
- Full-Time Attention for Many Recurring Tasks Currently Performed By Interns
- 3 Engineering Intern Positions eliminated. Salary cost of savings of ~ \$45k/annum

# O&M Expense Detail

## COLA

— SSWD   
 - - - Western Cities - A   
 - - - Western Cities - B/C   
 — U.S. Cities   
 — Social Security

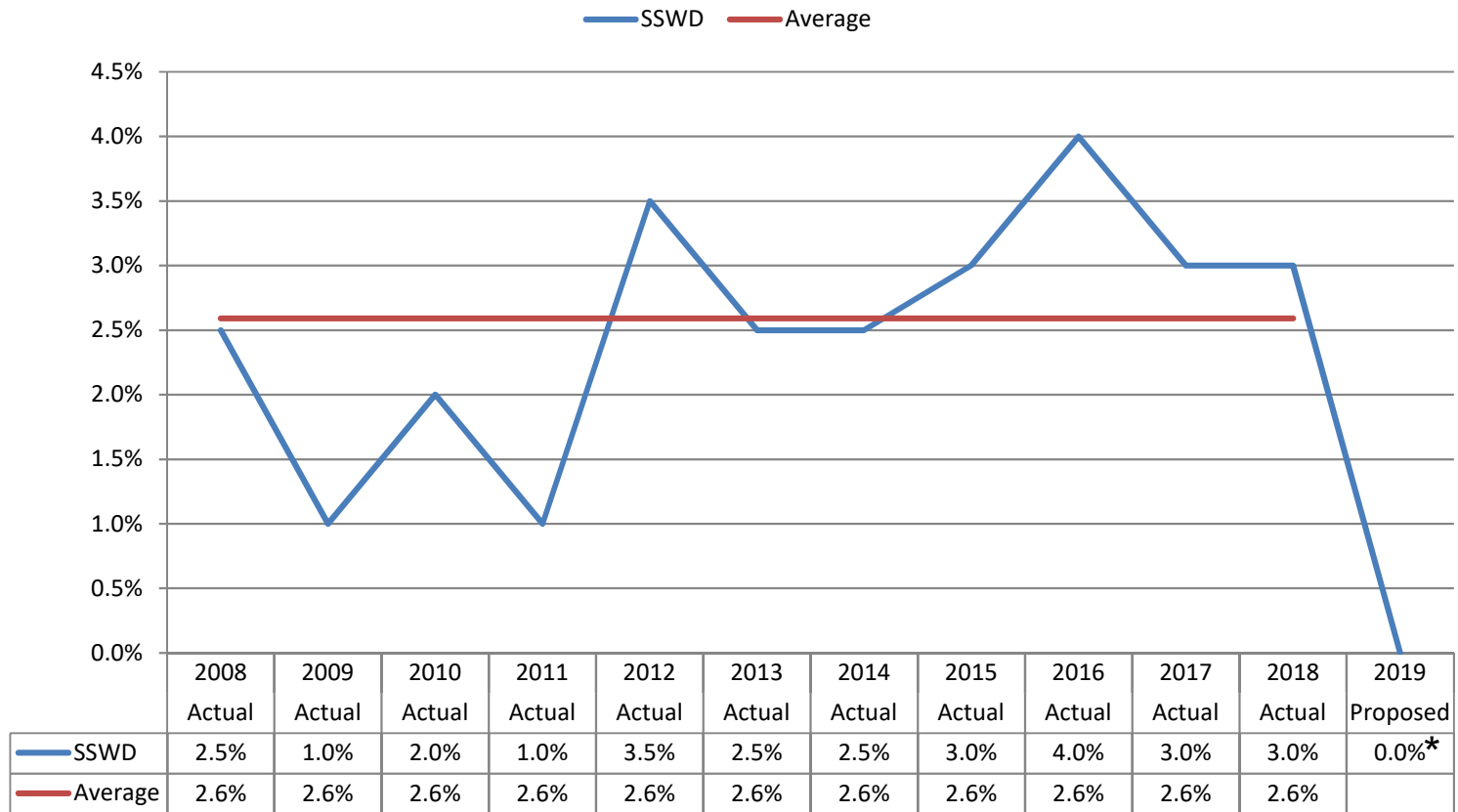


	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Proposed
<span style="color: black;">—</span> SSWD	2.0%	0.0%	0.0%	2.0%	1.5%	1.6%	1.8%	0.3%	0.7%	3.0%	0.0%*
<span style="color: black;">- - -</span> Western Cities - A	4.8%	-1.1%	0.8%	2.8%	2.3%	1.5%	2.3%	1.6%	1.8%	3.0%	3.7%
<span style="color: black;">- - -</span> Western Cities - B/C	4.8%	-1.8%	0.7%	3.3%	1.6%	1.6%	1.9%	0.3%	0.7%	2.6%	2.8%
<span style="color: purple;">—</span> U.S. Cities	5.4%	-1.7%	1.4%	4.4%	1.3%	1.5%	2.0%	0.7%	0.3%	1.9%	2.9%
<span style="color: cyan;">—</span> Social Security	5.8%	0.0%	0.0%	3.6%	1.7%	1.5%	1.7%	0.0%	0.2%	2.2%	3.2%

\* Typically SSWD's COLA is equal to the Western Cities – A Index as published by the US Bureau of Labor Statistics. If the 2018 Compensation Study is approved as recommended, staff recommends no COLA for 2019.

# O&M Expense Detail

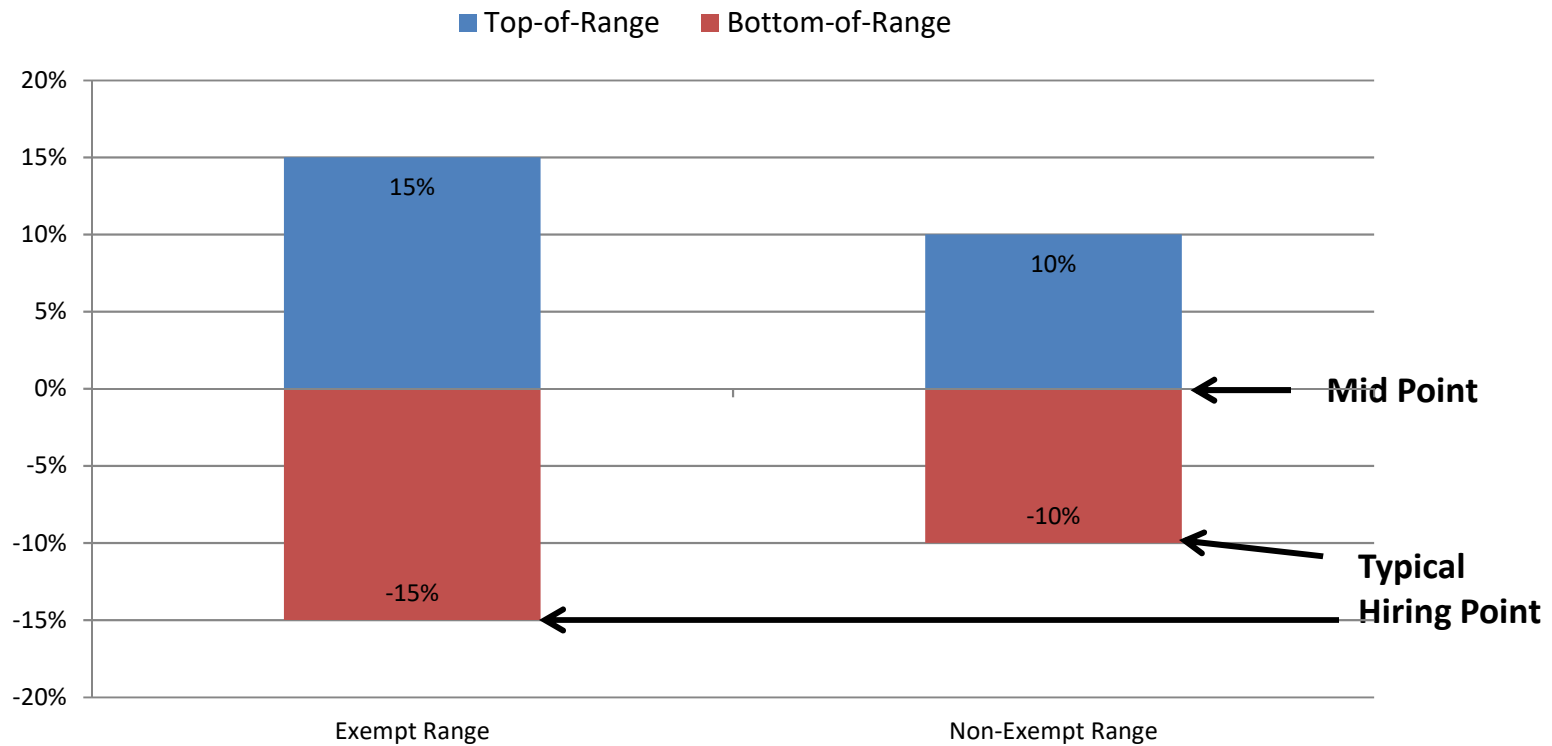
## Merit



\* Typically SSWD's Merit should be set in the 4% to 5% range. If the 2018 Compensation Study is approved as recommended, staff recommends no Merit increase for 2019.

# O&M Expense Detail

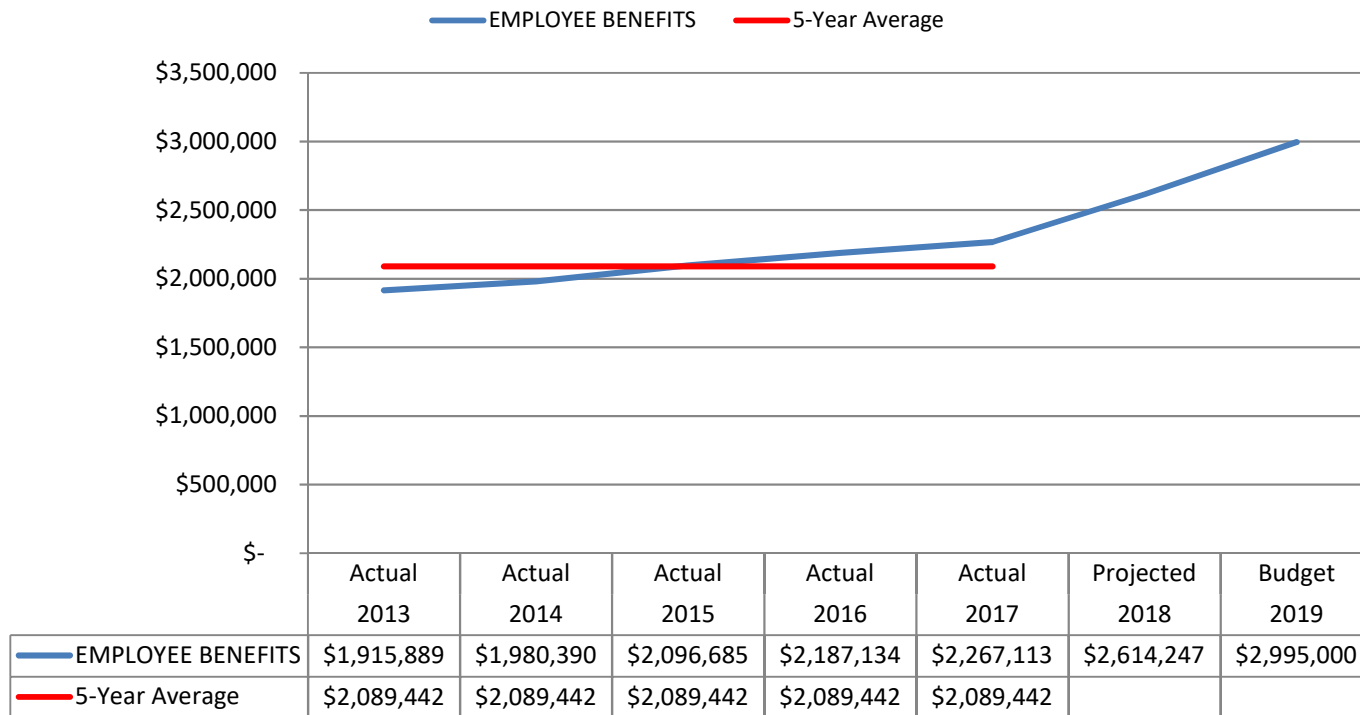
## Salary Bands



New employees typically hired at or near bottom of salary range. Based on performance, an average merit increase of 5.0% will move a good performing non-exempt employee through their salary range in 4 years and an exempt employee in 6 years.

# O&M Expense Detail

## Employee Benefits



2019 increase due primarily to increased pension costs (\$230,000), and 3 new positions (\$88,000).

# O&M Expense Detail

## Employee Benefits

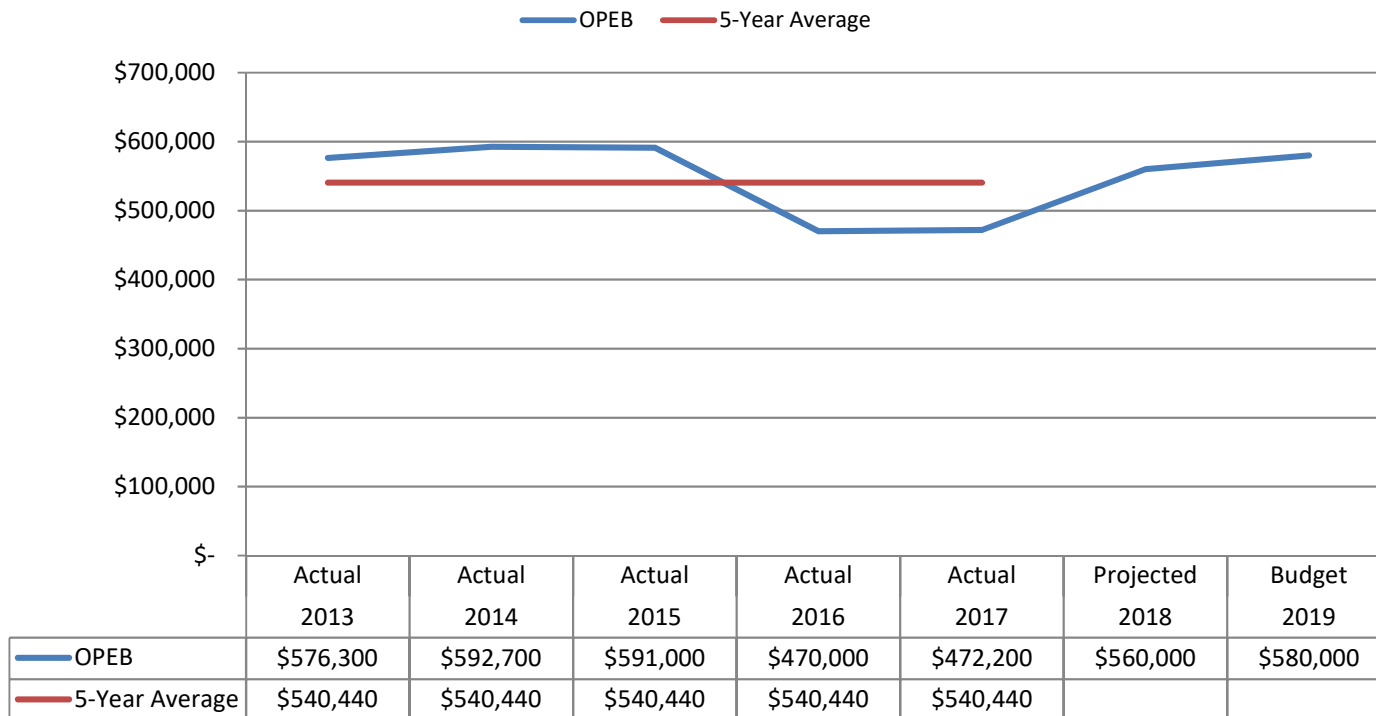
	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Projected	2019 Budget
<b>EMPLOYEE BENEFITS</b>	\$ 1,915,889	\$ 1,980,390	\$ 2,096,685	\$ 2,187,134	\$ 2,267,113	\$ 2,614,000	\$ 2,995,000
Medical Insurance	\$ 797,192	\$ 846,251	\$ 905,832	\$ 922,772	\$ 968,600	\$ 1,074,700	\$ 1,161,000
Dental Insurance	82,640	96,894	102,555	94,682	100,119	120,437	132,000
Vision Insurance	16,304	15,065	13,845	14,083	8,167	16,320	17,000
Life Insurance	16,648	17,090	17,731	17,708	20,266	22,472	26,000
LTD Insurance	23,147	22,050	22,966	22,970	26,050	29,696	34,000
CalPERS Pension	940,005	944,510	1,007,417	1,081,615	1,099,669	1,289,844	1,567,000
Miscellaneous *	39,953	38,530	26,339	33,304	44,242	60,778	58,000
<b>Total Employee Benefits</b>	<u>\$ 1,915,889</u>	<u>\$ 1,980,390</u>	<u>\$ 2,096,685</u>	<u>\$ 2,187,134</u>	<u>\$ 2,267,113</u>	<u>\$ 2,614,247</u>	<u>\$ 2,995,000</u>

Primary increase in Benefit Costs are pension (\$281k) and medical (\$77k).

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

# O&M Expense Detail

## OPEB

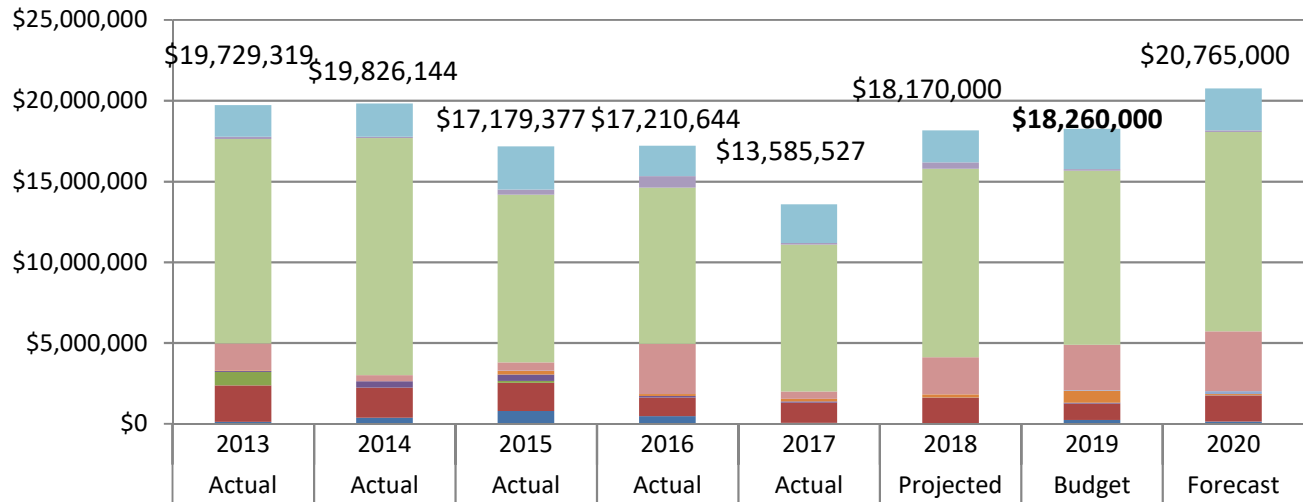


2016 - 2017 reduction due to a combination of – reduced projected liability and higher earnings inception-to-date; offset by a reduced UAAL amortization from 22 years down to 10 years. 2018 and 2019 increase due to a reduced discount rate (7.0% in 2015, 6.5% in 2017, 2018 and 2019); increased health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



# CIP Budget

# CIP Project Costs 2013 to 2020

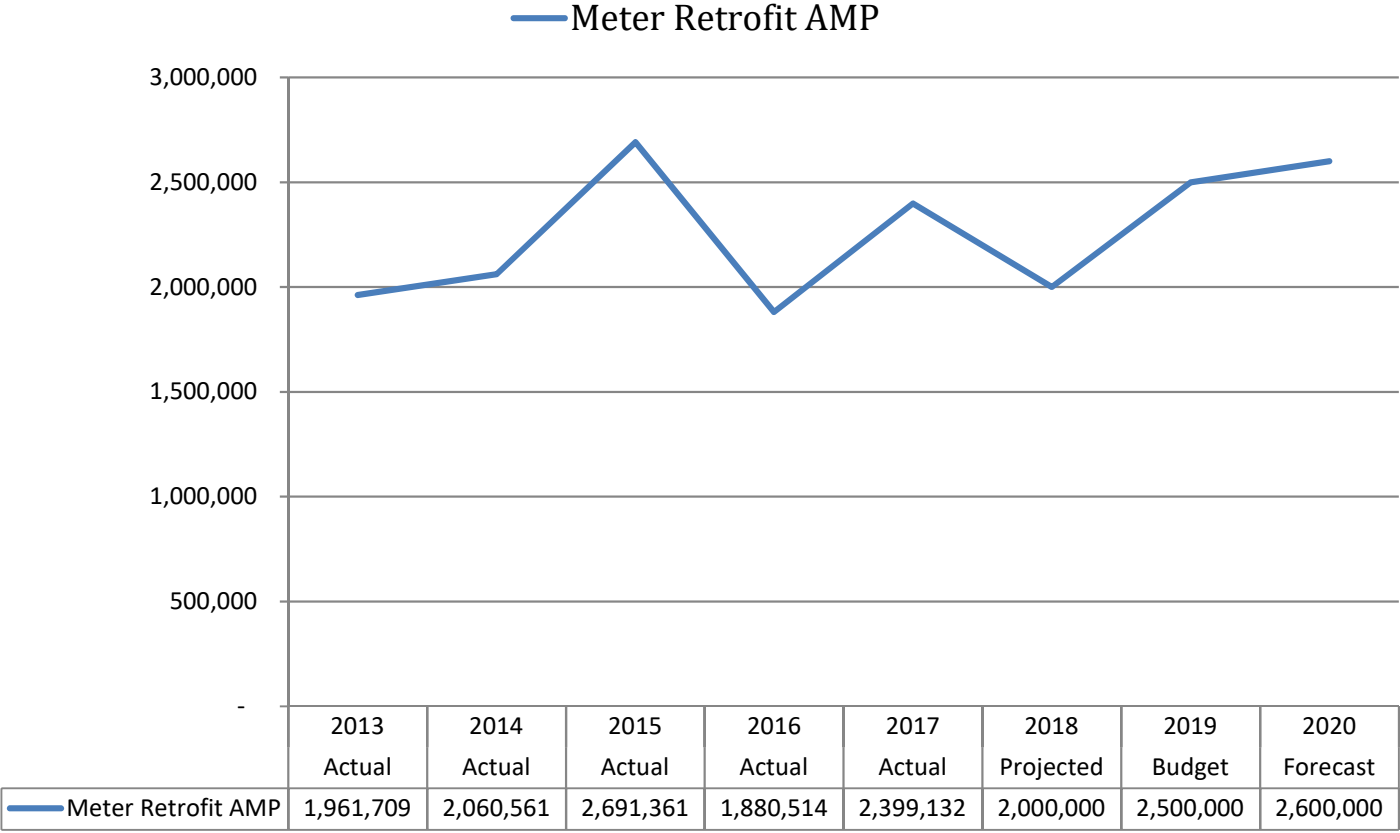


	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Projected	2019 Budget	2020 Forecast
Meter Retrofit AMP	1,961,709	2,060,561	2,691,361	1,880,514	2,399,132	2,000,000	2,500,000	2,600,000
Meter Replacement & Repair AMP	132,922	80,975	307,870	715,337	107,278	390,000	100,000	100,000
Dist. Main Replacement AMP	12,674,933	14,672,460	10,381,851	9,674,096	9,077,465	11,660,000	10,780,000	12,345,000
Well Replacement AMP	1,655,646	377,974	507,393	3,099,875	460,816	2,310,000	2,800,000	3,700,000
Transmission Main AMP	-	-	31,866	-	-	-	50,000	180,000
Reservoir and Booster P.S. AMP	36,373	-	221,300	116,901	160,494	200,000	735,000	85,000
Buildings and Structures AMP	-	-	-	-	-	-	-	-
SCADA AMP	54,245	404,802	378,687	94,243	85,495	10,000	60,000	20,000
From 2009 Water System Master Plan	833,148	-	133,676	-	-	-	-	-
Other Re-Occurring Annual Capital Costs	2,274,474	1,859,724	1,745,028	1,149,924	1,241,934	1,567,000	1,010,000	1,600,000
Other Capitalized Projects	105,869	369,648	780,345	479,754	52,913	33,000	225,000	135,000

Discussion of individual line items appears on subsequent pages.

# CIP Budget

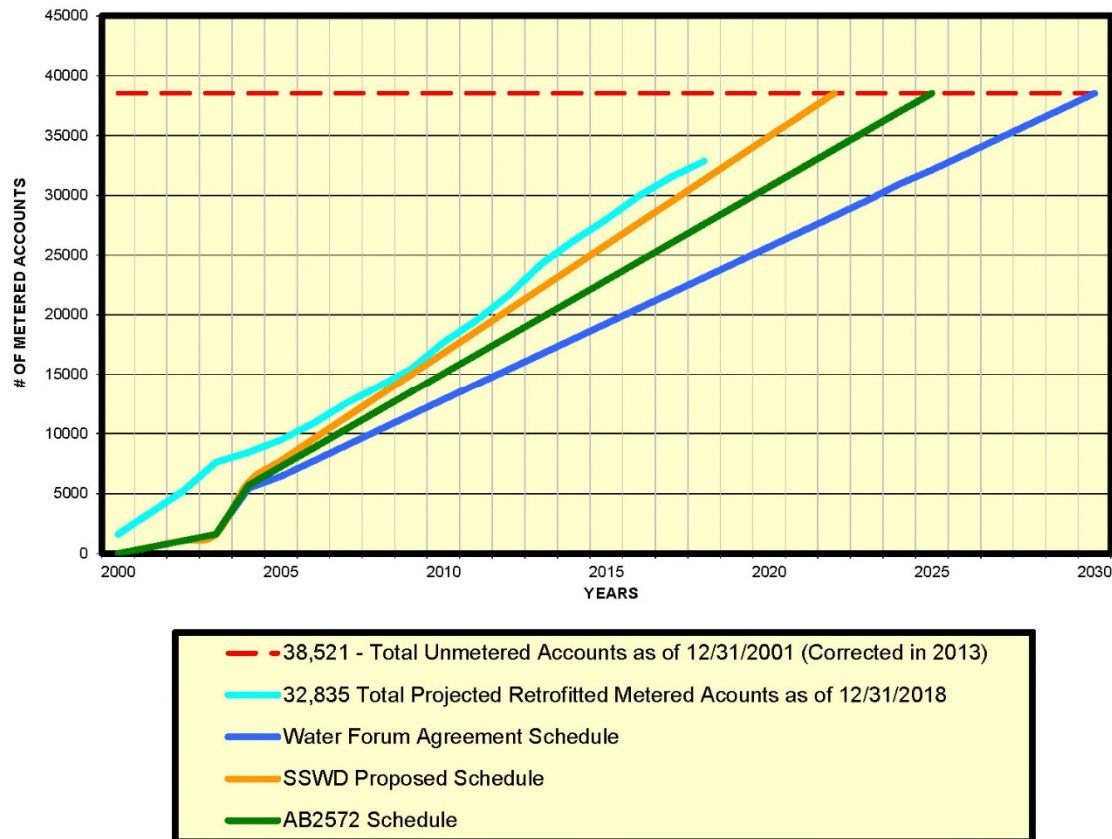
## Water Meter Retrofit Program



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

# Water Meter Retrofit Program

## SSWD 30 YEAR METERING PLAN (RESIDENTIAL)



2018 Meters added – 1,955; 1,270 meter retrofit program, 15 voluntary and 670 main replacement project.  
 2019 Meters added – 1,327; 1,000 meter retrofit program, 15 voluntary and 312 main replacement project.  
 2020 Meters added – 1,424; 1,000 meter retrofit program, 15 voluntary and 409 main replacement project.

# CIP Project Detail

## Meter Replacement & Repair Costs

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

### 2019/20 Projects

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

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

# CIP Project Detail

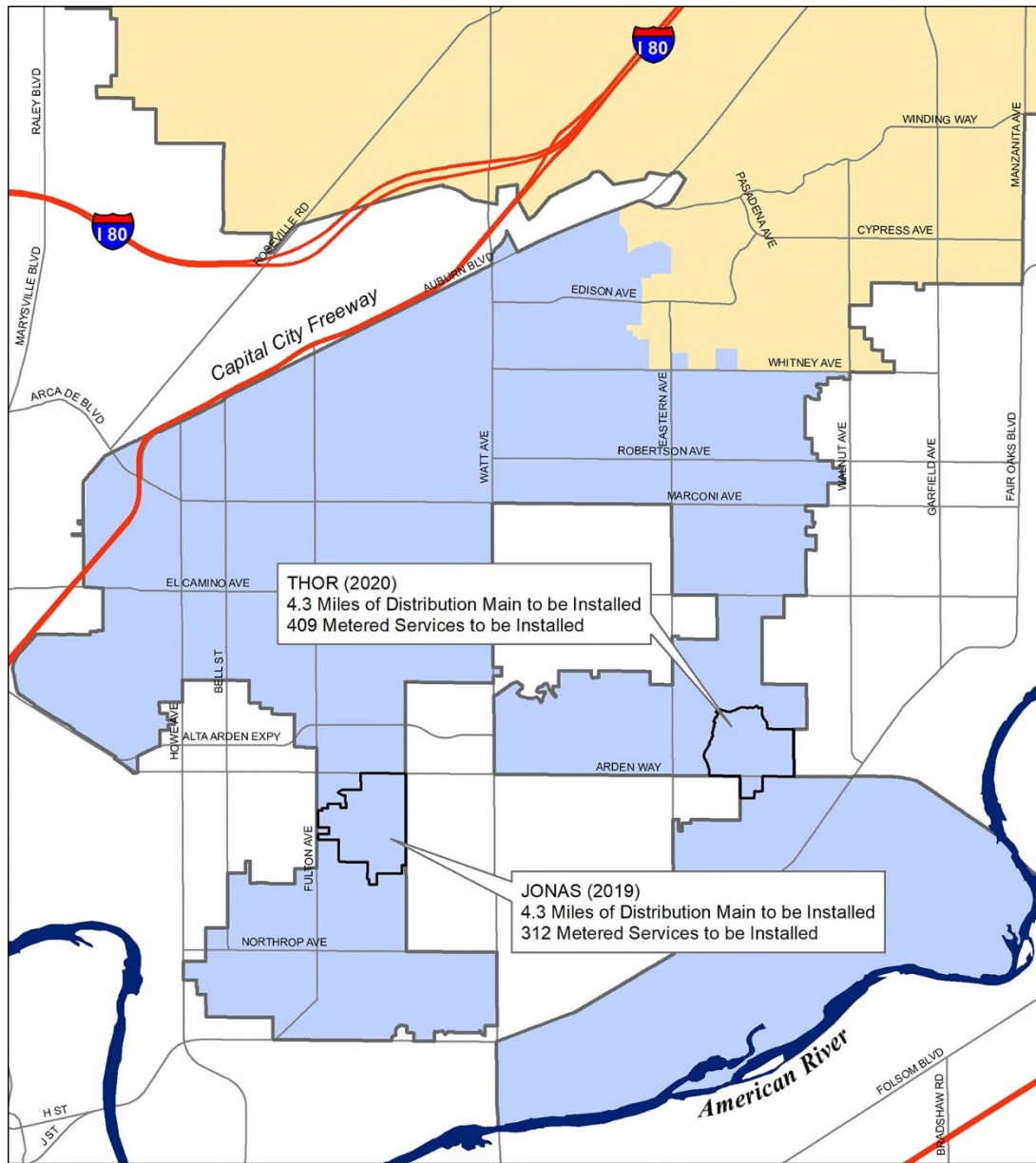
## Distribution Main Replacement Costs

5-Year Low	5-Year High	5-Year Average	AMP 2019	Budget 2019	Forecast 2020
\$ 9,077,465	\$ 14,672,460	\$ 11,296,200	\$ 13,402,435	\$ <b>10,780,000</b>	\$ 12,345,000

### 2019/20 Projects

Edison Meadows	\$ 255,000	\$ -
Jonas (Area 48)	8,745,000	
Arcade Creek Crossing	600,000	-
Thor (Area 90B/C/D)	300,000	11,370,000
New Area		330,000
Consulting, Material, Construction Costs on Miscellaneous Projects	800,000	500,000
McClellan Surveying work for easements	80,000	145,000
	<b>\$ 10,780,000</b>	<b>\$ 12,345,000</b>

See next slide for further details



**THOR (2020)**  
 4.3 Miles of Distribution Main to be Installed  
 409 Metered Services to be Installed

**JONAS (2019)**  
 4.3 Miles of Distribution Main to be Installed  
 312 Metered Services to be Installed

**Legend**

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



**Proposed 2019-2020  
 Distribution Main Projects**

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

# CIP Project Detail

## Well Replacement Costs

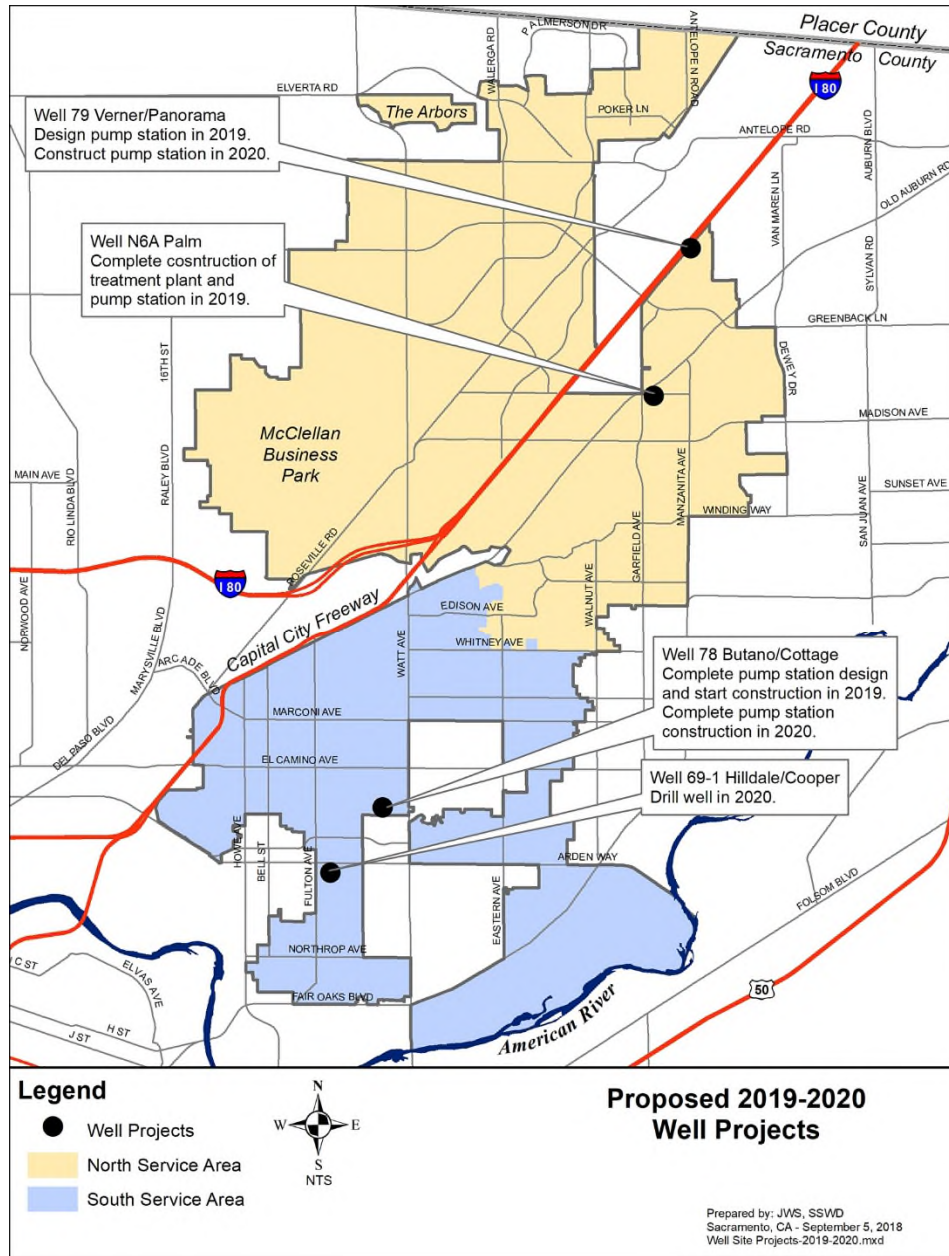
5-Year Low	5-Year High	5-Year Average	AMP 2019	Budget 2019	Forecast 2020
\$ 377,974	\$ 3,099,875	\$ 1,220,300	\$ 3,716,129	\$ 2,800,000	\$ 3,700,000

### 2019/20 Projects

Well #N6A - Palm	\$ 770,000	\$ -
Well #78 - Butano/Cottage	1,230,000	1,090,000
Well #79 - Verner/Panorama	300,000	2,040,000
Well #69-1 - Hilldale/Cooper	.	550,000
Property Acquisition (TBD)	500,000	20,000
	<b>\$ 2,800,000</b>	<b>\$ 3,700,000</b>

See next slide for further details





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

# CIP Project Detail

## Transmission Main Costs

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

### 2019/20 Projects

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

\$	<b>50,000</b>	\$	180,000
\$	<b>50,000</b>	\$	<u>180,000</u>

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

# CIP Project Detail

## SCADA System Costs

5-Year Low	5-Year High	5-Year Average	AMP 2019	Budget 2019	Forecast 2020
\$ 54,245	\$ 404,802	\$ 203,500	-	\$ 60,000	\$ 20,000

### 2019/20 Projects

SCADA Radio Evaluation

\$ 60,000	\$ 20,000
<b>\$ 60,000</b>	<b>\$ 20,000</b>

Projects include SCADA Radio Evaluation (2019 – SSA, 2020 – NSA).

# CIP Project Detail

## Reservoir and Booster P.S. Costs

5-Year Low	5-Year High	5-Year Average	AMP 2019	Budget 2019	Forecast 2020
\$ -	\$ 221,300	\$ 107,000	\$ -	\$ 735,000	\$ 85,000

### 2019/20 Projects

Tank Inspections and Repairs - Inspect Walnut Tank, Tank 216, Caphart Tank and Enterprise Reservoir and repairs/modify to storage facilities as needed	\$ 50,000	\$ 50,000
Antelope Reservoir Exterior and Interior Coating	650,000	-
Hydropneumatic Tanks Interior Coating	35,000	35,000
	<b>\$ 735,000</b>	<b>\$ 85,000</b>

# CIP Project Detail

## Other Re-Occurring Capital Costs

5-Year Low	5-Year High	5-Year Average	Estimate 2019	<b>Budget 2019</b>	Forecast 2020
\$ 1,149,924	\$ 2,274,474	\$ 1,654,200	\$ 3,825,785	<b>\$ 1,010,000</b>	\$ 1,600,000

### 2019/20 Projects

Well Rehabilitation - Combination of heavy and light rehabs, Natural gas engine generator removal, Well destructions and consulting

**\$ 790,000**    \$ 1,350,000

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

**220,000**    250,000

**\$ 1,010,000**    **\$ 1,600,000**

# CIP Project Detail

## Other Capitalized Project Costs

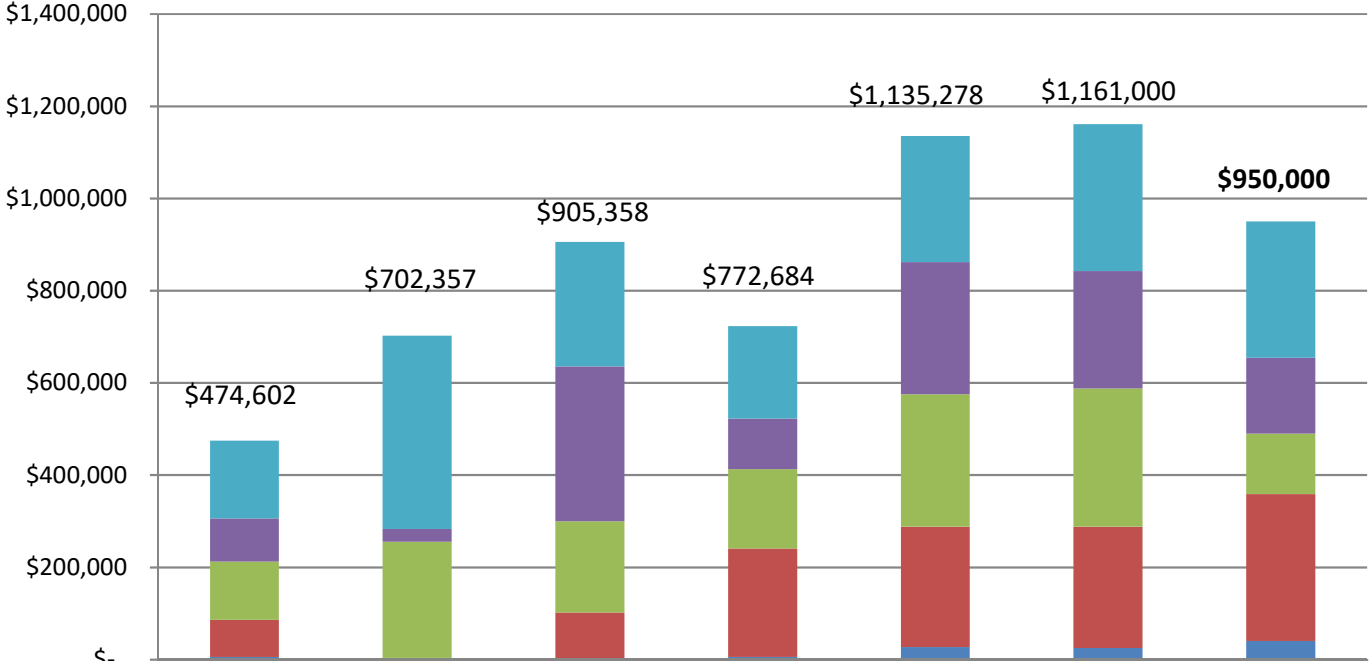
5-Year Low	5-Year High	5-Year Average	Estimate 2019	Budget 2019	Forecast 2020
\$ 52,913	\$ 780,345	\$ 357,700	\$ -	<b>\$ 225,000</b>	\$ 135,000

### 2019/20 Projects

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

# OCB Budget

# OCB Project Costs 2013 to 2019



	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Projected	2019 Budget
Information Technology	\$168,850	\$419,552	\$269,607	\$200,060	\$273,286	\$318,500	\$296,000
Maintenance	\$93,321	\$27,660	\$336,293	\$109,647	\$286,800	\$255,000	\$164,000
Operations	\$126,581	\$251,745	\$197,310	\$171,914	\$287,120	\$299,500	\$131,000
Vehicles/Fleet	\$80,500	\$-	\$99,729	\$235,576	\$260,890	\$263,000	\$319,000
Office Furniture/Equipment	\$5,350	\$3,400	\$2,419	\$5,487	\$27,182	\$25,000	\$40,000

Discussion of individual line items appear on subsequent pages.



# OCB Project Detail

## Information Technology Costs

5-Year Low	5-Year High	5-Year Average	Budget 2019
\$ 168,850	\$ 419,552	\$ 266,300	\$ 296,000
<u>2019 Projects</u>			
Hardware Refresh Program			\$ 107,000
Software Enhancements/Modules			55,000
Board Laptops			5,000
Board Room Monitors			35,000
Server Rooms - Walnut, Complete Marconi			42,000
Rewire and Move Switch for Walnut Facility			30,000
Computers/Phones/Licenses for new Employee			9,000
Project and PDF Software for Engineering Department			13,000
			\$ 296,000

2018 budget was \$318,500

# OCB Project Detail Maintenance

5-Year Low	5-Year High	5-Year Average	Budget 2019
\$ 27,660	\$ 336,293	\$ 170,700	\$ 164,000

2019 Projects

Well Site and Building Structures Maintenance	\$ 60,000
HVAC/Roof/Building Repairs	50,000
Removing Antelope Garden	54,000
	\$ 164,000

2018 Budget was \$255,000.

# OCB Project Detail

## Operations Project Costs

5-Year Low	5-Year High	5-Year Average	Budget 2019
\$ 126,581	\$ 287,120	\$ 206,900	\$ <b>131,000</b>

### 2019 Projects

Fence Replacement - 3 Well Sites	\$ 21,000
UCMR 4 Monitoring	70,000
Well Site Paving	40,000
	<b>\$ 131,000</b>

2018 budget was \$299,500

# OCB Project Detail

## Vehicles/Fleet

5-Year Low	5-Year High	5-Year Average	Budget 2019
\$ -	\$ 260,890	\$ 135,300	\$ 319,000
 <u>2019 Projects</u>			
Trailer Replacement/Upgrade/Addition			\$ 30,000
Vehicle Replacement - Truck #3			30,000
Vehicle Replacement - Truck 21			34,000
Vehicle Replacement - Truck # 12			31,000
Vehicle Replacement - Truck # 45			31,000
Vehicle Replacement - Truck # 51			45,000
Vehicle Replacement - Truck # 6			42,000
Vehicle Addition - Production Foreman			45,000
Vehicle Addition - Safety Officer			31,000
			\$ 319,000

2018 budget was \$263,000 – Replaced four Trucks and two trailers.

# OCB Project Detail

## Office Furniture & Equipment

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

2019 Projects

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

2019 budget is for Walnut Facility remodel and 3 new staff.

# Debt Service Forecast

# Debt Service Forecast

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

	2013	2014	2015	2016	2017	2018	2019
Principal	\$ 3,580,000	\$ 3,675,000	\$ 3,795,000	\$ 3,945,000	\$ 4,060,000	\$ 4,425,000	<b>\$ 4,570,000</b>
Interest	3,849,356	3,792,909	3,630,000	3,560,697	3,459,968	3,140,000	<b>2,850,000</b>
Total Debt Service	<u>\$ 7,429,356</u>	<u>\$ 7,467,909</u>	<u>\$ 7,425,000</u>	<u>\$ 7,505,697</u>	<u>\$ 7,519,968</u>	<u>\$ 7,565,000</u>	<u><b>\$ 7,420,000</b></u>

2019 forecast assumes a variable interest rate of 3.86%.

2018 to 2020 reflect the refunding of the 2009B COP and the issuance of the 2018A Bond.

# 2019 Budget Summary

	2017 Actual	2017 Amended Budget	Actual As Of 10/31/18	2018 Projected	2018 Approved Budget	2019 Proposed Budget
Income From Customers	\$ 44,161,563	\$ 43,726,000	\$ 37,777,690	\$ 45,735,000	\$ 45,020,000	\$ 46,171,000
Water Transfers	-	1,992,000	-	900,000	-	-
Total Other Income	2,247,188	1,780,000	792,606	1,244,000	1,465,000	1,907,000
Total Revenue	<u>\$ 46,408,751</u>	<u>\$ 47,498,000</u>	<u>\$ 38,570,296</u>	<u>\$ 47,879,000</u>	<u>\$ 46,485,000</u>	<u>\$ 48,078,000</u>
<b>Budgets:</b>						
Operations and Maintenance	19,424,311	21,311,000	16,204,588	21,024,000	21,860,000	<b>23,241,000</b>
Capital Improvement Program	13,585,527	16,975,000	11,856,016	18,170,000	19,160,000	<b>18,260,000</b>
Operating Capital Program	1,135,278	1,166,000	631,617	1,161,000	1,161,000	<b>950,000</b>
Debt Service (Forecast)	7,519,968	7,770,000	2,625,864	7,565,000	7,700,000	<b>7,420,000</b>
McClellan BP Settlement				2,600,000		
Total Costs	41,665,084	47,222,000	31,318,085	50,520,000	49,881,000	<b>49,871,000</b>
Change in Reserve Balance	4,743,667	276,000	7,252,211	(2,641,000)	(3,396,000)	(1,793,000)
Reserve (Cash) Balance	<u>\$ 45,669,205</u>	<u>\$ 41,264,408</u>	<u>\$ 48,452,890</u>	<u>\$ 46,576,375</u>	<u>\$ 41,566,409</u>	<u>\$ 41,235,205</u>
Refunding 2009B			\$ (3,548,170)	\$ (3,548,170)		
	<u>\$ 45,669,205</u>	<u>\$ 41,264,408</u>	<u>\$ 44,904,720</u>	<u>\$ 43,028,205</u>	<u>\$ 41,566,409</u>	<u>\$ 41,235,205</u>