



*Sweetwater Springs
Water District*

Annual Operating & Capital
Improvement Budget

2010-11 Fiscal Year
(For the period July 1, 2010 - June 30, 2011)

Board of Directors

Jim Quigley, President

Sukey Robb-Wilder, Vice President

Gaylord Schaap, Financial Coordinator

Wanda Smith

Victoria Wikle

General Manager

Steve Mack

Sweetwater Springs Water District
Annual Operating & Capital Improvement Budget
2010-11 Fiscal Year

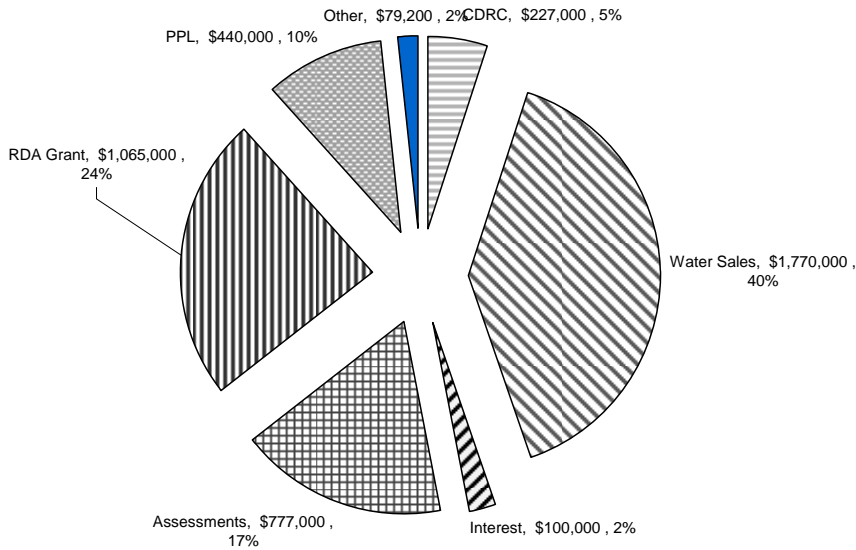
Summary

Table 1 is a summary of the FY11 Budget which is described and shown in detail in the following pages. The FY11 Budget is similar in form to last year's budget. Major changes include no rate increase to current water rates and inclusion of revenue from the Sonoma County Redevelopment Agency (RDA)/Russian River Redevelopment Oversight Committee (RRROC) for CIP IV-B capital projects.

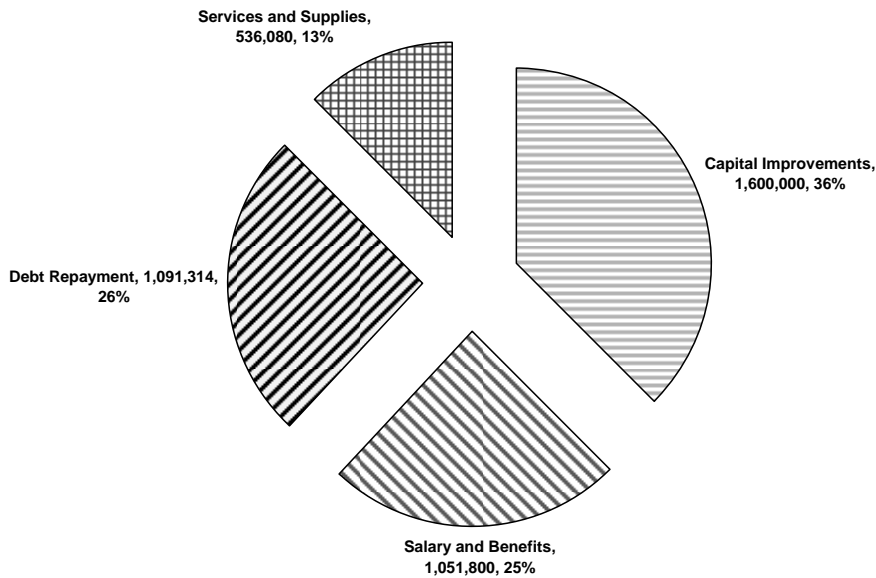
Table 1. Sweetwater Springs Water District FY11 Budget Summary						
	May 6, 2010	FY 08-09 Actual	FY 09-10 BUDGET	FY 09-10 REVISED BUDGET	FY 10-11 BUDGET	Difference FY11-FY10
OPERATING BUDGET						
WATER BILL REVENUE		1,965,920	2,048,518	2,048,518	1,997,000	(51,518)
OTHER REVENUE		143,764	134,800	134,800	119,200	(15,600)
TOTAL REVENUE		2,109,684	2,183,318	2,183,318	2,116,200	(67,118)
EXPENSES						
SALARY & BENEFITS		958,744	1,042,253	1,042,253	1,051,800	9,547
SERVICES & SUPPLIES		526,516	545,450	545,450	536,080	(9,370)
TOTAL OPERATING EXPENSES		1,485,260	1,587,703	1,587,703	1,587,880	177
OPERATING SURPLUS/DEFICIT		624,424	595,615	595,615	528,320	(67,295)
FIXED ASSET EXPENDITURES		38,636	5,000	5,000	1,050	(3,950)
TRANSFERS TO OTHER FUNDS		410,000	572,426	572,426	507,000	(65,426)
TOTAL EXPENSES AND TRANSFERS		1,933,896	5,000	2,165,129	2,095,930	(69,199)
SURPLUS/DEFICIT		175,788	18,189	18,189	20,270	2,081
CAPITAL IMPROVEMENT BUDGET						
ASSESSMENTS		772,911	777,000	777,000	777,000	-
INTEREST		95,156	95,000	95,000	60,000	(35,000)
TRANSFERS FROM OPERATIONS		395,000	557,426	557,426	492,000	(65,426)
GRANTS AND REIMBURSEMENTS		628,636	0	1,366,970	1,065,000	(301,970)
PRIVATE PLACEMENT LOAN		1,363,536	1,052,000	661,695	440,000	(221,695)
TOTAL REVENUE		3,255,239	2,481,426	3,458,091	2,834,000	(624,091)
EXPENSES						
DEBT PAYMENTS		971,236	1,091,314	1,091,314	1,091,314	-
CAPITAL PROJECT EXPENSES		1,469,508	1,142,000	2,118,665	1,600,000	(518,665)
TOTAL EXPENSES		2,440,744	2,233,314	3,209,979	2,691,314	(518,665)
SURPLUS/DEFICIT		814,495	248,112	248,112	142,686	(105,426)
DISTRICT RESERVES AND FUND AND LOAN BALANCES						
TOTAL Reserves EOY		3,372,311	1,769,902	3,652,274	3,761,127	108,853
District Policy		969,341	995,830	1,085,081	1,085,152	71
Reserves Above (below) Policy		2,402,970	774,072	2,567,193	2,675,975	108,782
DISTRICT FUNDS						
CIRF		1,606,129	1,192,604	1,839,242	2,334,572	495,330
OPERATING RESERVE		225,000	225,000	225,000	396,970	171,970
OPERATIONS		770,352	603,609	788,541	200,000	(588,541)
CD		573,223	601,597	601,884	631,978	30,094
IN HOUSE CONSTRUCTION		121,757	107,929	106,757	91,757	(15,000)
BUILDING		75,850	90,850	90,850	105,850	15,000
DISTRICT LOANS						
Private Placement Loan		1,867,255	940,399	1,205,560	765,560	(440,000)

Summary of FY11 Revenues and Expenses. Figures 1 and 2 respectively show District FY 11 revenues and expenses. Note that revenues are enhanced by over \$1 million from the RDA/RRROC Grant, acquired in December 2009, and by \$440,000 from the \$3 million Private Placement Loan (PPL) that was acquired in August 2008, which collectively fund the District's FY11 capital projects.

**Figure 1. Sweetwater Springs Revenues, FY11
Total - \$4.46 Million**



**Figure 2. Sweetwater Springs Expenses, FY11
Total - \$4.28 Million**



2010-11 Fiscal Year (FY11) 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 11 Budget follows the format established for the FY10 Budget and includes no changes to the District's water rates.

No Change in Water Rates: Most of the revenues for the FY11 Budget come from water rates paid in bimonthly bills by District customers (Figure 1). Because of the poor local economic situation and a large grant from RDA/RRROC for CIP IV-B, Project 2, main replacement in the River Boulevard area in Monte Rio, District staff recommended and the Board has directed that there be no changes in water rates for FY11. District staff did a comprehensive multi-year analysis to show how the District CIP can be completed and District reserves maintained by returning to small rate increases in following years. 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.

CIP IV-B, Project 2: The FY11 Capital Budget includes CIP IV-B, Project 2, which is replacement of approximately 6,000 lineal feet of 6-inch water main water main and appurtenances on River Blvd, Alder Rd., Willow Rd., and Railroad Ave. in Monte Rio. This project is largely funded by the FY11 portion of the RDA/RRROC grant which is \$1,095,000 (Table 2).

District Reserve Policy: A formal 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:

- Budget Reserve – a reserve based on 10% of the Operating Budget expenses for emergencies, such as a natural disaster.
- Economic Reserve – 15% of the Operating Budget expenses for economic downturn or other economic crisis.
- Debt Repayment Reserve - 15% of the Operating Budget expenses 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, 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 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.

Other Financial Assumptions/Highlights of the FY11 Budget include:

- No Water Use and Base Rate Charges or Capital Debt Reduction Charge (CDRC) increases.
- Less water will be sold in FY11, the revenue from the CDRC has been revised to match FY10 actual, and lower Operating interest is expected, which results in less revenue in the Operating Budget (approximately \$67,000 less than budgeted in FY10).
- A small increase in Salaries and Benefits.
- A small decrease in total Supplies and Services as this section has been scrutinized for expected costs.
- The transfer to the Capital Improvement Reserve Fund (CIRF) is \$40,000 less than last year.
- The FY11 Budget projects the end of year Policy Reserve at \$1,085,152.
- The Reserves Above District Policy is projected to be approximately \$2.67 million at the end of FY11. This is a healthy balance due largely to RDA/RRROC \$1,994,250 grant for capital projects acquired in December 2009 and 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 \$765,560 at the end of FY11.
- District Expenses are approximately \$260,000 more than District Revenues. The reason for this is the cost of the infrastructure projects of the Capital Improvement Program. 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 FY11. However, the RDA/RRROC \$1,994,250 grant will allow the District to complete the approved 2010-2015 Capital Improvement Program. Continuing capital improvements on this scale to improve 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 FY11 Budget:

The FY11 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 no change in water rates and slightly reduced water sales. **Capital Debt Reduction Charge (CDRC)** revenue has been reduced to reflect the actual revenue produced in FY10 as there is no change in the charge. Operating interest is reduced to reflect continuing lower interest on deposited funds.

Under **Expenses, Wages** are up approximately \$15,000 to reflect a small increase in employee salaries. **Benefits** are at a similar level to FY10 reflecting anticipated increases off actual expenses – based on midyear projections, Benefits were overbudgeted in FY10. Wages and Benefits are a major District expense – 66% of the Operating Budget expenses.

Total Supplies and Services are lower than the FY10 approved budget, but slightly more than the midyear projection. There are small increases in several line items to reflect higher costs, but savings in others. **Office Maintenance** is lower because computer maintenance has been less costly than expected. **Maintenance/Repair – Facilities** is a big cost item in Supplies and Services and is higher in FY11 to reflect known needed facilities maintenance. **Governmental Fees** is higher because fees charged by public agencies are increasing to reflect loss of revenue from other sources and the LAFCO cost was moved into this line item. **Professional Services** continues to decrease (slightly) to reflect staff’s ability to keep consultants’ costs down. **Electric and Propane**, another big cost item in this category, has been budgeted at the same amount for FY11. .

Fixed Asset Expenditures are a little lower than the FY10 level which is lower than historical amounts, because the District is not expecting to replace a vehicle in FY11. The expense for a new cut-off saw is included.

The Operating Budget has a surplus of approximately \$528,000 which is transferred as revenue to the Capital Improvement Budget as Capital Improvement Reserve Fund (CIRF), Building Fund, In-House Construction Fund, and CDRC revenue.

The FY11 Capital Improvement Budget major expense is CIP IV-B, Project 2 which includes replacement of approximately 6,000 lineal feet of 6-inch water main water main and appurtenances on River Blvd, Alder Rd., Willow Rd., and Railroad Ave. in Monte Rio (estimated cost \$1,515,000).

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

Capital Debt is a major expense item – approximately \$1.1 million and 26% of total District annual expenses. District Capital Debt includes:

- General Obligation Bonds – \$12 million in bonds that were approved to purchase the District and make needed capital improvements. Paid off in 2032. Annual payment - \$684,000.

- State Loans - two loans for approximately \$3 million which were approved in 1995-6 for needed improvements. Paid off in 2021-2. Annual payment - \$170,168.50.
- Private Placement Loan. \$3 million loan acquired in 2008 for needed capital improvements. Paid off in 2028. Annual payment - \$234,012.

CIP IV-B, Project 2 is funded by the RDA/RRROC grant and by the private placement loan (Table 2).

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 FY11, District Policy Reserves are at \$1,085,152 and Reserves Above District Policy at the end of the year are \$2,675,975. At the end of FY11, the loan balance for the private placement loan is projected to be \$765,560.

Table 2. FY11 Capital Projects - CIP IV-B, Project 2	
Alder Road, Pebble Way, & Heller Streets (MR) – On River Blvd, Alder Rd., Willow Rd., and Railroad Ave., replace existing mains and appurtenances with approximately 6,000 lf of 6-inch water main, to complete loop.	\$1,515,000
2011 - CIP IV-B, Project 2 Total Cost Estimate	\$1,515,000
RDA/RRROC Grant Funding Amount	\$1,095,000
Private Placement Loan Funding Amount	\$420,000