

# ANNUAL REPORT

**FY 2007** ♦ February 1, 2006 - December 31, 2006



# A MESSAGE FROM THE GENERAL MANAGER



Robert S. Roscoe, P.E.  
General Manager

**W**ater is the most valued resource in our region. We rely on it to sustain our economy, keep our families healthy and maintain our lifestyle.

Sacramento Suburban Water District (SSWD) takes our responsibility for providing water to our community seriously; it's our job to plan for the future. That means making the capital investments needed to deliver reliable water supplies today and in the coming decades.

To accomplish that goal, SSWD has developed a capital improvements program and a long-term financial plan that will ensure our community has the water system it needs in the future.

Over the next 15 years, SSWD will invest \$110 million in projects to replace and strengthen our water supply infrastructure. Aging pipelines and valves will be replaced, wells will be rehabilitated and new water management tools will be implemented to improve the long-term reliability of our water supplies.

In concert with that effort, SSWD is transitioning to a pay-as-you-go funding approach that will allow us to reduce our reliance on debt financing. A three-year rate plan – developed with public input during 2006 [approved by the Board of Directors in January 2007] – began that transition.

Together, these two initiatives will position SSWD to better meet the needs of our customers today and long into the future. In addition, the District secured \$544,000 in grants to help complete needed capital projects while offsetting the cost to our local ratepayers.

After years of long-range planning, the District laid the groundwork in 2006 to begin providing treated water from the lower American River to supplement groundwater supplied to customers in our South Service Area. The surface water is purchased from the City of Sacramento, which adds fluoride to the water to promote dental health. To maintain optimal fluoride levels at all times, SSWD has constructed the infrastructure to add fluoride to its groundwater supplies in that area. A \$2.1 million grant from First 5 Sacramento Commission helped fund the South Service Area fluoridation program.

This year also marks a change in SSWD's budget year. Instead of a budget year from February 1 to January 31, the Board moved to a calendar budget cycle. With that change, this annual report only covers 11 months – from February 1, 2006 through December 31, 2006.

With the addition of two new board members in November 2006, SSWD's momentum continues with fresh ideas and new perspectives. We look forward to building on our recent successes and ensuring a long-term supply of safe and reliable water for our customers.

# THE DISTRICT AT A GLANCE

**S**acramento Suburban Water District is located approximately five miles northeast of downtown Sacramento.

In February 2002, SSWD was formed as a result of a consolidation between the former Arcade and Northridge Water Districts. The District provides water to residential, commercial and light industrial customers for drinking, household use, fire suppression and landscaping.

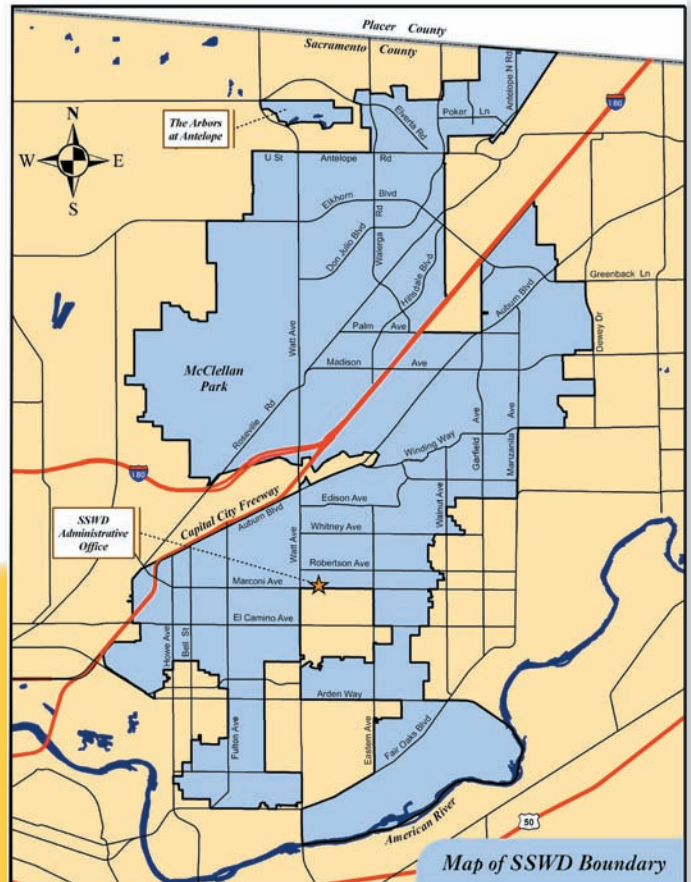
## The District's Numbers:

- 170,000** population served
- 43,790** active service connections
- 36** square miles
- 700+** miles of water mains
- 90+** groundwater production wells
- 12,300+** million gallons of water provided to customers
- 5,650** fire hydrants
- 2** sources of treated surface water  
(Folsom Lake and the lower American River)

## Governance

SSWD is a publicly owned and operated water utility regulated by the State of California Department of Public Health and State Water Code laws.

A five-member Board of Directors governs the District. Directors are elected to four-year terms by voters within the division they represent. The Board meets in regular session at 6:30 p.m. on the third Monday of each month.



## SSWD Mission Statement

*To deliver a high quality, reliable supply of water and superior customer service at a reasonable price.*



# INVESTING IN A RELIABLE WATER SYSTEM

Sacramento Suburban Water District is committed to providing a high quality, reliable water supply to our customers. Several major capital projects are under way or recently completed to ensure our community has the reliable water system it needs today, tomorrow and into the future.

## Conjunctive Use – Making the Most of Our Water Resources

To increase the long-term reliability of water supplies, SSWD is utilizing a strategy known as conjunctive use. This strategy allows the District to take advantage of treated surface water when it's available from the American River, while "banking" groundwater supplies for use in drier times.

In addition to diversifying our water supply, conjunctive use allows the District to reduce groundwater pumping at key times to replenish groundwater basins and safeguard them for future use. It also gives the District the benefit of a supplemental source of surface water in case of an emergency.

Every year since 2002, the District has documented the reduction in groundwater pumping by filing a formal statement with the State Water Resources Control Board. The statement identifies the exact amount of surface water used in-lieu of pumping groundwater in a one-year period. Filing this document each year protects SSWD's rights to an amount of groundwater equal to the amount of surface water used in place of groundwater. As a result, SSWD customers are ensured access to groundwater in dry years when surface water is not available.

### SSWD Strategic Goal

*Assure a safe and reliable supply of quality water in an environmentally responsible manner to District customers.*



## Enterprise/Northrop Reservoir – Water in the Bank

An integral part of the District's conjunctive use program is the Enterprise/Northrop Reservoir completed in October 2006. The \$7.8 million project, which included a 5 million gallon capacity steel reservoir, a booster pump system, backup generator and an interconnection to the City of Sacramento's water system, allows SSWD to receive and store treated surface water from the lower American River. The water is purchased from the city under an agreement executed in 2004 and is used to supplement groundwater supplies in SSWD's South Service Area.



Without this additional supply to supplement existing groundwater, local groundwater resources eventually would be overtaxed, leading to a potential decline in water quality. Through long-range planning and perserverance, SSWD has emerged as a regional leader in conjunctive use by pursuing this program and encouraging other water purveyors to likewise look to the future.



## Verner Avenue Production Well – Upgrading for the Future

SSWD began the first phase of a dual-purpose production well on Verner Avenue. The well, which replaces an aging well in the area, will produce groundwater for use in the District’s water system and also provide SSWD with the ability to inject surface water into the aquifer to replenish the groundwater basin. The aquifer storage and recovery (ASR) capability will improve the District’s overall water supply reliability and provide opportunities to replenish groundwater when surface water supplies are plentiful.

The new production/ASR well is scheduled to be operational in the summer of 2008. The \$2.4 million project is funded in part by a \$750,000 grant through Proposition 50.

### SSWD Strategic Goal

*Plan, construct, operate and maintain and upgrade the District water system facilities to provide reliable delivery of safe water and service.*



## Water Main Replacements – Moneywise Investments

The District continues to replace aging backyard water mains that have experienced leaks and outlived their useful lives. New water mains are installed in front yards in the public right-of-way. More than six miles of new mains were installed in 2006, replacing old, undersized pipe, improving fire-flow protection for the District and increasing service reliability.

## Water Meter Retrofits – Managing Our Water

SSWD retrofitted about 1,400 residential service connections with water meters in 2006. About 63% of the District’s water service connections remain to be retrofitted with water meters. The District is on track to complete district-wide metering ahead of the state-mandated 2025 deadline.

## Software/Hardware Upgrades – Change is Good

The District has converted all facility maps to Geographic Information System (GIS) format, allowing accurate, up-to-date information to be integrated with SSWD’s new business system software. The District continues to pursue new and improved ways to manage digital and non-digital records, and is working toward the integration of SSWD’s software infrastructure across key departments. The move will allow customer service, field operations and finance functions to have access to more unified information, improve customer service and more efficiently manage assets.

# PARTNERING WITH THE COMMUNITY

The District continues to find new ways to reach out to its customers and the community. New web site offerings, improved billing statements and other tools are making it easier than ever for SSWD customers to stay informed of District activities and engage in decisions affecting the future of our water system.

## Customer Service

SSWD is committed to the highest level of customer service. From the newly remodeled customer service area to updated monthly statements, the District introduced an array of value-added services and communications to better serve customers. With the addition of a new Customer Information System software program, monthly statements are easier to read and put more relevant information in the hands of District customers.

### SSWD Strategic Goal

*Assure high quality customer service.*

## Community Outreach

To help promote customer awareness of District activities, SSWD sought out opportunities to take part in community events, including Folsom Dam's 50th Anniversary and the Arden-Arcade Fourth of July parade. This provides opportunities to interact and dialog with SSWD customers.

The District updated its web site to provide a friendlier, easier-to-navigate site with more useful information for customers. Brochures, newsletters, monthly bill inserts are all posted on the web providing helpful information to customers 24 hours a day.

Public outreach in the District's South Service Area on fluoride was a major focus in 2006. Working with funding partner First 5 Sacramento Commission and the California Department of Public Health, the District reached out to customers with information and access to health and technical experts to provide facts and answer questions about fluoridation.

Reaching customers through various avenues included producing theater ads on water conservation, which played locally. Additionally, the District worked with the Water Education Foundation to support production of a PBS program on water to air statewide in 2007.

## Water Conservation

Using water wisely is essential for our region. As a signatory to the historic Water Forum Agreement of 2000, SSWD is committed to water use efficiency on a regional scale to meet the needs of our growing community and better protect the lower American River.

Working with eight area water providers, SSWD is helping to draft a Water Conservation Master Plan to guide cost-effective conservation efforts in the region. The District also participates in rebate programs and free Water-Wise House Calls to help customers save water and money on their utility bills. More than 175 house calls were completed in 2006.

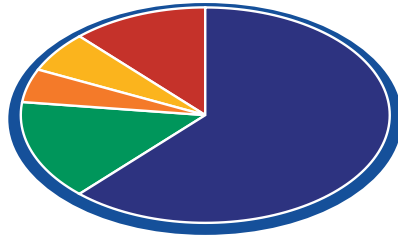
A new water conservation brochure was developed in-house to specifically target District customers with useful tips and information about water use efficiency.



# FISCAL YEAR 2007

2/1/2006 TO 12/31/2006

## Summary of District Income



Service Charge and Usage Revenue - 62%	\$20,968,000
Debt Service Revenue - 15%	5,153,000
Capital Contributions - 5%	1,789,000
Grant Monies - 6%	2,019,000
Other Revenue - 12%	3,842,000
<b>Total</b>	<b>\$33,771,000</b>

**Service Charge and Usage Revenue** - Revenue for District operations and maintenance expenses.

**Debt Service Revenue** - Revenue for District's debt principal and interest expenses on loans.

**Capital Contributions** - Developer donated infrastructure assets and developer fees.

**Grant Monies** - Grants received from others.

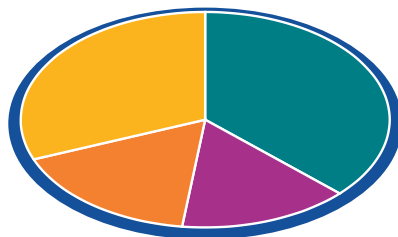
**Other Revenue** - Includes connection fees, interest on reserves, lease revenue and other fees.

### SSWD Strategic Goal

*Use District  
financial  
resources  
legally,  
prudently and  
responsibly.*



## Summary of District Expenses



Operations and Maintenance - 37%	\$12,490,000
Debt Service - 15%	4,972,000
Depreciation - 17%	5,880,000
Increase to Net Assets - 31%	10,429,000
<b>Total</b>	<b>\$33,771,000</b>

**Operations and Maintenance** - Maintenance of the water pipeline systems, purchase of water, personnel costs, and administrative costs.

**Debt Service** - Principal and interest payments on long-term loans.

**Depreciation** - Declining value on water infrastructure over time due to normal usage.

**Increase to Net Assets** - Amount added to District capital available for system improvements and replacements.

# PREPARING FOR OUR WATER FUTURE

## SSWD Strategic Goal

*Provide leadership on regional water management issues that affect the District.*



The common theme in SSWD's many programs and services is ensuring a reliable water supply for our community. While water conservation has always been a key factor in the equation, indications are that it will be even more important in the future.

SSWD is committed to water use efficiency on a regional scale to meet the needs of our growing communities while protecting the lower American River. That commitment remains at the forefront of District planning and is an integral part of the water management "toolbox" SSWD is employing to serve its customers into the future.

Whether it's the District's Water Efficient Landscape (WEL) garden, low-flow toilet rebate program or Water-Wise House Calls, SSWD continues to find ways to partner with our customers to make saving water part of everyday life.

It doesn't take a crystal ball to know there will be droughts ahead. By laying the groundwork now to improve water efficiency and diversify our resources, SSWD is equipping our community to cope with dry times and emergencies that can affect water supplies.

Conservation programs, in concert with conjunctive use efforts and a cutting-edge aquifer storage and recovery program, are positioning SSWD to meet future challenges and deliver a high quality, reliable supply of water in the coming decades.

The SSWD Board of Directors and staff are proud of our progress to date and look forward to working with our customers to carry out the programs and services that ensure a reliable water future.



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