

San Juan Water District Granite Bay, California



Adopted Budget
Fiscal Year 2015-2016

6/10/2015 - Wholesale
11/18/2015 - Retail

San Juan Water District

Fiscal Year 2015 – 2016 Budget



Prepared by the Finance Department under Direction of
the General Manager and Assistant General Manager

All the water we have today is all the water we'll have on this earth.

--National Geographic



Mission

Our mission, and highest priority to our customers, is to take all necessary actions to ensure the delivery of a reliable water supply of the highest quality at reasonable and equitable costs. As part of accomplishing our mission, we commit to working cooperatively with others on projects of mutual public benefit to achieve the greatest possible efficiency and effectiveness. We further commit to communicate what we are doing, and why we are doing it.



San Juan Water District
9935 Auburn Folsom Road
Granite Bay, California 95746
(916) 791-0115
www.sjwd.org

Elected Officials

Edward J. “Ted” Costa, President/Director
Pamela Tobin, Vice President/Director
Kenneth H. Miller, Director
Dan Rich, Director
Bob Walters, Director

Appointed Officials

Shauna Lorance, General Manager

Management Team

Keith B. Durkin, Assistant General Manager
Donna Silva, Director of Finance
Tony Barela, Operations Manager
Greg Turner, Water Treatment Plant Superintendent
Lisa Brown, Customer Services Manager
George Machado, Field Services Manager
Rob Watson, Engineering Services Manager

Contents

Letter of Transmittal	1
Budget Process	1
Budgetary Control and Budget Format	1
Budget Highlights.....	2
Strategic Goals and Priorities	3
Financial Policies and Funds	3
Profile	5
Wholesale Service Area Map (SJWD Retail Service Area – in blue)	6
Organization Chart by Functional Area	7
Wholesale Budget Information and Summaries	8
Budget Assumptions.....	8
District Reserves.....	11
Wholesale Budget	17
Functional Areas.....	18
<i>Administration and General</i>	18
<i>Conservation</i>	18
<i>Engineering Services</i>	19
<i>Operations</i>	19
<i>Water Treatment</i>	19
<i>Field Service Support</i>	19
Source of Supply – Wholesale.....	20
Budget Summary – Wholesale	22
Debt Service – Wholesale	24
Capital Improvement Program - Wholesale.....	25
CIP Process.....	25
Capital Improvement Program - Wholesale.....	27
Retail Budget Information and Summaries	29
Budget Assumptions.....	29
District Reserves.....	30
Retail Budget	35
Water Rates.....	36
Sources and Uses of Funds - Retail	38
Summary Sources and Uses of Funds - Retail.....	39
Functional Areas.....	40

<i>Administration and General</i>	40
<i>Conservation</i>	41
<i>Customer Service</i>	41
<i>Engineering Services</i>	42
<i>Field Services</i>	42
Budget Summary by Functional Area - Retail.....	43
Debt Service – Retail.....	44
Capital Improvement Program - Retail.....	45
CIP Process.....	45
CIP Budget – Retail	47
Cost Allocation Plan	48
Labor	48
<i>Position Allocation</i>	49

Letter of Transmittal

Board of Directors
San Juan Water District

Directors:

It is our pleasure to present to you the Fiscal Year 2015-2016 Budget for the San Juan Water District (“District”). The budget format continues to be updated in an effort to provide a user-friendly document that conveys the dedication as well as the accomplishments and goals of the District Board of Directors (“Board”) and staff.

Budget Process

The District's official budget process begins each year with a Manager's meeting to establish the overall District goals and provide a basic timeline. Any guidelines from the Board are discussed at this time to set the parameters.

The proposed budget is then reviewed to determine whether:

- ✓ District goals will be met within the budget;
- ✓ All necessary items have been included; and
- ✓ Revenues will be sufficient to cover expenses.

Budgetary Control and Budget Format

District management uses the approved budget as the tool for ensuring adequacy of District resources in meeting District needs and assessing planned versus actual activities throughout the fiscal year. The General Manager controls the budget at the operating level.

The budget is prepared on an accrual basis (reporting revenues and expenses are earned and incurred, respectively) and is the same as reported in the Comprehensive Annual Financial Report. The program budget format is used versus a line item detail format to provide the most valuable information to the reader on all of the District's major areas of service:

- Wholesale
 - Operations
 - Non-Operating
 - Capital Improvement Program
- Retail
 - Operations
 - Non-Operating
 - Capital Improvement Program

Operations are further broken out by program area: Field Services, Administrative & General, Conservation, Customer Service, and Engineering. The program area budget places the focus on overall District retail operations, leaving District management responsible for oversight of day-to-day operating expenses.

Budget Highlights

The District is in the fourth year of one of the most severe droughts in recent history. On January 17, 2104 the Governor of the State of California proclaimed a State of Emergency in California due to the severity of the drought. Because of the severity of the drought, and the distinct possibility that it will stretch into a fifth straight year in 2016, the Governor issued an Executive Order imposing restrictions to achieve a statewide 25% reduction in potable urban water usage through February 29, 2016, as compared to usage in 2013. The Executive Order required the restrictions to consider the relative per capita water usage of each water supplier's service area, and requires that those areas with high per capita use achieve proportionally greater reductions than those with low use. The San Juan Water district is thereby required to reduce consumption by 36% over 2013 usage.

The District, like other water agencies in California, is faced with maintaining and improving aging infrastructure at a time when revenues are declining at almost unprecedented levels, due to the mandatory reductions in consumption. The District has remained proactive and shares the following budget highlights:

Revenues

- ☒ Wholesale Water Revenue: The budget anticipates wholesale water revenues to remain relatively constant as compared to the prior year. A rate increase, effective January 1, 2016, will substantially offset the effects of a mandated 36% reduction in water usage.
- ☒ Metered Water Sales: The budget incorporates both a 15% rate increase, and a 10% drought surcharge on the volumetric portion of the bill through February 2016. The increased rates, applied to lower usage levels, will generate revenues sufficient to cover operating expenses, including the added costs of ensuring compliance with the Governor's Executive Order, and will contribute to the current year Capital Improvement Program spending, most of which is funded through the use of existing reserves. Due to reduced water usage in FY 2014-15, the District utilized existing reserves (instead of significant rate increases) to offset lost revenues in FY 2014-15. The rate increase will assist the District in its efforts to adequately maintain the retail water distribution system.

Expenses

Wholesale expenses are budgeted to increase by approximately 3% over the previous year.

Retail expenses are budgeted to increase 9.8% over estimated FY 2014-15 expenses. The increase is largely due to drought related activities as further discussed below:

- ☒ Salaries & Benefits: The Retail divisions' share of Salaries and Benefits is budgeted to increase by 3.8% over the prior year. The Consumer Price Index (the most common measure of inflation) increased 2.7% in FY 2014-15. In an effort to preserve salary levels for District staff, while reducing the need for further rate increases, this budget incorporates a modest 1% Cost of Living Adjustment (COLA) for employees. Additional increases are due to drought related temporary staff and a placeholder for a much needed position in the Human Resources Department to

add the expertise needed to comply with increased reporting and regulation such as the recently enacted Affordability Care Act (ACA).

- ☒ **Treated Water:** The retail division of the District pays the wholesale division for treated water in the same manner as other wholesale customers. In accordance with the approved Financial Plan, wholesale water rates increased 6% on January 1, 2015 and will increase another 6% on January 1, 2016. These increases, combined with fixed costs for retail's share of wholesale's capital improvement program combine to yield an approximate 33% increase in the cost of treated water.
- ☒ **Debt Service:** These costs remain relatively stable in accordance with current debt service schedules as no new debt is planned.
- ☒ **Capital Improvement Program:** The Capital Improvement Program is a road map for planning and funding facilities and infrastructure necessary to carry out the District's mission. It incorporates both the construction of new facilities and the rehabilitation or replacement of existing capital. The District generally completes a Master Plan every five years, which provides a broad and distinct overview of the adequacy and condition of the water system and generates a list of projects to be completed over the subsequent 10 year period. Each year the program is updated as may be needed due to unplanned needs and projects that weren't yet undertaken or completed. Any savings on particular capital projects are generally maintained within the capital reserve for those projects that cost more than expected, unless the Board of Directors determines otherwise.

Strategic Goals and Priorities

- Ensuring compliance with the State Mandated 36% reduction in water use.
- Ensuring ongoing water supply reliability including researching and obtaining additional water supply sources
- Monitoring and participating in actions by the State Water Resources Control Board regarding drought and permanent water conservation measure.
- Prioritize and respond to State, Federal and Community Actions.

Financial Policies and Funds

The District maintains long-term financial plans to evaluate the impact of operating factors and performance on water rates and reserves. These plans are continually reviewed and updated to ensure they provide reliable data. These plans are prepared using current budgetary and year-end actual information as available. Balanced budgets are prepared where revenues exceed expenses in order to provide for debt service, capital project and reserve funding, unless otherwise determined by the Board (i.e. special purpose or project).

For financial reporting purposes, the District operates a single enterprise fund. However for management of the two divisions, the District utilizes two distinct funds, one for Wholesale and one for Retail. These funds are then segregated into operating and non-operating activities.

We hope this budget provides useful information on the District's operations. We would like to thank the District's Management Team for their diligence in preparing and

managing their budgets. We would also like to thank the Board of Directors for their continued support of the important services that the District provides.

Sincerely,

A handwritten signature in blue ink that reads "Shauna Lorance". The signature is fluid and cursive, with the first name being more prominent.

Shauna Lorance
General Manager

A handwritten signature in black ink that reads "Keith B. Durkin". The signature is cursive and clearly legible.

Keith B. Durkin
Assistant General Manager

A handwritten signature in black ink that reads "Donna Silva". The signature is cursive and elegant.

Donna Silva
Director of Finance

Profile

The District initially began as the North Fork Ditch Company dating back to 1854 providing water to the area. The San Juan Water District as in existence today was formed as the result of petitions being presented to the Board of Supervisors of Sacramento and Placer Counties by Citrus Heights Water District, Fair Oaks Water District, Orange Vale Water Company and a group of homeowners in South Placer County. An election was then held within the boundaries of the sponsoring districts on February 10, 1954. At this election, voters approved the formation of the San Juan Water District by nearly a two-thirds majority and elected five Directors. The District is a community services district formed under Section 60000 et seq., Title 5, Division 3 of the California Government Code.

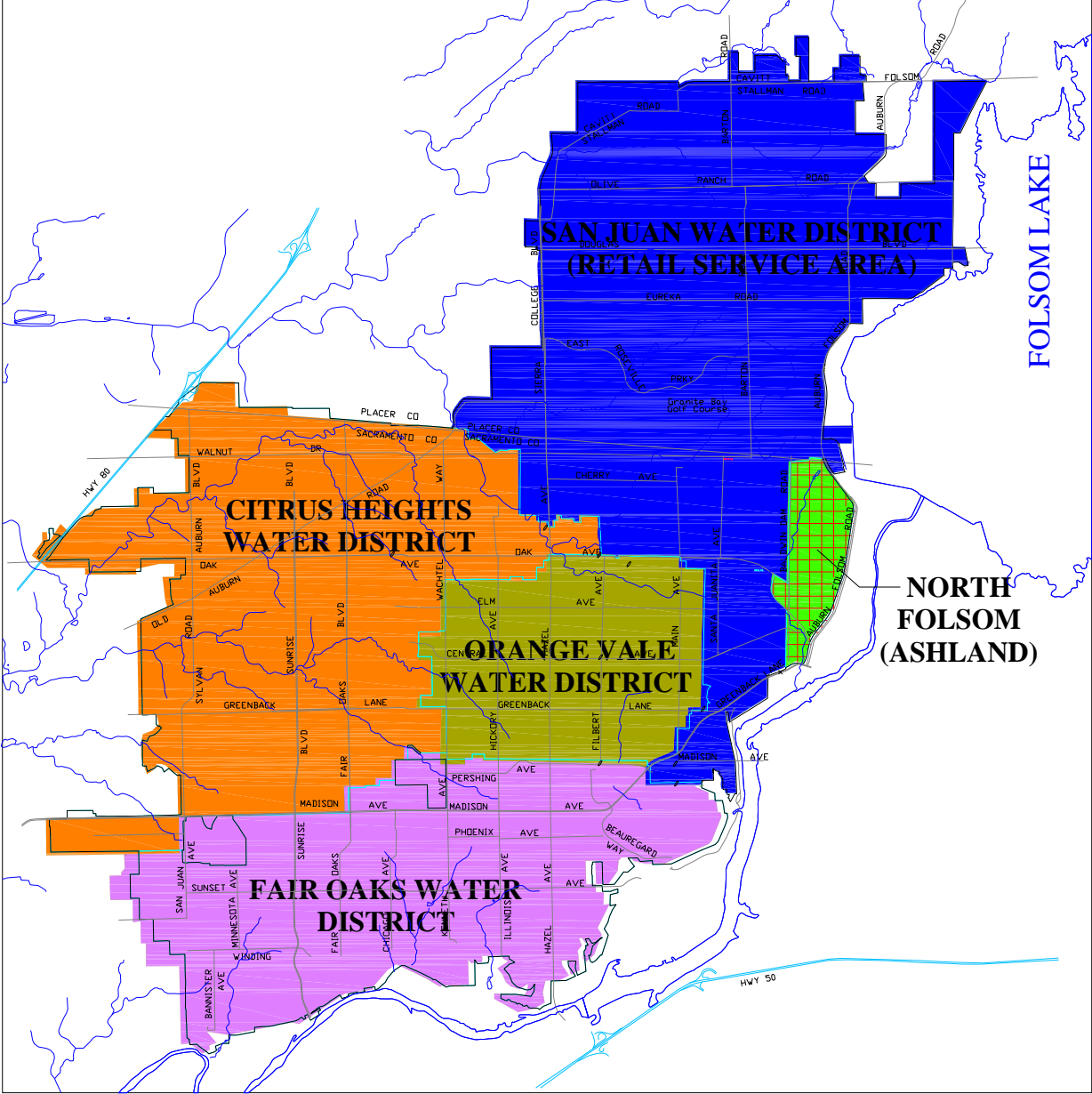
The District provides water on a wholesale and retail basis to an area of approximately 46 square miles for wholesale (which includes the retail area) and 17 square miles for retail in Sacramento and Placer Counties. The District's wholesale agency consists of delivering water to the retail agencies under negotiated contracts; operating a surface water treatment plant and storage, transmission facilities; and providing the administrative support related to those activities. The Retail agency consists of storage, pumping, transmission and distribution facilities (which deliver water to approximately 10,700 active retail service connections located in a portion of Northeast Sacramento County and the Granite Bay area of South Placer County) and providing the administrative, customer service, conservation and engineering support related to those activities.

The District's existing water supply consists of three separate raw water contracts. The first source of water is 33,000 acre-feet of pre-1914 water rights on the American River. The second source is a contract with the U.S. Bureau of Reclamation for 24,200 acre-feet of Central Valley Project water. The District completed the process of long-term water contract negotiations with the U. S. Bureau of Reclamation for Central Valley Project water resulting in a 40 year long-term contract. The third water source is a contract with Placer County Water Agency for 25,000 acre-feet of water. All sources of surface water are either stored or flow through Folsom Lake and delivery is taken at Folsom Dam outlets, either by gravity or pumped by the U. S. Bureau Folsom Pumping Plant. Total raw water delivery for the Fiscal Year 2014-2015 was 34,614 acre-feet and is anticipated to be 30,696 acre-feet for Fiscal Year 2015-2016, excluding pass through deliveries for Sacramento Suburban Water District.

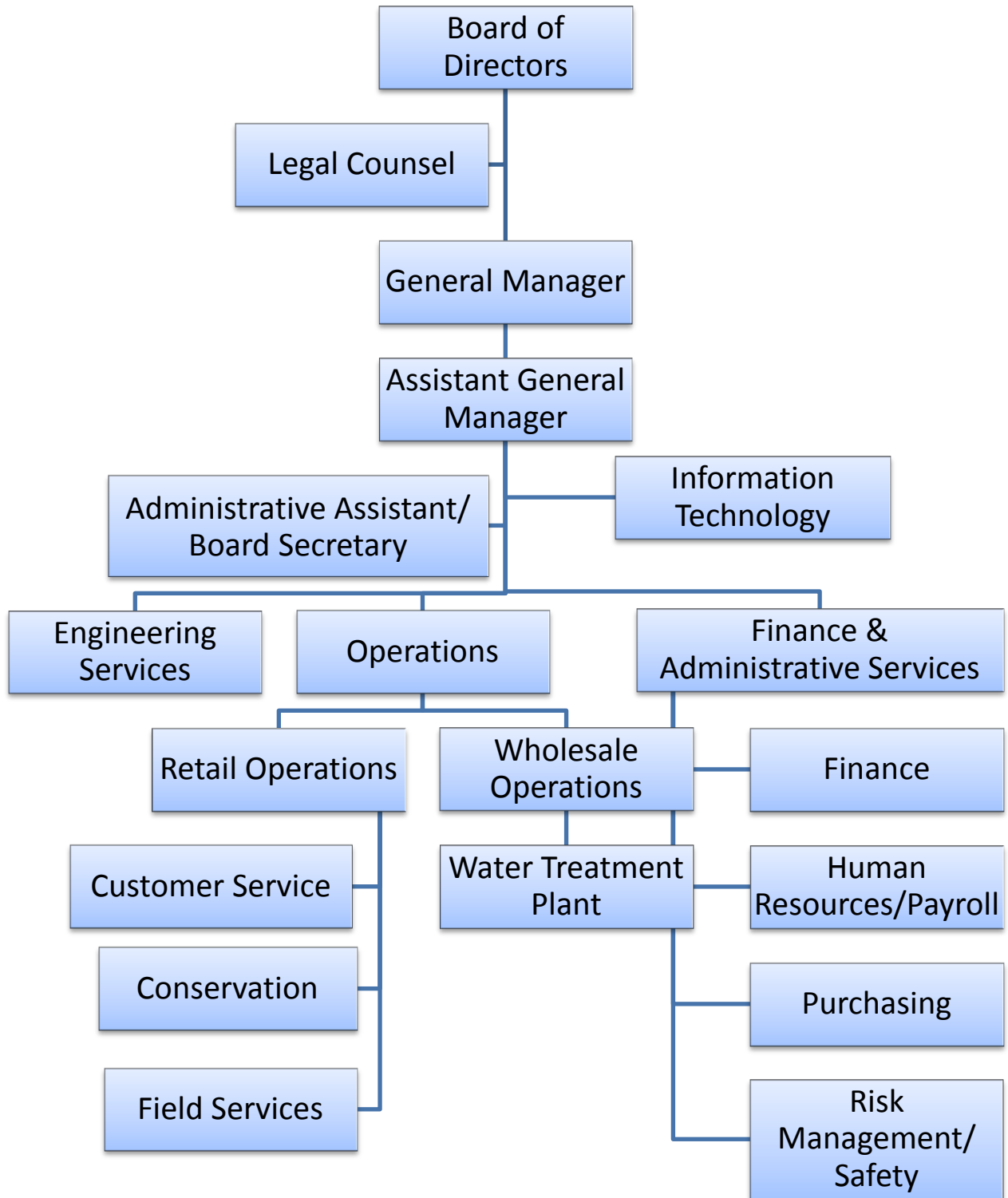
The District's water treatment facilities, Sidney N. Peterson Water Treatment Plant, was constructed in three phases and completed between the years of 1975 to 1983. The facilities include two flocculation-sedimentation basins, two filter basins, operations building and storage reservoir. Major upgrades and improvements to the plant in 2005 and 2009-2011 added a solids handling facility and chlorine storage/handling facility to the plant. These two projects along with other capital projects increased efficiency and productivity to meet the required demands of customers and improved operations to help meet Federal and State regulatory requirements.

With a reliable capacity of approximately 130 million gallons per day, the plant receives delivery of raw water directly from Folsom Dam outlets. The raw water undergoes an extensive water treatment process to ensure the highest quality of water for all District customers. From the water treatment plant, the water flows into the 62 million gallon Hinkle Reservoir for storage and distribution. The District maintains approximately 217 miles of transmission and distribution pipelines, which transport the high quality treated water to wholesale and retail customers.

Wholesale Service Area Map (SJWD Retail Service Area – in blue)



Organization Chart by Functional Area



Wholesale Budget Information and Summaries

Budget Assumptions

Primary Budget Assumption:

Mandated Conservation requirement of 36%

Additionally, the following budget assumptions are proposed:

WHOLESALE

Revenues

Property Taxes

Assessed values contain an inflation factor for each county combined with growth or decline factors and overall expect a moderate increase. Property tax revenues are utilized to fund the capital improvement programs.

COP Payments for Direct Debt

This will include those payments for direct debt related to the 2009 Certificates of Participation and 2013 Refunding Bonds.

Interest on Investments

The market remains low, but the District will seek investment opportunities in accordance with the *Investment Policy* as they arise.

SMUD California Oregon Transmission Project (COTP) Lease Payment

The amount will be included per the schedule contained within the contract.

Wholesale Customer Agencies Connections and Water Deliveries

The deliveries included in the budget are in line with **the Mandated Conservation of 36%** and have been previously communicated to the Wholesale Customer Agencies and are not disputed. Revenue requirements as established and updated include the water use charges, annual service charge and debt service charge. The District implemented a Wholesale rate increase effective January 1, 2015. The rate increase included in the base updated Wholesale Financial Plan for FY15-16 will be effective January 1, 2016. It is anticipated that Sacramento Suburban Water District will not receive treated water deliveries; therefore, no revenue is included.

Groundwater and Pump Back

The plan does not assume any requests to our Wholesale agencies for Groundwater Pumping. It also does not include any revenues or operating costs associated with the Pump Back project.

Cooperative Transmission Pipeline Cost Share

Revenue is included as estimated based upon historical activity, absent other factors, in accordance with the agreement.

California Solar Initiative (CSI) Rebate

Anticipated rebate amount will be based upon solar project estimates and updated for current trending. This rebate will be received through Fiscal Year 2016. The Board directed staff to ensure that the CSI Rebate and energy cost savings are used to replace capital reserves and therefore will not be available for operating cost savings.

Expenses

Cost of Water Supply

Based upon the assumption of water deliveries to Wholesale Customer Agencies above, the cost of water supply will be estimated first using water rights water, then a combination of water under the PCWA and USBR contracts, as applicable, with no temporary water supply use necessary. The Budget does not anticipate any costs savings due to limitations of water supply or reduced water purchases.

Operations and Maintenance Costs

Each cost category is examined individually and incorporated into the budget using a zero-based budgeting approach to determine resources needed for the coming budget year. Prior year budget amounts are not simply escalated using inflation factors. Where it is impractical to use this method, inflation factors will be applied as developed in the financial plan and updated to reflect current trends. Inflation factors range from 3% to 5% depending upon category, unless more precise information is known.

Cost of Living Allowance (“COLA”)

COLA is included per Board policy and is currently estimated to be 1.0%.

Facilities Costs

Operations and maintenance costs for facilities will be allocated to the wholesale and retail operations based upon benefit received as they currently are.

Category	Actual FY 12-13	Draft FY 13-14	Projected FY 14-15	Proposed FY 15-16	Change Higher/(Lower) From FY 13-14 Draft		Change Higher/(Lower) From FY 14-15 Projected	
					Amount	Percentag	Amount	Percentag
<i>Operating</i>								
<i>Revenues:</i>								
Water Sales	\$ 7,013,144	\$ 6,614,899	\$ 6,272,418	\$ 6,240,325	\$ (374,574)	-5.66%	\$ (32,093)	-0.51%
Other (Incl. Solar Rebate)	495,267	595,893	536,000	556,001	(39,892)	-6.69%	20,001	3.73%
Operating Revenues	\$ 7,508,411	\$ 7,210,792	\$ 6,808,418	\$ 6,796,326	\$ (414,466)	-5.75%	\$ (12,092)	-0.18%
<i>Expenses:</i>								
Source of Supply	\$ 808,374	\$ 802,115	\$ 703,868	\$ 598,845	\$ (203,270)	-25.34%	\$ (105,023)	-14.92%
Water Treatment / Pumping	2,088,089	1,897,009	2,023,179	2,165,257	268,248	14.14%	142,077	7.02%
Conservation	225,865	244,219	210,336	353,775	109,556	44.86%	143,439	68.19%
Engineering	110,700	308,734	294,047	271,226	(37,508)	-12.15%	(22,821)	-7.76%
OLD Administration and General	1,246,569	1,571,695	0	0	(1,571,695)	2.88%	0	0.32%
Board of Directors	66,333	18,345	85,266	45,500	27,155		(39,766)	
Executive	1,752	171	814,527	911,773	911,602		97,246	
General Administration - NEW	237,591	279,545	433,505	364,300	84,755		(69,205)	
Operations and Information Technology	0	0	202,745	265,448	265,448		62,703	
Finance and Administrative Services	0	240,303	627,833	583,907	343,604		(43,926)	
OPEB and Retirement	272,674	292,836	325,000	325,000	32,164	10.98%	0	0.00%
Operating Expenses	5,057,947	5,654,973	5,720,308	5,885,032	230,059	4.07%	164,723	2.88%
Net Income/(Loss)-Operations	\$ 2,450,464	\$ 1,555,820	\$ 1,088,110	\$ 911,294	\$ (644,525)	-41.43%	\$ (176,815)	-16.25%
				\$0				
<i>Non-Operating</i>								
<i>Revenues:</i>								
COP Payments (direct)	\$ 432,067	\$ 48,545	\$ 85,032	\$ 85,661	\$ 37,116	76.46%	\$ 629	0.74%
Interest/Investment Income	52,953	271,721	50,000	50,000	(221,721)	-81.60%	0	0.00%
Wholesale Connections	0	53,233	45,180	45,180	(8,053)	-15.13%	0	0.00%
Taxes & Assessments	803,088	838,921	819,060	995,000	156,079	18.60%	175,940	21.48%
Other (See Detail)	101,060	102,014	125,874	125,874	23,860	23.39%	0	0.00%
Expenses:				0				
COPs (interest)	1,343,700	1,044,054	1,458,019	1,458,019	413,965	39.65%	0	0.00%
Other (See Detail)	10,487	(34,629)	10,237	46,916	81,545	-235.48%	36,679	358.30%
Net Non-Operating	34,981	305,009	(343,110)	(203,220)	(508,229)	-166.63%	139,890	-40.77%
Capital Contributions	2,522,308	(225,068)	135,000	568,350	793,418	-352.52%	433,350	321.00%
Net Income	5,007,753	1,635,761	879,999	1,276,424	(359,337)	-21.97%	396,425	45.05%
<i>Debt Service Principal</i>								
2012 Refunding Bonds	633,985	633,985	309,152	323,873	(310,112)	-48.91%	14,721	4.76%
2009 COPs	6,400	6,400	265,600	275,200	268,800	4200.00%	9,600	3.61%
Net Available for Distribution	4,367,368	995,376	305,248	677,351	(318,025)	-31.95%	372,103	121.90%

District Reserves

In accordance with Board Resolutions, Board Motions, and/or District Ordinances, certain reserve funds have been established and are maintained.

WHOLESALE

Operating Reserve Fund

Description

The Wholesale Operating Reserve was established with the development of the 1998 Wholesale Water Rate Study and Financial Plan. The Wholesale Operating Reserve Fund provides working capital for wholesale operations, and provides readily available funds for unexpected needs and to accommodate seasonal variations in revenues and expenses related to water deliveries to wholesale customers. The 1998 financial plan gradually built the operating reserve over the five-year planning period, beginning in 1999.

Recommended Amount of Fund

The fund is recommended to include at least 20 percent of annual operating expenditures, including water supply costs.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for working capital for day to day paying of bills, etc. The use of the fund is within the authority of the Board of Directors.

Rate Stabilization Reserve Fund

Description

The Wholesale Rate Stabilization Reserve Fund was established with the development of the 1998 Wholesale Water Rate Study and Financial Plan. The rate Stabilization Reserve Fund is to help ensure financial and rate stability for wholesale customers. With the elimination of minimum charges for water usage the District's wholesale rate revenues fluctuate with changes in wholesale deliveries. While the service charge is intended to recover a large portion of the District's fixed costs, some costs included in the commodity rate will not change with changes in wholesale water purchases.

Recommended Amount of Fund

The Rate Stabilization Reserve Fund is recommended to be \$1 million.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for unexpected costs to reduce financial and rate variability for wholesale customers. The use of the fund is within the authority of the Board of Directors.

Restricted COP Debt Service Reserve Fund

Description

The Restricted COP Reserve Fund was originally established to accumulate funds held in reserve by Union Bank of California for the final principal and interest payment on the 1993, 2003 and 2009 Revenue Certificates of Participation. The 1993 and

2003 COPs have been paid off and the fund is now used for the same purpose for the 2009 COPs.

Required Amount of Fund

The required amount for the Restricted COP Reserve Fund is determined based on the COPS currently outstanding, and is equal to the amount specifically noted in the COP Issuance documents as a required Reserve Fund. The 2012 Bonds do not have a required Reserve Fund.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of funds is restricted to the purposes of the fund.

Restricted PERS Rate Stabilization Reserve Fund

Description

The Restricted PERS Stabilization Reserve Fund was established for PERS rate stabilization in order to level out the amount budgeted for PERS payments on an annual basis.

Required Amount of Fund

SJWD budgets for the normal cost of PERS retirement that is estimated by an actuarial evaluation as an average payment over an extended period of time. When the actual PERS costs are lower than the normal costs, the difference is placed in this fund. When the PERS costs are higher than the normal costs, the difference is withdrawn from this fund.

Restrictions on Use of Funds

The fund was created by a vote of the Board of Directors. The use of funds is restricted to the purposes of the fund.

Restricted Compensated Absence Reserve Fund

Description

The Compensated Absence Reserve Fund was established to accumulate funds for accrued employees vacation and sick leave time.

Required Amount of Fund

The amount held in reserve for accrued employees vacation and sick leave time is dependent on the dollar value of the accrued vacation and vested sick leave amounts.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of funds is restricted to the purposes of the fund.

Delta/Water Rights Reserve Fund

Description

The Delta/Water Rights Reserve Fund was established to cover legal expenses, public information, and other costs associated with Delta issues that affect the District's water rights with the ability to transfer the reserve fund to the Hinkle Reserve Fund if the funds are not needed for that purpose.

Recommended Amount of Fund

The Delta/Water Rights Reserve Fund recommended amount is determined by the Board of Directors annually.

Restrictions on Use of Funds

The fund was created by a vote of the Board of Directors. The intent of the fund is to use for Delta and water rights issues, but is within the authority of the Board of Directors.

Capital Improvement Program (CIP) Reserve Fund

Description

The Wholesale Capital Improvement Reserve Fund was established with the development of the 1998 Wholesale Water Rate Study and Financial Plan. This reserve fund includes four funds for different purposes; the Capital Improvement Program (CIP) Reserve Fund, the Connection Fee Reserve Fund, the Hinkle Reservoir Lining Replacement Fund, and the Vehicle and Equipment Fund. The CIP Reserve Fund represents funds available for capital replacements, rehabilitation, upgrades, and improvements. The reserve fund is funded through planned contributions as designated by the Board of Directors.

Recommended Amount of Fund

The CIP Reserve Fund recommended amount fluctuates based on capital improvements planned and completed. The recommended amount is listed in the current Wholesale Financial Plan.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for planned capital replacements, rehabilitation, upgrades and improvements. The use of the fund is within the authority of the Board of Directors.

Connection Fee Reserve Fund

Description

The Wholesale Connection Fee Reserve Fund was established with the development of the 2007 Wholesale Water Rate Study and Financial Plan and is part of the Wholesale Capital Improvement Reserve Fund. The Connection Fee Reserve Fund represents funds available for capital replacements, rehabilitation, upgrades, and improvements. The reserve fund is funded through wholesale connection fees paid by new connections to the Wholesale Customer Agency's water distribution systems. The fee is a "buy-in charge" to new users designed to recognize the current value of providing capacity necessary to serve additional users.

Recommended Amount of Fund

The Connection Fee Reserve Fund recommended amount fluctuates based on capital improvements planned and completed. The recommended amount is listed in the current Wholesale Financial Plan.

Restrictions on Use of Funds

The fund was created with the adoption of 2007 Wholesale Water Rate Study and Financial Plan by the Board of Directors. The use of the fund is for wholesale capital improvement projects. The Board has the authority to make the decision on which projects to fund.

Hinkle Lining Sinking Reserve Fund

Description

The Wholesale Hinkle Lining Sinking Reserve Fund was established in the 1980s and is part of the Wholesale Capital Improvement Reserve Fund. The Hinkle Lining Sinking Reserve Fund accumulates monies for the eventual replacement of the lining and cover for Hinkle Reservoir.

Recommended Amount of Fund

There is not a recommended amount for this fund. \$50,000 plus accrued interest on the existing fund balance is added to this fund at the end of each fiscal year.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for the future replacement of the lining and cover of the Hinkle Reservoir. The use of the fund is within the authority of the Board of Directors.

Vehicle and Equipment Reserve Fund

Description

The Wholesale Vehicle and Equipment Reserve Fund was established to accumulate sufficient funds to replace vehicles and equipment on an annual basis, and larger equipment on an as-need basis. It is part of the Wholesale Capital Improvement Reserve Fund.

Recommended Amount of Fund

The recommended amount for the Vehicle and Equipment Reserve fund varies depending on the future planned replacements of vehicles and equipment.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for the future replacement of vehicles and equipment. The use of the vehicle and equipment reserve fund is within the authority of the Board of Directors.

Resolution – Wholesale

RESOLUTION NO. 15-07

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SAN JUAN WATER DISTRICT
ADOPTING THE NON-OPERATING, CAPITAL IMPROVEMENT PROGRAM,
WHOLESALE BUDGET, RATES AND FEES FOR THE FISCAL YEAR 2015-2016**

WHEREAS, District staff has prepared a budget for the fiscal year 2015-2016 that estimates operating and maintenance, capital improvement program, debt service and other expenses of the District and that estimates revenues from all sources to pay the expenses of the District;

WHEREAS, District staff has determined that the fiscal year 2015-2016 budget is reasonably accurate and if implemented will ensure that the District's revenues will be sufficient to pay all of the District's expenses, including maintaining prudent reserves; and

WHEREAS, staff has determined that the District's wholesale water rates and capital facilities (connection) fees need to be adjusted for fiscal year 2015-2016 to account for the increased costs of providing such services.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of San Juan Water District as follows:


1. The Board of Directors finds that the Non-Operating, Capital Improvement Program and Wholesale budgets as proposed by staff fairly and accurately represents the estimated expenses and revenues of the District for the fiscal year beginning on July 1, 2015 and ending on June 30, 2016 and that the budget adequately ensures that the District will be able to cover its expenses and maintain prudent reserves, and on that basis the Board hereby adopts the District's fiscal year 2015-2016 budget (with any revisions that the Board may deem prudent as a condition of adopting said budget). A copy of the fiscal year 2015-2016 District budget is attached as "Exhibit A" and made a part of this Resolution.

2. The Board of Directors finds that the proposed Wholesale Water Rates and Wholesale Capital Facilities (Connection) Fees for fiscal year 2015-2016 are fair, equitable and ensure that the persons and entities receiving such services will pay the District's full costs of providing such services, and on that basis the Board hereby adopts the proposed rates and fees for the 2015-2016 fiscal year (with any revisions that the Board may deem prudent as a condition of adopting said rates and fees). The fiscal year 2015-2016 Wholesale Water Rates and Wholesale Capital Facilities (Connection) Fees are shown within "Exhibit A", which is attached to and made a part of this Resolution.

3. The General Manager and staff are directed to take all actions necessary to implement and follow the fiscal year 2015-2016 budget and to impose and collect the rates and fees shown in Exhibit A, as the same are adopted herein.

PASSED AND ADOPTED by the Board of Directors of the San Juan Water District on the 10th day of June 2015, by the following vote:

AYES: DIRECTORS: Miller, Rich, Tobin, Walters
NOES: DIRECTORS: Costa
ABSENT: DIRECTORS:



EDWARD "TED" COSTA
President, Board of Directors



TERI HART
Secretary, Board of Directors

Wholesale Budget

Acre Feet Provided by Agencies (Actual and *Projected*)

CY	San Juan Water District Retail	Citrus Heights Water District	Fair Oaks Water District	Orange Vale Water Company	City of Folsom (Ashland)
2010	12,651	12,165	10,606	4,324	1,331
2011	12,508	12,292	9,597	4,108	1,293
2012	13,936	13,583	9,987	4,657	1,529
2013	14,945	14,416	10,939	5,139	1,462
2014	11,077	10,008	7,262	3,932	1,230
2015 <i>Drgh</i>	10,924	10,547	7,529	3,882	1,220
2016 <i>Drgh</i>	9,714	9,370	7,110	3,340	950

2010-2014 are the actual acre feet delivered to each agency. 2015-2016 are estimates based upon YTD deliveries and Mandated Conservation requirements.

Effective for Calendar Year 2016, this fee has increased by 2.68% as indexed to the 20 Cities Construction Cost Index (“CCI”):

<u>Calculation:</u>	
CC Index @ February 2015	
CC Index @ March 2014	9,701.96
CC Index @ March 2013	9,483.70
Difference	218.26
% Change	2.30%
<i>Note: these fees are indexed utilizing the 20 Cities Construction Cost Index (CCI) as recommended in the Financial Plan.</i>	

The following schedule lists the fee by meter size that is collected from each retail agency and in turn submitted to San Juan Water District:

Wholesale Connection Fees

Meter Size	Capacity Factor	2014	2015	2016
3/4" Meter	0.60	\$372	\$381	\$391
1" Meter	1.00	\$619	\$633	\$650
1 1/2" Meter	2.00	\$1,240	\$1,269	\$1,303
2" Meter	3.20	\$1,983	\$2,029	\$2,083
3" Meter	6.40	\$3,964	\$4,055	\$4,164
4" Meter	10.00	\$6,196	\$6,339	\$6,509
6" Meter	25.00	\$15,489	\$15,845	\$16,270
8" Meter	36.00	\$22,305	\$22,818	\$23,430
10" Meter	58.00	\$35,936	\$36,763	\$37,748
12" Meter	86.00	\$53,285	\$54,511	\$55,972

Functional Areas

Administration and General

For Wholesale activities, this includes and is split into: Office of the General Manager, Finance, General Services, Human Resources, Information Technology, Purchasing, and Risk Management. Overall District costs related to auditing, consulting, Directors, general operations, legal and office expenses are recorded in this category.

Office of the General Manager is responsible for the overall administration of the District including: implementing District policies; developing and maintaining responsive District programs and services; providing leadership and motivation to District staff; maintaining and planning for fiscal integrity; promoting excellent customer service; maintaining strong relationships with local and regional regulatory and peer governmental agencies; providing direct support to the Board of Directors. Major initiatives for the next year include: managing the drought response initiatives, public relations, protection of water rights and water supply reliability; District structure and succession planning; and District efficiency measures.

Finance is responsible for all financial operations in the District, including: financial planning and forecasting, budget development, accounting and fiscal administration, debt issuance and management, financial reports and annual audit, and water rates and charges analysis. Major initiatives for the coming year include: continuing final pieces for the new financial system implementation and training, and creating new monthly reporting.

Human Resources provides support in recruitment, selection, development and retention of a talented workforce. This includes payroll and benefits administration. Major initiatives include continuing to promote a culture of excellent customer service and support of staff.

Purchasing facilitates and coordinates: bidding and requests for proposals; acquisition of equipment, materials, services and supplies; contracts; and insurance certifications. Major initiatives for the next year will be completion of a Purchasing Manual to assist staff with purchasing procedures and questions related to the conversion to the new financial system.

Information Technology manages and supports all aspects of the District's information technology systems, including data and voice communications hardware and software, as well as implementation of the District's Information Technology (IT) Master Plan. Major initiatives for the next year will be completion of the new SCADA system, implementation of a new financial information system and the completion of network improvements including wireless networking.

Conservation

The District provides water conservation technical and management support for retail member agencies and their customers. These efforts include workshops with subjects ranging from residential and large turf irrigation to pond management as well as

management support for the retail member agency’s public information and school education programs. The District hosts an annual “How To Landscape Day” that is open to the public, with participation by irrigation experts, nurseries, landscape design consultants and more. The District maintains and promotes a Water Efficient Landscape (WEL) Garden that is open weekdays and offers Saturday workshops throughout the year – all open to the public. In addition, the District has an extensive library of water efficiency material, provides speakers for school presentations, and coordinates an annual water-awareness poster contest. The District also serves as a technical resource for retail member agency’s compliance with federal and state water regulations. On behalf of its retail member agencies, District staff attends and actively participates in meetings and workshops of the California Urban Water Conservation Council and the Regional Water Authority to affect and address statewide and regional conservation efforts and issues. This Department is fully compliant with Best Management Practices and reporting requirements. This Department is fully compliant with Best Management Practices and reporting requirements.

Engineering Services

In general, this Department is responsible for planning, designing and managing Wholesale capital improvement projects, assisting with operational improvements, and assisting with maintenance activities which contain an engineering component.

Operations

Facilitates and manages all aspects of the Field Services, Customer Service and Water Treatment Plant Operations.

Water Treatment

The District operates and maintains its 120 million gallons per day (November 16th through May 14th) and 150 million gallons per day (May 15th through November 15th) conventional water treatment plant 24/7 and a 62 million gallon clearwell. The source water comes from Folsom Lake (surface water) and is treated using conventional flocculation, filtration and disinfection that is designed to remove many contaminants. The water treatment plant’s potable (finished) water quality meets all federal and state drinking standards. Water treatment supplies potable water to approximately 265,000 customers resulting in water district’s served by San Juan’s Wholesale operation, including: San Juan Water District retail service area, Citrus Heights Water District, Fair Oaks Water District, Orange Vale Water Company, City of Folsom’s northern area (Ashland) and Sacramento Suburban Water District.

Field Service Support

This area performs activities related to Wholesale mains and pipelines ranging in size from 6” to 90” in diameter and over 17 miles in length. This also includes the maintenance of the District’s many wholesale water meters, air release valves and other appurtenances.

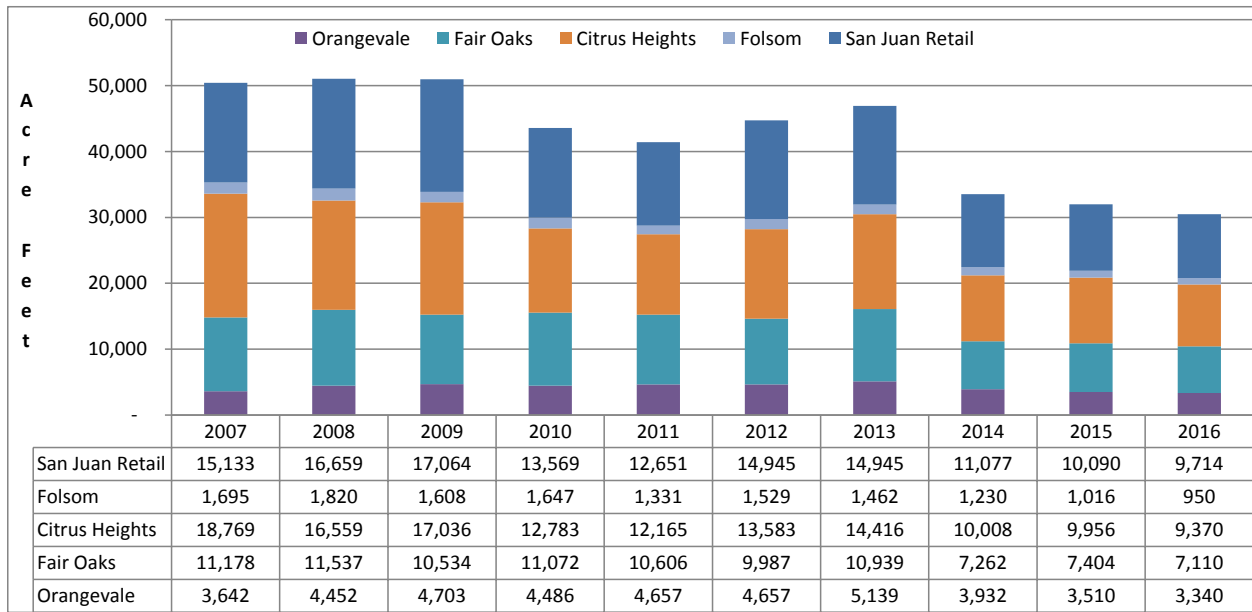
Source of Supply - Wholesale

Source of supply is calculated based upon projected deliveries using a combination of historical and estimated values multiplied by the rate in effect, which may be estimated if not yet known. Projected deliveries used are in accordance with the budget assumptions that are provided by the retail agencies. Numbers do not include any future projections for Pump Back Project, Groundwater Pumping or Reduced Water Supply Costs related to Mandated Conservation.

Source of Supply Rates 2015 -2016				
Category	Effective		Rate	Per
	Beginning	Ending		
CVP Project Water	03/01/2015	02/28/2016	\$18.62	Acre Foot
CVP Project Water (est)	03/01/2016	02/28/2017	\$19.21	Acre Foot
CVP Restoration	10/01/2014	09/30/2015	\$20.14	Acre Foot
CVP Restoration (est)	10/01/2015	09/30/2016	\$20.30	Acre Foot
CVP Trinity Surcharge	03/01/2015	02/28/2016	\$0.23	Acre Foot
CVP Trinity Surcharge (est)	03/01/2016	02/28/2017	\$0.23	Acre Foot
Warren Act Contract (PCWA wheeling)	03/01/2015	02/28/2016	\$16.00	Acre Foot
Warren Act Contract (PCWA wheeling)	03/01/2016	02/28/2017	\$17.44	Acre Foot
PCWA Water	01/01/2015	12/31/2015	\$16.97	Acre Foot
PCWA Water (est)	01/01/2016	12/31/2016	\$18.24	Acre Foot
WAPA/Bureau Pumping	10/01/2014	03/31/2015	\$2,677.83	Month
WAPA/Bureau Pumping	04/01/2014	09/30/2015	\$8,033.49	Month
WAPA/Bureau Pumping Restoration	10/01/2014	09/30/2015	\$2,777.43	Month
WAPA/Bureau Pumping (est)	10/01/2015	03/31/2016	\$2,784.94	Month
WAPA/Bureau Pumping (est)	04/01/2015	09/30/2016	\$8,354.82	Month
WAPA/Bureau Pumping Restoration (est)	10/01/2015	09/30/2016	\$2,888.53	Month
Water Rights Fees	01/01/2015	12/31/2015	\$17,477.25	Year
Water Rights Fees (est)	01/01/2016	12/31/2016	\$20,972.70	Year
PGE/CAISO COTP Energy	01/01/2015	12/31/2015	\$536.00	Year
PGE/CAISO COTP Energy (est)	01/01/2016	12/31/2017	\$557.44	Year
Fiscal Year 2014-2015 Budget	Quantity	Rate	Rate	Rate
CVP Project Water	0.00	18.62	19.21	0.00
CVP Restoration	0.00	20.14	20.30	0.00
CVP Trinity	0.00	0.23	0.23	0.00
Warren Act Contract (PCWA wheeling)	11,400.00	16.00	17.44	187,817.28
PCWA Water	10,000.00	16.97	18.24	176,025.00
WAPA/Bureau Pumping	9	8,033.49	2,784.94	40,810.11
WAPA/Bureau Pumping	3	8,354.82		25,064.47
WAPA/Bureau Pumping Restoration	12	2,777.43	2,888.53	34,329.03
Water Forum				40,566.00
Water Forum Successor Effort (WFSE)				13,635.00
PGE/CAISO COTP Energy		536.00	557.44	546.72
Water Rights Fees		17,477.25	20,972.70	19,224.98
Total Wholesale Source of Supply				\$538,018.59

Annual wholesale water deliveries can vary significantly dependent upon weather conditions as well as economic conditions as demonstrated most significantly in the current fiscal year and additionally in the preceding two years. The primary driver for the FY15-16 is the Mandated Conservation related to the drought.

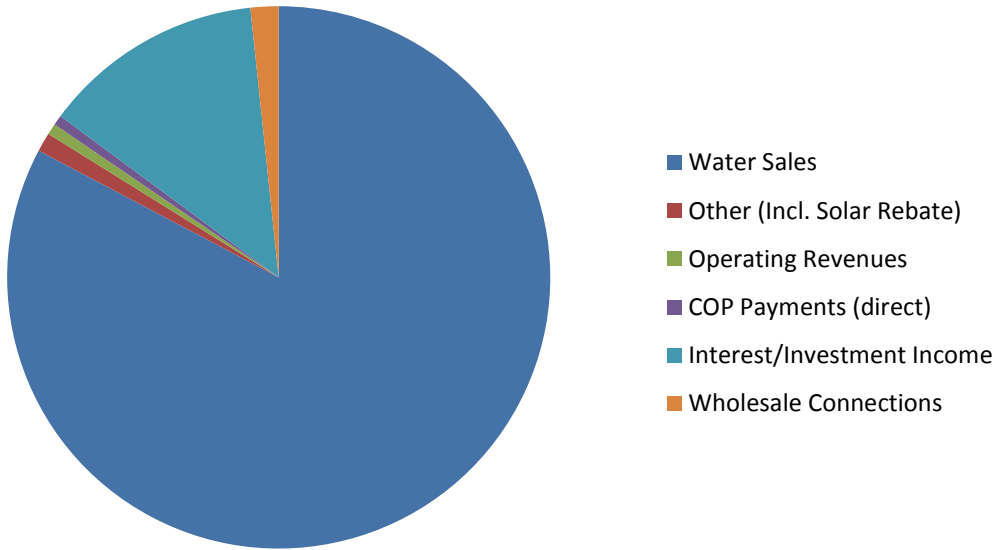
The deliveries to each agency during each fiscal year 2007-2016P are shown next.



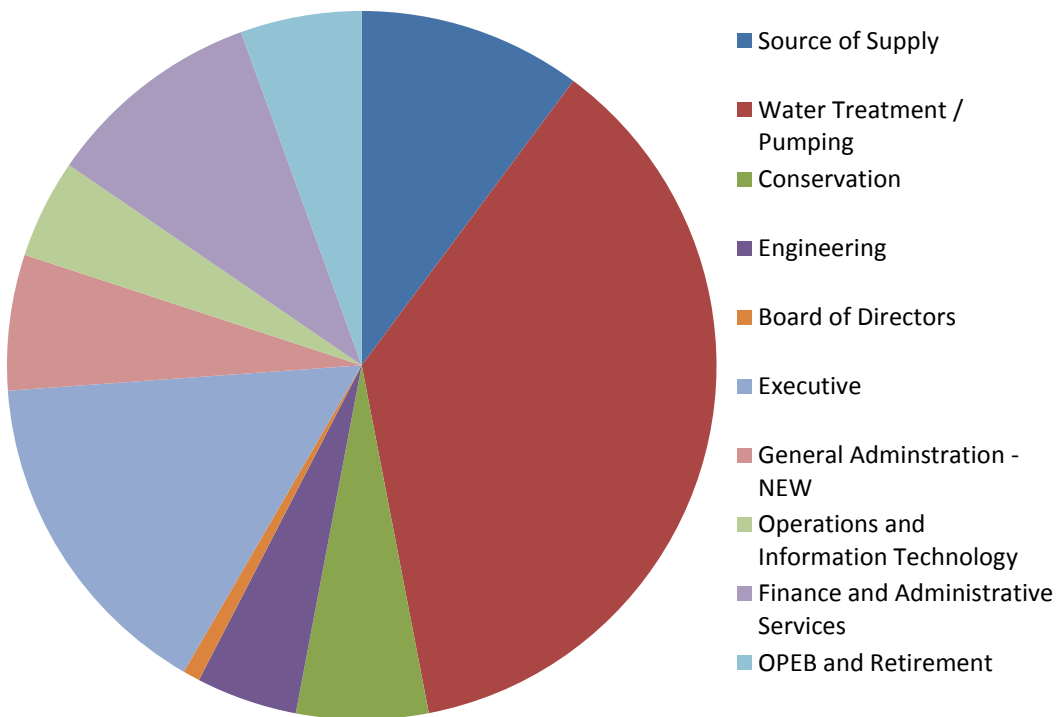
Budget Summary – Wholesale

Category	Actual FY 12-13	Draft FY 13-14	Projected FY 14-15	Proposed FY 15-16	Change Higher/(Lower) From FY 13-14 Draft		Change Higher/(Lower) From FY 14-15 Projected		
					Amount	Percentag	Amount	Percentag	
<i>Operating</i>									
<i>Revenues:</i>									
Water Sales	\$ 7,013,144	\$ 6,614,899	\$ 6,272,418	\$ 6,240,325	\$ (374,574)	-5.66%	\$ (32,093)	-0.51%	
Other (Incl. Solar Rebate)	495,267	595,893	536,000	556,001	(39,892)	-6.69%	20,001	3.73%	
Operating Revenues	\$ 7,508,411	\$ 7,210,792	\$ 6,808,418	\$ 6,796,326	\$ (414,466)	-5.75%	\$ (12,092)	-0.18%	
<i>Expenses:</i>									
Source of Supply	\$ 808,374	\$ 802,115	\$ 703,868	\$ 598,845	\$ (203,270)	-25.34%	\$ (105,023)	-14.92%	
Water Treatment / Pumping	2,088,089	1,897,009	2,023,179	2,165,257	268,248	14.14%	142,077	7.02%	
Conservation	225,865	244,219	210,336	353,775	109,556	44.86%	143,439	68.19%	
Engineering	110,700	308,734	294,047	271,226	(37,508)	-12.15%	(22,821)	-7.76%	
OLD Administration and General	1,246,569	1,571,695	0	0	(1,571,695)	2.88%	0	0.32%	
Board of Directors	66,333	18,345	85,266	45,500	27,155		(39,766)		
Executive	1,752	171	814,527	911,773	911,602		97,246		
General Administration - NEW	237,591	279,545	433,505	364,300	84,755		(69,205)		
Operations and Information Technology	0	0	202,745	265,448	265,448		62,703		
Finance and Administrative Services	0	240,303	627,833	583,907	343,604		(43,926)		
OPEB and Retirement	272,674	292,836	325,000	325,000	32,164	10.98%	0	0.00%	
Operating Expenses	5,057,947	5,654,973	5,720,308	5,885,032	230,059	4.07%	164,723	2.88%	
Net Income/(Loss)-Operations	\$ 2,450,464	\$ 1,555,820	\$ 1,088,110	\$ 911,294	\$ (644,525)	-41.43%	\$ (176,815)	-16.25%	
				\$0					
<i>Non-Operating</i>									
<i>Revenues:</i>									
COP Payments (direct)	\$ 432,067	\$ 48,545	\$ 85,032	\$ 85,661	\$ 37,116	76.46%	\$ 629	0.74%	
Interest/Investment Income	52,953	271,721	50,000	50,000	(221,721)	-81.60%	0	0.00%	
Wholesale Connections	0	53,233	45,180	45,180	(8,053)	-15.13%	0	0.00%	
Taxes & Assessments	803,088	838,921	819,060	995,000	156,079	18.60%	175,940	21.48%	
Other (See Detail)	101,060	102,014	125,874	125,874	23,860	23.39%	0	0.00%	
<i>Expenses:</i>									
COPs (interest)	1,343,700	1,044,054	1,458,019	1,458,019	413,965	39.65%	0	0.00%	
Other (See Detail)	10,487	(34,629)	10,237	46,916	81,545	-235.48%	36,679	358.30%	
Net Non-Operating	34,981	305,009	(343,110)	(203,220)	(508,229)	-166.63%	139,890	-40.77%	
Capital Contributions	2,522,308	(225,068)	135,000	568,350	793,418	-352.52%	433,350	321.00%	
Net Income	5,007,753	1,635,761	879,999	1,276,424	(359,337)	-21.97%	396,425	45.05%	
<i>Debt Service Principal</i>									
2012 Refunding Bonds	633,985	633,985	309,152	323,873	(310,112)	-48.91%	14,721	4.76%	
2009 COPs	6,400	6,400	265,600	275,200	268,800	4200.00%	9,600	3.61%	
Net Available for Distribution	4,367,368	995,376	305,248	677,351	(318,025)	-31.95%	372,103	121.90%	

FY 2015 - 2016 Wholesale Budget Funding Sources



FY 2015-2016 Wholesale Budget Expenses



Fiscal Year 2015-2016 Goals

- Manage the Mandated Conservation requirements
- Ensure Water Supply Reliability
- Upgrade and maintain Water Delivery Infrastructure
- Upgrade Hinkle Reservoir's underdrain system (panel, piping and panel)
- Fill one (1) Executive Staff Special Projects, (1) Finance Director position, (1) Human Resources Manager and (1) additional WTP Operator position

Debt Service – Wholesale

Wholesale debt service as detailed in the schedule below is comprised of the 2013 Refunding Bonds and 2009 COPs issued for Wholesale Capital Improvement Projects as well as those direct components that are collected by Wholesale.

2015-2016							
Sources of Funds	San Juan Water District		Fair Oaks Water District	Orange Vale Water Company		City of Folsom	Total
	Retail Service Area	Citrus Heights Water District					
<u>2012 Refunding Bond Payments</u>							
<i>New Project Money</i>							
Annual Debt Service Charge	\$ 188,181	\$ 219,670	\$ 161,424	\$ 49,538	\$ 12,242	\$ 85,661	\$ 631,055
Direct Obligation							85,661
Total 2012 Refunding Pymts	\$ 188,181	\$ 219,670	\$ 161,424	\$ 49,538	\$ 97,904		\$ 716,716
<u>2009 COP Payments:</u>							
<i>New Project Money</i>							
Annual Debt Service Charge	423,425	450,768	280,541	141,678	43,964		1,340,376
Total Sources of Funds	\$ 611,605	\$ 670,439	\$ 441,965	\$ 191,216	\$ 141,868		\$ 2,057,092
Uses of Funds				Principal	Interest	Total	
2012 Refunding Bonds				\$ 323,873	\$ 392,843	\$ 716,716	
2009 Certificates of Participation				275,200	1,065,176	1,340,376	
Total Uses of Funds				\$ 599,073	\$ 1,458,019	\$ 2,057,092	

Capital Improvement Program - Wholesale

Wholesale facilities include those that allow the District to receive raw water, treat it for delivery to wholesale customers and perform all supporting activities to accomplish this. Specific examples are:

- raw water supply pipelines;
- water treatment plant;
- chlorine containment;
- filter gallery;
- solids handling;
- Hinkle reservoir; and
- District buildings and grounds.

The District's Capital Improvement Program ("CIP") is viewed as two separate programs for Wholesale and Retail facilities. Most projects are not relevant to both Wholesale and Retail, therefore, they are evaluated and planned for completely separately. Some do benefit both Wholesale and Retail facilities and are assigned to each based upon specific benefit with Wholesale and Retail paying their fair share of the cost. To be considered a capital expense, the project, program or equipment must generally cost \$5,000 or more and have a useful life extending three years or more.

CIP Process

In order to develop and maintain the District's long-range CIP, the first step is completion of a Wholesale Master Plan. These are completed approximately every five years by an outside consultant with District staff assistance. All existing and future facilities are evaluated to support the District's CIP goals:

- Ensure that a reliable water supply is maintained and secured for future needs.
- Maintain or implement compliance with existing or new regulations.
- Address public safety or health standards.
- Plan contingently for reasonable emergency supply or outages.
- Ensure that existing infrastructure is maintained, replaced and improved.
- Provide for new capital projects to help meet the highest priority District needs.
- Result in more economical, efficient, or effective delivery of District services.

CIP projects are categorized as follows:

District-Wide: projects that benefit the District's internal operations such as information technology or building improvements.

Pipeline Replacements: projects related to the expansion, maintenance, or improvement of the District's transmission and distribution system.

Chemical Feed Systems: projects related to the maintenance, improvement or expansion of the District's chemical systems within the Water Treatment Plant.

Filter Basins: projects related to the construction, maintenance, improvement or expansion of the District's filter basins.

Water Treatment Plant: projects related to the construction, maintenance, improvement or expansion of the District's Water Treatment Plant facilities.

Water Storage: projects related to the construction, maintenance, improvement or expansion of the District's storage facilities.

Water Reliability: projects related to the construction, maintenance, improvement or expansion of the District's ability to maintain and adequate water supply for its customers.

Upon completion or update of the Wholesale Master Plan, the Wholesale Water Rate Study and Financial Plan are updated to reflect new or updated projects. This may not be necessary if the costs do not represent a major impact to the CIP. Projects are incorporated into the fiscal-year budget for the year they are expected to begin, with individual projects approved in accordance with District policy or prescribed codes (i.e. Public Contract Code).

District staff manage projects with the assistance of consultants where needed. District labor, inventory, materials, supplies and related costs may be required on a project and coded as such to reflect the full cost of the asset for financial reporting purposes. Upon completion of a project, Notice of Acceptance is filed (when applicable) and appropriate insurance coverage is secured by the District's insurer in accordance with the policy.

Capital Improvement Program - Wholesale

	2015-2016			2016-2017		
	CIP	Connections	Hinkle	CIP	Connections	Hinkle
Wholesale Capital Improvement Program						
Water Treatment Plant						
Building-Storage Roof/Walls				475,000		
Chemical Feed Systems-Polymer	112,000					
New Settled Water Channel	500,000			2,430,000		
Settling Tube Cleaning System						
Rapid Mix Process Improvements	25,000			235,000		
Replace Flocculators, Modift Basins	250,000			2,700,000		
Replace Sludge Collection System	50,000			588,000		
Hinkle Reservoir Cover Testing/Repairs	224,000					
Hinkle Overflow Channel Lining						
Hinkle Resvoir Groundwater Monitoring Wells				59,000		
Backwash Hood and Pumps Rehabilitation	52,000					
Washdown Piping Improvements	22,000					
Lime System Control & Feeder System				64,000		
Vehicals	60,000					
Clarifier Wall Lining & Leakage Repairs				477,000		
Water Supply Reliability Projects						
SSWD-SJWD Pump Back Projects	700,000					
Control Valve Stations	600,000					
Miscellaneous Projects						
ARC flash Assessment and Improvements	100,000					
FO40 Transmission Pipeline Re-Lining						
Solar Site Access Culvert replacement				212,000		
Whsl Meter Comm Antenna Improvements	12,000			6,000		
Plant Piping and Recoating Program				11,000		
Hinkle Reservoir Overflow Apron Drains	15,000					
Security Improvements (at WTP and Bacon)	100,000					
In-Plant Pump Station Improvements	56,000					
Articulating Boom Lift	30,000					
	2,908,000	-	-	7,257,000	-	-
Total Projects	2,908,000	-	-	7,257,000	-	-

THIS PAGE
INTENTIONALLY
LEFT BLANK

Retail Budget Information and Summaries

Budget Assumptions

The following assumptions were applied in the preparation of this budget:

RETAIL

Revenues

Property Taxes

Based upon current real estate market conditions this budget assumes a 5% increase in property tax revenues. Property tax revenues are utilized to fund the capital improvement programs.

Connection Fees

New connections are estimated by engineering staff and budgeted accordingly. The budget assumes 23 new connections in fiscal year 2015-2016.

Interest on Investments

The market remains low, but the District will seek investment opportunities in accordance with the *Investment Policy* as they arise. Income will be estimated at current market rates, currently approximately .28%.

Retail Customer Base and Water Consumption

The customer base and water consumption included in the budget reflect the current mandate from the State of California for a 36% reduction in water consumption from 2013 for the period ending February 2016. From that point the District has applied an ongoing reduction of 20% from 2013 consumption levels. This assumes that we get normal rain this winter and the State of California does not extend the mandatory conservation period. Furthermore, during the drought many customers improved their outdoor irrigation systems resulting in ongoing conservation and the District assumes that some of the conservation practices used by customers will have become habit and will reduce ongoing consumption. Overall, the budget assumes a demand of 9,565 acre feet of water.

Grants

Grant revenues are included in the budget where a signed grant agreement existed at the time of budget creation. This budget assumes no grant revenues.

Expenses

Cost of Water Supply

This cost comes directly from the rates approved in the San Juan Water District Wholesale Budget. The rates include water use charges, based on 9,565 acre feet of water, an annual service charge for the retail division's share of wholesale operations and maintenance and a debt service charge. The retail division pays rates to the wholesale division in the same manner as the other customers of the wholesale division.

Operations and Maintenance Costs

Each cost category is examined individually and incorporated into the budget using a modified zero-based budgeting approach to determine resources needed for the coming budget year. Prior year budget amounts are not simply escalated using inflation factors. Where it is impractical to use this method, inflation factors were applied as developed in the financial plan and updated to reflect current trends. Inflation factors range from 3% to 5% depending upon category, unless more precise information is known.

Cost of Living Allowance (“COLA”)

COLA for salaries is included per Board policy and is currently estimated to be 1%.

Facilities Costs

Operations and maintenance costs for facilities are allocated to the wholesale and retail operations based upon benefits received.

District Reserves

In accordance with Board Resolutions, Board Motions, and/or District Ordinances, certain reserves have been established and are maintained. These reserves represent the designations of unrestricted net position. Reserves are shown and explained below.

San Juan Water District									
FY 2015 - 2016 Annual Budget									
Retail Available Reserves									
Capital Improvement Funds									
	FY 2015-16 Budget	Operating	PERS	Compensated Absence/ Section 125	Customer Deposits	General	Vehicle/ Equip	Kokila	Total
BEGINNING RESERVES - (est.)		\$ 2,349,857	\$ 409,819	\$ 475,878	\$ 18,643	\$ 7,182,679	\$ 214,000	\$ 381,738	\$ 11,032,614
REVENUES:									
Water Sales	8,695,800	8,695,800							8,695,800
Connection Fees	350,000	107,314				232,686		10,000	350,000
Taxes & Assessments	948,000	948,000							948,000
Other Revenues	127,500	123,586	189	220	9	3,320		176	127,500
TOTAL REVENUES	10,121,300	9,874,700	189	220	9	236,006	0	10,176	10,121,300
EXPENDITURES:									
Salaries & Benefits	(4,067,500)	(4,067,500)							(4,067,500)
Treated Water	(2,050,900)	(2,050,900)							(2,050,900)
Other Expenses	(2,103,600)	(2,103,600)							(2,103,600)
Debt Service - Interest	(1,186,200)	(1,186,200)							(1,186,200)
Debt Service - Principal	(466,500)	(466,500)							(466,500)
TOTAL EXPENDITURES	(9,874,700.00)	(9,874,700)	-	-	-	-	-	-	(9,874,700.00)
NET INCOME	\$ 246,600	\$ -	\$ 189	\$ 220	\$ 9	\$ 236,006	\$ -	\$ 10,176	\$ 246,600
CAPITAL IMPROVEMENTS	(5,403,600)					(5,189,600)	(214,000)		(5,403,600)
NET CHANGE	\$ (5,157,000)	\$ -	\$ 189	\$ 220	\$ 9	\$ (4,953,594)	\$ (214,000)	\$ 10,176	\$ (5,157,000)
ENDING RESERVES (est.)		\$ 2,349,857	\$ 410,008	\$ 476,098	\$ 18,652	\$ 2,229,085	\$ -	\$ 391,914	\$ 5,875,614

RETAIL

The existing retail reserves are as follows:

Operating Reserve

Description

The Retail Operating Reserve provides working capital for retail operations, as well as readily available capital for unexpected needs and modest variations between expected and actual water demands.

Designated Amount

By ordinance, the reserve is required to maintain at least 20 percent of annual operating expenditures.

Restrictions on Use

The fund was created by Ordinance of the Board of Directors. The creation and funding of this reserve are within the authority of the Board of Directors. Staff has authority to utilize this reserve as intended.

PERS Rate Stabilization Reserve

Description

The Restricted PERS Stabilization Reserve was established to provide stability in the amount budgeted for PERS payments on an annual basis.

Designated Amount

The intent was for SJWD to budget for the normal cost of PERS retirement that is estimated by an actuarial evaluation as an average payment over an extended period of time. When the actual PERS costs are lower than the normal costs, the difference is placed in this reserve. When the PERS costs are higher than the normal costs, the difference is withdrawn from this reserve. The reserve does not have a dollar limit or target, as the premise is that any payments into the reserve will be needed to cover increased premiums in the future.

Restrictions on Use

The reserve was created by a vote of the Board of Directors. The use is restricted to the purposes of the reserve.

Restricted Compensated Absence Reserve

Description

This reserve is used to accumulate funds for accrued employees vacation and sick leave time.

Designated Amount

The amount held in reserve for accrued employees vacation and sick leave time is dependent on the dollar value of the accrued vacation and vested sick leave amounts.

Restrictions on Use

The reserve was created by Ordinance of the Board of Directors. The use is restricted to the purposes of the reserve.

Customer Deposits Reserve Fund

Description

The Retail Customer Deposits Reserve was established to segregate funds contributed as a deposit for work to be completed by the District.

Designated Amount

The Retail Capital Facilities Fees Reserve fluctuates based on the actual amount of funds on deposit.

Restrictions on Use

This reserve must be used for funds on deposit for developers or customers. When projects are completed, any remaining funds are returned to the developer or customer.

Capital Improvement Reserve

Description

The Retail Capital Improvement Reserve was established to segregate funds available for capital replacements, rehabilitation, upgrades, and improvements. The Retail Capital Improvement Reserve consists of a number of different reserves for different purposes. Currently Capital Improvement Reserves include; the General Capital Improvement Reserve, the Vehicle and Equipment Reserve and the Kokila Reservoir Lining Replacement Reserve.

Historically this reserve also included Capital Facilities Fees Reserve, and a Retail Emergency CIP Reserve. The Capital Facilities Fees reserve was used to collect connection fees and used to fund capital projects to replace, rehabilitate and upgrade District pumping stations, buildings, water pipeline systems and other water related systems components in the retail service area resulting from additional water services. It was determined by legal counsel in the prior fiscal year that these are not restricted revenues. Therefore, the fund was combined with the General Capital Improvement Reserve in fiscal year 2014-2015.

The Emergency CIP Reserve was established to build up a reserve to pay for improvements necessary to provide a water supply to the retail service area in times of emergencies. The reserve fund is funded through planned contributions as designated by the Board of Directors. This fund was fully utilized in Fiscal Year 2014-15 on drought and water supply reliability projects. Because it is somewhat duplicitous of the Operating Fund, it has been eliminated.

Designated Amount(s):

1. The **General Capital-Improvement Reserve** was established *“to accumulate sufficient funds for use due to unforeseen and unexpected emergency expenditures for repair, replacement or rehabilitation of the District’s water pipeline systems and pumping stations.”* In practice, the Capital Improvement Reserve is used for *planned* and unplanned capital replacements, rehabilitation, upgrades, and improvements. The recommended amount fluctuates based on capital improvements planned and completed. The recommended amount of the Capital Improvement Reserve is listed in the current Retail Financial Plan.

2. The **Vehicle and Equipment Reserve** was established to accumulate sufficient funds to replace vehicles and equipment on an annual basis and larger equipment on an as need basis. There is no designated amount for this reserve; however in practice it is adjusted at the end of each fiscal year to be equal to the next years planned expenditures on vehicles and equipment.

3. The **Kokila Reservoir Lining Replacement Reserve** was established to accumulate funds for eventual replacement of the lining and cover of Kokila Reservoir. The reserve is funded annually in the amount of \$10,000 plus accrued interest earned on the existing reserve balance. The life expectancy of the cover and lining (installed in July 1984) is 30 years.

Restrictions on Use

The reserves were created by Ordinance of the Board of Directors. The use of the reserve is within the authority of the Board of Directors and deposits and withdrawals are budgeted annually for planned capital projects.

Restricted COP Debt Reserve (not shown in chart)

Description

The Restricted COP Reserve was originally established to set aside funds held in reserve for the semi-annual payment of principal and interest on the 1993 Revenue Certificates of Participation (COPs). The use of the fund was extended to the 2003 and 2009 COPs. The 1993 and 2003 COPs have been paid off and the reserve is now used for the same purpose for the 2009 COPs.

Designated Amount

The District's Ordinance still designates that the funds held in reserve are for the semi-annual payment principal and interest payment on the 1993 COPs. In practice, staff has determined the required amount for the Restricted COP Reserve Fund based on the COPs currently outstanding, and maintained the fund equal to the amount specifically noted in the COP Issuance documents as a required Reserve Fund.

Restrictions on Use of Reserve

The reserve was created by Ordinance of the Board of Directors. The use is restricted to the purposes of the reserve.

Restricted EDA Loan Debt Reserve Fund (not shown in chart)

Description

The Restricted EDA Loan Debt Reserve was established to segregate funds held in reserve for the annual payment of principal and interest on the E.D.A. Loan. Annual debt service payment is made in June.

Designated Amount

The required amount for the Restricted EDA Loan Debt Reserve Fund varies depending on time of year, and the status of the annual payment.

Restrictions on Use

The reserve was created by Ordinance of the Board of Directors. The use is restricted to the purposes of the fund.

Resolution – Retail

RESOLUTION NO. 15-16

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SAN JUAN WATER DISTRICT
ADOPTING THE RETAIL BUDGET
FOR THE FISCAL YEAR 2015-2016**

WHEREAS, District staff has prepared a retail budget for the fiscal year 2015-2016 that estimates operating and maintenance, capital improvement program, debt service, prudent reserve requirements, and other expenses of the District and that estimates revenues from all sources to pay the expenses of the District;

WHEREAS, District staff has determined that the fiscal year 2015-2016 retail budget is reasonably accurate and if implemented will ensure that the District's revenues will be sufficient to pay all of the District's expenses, including contributions to reserves sufficient to return them to prudent levels;

WHEREAS, the Board has adopted Resolution 15-15 setting the rates for calendar year 2016; and


WHEREAS, it is the intention of the Board to adopt the proposed budget as submitted by District staff.

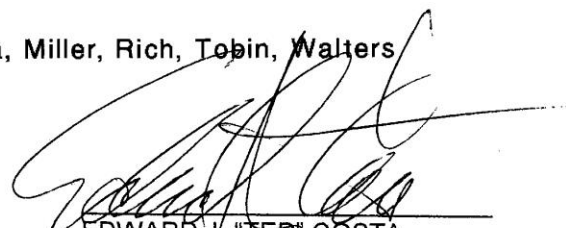
NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of San Juan Water District as follows:

1. That certain document referred to as "The San Juan Water District Proposed Retail Budget Fiscal Year 2015-2016" and all schedules, exhibits and policies contained therein, is hereby adopted and the appropriations for the annual budget of the San Juan Water District for the fiscal year beginning on July 1, 2015 and ending on June 30, 2016 are hereby adopted; and
2. That the amounts stated in the proposed budget shall become and thereafter be appropriated to the offices, departments, activities, objects and purposes stated therein and said monies are hereby authorized to be expended for the purposes and objects specified in said budget; and
3. The General Manager is authorized to approve expenditure adjustments within individual accounts and line items so long as the total appropriated is not exceeded.

PASSED AND ADOPTED by the Board of Directors of the San Juan Water District on the 18th day of November 2015, by the following vote:

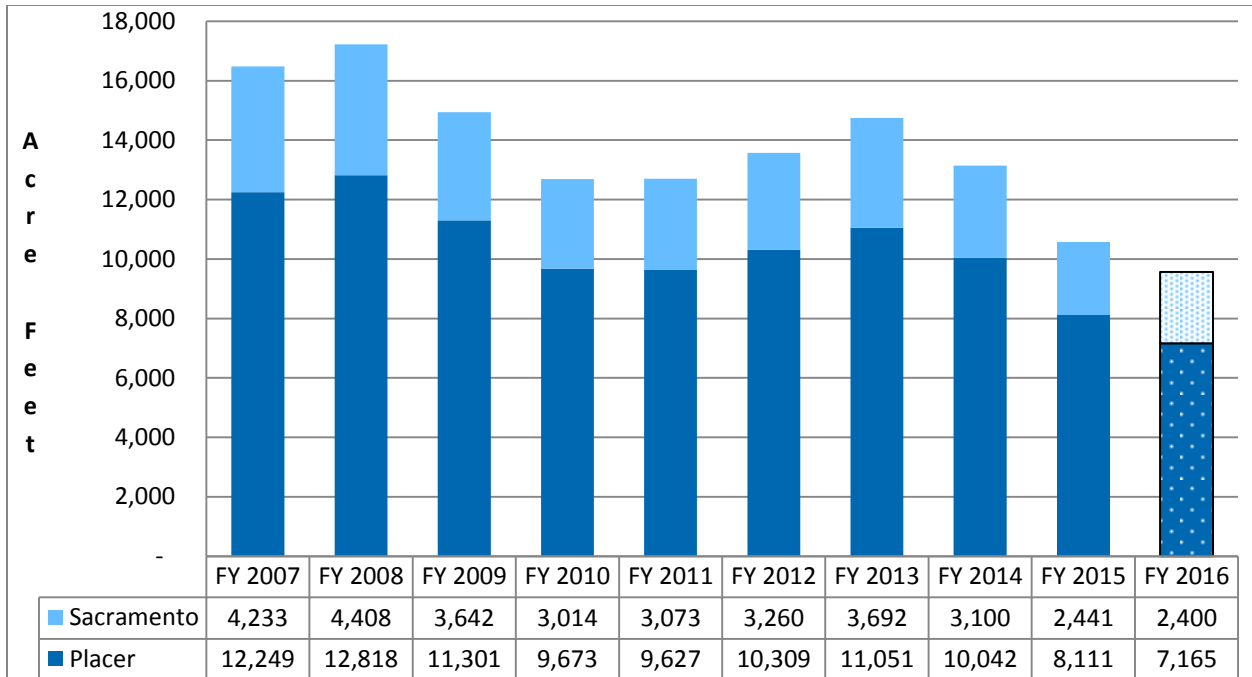
AYES: DIRECTORS: Costa, Miller, Rich, Tobin, Walters
NOES: DIRECTORS:
ABSENT: DIRECTORS:

ATTEST

TERI HART
Secretary, Board of Directors


EDWARD J. "TED" COSTA
President, Board of Directors

Retail Budget

Annual retail water use is presented in the following table for calendar years 2007 through 2016 to demonstrate historical and projected water use.



Metered rates for 2015 and 2016 are presented next.

Water Rates

Rates are effective January 1 – December 31. The two tables below show the current rates in effect through December 31, 2015 (Calendar Year 2015) and the rates for Calendar Year 2016.

Calendar Year 2015 – Metered Rates:

Meter Size	Daily Base Charge (fixed)	Volumetric Rate (\$/units)*	Drought Surcharge (\$/units)**
Up to 1"	\$1.08	\$0.80	\$0.08
1 ½"	\$2.88	\$0.80	\$0.08
2"	\$4.59	\$0.80	\$0.08
3"	\$9.13	\$0.80	\$0.08
4"	\$14.23	\$0.80	\$0.08
6"	\$28.46	\$0.80	\$0.08
8"	\$51.16	\$0.80	\$0.08
10"	\$82.39	\$0.80	\$0.08
12"	\$122.16	\$0.80	\$0.08
Fire District	\$5.53	\$0.80	\$0.08
Private Fire Lines:			
4"	\$0.47		
6"	\$0.70		
8"	\$0.95		
10"	\$1.12		

Calendar Year 2016 – Metered Rates:

Meter Size	Daily Base Charge (fixed)	Volumetric Rate (\$/units)*	Drought Surcharge (\$/units)**
Up to 1"	\$1.24	\$0.92	\$0.092
1 ½"	\$3.31	\$0.92	\$0.092
2"	\$5.28	\$0.92	\$0.092
3"	\$10.50	\$0.92	\$0.092
4"	\$16.36	\$0.92	\$0.092
6"	\$32.73	\$0.92	\$0.092
8"	\$58.83	\$0.92	\$0.092
10"	\$94.75	\$0.92	\$0.092
12"	\$140.48	\$0.92	\$0.092
Fire District	\$6.36	\$0.92	\$0.092
Private Fire Lines:			
4"	\$0.54		
6"	\$0.81		
8"	\$1.09		
10"	\$1.29		

* 1 unit = 100 cubic feet = 748 gallons

** A 10% drought surcharge on the volumetric portion of a bill is currently in effect. This drought surcharge will be removed when drought conditions improve, or could be increased if drought conditions get worse. The drought surcharge could be applied to 2016 rates if the drought is still in effect.

Calendar Year 2015 and 2016 Connection Fees

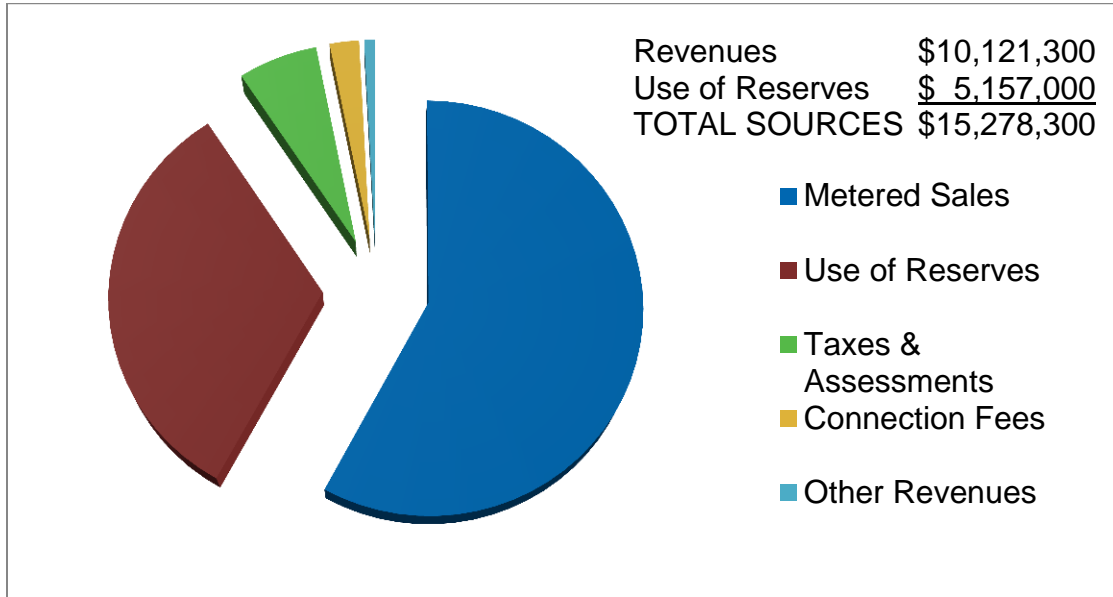
The following schedule lists the fee by meter size that is collected from customers connecting to the San Juan Water District retail system:

Meter Size	2015 Retail Connection Fee	2016 Retail Connection Fee
¾" Meter	\$14,521	\$14,910
Up to 1" Meter	\$14,521	\$14,910
1 ½" Meter	\$29,042	\$29,820
2" Meter	\$46,468	\$47,713
3" Meter	\$92,936	\$95,427
4" Meter	\$144,224	\$148,089
6" Meter	\$290,426	\$298,209
8" Meter	\$522,778	\$536,788
10" Meter	\$842,242	\$864,824
12" Meter	\$1,248,856	\$1,282,325

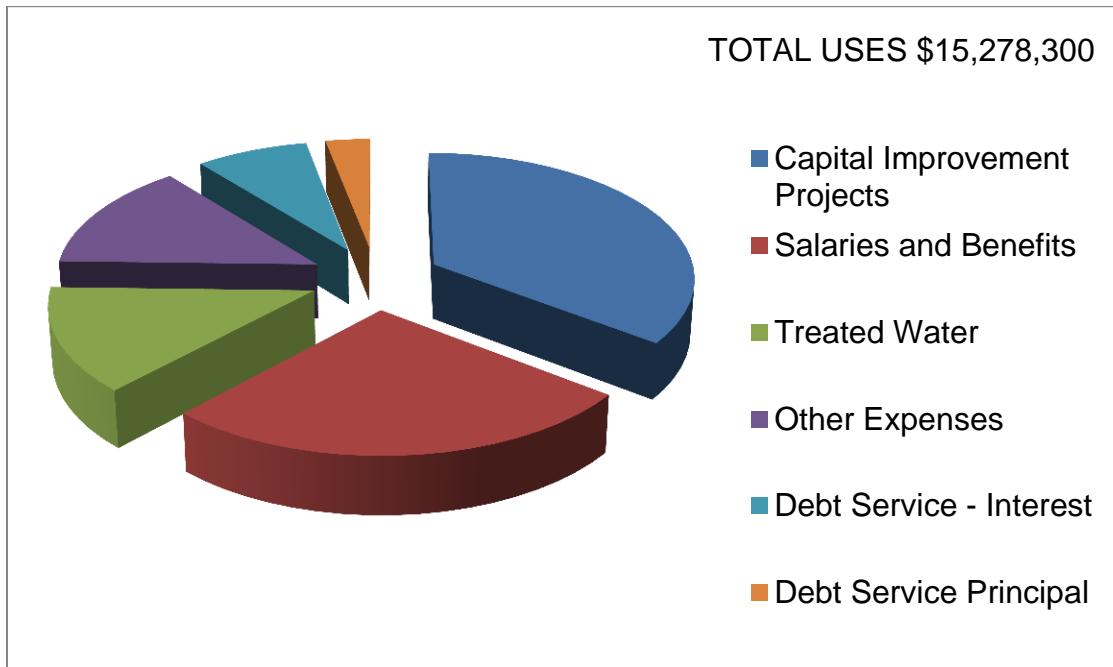
The 2016 Retail Connection Fees have been increased by 2.68% as indexed to the 20 Cities Construction Cost Index ("CCI").

Sources and Uses of Funds - Retail

WHERE THE MONEY COMES FROM



WHERE THE MONEY GOES



Summary Sources and Uses of Funds - Retail

	FY 2014-15 Est.	FY 2015-16 Budget
Beginning Available Reserves	\$ 16,023,582	\$ 11,032,616
Revenues		
Metered Sales	\$ 7,917,774	\$ 8,695,800
Connection Fees	604,501	350,000
Taxes & Assessments	903,128	948,000
Other Revenues	133,812	127,500
Total Revenues	9,559,214	10,121,300
Expenses:		
Salaries & Benefits	3,917,841	4,067,500
Treated Water	1,742,500	2,050,900
Other Expenses	1,680,327	2,103,600
Debt Service - Interest	1,186,128	1,186,200
Debt Service - Principal	466,510	466,500
Total Expenses	\$ 8,993,306	\$ 9,874,700
Net Income	\$ 565,909	\$ 246,600
Capital Improvement Program	(5,556,875)	(5,403,600)
Ending Available Reserves	\$ 11,032,616	\$ 5,875,616

Functional Areas

Administration and General

For Retail activities, this includes: Executive, Finance, Human Resources, Purchasing, Risk Management and Safety, Operations Manager, Information Technology, and General Administration. Overall District costs related to auditing, consulting, Directors, general operations, legal and office expenses are recorded in this category.

Executive is responsible for the overall administration of the District including: implementing District policies; developing and maintaining responsive District programs and services; providing leadership and motivation to District staff; maintaining and planning for fiscal integrity; promoting excellent customer service; maintaining strong relationships with local and regional regulatory and peer governmental agencies; providing direct support to the Board of Directors. The major initiative of the Executive office for fiscal year 2015-2016 is to ensure adequate drought response and adherence to the mandatory 36% conservation from 2013 water consumption levels.

Finance is responsible for all financial operations in the District, including: financial planning and forecasting, budget development, accounting and fiscal administration, debt issuance and management, financial reports and annual audit, and water rates and charges analysis. Major initiatives for the coming year include: completion of the financial information system implementation, development of regular financial reports to the Board of Directors, reviewing and revising accounts payable processes to increase internal and budgetary controls while increasing operating efficiencies, review and analysis of fixed asset records and accounting.

Human Resources provides support in recruitment, selection, development and retention of a talented workforce. This includes payroll and benefits administration. Major initiatives include implementing new reporting requirements from the Affordability Care Act, fine tuning the newly implemented payroll module in the financial information system, improving the new employee on-boarding process and promoting a culture of excellent customer service.

Purchasing facilitates and coordinates: bidding and requests for proposals; acquisition of equipment, materials, services and supplies; contracts; and insurance certifications. Major initiatives for the next year will be review of and improvements to the contract monitoring system as well as updating the Purchasing Manual to reflect in changes implemented by the Finance Department in the purchasing process.

Risk Management and Safety is responsible for the District's insurance, safety, loss control, and property/liability claims.

Operations Manager is responsible for oversight of the Field Services, Water Treatment Plant, Customer Service and Conservation Departments. Major initiatives of the Operations Manager include evaluating the Distribution System for optimizing pressure zones and water conveyance for water quality and energy saving purposes. Additionally, training related to emergency response and safety will be increased for District staff. Above all, team building will remain the main focus of the

Operations Manager through all staff team meetings and constant communication training.

Information Technology manages and supports all aspects of the District's information technology systems, including data and voice communications hardware and software, as well as implementation of the District's Information Technology (IT) Master Plan. Major initiatives for the Information Technology Department include completing virtual environment upgrades to provide additional redundancy for the SCADA system and providing secure remote web-based access to the SCADA system to allow for real time troubleshooting and maintenance thereby improving efficiency and response from staff.

General Administration covers all areas of operation and administration not covered specifically above and not attributable to a specific department.

Conservation

The Conservation Department provides free services to assist customers with increasing their water efficiency. The district partners with federal, state and local entities to fund various water-efficient rebate programs. Conservation monitors all grant programs and prepares status reports to the issuing entity as required. The department's highly-trained staff administers its rebate programs, conducts water audits, provides workshops to educate customers about water efficient practices and provides leak detection assistance. Staff participates in regional efforts to promote the efficient use of water. Because Conservation is in constant close contact with retail customers, the department plays a major role in the District's water efficiency outreach efforts. Conservation is involved in the development of "how to" and videos, media interviews to promote events, and telephone town hall meetings. In FY14/15 the WaterSmart Software program was launched as a drought mitigation tool to highlight individual household water use and specific messaging. This program will continue through FY15/16. Major initiatives for fiscal year 2015-2016 include meeting the water reduction requirements set forth by the State Water Resources Control Board, meeting the best management practice conditions set forth by the Department of Water Resources in the 2015 Urban Water Management Plan and meeting the best management practices set forth in the 2015 USBR Water Management Plan.

Customer Service

This department provides friendly, personal customer service to the District's 10,500 Retail connections including numerous billing and payment options while ensuring compliance with Government Codes on billing and notices, Red Flag Rules and the Payment Card Industry Data Security Standards. Because Customer Service is in constant close contact with retail customers, the department plays a major role in the District's public relations and outreach efforts. Customer Service strategizes with our public affairs experts in developing all of our outreach efforts, including the WaterGram, our website, videos, Consumer Confidence Reports, Prop 218 notices and other special mailers. Customer Service provides administrative support for the annual backflow prevention device testing program; assists with connection fee research, initiates service orders, issues hydrant use permits and Will Serves for new connections, tracks and reports water use and connection data internally and to various federal, state, and local entities; and prepares customer correspondence. Customer service also

encompasses meter reading which is responsible for maintaining service box identification and clearance. Major initiatives for fiscal year 2015-2016 include the implementation of an emergency notification system to enable the district to quickly communicate critical messages to its customers.

Engineering Services

In general, this Department is responsible for planning, designing and managing Retail capital improvement projects, assisting with operational improvements, and assisting with maintenance activities which contain an engineering component. Engineering is also responsible for review, approval, management, and inspection of new development funded distribution system improvement projects. The planned capital improvement projects for the 2015 – 2016 fiscal year can be found on page 27 of this document.

Field Services

Field Services is responsible for the distribution of treated water to the customers of the San Juan Water District. This includes ensuring adequate water pressure and storage is maintained throughout the retail service area. The Distribution System is comprised of various pipelines approximately 217 miles in length, ranging in size from 1” to 96” in diameter, pumping sites which contain 9 pump stations and 9 pressure zones, one of which is a gravity supplied zone. In addition, there is the Los Lagos Tank Site which has the storage capacity of 1.65 MG, Mooney Hydro pneumatic tank site which has the storage capacity of 0.055MG and Kokila Reservoir, which is a hypalon covered in-ground storage facility with the capacity of 4.56 MG. Major initiatives for fiscal year 2015-2016 include optimizing performance of two new pump stations (Al Castellanos and Upper Granite Bay) as well as continued mentoring of field staff for succession purposes.

Budget Summary by Functional Area - Retail

	Actual		Estimated		Adopted Budget		Change from FY 14-15 Est.	
	FY 13-14	FY 14-15	FY 14-15	FY 15-16	FY 15-16	Amount	Percent	
Operating Revenues:								
Water Sales	\$ 8,506,899	\$ 7,917,774	\$ 7,917,774	\$ 8,695,800	\$ 8,695,800	\$ 778,026	9.8%	
Other (See Detail)	145,382	120,512	120,512	121,500	121,500	988	0.8%	
Total Operating Revenues	8,652,281	8,038,286	8,038,286	8,817,300	8,817,300	779,014	9.7%	
Operating Expenses:								
Field Services	2,991,574	2,680,773	2,680,773	2,825,900	2,825,900	145,127	5.4%	
Source of Supply	2,110,208	1,742,500	1,742,500	2,050,900	2,050,900	308,400	17.7%	
Administrative & General	1,771,331	1,312,139	1,312,139	1,393,900	1,393,900	81,761	6.2%	
Conservation	424,184	493,752	493,752	668,300	668,300	174,548	35.4%	
Customer Service	579,052	540,289	540,289	653,400	653,400	113,111	20.9%	
Engineering	325,048	292,275	292,275	316,600	316,600	24,325	8.3%	
OPEB/Retiree Health	0	275,940	275,940	310,000	310,000	34,060	12.3%	
Operating Expenses	8,201,396	7,337,668	7,337,668	8,219,000	8,219,000	881,332	12.0%	
Net Income/(Loss)-Operations	\$ 450,885	\$ 700,618	\$ 700,618	\$ 598,300	\$ 598,300	\$ (102,318)		
Non-Operating Revenues:								
Retail Connections	\$ 1,081,104	\$ 604,501	\$ 604,501	\$ 350,000	\$ 350,000	\$ (254,501)	-42.1%	
Taxes & Assessments	838,921	903,128	903,128	948,000	948,000	44,872	5.0%	
Interest/Investment Income	0	7,300	7,300	5,000	5,000	(2,300)	-31.5%	
Other (See Detail)	(286)	6,000	6,000	1,000	1,000	(5,000)	-83.3%	
Total Non-Operating	1,919,739	1,520,929	1,520,929	1,304,000	1,304,000	(216,929)	-14.3%	
Non Operating Expenses:								
2009 COPs (interest)	-	935,651	935,651	935,700	935,700	49	0.0%	
2012 Refund (interest)	707,999	244,001	244,001	244,000	244,000	(1)	0.0%	
EDA Loan (interest)	-	6,476	6,476	6,500	6,500	24	0.4%	
Other (See Detail)	(15,247)	3,000	3,000	3,000	3,000	-	0.0%	
Total Non-Operating Expense	692,752	1,189,128	1,189,128	1,189,200	1,189,200	72	0.0%	
Net Non-Operating	\$ 1,226,987	\$ 331,800	\$ 331,800	\$ 114,800	\$ 114,800	\$ (217,000)		
Net Available Income	\$ 1,677,872	\$ 1,032,418	\$ 1,032,418	\$ 713,100	\$ 713,100	\$ (319,318)		
Debt Service Principal								
2009 COPs	227,681	241,736	241,736	241,700	241,700	(36)	0.0%	
2012 Refunding Bonds	192,019	201,163	201,163	201,200	201,200	37	0.0%	
EDA Loan	23,611	23,611	23,611	23,600	23,600	(11)	0.0%	
Debt Service Principal	443,311	466,510	466,510	466,500	466,500	(10)	0.0%	
Net Available for Distribution	\$ 1,234,560	\$ 565,908	\$ 565,908	\$ 246,600	\$ 246,600	\$ (319,308)	-56.4%	
Transfers from/(to) Reserves								
Kokila Reservoir	\$ 214,000	\$ (10,176)	\$ (10,176)	\$ (10,176)	\$ (10,176)	\$ -		
Retail Reserves	(609,638)	347,395	347,395	(236,425)	(236,425)	472,862		
Connection Reserves	(838,921)	(903,128)	(903,128)			289,000		
PERS Stabilization	(1)	0	0	1	1	(100,000)		
Total Transfers	\$ (1,234,560)	\$ (565,908)	\$ (565,908)	\$ (246,600)	\$ (246,600)	\$ 661,862		
Ending Available Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		

Debt Service – Retail

Retail debt service as detailed in the schedule below is comprised of the 2012 Refunding Bonds and 2009 COPs issued for Retail Capital Improvement Projects as well as an Economic Development Loan.

Retail Debt Service FY 15-16	Direct			Annual Debt Service Charge		
	Principal	Interest	Total	Principal	Interest	Total
<u>2012 Refunding Bond Payments</u>						
<i>New Project Money</i>						
Annual Debt Service Charge				\$ 85,036	\$ 103,145	\$ 188,181
Direct Obligation	\$116,127.00	\$ 140,857	\$ 256,984			
Total 2012 Refunding Pymts	\$ 116,127	\$ 140,857	\$ 256,984	\$ 85,036	\$ 103,145	\$ 188,181
<u>2009 COP Payments:</u>						
<i>New Project Money</i>						
Annual Debt Service Charge				\$ 86,936	\$ 336,489	\$ 423,425
Direct Obligation	154,800	599,162	753,962			
Total 2009 COP Payments	\$ 154,800	\$ 599,162	\$ 753,962	\$ 86,936	\$ 336,489	\$ 423,425
California Energy Commission Loan	0	0	-			
Economic Development Loan	23,611	6,476	30,087			
Total Debt Service Payments	\$ 294,538	\$ 746,495	\$ 1,041,033	\$ 171,972	\$ 439,634	\$ 611,605
Combined Debt Service				Principal	Interest	Total
2012 Refunding Bond Payments				\$ 201,163	\$ 244,001	\$ 445,164
2009 Certificates of Participation				241,736	935,651	1,177,386
Economic Development Loan				23,611	6,476	30,087
Total Debt Service Payments (including Annual Debt Service Charge)				\$ 466,510	\$ 1,186,128	\$ 1,652,638

Capital Improvement Program - Retail

Retail facilities include those that allow the District to deliver water to retail customers and perform all supporting activities to accomplish this. Specific examples are:

- transmission and distribution pipelines;
- pump stations;
- pressure reducing stations;
- storage tanks; and
- District equipment and buildings.

The District's Capital Improvement Program ("CIP") is viewed as two separate programs for Wholesale and Retail facilities. Most projects are not relevant to both Wholesale and Retail, therefore, they are evaluated and planned for separately. Some do benefit both Wholesale and Retail facilities and are assigned to each based upon specific benefit with Wholesale and Retail paying their fair share of the cost. To be considered a capital expense, the project, program or equipment must generally cost \$5,000 or more and have a useful life extending three years or more.

CIP Process

In order to develop and maintain the District's long-range CIP, the first step is completion of a Retail Master Plan. These are completed approximately every five to ten years by an outside consultant with District staff assistance. All existing and future facilities are evaluated to sustain the District's cost-effective CIP goals:

- Ensure that delivery of a reliable water supply is maintained and secured for future needs.
- Maintain or implement compliance with existing or new regulations.
- Address public safety or health standards.
- Plan contingencies for reasonable emergency supply or outages.
- Ensure that existing infrastructure is maintained, replaced and improved as necessary.
- Provide for new capital projects to help meet the highest priority District needs.
- Develop and implement more economical, efficient, or effective delivery of District services.

CIP projects are categorized as follows:

District-Wide: projects that benefit the District's internal operations such as information technology or building improvements.

Pipeline Replacements: projects related to the expansion, maintenance, or improvement of the District's transmission and distribution system.

Pump Stations: projects related to the maintenance, improvement or expansion of the District's pump stations.

Pressure Reducing Stations: projects related to the construction, maintenance, improvement or expansion of the District's pressure reducing stations.

Storage Tanks: projects related to the construction, maintenance, improvement or expansion of the District's storage facilities.

Development Projects: projects needed to serve new development, which are funded by the developer, and conveyed to the District for long-term operation and maintenance.

Upon completion or update of the Retail Master Plan, the Retail Water Rate Study and Financial Plan are updated to reflect new or updated projects. This may not be necessary if the costs do not represent a major impact to the CIP. Projects are incorporated into the fiscal-year budget for the year they are expected to begin, with individual projects approved in accordance with District policy or prescribed codes (i.e. Public Contract Code).

District staff manage projects with the assistance of consultants where needed. District labor, inventory, materials, supplies and related costs may be required on a project and coded as such to reflect the full cost of the asset for financial reporting purposes. Upon completion of a project, a Notice of Acceptance is filed (when applicable) and appropriate insurance coverage is secured by the District's insurer in accordance with the policy.

CIP Budget – Retail

	FY 2015-2016 General
<u>Funding Sources:</u>	
Estimated Beginning Balance	\$ 7,778,417
Estimated Revenue and Transfers	353,496
Estimated Funds Available for CIP Projects	\$ 8,131,913
<u>Projects:</u>	
District-Wide	
Vehicle Replacement	\$ 214,000
Field Services	
Pump Station-Upper Granite Bay	\$ 1,100,000
Transmission Pipelines-AFR North	680,000
Los Lagos Tank - Recoating	628,000
Pump Station-Lower Granite Bay	350,000
Mainline Replacements-Main	335,000
Mainline Replacements-Oak Avenue	310,000
Mainline Replacements-Telegraph Avenue	239,000
Pressure Reducing Station-Oak Ave	200,000
Water Supply Reliability - Barton Rd	176,700
Sample Stations	175,000
Pressure Reducing Station-Canyon Falls	155,000
Transmission Pipelines-Eureka	150,000
Distribution System Improvements	123,000
Mainline Replacements-Oak/Cardwell	104,400
Kokila Reservoir Condition Assessment	103,000
Mooney Ridge Hydro-Tank Recoating	103,000
Mainline Replacements-Erwin Avenue	69,800
Los Lagos Tank - Mixing System	58,000
Pump/Motor R&R	50,000
Mainline Replacements-Peerless Avenue	43,400
Mainline Replacements-Sierra/Douglas	27,300
Update OITs and & PLC Prgramming	9,000
Total Projects	\$ 5,403,600
Estimated Ending Balance	\$ 2,728,313

Cost Allocation Plan

The San Juan Water District is organized as a community services district with both wholesale and retail operations. While the District finds it advantageous and effective to set up separate funds to account for the two lines of operation, they do share facilities and employees. Cash is maintained in pooled accounts in order to maximize interest and investment earnings opportunities while separately accounted for with respect to each component of cash reserves.

There are many acceptable methods to allocate shared costs, ranging in design and complexity. The District has chosen an array of allocation methods that appropriately allocates shared costs, while minimizing complexity and staff time needed to perform the calculations. The following cost allocation methods are used:

- Direct – for those costs that are specifically identifiable to apply to either;
- Proportionate – for those costs that benefit both based upon the appropriate base (i.e. full-time equivalent employees (“FTE”), building occupancy, number of connections, etc.).

Direct costs are simply those costs that apply either to Wholesale or Retail, or some percentage of each that can be determined by the nature of the cost. Proportionate costs are assigned to Wholesale or Retail based upon the benefit received using the base as described above which most accurately reflects this.

Labor

As mentioned previously, some employees are shared by Wholesale and Retail to maximize efficiency and eliminate the need for redundant positions thereby minimizing any idle time. The table provided next lists all District positions and their respective budgeted assignment to Wholesale or Retail activities. Employees code time to reflect work on specific projects, which varies from year-to-year. However, this reflects the overall assignment for each and is a basis for other cost assignments.

Position Allocation

Area		Wholesale	Retail	Wholesale	Retail
Position Title/# Budgeted		Allocation	Allocation	FTE	FTE
Executive					
General Manager	1.0	90.00%	10.00%	0.90	0.10
Assistant General Manager	1.0	70.00%	30.00%	0.70	0.30
Administrative Assistant/Board Secretary	1.0	50.00%	50.00%	0.50	0.50
Total Executive	3.0				
Finance & Administrative Services					
Finance Director	1.0	50.00%	50.00%	0.50	0.50
Finance & Administrative Services Manager	0.3	60.00%	40.00%	0.15	0.10
Finance & Administrative Services Analyst I	1.0	50.00%	50.00%	0.50	0.50
Accountant	1.0	50.00%	50.00%	0.50	0.50
Accounting Technician III	1.0	50.00%	50.00%	0.50	0.50
Information Technology Administrator	1.0	50.00%	50.00%	0.50	0.50
Purchasing Agent	1.0	50.00%	50.00%	0.50	0.50
Total Finance & Administrative Services	6.3				
Conservation					
Conservation Technician - Temporary	2.0		100.00%	0.00	2.00
Conservation Technician I	1.0		100.00%	0.00	1.00
Conservation Technician II	1.0		100.00%	0.00	1.00
Water Resource Analyst	1.0	90.00%	10.00%	0.90	0.10
Total Conservation	5.0				
Customer Services					
Customer Services Manager	1.5		100.00%	0.00	1.50
Conservation Lead	1.0		100.00%	0.00	1.00
Accounting Technician III	1.0		100.00%	0.00	1.00
Meter Technician	1.0		100.00%	0.00	1.00
Customer Service Technician III	1.0		100.00%	0.00	1.00
Total Customer Services	5.5				
Engineering Services					
Engineering Services Manager	1.0	50.00%	50.00%	0.50	0.50
Associate/Senior Engineer	1.0	50.00%	50.00%	0.50	0.50
Engineering Technician III	2.0	50.00%	50.00%	1.00	1.00
Total Engineering Services	4.0				
Field Services					
Field Services Manager	1.0		100.00%	0.00	1.00
Distribution Lead Worker	3.0		100.00%	0.00	3.00
Distribution Operator II	1.0		100.00%	0.00	1.00
Distribution Operator III	2.0		100.00%	0.00	2.00
Distribution Operator IV	6.0		100.00%	0.00	6.00
Facilities Maintenance Worker	1.0		100.00%	0.00	1.00
Total Field Services	14.0				
Operations					
Operations Manager	1.0	50.00%	50.00%	0.50	0.50
Total Operations	1.0				
Water Treatment Plant					
Water Treatment Plant Chief	1.0	100.00%		1.00	0.00
Maintenance Chief	1.0	100.00%		1.00	0.00
Chief Operator	1.0	100.00%		1.00	0.00
Water Treatment Operator IV	1.0	100.00%		1.00	0.00
Instrumentation Technician	1.0	100.00%		1.00	0.00
Water Treatment Operator III	3.0	100.00%		3.00	0.00
Maintenance Technician I	1.0	100.00%		1.00	0.00
Facilities Maintenance Help	1.0	100.00%		1.00	0.00
Total Water Treatment Plant	10.0				
Total Funded Positions	48.8			18.65	30.10