

*Sweetwater Springs  
Water District*

Annual Operating & Capital  
Improvement Budget

2009-10 Fiscal Year  
(For the period July 1, 2009 - June 30, 2010)

**Board of Directors**

*Victoria Wikle, President  
Ken McLean, Vice President  
Jim Quigley, Financial Coordinator  
Gaylord Schaap  
Wanda Smith*

*General Manager  
Steve Mack*

**Sweetwater Springs Water District**  
**Annual Operating & Capital Improvement Budget**  
**2009-10 Fiscal Year**

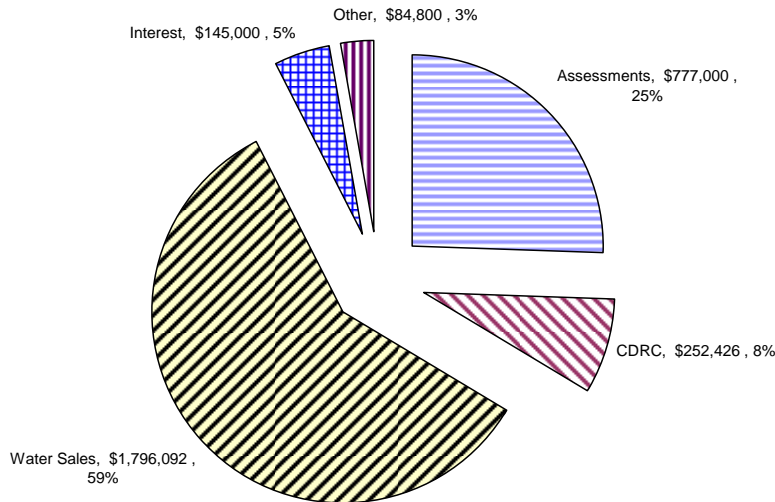
Summary

Table 1 is a summary of the FY10 Budget which is described and shown in detail in the following pages. Major elements of the Budget are the change in format, a major water rate restructuring which includes an increase in revenues from the bimonthly billing, including increases to the Capital Debt Reduction Charge. The Budget includes CIP IV-B, Project 1 (Table 2) which is funded by the August 2008 private placement loan, but for which additional funding sources are being sought.

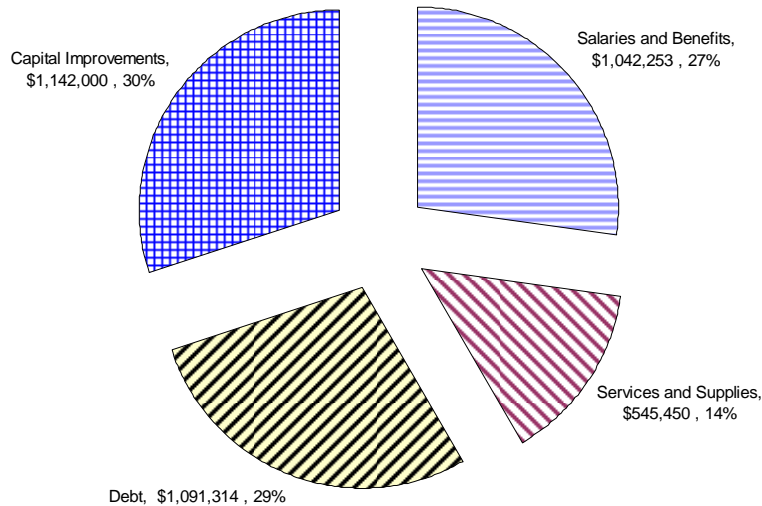
<b>Table 1. Sweetwater Springs Water District FY10 Budget Summary</b>						
	<b>FY 07-08 Actual</b>	<b>FY 08-09 BUDGET</b>	<b>FY 08-09 Revised</b>	<b>FY 08-09 Projected</b>	<b>FY 09-10 BUDGET</b>	
<b>OPERATING BUDGET</b>						
<b>TOTAL REVENUE</b>	2,120,837	2,077,364	2,077,364	2,069,094	2,183,318	
<b>EXPENSES</b>						
<b>SALARY &amp; BENEFITS</b>	876,547	996,815	996,815	954,154	1,042,253	
<b>SERVICES &amp; SUPPLIES</b>	491,858	606,037	606,037	570,590	545,450	
<b>TOTAL OPERATING EXPENSES</b>	1,368,405	1,602,852	1,602,852	1,524,744	1,587,703	
<b>OPERATING SURPLUS/DEFICIT</b>	<b>752,432</b>	<b>474,512</b>	<b>474,512</b>	<b>544,350</b>	<b>595,615</b>	
<b>FIXED ASSET EXPENDITURES</b>	48,730	35,700	35,700	5,146	5,000	
<b>TRANSFERS TO OTHER FUNDS</b>	480,500	410,000	410,500	530,034	572,426	
<b>TOTAL EXPENSES AND TRANSFERS</b>	1,897,635	2,048,552	2,049,052	2,059,924	2,165,129	
<b>SURPLUS/DEFICIT</b>	<b>223,202</b>	<b>28,812</b>	<b>28,312</b>	<b>9,170</b>	<b>18,189</b>	
<b>CAPITAL IMPROVEMENT BUDGET</b>						
<b>TOTAL REVENUE</b>	1,587,787	5,346,983	3,330,483	3,505,483	2,481,426	
<b>EXPENSES</b>						
<b>DEBT PAYMENTS</b>	<b>852,300</b>	<b>1,042,300</b>	<b>1,042,300</b>	<b>974,307</b>	<b>1,091,314</b>	
<b>CAPITAL PROJECT EXPENSES</b>	262,544	310,000	2,077,000	2,042,000	1,142,000	
<b>TOTAL EXPENSES</b>	1,114,844	1,352,300	3,119,300	3,016,307	2,233,314	
<b>SURPLUS/DEFICIT</b>	<b>472,943</b>	<b>3,994,683</b>	<b>211,183</b>	<b>489,176</b>	<b>248,112</b>	
<b>DISTRICT RESERVES AND FUND AND LOAN BALANCES</b>						
<b>TOTAL Reserves EOY</b>	2,279,003		2,485,782	2,789,632	3,069,581	
<b>District Policy</b>	980,209		769,341	769,341	795,830	
<b>Reserves Above (below) Policy</b>	<b>1,098,794</b>		<b>1,516,441</b>	<b>1,820,291</b>	<b>2,073,751</b>	
<b>DISTRICT FUNDS</b>						
<b>CIRF</b>	733,308		1,219,491	1,582,484	2,150,596	
<b>OPERATING RESERVE</b>	225,000		225,000	225,000	225,000	
<b>OPERATIONS</b>	576,250		594,562	585,420	603,609	
<b>CD</b>	545,666		572,949	572,949	601,597	
<b>IN HOUSE CONSTRUCTION</b>	137,929		87,929	122,929	107,929	
<b>BUILDING</b>	60,850		60,850	60,850	60,850	
<b>DISTRICT LOANS</b>						
<b>Private Placement Loan</b>	2,975,899		1,992,399	1,992,399	940,399	

**Summary of FY10 Revenues and Expenses. Figures 1 and 2 respectively show District FY 10 revenues and expenses. Note that revenues are \$766,000 less than expenses. The difference is due to the planned capital improvement projects (CIP IV-B, Project 1, Table 2) needed to improve District infrastructure and is funded by the \$3 million Private Placement Loan that was acquired in August 2008.**

**Figure 1. Sweetwater Springs Revenues, FY10  
Total - \$3.06 Million**



**Figure 2. Sweetwater Springs Expenses, FY10  
\$3.82 Million**



## **2009-10 Fiscal Year (FY10) 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 at the Monte Rio well site and distributed through approximately 85 miles of distribution pipes and stored in 26 tanks and reservoirs. This system is managed and its operation administered by the District staff of 10 full time employees. The District has an aggressive capital improvement program aimed at maintaining and improving the capital infrastructure to deliver high quality water, reduce system water losses, and maintain adequate system pressure and fireflow. The annual budget identifies the revenues and expenses that accomplish these tasks.

**The FY 10 Budget has major changes with a new budget format and a significant water rate restructuring as described below:**

**Budget Format:** The FY10 Budget has been changed in format from prior years and it contains new elements. It combines the two major components of District activities, Operating Budget and Capital Improvement Budgets, and includes fund, reserve and loan balances. The format was changed to make it easier to track all District revenues, expenses, reserves, funds, and loan balances in one document.

An important addition to the FY 10 Budget is information on District reserves. A reserve policy allows the District to gauge its financial health and adequately plan for its future. The reserve concept and the specific reserve amounts are currently not formal District policies. This budget document uses the following suggested reserve components:

- Budget Reserve – a reserve based on 10% of the Operating Budget for emergencies, such as a natural disaster.
- Economic Reserve – 15% of the Operating Budget for economic downturn or other economic crisis.
- 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, minus \$200,000 cash balance for operating purposes, 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 District Policies 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.

District reserves as shown in this Budget do not include reserve balances required for District loans and bonds which are one year's payments for these items.

At the bottom of the Budget is the status of the District Funds and the Private Placement Loan. The Budget is an opportunity to review the balances of these funds and the loan.

By keeping track of the Reserves Above District Policy and the Fund and Loan balances, the District has a measure of the health of the District's finances and we can make projections into the future on rate policies and what capital projects the District can afford (and when).

**Water Rates Restructuring:** Most of the revenues for the FY10 Budget come from water rates paid in bimonthly bills by District customers (Figure 1). The FY10 water rates under consideration for approval have undergone a major restructuring. This water rate restructuring is based on a water rate study performed by Brelje and Race Consulting Civil Engineers and completed in January 2007, as revised at the direction of the Board. The study found that District rates should be changed to make them more equitable for all customers and to provide the necessary revenue for needed capital projects. The goals of the water rate restructuring are to align water rates with actual costs of providing service and to ensure sufficient revenue to operate the water systems and upgrade the system infrastructure. More information on the water rate restructuring and a water rate calculator can be found on the District's website at [www.sweetwatersprings.com](http://www.sweetwatersprings.com).

**Financial Highlights of the FY10 Budget include:**

- The FY10 Budget includes proposed District policies yet to be formally adopted:
  - Reserve Policies, as discussed above.
  - A goal of an annual nominal capital program of \$1 million – adjusted for the actual expense of identified projects.
- The Reserves Above District Policy is projected to be approximately \$2.75 million at the end of FY10. This is a healthy balance due largely to the Private Placement Loan acquired in August 2008. The Reserve balance will be needed in the coming years to fund the District's Capital Improvement Program.
- The Private Placement Loan balance, initially \$3 million in August 2008, is projected at \$904,399 at the end of FY10.
- District Expenses are \$765,699 more than District Revenues. The reason for this is the cost of the infrastructure projects of the Capital Improvement Program (CIP IV-B, Project 1 in FY10, Table 2 below). The difference is made up by loan proceeds from the private placement loan.
- District Revenues are not sufficient to sustain annual capital improvements on the scale funded in FY10 and included in the approved 2010-2015 Capital Improvement Program, nor the proposed goal of a nominal annual capital program of \$1 million. Continued progress in future years on improving District infrastructure will need to rely on grants or substantially increased rates, or the program will need to be reduced or delayed.

**Line Item Highlights of the FY10 Budget:**

**The FY10 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 changes from the water rate restructuring described above. **Capital Debt Reduction Charge (CDRC)** revenue is increased approximately 50% from FY09 to reflect the need for revenue to pay for principal and interest payments for the 2008 Private Placement Loan. The CDRC FY10 increase pays for approximately \$1,000,000 or 1/3 of the \$3 million loan. Water Sales revenue in the budget is projected to be up approximately 1.7 percent to reflect the changes in the water rates but also discounted for expected reduction in water sales. Operating interest is the same as budgeted last year, but down a little from the projected amount to reflect our expectation on continuing lower interest rates.

Under **Expenses, Wages** are up 6.4% to reflect a full-time General Manager and a 3% COLA for staff, as negotiated in the union contract. We expect the COLA to be the minimum 3% for this year. **Benefits** are up a similar amount for the same reasons. Wages and Benefits are a major District expense – 66% of the Operating Budget expenses.

**Total Supplies and Services** are lower than the FY09 budget, both approved and projected. There are small increases in several line items to reflect higher costs, but savings in others. **Office Maintenance** is substantially higher to reflect anticipated higher expenses for computer system maintenance. **Professional Services** is substantially lower to reflect expected lower costs for consultants – the rate restructuring is completed and consultant services are expected to be needed less in FY10. **Travel Reimbursement** is lower because the General Manager does not get a car allowance. **Electric and Propane** has been reduced to reflect current costs incurred by the District. The **Contingencies** line item has been eliminated. Staff will continue to track expenses in each line item. If actual expenses are substantially different from budgeted, the Board will be asked to approve changes to the budgeted line items.

**Fixed Asset Expenditures** are substantially lower because the District is not expecting to replace a vehicle in FY10. The expense for a new computer server is included.

The Operating Budget has a surplus of over \$595,000 which is transferred as revenue to the Capital Improvement Budget as Capital Improvement Reserve Fund (CIRF) and CDRC revenue.

**The FY10 Capital Improvement Budget major expense is CIP IV-B, Project 1 which includes the Schoolhouse Tank, and improvements to Riverlands Road, and the Handy Andy Booster feed line ( estimated cost \$1,052,000).**

The format of revenue for the Capital Improvement Budget is changed to identify the CDRC as separate revenue to repay loan interest and principal payments. As noted above, the CDRC has increased approximately 50% to repay interest and principal on the private placement loan.

**Capital interest** revenue is estimated conservatively to reflect expected low interest rates this coming year.

**CIP IV-B, Project 1** is funded by the private placement loan and the amount in that line item equals the estimated cost. Other funding sources – Sonoma County Redevelopment Agency grant similar to what is funding CIP IV-A and Economic Stimulus Package funding - are being sought and if obtained, the budget will be revised.

**District Reserves and Funds and Loan Balances is a new section to the Budget.**

As discussed above reserve balances are a good measure of the health of the District's finances. For FY10, District Policy Reserves are at \$795,830 and Reserves Above District Policy at the end of the year are \$2,073,751. At the end of FY10, the loan balance for the private placement loan is projected to be \$940,399.

<b>Year</b>	<b>Projects</b>	<b>Estimated Cost</b>
<b>2010</b>	<b>CIP IV-B, Project 1</b>	
	Schoolhouse Tank and Upper Schoolhouse Tank (MR) – Construct a storage tank with a capacity of approximately 65,000 gallons at the top of Bonita Terrace, install a booster station, and connect with replacement reservoir at Upper Schoolhouse site. This project fits well with CIP-PHASE IV-A, PROJECT 2 distribution system improvements in the Monte Rio Terraces.	\$638,000
	Riverlands Road (GV) - Replace 1,600 lf of existing main and appurtenances in Riverlands Road, including two ties at Drake Road to create a loop.	\$355,000
	Handy Andy Booster Feed Line (GV) – Replace 300 lf of existing main between Hwy 116 and the booster pump at Old Monte Rio Road.	\$59,000
	<b>2010 Total</b>	<b>\$1,052,000</b>

SWEETWATER SPRINGS WATER DISTRICT  
OPERATING AND CAPITAL BUDGETS, 2009-2010  
MAY 7, 2009

SWEETWATER SPRINGS WATER DISTRICT FY 2009-10 BUDGET							
			FY 07-08 Actual	FY 08-09 BUDGET	FY 08-09 Revised	FY 08-09 Projected	FY 09-10 BUDGET
<b>OPERATING BUDGET</b>							
<b>REVENUE</b>							
<b>OPERATING REVENUE</b>							
	4031 - Water Bill Revenue						
	4031.1 - Capital Debt Reduction Ch		170,587	170,500 **	170,500	170,034	252,426
	4031.1 - Water Sales		1,766,923	1,766,064	1,766,064	1,757,917	1,796,092
	<b>Total OPERATING REVENUE</b>		<b>1,937,510</b>	<b>1,936,564</b>	<b>1,936,564</b>	<b>1,927,951</b>	<b>2,048,518</b>
<b>NON-OPERATING REVENUE</b>							
	4445 - Grant Proceeds		4,741	-	-		
	1700 - Interest		71,599	50,000	50,000	55,000	50,000
	3600 - Construction New Services		25,350	6,000	6,000	7,356	6,000
	3601 - Construction Service Upgrades		9,434	8,000	8,000	1,487	2,000
	4032 - Rent		69,660	74,600	74,600	74,600	74,600
	4040 - Miscellaneous Income		2,543	2,200	2,200	2,700	2,200
	<b>Total NON-OPERATING REVENUE</b>		<b>183,327</b>	<b>140,800</b>	<b>140,800</b>	<b>141,143</b>	<b>134,800</b>
	<b>Total Income</b>		<b>2,120,837</b>	<b>2,077,364</b>	<b>2,077,364</b>	<b>2,069,094</b>	<b>2,183,318</b>
<b>EXPENSES</b>							
<b>OPERATING EXPENSES</b>							
<b>SALARY &amp; BENEFITS</b>							
<b>Salary</b>							
	5910 - Wages		559,733	646,120	646,120	635,238	687,229
	5912 - Overtime		30,148	39,200	39,200	32,000	33,000
	5916 - On-Call Pay		21,495	25,784	25,784	24,354	26,436
	5918 - Extra help - Contract		39,654	32,000	32,000	32,059	32,000
	<b>Total Salary</b>		<b>651,030</b>	<b>743,104</b>	<b>743,104</b>	<b>723,651</b>	<b>778,665</b>
<b>Benefits</b>							
	5500 - Flex Spending		526	-	-	(3,197)	
	5920 - Retirement		81,471	91,856	91,856	89,437	98,797
	5920.1 - Retirement - Prior Service cost						
	5922 - Payroll Taxes - Employee		12,129	13,212	13,212	10,626	14,006
	5930 - Health/Dental/Vision/AF		106,384	115,535	115,535	108,442	116,715
	5940 - Workers Comp Insuranc		25,007	33,108	33,108	25,195	34,069
	<b>Total Benefits</b>		<b>225,517</b>	<b>253,711</b>	<b>253,711</b>	<b>230,503</b>	<b>263,588</b>
	<b>Total SALARY &amp; BENEFITS</b>		<b>876,547</b>	<b>996,815</b>	<b>996,815</b>	<b>954,154</b>	<b>1,042,253</b>
<b>SERVICES &amp; SUPPLIES</b>							
<b>Communications</b>							
	6040-I - Internet service		1,820	1,800	1,800	2,123	1,800
	6040-C - Cell Phones		2,997	3,000	3,000	3,300	3,100
	6040-LD - Long Distance		437	700	700	615	700
	6040-P - Pagers & Radios		621	1,000	1,000	800	900
	6040-T - Telephones		12,817	15,100	15,100	12,400	12,000
	<b>Total Communications</b>		<b>18,692</b>	<b>21,600</b>	<b>21,600</b>	<b>19,238</b>	<b>18,500</b>
<b>Insurances</b>							
	6101 - Gen. Liability		50,547	53,000	53,000	49,250	50,000
	6102 - Auto/Equipment		10,790	11,200	11,200	17,603	17,600
	<b>Total Insurances</b>		<b>61,337</b>	<b>64,200</b>	<b>64,200</b>	<b>66,853</b>	<b>67,600</b>
<b>Maint/Rep - Office &amp; Vehicles</b>							
	6140 - Vehicle Maintenance		7,947	10,000	10,000	12,000	12,000
	6151 - Office Maintenance		2,569	3,850	3,850	9,700	10,700
	<b>Total Maint/Rep - Office &amp; Vehicles</b>		<b>10,516</b>	<b>13,850</b>	<b>13,850</b>	<b>21,700</b>	<b>22,700</b>
<b>Maint/Repair - Facilities</b>							
	6085 - Janitorial Services		5,894	6,200	6,200	5,700	6,700
	6180 - Distribution System Rep		64,521	70,000	70,000	70,000	70,000
	6235 - Treatment Sys/Well Rep		16,738	53,000	53,000	42,000	45,000
	6143 - Generator Maintenance		2,490	600	600	21,105	3,000
	<b>Total Maint/Repair - Facilities</b>		<b>89,643</b>	<b>129,800</b>	<b>129,800</b>	<b>138,805</b>	<b>124,700</b>
<b>Miscellaneous Expenses</b>							
	6280 - Memberships		3,969	4,200	4,200	4,800	5,100
	6303 - Claims		1,060	2,500	2,500	500	1,500
	6593 - Governmental Fees		6,931	11,000	11,000	12,600	12,000
	<b>Total Miscellaneous Expenses</b>		<b>11,960</b>	<b>17,700</b>	<b>17,700</b>	<b>17,900</b>	<b>18,600</b>
<b>Office Expense</b>							
	6410 - Postage		11,348	17,000	17,000	17,500	17,000
	6430 - Printing Expense		5,261	5,000	5,000	5,100	5,250
	6461 - Office Supplies		4,521	4,000	4,000	7,700	7,000





SWEETWATER SPRINGS WATER DISTRICT  
OPERATING AND CAPITAL BUDGETS, 2009-2010  
MAY 7, 2009

	FY 07-08 Actual	FY 08-09 BUDGET	FY 08-09 Revised	FY 08-09 Projected	FY 09-10 BUDGET
Annual Assessment - New Services	28,575	27,000	27,000	32,000	27,000
Annual Assessment (County)	713,000	710,000	710,000	710,000	710,000
Prior Year Assessment	16,000	40,000	40,000	40,000	40,000
Capital Debt Reduction Charge			170,500	170,000	252,426
Interest	61,000	60,000	60,000	110,000	95,000
Federal Grants	153,712				-
Neeley Road Slide claim reimbursement	150,000				-
County Reimb. for FEMA Viaduct Project	-	51,483	51,483	51,483	-
Cal Trans Reimb. For Culvert Project	-	80,000	80,000	80,000	-
CDC Grants	-	983,500	983,500	983,500	-
Private Placement Funding (Loan proceeds)	-	3,000,000	983,500	983,500	1,052,000
Transfers to CIRF from Operations	440,500	370,000	199,500	320,000	280,000
Transfers to State Loans from Operations	-	-	-	-	-
Transfers to In-House Constr. from Operations	25,000	25,000	25,000	25,000	25,000
<b>TOTAL REVENUE</b>	<b>1,587,787</b>	<b>5,346,983</b>	<b>3,330,483</b>	<b>3,505,483</b>	<b>2,481,426</b>
<b>EXPENSES</b>					
<b>DEBT PAYMENTS</b>					
Gen. Obligation Bonds Payments	682,000	687,000	687,000	687,000	687,000
State Loan Payments	170,300	170,300	170,300	170,300	170,300
Loan to Neeley Road Slide claim					
Private Placement Loan		185,000	185,000	117,007	234,014
<b>TOTAL DEBT PAYMENTS</b>	<b>852,300</b>	<b>1,042,300</b>	<b>1,042,300</b>	<b>974,307</b>	<b>1,091,314</b>
Guerne Way Improvements	26,177				
Tank/Facilities Improvements	80,000				
("S"Curves"	52,602				
relocation - Cal	35,000				
main relocation -	8,327				
CIP III		35,000	35,000	35,000	50,000
CIP IV-A		200,000	1,967,000	1,967,000	
CIP IV-B					<b>1,052,000</b>
Crespo Tank Replacement Project	48,438				
In-House Construction Projects	12,000	75,000	75,000	40,000	40,000
<b>TOTAL EXPENSES</b>	<b>1,114,844</b>	<b>1,352,300</b>	<b>3,119,300</b>	<b>3,016,307</b>	<b>2,233,314</b>
<b>SURPLUS/DEFICIT</b>	<b>472,943</b>	<b>3,994,683</b>	<b>211,183</b>	<b>489,176</b>	<b>248,112</b>
<b>FUND AND LOAN BALANCES (EOY)</b>					
<b>DISTRICT RESERVES AND FUND AND LOAN BALANCES</b>					
Operating Balance	200,000		200,000	200,000	200,000
Budget Reserve (10%)	212,084	207,736	207,736	207,736	218,332
Economic Reserve (15%)	318,126	311,605	311,605	311,605	327,498
Capital Reserve	250,000	250,000	250,000	250,000	250,000
<b>TOTAL Reserves EOY</b>	<b>2,279,003</b>	<b>-</b>	<b>2,485,782</b>	<b>2,789,632</b>	<b>3,069,581</b>
Total District Policy	980,209		769,341	769,341	795,830
<b>Reserves Above (below) Policy</b>	<b>1,098,794</b>		<b>1,516,441</b>	<b>1,820,291</b>	<b>2,073,751</b>
<b>DISTRICT FUNDS</b>					
CIRF	733,308		944,491	1,222,484	1,470,596
OPERATING RESERVE	225,000		225,000	225,000	225,000
OPERATIONS	576,250		594,562	585,420	603,609
CD	545,666		572,949	572,949	601,597
IN HOUSE CONSTRUCTION	137,929		87,929	122,929	107,929
BUILDING	60,850		60,850	60,850	60,850
<b>DISTRICT LOANS</b>					
PPL	2,975,899		1,992,399	1,992,399	940,399