

**Exhibit A**



*Sweetwater Springs  
Water District*

Annual Operating & Capital  
Improvement Budget

2021-2022 Fiscal Year  
(For the period July 1, 2021 - June 30, 2022)

**Board of Directors**

*Sukey Robb-Wilder, President  
Gaylord Schaap, Vice President  
Larry Spillane, Financial Coordinator  
Richard Holmer  
Tim Lipinski*

*General Manager  
Ed Fortner*

**Sweetwater Springs Water District**  
**Annual Operating & Capital Improvement Budget**  
**2021-2022 Fiscal Year**  
**Summary**

In Fiscal Year 2021-2022 Sweetwater Springs Water District has budgeted operating expenses of \$2.186 million, debt repayment of \$782,537, capital improvement expenses of \$1.320 million 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.

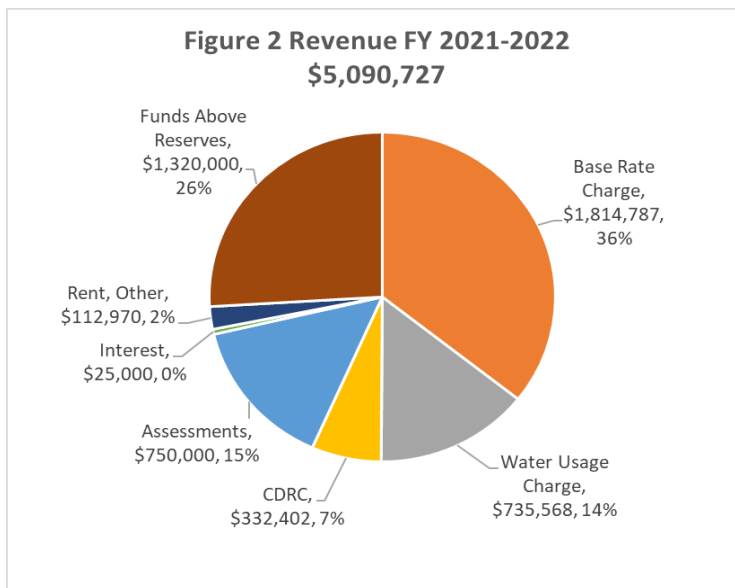
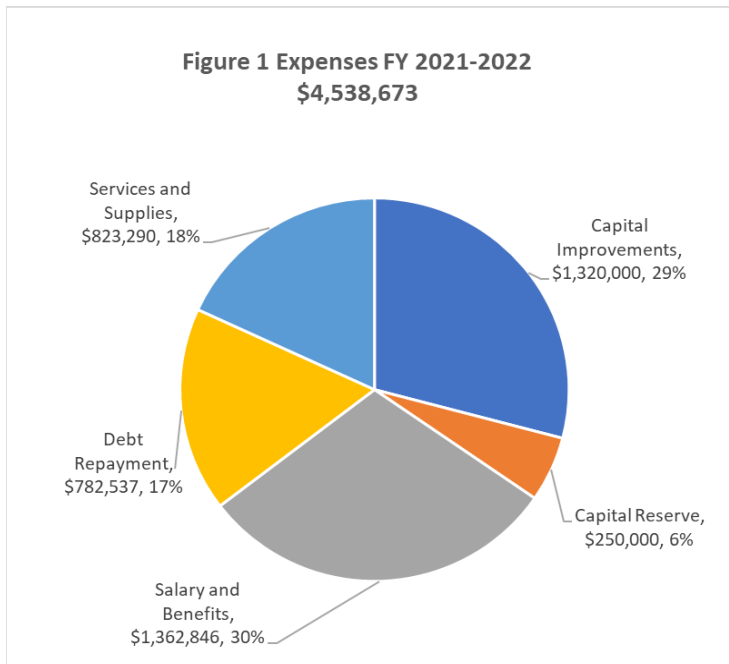


Table 1 is a summary of the FY 2021-2022 Budget which is described in detail in the following pages. The FY 2021-2022 Budget is similar in form and content to prior years' budgets. The FY 2021-2022 Budget includes the second year of recommended annual 5% rate increases for the Base Rate, Water Usage Charges, and Capital Debt Reduction Charge which are designed to develop sustainable capital project funding. These rate increases are recommended in the 2020 Bartle and Wells Rate Study. All annual rates are determined and approved annually by the District Board.

Table 1						FY 19-20 FINAL (CASH)*	FY20-21 BUDGET	FY 20-21 Projected	FY 21-22 BUDGET	Difference FY21-F22 Budgets
<b>FY 2021-2022 OPERATING AND CAPITAL BUDGET SUMMARY</b>										
1	<b>REVENUE</b>									
2	OPERATING REVENUE									
3	4031 - Water Bill Revenue									
4	4031.1. - Capital Debt Reduction Charge					299,453	316,573	316,573	332,402	15,829
5	4031.1. - Water Sales - Base Rate					1,644,252	1,728,369	1,728,369	1,814,787	86,418
6	4031.1. - Water Sales - Usage Charges + Other					635,637	700,541	700,541	735,568	35,027
7	4031.1. - Total Water Sales					2,579,342	2,745,483	2,428,910	2,550,356	(195,128)
8	Total OPERATING REVENUE					2,579,342	2,745,483	2,745,483	2,882,757	137,274
9	NON-OPERATING REVENUE									
10	Total NON-OPERATING REVENUE					675,273	638,310	666,310	136,470	(501,840)
11	<b>Total Income</b>					<b>3,254,615</b>	<b>3,383,793</b>	<b>3,411,793</b>	<b>3,019,227</b>	<b>(364,566)</b>
12	<b>EXPENSES</b>									
13	OPERATING EXPENSES									
14	SALARY & BENEFITS									
15	Total Salary					952,658	945,000	963,000	992,000	47,000
16	Total Benefits					909,351	926,654	891,662	370,846	(555,808)
17	Total SALARY & BENEFITS					1,862,009	1,871,654	1,854,662	1,362,846	(508,808)
18	Total SERVICES & SUPPLIES					589,958	801,940	777,137	823,290	21,350
19	Total OPERATING EXPENSES					2,451,967	2,673,594	2,631,799	2,186,136	(487,458)
20	OPERATING SURPLUS/DEFICIT					\$802,648	\$710,199	\$779,994	\$833,091	\$ 122,892
21	Total FIXED ASSET EXPENDITURES					203,593	83,500	76,170	29,000	(54,500)
22	Total TRANSFERS TO OTHER FUNDS					526,383	626,573	701,573	802,402	175,829
23	SURPLUS/DEFICIT					72,672	126	2,251	1,689	1,563
<b>CAPITAL BUDGET SUMMARY</b>										
24	<b>REVENUE/SOURCES OF FUNDS</b>									
25	1002 - Construction Flat Charges					44,512	27,000	27,000	27,000	-
26	1001 - Current Year Direct Charges					721,555	710,000	710,000	710,000	-
27	1061 - Past Year Direct Charges					20,708	40,000	40,000	40,000	-
28	1700 - Interest					27,387	25,000	25,000	25,000	-
29	4620.2 - Tfers from Operations (In-House Constr.)					25,000	25,000	25,000	25,000	-
30	4620.2 - Tfers from Operations (CDR)					296,383	316,573	316,573	332,402	15,829
31	4620.2 - Tfers from Operations (Surplus)					190,000	270,000	345,000	430,000	160,000
32	Grant Revenue							115,920		
33	<b>TOTAL CAPITAL REVENUE</b>					<b>1,325,545</b>	<b>1,413,573</b>	<b>1,604,493</b>	<b>1,589,402</b>	<b>175,829</b>
34										
35	<b>EXPENSES</b>									
36	DEBT PAYMENTS									
37	Gen. Obligation Bonds Principal					27,622	54,278	54,278	54,950	672
38	Cap One Revenue Bond Principal					359,000	368,000	368,000	296,500	(71,500)
39	State Loan Principal					135,235	139,298	282,727	-	(139,298)
40	Private Placement Loan Principal					162,570	167,650	167,650	176,887	9,237
41	Interest Expense					343,646	319,908	319,908	254,201	(65,707)
42	<b>TOTAL DEBT PAYMENTS</b>					<b>1,028,074</b>	<b>1,049,134</b>	<b>1,192,563</b>	<b>782,537</b>	<b>(266,597)</b>
43										
44	2019 CIP					62,472	-			
45	2021 CIP					0	1,326,000	503,550		25,000
46	2022 CIP								1,280,000	
47	In-House Construction Projects					14,904	25,000	25,000	40,000	25,000
48	<b>TOTAL CONSTRUCTION EXPENSES</b>					<b>77,376</b>	<b>1,351,000</b>	<b>528,550</b>	<b>1,320,000</b>	<b>(31,000)</b>
49	<b>TOTAL CAPITAL EXPENSES</b>					<b>1,105,449</b>	<b>2,400,134</b>	<b>1,721,113</b>	<b>2,102,537</b>	<b>(297,597)</b>
50	<b>SURPLUS/DEFICIT</b>					<b>220,095</b>	<b>-986,561</b>	<b>-116,620</b>	<b>-513,136</b>	<b>473,425</b>
51	<b>FUND AND LOAN BALANCES (EOY)</b>									
52	<b>DISTRICT RESERVES AND FUND AND LOAN BALANCES</b>									
53	Operating Budget Cash Reserve					123,508	262,174	262,174	327,920	65,746
54	Operating Budget Reserve (10%+15% of Operating Exp)					96,475	436,956	436,956	546,534	109,578
55	Debt Repayment Reserve (25% of Debt pmt)					102,315	258,777	258,777	195,634	(63,143)
56	Capital Reserve					250,000	250,000	250,000	250,000	-
57	<b>Total District Policy</b>					<b>572,298</b>	<b>1,207,906</b>	<b>1,207,907</b>	<b>1,320,089</b>	<b>112,183</b>
58										
59	<b>TOTAL Reserves EOY</b>					<b>2,314,663</b>	<b>1,671,066</b>	<b>2,901,867</b>	<b>3,192,823</b>	<b>1,521,757</b>
60	<b>Reserves Above (below) Policy</b>					<b>1,742,365</b>	<b>463,159</b>	<b>1,693,960</b>	<b>1,872,734</b>	<b>1,409,575</b>

## **FY 2021-2022 Fiscal Year 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 3600 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 FY 2021-2022 Budget follows the format established in prior years and includes the second year of a 5% annual rate increase to the Base Rate, Water Usage Charges, and Capital Debt Reduction Charge, as approved by the Board on an annual basis.**

**5% increase to the Base Rate, Water Usage Charges, and Capital Debt Reduction Charge:** A principal source of revenues for the FY 2021-2022 Budget is water rates paid in bimonthly bills by District customers. In 2020 the District staff coordinated a Rate Study with Bartle and Wells, who conducted 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. The financial analysis showed that annual 5% increases over the next five years should build sufficient funds available annually for capital projects. FY 2021-2022 is the second year of recommended annual 5% 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](http://www.sweetwatersprings.com).

Water sales have been flat for several years, due in part to State water conservation measures. We expect a dip in water use this year due to the recently declared drought emergency. Water use in calendar year 2020 was lower than State direction even though the required restrictions had been lifted. A per capita limit of 55 gpcd will be the new goal. In 2020, Sweetwater averaged 61 gpcd. We expect that water use in the coming fiscal year will be at a similar level and that a 5% rate increase will result in slightly less than a 5% revenue increase in water sales due to water use restrictions.

**FY 2021-2022 CIP (Table 1):** The FY 2020-2021 Capital Budget includes the replacement of 3,600 feet of HDPE water main on Old River Rd estimated at \$1,280,000.00.

**Addressing CalPERS retirement program Unfunded Accrued Liability (UAL):** The FY 2021-2022 Budget includes \$135,000 for repayment to our reserves that to repay the \$1M we borrowed to prepay UL over the last two years.

**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, \$327,920.
- 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, \$546,534.
- 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, \$195,634.
- Capital Reserve – 25% of the nominal Capital Budget of \$1 million for similar issues with the capital program, \$250,000.
- Total Reserve - \$1,320,089.

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 FY21, District Policy Reserves are at \$1,320,089 and Reserves Above District Policy at the end of the fiscal year are \$1,872,734 with total reserves at \$3,192,823.**

**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 5%.**
- **Water Usage revenues are based on flat water sales and mid-year water sales projections. Thus, the FY21 water usage revenues are estimated to increase by slightly less than 5% over the amount projected for FY 2020-2021. Water sales are flat to slightly trending down and should remain so.**
- **Salaries and Retirement have been adjusted to reflect a 3% increase as the 2020 Union Memorandum of Understanding is being negotiated.**

**Line-Item Highlights of the FY 2021-2022 Budget:**

**The FY 2021-2022 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 5% 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 5% increase. The 5% water rate increase will increase District revenues by approximately \$137,000. 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 3%. **Benefits** are budgeted to increase slightly when adjusted for the \$500,000 UL prepayment over the budgeted FY 2020-2021 budget because of internal advancements. Salaries and Benefits are a major District expense – approximately 62% of the FY 2021-2022 Operating Budget expenses.

**Total Supplies and Services** are approximately \$21,350 more than the FY 2020-2021 approved budget that also included the \$135,000 payment to reserves for the UL prepayment. **Electricity** is a big expense item, is budgeted to be \$10,000 more than FY 2020-2021.

**Fixed Asset Expenditures** are lower than FY 2020-2021 because we are purchased a truck last year. There are also substantial expenses for **Tank/Facilities Sites** to repair District tanks.

The Operating Budget has a surplus of approximately \$802,402 which is transferred as revenue to the Capital Improvement Budget as Capital Improvement Revenue Fund (CIRF) (\$430,000) Building Fund (\$15,000), In-House Construction Fund (\$25,000), and CDRC revenue (\$332,000).

**The FY 2021-2022 Capital Budget has one major project.**

**Capital Interest** revenue reflects expected interest rates and similar fund amounts in this coming year.

**Capital Debt** is a major expense item – approximately \$782,537, down from \$1,192,563 last year, and 17% of total District annual expenses in FY 2021-2022. The District has worked hard to keep interest rates as low as possible refinancing and restructuring the Capital One debt down from 3.6% to 2.78% to free cash flow for Capital projects. District Capital Debt includes:

- General Obligation (GO) Bonds – In 2013 the District refinanced the majority of the original G.O. bonds approved to purchase the District and make needed capital improvements. Approximately \$1,647,875 remained in USDA bonds, refinanced to an interest rate of 2.375%. Paid off in 2054.

- In 2018 the District took out \$1,535,000 in new USDA bonds at an interest rate of 2.25%. Remaining principal is \$2,997,748,000 for both USDA Bonds. Paid off in 2058.
- Cap One Bond – The District refinanced the first 20 years of the GO Bonds in September 2013 with an interest rate of 3.6%. In FY 2019-20, the District restructured the remaining payments on the bond, and as part of the restructure the interest rate was lowered to 2.78%. Paid off in 2033. Remaining principal is \$5,255,892.
- 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. Remaining principal is \$282,726.61.
- 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. Remaining principal is \$1,436,111.

**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 FY 2021-2022, District Policy Reserves are at \$1,320,089 and Reserves Above District Policy at the end of the fiscal year are \$1,872,734 with total reserves at \$3,192,823.

The detailed FY 2021-2022 Budget is included as Attachment A.