

Exhibit A



***Sweetwater Springs
Water District***

**Annual Operating & Capital
Improvement Budget**

2019-20 Fiscal Year
(For the period July 1, 2019 - June 30, 2020)

Board of Directors

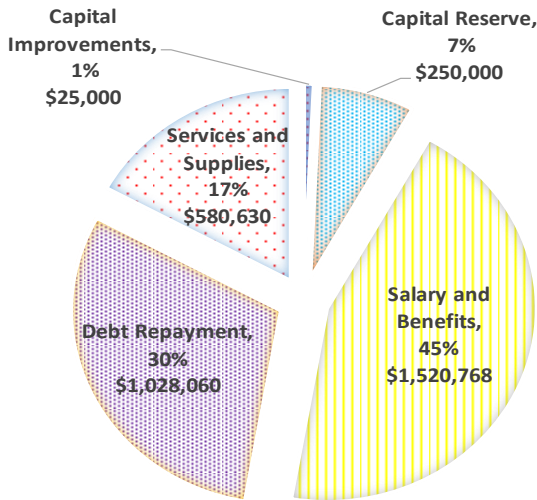
Tim Lipinski, President
Richard Holmer, Vice President
Sukey Robb-Wilder, Financial Coordinator
Gaylord Schaap
Pip Marquez de la Plata

General Manager
Ed Fortner

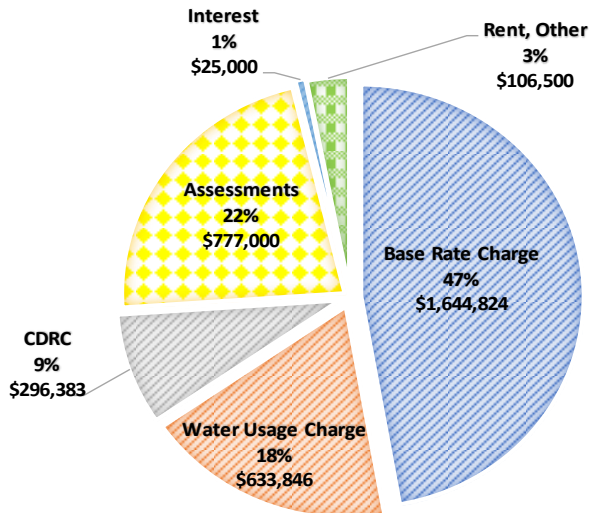
**Sweetwater Springs Water District
Annual Operating & Capital Improvement Budget
2019-2020 Fiscal Year
Summary**

In Fiscal Year 2019-2020 (FY19) Sweetwater Springs Water District has budgeted operating expenses of \$2.1 million, debt repayment of \$1.0 million, capital improvement expenses of \$25,000 and transfers to the capital reserve of approximately \$250,000. Figures 1 and 2 respectively show the distribution of these expenses and sources of funds to pay for these expenses.

**FIGURE 1 FY 2020 EXPENSES AND CAPITAL RESERVE
TOTAL = \$3.4 MILLION**



**Figure 2 FY 2020 Revenue
Total = \$3.5 Million**



FY 2019-20 Budget Report
Sweetwater Springs Water District

Table 1 is a summary of the FY20 Budget which is described in detail in the following pages. The FY20 Budget is similar in form and content to prior years' budgets. The FY20 Budget includes the ninth year of 3% increases for the Base Rate and Water Usage Charges and the seventh year of a 3% increase to the Capital Debt Reduction Charge which are designed to develop sustainable capital project funding.

Table 1

FY 2019-20 OPERATING BUDGET SUMMARY					FY 17-18 FINAL (CASH)*	FY18-19 BUDGET	FY 18-19 Projected	FY 19-20 BUDGET	Difference FY20-FY19 Budgets
REVENUE									
OPERATING REVENUE									
4031 - Water Bill Revenue									
1			4031.1. - Capital Debt Reduction Charge	279,369	288,172	287,750	296,383	8,211	
2			4031.1. - Water Sales - Base Rate	1,550,404	1,557,162	1,596,916	1,644,824	87,662	
3			4031.1. - Water Sales - Usage Charges + Other	597,461	638,176	615,385	633,846	(4,330)	
4			4031.1. - Total Water Sales	2,147,865	2,195,338	2,212,301	2,278,670	83,332	
5			Total OPERATING REVENUE	2,427,234	2,483,510	2,500,051	2,575,053	91,543	
6			Total NON-OPERATING REVENUE	163,180	121,600	133,445	124,500	2,900	
7			Total Income	2,590,414	2,605,110	2,633,496	2,699,553	94,443	
EXPENSES									
OPERATING EXPENSES									
SALARY & BENEFITS									
11			Total Salary	877,373	914,370	930,800	1,006,400	92,030	
12			Total Benefits	433,325	419,212	436,996	514,368	95,156	
13			Total SALARY & BENEFITS	1,310,698	1,333,582	1,367,796	1,520,768	187,186	
SERVICES & SUPPLIES									
15			Total Communications	23,233	25,080	25,170	30,830	5,750	
16			Total Insurances	36,181	33,000	42,000	44,000	11,000	
17			Total Maint/Rep - Office & Vehicles	18,891	21,300	20,500	27,000	5,700	
18			Total Maint/Repair - Facilities	73,373	100,445	135,800	114,800	14,355	
19			Total Miscellaneous Expenses	31,852	35,000	30,500	28,520	(6,480)	
20			Total Office Expense	30,564	32,600	32,300	34,100	1,500	
21			Total Operating Supplies	18,917	26,200	25,700	28,200	2,000	
22			Total Professional Services	80,291	89,500	110,500	132,500	43,000	
23			Total Rents & Leases	31,081	33,090	33,090	33,090	-	
24			Total Transportation & Travel	24,268	29,050	27,050	31,050	2,000	
25			Total Uniforms	3,014	3,540	3,440	3,540	-	
26			Total Utilities	100,670	103,000	110,000	113,000	10,000	
27			Total SERVICES & SUPPLIES	472,335	531,805	596,050	620,330	88,825	
28			Total OPERATING EXPENSES	1,783,033	1,865,387	1,963,846	2,141,398	276,011	
29			OPERATING SURPLUS/DEFICIT	\$807,381	\$739,723	\$669,650	\$558,155	\$(181,568)	
30			Total FIXED ASSET EXPENDITURES	61,223	50,000	47,000	24,000	(26,000)	
31			Total TRANSFERS TO OTHER FUNDS	638,615	688,172	618,172	526,383	(161,789)	
32			SURPLUS/DEFICIT	107,543	1,551	4,478	7,772	6,221	
CAPITAL BUDGET									
REVENUE/SOURCES OF FUNDS									
36			TOTAL REVENUE	1,882,043	1,465,172	2,940,172	1,313,383	(151,789)	
EXPENSES									
39			TOTAL DEBT PAYMENTS	1,010,758	999,142	1,014,610	1,028,060	28,918	
40			Total Capital Expenses	866,739	275,000	1,058,210	25,000	(250,000)	
41			TOTAL EXPENSES	1,877,497	1,274,142	2,072,820	1,053,060	(221,082)	
42			SURPLUS/DEFICIT	4,546	191,030	867,352	260,323	69,293	
43			Net Capital Funding	477,028	442,581	370,040	268,095		
FUND AND LOAN BALANCES (EOY)									
DISTRICT RESERVES AND FUND AND LOAN BALANCES									
46			Operating Budget Cash Reserve	123,508	279,808	279,808	321,210	41,402	
47			Operating Budget Reserve (10%+15% of Operating Exp)	96,475	466,347	466,347	535,350	69,003	
48			Debt Repayment Reserve (25% of Debt pmt)	102,315	249,786	249,786	257,015	7,230	
49			Capital Reserve	250,000	250,000	250,000	250,000	-	
50			Total District Policy	773,243	1,245,940	1,245,940	1,363,574	117,634	
51			TOTAL Reserves EOY	2,314,663	2,410,774	3,186,493	3,454,587	1,043,813	
52			Reserves Above (below) Policy	1,541,419	1,164,834	1,940,552	2,091,013	926,179	
DISTRICT FUNDS									
54			CIRF (7106-0600)	266,474	100,000	886,837	1,022,298	922,298	
55			OPERATING RESERVE (0300)	123,508	279,808	466,347	321,210	41,402	
56			OPERATIONS (0100)	96,475	274,995	279,808	535,350	260,355	
57			CAPITAL AND DEBT POLICY RESERVE (1100)	102,315	475,027	499,786	507,015	31,989	
58			IN HOUSE CONSTRUCTION (0500)	75,982	79,315	79,315	79,315	-	
59			BUILDING (0200)	10,850	25,850	25,850	40,850	15,000	
60			CAP ONE AND CITIZENS BANK LOAN (1200)	791,250	802,112	802,112	802,112	-	
61			FEDERAL LOANS AND BONDS (0400)	500,000	-	-	-	-	
62			STATE LOANS (0700,0900)	146,863	146,438	146,438	146,438	-	
63			STATE LOANS RESERVES (0800&1000)	-	-	-	-	-	
64			PARS*	200,945	200,000	200,000	208,000	8,000	

2019-20 Fiscal Year (FY20) Budget

The annual budget of the Sweetwater Springs Water District (SSWD) allows the District to accomplish its mission which is to provide its customers with quality water and service in an open, accountable, and cost-effective manner and to manage District resources for the benefit of the community and environment. The District achieves its mission of producing good quality water by pumping Russian River underflow from five wells – 3 located at the Guerneville El Bonita well site and 2 located at the Monte Rio well site. That water is then treated in two separate treatment facilities at the Highlands site for Guerneville and the Monte Rio well site for Monte Rio and environs and distributed through approximately 68 miles of distribution pipes and 3500 service laterals of varying lengths and stored in 26 tanks and reservoirs. This system is managed, and its operation administered by the District staff of 11 full-time employees. The District has an aggressive capital improvement program aimed at maintaining and improving the capital infrastructure to industry standards to deliver high-quality water, reduce system water losses, and maintain adequate system pressure and fire flow. The annual budget identifies the revenues and expenses that accomplish these tasks.

The FY20 Budget follows the format established in prior years and includes the ninth consecutive year of a 3% increase to the Base Rate and Water Usage Charges, and the seventh consecutive year of a 3% increase to the Capital Debt Reduction Charge.

3% increase to the Base Rate, Water Usage Charges, and Capital Debt Reduction Charge: A principal source of revenues for the FY20 Budget is water rates paid in bimonthly bills by District customers (Figure 2). In 2011 District staff did a comprehensive multi-year analysis to show that with small annual increases in rates the District can develop sustainable funding for needed capital projects to maintain District facilities once the current catch up capital improvement program is completed. The financial analysis showed that annual 3% increases over nine years should build into \$500,000 available annually for capital projects. FY20 is the ninth year of planned annual 3% rate increases designed to achieve the sustainable capital improvement program. More information on the District's water rates and a water rate calculator can be found on the District's website at www.sweetwatersprings.com.

Net Capital Funding will be approximately \$260,000. Net Capital Funding is the term used for estimating the amount of funding developed in the Operating and Capital Improvement Budget for funding capital projects (line 43 in Table 1). It is the sum of the operating budget surplus, annual assessments, CDRC, and capital interest minus total debt payments. Net Capital Funding is budgeted to increase because of decreased debt payments and reduced operations expenses, plus the effect of the 3% water rate increase. We believe that Net Capital Funding should be near \$500,000 for a sustainable capital improvement program for the District.

The recent drought has had a big impact on budget planning in this and future years. Water sales will continue to be depressed as water use habits recover from the drought restrictions required by the State. Water use in FY 2018 was lower than State direction even though the required restrictions have been lifted - approximately 92% of 2013 which is the State Board standard. This is a 4% increase in sales over FY 2018. We expect that water use in the coming fiscal year will be at a similar level and that a 3% rate increase will result in a 3% revenue increase in water sales. We expect that once

customer use rebounds from the drought restrictions, water sales revenue will increase, and the District will move more quickly toward reaching the \$500,000 net capital funding goal.

FY 2020 CIP (Table 2): The FY20 Capital Budget is minimal with \$25,000 budgeted for an in-house project. The FY19 Capital Budget has replacement of the green sand filter at the Monte Rio Treatment Plant with the ATEK filter system.

Addressing CalPERS retirement program Unfunded Accrued Liability (UAL): The FY20 Budget continues the line item to identify and make accelerated payments for the CalPERS UAL. The Board has determined that this item needs special attention as it will continue to impact District finances for many years. The FY20 payment is \$120,000.

District Reserve Policy: The District Reserve Policy was approved in September 2009. The Reserve Policy allows the District to gauge its financial health and adequately plan for its future and allows ratepayers to follow this planning. The District Reserve Policy has the following components:

- Operating Budget Cash Reserve - 15% of the annual Operating Budget expenses to provide for prompt payment of operating expenses at the start of the fiscal year.
- Operating Reserve – 25% of the Operating Budget for unanticipated expenses for an economic downturn or other economic crisis, or for dealing with emergencies and disaster-related expenses.
- Debt Repayment Reserve - 25% of all payments for principal and interest on all District loans to ensure funding is available to repay existing District debt.
- Capital Reserve – 25% of the nominal Capital Budget of \$1 million for similar issues with the capital program.

The sum of all district funds is shown in the budget as Total Reserves End of Year (EOY). This is the sum of the District discretionary funds listed in the budget at the end of the year. The difference between Total Reserves EOY and Total District Policy Reserves is Reserves Above District Policy. The District goal is to keep this number positive. The amount above the District Policy Reserve is the amount the District has for future capital projects. The Reserves Above District Policy is a good measure of where we are in funding an ongoing capital program. **For FY20, District Policy Reserves are at \$1,347,574 and Reserves Above District Policy at the end of the fiscal year are \$2,100,013 with total reserves at \$3,447,587.**

Other assumptions used to develop the Operating section of the Budget include:

- **Water Usage and Base Rate and Capital Debt Reduction Charges will be raised 3%.**
- **Water Usage revenues are based on flat water sales and mid-year water sales projections. Thus, the FY20 water usage revenues are estimated to increase by 3% over the amount projected for FY19. The drought is over, but it will likely take a while for sales to start increasing, thus affecting Water Usage Charge revenue.**
- **Salaries and Retirement have been adjusted to reflect year 5 of the 2015 Union Memorandum of Understanding.**

Line Item Highlights of the FY20 Budget:

The FY20 Operating Budget provides for ongoing costs consistent with previous years' expenditures, except where identified below.

The operating budget encompasses the “expenditures related to the operation, maintenance and repair of water facilities,” as well as the billing, collections, accounting, fiscal management, and other overall administration.

Water Bill Revenue line items have been adjusted to reflect the 3% increases on projected sales revenue in the Base Rate, Capital Debt Reduction Charge (CDRC) and Water Usage Charges based on flat water sales revenue also includes a 3% increase. The 3% water rate increase will increase District revenues by approximately \$90,000. Operating interest is continued at a relatively low amount to reflect continuing lower interest on deposited funds.

Under **Expenses, Salaries** are budgeted to increase by approximately 10%. **Benefits** are budgeted to increase approximately \$95,000 over the budgeted FY19 budget because of increased health insurance premiums and the full time GM and Account Clerk. Salaries and Benefits are a major District expense – approximately 72% of the FY20 Operating Budget expenses.

Total Supplies and Services are approximately \$49,000 more than the FY19 approved budget. **Maintenance/Repair – Facilities** is a big cost item in Supplies and Services and is budgeted to increase by \$14,355 for FY20. **Governmental Fees** and is budgeted to decrease by \$7,000. **Professional Services** is budgeted to increase by \$43,000 due to the Cost of Service Study. **Electricity** is a big expense item, is budgeted to be \$10,000 more than FY19, and is a major expense difference in this category.

Fixed Asset Expenditures are lower than FY19 because we are deferred purchasing a previously budgeted truck this year. There are also substantial expenses for **Tank/Facilities Sites** to repair District tanks.

The Operating Budget has a surplus of approximately \$558,155 which is transferred as revenue to the Capital Improvement Budget as Capital Improvement Revenue Fund (CIRF) (\$190,000) Building Fund (\$15,000), In-House Construction Fund (\$25,000), and CDRC revenue (\$296,383).

The FY20 Capital Budget has no major project.

Capital Interest revenue has been increased to reflect expected interest rates and higher fund amounts in this coming year.

Capital Debt is a major expense item – approximately \$1.0 million and 30% of total District annual expenses in FY20. The District has worked hard to keep interest rates as low as possible with three refinancings in the past six years during the favorable interest rate climate. District Capital Debt includes:

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Sweetwater Springs Water District

- General Obligation (GO) Bonds – Approximately \$1.58 million remain in the USDA bonds that were approved to purchase the District and make needed capital improvements and refinanced in part in 2014 with an interest rate of 2.375%. Annual payment - \$64,284, remaining principal is \$1,570,629. Paid off in 2054.
- Cap One Bond – The District refinanced the first 20 years of the GO Bonds in September 2013 with an interest rate of 3.6%. Paid off in 2033, the FY20 payment is \$566,548. Remaining principal is \$6,288,000.
- State Loans - two loans for approximately \$3 million which were approved in 1995-96 for needed improvements. The smaller loan was paid off in September 2016; the second loan will be completed in 2022. Annual payment - \$146,619. Remaining principal is \$549,308.
- Private Placement Loan. \$3 million loan acquired in 2008 for needed capital improvements. Paid off in 2028. The interest rate for this loan reset in 2018 and will be reduced from 4.75% to 3.10%, reducing the annual payment by approximately \$18,000. Annual payment in FY20 - \$225,045. Remaining principal is \$1,917,232.

District Reserves and Funds and Loan Balances show the District's continuing healthy financial picture.

As discussed above reserve balances are a good measure of the health of the District's finances. For FY20, District Policy Reserves are at \$1,347,574 and Reserves Above District Policy at the end of the fiscal year are \$2,100,013 with total reserves at \$3,447,587.

The detailed FY20 Budget is included as Attachment A.