

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

January 11, 2017 – 6:00 p.m.

BOARD OF DIRECTORS

Pam Tobin	President
Ken Miller	Vice President
Ted Costa	Director
Dan Rich	Director
Bob Walters	Director

SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF

Keith Durkin	Interim General Manager
Donna Silva	Director of Finance
Teri Grant	Board Secretary/Administrative Assistant
Joshua Horowitz	Legal Counsel

OTHER ATTENDEES

Mitch Dion	Self
Paul Helliker	Self
Tony Barela	SJWD
George Machado	SJWD
Greg Turner	SJWD
Rob Watson	SJWD
Greg Zlotnick	SJWD
Bob Reed	The Reed Group

AGENDA ITEMS

- I. Public Forum**
- II. Consent Calendar**
- III. Old Business**
- IV. Presentations**
- V. New Business**
- VI. Information Items**
- VII. Directors' Reports**
- VIII. Committee Meetings**
- IX. Upcoming Events**
- X. Adjourn**

President Tobin called the meeting to order at 6:00 p.m.

I. PUBLIC FORUM

There were no public comments.

II. CONSENT CALENDAR

All items under the consent calendar are considered to be routine and are approved by one motion. There will be no separate discussion of these items unless a member of the Board, audience, or staff request a specific item removed after the motion to approve the Consent Calendar.

President Tobin removed Consent Calendar item #8 for discussion under Agenda Item VIII-1 at the request of Keith Durkin.

1. Minutes of the Board of Directors Meeting, November 9, 2016

Recommendation: Approve draft minutes

2. Minutes of the Board of Directors Special Meeting, December 7, 2016

Recommendation: Approve draft minutes

3. Minutes of the Board of Directors Special Meeting, December 12, 2016

Recommendation: Approve draft minutes

4. Minutes of the Board of Directors Meeting, December 14, 2016

Recommendation: Approve draft minutes

5. Minutes of the Board of Directors Special Meeting, December 27, 2016

Recommendation: Approve draft minutes

6. Payment of Bills and Claims

Recommendation: Adopt Resolution No. 17-01

7. Engineering Plotter/Scanner

Recommendation: Approve a motion to purchase a new HP Designjet Z5400 plotter/scanner to replace the existing plotter/scanner for an amount not to exceed \$12,500

8. Baldwin Reservoir Raw Water Piping Improvements

Recommendation: Approve a motion to authorize using \$90,000 of wholesale capital reserves to construct the improvements

In response to Director Walters' question regarding the November 9, 2016, meeting minutes agenda item VI-1.1, Mr. Greg Zlotnick informed the Board that the USBR confirmed that the District received a waiver for submitting the water management plan this year. Mr. Zlotnick will find out whether the District has to submit the water management plan next year or in five years.

In response to Director Walters' question regarding the November 9, 2016, meeting minutes agenda item VI-2.1, Mr. Durkin informed the Board that the Public Information Committee discussed joining the other agencies to hire a strategic public affairs consultant and this will be discussed at the January 25th Board meeting.

In response to Director Walters' comment regarding the lack of financial information and details on the December 14, 2016, meeting minutes agenda item VI-1, Mr. Durkin explained that the minutes reflect the discussion of the

Board at that meeting and the follow-up discussion will be held under Old Business tonight.

Ms. Silva informed the Board that for Consent Calendar item 6, Payment of Bills and Claims, she will have to transfer funds from LAIF to the District's checking account, and that she has had to transfer approximately \$4.5 million since she has been at the District. She commented that she has never transferred funds into LAIF during this same time.

Director Walters moved to approve Consent Calendar items 1-7. Director Miller seconded the motion and it carried unanimously.

President Tobin moved agenda item V-1, General Manager Recruitment, forward for discussion. The meeting minutes will remain in the original agenda order.

III. OLD BUSINESS

1. 2017 Board Officers

President Tobin opened the nominations for President and Vice President for the San Juan Water District Board of Directors for 2017.

President Tobin moved to elect Ken Miller as Board President. Director Rich seconded the motion and it carried unanimously.

President Tobin moved to elect Bob Walters as Board Vice President. Director Costa seconded the motion and it carried unanimously.

Outgoing President Pam Tobin passed the gavel to incoming President Ken Miller.

2. Wholesale Financial Plan and Water Rate Update Study

Ms. Silva reviewed the Wholesale Financial Plan and Water Rate Update Study process and timeline. In addition, she reviewed the various comments received from the wholesale customer agencies and other sources, which are all included in her staff report. Ms. Silva informed the Board that any rate change would be effective January 1, 2017.

Mr. Reed conducted a presentation on the wholesale Financial Plan and Water Rate Update Study. A copy of the presentation and plan will be attached to the meeting minutes.

The Board discussed the revenue from SSWD, pay-as-you-go projects, and funding for the Hinkle Reservoir replacement project. In addition, they discussed the cost of pumping groundwater versus surface water deliveries for the wholesale customer agencies. Director Costa suggested that the Board consider a parcel tax on customers versus raising rates.

In response to Director Walters' question regarding SSWD wheeling charges, Mr. Durkin explained that the 1994 agreement between SSWD and SJWD will be reviewed and SSWD will provide the District with their proposed revisions to the contract as a starting point for discussions. Mr. Durkin commented that any revisions will be fair and equitable as it pertains to the cost of service. Mr. Durkin will bring that contract to the appropriate committee for review in the next few months.

Mr. Reed reported that the Wholesale Financial Plan covers operation, maintenance, and debt service obligations throughout the planning period, with a majority of CIP projects funded on pay-as-you-go basis and new debt issued in 2019 for two major projects. He reported that the PERS UAL is reduced by 75% and reserve recommendations help to reduce costs and help limit annual rate adjustments. In addition, he is recommending that the District adopt the entire 5-year rate schedule, which meets the cost of service requirements and helps improve revenue stability. He explained that rates should be reviewed on an annual basis to determine if the adopted rate needs to be adjusted.

Mr. Reed informed the Board that the proposed rate increases mainly reflect covering the financial deficit, the cost of new debt service and meeting obligations. Mr. Durkin informed the Board that the wholesale customer agencies are aware of the District's proposed rate increases, participated in workshops regarding the wholesale financial plan, and although they would prefer no rate increases, they have expressed support of the financial plan and increases.

Mr. Mitch Dion addressed the Board as a rate payer, not a representative of SSWD. He voiced concern regarding the wholesale water rate increase and the effect on water use due to the increase in cost. In addition, he had obtained a copy of the report that HDR completed for SSWD and voiced concern regarding the statement in the report that reads, "The analytical level of detail contained within the Reed report likely does not fully support the District's suggested approach." Mr. Dion warned the Board regarding an artificial bounce-back regarding water sales.

Director Walters commented that there are some policy decisions that the Board should make that are in the report and is concerned that by adopting the report, the Board is ultimately adopting those policy decisions, such as eliminating a reserve. Ms. Silva commented that, by accepting the report, the Board is not changing policy and staff will return with recommendations to actually change any adopted policy that is reflected in the report. Mr. Horowitz explained that accepting the report is an acknowledgement by the Board that Mr. Reed completed the report. Mr. Durkin confirmed that, by accepting the report, the Board is not adopting the report and changing Board policies, the Board is only accepting the work product and indicating to Mr. Reed that his work on the report is complete. Mr. Horowitz informed the Board that they could separate the motion into two parts – first accept the report and the second to adopt the rates and give direction to staff.

Director Costa moved to accept the final report and approval of Five Year Wholesale Water Rate Schedule. Director Tobin seconded the motion.

Director Walters offered a substitute motion to separate the issues. Director Walters moved to accept the final report. Director Rich seconded the motion and it carried with 4 Aye votes and 1 No vote (Director Costa).

Director Costa voiced concern with the report and suggested that the District go to the voters for a 20-year bond. Director Walters suggested that staff work with the policy issues that are listed in the report.

In response to Director Rich's comment, Mr. Durkin explained that staff's approach has been to get the full life out of the Hinkle cover and liner which is estimated to be another 3-5 years instead of proceeding earlier with the project. Mr. Reed commented that if borrowing was moved up a year, then debt service would also move up a year and the proposed rates might not support the change; however, in structuring the debt, the District might be able to make payments which fall in line with the financial plan.

Ms. Silva commented that she received information that the District might qualify for financing through the EPA's Water Infrastructure Finance and Innovation Act (WIFIA) program. She commented that Hinkle Reservoir replacement should qualify for the program at a very low interest rate and there is flexibility to structure the repayment schedule. Director Rich recommends starting the pre-design work on the Hinkle Project early as it will be needed when applying for a loan. Mr. Horowitz suggested that a workshop be scheduled to discuss Hinkle Reservoir. President Miller directed staff to set up a workshop to discuss Hinkle Reservoir and directed staff to work with Director Walters regarding the Board policies which are included in the report.

Director Rich moved to approve the Five Year Wholesale Water Rate Schedule, as contained within the Wholesale Financial Plan and Water Rate Update Study. Director Tobin seconded the motion and it carried with 4 Aye votes and 1 No vote (Director Costa).

3. Tablet for Board Members

President Miller reminded the Board that one of the reasons to pursue tablets for Board members is so that if there is a court case that requires access to Board members' emails then only District emails on the tablet would be accessible versus if a Board member uses a personal device then all emails could be accessed. Director Walters would like to see the tablets utilized on a one to two year trial basis then evaluated regarding the cost.

In response to Director Walters' question, Mr. Horowitz explained that state law allows Board members to post uniform information on Board members on the District's website, i.e. in the same typeface, same style and same size, such as name, email addresses and a photo. Mr. Durkin reported that there is a staff

report in the Board packet which will be attached to the meeting minutes. The staff report includes cost information for the tablets and an estimate of how that cost breaks down per meeting. In addition, Mr. Durkin provided a spreadsheet of information, prepared by the Board Secretary, which shows that the cost of one Board member's packet is approximately \$1,750 over a three year period.

Director Walters moved to authorize staff to purchase tablet computers for Directors choosing to receive direct email and other district information electronically for a one year trial period with a report back. Director Rich seconded the motion and it carried with 4 Aye votes and 1 No vote (Director Costa).

President Miller instructed Board members to contact the Board Secretary if they want to receive a tablet.

IV. PRESENTATIONS

1. 2016 SJWD President Award of Appreciation

President Miller presented Director Tobin with an award of appreciation for serving as Board President in 2016.

V. NEW BUSINESS

1. General Manager Recruitment

Mr. Durkin informed the Board that the background check and medical clearance for the General Manager candidate, Paul Helliker, were completed with favorable results.

Mr. Helliker addressed the Board and thanked them for selecting him as the new General Manager for the District. He commented that he plans to take some time off at his current position and will try to meet up with the board members and staff during that time.

Director Rich moved to approve the Agreement to employ Paul Helliker as District General Manager. Director Miller seconded the motion and it carried unanimously.

VI. INFORMATION ITEMS

1. INTERIM GENERAL MANAGER'S REPORT

1.1 Q1/Q2 2017 Interim GM Work Plan and Transition Items

Mr. Durkin provided the Board with a written staff report which will be attached to the meeting minutes. He explained that he has developed a list of items that need to move through various committees and obtain Board action. He explained that this list will help Board members know what each committee at a minimum is tasked with completing this year. Mr. Durkin's goal is to complete as many of these tasks as possible during the next few

months so that the incoming General Manager, Paul Helliker, can focus on current activities instead of focusing on items which should have been completed already.

For information only; no action requested

1.2 Making Conservation a Way of Life: Water Suppliers and Associations Position on Legislation to Implement Executive Order B-37-16

Mr. Durkin referred the Board to the handout that was included in the Board packet. He explained that the handout provides talking points for water suppliers regarding Executive Order B-37-16 and can be used as a starting point for discussions with regulators and legislators.

For Information, no action requested

1.3 Miscellaneous District Issues and Correspondence

Mr. Durkin informed the Board that additional handouts were provided to the Board tonight, which will be attached to the meeting minutes. He reported that the State Water Board will be conducting a public workshop on Urban Water Conservation which is scheduled for January 18, 2017. The workshop will include discussions regarding the Governor's Emergency Order which will be expiring February 28, 2017. In addition, a copy of two comment letters were provided to the Board which are requesting that the State Water Board lift the emergency regulations

Mr. Durkin informed the Board that a joint comment letter was sent to the California Natural Resources Agency regarding the Bay-Delta Plan. A copy of the letter will be attached to the meeting minutes.

For information, no action requested.

2. DIRECTOR OF FINANCE'S REPORT

3.1. Miscellaneous District Issues and Correspondence

Ms. Silva informed the Board that with tonight's action on the wholesale rates, the information can now be incorporated into the Retail Financial Plan. She explained that Director Rich reviewed the content for the Proposition 218 notice and the information has been sent to Crocker & Crocker for the notice to be formatted. She expects a draft of the Prop. 218 notice this week, and for the notice to be sent out by February 6th. She commented that the earliest date for the public hearing on the Retail Financial Plan will be around March 23rd and the date will be set once the calendars have been reviewed. In response to Director Costa's comment regarding an error in the last Prop. 218 notice, Mr. Horowitz informed the Board that he will review the Prop. 218 notice before it is finalized.

Ms. Silva informed the Board that meetings with the Ad Hoc Retail Finance Plan & Rate Review Committee are being set. The committee consists of Directors Tobin and Walters and five members from the retail service area.

Ms. Silva reported that CalPERS Board of Directors lowered the discount rate (assumed rate of return on investments) for the CalPERS pension fund. She explained that the rate was lowered from 7.5% to 7%. She explained that the lowered rate will increase the District's contribution rate and will be phased in over a three-year period beginning fiscal year 2017-2018. She will report back to the Finance Committee once more information on the impact to the District is received.

Ms. Silva informed the Board that the Purchasing Agent, Michael Stemple, saved the District approximately \$15,000 by having the utility bed refurbished for the replacement of vehicle #9. Instead of purchasing a new F450 with the utility bed, only the cab and chassis were purchased. Before and after photos were shared with the Board of Directors.

3. LEGAL COUNSEL'S REPORT

4.1 Legal Matters

Mr. Horowitz informed the Board that the letter to Sacramento County regarding the proposed paving requirements is still being developed and he expects to receive comments from SMUD's legal counsel next week. The letter will be submitted to Sacramento County Board of Supervisors prior to their meeting in February.

Mr. Horowitz informed the Board that a closed session on the phase 2 State Water Board flow proceedings should occur in February. In addition, Board input will be needed on the Cal WaterFix issue under closed session.

Mr. Horowitz informed the Board that a new federal water bill was introduced which is similar to the previous water bill that was filed a couple years ago. As soon as the bill is reviewed, more information will be provided to the Board.

In response to President Miller's question regarding the twin tunnels, Mr. Horowitz informed the Board that the discussion on the environmental documents should be a closed session item which would lead to discussion on the twin tunnels.

VII. DIRECTORS' REPORTS

1.1 SGA

No report.

1.2 RWA

Director Tobin reported that RWA meets January 12, 2017. She reported that the recipient for Water States Person of the Year was Debra Sedwick and Lifetime Achievement Award was presented to Bill George.

1.3 ACWA

1.3.1 Local/Federal Government/Region 4 - Pam Tobin

Director Tobin informed the Board that she will attend the February 1st Region 4 event which will be held at SSWD.

1.3.2 JPIA - Bob Walters

Director Walters reported that the Property Committee meets in February.

1.3.3 Energy Committee - Ted Costa

No report.

1.4 CVP Water Users Association

No report.

1.5 Other Reports, Correspondence and Comments

President Miller requested the Directors to provide input in regards to committee assignments to him or Keith Durkin this week as he will be finalizing the 2017 committee assignments next week.

VIII. COMMITTEE MEETINGS

1. Finance Committee (1/10/17)

The committee meeting minutes will be attached to the original board minutes.

Mr. Durkin informed the Board that the District is responsible for maintaining water levels in Baldwin Reservoir, which is considered a regulated environmental habitat. He explained that the District currently supplies partially treated water to maintain water levels at the reservoir; however, under the District's new drinking water discharge permit, the District would need to monitor, sample and report each planned water discharge event.

Staff is recommending that new raw water piping be installed that will supply raw water to Baldwin Reservoir. Mr. Durkin explained that raw water discharges under the permit do not require monitoring, sampling, and reporting for each discharge event. He explained that there would still need to be sampling performed on an annual basis in order to record that raw water was being discharged to Baldwin Reservoir. Mr. Durkin provided an estimate of \$90,000 for the Baldwin Reservoir Raw Water Piping Improvements Project.

Director Walters moved to authorize using \$90,000 of wholesale capital reserves to construct the Baldwin Reservoir Raw Water Piping

Improvements. Director Costa seconded the motion and it carried unanimously.

Director Costa commented that he arrived early for the Finance Committee meeting yesterday and heard some discussion in the Public Information Committee meeting regarding the WaterGram and information about the Cal WaterFix which might be misleading to the public. President Miller informed the Board that this topic will be discussed at the next Board.

IX. UPCOMING EVENTS

1. 2017 ACWA DC Conference
February 28 - March 2, 2017
Washington, DC
2. 2017 ACWA Legislative Symposium
March 8, 2017
Sacramento, CA
3. 2017 Water Education Foundation – Executive Briefing
March 23, 2017
Sacramento, CA
4. 2017 Cap To Cap – Metro Chamber
April 29 – May 3, 2017
Washington DC

X. ADJOURN

The meeting was adjourned at 8:50 p.m.

ATTEST:

KENNETH MILLER, President
Board of Directors
San Juan Water District

TERI GRANT, Board Secretary

STAFF REPORT

To: Keith Durkin
From: Rob Watson – Engineering Services Manager
Date: January 10, 2017
Subject: Authorization to Replace Engineering Plotter Scanner

RECOMMENDED ACTION

Staff recommends authorizing the purchase of a new HP Designjet Z5400 plotter/scanner unit as replacement for the existing HP Designjet 800 unit for a total purchase amount not to exceed \$12,500 (including taxes, delivery and setup onsite, and training).

BACKGROUND

The existing HP Designjet 800 is used by Engineering and other departments for plotting (printing) and scanning design work products for bidding and construction. This aged equipment was originally manufactured in March 2005, and the warranty expired in June 2006. The existing plotter/scanner was purchased used and had already seen 2 or 3 years of service when the District originally purchased it in approximately 2007. It has not been supported by HP for over 5 years. Replacement parts are scarce and are only available on the used market. This aged equipment is also considered a security risk for the District's network because software updates are not available, and it is running on Windows 2000 software which is very outdated.

Engineering staff evaluated the current and future uses for the plotter/scanner equipment to determine the appropriate specifications. Staff then investigated replacement equipment from several manufacturers including Canon/OCE, Epson, and HP to evaluate the capabilities of the available equipment, the ability to meet the specifications, and the costs. Following that evaluation process the determination was the HP Designjet Z5400 plotter/scanner unit was the appropriate cost-effective choice to replace the aged equipment.

BUDGET

This equipment replacement purchase was initially included in the FY14/15, 15/16, and 16/17 budgets however, the purchase continued to be deferred as a cost savings measure to help offset the revenue shortfalls. The item is presently identified for acquisition in FY 16/17 in the current draft Financial Plan, but is not shown in the adopted FY 16/17 Retail Budget. At the time of budget creation, the plotter was slated to be replaced in FY 17/18 but due to its current condition, and the lack of replacement parts, staff recommends immediate replacement.

There was a savings of \$7,986 remaining from the recent Canon printer purchase which could be re-allocated to supplement the purchase of the new plotter/scanner. The remaining \$4,433 would be re-allocated from other CIP cost savings that has been realized this FY.

STAFF REPORT

To: Board of Directors
From: Keith Durkin, Interim General Manager
Date: December 30, 2016
Subject: Baldwin Reservoir Raw Water Piping Improvements

RECOMMENDED ACTION

Staff recommends a motion to authorize using \$90,000 of wholesale capital reserves for construction of the Baldwin Reservoir Raw Water Piping Improvements.

BACKGROUND

Under the Baldwin Reservoir Wetland Enhancement Plan, San Juan Water District (District) is required to supply water to Baldwin Reservoir on a daily or as needed basis for environmental habitat management. Under current operations, the District supplies partially treated water to Baldwin Reservoir. Per the District's new Permit for Drinking Water System Discharges to Waters of the United States with the State Resources Control Board, this requires monitoring, sampling and reporting for each planned discharge event. This project allows raw water to be delivered directly to the reservoir in lieu of partially treated water and will allow the District to monitor discharges on a yearly representative basis per the Discharge Permit. This project is the lowest cost alternative for the District to supply raw, untreated water from Folsom Lake to Baldwin Reservoir.

STATUS

A cost estimate for the project is summarized as follows:

Piping (including fittings, bolts, nuts, etc.)	\$38,000
Meters, Valves, and Electrical Materials	\$17,000
Labor	\$25,000
Contingency (~10%)	\$10,000
Total	\$90,000

The estimate was prepared with the assumption the District will pre-purchase all materials, with installation labor provided by staff and the District's on-call contractor, GM Construction.

FINANCIAL CONSIDERATIONS

This is a newly identified project that was not budgeted for in FY 16/17. Staff is requesting authorization to spend wholesale capital reserves to cover the construction of the Project.

STAFF REPORT

To: Board of Directors
From: Donna Silva, Director of Finance
Date: January 11, 2017
Subject: Wholesale Financial Plan and Water Rate Update Study

RECOMMENDED ACTION

Accept report as final, and approve the multi-year rate schedule as shown on page 5 and page 33 of the Wholesale Financial Plan and Water Rate Update Study (the Financial Plan).

BACKGROUND

In early 2016, the District retained The Reed Group, Inc. to update the District's ten-year wholesale and retail financial plans and to develop recommendations for updating water rates for a five-year period from 2017 through 2021. The purpose of the study was to ensure that the District's wholesale and retail water systems continue to meet financial obligations for ongoing operations and maintenance, debt service and capital improvements while maintaining prudent reserves.

The Wholesale Financial Plan and Water Rate Update study was first presented to the Board of Directors on June 29, 2016. The recommended wholesale water rate increases were as follows:

- 2017: 16%
- 2018: 9%
- 2019: 9%
- 2020: 9%
- 2021: 6%
- 2022 – 2026: 5%

The Financial Plan process has been very transparent well vetted. During the seven months since the initial presentation there have been several presentations made and comments received and responded to, as described in the timeline listed below:

- June 29, 2016 – initial presentation of Financial Plan to Board of Directors. Comments received and incorporated.
- July 13, 2016 – Board of Directors authorized General Manager to provide the Wholesale Customers with the required 150-day Advance Written Notice of Proposed Changes in Water Rates and Charges.
- August 2, 2016 – Sent out the 150-day Advance Written Notice of Proposed Changes in Water Rates and Charges to the wholesale customer agencies.
- September 19, 2016 - Joint Board Meeting held at the Fair Oaks Water District (FOWD), the board members requested a joint meeting of the wholesale customer

agencies General Manager and a representative board member(s) from each agency to obtain more information on the Wholesale Financial Plan.

- October 11, 2016 – Joint Meeting of the wholesale customer agencies General Managers and representative Board Member(s) – to review and discuss the Wholesale Financial Plan.
- October 14, 2016 – Received written comments on Financial Plan from Citrus Heights Water District (shared with Board of Directors on October 26, 2016)
- October 18, 2016 – Received written comments on Financial Plan from Sacramento Suburban Water District (last shared with Board of Directors on December 14, 2016)
- October 19, 2016 – General Manager Shauna Lorance responded to comments from Citrus Heights Water District (shared with Board of Directors on October 26, 2016)
- On October 19, 2016 General Manager Shauna Lorance provided the Board Members with a staff report summarizing the list of comments shared at the October 11th meeting.
- November 11, 2016 – Finance Director Donna Silva responded to comments received from Sacramento Suburban Water District (shared with Board of Directors on December 14, 2016)
- November 30, 2016 – Received report/comments on Wholesale Financial Plan from HDR commissioned by the Sacramento Suburban Water District. (shared with Board of Directors on December 14, 2016)
- December 12, 2016 – Finance Director Donna Silva responded to HDR report/comments (shared with Board of Directors on December 14, 2016)
- December 30, 2016 – 150-day comment period ended.

As a result of the various presentations and comments, the following additional analysis and/or changes to the Financial Plan has occurred:

- Additional analysis related to the CalPERS unfunded pension liability, including a loan from wholesale to retail, to allow both wholesale and retail to fully fund the pension liability (incorporated into Plan).
- Based on comments received from CHWD and the Fair Oaks Water District, Bob Reed determined and advised that not paying down the unfunded liability would result in an additional 3% rate increase in the first year of the plan. However, staff is in agreement that paying down the entire liability is not desirable. Pension reform laws now prohibit the reduction of annual contributions when the plan is over-funded, therefore the District should avoid being over-funded. Staff recommends leaving a small unfunded liability to absorb possible future gains. This change has been made in the final plan.
- Shorter future debt repayment terms (subsequently reported to Board but not incorporated into Plan)
- Presentation of a graph showing the proposed rate increases and changes in the rate structure
- Correction to Citrus Heights Water District future water demands (needed to exclude their projected groundwater use)
- As a result of HDR's review it was agreed that the cost of the groundwater reimbursement should be excluded from costs for the purpose of calculating SSWD's treat and wheel rate. That change has been incorporated in the final report.

- FOWD already incorporated the initial 2017 rate increase into their budget, but they requested the District consider spreading the remaining 4 years out over a 9 year period. Upon analysis it was determined that this would not work. At a minimum, there would not be enough funds to support new debt service for the replacement of the Hinkle Reservoir cover and lining. At the October 26, 2016 Board Meeting, in accordance with Mr. Reed's recommendation, the Board declined to direct staff to incorporate this change into the Wholesale Financial Plan and Water Rate Study.
- At the request of the Board of Directors, Bob Reed analyzed the effect of utilizing a lower assumed interest rate for a future debt issuance (State Revolving Fund loan rate). It was discussed and decided that given the level of uncertainty over future interest rates, staff should seek out the lowest rate possible when issuing debt, but the interest rate assumption in the plan should not be changed.
- Staff has recommended that the District move forward with an advance refunding the existing 2009 COP's. The existing plan does not incorporate any cost savings from a potential refunding as the amount of savings is unknown and interest rates are currently rather volatile. Any additional savings utilized from an advance refunding can be used to lower the debt needed to replace the Hinkle Reservoir cover and lining.
- The financial plan includes funding for a new HR position and a new WTP Operator, as well as funding for an Administration Building to house staff. The Board of Directors has not yet fully analyzed and approved the new positions or solved the problem of staff space. Staff recommends keeping this funding in the plan. If the Board of Directors does not approve the positions, the revenue would be available to reduce the debt needed to fund the replacement of the Hinkle Reservoir cover and lining.

Other comments of note include:

- CHWD pointed out the uncertainty of water demand over the plan period and suggested that the assumptions used in the plan be reviewed annually and any necessary adjustments be made accordingly.

Staff concurs with this recommendation. Staff is recommending Board approval of a multiple year rate structure because it will help in gaining a favorable rating from the credit rating agencies, thereby lowering the cost of necessary debt. A multiple year rate schedule does not lock the District into those rates; it simply removes the requirement to go through the rate setting process each year. Staff should still be monitoring actual results against the plan and bring forward any necessary rate changes if needed.

- CHWD expressed concerns over the 50-50 allocation of costs for the proposed HR Specialist and over the costs for additions or improvements to administrative building space.

Staff agrees that the specific allocation of these costs will need to be determined when and if incurred, but is comfortable with the 50-50 allocation for planning purposes.

- CHWD reiterates the importance of replacing the Hinkle Reservoir lining and suggests it should be done as soon as possible.

- SSWD expressed agreement that the existing agreement between the two agencies is vague and in need of revision. They also point out certain cost elements that they feel should be excluded from the calculation of their rate.

San Jan Water District staff replied that the District is open to a renegotiating of the agreement to provide clarity to the language but that until such time, the District would be calculating their rate based upon our understanding of the existing language. Staff was also able to clarify that most of the items they felt should be excluded from the rate calculation were in fact, excluded.

- SSWD would like SJWD to do what is necessary to implement a strong financial plan with adequate reserves prior to initiation of debt financing.
- The City of Folsom supports the rate structure change of working towards fixed costs being covered by the fixed portion of the wholesale water rates and variable costs being included in the volumetric portion of the rates.
- FOWD suggested a consideration of implementing a take or pay contract.
- CHWD would like SJWD to consider setting enough aside for full funding of infrastructure replacement and repair during development of the next Wholesale Financial Plan. This should include reserves to pay cash for large construction projects, such as the next replacement of the Hinkle Reservoir cover.

As a result of the changes discussed in this staff report the recommended wholesale water rate increases are as follows:

- 2017: 16%
- 2018: 9%
- 2019: 9%
- 2020: 9%
- 2021: 5%

Staff recommends adoption of the rates, as shown on page 5 of the Wholesale Financial Plan and Water Rate Update Study, effective January 1, 2016. This first billing with the new rates would be on or near January 20, 2017. The billing would apply the new rates for the service charge, debt and capital and the existing rate for usage which is billed quarterly in arrears.

The Wholesale Financial Plan and Water Rate Study, as well as comments received, are attached for review.

SAN JUAN WATER DISTRICT

Wholesale Financial Plan and Water Rate Update Study

January 5, 2017



THE REED GROUP, INC.

Table of Contents

SECTION I. SUMMARY	1
<i>Introduction and Background</i>	<i>1</i>
<i>Financial Plan and Revenue Needs</i>	<i>2</i>
<i>Proposed Wholesale Water Rates</i>	<i>4</i>
SECTION II. WHOLESALE FINANCIAL PLAN.....	6
<i>Fund Structure and Cash Flows.....</i>	<i>6</i>
<i>Financial Plan Assumptions.....</i>	<i>8</i>
<i>Financial Plan Results</i>	<i>17</i>
SECTION III. WHOLESALE WATER RATES	23
<i>Current Wholesale Water Rates.....</i>	<i>23</i>
<i>2017 Wholesale Water Rate Revenue Requirement</i>	<i>24</i>
<i>Cost of Service Analyses</i>	<i>25</i>
<i>Water Rate Design</i>	<i>25</i>
<i>Proposed Wholesale Water Rates for 2017 Through 2021</i>	<i>29</i>
<i>Treat and Wheel Water Rates for SSWD.....</i>	<i>32</i>

SECTION I. SUMMARY

INTRODUCTION AND BACKGROUND

In early 2016, the San Juan Water District retained The Reed Group, Inc. to update the District's ten-year wholesale and retail financial plans and develop recommendations for annually updating water rates for a five-year period from 2017 through 2021. The purpose of the study was to ensure that the District's wholesale and retail water systems continue to meet financial obligations for ongoing operation and maintenance, debt service, and capital improvements while maintaining prudent reserves. This report contains analyses and recommendations related to the District's wholesale operations. A separate report contains analyses and recommendations related to the District's retail operations.

One focus of this wholesale financial plan is to help ensure adequate funding of the District's wholesale capital improvement program. The wholesale capital improvement program includes about \$64.6 million (in future dollars) in capital improvements over the ten-year planning period extending through FY 25-26. The financial plan presented herein indicates that undertaking this capital program, as planned and scheduled, will require the issuance of an estimated \$29.0 million in new wholesale long-term debt in 2019 in order to fund two of the largest capital improvement projects. Based on financial plan analyses, all other planned capital improvement projects can be funded on a pay-as-you-go basis.

A second focus of this wholesale financial plan is to address the outstanding unfunded wholesale accrued liability (UAL) associated with the District's retirement programs. Based on the most recent actuarial analysis, the wholesale water system has an outstanding UAL of about \$2.3 million as of June 30, 2016. The District is paying interest on this accrued liability of 7.5 percent while its financial reserves are earning about 0.5 percent. The financial plan includes paying off 75 percent of this outstanding liability using available financial reserves, as this is a more economically efficient use of the District's financial resources.

In other respects, the wholesale financial plan provides a strategy and recommendations for annually adjusting water rates in order to meet financial and service obligations while maintaining prudent reserves. While the financial plan covers a ten-year planning period, water rate recommendations cover five years. It is recommended that the District update the financial plan analysis at least once every three to five years, as warranted.

Wholesale water rate calculations were updated based on the revenue needs developed through the financial planning process. The cost allocation methodology used in the rate calculations is generally the same as in past studies. One change, however, is a shift in the overall rate structure to place greater emphasis on fixed service charges with a corresponding reduction in the reliance on water usage charge revenue. The wholesale water rates will continue to include a uniform water usage charge applicable to all wholesale customers and fixed service charges that reflect differences in service requirements for each wholesale customer. Charges related to debt service obligations also

continue to be segregated as separate charges to each wholesale customer based on previously determined allocations for existing debt.

Continuing with current practices, fixed service charges, debt service charges, as well as existing capital facilities charges, will be billed to each wholesale customer on a quarterly basis in advance, and water usage charges will be billed in arrears following the end of each quarter based on the actual water used during the quarter.

During the course of this study, preliminary results and recommendations were presented to the District's Board of Directors in a workshop on June 29 and in a board meeting on November 9. In addition, wholesale customers were provided a 150 period on which to comment on the July 29 draft of this report. This report reflects consideration of comments received from wholesale customers, new information that became available since prior drafts, as well as direction provided by the District's Board of Directors and staff.

This report summarizes the analyses and recommendations of the wholesale financial plan and water rate study. It includes a financial strategy that relies upon ongoing revenues as well as available reserves to meet all financial obligations, including the planned capital improvement program.

FINANCIAL PLAN AND REVENUE NEEDS

The financial plan model covers the ten-year planning period from FY 16-17 through FY 25-26. The plan reflects estimated operation and maintenance costs, debt service obligations, and capital improvement needs of the wholesale water system. The financial plan is a cash-flow model, and differs from standard accounting income statements and balance sheets. The financial plan also separately reflects ongoing operation and maintenance, debt service payment obligations, and the capital improvement program, with separate revenue sources reflected for each. Financial reserves are also reflected in the financial planning model.

During the past couple of years, the District's operations have been impacted by the sustained drought that has affected all of California. Reduced water sales to wholesale customers (as well as to the District's retail customers) resulted in reduced revenues without a corresponding reduction in costs. As a result, the District cut costs, where possible, deferred capital improvement projects, and relied more heavily on available financial reserves. In addition, property tax revenue normally dedicated to capital improvement projects have been needed to help cover operating, maintenance, and debt service costs. At the present time, the wholesale water system is under more financial stress than it has been in a number of years.

Details of the financial plan assumptions, findings, and recommendations are presented in Section II of this report. However, the analysis indicates that the District needs to increase wholesale water rates each year for the next five years. The District's Board of Directors approved a FY 16-17 wholesale budget without a rate increase, however that budget requires a dramatic use of reserves and leaves the District in greater financial stress. Primary findings and recommendations stemming from the wholesale financial plan analysis include:

- Annual water sales have declined in recent years likely due to the slowdown in the economy, the recent drought, and water conservation efforts by each wholesale customer. The financial plan assumes there will be a modest rebound in water demand beginning in FY 16-17 that then continues and extends over several years.
- Based on the most recent actuarial estimates, the wholesale water system has an outstanding unfunded accrued liability under its Public Employee Retirement System (PERS) retirement programs of about \$2.3 million. It is recommended that the District utilize available financial reserves to pay off 75 percent of this liability in FY 16-17, thereby significantly reducing the 7.5 percent annual interest cost on the UAL.
- The District should anticipate issuing about \$29.0 million in new long-term debt for the wholesale water system in 2019 in order to finance the replacement of the Hinkle reservoir liner and cover, as well as make planned water treatment filter improvements¹. It is anticipated that all other capital improvement projects can be funded on a pay-as-you-go basis thereby avoiding additional interest expenses.
- The District's financial reserve policies have served and continue to serve the District well. However, changes in certain reserves and reserve policies are recommended in order to provide greater economic efficiency and cost savings. A summary of reserve policy recommendations include:
 - Maintain the 20 percent operating reserve for working capital and emergency purposes
 - Fully utilize the \$1 million rate stabilization reserve to help cover current costs (thereby reducing the proposed rate increase), and replenish the reserve by FY 25-26
 - Eliminate the compensated absence reserve as it is unnecessary
 - Use funds from the PERS stabilization reserve and a portion of the Hinkle reservoir reserve to payoff 75 percent of the \$2.3 million PERS UAL balance
 - Maintain required and restricted debt service reserves
 - Continue to utilize the general CIP reserve to help fund planned capital improvement projects.
- It is recommended that the overall level of wholesale water rates be increased on an annual basis, as follows:

○ January 2017	16%
○ January 2018	9%
○ January 2019	9%
○ January 2020	9%
○ January 2021	5%

¹ An estimated additional \$12.75 million may be needed to fund planned retail capital improvement projects.

- Previously adopted capital facilities charges should be maintained with reconciliation of revenues and capital project costs occurring at the completion of each project covered by the charges. The capital facilities charge for Fair Oaks Water District (FOWD) related to the Fair Oaks 40 transmission pipeline relining project should be replaced with the cost sharing and payment terms reflected in the recent agreement between the District and FOWD.

As with past practice, the District should monitor financial conditions and needs on an ongoing (annual) basis and update the financial plan model and future estimates at least every three to five years, or when conditions or plans change sufficiently to warrant an update. Actual future conditions, such as water supply conditions, water deliveries, water sales revenue, operating and maintenance expenses, CIP project costs/timing, project financing, etc., may differ from the financial plan assumptions reflected herein. Material differences affecting the overall financial condition of the wholesale water system may warrant closer review and/or an earlier update. The need and magnitude of annual wholesale water rate increases may also be affected by differences between assumed and actual conditions, including the potential refunding of existing debt and the issuance of new debt.

PROPOSED WHOLESALE WATER RATES

Exhibit I-1 presents proposed wholesale water rates to be implemented in January of each year from 2017 through 2021. Fixed service charges, debt service charges, and capital facilities charges are billed quarterly in advance. Water usage charges are billed in arrears at the end of each quarter, based on actual water deliveries. It is recommended that the Board adopt the for the entire five-year rate schedule at this time.

The proposed wholesale water rates include a decrease in the amount of the water usage rate and increases in quarterly fixed service charges effective in January 2017. Thereafter, the water usage rate is maintained and required revenue increases are realized through increases in the quarterly service charges. Debt service charges are maintained consistent with previously approved allocation of debt service costs to wholesale customers, then expected to increase with the issuance of new debt. The water rate structure changes will result in a gradual shift of the water rate revenue mix such that more of the revenue is obtained through the fixed charges. At present, about 45 percent of wholesale water rate revenue is derived from water usage charge. By FY 20-21, portion of revenue from water usage charges will decline to about 32 percent of the total.

Water usage charges, service charges, and debt service charges presented in Exhibit I-1 together are intended to reflect and recover the costs associated with ongoing operation and maintenance, contributions to the ongoing pay-as-you-go capital program, debt service, and maintenance of financial reserves. Capital facilities charges are related to certain capital improvements that benefit some, but not all, wholesale customers and provide an equitable means of cost sharing. The District should update the financial plan and rate analyses every three to five years, or if there is material change to any of the information and/or assumptions reflected in this report.

**Exhibit I-1
San Juan Water District
Current and Proposed Wholesale Water Rates**

	Current	Jan. 2017	Jan. 2018	Jan. 2019	Jan. 2020	Jan. 2021
Overall Composite Water Rate Incr. -->		16%	9%	9%	9%	5%
San Juan Retail District						
Water Usage Rate (\$/AF)	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14
Qtrly. Serv. Charge (O, M, & R)	\$ 126,315	\$ 278,661	\$ 339,915	\$ 408,924	\$ 358,131	\$ 405,397
Qtrly. Capital Facil. Charge (1)	\$ 123,290	\$ 106,665	\$ 8,631	\$ 8,631	\$ 8,631	\$ -
Quarterly Debt Service Charges						
2009 COPs	\$ 106,297	\$ 106,363	\$ 106,463	\$ 106,463	\$ 106,325	\$ 106,225
2012 Refunding Rev. Bonds	\$ 47,156	\$ 47,075	\$ 46,988	\$ 46,988	\$ 47,113	\$ 47,188
2019 COPs (2)					\$ 134,000	\$ 133,920
Citrus Heights Water District						
Water Usage Rate (\$/AF)	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14
Qtrly. Serv. Charge (O, M, & R)	\$ 132,586	\$ 285,567	\$ 348,338	\$ 419,057	\$ 367,005	\$ 415,442
Qtrly. Capital Facil. Charge (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Quarterly Debt Service Charges						
2009 COPs	\$ 113,161	\$ 113,238	\$ 113,338	\$ 113,338	\$ 113,200	\$ 113,088
2012 Refunding Rev. Bonds	\$ 55,047	\$ 54,963	\$ 54,850	\$ 54,838	\$ 54,988	\$ 55,088
2019 COPs (2)					\$ 125,625	\$ 125,550
Fair Oaks Water District						
Water Usage Rate (\$/AF)	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14
Qtrly. Serv. Charge (O, M, & R)	\$ 102,172	\$ 213,956	\$ 260,987	\$ 313,972	\$ 274,973	\$ 311,264
Qtrly. Capital Facil. Charge (3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Quarterly Debt Service Charges						
2009 COPs	\$ 70,427	\$ 70,475	\$ 70,538	\$ 70,538	\$ 70,450	\$ 70,375
2012 Refunding Rev. Bonds	\$ 40,451	\$ 40,388	\$ 40,313	\$ 40,300	\$ 40,400	\$ 40,475
2019 COPs (2)					\$ 96,313	\$ 96,255
Orange Vale Water Company						
Water Usage Rate (\$/AF)	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14
Qtrly. Serv. Charge (O, M, & R)	\$ 44,801	\$ 98,562	\$ 120,227	\$ 144,635	\$ 126,670	\$ 143,388
Qtrly. Capital Facil. Charge (1)	\$ 54,862	\$ 54,862	\$ 2,294	\$ 2,294	\$ 2,294	\$ -
Quarterly Debt Service Charges						
2009 COPs	\$ 35,567	\$ 35,588	\$ 35,613	\$ 35,613	\$ 35,575	\$ 35,550
2012 Refunding Rev. Bonds	\$ 12,413	\$ 12,400	\$ 12,375	\$ 12,375	\$ 12,400	\$ 12,425
2019 COPs (2)					\$ 46,063	\$ 46,035
City of Folsom						
Water Usage Rate (\$/AF)	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14
Hinkle PS Surcharge (\$/AF) (4)	\$ 68.87	\$ 74.38	\$ 81.07	\$ 88.37	\$ 96.32	\$ 102.10
Qtrly. Serv. Charge (O, M, & R)	\$ 12,869	\$ 28,416	\$ 34,663	\$ 41,700	\$ 36,520	\$ 41,340
Qtrly. Capital Facil. Charge (1)	\$ 17,899	\$ 17,899	\$ -	\$ -	\$ -	\$ -
Quarterly Debt Service Charges						
2009 COPs	\$ 11,037	\$ 11,038	\$ 11,050	\$ 11,050	\$ 11,038	\$ 11,025
2012 Refunding Rev. Bonds	\$ 3,034	\$ 3,063	\$ 3,050	\$ 3,050	\$ 3,063	\$ 3,075
Direct Portion of 2012 Debt (4)	\$ 21,500	\$ 21,438	\$ 21,388	\$ 21,388	\$ 21,450	\$ 21,488
2019 COPs (2)					\$ 12,563	\$ 12,555

Notes:

- (1) Unchanged from 2014 rate study, except to remove charges related to Storage Building (old shop) Replacement, and to remove FOWD Fair Oaks 40" component (per new agreement).
- (2) Estimates based on estimated debt service obligations and cost allocations associated with anticipated new debt.
- (3) Actual cost sharing and payments from FOWD to be based on the recent agreement between the District and FOWD related to the Fair Oaks 40" transmission pipeline relining project.
- (4) Unique charges to City of Folsom and revenue to the retail water system.

SECTION II. WHOLESALE FINANCIAL PLAN

This section of the report describes the financial plan for the District's wholesale water system. The ten-year financial plan is used to determine annual wholesale water rate revenue requirements. The annual rate revenue requirement is the amount of revenue needed from water rates to cover planned operating, maintenance, debt service, and capital program costs with consideration of other revenues and financial reserves.

FUND STRUCTURE AND CASH FLOWS

The financial plan is an annual cash flow model. As a cash flow model, it differs from standard accounting income statements, and balance sheets. The financial plan models sources and uses of funds into, out of, and between the various funds and reserves of the wholesale water system.

The financial plan model is based on a fund, reserve, and account structure that separately addresses operating, debt service, and capital program needs, with three funds for these three purposes. This presentation helps provide transparency as to the sources and uses of funds for each type of obligation. The District recently replaced and upgraded its financial accounting system. This financial plan was developed based on the new account structure reflected in the District's financial accounting software.

An understanding of the fund/reserve structure is helpful in understanding the financial plan worksheets that model annual cash flows through the wholesale water system from one year to the next. The fund/reserve structure is comprised of:

- ***Wholesale Operating Fund*** – The wholesale operating fund is the primary fund within the wholesale water system. Most wholesale revenues, including water rate revenues, flow into the operating fund and all operating and maintenance costs are paid out of this fund. Funds are also transferred from the operating fund to the wholesale capital fund to help pay for capital projects intended to rehabilitate and upgrade facilities, and to a separate debt service fund used to make debt service payments and maintained required debt service reserves. Five separate reserves are currently reflected within the operating fund.
 - *Operating Reserve* – The District maintains an operating reserve within the operating fund equal to 20 percent of annual wholesale operating and maintenance costs. The purpose of the operating reserve is to provide working capital and funds for unplanned operating and maintenance expenditures. At the end of FY 15-16, the target balance of the wholesale operating reserve was about \$1,520,000 based on budgeted operating and maintenance costs for FY 16-17.
 - *Rate Stabilization Reserve* – The District also seeks to maintain a \$1 million rate stabilization reserve. The rate stabilization reserve provides a buffer against variable revenues that may result from abnormal (e.g., water shortage) fluctuations in water demand. The reserve could also be used as a tool to mitigate unexpected (and unacceptably high) water rate increases due to changing circumstances. Even though drought

conditions and reduced water sales revenue have placed financial stress on the wholesale water system, the District has chosen to maintain the rate stabilization reserve at its \$1 million target amount through the end FY 15-16. This was achieved, however, by transferring a portion of capital fund reserves to the operating fund in FY 15-16.

- *Compensated Absence Reserve* - The District has maintained a separate reserve to fund its liability for compensated absences. At the end of FY 15-16 this reserve had an estimated balance of about \$194,000. The need to maintain the reserve has been under review by District staff and Board. A policy recommendation to eliminate this reserve is supported by staff and incorporated in the financial plan analyses.
- *PERS Stabilization Reserve* - A separate Public Employee Retirement System (PERS) stabilization reserve is shown as a part of the operating fund, and reflects the balance of funds set aside to meet PERS UAL obligations. At the end of FY 15-16, the PERS stabilization reserve had an estimated balance of about \$416,000. At present, the wholesale water system is responsible for about \$2.3 million of the UAL obligation. Because this obligation is carried with a 7.5 percent interest rate, and the District only earns about 0.5 percent on its total investment pool, it would be advantageous to use this reserve to reduce the UAL obligation. This matter is discussed in greater detail later in this section.
- *Delta/Water Rights Reserve* - The District created and began funding this reserve to provide funds for the defense of the District's water rights. This reserve ended FY 15-16 with about \$103,000.
- *Uncommitted Fund Balance* - The balance in the operating fund in excess of the target amount for the operating reserve and other operating fund reserves, is shown in the financial plan as uncommitted fund balance. After all other obligations are met the uncommitted fund balance is available to offset rate increases, and the financial plan model generally seeks to reduce any uncommitted fund balance over time. Negative amounts for the uncommitted fund balance indicate the degree to which the desired operating reserve is not met. To prevent a negative uncommitted balance at the end of FY 15-16 the financial plan model includes a \$555,000 transfer from the capital fund to the operating fund.
- ***Wholesale Capital Fund*** - The wholesale capital fund is used to account for capital project expenditures and related funding sources. The District applies 50 percent of property tax revenues (the 1 percent increment taxes) to the capital program, and connection fee revenue also directly accrue to the capital fund. In addition, a portion of revenues from the wholesale water rates is transferred annually to the capital fund, in support of the long-term capital program. Capital projects funded from this fund are intended to rehabilitate, upgrade, and expand the wholesale water system to meet current and future needs of the District for its wholesale customers. The financial plan model generally seeks to maintain a positive balance in the capital fund while also covering the costs of planned capital improvement projects. The capital fund is comprised of four separate reserves.

- *General CIP Reserve* – This reserve reflects the capital fund balance that is generally available for capital improvement purposes. At the end of FY 15-16, this reserve had a balance of about \$6.44 million. All money in the capital fund that has not been designated to the reserves listed below is included in the general CIP reserve.
- *Vehicle/Equipment Reserve* – This reserve provides funds for the replacement of vehicles and major equipment. At the end of FY 15-16 the reserve had an estimated balance of about \$77,000. District staff and the Board of Directors are currently reviewing the need to maintain this as a separate reserve, and it may be rolled into the general CIP reserve.
- *Hinkle Reservoir Reserve* – The District has maintained a sinking fund for the eventual replacement and upgrade of Hinkle reservoir. The sinking fund had an estimated balance of about \$2.67 million at the end of FY 15-16. The District currently adds \$50,000 annually to this reserve. The cover and liner for Hinkle reservoir is planned to be replaced in FY 20-21, along with other improvements to the reservoir, for an estimated cost of about \$23.8 million (in future dollars). The Hinkle reservoir reserve will only cover a small fraction of the total cost of this major project.
- *Project Fund* – The financial plan includes the issuance of new long-term debt in 2019 to finance two major capital projects (Hinkle reservoir and treatment plant filter improvements). The financial plan model includes a project fund as part of the capital fund as a means of accounting for the use of debt proceeds.
- ***Debt Service Fund*** – The financial plan model also includes a debt service fund as the mechanism for tracking debt service obligations as well as payments made by wholesale customers in support of debt service payments. Outstanding debt was issued in 2009 and in 2012. Restricted debt service reserves are required under the terms of the 2009 COPs, and it is anticipated that similar reserve may be required as part of the anticipated 2019 debt issue.
 - *2009 COP Debt Service Reserves* – The 2009 certificates of participation (COPs) requires the District to maintain certain debt service reserves. These reserves are shown as part of the overall debt service fund balance. Wholesale 2009 COP debt service reserves total about \$1.86 million as of the end of FY 15-16. Money in this reserve is restricted and can only be used for specific purposes related to the 2009 COPs.
 - *2019 Debt Service Reserves* – Estimated costs for the 2019 debt issue include providing money from the issuance to fund a debt service reserve. Such a reserve has been included in the financial plan model.

FINANCIAL PLAN ASSUMPTIONS

The financial plan was created to reflect the FY 15-16 estimated actual revenues, expenses, and year-end financial position, as well as the FY 16-17 budget, ten-year capital improvement program, and existing debt service schedules. The financial plan also reflects estimates of future operating and maintenance costs, revenues, potential future debt service obligations, and information provided by the District.

The process used to develop the financial plan involved estimating future revenues and expenditures based on inflation and interest rates, water supply and demand projections, anticipated capital improvement needs, and other information. The District does not have formal estimates of future operating and maintenance costs, and capital improvement needs are defined at a planning level. The financial plan is based on the best available information and assumptions are believed to be reasonable; however, no assurance can be provided as to the accuracy and completeness of the estimates.

Primary assumptions reflected in financial plan analyses are summarized below:

- *Interest Rates* - The District invests most of its available funds in the Local Agency Investment Fund (LAIF), which has been earning less than 0.5 percent for the past several years. A small portion of the District's available assets is invested in other securities that have recently yielded about 1.5 percent. In aggregate, in FY 14-15 the District's invested funds returned about 0.5 percent. The financial plan model incorporates an assumed 0.5 percent rate of return on all funds. This interest rate is assumed to gradually increase to 1.0 percent by the end of the ten-year planning period. Interest calculations are based on beginning-of-year balances and interest accrues to each of the funds. The District also pays interest on outstanding long-term debt obligations. The interest payments on outstanding debt are those contained in existing contracts and repayment schedules.
- *Inflation Rates* - Annual inflation rates for general operating and maintenance costs is 3.0 percent per year throughout the planning period. Inflation for chemical and energy costs is assumed 5.0 percent per year. Inflation on retiree medical costs and other post-employment benefit (OPEB) obligations is assumed at 6.0 percent per year. Finally, construction costs are assumed to increase 3.0 percent annually.
- *Retail Customer Base and Water Deliveries* - Modest growth in the customer base of each wholesale customer is incorporated for financial planning purposes based on data received by the District from each wholesale customer. Annual growth of the total retail customer base ranges between 0.6 and 0.8 percent during the planning period. Water deliveries are estimated to rebound toward historic levels over the next several years, based on the assumed return to normal water supplies in 2016 and demand rebound over several years reaching normal demand by 2020. Water demand in 2020 is based on estimates included in the 2015 Urban Water Management Plan. **Exhibit II-1** summarizes historic and estimated future annual water deliveries during the planning period. While the District wheels water to the Sacramento Suburban Water District (SSWD) in most years, the financial plan conservatively assumes no deliveries to SSWD during the planning period.

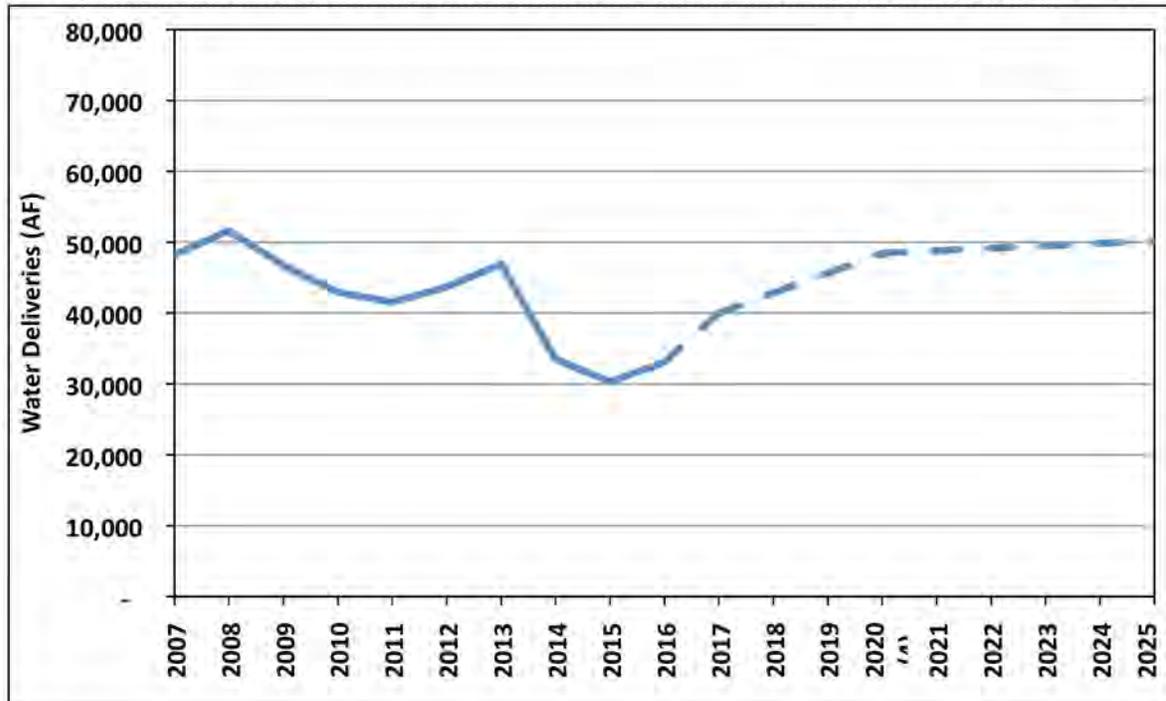
**Exhibit II-1
San Juan Water District
Summary of Past and Estimated Future Wholesale Water Deliveries**

	Annual Water Deliveries (AF) (1)						
	San Juan RSA	Citrus Heights WD	Fair Oaks WD	Orange Vale WC	City of Folsom	SSWD (2)	Total
2007	15,133	16,559	11,178	3,642	1,695	4,144	52,351
2008	16,659	17,153	11,537	4,452	1,820	12,206	63,827
2009	17,064	12,783	10,534	4,703	1,608	8,210	54,902
2010	13,569	12,165	11,072	4,486	1,647	15,514	58,453
2011	12,651	12,292	10,606	4,657	1,331	14,728	56,265
2012	13,936	13,583	9,987	4,657	1,529	2,995	46,687
2013	14,945	14,416	10,939	5,139	1,462	409	47,310
2014	11,077	10,008	7,262	3,932	1,230	-	33,509
2015	9,666	9,133	7,257	3,257	963	-	30,276
2016	11,275	9,673	7,703	3,407	1,060	11,261	44,379
2017	13,530	11,833	9,244	4,088	1,272	-	39,967
2018	14,321	13,245	9,702	4,251	1,305	-	42,824
2019	15,088	14,656	10,146	4,410	1,338	-	45,638
2020 (4)	15,855	16,070	10,591	4,568	1,370	-	48,454
2021	16,039	16,153	10,647	4,592	1,370	-	48,800
2022	16,222	16,235	10,703	4,615	1,370	-	49,146
2023	16,406	16,318	10,760	4,639	1,370	-	49,492
2024	16,589	16,400	10,816	4,662	1,370	-	49,838
2025 (4)	16,773	16,483	10,872	4,686	1,370	-	50,184

Notes:

- (1) Historical data through 2016 from District's water delivery records (Excel file).
- (2) Wholesale financial plan analysis assumes no water deliveries to SSWD beyond 2016.
- (3) Deliveries for 2017 adjusted to reflect estimated demand rebound with consideration of 2016 deliveries.
- (4) Values for 2020 and 2025 from District's Draft 2015 UWMP. Delivery estimates are a straight line interpolations from 2017 to 2020 and from 2020 to 2025.

Graph below shows historical and estimated future water deliveries to wholesale customers, excluding SSWD.



- *Cost of Water Supplies* – The cost of water supplies depends on the mix of water from each of the District’s water supply sources, however the mix of supplies is expected to remain relatively static. The District first utilizes water under its existing water rights then uses a combination of water under PCWA and USBR contracts. Temporary supplies are sometimes available, but not included in the analyses contained herein. Unit water supply costs are assumed to increase at the general inflation rate.

The District currently owes Citrus Heights Water District (CHWD) and Fair Oaks Water District (FOWD) a combined \$1,981,500 for treated water purchase costs related to groundwater used during the recent drought. The financial plan model assumes that this obligation will be repaid or credited as follows, based on information provided by the District:

○ FY 16-17	\$866,900
○ FY 17-18	\$371,520
○ FY 18-19	\$371,520
○ FY 19-20	\$371,520

- *Operation and Maintenance Costs* – The financial plan model is based on current operating and maintenance costs as reflected in the FY 16-17 operating budget. Future operating and maintenance costs are estimated based on assumed inflation rates. Supply and other variable costs are also assumed to increase in proportion to changes in the total amount of water deliveries.
- *Staff Additions* – The wholesale financial plan incorporates estimated salaries and benefits for the following new staff positions, based on needs identified by District staff.
 - *Water Treatment Plant Operator* – This position is added mid-year in FY 16-17 at a total annual wholesale cost of \$130,000. It has been included in the District’s FY 16-17 budget.
 - *Human Resources Specialist* – This position is added mid-year in FY 16-17 at a total annual cost of \$125,000. The position has been split equally between the wholesale and retail water systems, and has been included in the District’s FY 16-17 budget.
 - *Administrative Assistant* - This position is added in FY 17-18 at a total annual cost of \$80,000. The position has been split equally between the wholesale and retail water systems.
- *Large Non-Capital Projects* – Large non-capital projects, such as studies, assessments, and large maintenance items had previously been included in the District’s capital improvement program. Beginning in FY 16-17 these items are being included in the operating budget, and treated as operating and maintenance expenses (rather than capitalized and expensed over time). The wholesale financial plan includes FY 16-17 budgeted items totaling about \$24,000, and this cost is escalated at the pace of inflation in future years. One additional item has also been explicitly added to the wholesale financial plan.
 - Wholesale master plan at an estimated cost of \$299,000 in FY 20-21

These estimates reasonably reflect future non-capital project needs.

- *Debt Obligations* – The District’s wholesale debt obligations are currently limited to repayment of 2009 COPs and 2012 refunding revenue bonds. The wholesale portion of annual debt service on the 2009 COPs total about \$1.35 million. The wholesale portion of annual debt service on the 2012 refunding revenue bonds total about \$630,000.

The financial plan model includes estimates related to the issuance of additional long-term debt in 2019 in order to fund major capital improvement projects. The 2019 new debt issue is estimated with a total par amount of \$41.75 million (\$29.0 million for wholesale projects and \$12.75 million for retail projects). Estimated terms include a 4.0 percent interest rate, 30-year repayment term, issuance costs of 2.0 percent of the par amount, funding of a debt service reserve, and approximately equal annual principal and interest payments throughout the repayment period. Actual terms would be determined at the time of debt issuance and will reflect market conditions at that time. The actual allocation of debt service obligations to each wholesale customer will also be determined at the time of issuance. At this time, estimated debt repayment obligations of each wholesale customer are based on average annual water deliveries to each wholesale customer over the period from 2012 through 2016.

Exhibit II-2 provides details on current actual and estimated future debt service obligations, including the distribution of debt service costs to each wholesale customer. The District is currently meeting debt service coverage obligations, and financial plan analyses consider this requirement in developing estimates for future annual water rate adjustments.

The District is considering refunding the 2009 COPs in order to take advantage of current low interest rates. However, because of pre-payment penalties, financial advisors have indicated that it may be more feasible to refund the COPs in a few years when pre-payment penalties no longer apply. Financial plan analyses do not reflect any potential cost savings associated with refunding of the 2009 COPs. With changing interest rates, this issue should be monitored closely.

- *Capital Improvement Program* – The District’s wholesale 10-year capital improvement program includes about 50 projects totaling about \$64.6 million in future dollars, averaging about \$6.5 million annually. **Exhibit II-3** lists the planned projects, as well as estimated cost and timing. Costs in Exhibit II-3 have been escalated to the year of expenditure based on a 3.0 percent annual construction inflation factor.

The capital improvement program has a concentration of project expenditures in FY 16-17, as well as in the FY 19-20 and FY 20-21 period. The concentration in FY 16-17 is primarily associated with pre-treatment improvements, with construction contracts already in place. These improvements will be funded from available general CIP reserves. The concentration in FY 19-20 and FY 20-21 primarily includes treatment plant filter improvements and upgrades to Hinkle reservoir, which together total about \$28.4 million. Because of the size of these two projects, it would be virtually impossible to undertake these projects without issuing new long-term debt.

Exhibit II-2
San Juan Water District
Summary of Wholesale and Retail Debt Service Obligations

	Alloc. %	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
2009 Certificates of Participation												
Principal		430,000	450,000	475,000	500,000	525,000	550,000	580,000	615,000	650,000	690,000	725,000
Interest		1,672,400	1,653,050	1,630,550	1,606,800	1,580,550	1,551,675	1,521,425	1,488,075	1,452,713	1,415,338	1,379,113
Total Payment		2,102,400	2,103,050	2,105,550	2,106,800	2,105,550	2,101,675	2,101,425	2,103,075	2,102,713	2,105,338	2,104,113
Outstanding Balance		28,825,000	28,375,000	27,900,000	27,400,000	26,875,000	26,325,000	25,745,000	25,130,000	24,480,000	23,790,000	23,065,000
Retail Share	36%	756,900	757,100	758,000	758,400	758,000	756,600	756,500	757,100	757,000	757,900	757,500
Wholesale Share	64%	1,345,500	1,346,000	1,347,600	1,348,400	1,347,600	1,345,100	1,344,900	1,346,000	1,345,700	1,347,400	1,346,600
SIWD-RSA	31.59%	425,000	425,200	425,700	426,000	425,700	424,900	424,900	425,200	425,100	425,600	425,400
Citrus Heights WD	33.63%	452,500	452,700	453,200	453,500	453,200	452,400	452,300	452,700	452,600	453,100	452,900
Fair Oaks WD	20.93%	281,600	281,700	282,100	282,200	282,100	281,500	281,500	281,700	281,700	282,000	281,800
Orange Vale WC	10.57%	142,200	142,300	142,400	142,500	142,400	142,200	142,200	142,200	142,300	142,400	142,300
City of Folsom	3.28%	44,100	44,100	44,200	44,200	44,200	44,100	44,100	44,100	44,100	44,200	44,200
Total	100.00%	1,345,400	1,346,000	1,347,600	1,348,400	1,347,600	1,345,100	1,345,000	1,346,000	1,345,700	1,347,300	1,346,600
2012 Refunding Revenue Bonds												
Principal		440,000	450,000	465,000	485,000	500,000	530,000	555,000	580,000	610,000	630,000	650,000
Interest		539,200	526,000	508,000	487,075	472,525	447,525	421,025	393,275	364,275	345,975	327,075
Total Payment		979,200	976,000	973,000	972,075	972,525	977,525	976,025	973,275	974,275	975,975	977,075
Outstanding Balance		11,285,000	10,835,000	10,370,000	9,885,000	9,385,000	8,855,000	8,300,000	7,720,000	7,110,000	6,480,000	5,830,000
Retail Share	26.39%	258,400	257,600	256,800	256,600	256,700	258,000	257,600	256,900	257,100	257,600	257,900
Folsom Share	8.80%	86,100	85,900	85,600	85,500	85,600	86,000	85,900	85,600	85,700	85,900	86,000
Wholesale Share	64.81%	634,600	632,500	630,600	630,600	630,300	633,500	632,600	630,800	631,400	632,500	633,200
SIWD-RSA	29.82%	189,200	188,600	188,000	187,900	188,000	188,900	188,600	188,100	188,300	188,600	188,800
Citrus Heights WD	34.81%	220,900	220,200	219,500	219,300	219,400	220,500	220,200	219,600	219,800	220,200	220,400
Fair Oaks WD	25.58%	162,300	161,800	161,300	161,200	161,200	162,000	161,800	161,400	161,500	161,800	162,000
Orange Vale WC	7.85%	49,800	49,700	49,500	49,500	49,500	49,700	49,700	49,500	49,600	49,700	49,700
City of Folsom	1.94%	12,300	12,300	12,200	12,200	12,200	12,300	12,300	12,200	12,200	12,300	12,300
Total	100.00%	634,500	632,600	630,500	630,100	630,300	633,400	632,600	630,800	631,400	632,600	633,200
2019 New Debt Issue - Wholesale												
Principal		515,000	515,000	515,000	515,000	515,000	535,000	555,000	580,000	600,000	625,000	650,000
Interest		1,160,000	1,139,000	1,118,000	1,096,000	1,073,000	1,049,000	1,024,000	1,000,000	973,000	946,000	924,000
Total Payment		1,675,000	1,654,000	1,633,000	1,611,000	1,588,000	1,584,000	1,579,000	1,580,000	1,573,000	1,571,000	1,574,000
Outstanding Balance		29,000,000	28,485,000	27,950,000	27,395,000	26,815,000	26,215,000	25,590,000	24,940,000	24,270,000	23,590,000	22,840,000
SIWD-RSA	32.5%	544,375	544,050	543,725	543,400	543,075	544,700	544,700	544,700	543,725	544,050	544,050
Citrus Heights WD	30.3%	507,525	507,222	506,919	506,616	506,313	507,828	507,828	507,828	506,919	507,222	507,222
Fair Oaks WD	23.0%	385,250	385,020	384,790	384,560	384,330	385,480	385,480	385,480	384,790	385,020	385,020
Orange Vale WC	10.9%	182,575	182,466	182,357	182,248	182,139	182,666	182,666	182,666	182,357	182,466	182,466
City of Folsom	3.3%	55,275	55,242	55,209	55,176	55,143	55,209	55,209	55,209	55,209	55,242	55,242
Total	100.00%	1,675,000	1,674,000	1,673,000	1,672,000	1,671,000	1,673,000	1,673,000	1,673,000	1,673,000	1,674,000	1,674,000
2019 New Debt Issue - Retail												
Principal		225,000	225,000	225,000	225,000	225,000	235,000	245,000	255,000	265,000	275,000	285,000
Interest		510,000	501,000	492,000	482,000	472,000	461,000	450,000	439,000	428,000	417,000	406,000
Total Payment		735,000	736,000	736,000	736,000	736,000	736,000	736,000	736,000	736,000	736,000	735,000
Outstanding Balance		12,525,000	12,290,000	12,045,000	11,790,000	11,525,000	11,250,000	10,975,000	10,700,000	10,425,000	10,150,000	9,875,000

Exhibit II-3
SAN JUAN WATER DISTRICT
TEN-YEAR WHOLESAL CAPITAL IMPROVEMENT PROGRAM - SUMMARY TABLE

Line	Project Name	Construction Inflation Factor -->	Cost Est. 1	Total Cost 2	1.03 FY15-16	1.06 FY16-17	1.09 FY17-18	1.13 FY18-19	1.16 FY19-20	1.19 FY20-21	1.23 FY21-22	1.27 FY22-23	1.30 FY23-24	1.34 FY24-25	1.38 FY25-26
Pre-Treatment															
1	Floc/Sed Basin & Settled Water Channel Improvements ¹⁰		\$ 7,500,000	\$ 7,470,000	\$ 1,098,000	\$ 6,372,000			\$ 26,000						
2	Washdown Piping Improvements		\$ 22,000	\$ 26,000					\$ 243,000						
3	Settling Tube Cleaning System		\$ 210,000	\$ 243,000					\$ 278,000						
4	Existing SWC Resurface, Joint Repair, and Caulk ³		\$ 240,000	\$ 278,000											
Filters															
5	Filter Floor Repairs and Media/Nozzle Replacement ¹¹		\$ 3,500,000	\$ 4,046,000				\$ 394,000	\$ 3,652,000						
6	Resurface Filter Basin Walls		\$ 325,000	\$ 376,000				\$ 37,000	\$ 339,000						
7	Backwash Hood Pumps		\$ 50,000	\$ 50,000	\$ 50,000										
8	Backwash Hood Rehabilitation		\$ 500,000	\$ 580,000											
9	Filter Valve Actuators Replacements		\$ 180,000	\$ 249,000											
10	EIM Electric Actuator Replacement		\$ 5,500	\$ 6,000											\$ 249,000
Chemical Feed Systems															
11	CL2 Piping Project - 10yr replacement		\$ 50,000	\$ 58,000					\$ 58,000						
12	Lime System Control & Feeder System Improvements		\$ 60,000	\$ 64,000		\$ 64,000									
13	Lime Grit Containment (Curbing & Cover)		\$ 25,000	\$ 27,000			\$ 27,000								
14	Lime Tower Assmnt/design & Replnt ¹		\$ 350,000	\$ 406,000					\$ 406,000						
15	Alum Feed Pump Replacement & VFD's		\$ 94,000	\$ 103,000			\$ 103,000								
16	Polymer System Improvements (in Control Bldg) ¹⁰		\$ 24,000	\$ 25,000											
Solids Handling Facilities															
17	Clarifier Wall Lining & Leakage Repairs		\$ 450,000	\$ 506,000				\$ 506,000							
18	Solids Containment Area & Handling Imprvmt's		\$ 295,000	\$ 341,000				\$ 33,000	\$ 308,000						
Hinkle Reservoir															
19	Hinkle Res. Monitoring Wells Level Probes		\$ 56,000	\$ 59,000		\$ 59,000									
20	Hinkle Res. Outlet Actuator (Equip & Power)		\$ 65,000	\$ 73,000				\$ 73,000							
21	Hinkle Reservoir Overflow Apron Drains		\$ 15,000	\$ 15,000	\$ 15,000										
22	Hinkle Overflow Channel Lining (East of AFR)		\$ 100,000	\$ 109,000		\$ 109,000									
23	Replace cover & liner, bifurcate, add 2nd inlet/outlet ³		\$20,000,000	\$23,811,400					\$ 2,318,500	\$21,492,900					
Plant Piping															
24	Hinkle Res. 48" Bypass Pipe Cleaning/Repair		\$ 60,000	\$ 70,000					\$ 70,000						
25	Reline 60" Pipe from Filters to Inlet Structure		\$ 1,750,000	\$ 2,352,000										\$ 2,352,000	
Transmission Pipelines															
26	FO-40 Transmission Pipeline Re-Lining ³		\$ 2,000,000	\$ 2,185,000			\$ 2,185,000								
Water Supply Reliability Projects															
27	SSWD-SIWD Pump Back Project ^{10,11}		\$ 2,400,000	\$ 2,205,000	\$ 2,205,000										
28	Control Valve Stations ¹⁰		\$ 700,000	\$ 700,000	\$ 700,000										
Vehicle Replacement & Reserves															
29	Vehicles (roll-up from detail below)		\$ 264,000	\$ 366,500	\$ 31,500	\$ 82,000	\$ -	\$ 34,000	\$ 29,000	\$ 42,000	\$ -	\$ -	\$ -	\$ 87,000	\$ 61,000
	Articulating Boom Lift, 40', Service Vehicle		\$ 30,000	\$ 32,000		\$ 32,000									
	Whsl Operations - Vehicle #7 (P150)		\$ 35,000	\$ 42,000					\$ 42,000						
	Whsl Operations - Vehicle #20 (Ram)		\$ 35,000	\$ 37,000		\$ 37,000									
	Whsl Operations - Vehicle #25 (Dump Truck)		\$ 65,000	\$ 87,000										\$ 87,000	
	Whsl Operations - Vehicle #29 (Dakota)		\$ 30,000	\$ 34,000				\$ 34,000							
	Whsl Operations - GEM		\$ 25,000	\$ 29,000				\$ 29,000							
	Whsl Operations - Share of Pool Vehicle #30		\$ 12,500	\$ 30,000		\$ 13,000			\$ 29,000						\$ 17,000
	Vehicle #10 - Whsl Share General Mgr. Assigned Car		\$ 31,500	\$ 75,500	\$ 31,500										\$ 44,000

Exhibit II-3 -- Continued
SAN JUAN WATER DISTRICT
TEN-YEAR WHOLESALE CAPITAL IMPROVEMENT PROGRAM - SUMMARY TABLE

Line	Project Name	Construction Inflation Factor -->	Cost Est. 1	Total Cost 2	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34	1.38
					FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
Miscellaneous CIP Items															
30	Solar Site Access Culvert Replacement		\$ 200,000	\$ 225,000				\$ 225,000							
31	ARC Flash Assessment and Improvements ³		\$ 200,000	\$ 200,000	\$ 50,000	\$ 150,000									
32	In-Plant Pump Station Improvements		\$ 65,000	\$ 69,000		\$ 69,000									
33	Electrical Equip. R&R		\$ 100,000	\$ 118,000		\$ 55,000					\$ 63,000		\$ 228,000		\$ 484,000
34	SBW Pump Station Rehab. (& BW EQ Basin)		\$ 175,000	\$ 228,000											
35	WTP Generator Replacement		\$ 350,000	\$ 484,000											
36	Administration Building Imprmt/Repmt		\$ 1,875,000	\$ 2,232,000											
37	Storage Building (Old Shop) Replacement		\$ 448,000	\$ -											
38	SCADA Improvements/Replacements		\$ 1,000,000	\$ 1,305,000											
39	WTP Streaming Current Detector Upgrade		\$ 30,000	\$ 39,000									\$ 1,305,000		
40	Security Improvements (WTP)		\$ 150,000	\$ 184,000	\$ 15,000								\$ 39,000		
41	Corp Site Perimeter Fencing Replacements		\$ 125,000	\$ 141,000											
42	Corp Site Paving, Slurry Seal & Re-stripe		\$ 200,000	\$ 225,000											
43	Perimeter Fencing for Barton Rd Parcel		\$ 15,000	\$ 17,000											
44	Unspecified Rehab/Upgrade Projects		\$ 2,500,000	\$ 16,465,800											
45	Solar Facility Improvements (NEMA)		\$ 106,700	\$ 106,700	\$ 106,700	\$ 26,500	\$ 27,300	\$ 28,100	\$ 29,000	\$ 29,900	\$ 3,075,000	\$ 3,167,000	\$ 3,262,000	\$ 3,360,000	\$ 3,461,000
46	Truck Mounted Actuator		\$ 2,500	\$ 2,500											
Information Technology															
47	New Servers		\$ 12,500	\$ 30,000											
48	New Switches		\$ 8,000	\$ 9,000									\$ 16,000		
49	Baracuda Backup Appliance		\$ 7,250	\$ 8,000		\$ 8,000			\$ 9,000						
50	New Appliances		\$ 5,000	\$ 13,000											\$ 7,000
51	Whsl Share of Tyler Financial Software System		\$ 9,500	\$ 9,500	\$ 9,500										
52	VMWare Server		\$ 5,500	\$ 5,500	\$ 5,500										
53	Whsl Share of Engineering Copier		\$ 4,375	\$ 5,000	\$ 5,000										
54	Boardroom Projector		\$ 2,500	\$ 2,500	\$ 2,500										
Capital Improvement Program Totals 1			\$48,887,325	\$68,928,400	\$ 4,322,200	\$ 6,835,500	\$ 2,506,300	\$ 1,902,100	\$ 8,562,500	\$ 3,075,800	\$ 3,230,000	\$ 4,850,000	\$ 5,799,000	\$ 4,286,000	

Notes:

- All estimated costs are shown in Feb 2014 dollars, ENR Index 9681.
- Total costs include construction inflation factors applied in year of project implementation.
- Work on the existing settled water channel cannot be completed until the new settled water channel is constructed which allows the existing settled water channel to be taken off-line for this service repair project.
- The scope, cost and implementation year of the Hinkle replacement project is currently unknown and will be identified during the cover assessment project.
- The cost of this project will be reimbursed to SJWD-W in the percentages approximated in the May 2011 FO-40 Rehabilitation Project Report: FOWD 91%, OVWC 2.6%, and SJWD-R 6.4%.
- A portion of this project was completed in FY14-15: \$2,400,000 is 80% of total project cost (SSWD pays 20%). Cost to SJWD-W \$564,000. Cost recovery from other agencies are SJWD-R \$1.12M, OVWC \$520,000, City of Folsom \$175,000.
- This project not needed if Admin. Bldg. Improvements are completed. If old shop is replaced, 70% of the project cost should be reimbursed to Wholesale by SJWD-R.
- GIS project will be done concurrently for wholesale and retail. Needs assessment split 60/40, implementation split 25/75 W/R.
- Where appropriate, IT costs split between wholesale and retail.

Financial plan analyses suggest that with the exception of the two large projects referenced above, the entire capital improvement program can be financed on a pay-as-you-go basis using capital program revenue, transfers from the operating fund, and available reserves.

Annual transfers from the operating fund to the capital fund range from zero dollars initially (due to inadequacy of water rate revenues) to \$3.5 million annually toward the end of the planning period. By establishing rates sufficient to support a portion of the capital program the District may be able to reduce or avoid the need for additional long-term debt beyond 2019. This has been an objective of the financial plan, and the proposed rates help to achieve this cost-saving objective.

- *New Administration Building* – An estimated cost of nearly \$4.5 million (in future dollars) for a new administration building is included in financial plan analyses, and equally split between the wholesale and retail capital improvement programs with construction in FY 20-21. Financial plan analyses indicate that this project can be funded at that time on a pay-as-you-go basis from available capital program revenues and reserves. Prior to completion of a new administration building the financial plan assumes the District will add temporary trailers to provide additional space from FY 17-18 through FY 20-21.
- *PERS UAL Obligations* – Based on the most recent actuarial analysis (completed in 2015) the District has a total estimated unfunded accrued liability (UAL) associated with its retirement programs of about \$5.477 million. The wholesale water system is responsible for about \$2.3 million of this amount; \$3.177 million is the responsibility of the retail water system. Interest accrues on the UAL at a rate of 7.5 percent annually, which is significantly greater than the 0.5 percent the District earns of its investments. The current practice of holding reserves while this liability grows is economically inefficient and costly to the District. District staff suggests it is advantageous for the wholesale water system to pay off \$1,725,000 (75 percent) of its UAL obligation from existing reserves. This will result in net annual cost savings to the District. The financial plan assumes that the wholesale portion of the current UAL will be reduced with funds from the following reserves:

○ PERS stabilization reserve	\$416,000
○ Hinkle reservoir reserve	\$1,309,000

While the District has been gradually accumulating the Hinkle reservoir reserve to help fund major improvements to that facility in a few years, it will only provide a modest amount toward the total project cost, and the District will be required to fund most of the project in new long-term debt. It is economically more efficient to use the available reserve funds to reduce the UAL than to hold it for the Hinkle reservoir project. The District’s Board of Directors generally supported the use of reserve funds due reduce the UAL during the workshop held on June 29.

FINANCIAL PLAN RESULTS

Details of the wholesale financial plan analyses are presented in **Exhibits II-4, II-5, and II-6** reflecting the operating fund, capital fund, and debt service fund, respectively. The financial plan is also presented graphically in **Exhibit II-7**. The colored bands in Exhibit II-7 show wholesale operating and maintenance costs, debt service payments, and pay-as-you-go capital program expenditures. Debt-financed capital expenditures are not reflected, although the associated debt service is. The dashed line in the exhibit shows minimum target reserves, and the solid black line shows estimated total year-end reserves. The financial plan analysis seeks to keep the solid line above the dashed line throughout the planning period.

Results of the financial plan analyses are summarized below.

- The recent multi-year drought has created financial stress for the wholesale water system resulting in a significant decline in total financial reserves over the past two years.
- Current wholesale water rate revenues are insufficient to fully cover ongoing operating and maintenance costs and debt service payment obligations. As a result, a portion of capital fund revenues and reserves are being used for operating purposes. The current net operating loss and existing capital program revenues do not adequately support the capital improvement program. Because of the costs and timing of planned projects, the District will need to issue new long-term debt. It is not practical to avoid new debt unless the Hinkle reservoir project is postponed for a significant period of time.
- The District should fully utilize the \$1 million rate stabilization reserve in FY 16-17, and then gradually replenish it during the planning period. Doing so would help enable the District to more gradually implement the required and recommended water rate increases, and avoid a larger spike in water rates in 2017. Using the reserve in this manner is consistent with its intended purpose (i.e., smoothing out required rate increases over time).
- The pace and extent of rebound in water demands from wholesale customers is uncertain and will have an impact on annual water rate revenues. The rebound trajectory (see Exhibit II-1) has been reviewed with staff and is believed to be reasonable. Nevertheless it is an area of potential financial risk, which should be monitored. This risk is at least partially offset by the assumption of no water sales to SSWD during the planning period.
- The District is meeting debt service coverage obligations, and is expected to continue to meet this requirement throughout the planning period even with new debt issued in 2019.

Exhibit II-4
San Juan Water District
Wholesale Financial Plan -- Operating Fund

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
		16%	9%	9%	9%	5%	8%	8%	8%	6%	6%
Calendar Year Overall Rate Increases -->											
WHOLESALE OPERATIONS											
Beginning Balance	3,271,500	3,229,900	1,676,000	1,796,780	2,516,760	2,291,540	2,224,140	2,525,940	2,616,640	2,840,640	3,095,240
Sources of Funds											
OM&R Fixed Charges	1,568,000	2,647,000	4,018,000	4,864,000	4,974,000	4,943,000	5,769,000	6,850,000	8,020,000	9,121,000	10,164,000
OM&R Usage Charges	2,904,000	3,324,000	3,433,000	3,670,000	3,905,000	4,057,000	4,086,000	4,115,000	4,143,000	4,172,000	4,189,000
Debt Service Charges	1,979,000	1,978,400	1,978,400	1,978,300	2,815,700	3,652,600	3,651,100	3,651,600	3,652,300	3,652,700	3,653,500
Wholesale Rate Revenue	6,451,000	7,949,400	9,429,400	10,512,300	11,694,700	12,652,600	13,506,100	14,616,600	15,815,300	16,945,700	18,006,500
Sacramento Suburban WD	605,000	900,000	-	-	-	-	-	-	-	-	-
Granite Bay Golf Course	12,600	31,300	24,300	24,300	24,300	24,300	24,300	26,200	28,300	30,000	31,800
Misc. Operating Revenue	110,900	112,500	116,000	119,000	123,000	127,000	131,000	135,000	139,000	143,000	147,000
Interest Earnings	14,700	9,900	18,000	18,000	22,000	44,000	43,000	45,000	62,000	64,000	66,000
Total Sources of Funds	7,194,200	9,003,100	9,587,700	10,673,600	11,864,000	12,847,900	13,704,400	14,822,800	16,044,600	17,182,700	18,251,300
Uses of Funds											
Source of Supply	574,500	1,078,900	1,131,300	1,265,500	1,436,800	1,569,100	1,633,600	1,700,300	1,769,900	1,842,000	1,908,800
Treated GW Purchase Costs	-	866,900	371,520	371,520	371,520	371,520	371,520	371,520	371,520	371,520	371,520
Water Treatment & Operations	1,620,300	1,827,600	1,947,000	2,005,000	2,065,000	2,127,000	2,191,000	2,257,000	2,325,000	2,395,000	2,467,000
Energy, Chemicals, Maint.	514,500	575,900	693,000	778,000	869,000	948,000	1,002,000	1,060,000	1,121,000	1,185,000	1,249,000
Executive & Board of Directors	783,700	875,200	901,000	928,000	956,000	985,000	1,015,000	1,045,000	1,076,000	1,108,000	1,141,000
Administration & Info. Tech.	581,500	789,000	903,000	905,000	932,000	960,000	962,000	991,000	1,021,000	1,052,000	1,084,000
Finance	487,800	389,800	401,000	413,000	425,000	438,000	451,000	465,000	479,000	493,000	508,000
Human Resources	105,400	99,800	224,000	231,000	238,000	245,000	252,000	260,000	268,000	276,000	284,000
Retiree Medical and OPEB	325,000	206,600	219,000	232,100	246,000	260,700	276,400	293,000	310,600	329,200	348,900
PERS UAL Req'd Payment	132,300	148,300	30,000	55,000	82,000	92,000	105,000	118,000	133,000	149,000	166,000
PERS UAL Reduction	1,725,000	-	-	-	-	-	-	-	-	-	-
Engineering	317,000	368,900	380,000	391,000	403,000	415,000	427,000	440,000	453,000	467,000	481,000
Wholesale Master Plan	-	-	-	-	-	299,000	-	-	-	-	-
Conservation & Outreach	368,900	376,500	388,000	400,000	412,000	424,000	437,000	450,000	464,000	478,000	492,000
Transfers to Debt Service	-	-	-	-	-	-	-	-	-	-	-
2009 COPs	1,345,400	1,346,000	1,347,600	1,348,400	1,347,600	1,345,100	1,345,000	1,346,000	1,345,700	1,347,300	1,346,600
2012 Refunding Rev. Bonds	634,500	632,600	630,500	630,100	630,300	633,400	632,600	630,800	631,400	632,600	633,200
2019 New Debt Issue	-	-	-	-	1,675,000	1,674,000	1,673,000	1,676,000	1,673,000	1,674,000	1,674,000
Transfer to Capital Fund	(555,000)	(750,000)	(100,000)	-	-	500,000	1,000,000	2,000,000	2,750,000	3,500,000	3,500,000
Total Uses of Funds	7,235,800	10,557,000	9,466,920	9,953,620	12,089,220	12,915,300	13,402,600	14,732,100	15,820,600	16,928,100	17,283,500
Ending Balance	3,229,900	1,676,000	1,796,780	2,516,760	2,291,540	2,224,140	2,525,940	2,616,640	2,840,640	3,095,240	4,063,040
Operating Reserve (20%)	1,520,000	1,518,000	1,595,000	1,687,000	1,753,000	1,750,000	1,816,000	1,884,000	1,955,000	2,026,000	2,100,000
Rate Stabilization Reserve	1,000,000	-	-	-	-	-	250,000	250,000	250,000	500,000	1,000,000
Comp. Absence Reserve	193,555	-	-	-	-	-	-	-	-	-	-
PERK Stabilization Reserve	415,833	-	-	-	-	-	-	-	-	-	-
Delta/Wtr. Rights Reserve	102,666	153,000	203,000	253,000	303,000	353,000	403,000	453,000	503,000	553,000	603,000
Uncommitted Fund Balance	(2,154)	5,000	(1,220)	576,760	235,540	121,140	56,940	29,640	132,640	16,240	360,040

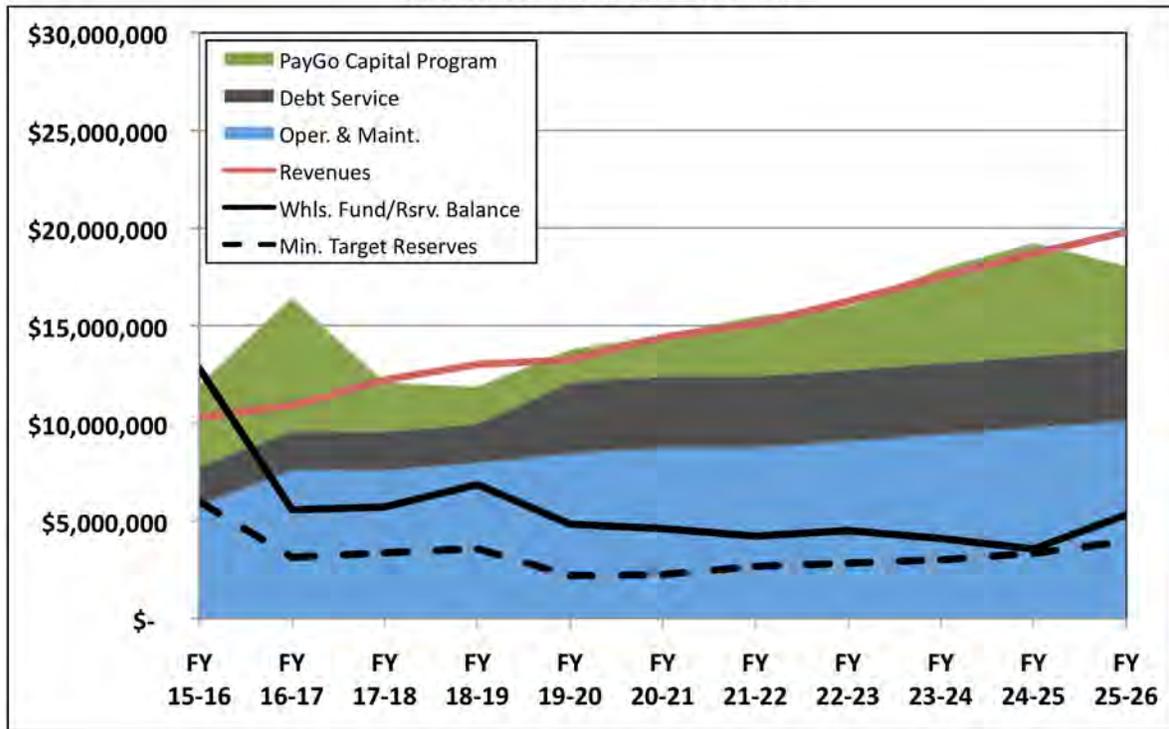
**Exhibit II-5
San Juan Water District
Wholesale Financial Plan -- Capital Fund**

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
WHOLESALE CAPITAL PROGRAM FUNDING											
Beginning Balance	11,203,300	9,565,300	3,883,600	3,909,700	4,340,100	23,899,100	2,372,400	1,685,200	1,878,800	1,249,600	458,100
Sources of Funds	(555,000)	(750,000)	(100,000)	-	43,800	500,000	1,000,000	2,000,000	2,750,000	3,500,000	3,500,000
Transfer from Operations	889,500	784,200	380,800	43,800	21,900	-	-	-	-	-	-
Capital Facilities Charges		(133,000)									
SJ RSA CFC Reimb. (Stor. Bldg.)											
FOWD FO40 Cost Share Pmts.											
Property Taxes (50% of 1% Incr.)	995,000	1,045,000	1,076,000	1,108,000	1,141,000	1,175,000	1,210,000	1,246,000	1,283,000	1,321,000	1,361,000
Wholesale Connection Fees	52,000	75,000	162,000	167,000	172,000	177,000	160,000	165,000	169,000	174,000	180,000
CSI Solar Rebate	355,000	72,000									
Grant Revenue (Ant. Pump Back)	761,600										
Interest Earnings	53,400	55,600	19,400	19,500	21,700	179,200	17,800	12,600	18,800	12,500	4,600
Debt Proceeds					26,743,000						
Total Sources of Funds	2,551,500	1,148,800	2,532,400	2,332,500	28,121,500	2,053,100	2,387,800	3,423,600	4,220,800	5,007,500	5,045,600
Uses of Funds	1,098,000	6,372,000	-	-	547,000	-	-	-	-	-	-
Pre-Treatment Projects	50,000	-	-	431,000	4,571,000	-	-	-	-	-	249,000
Filter Projects	25,000	64,000	130,000	-	464,000	-	-	-	-	-	-
Chemical Feed System Projects	-	-	-	539,000	308,000	-	-	-	-	-	-
Solids Handling Facility Projects	15,000	59,000	109,000	73,000	2,318,500	21,492,900	-	-	-	-	-
Hinkle Reservoir	-	-	-	-	70,000	-	-	-	-	2,352,000	-
Plant Piping	-	-	2,185,000	-	-	-	-	-	-	-	-
Transmission Pipelines	2,905,000	-	-	-	-	-	-	-	-	-	-
Water Supply Reliability Projects	31,500	82,000	-	34,000	29,000	42,000	-	-	-	87,000	61,000
Vehicle/Equip. Replacements	65,000	245,500	82,300	805,100	246,000	2,044,900	3,075,000	3,230,000	4,834,000	3,360,000	3,945,000
Miscellaneous CIP Items	-	8,000	-	20,000	9,000	-	-	-	16,000	-	7,000
Information Technology											
Total Uses of Funds	4,189,500	6,830,500	2,506,300	1,902,100	8,562,500	23,579,800	3,075,000	3,230,000	4,850,000	5,799,000	4,262,000
Ending Balance	9,565,300	3,883,600	3,909,700	4,340,100	23,899,100	2,372,400	1,685,200	1,878,800	1,249,600	458,100	1,241,700
General CIP Reserve	6,814,300	2,424,100	2,350,200	2,714,600	2,399,100	2,232,900	1,495,700	1,639,300	960,100	205,600	1,000,200
Vehicle/Equip. Reserve	76,506	44,500	94,500	110,500	131,500	139,500	189,500	239,500	289,500	252,500	241,500
Hinkle Reservoir Reserve	2,674,494	1,415,000	1,465,000	1,515,000	-	-	-	-	-	-	-
Project Fund (Debt Proceeds)	-	-	-	-	21,368,500	-	-	-	-	-	-

Exhibit II-6
San Juan Water District
Wholesale Financial Plan -- Debt Service Fund

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
DEBT SERVICE FUND											
Beginning Balance	1,863,200	1,862,900	1,863,000	1,862,900	1,863,000	3,540,000	3,539,900	3,540,000	3,540,000	3,540,000	3,540,000
Sources of Funds											
2009 Certificate of Participation											
San Juan WD - RSA	425,000	425,200	425,700	426,000	425,700	424,900	424,900	425,200	425,100	425,600	425,400
Citrus Heights WD	452,500	452,700	453,200	453,500	453,200	452,400	452,300	452,700	452,600	453,100	452,900
Fair Oaks WD	281,600	281,700	282,100	282,200	282,100	281,500	281,500	281,700	281,700	282,000	281,800
Orangevale WC	142,200	142,300	142,400	142,500	142,400	142,200	142,200	142,300	142,200	142,400	142,300
City of Folsom	44,100	44,100	44,200	44,200	44,200	44,100	44,100	44,100	44,100	44,200	44,200
2012 Refunding Revenue Bond											
San Juan WD - RSA	189,200	188,600	188,000	187,900	188,000	188,900	188,600	188,100	188,300	188,600	188,800
Citrus Heights WD	220,900	220,200	219,500	219,300	219,400	220,500	220,200	219,600	219,800	220,200	220,400
Fair Oaks WD	162,300	161,800	161,300	161,200	161,200	162,000	161,800	161,400	161,500	161,800	162,000
Orangevale WC	49,800	49,700	49,500	49,500	49,500	49,700	49,700	49,500	49,600	49,700	49,700
City of Folsom	12,300	12,300	12,200	12,200	12,200	12,300	12,300	12,200	12,200	12,300	12,300
2019 New Debt Issue											
San Juan WD - RSA					544,375	544,050	543,725	544,700	543,725	544,050	544,050
Citrus Heights WD					507,525	507,222	506,919	507,828	506,919	507,222	507,222
Fair Oaks WD					385,250	385,020	384,790	385,480	384,790	385,020	385,020
Orangevale WC					182,575	182,466	182,357	182,684	182,357	182,466	182,466
City of Folsom					55,275	55,242	55,209	55,308	55,209	55,242	55,242
Total Sources of Funds	1,979,900	1,978,600	1,978,100	1,978,500	3,652,900	3,652,500	3,650,600	3,652,800	3,650,100	3,653,900	3,653,800
Uses of Funds											
2009 Certificate of Participation											
Principal Payment	275,200	288,000	304,000	320,000	336,000	352,000	371,200	393,600	416,000	441,600	464,000
Interest Payment	1,070,300	1,058,000	1,043,600	1,028,400	1,011,600	993,100	973,700	952,400	929,700	905,800	882,600
2012 Refunding Revenue Bond											
Principal Payment	285,200	291,600	301,400	314,300	324,100	343,500	359,700	375,900	395,300	408,300	421,300
Interest Payment	349,500	340,900	329,200	315,700	306,200	290,000	272,900	254,900	236,100	224,200	212,000
2019 New Debt Issue											
Principal Payment					515,000	535,000	555,000	580,000	600,000	625,000	650,000
Interest Payment					1,160,000	1,139,000	1,118,000	1,096,000	1,073,000	1,049,000	1,024,000
Total Uses of Funds	1,980,200	1,978,500	1,978,200	1,978,400	3,652,900	3,652,600	3,650,500	3,652,800	3,650,100	3,653,900	3,653,900
Ending Balance	1,862,900	1,863,000	1,862,900	1,863,000	3,540,000	3,539,900	3,540,000	3,540,000	3,540,000	3,540,000	3,539,900
Wholesale 2009 DS Reserve	1,863,200	1,863,200	1,863,200	1,863,200	1,863,200	1,863,200	1,863,200	1,863,200	1,863,200	1,863,200	1,863,200
Wholesale 2019 DS Reserve					1,677,000	1,677,000	1,677,000	1,677,000	1,677,000	1,677,000	1,677,000
Est. W+R DS Cvrng. (min.=1.15)	1.33	1.85	2.50	2.82	1.79	2.02	2.21	2.40	2.60	2.78	2.98

Exhibit II-7
San Juan Water District
Wholesale Financial Plan Summary



- In 2016, the District’s financial advisors suggested that refunding of the 2009 COPs is possible at this time (with certain pre-payment penalty associated costs), but that it may be more advantageous to refund the COPs in 2018 when the pre-payment penalties no longer apply. Because future market conditions cannot be known, financial plan analyses do not reflect any cost savings associated with refunded COPs. The District should closely monitor interest rate trends and consider the refunding of the 2009 COPs at an opportune time.
- The compensated absence reserve does not need to be maintained as a separate reserve, as it is unlikely that it would ever need to be paid out in lump sum. It would be advantageous to the District to eliminate this reserve. Money currently designated to this reserve has been used to help reduce the magnitude of the proposed water rate increase for January 2017. District staff supports this change, and it has been incorporated in the financial plan analyses.
- Maintaining the PERS stabilization and Hinkle reservoir reserves while the \$2.3 million PERS UAL remains outstanding is economically inefficient and results in unnecessary interest costs to the District. The District should pay off a significant portion of this obligation.
- Wholesale water rate increases are required over the next several years in order to meet current and future financial and service obligations, as well as to position the District for issuing new long-term debt in 2019. Estimated annual increases in the overall level of wholesale water rates for each January (beginning in 2017) of the ten-year planning period are 16 percent, 9 percent, 9

percent, 9 percent, 5 percent, 8 percent, 8 percent, 8 percent, 6 percent, and 6 percent, respectively.

- With the exception of the rate stabilization reserve, these annual water rate increases will enable the District to maintain overall reserve levels above minimum target levels throughout the planning period. The target \$1 million rate stabilization reserve would be by the end of the planning period.

The next section of this report includes recommendations for modifying wholesale water rates including increasing the emphasis on fixed charge revenue and reducing the portion of revenue for water usage charges. This change would help reduce the financial risk associated with variable and uncertain water deliveries.

At this point in time, it is recommended that the District adopt the complete five-year wholesale water rate schedule with new rates implemented each January. It is also recommended that the District re-evaluate its financial condition and update the financial plan prior to issuing new long-term debt.

As with past practice, the District should monitor financial conditions and needs on an ongoing (annual) basis and update the financial plan model if conditions or plans change sufficiently to warrant an update. Actual future conditions, such as water deliveries, water sales revenue, operating and maintenance expenses, CIP project costs/timing, project financing, etc., may differ from the financial plan assumptions reflected herein. Material differences affecting the overall financial condition of the wholesale water system may warrant closer review and/or an earlier update. The need for and magnitude of annual wholesale water rate increases may also be affected by differences between assumed and actual conditions.

Debt service charges paid by each wholesale customer are unaffected by these rate recommendations. Debt service charges will be adjusted commensurate with annual debt repayment obligations, including the anticipated issuance of new debt in 2019.

The next section of this report provides details on wholesale water rate calculations for 2017, as well as specific water rate schedules for each year from 2017 through 2021.

SECTION III. WHOLESALE WATER RATES

Proposed wholesale water rates were calculated using the same general rate methodology originally developed by the District in 1998 and updated several times since then. The wholesale water rates include a uniform water usage rate applicable to each acre-foot (AF) of water deliveries, a fixed quarterly service charge, a fixed quarterly debt service charge, and quarterly capital facilities charges (for some wholesale customers and related to specific limited-benefit capital improvement projects). The capital facilities charges provide an equitable and timely reimbursement for capital project costs that have unique cost allocations among wholesale customers, based on benefits received. The process for calculating water rates includes three basic steps.

1. Annual water rate revenue requirement determination. The revenue requirement is the amount of revenue to be generated from water rates to cover operating, debt service, and capital program needs with consideration of other revenues and reserve policies. The financial planning model presented in Section II of this report serves to determine the annual water rate revenue requirement.
2. Cost of service analysis and allocation of costs to each wholesale customer. The annual revenue requirement is allocated to each wholesale customer through cost of service analysis and a cost allocation process. Costs are allocated to each wholesale customer based on (1) the average of recent actual annual water deliveries to each wholesale customer, (2) anticipated current annual water deliveries, and (3) the number of retail customers served. Debt service costs are allocated to each wholesale customer based on previously approved allocations associated with each debt issue. A small number of capital projects benefit some but not all wholesale customers. The allocation of costs for these projects has been incorporated into capital facilities charges that apply to benefiting wholesale customers. Distribution pumping costs within the San Juan RSA necessary to convey water to the City of Folsom are retail costs and removed from the wholesale water rate analysis herein. A special pumping surcharge is added to the water rates for the City of Folsom, and is a source of retail revenue for the District.
3. Water rate design. The rate design process involves determining the fixed service charges and a water usage rate that will generate the required revenues from each customer. The water rates include a separate charge for debt service allocated to each wholesale customer. In addition, for rate simplicity, a single uniform water usage rate is used for all wholesale customers, with any difference in the allocation of costs to wholesale customers reflected in their respective service charges.

CURRENT WHOLESALE WATER RATES

Current wholesale water rates are presented in **Exhibit III-1** for reference purposes. The water rates were last adjusted in January 2016 when the District increased the water usage rate and quarterly fixed service charges by about 14.5 percent². Debt service charges

² Because debt service charges were largely unchanged in 2016, the total wholesale water rate revenue was estimated to increase by slightly less than 10 percent under the 2017 water rates (exclusive of the impact of any change in water deliveries).

changed very slightly, based on very slight changes in annual debt service. Capital facilities charges were adjusted based on the previously adopted charge schedule. Capital facilities charges are described separately later in this section, and are not part of the general water rate calculation process due to their limited scope and purpose.

**Exhibit III-1
San Juan Water District
2016 Wholesale Water Rates**

Jan. 2016	
Water Usage Rate (\$/AF)	
All Water Deliveries	\$ 102.02
Quarterly O, M, & R Service Charges	
San Juan Water District	\$ 126,315
Citrus Heights Water District	\$ 132,586
Fair Oaks Water District	\$ 102,172
Orangevale Water Company	\$ 44,801
City of Folsom	\$ 12,869
Quarterly Debt Service Charges	
San Juan Water District	\$ 153,453
Citrus Heights Water District	\$ 168,208
Fair Oaks Water District	\$ 110,878
Orangevale Water Company	\$ 47,980
City of Folsom	\$ 35,571

Notes:

(1) Folsom pumping surcharge and capital facilities charges are not shown.

2017 WHOLESALE WATER RATE REVENUE REQUIREMENT

The wholesale financial plan includes revenues and expenses for each fiscal year over the ten-year planning period. The District, however, adjusts water rates on a calendar year basis. As a result the financial and rate analyses necessarily involve certain translations back and forth between fiscal and calendar years. On this basis, the wholesale water rate revenue requirement for calendar year 2017 was determined to be \$8,842,000³. This amounts to an overall 16 percent increase in the overall amount of water rate revenue, after adjusting for the fact that the anticipated rebound in water demand will also affect rate revenues.

The wholesale water rate revenue requirement for 2017 was determined based on the financial plan analyses presented in Section II of this report. It reflects assumptions regarding operating and maintenance costs, debt service obligations, capital improvement program (including cost sharing), and the availability of financial reserves and non-rate revenues.

³ This amount excludes the revenue generated from capital facilities charges, which is related to a limited number of specific capital improvement projects and provides revenue directly to the capital fund.

COST OF SERVICE ANALYSES

The cost of service analysis for wholesale water rates was performed on each of the District's broad (departmental) cost classifications, including source of supply, water treatment and operations, executive and board of directors, administration and information technology, finance and purchasing, human resources, engineering, water conservation and outreach, debt service transfer, and capital program transfer. Non-rate revenues and changes in the operating fund balance were also factors in determining the annual revenue requirement. **Exhibit III-2** presents the multi-part process of the cost of service analysis. The small table at the top of Exhibit III-2 presents cost allocation metrics for each wholesale customer, including estimated water deliveries for 2017, recent historical average water deliveries, and number of retail customers. Average historical water use from 2012 through 2016 is used in the rate analysis, as this period encompasses the most recent historical record. The estimated water deliveries for 2017 reflect a partial return to normal water demand, and are based on the rescission of state-mandated water conservation efforts. The District obtained information from each wholesale customer to assist in developing these estimates.

The lower portion of Exhibit III-2 shows how the revenue requirement is allocated to various cost categories to arrive at unit costs for supply (variable), treatment (fixed and variable), customer costs (fixed), and debt service (fixed).

Exhibit III-3 shows how unit costs are then applied to the service metrics for each wholesale customer to arrive a total allocation of costs to each wholesale customer. The far right columns in Exhibit III-3 summarize the total allocation of the wholesale water rate revenue requirement to each wholesale customer, and serves as a check to the rate calculations.

WATER RATE DESIGN

The wholesale water rates include fixed service charges and a uniform water usage rate for each wholesale customer. The uniform water usage rate is the sum of the unit costs for the variable cost components for water supply and water treatment ($\$59.31 + \$21.83 = \$81.14/\text{AF}$). The annual service charge for operations, maintenance, and replacement (O, M, & R) for each wholesale customer is the sum of the fixed cost components for water treatment and customers allocated to each wholesale customer. For example, the annual service charge for the San Juan RSA is ($\$1,005,326 + \$109,319 = \$1,114,645$). The annual debt service charge for each wholesale customer is based on previously approved allocations of debt service obligations associated with each debt issue. In the case of San Juan RSA, the annual debt service charge is \$613,750.

Each wholesale customer's share of annual debt service costs over the planning period was presented in Exhibit II-2, in Section II of this report. This exhibit also includes estimates related for anticipated new debt to be issued in 2019. The actual debt service charges related to that issue will depend on actual debt repayment obligations as well as decisions related to the allocation of that debt to each wholesale customer.

**Exhibit III-2
San Juan Water District
Wholesale Water Rate Cost Allocation Steps**

Wholesale Cost Allocation -- Units of Service

Wholesale Customer	Annual Water Use		No. of Customers (Accts.)
	Estimated for 2017 (AF)	Avg. for 2012-2016 (AF)	
San Juan WD - RSA	13,530	12,180	10,582
Citrus Heights WD	11,833	11,363	19,785
Fair Oaks WD	9,244	8,630	13,894
Orange Vale WC	4,088	4,078	5,577
City of Folsom	1,272	1,249	1,025
Totals	39,967	37,499	50,863

Wholesale Cost Allocation -- Unit Costs of Service (2017)

	Total Cost	Supply (Variable)	Water Treatment		Customer (Fixed)	Debt Serv. (Fixed)
			(Variable)	(Fixed)		
Units of Service		39,967 AF	39,967 AF	37,499 AF	50,863 Accts.	
Source of Supply						
Total	\$ 1,724,000	\$ 1,724,000				
Unit Cost						
Water Treatment & Operations						
Total	\$ 2,521,750		\$ 634,450	\$ 1,887,300		
Unit Cost						
Executive & Board of Directors						
Total	\$ 888,100	\$ 288,800	\$ 106,300	\$ 428,900	\$ 64,000	
Unit Cost						
Administration & Info. Tech.						
Total	\$ 846,000	\$ 275,100	\$ 101,300	\$ 408,600	\$ 61,000	
Unit Cost						
Finance & Purchasing						
Total	\$ 395,400	\$ 128,600	\$ 47,300	\$ 191,000	\$ 28,500	
Unit Cost						
Human Resources						
Total	\$ 463,850	\$ 150,900	\$ 55,500	\$ 224,000	\$ 33,400	
Unit Cost						
Engineering						
Total	\$ 374,450			\$ 374,450		
Unit Cost						
Conservation & Outreach						
Total	\$ 382,250				\$ 382,250	
Unit Cost						
Transfers for Debt Service						
Total	\$ 1,978,350					\$ 1,978,350
Unit Cost						
Transfer To/(From) Cap. Fund						
Total	\$ (425,000)			\$ (425,000)		
Unit Cost						
Offsetting Misc. Revenues						
Total	\$ (605,500)	\$ (196,900)	\$ (72,500)	\$ (292,400)	\$ (43,700)	
Unit Cost						
To/(From) Reserves						
Total	\$ 298,350			\$ 298,350		
Unit Cost						
Total Revenue Reqmt.	\$8,842,000	\$ 2,370,500	\$ 872,350	\$ 3,095,200	\$ 525,450	\$ 1,978,350
Unit Costs of Service		\$ 59.31	\$ 21.83	\$ 82.54	\$ 10.33	
		Per AF	Per AF	Per AF	Per Acct.	

**Exhibit III-3
San Juan Water District
Wholesale Water Rate Cost Allocation Steps -- Continued**

Wholesale Cost Allocation -- Allocation to Wholesale Customers

Wholesale Customers	Supply (Variable)	Water Treatment (Fixed)		Customer (Fixed)	Debt Serv. (Fixed)	O,M&R and DS Costs (\$)	O,M&R and DS Costs (%)
		(Variable) Per AF	(Fixed) Per AF				
Unit Costs of Service -->	\$ 59.31 Per AF	\$ 21.83 Per AF	\$ 82.54 Per AF	\$ 10.33 Per Acct.			
San Juan WD - RSA Units of Service Allocation of Costs	\$ 13,530 802,484	\$ 13,530 295,316	\$ 12,180 1,005,326	\$ 10,582 109,319	\$ 613,750	\$ 2,826,195	32.0%
Citrus Heights WD Units of Service Allocation of Costs	\$ 11,833 701,832	\$ 11,833 258,276	\$ 11,363 937,874	\$ 19,785 204,393	\$ 672,800	\$ 2,775,175	31.4%
Fair Oaks WD Units of Service Allocation of Costs	\$ 9,244 548,251	\$ 9,244 201,758	\$ 8,630 712,291	\$ 13,894 143,535	\$ 443,450	\$ 2,049,285	23.2%
Orange Vale WC Units of Service Allocation of Costs	\$ 4,088 242,489	\$ 4,088 89,237	\$ 4,078 336,633	\$ 5,577 57,614	\$ 191,950	\$ 917,923	10.4%
City of Folsom Units of Service Allocation of Costs	\$ 1,272 75,444	\$ 1,272 27,764	\$ 1,249 103,076	\$ 1,025 10,589	\$ 56,400	\$ 273,273	3.1%
Totals	\$ 2,370,500	\$ 872,350	\$ 3,095,200	\$ 525,450	\$ 1,978,350	\$ 8,841,850	100%

The cost allocations encompassed in Exhibits III-2 and III-3 and the water rate design result in a shift to greater emphasis on the fixed service charge, resulting in a reduction in the water usage rate from the current rate. This allocation is in better alignment with the District's cost structure, and should somewhat lessen the revenue variability associated with fluctuating water demands. In addition, proposed rate schedule for 2018 through 2021 maintain the water usage rate at the 2017 amount; increased revenues are derived from adjustments to the fixed service charges and/or the debt service charges. At present, about 45 percent of wholesale water rate revenue is tied to water deliveries. By 2021, it is estimated that about 32 percent of wholesale water rate revenue will be tied to water deliveries.

Capital Facilities Charges

In 2015, the District adopted a system of capital facilities charges related to a small number of planned wholesale capital improvement projects that benefit some, but not all, of the wholesale customers. The charges help to ensure equitable and timely cost recovery for these projects, and recover the costs for projects with unique cost sharing attributes. The capital facilities charges recover costs through fixed quarterly charges over a five-year period, beginning 18 months prior to the year of construction of affected projects.

As originally developed, wholesale capital improvement projects incorporated in the capital facilities charges included the following:

- ARC Flash Assessment and Improvements
- SSWD-SJWD Pump Back Project
- Storage Building (Old Shop) Replacement
- Fair Oaks 40" Transmission Pipeline Re-Lining

Two changes have occurred since the capital facilities charges were adopted and implemented. First, the storage building replacement project has been removed from the capital improvement program. Seventy percent of that project had been assigned to the San Juan RSA (with 30 percent incorporated in general wholesale water rates). As a result of this cancellation, the sum paid by the retail system to the wholesale system should be reimbursed or credited. The financial plan analysis assumes that this reimbursement or credit (of \$133,000) will occur in the early months of 2017 (i.e., in FY 16-17).

Second, the FOWD recently negotiated an alternative cost sharing and payment arrangement with the District with regards to the Fair Oaks 40" transmission pipeline re-lining project, Phase 2. As a result, the terms of that agreement should be implemented in-lieu of the capital facilities charge component related to the Fair Oaks 40 project. While the timing of the District's invoicing and FOWD's payments in relation to this project are based on milestones and costs in the design and construction of the project, the financial plan presented herein assumes that FOWD will pay the District a total of \$1,988,350 evenly distributed over FY 17-18 and FY 18-19. This is believed to be a conservative estimate, and actual cost reimbursement may be due sooner.

It is recommended that the District continue to collect capital facilities charges from wholesale customers as originally developed (with the above adjustments). As each included capital project is completed and total actual costs are known, the District should adjust or otherwise reconcile the charges as they related to actual project costs.

Exhibit III-4 presents an updated capital facilities charges schedule reflecting the above changes, including the recently negotiated agreement between the District and FOWD regarding an alternative cost sharing and payment arrangement for the Fair Oaks 40" transmission pipeline relining project.

PROPOSED WHOLESALE WATER RATES FOR 2017 THROUGH 2021

Exhibit III-5 summarizes the current and proposed wholesale water rate schedules for January 2017 through January 2021, including each of the rate components. The actual costs to each wholesale customer will depend on actual water deliveries. Three aspects of the proposed five-year rate plan are significant.

1. Rate structure changes (i.e., the shift to reduce emphasis on the water usage charge and increase emphasis on fixed charges) primarily occur with the water rates proposed for January 2017. This is the beginning of a gradual transition in the revenue mix embodied in the rate structure.
2. Beginning in January 2018 increased revenue needs are achieved through increases in fixed service charges, rather than through an increase in the water usage rate. This continues a gradual shift to a higher proportion of fixed revenue.
3. The water rates for January 2020 include a significant increase in the debt service charges based on estimates of annual debt service associated with the 2019 new debt issue. A decrease in the fixed O, M, & R service charges also occurs at this time such that total annual water rate revenues reflect the necessary 9 percent increase. In other years the debt service charges are relatively stable reflecting relatively stable debt service requirements.

Exhibit III-6 summarizes the change in the annual cost of service to each wholesale customer based on proposed water rates for January 2017, relative to current water rates. Because the annual cost to wholesale customers is a function of both the water rates and water deliveries, the exhibit holds the water deliveries constant in this comparison. That is, annual water costs under both 2016 and 2017 water rates are calculated using estimated water deliveries for 2017. This facilitates the assessment of the impact of the rate structure without the influence of changes in overall water demands. It should be noted that the costs to the City of Folsom shown in Exhibit III-6 also incorporate the pumping surcharge and direct debt service (i.e., the Folsom-specific debt obligation). The inclusion of these two elements contribute to the smaller overall percentage change in water service costs for the City of Folsom. These two elements also result in the higher overall cost of service (per AF) borne by the City of Folsom.

**Exhibit III-4
San Juan Water District
Wholesale Capital Facilities Charges (1)**

Capital Project (Year of Construction)	San Juan RSA	Citrus Heights WD	Fair Oaks WD	Orange Vale WC	City of Folsom	Wholesale Funding Thru Rates/ Rsrvs (FY)	Total Project Cost Recovery
ARC Flash Assessment and Improvements (FY 14-15)							
Cost Assignment -->	50.0%					50.0%	
CY 2015	29,000					87,000	116,000
CY 2016	29,000						29,000
CY 2017	29,000						29,000
Antelope Pump Back Project (FY 14-15)							
Cost Assignment -->	56.3%			32.6%	11.1%	0.0%	
CY 2015	363,135			210,270	71,595	-	645,000
CY 2016	363,135			210,270	71,595		645,000
CY 2017	363,135			210,270	71,595		645,000
FO-40 Transmission Pipeline Re-Lining (FY 17-18)							
Cost Assignment -->	6.4%		91.0%	2.6%		0.0%	
CY 2016	34,523		(2)	9,177		-	43,700
CY 2017	34,523		497,088	9,177			540,788
CY 2018	34,523		994,175	9,177			1,037,875
CY 2019	34,523		497,088	9,177			540,788
CY 2020	34,523			9,177			43,700
CY 2021	-			-			-
Totals	1,349,020	-	1,988,350	676,695	214,785	87,000	4,315,850

Notes:

- (1) Based on the capital facilities charge schedule adopted in 2015. The storage building replacement project has been deferred, and charges collected for the project are assumed reimbursed in early 2017.
- (2) Estimates based on terms of agreement between the District and FOWD regarding cost sharing for Fair Oaks 40 transmission pipeline relining project.

It is recommended that the District adopt the entire proposed five-year wholesale water rate schedule with rate adjustments occurring each January from 2017 through 2021. The proposed water rates are reflect the cost of providing water service and are intended to meet the District current and estimated future service and financial obligations, enable the District to fund capital improvement projects as planned and schedule, help to minimize rate changes in any single year, and position the District for obtaining more favorable terms in issuing new long-term debt (as well as for the potential refunding of existing debt).

**Exhibit III-5
San Juan Water District
Current and Proposed Wholesale Water Rates**

	Current	Jan. 2017	Jan. 2018	Jan. 2019	Jan. 2020	Jan. 2021
Overall Composite Water Rate Incr. -->		16%	9%	9%	9%	5%
San Juan Retail District						
Water Usage Rate (\$/AF)	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14
Qtrly. Serv. Charge (O, M, & R)	\$ 126,315	\$ 278,661	\$ 339,915	\$ 408,924	\$ 356,838	\$ 404,099
Qtrly. Capital Facil. Charge (1)	\$ 123,290	\$ 106,665	\$ 8,631	\$ 8,631	\$ 8,631	\$ -
Quarterly Debt Service Charges						
2009 COPs	\$ 106,297	\$ 106,363	\$ 106,463	\$ 106,463	\$ 106,325	\$ 106,225
2012 Refunding Rev. Bonds	\$ 47,156	\$ 47,075	\$ 46,988	\$ 46,988	\$ 47,113	\$ 47,188
2019 COPs (2)					\$ 136,094	\$ 136,013
Citrus Heights Water District						
Water Usage Rate (\$/AF)	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14
Qtrly. Serv. Charge (O, M, & R)	\$ 132,586	\$ 285,567	\$ 348,338	\$ 419,057	\$ 365,680	\$ 414,112
Qtrly. Capital Facil. Charge (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Quarterly Debt Service Charges						
2009 COPs	\$ 113,161	\$ 113,238	\$ 113,338	\$ 113,338	\$ 113,200	\$ 113,088
2012 Refunding Rev. Bonds	\$ 55,047	\$ 54,963	\$ 54,850	\$ 54,838	\$ 54,988	\$ 55,088
2019 COPs (2)					\$ 126,881	\$ 126,806
Fair Oaks Water District						
Water Usage Rate (\$/AF)	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14
Qtrly. Serv. Charge (O, M, & R)	\$ 102,172	\$ 213,956	\$ 260,987	\$ 313,972	\$ 273,980	\$ 310,267
Qtrly. Capital Facil. Charge (3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Quarterly Debt Service Charges						
2009 COPs	\$ 70,427	\$ 70,475	\$ 70,538	\$ 70,538	\$ 70,450	\$ 70,375
2012 Refunding Rev. Bonds	\$ 40,451	\$ 40,388	\$ 40,313	\$ 40,300	\$ 40,400	\$ 40,475
2019 COPs (2)					\$ 96,313	\$ 96,255
Orange Vale Water Company						
Water Usage Rate (\$/AF)	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14
Qtrly. Serv. Charge (O, M, & R)	\$ 44,801	\$ 98,562	\$ 120,227	\$ 144,635	\$ 126,212	\$ 142,928
Qtrly. Capital Facil. Charge (1)	\$ 54,862	\$ 54,862	\$ 2,294	\$ 2,294	\$ 2,294	\$ -
Quarterly Debt Service Charges						
2009 COPs	\$ 35,567	\$ 35,588	\$ 35,613	\$ 35,613	\$ 35,575	\$ 35,550
2012 Refunding Rev. Bonds	\$ 12,413	\$ 12,400	\$ 12,375	\$ 12,375	\$ 12,400	\$ 12,425
2019 COPs (2)					\$ 45,644	\$ 45,617
City of Folsom						
Water Usage Rate (\$/AF)	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14
Hinkle PS Surcharge (\$/AF) (4)	\$ 68.87	\$ 74.38	\$ 81.07	\$ 88.37	\$ 96.32	\$ 102.10
Qtrly. Serv. Charge (O, M, & R)	\$ 12,869	\$ 28,416	\$ 34,663	\$ 41,700	\$ 36,388	\$ 41,207
Qtrly. Capital Facil. Charge (1)	\$ 17,899	\$ 17,899	\$ -	\$ -	\$ -	\$ -
Quarterly Debt Service Charges						
2009 COPs	\$ 11,037	\$ 11,038	\$ 11,050	\$ 11,050	\$ 11,038	\$ 11,025
2012 Refunding Rev. Bonds	\$ 3,034	\$ 3,063	\$ 3,050	\$ 3,050	\$ 3,063	\$ 3,075
Direct Portion of 2012 Debt (4)	\$ 21,500	\$ 21,438	\$ 21,388	\$ 21,388	\$ 21,450	\$ 21,488
2019 COPs (2)					\$ 13,819	\$ 13,811

Notes:

- (1) Unchanged from 2014 rate study, except to remove charges related to Storage Building (old shop) Replacement, and to remove FOWD Fair Oaks 40" component (per new agreement).
- (2) Estimates based on estimated debt service obligations and cost allocations associated with anticipated new debt.
- (3) Actual cost sharing and payments from FOWD to be based on the recent agreement between the District and FOWD related to the Fair Oaks 40" transmission pipeline relining project.
- (4) Unique charges to City of Folsom and revenue to the retail water system.

**Exhibit III-6
San Juan Water District
2017 Estimated Costs of Water Service for Wholesale Customers (1)**

	SJWD	CHWD	FOWD	OVWC	Folsom
Est. 2017 Water Deliveries (AF)	13,530	11,833	9,244	4,088	1,272
Estimated Water Service Costs					
Wtr. Usage Chrg. @ \$81.14/AF (2)	\$ 1,097,800	\$ 960,108	\$ 750,041	\$ 331,693	\$ 197,819
OM&R Service Charge	\$ 1,114,645	\$ 1,142,267	\$ 855,826	\$ 394,247	\$ 113,665
Debt Service Charge (3)	\$ 613,750	\$ 672,800	\$ 443,450	\$ 191,950	\$ 142,150
Total Water Service Costs	\$ 2,826,195	\$ 2,775,175	\$ 2,049,317	\$ 917,890	\$ 453,635
% Chng. from 2016 Rates (4)	13.1%	15.1%	14.2%	16.5%	10.3%
Est. 2017 effective cost per AF	\$ 208.88	\$ 234.53	\$ 221.69	\$ 224.53	\$ 356.63

Notes:

- (1) Capital facilities charges are not included in this exhibit.
- (2) City of Folsom is also subject to a pumping surcharge of \$74.38 per AF, which is included herein.
- (3) City of Folsom is also subject to an additional debt service charge (direct debt), which is included herein.
- (4) Comparison between 2017 rates and 2016 rates with estimated 2017 water usage.

TREAT AND WHEEL WATER RATES FOR SSWD

In October 1994, the District amended an agreement with the Northridge Water District (now Sacramento Suburban Water District, or SSWD) concerning the diversion, treatment, and conveyance of water. Under this agreement, the District agreed to use available surplus capacity to treat and wheel surface water through the wholesale water system to SSWD, upon SSWD's request. The agreement contemplates the delivery of SSWD's own water (or water obtained by SSWD), herein referred to as "SSWD water", or surplus District water, as conditions and circumstances may dictate. Such conditions may include, but are not limited to, Water Forum Agreement conditions. At present, it is generally SSWD water that is moved through the District's wholesale water facilities for delivery to SSWD at the westerly terminus of the cooperative transmission pipeline (CTP) at C-Bar-C Park.

The relevant section of the 1994 agreement provides the following language for charging SSWD for water deliveries:

4. Payment for Use of Surplus Capacity or Surplus Water. San Juan's charge to Northridge for use of Surplus Capacity in San Juan's Facilities to deliver Surplus Water or Northridge Water shall be at the same average wholesale water rate it charges to San Juan's Member Districts, plus a charge to cover the pro rata cost of treating water to be delivered to Northridge to the extent treatment costs are not included in the wholesale water rate. The charge for using Surplus Capacity to divert, treat, and deliver Northridge Water shall not include the cost-of-water component of San Juan's wholesale water rate, but may include the cost to San Juan to obtain Surplus Water specifically for the purpose of making it available for delivery to Northridge.

At present, the District charges SSWD \$135.34 per AF for SSWD water treated and wheeled through District facilities and delivered to SSWD. District staff asked that a new water rate, consistent with the terms of the 1994 agreement, be calculated as part of this wholesale water rate update.

While the language from the 1994 agreement is somewhat vague, the following calculation is proposed for determining an appropriate 2017 treat and wheel water rate for SSWD. It is based on information reflected in the wholesale financial plan presented in this report, as well as cost data included in Exhibit III-2.

$$\begin{aligned} \text{SSWD Rate} &= \frac{[\text{SJWD Whls. Rev. Reqmt.} - \text{SJWD Source of Supply Costs}]}{\text{Est. Annual SJWD Water Deliveries}} \\ &= \frac{[\$8,842,000 - \$1,724,000]}{39,967 \text{ AF}} \\ &= \$178.10 \text{ per AF} \end{aligned}$$

Other interpretations of the agreement language are certainly possible. However, this calculation is consistent with the agreement's intent, reasonable, and easily replicated in future years. While the proposed rate is about 32 percent more than the current rate charged to SSWD, it is also significantly lower than the effective per-acre-foot rates paid by wholesale customers (see bottom of Exhibit III-6).

Based on the proposed overall wholesale water rate increases for 2018 through 2021 from the financial plan model, future SSWD treat and wheel water rates would increase as follows:

2018	\$194.13 per AF
2019	\$211.60 per AF
2020	\$230.64 per AF
2021	\$242.17 per AF

If the District were to deliver District water to SSWD, rather than SSWD water, then the cost of that water needs to be added to the rates presented above.



**CITRUS
HEIGHTS
WATER
DISTRICT**

6230 Sylvan Road
P.O. Box 286
Citrus Heights
California
95611-0286

phone
916/725-6873
fax
916/725-0345
website
www.chwd.org

Board of Directors
Allen B. Dains
Caryl F. Sheehan
Raymond A. Riehle

*General Manager/
Secretary*
Robert A. Churchill

*Assistant General
Manager/Treasurer*
Hilary M. Straus

*Accounting Supervisor
Assessor/Collector*
Susan K. Sohal

October 14, 2016

Ms. Shauna Lorance, General Manager
San Juan Water District
P.O. Box 2157
Granite Bay, CA 95746

Re: Wholesale Financial Plan and Water Rate Update Study – Final Report –
August 31, 2016

Dear Shauna:

Thank you for the opportunity to review the San Juan Water District *Wholesale Financial Plan and Water Rate Update Study* Final Report dated August 31, 2016. Citrus Heights Water District (CHWD) Board Members and management staff are providing comments along with miscellaneous notes and annotations within the text of the Report and more detailed comments as follows:

1. Member Agencies – Refer to the “member agencies” as “wholesale customer agencies” throughout to be consistent with water supply agreement language.
2. Generalizing - Provide specificity in statements by avoiding or limiting the use of conditional words such as “most”, “generally” and “relatively”.
3. Financial Plan and Revenue Needs (Page 2, first bullet) – “The financial plan assumes that there will be a modest rebound in water demands beginning in FY 16-17 that then continues and extends over several years.” Based upon surface water purchases and groundwater production through September 2016, CHWD projects an increase in water demands of 12.3% above CY 2015 demands, equating to a CY 2016 total of 11,200 AF. When subtracting CHWD’s annual readiness-to-serve groundwater production of 900 AF (CHWD 2015 UWMP Page 19), surface water purchases from SJWD in CY 2016 are anticipated to be 10,300 AF. This quantity compares favorably with the CY 2016 quantity of 10,420 AF estimated in Exhibit II-1 on Page 10.
4. Financial Plan and Revenue Needs (page 4, first paragraph) – In light of the significant impending debt for the Hinkle Reservoir liner and cover, the financial plan model should be updated every year until it is clear that significant progress is being made in preparation to finance this expense. Similarly, the financial model should be used annually in determining recommendations for adjustment to both the fixed and variable components of the wholesale water rates.

5. Wholesale Capital Fund (Page 7) – It is CHWD understanding that by policy, SJWD applies 50% of its property tax revenues to its wholesale capital program and 50% to its retail capital program. It would be more transparent to identify/reference the policy and state the percentage rather than to generally refer to the wholesale allocation as “a portion”.
6. Hinkle Reservoir Reserve (Page 8) – It is unfortunate that the Hinkle Reservoir Reserve is currently funded at approximately 11% of the estimated liner and cover replacement cost. It is acknowledged that water rates would have been higher if this reserve had been funded more robustly for this project. In planning for the next replacement cycle approximately 40 years from 2021, use of a majority if not all of property tax revenues available to SJWD should be considered as a source for this Reserve.
7. Retail Customer Base and Water Deliveries (Page 9) – CHWD is concerned about the assumed rebound of water deliveries over the next several years. This is perhaps the biggest unknown and the Report needs to err on the side of being conservative, even to the point of discounting UWMP predictions until we have a better vision of what the “new normal” in water demands will be. CHWD’s UWMP predicts population growth of 5% from 2015 (65,093) to 2025 (68,348), or 0.5% per year (CHWD 2015 UWMP Page 6).
8. Exhibit II-1: Summary of Past and Estimated Future Wholesale Water Deliveries (Page 10) – The Exhibit omitted surface water deliveries to CHWD for CY 2011. Deliveries prior to that date are off by one year. CHWD’s records for CY 2008 of 17,153 AF differ slightly from the Exhibit’s quantity of 17,036 AF. Noteworthy is the significant change in water demands after CY 2008, when the District became fully metered and began billing on metered rates. Water demand quantities prior to 2008 very little if any bearing on future demands.

The Exhibit’s values for future wholesale water deliveries to CHWD of 16,970 AF for CY 2020 and 17,383 AF for CY 2025 match CHWD’s 2015 UWMP values for total water demands (CHWD 2015 UWMP Page 23); however, when subtracting CHWD’s annual readiness-to-serve groundwater production of 900 AF, the correct quantities for surface water purchases from SJWD in those years are 16,070 AF and 16,483 AF, respectively.

We’ve included straight-line projection numbers between CY 2016 and 2020 and between CY 2020 and 2025 based upon the corrected number from above.

With the possibility for additional State-imposed water efficiency requirements and mandates, CHWD is not confident at this time that the estimated future wholesale water deliveries will correspond to its 2015 UWMP and the quantities shown in the Exhibit. Similar to CY 2016, CHWD has very conservatively budgeted purchasing 12,000 AF of surface water from SJWD in CY 2017.

9. Staff Additions (Page 11) – CHWD does not understand the rationale of equally splitting the new positions of Human Resources Specialist and Administrative Assistant between the wholesale and retail budgets of SJWD. With approximately 18 full time equivalent (FTE) positions in SJWD wholesale and approximately 28 FTE positions in SJWD retail, an allocation of 39% to wholesale and 61% to retail for the Human Resources Specialist position is appropriate as this position directly applies to personnel functions. A similar allocation method would apply to the Administrative Assistant position based upon anticipated apportionment between wholesale and retail responsibilities.

It is noteworthy that the responsibility for the PERS UAL obligation between wholesale operations (42%) and retail operations (58%) provided on Page 16 closely corresponds to their respective FTE personnel positions (39% / 61%) noted above.

10. New Administration Building (Page 16) – Similarly to the comment above, what is the rationale for equally splitting the cost for a new administrative building between the wholesale and retail budgets of SJWD?

While the major capital needs relating to the water treatment plant have been discussed, the need for a new building has not been explained to the same level of detail. Please provide a brief rationale for the need and recommended timing for this project.

11. PERS UAL Obligations (Page 16) – CHWD requests that SJWD take another look at the need, value and timing of paying off the PERS UAL in lump sum in 2017.

We have surveyed other agencies and found that only 1 out of 10 will be paying off more than the required annual payment of their PERS UAL. Based on our analysis, CHWD is budgeting to make its required annual UAL contribution amortized over 30 years. While there is an interest charge on the account, CHWD finance personnel are of the opinion that payment in full does not warrant a prompt action due to the fact that the UAL is determined on many assumptions based on the most recent information available within the PERS actuarial valuation report.

Our PERS Actuarial Valuation Report (August 2016 Page 9), likely generic to all PERS agencies, states:

"The Current Amortization Schedule typically contains individual bases that are both positive and negative. Positive bases result from plan changes, assumption changes or plan experience that result in increases to unfunded liability. Negative bases result from plan changes, assumption changes or plan experience that result in decreases to unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years such as:

the other \$1 million currently being allocated to retail capital projects.

14. Water Rate Design (Page 28, first paragraph) – When considering the actual variable and fixed components of the wholesale water rates, the intent to keep the variable portion the same until 2021 while raising the fixed portion annually is intuitively not consistent with cost of service principles. Is the proposed 31% / 69% difference between variable and fixed costs proposed for FY 2020-21 more indicative of actual cost of service or is this just an interim step to an even more heavy reliance on the fixed component in the future?
15. Proposed Wholesale Water Rates for 2017 Through 2021 (Page 29) – Item 3 and corresponding Exhibit III-5 on Page 31 note a decrease in the fixed O. M. & R. charges. What has influenced this change for CY 2020 and why does it then increase/maximize in CY 2021?

Thank you for the opportunity to comment on SJWD's Wholesale Financial Plan and Water Rate Update Study. The District appreciates your consideration of our comments and revising the final Plan accordingly. A written response to our comments is appreciated. Please do not hesitate to contact me if you have any questions regarding our comments.

Sincerely,



Robert A. Churchill
General Manager

Cc: Board of Directors: Citrus Heights Water District
Hilary Straus, Assistant General Manager: Citrus Heights Water District
David Gordon, Operations Manager: Citrus Heights Water District
Paul Dietrich, Project Manager: Citrus Heights Water District
Susan Sohal, Accounting Supervisor: Citrus Heights Water District
Missy Pieri, Principal Civil Engineer: Citrus Heights Water District
Keith Durkin, Assistant General Manager: San Juan Water District
Donna Silva, Finance Director, San Juan Water District
Bob Reed, The Reed Group, Inc.



October 19, 2016

Mr. Robert Churchill
Citrus Heights Water District
P.O. Box 286
Citrus Heights, CA 95611

Directors
Edward J. "Ted" Costa
Kenneth H. Miller
Dan Rich
Pamela Tobin
Bob Walters
General Manager
Shauna Lorance

Subject: Response to October 14, 2016 Comments on Wholesale
Financial Plan

Dear Bob:

Thank you for taking the time to review in detail the Wholesale Five-Year Financial Plan and Water Rate Update Study. Your comments are appreciated. Per your request, I am providing you this written response to your comments. The first responses are to the general comments included in your letter. Following those responses, I have provided responses to substantive comments included within the report.

Responses to comments in cover letter:

1. Member Agencies – Refer to the “member agencies” as “wholesale customer agencies” throughout to be consistent with water supply agreement language.
Good catch. The reference will be revised in the final version of the report.
2. Generalizing - Provide specificity in statements by avoiding or limiting the use of conditional words such as “most”, “generally” and “relatively”.
Where these references are not necessary they will be removed.
3. Financial Plan and Revenue Needs (Page 2, first bullet) – “The financial plan assumes that there will be a modest rebound in water demands beginning in FY 16-17 that then continues and extends over several years.” Based upon surface water purchases and groundwater production through September 2016, CHWD projects an increase in water demands of 12.3% above CY 2015 demands, equating to a CY 2016 total of 11,200 AF. When subtracting CHWD’s annual readiness-to-serve groundwater production of 900 AF (CHWD 2015 UWMP Page 19), surface water purchases from SJWD in CY 2016 are anticipated to be 10,300 AF. This quantity compares favorably with the CY 2016 quantity of 10,420 AF estimated in Exhibit II-1 on Page 10.

Thank you for the clarification. Estimating the water usage for these upcoming and future years is anything but accurate, especially after multiple drought years and expected mandatory long term conservation requirements. As all of the demands are estimates at this time, and we do not know if agencies will use less or more than the estimate, the 900 af is likely within assumed error of the numbers. After the first year if the water use results in a significantly different value than estimated, we will review all of the WCA water use and adjust as appropriate.

4. Financial Plan and Revenue Needs (page 4, first paragraph) – In light of the significant impending debt for the Hinkle Reservoir liner and cover, the financial plan model should be updated every year until it is clear that significant progress is being made in preparation to finance this expense. Similarly, the financial model should be used annually in determining recommendations for adjustment to both the fixed and variable components of the wholesale water rates.

We appreciate your understanding of the variability of the estimates in the computer model and the need to fund the upcoming projects. After the first year, we will review the actual revenue and costs to the assumptions in the report. Should there be a significant variance for the previous year, or significant revisions to the assumption in the upcoming years, staff will recommend an update to the plan.

5. Wholesale Capital Fund (Page 7) – It is CHWD understanding that by policy, SJWD applies 50% of its property tax revenues to its wholesale capital program and 50% to its retail capital program. It would be more transparent to identify/reference the policy and state the percentage rather than to generally refer to the wholesale allocation as “a portion”.

Your understanding is correct and this will be clarified.

6. Hinkle Reservoir Reserve (Page 8) – It is unfortunate that the Hinkle Reservoir Reserve is currently funded at approximately 11% of the estimated liner and cover replacement cost. It is acknowledged that water rates would have been higher if this reserve had been funded more robustly for this project. In planning for the next replacement cycle approximately 40 years from 2021, use of a majority if not all of property tax revenues available to SJWD should be considered as a source for this Reserve.

Comment noted for consideration during the development of the next wholesale financial plan.

7. Retail Customer Base and Water Deliveries (Page 9) – CHWD is concerned about the assumed rebound of water deliveries over the next several years. This is perhaps the biggest unknown and the Report needs to err on the side of being conservative, even to the point of discounting UWMP predictions until we have a better vision of what the “new normal” in water demands will be. CHWD’s UWMP predicts population growth of 5% from 2015 (65,093) to 2025 (68,348), or 0.5% per year (CHWD 2015 UWMP Page 6).

We are in complete agreement with you in regards to the unknown rebound of water deliveries over the next few years. As we do not have any projections that we are confident are any more accurate than the UWMP, we have used that information for this Plan. We will review this information to see if there is significant variation at the end of the first year to determine if a reevaluation is appropriate.

8. Exhibit II-1: Summary of Past and Estimated Future Wholesale Water Deliveries (Page 10) – The Exhibit omitted surface water deliveries to CHWD for CY 2011. Deliveries prior to that date are off by one year. CHWD’s records for CY 2008 of 17,153 AF differ slightly from the Exhibit’s quantity of 17,036 AF. Noteworthy is the significant change in water demands after CY 2008, when the District became fully metered and began billing on metered rates. Water demand quantities prior to 2008 very little if any bearing on future demands.

The Exhibit’s values for future wholesale water deliveries to CHWD of 16,970 AF for CY 2020 and 17,383 AF for CY 2025 match CHWD’s 2015 UWMP values for total water demands (CHWD 2015 UWMP Page 23); however, when subtracting CHWD’s annual readiness-to-serve groundwater production of 900 AF, the correct quantities for surface water purchases from SJWD in those years are 16,070 AF and 16,483 AF, respectively.

We’ve included straight-line projection numbers between CY 2016 and 2020 and between CY 2020 and 2025 based upon the corrected number from above.

With the possibility for additional State-imposed water efficiency requirements and mandates, CHWD is not confident at this time that the estimated future wholesale water deliveries will correspond to its 2015 UWMP and the quantities shown in the Exhibit. Similar to CY 2016, CHWD has very conservatively budgeted purchasing 12,000 AF of surface water from SJWD in CY 2017.

See responses to number 3 and 7.

9. Staff Additions (Page 11) – CHWD does not understand the rationale of equally splitting the new positions of Human Resources Specialist and Administrative Assistant between the wholesale and retail budgets of SJWD. With approximately 18 full time equivalent (FTE) positions in SJWD wholesale and approximately 28 FTE positions in SJWD retail, an allocation of 39% to wholesale and 61% to retail for the Human Resources Specialist position is appropriate as this position directly applies to personnel functions. A similar allocation method would apply to the Administrative Assistant position based upon anticipated apportionment between wholesale and retail responsibilities.

SJWD agrees that the allocation of costs for new positions should be determined based on the actual job description and workload that will be assigned to each of the positions. When this information is available, the allocation of the costs associated with each position will be determined. Until that time, the position has been budgeted on a 50/50 basis as a placeholder.

10. New Administration Building (Page 16) – Similarly to the comment above, what is the rationale for equally splitting the cost for a new administrative building between the wholesale and retail budgets of SJWD?

While the major capital needs relating to the water treatment plant have been discussed, the need for a new building has not been explained to the same level of detail. Please provide a brief rationale for the need and recommended timing for this project.

The same rationale as number 9 was used; the District does not yet know how a new building will be allocated and this is currently a placeholder. Whether it is a new administrative building, a new board room, or an addition to the existing administrative building has not been determined. SJWD needs additional space and is still in the process of determining the best approach.

11. PERS UAL Obligations (Page 16) – CHWD requests that SJWD take another look at the need, value and timing of paying off the PERS UAL in lump sum in 2017.

.....
In spreading SJWD's PERS UAL payments over time would result in SJWD having cash reserves to facilitate its desired rating on debt service sooner thereby expediting replacement of Hinkle liner and cover.

SJWD reviewed the option of not paying off the PERS UAL. The result of not paying off the PERS UAL would result in an additional 3% increase being added to the first year rate increase. Staff does not recommend paying off all of the UAL, as it would be prudent to leave some room for the situation when PERS returns are above their assumed return, as PERLA does not allow an agency to reduce payments should they become overfunded.

In response to your comment that this would reserve funds to be used on capital projects, unfortunately it is not enough to avoid debt financing for the project.

12. Financial Plan Results (Page 17, fourth bullet) – The uncertainty of the rebound in water demands and corresponding annual water rate revenues is mentioned. As stated above, this is perhaps the biggest unknown and the Report needs to err on the side of being conservative, even to the point of discounting UWMP predictions until we have a better vision of what the “new normal” in water demands will be. Monitoring of this financial risk will be important, and we recommend that this financial plan be updated initially every year; more frequently than three to five years.

See responses to comments 3 and 7.

13. Wholesale Financial Plan Exhibit II-5 (Page 19) – The Property Taxes line in the Wholesale Capital Program Funding exhibit lists funds on the order of magnitude of \$1 million annually. With this being 50% of the total SJWD Property Taxes, please confirm that total property tax revenues are approximately \$2 million with

Our property tax revenue is approximately \$2 million per year, equally divided between wholesale and retail.

14. Water Rate Design (Page 28, first paragraph) – When considering the actual variable and fixed components of the wholesale water rates, the intent to keep the variable portion the same until 2021 while raising the fixed portion annually is intuitively not consistent with cost of service principles. Is the proposed 31% / 69% difference between variable and fixed costs proposed for FY 2020-21 more indicative of actual cost of service or is this just an interim step to an even more heavy reliance on the fixed component in the future?

The wholesale water rates are based on allocating costs equitably between all WCAs. Currently, some of the fixed costs are included in the volumetric portion of the water rates. To improve our resilience during varying water use conditions, staff is recommending the Board of Directors consider transitioning to a water rate that includes all fixed costs in the fixed portion of the water rate. The recommendation is to transition to this rate structure over an extended period of time. The water rates proposed in the first five years still have some of the fixed costs in the volumetric portion of the water rates.

15. Proposed Wholesale Water Rates for 2017 Through 2021 (Page 29) – Item 3 and corresponding Exhibit III-5 on Page 31 note a decrease in the fixed O. M. & R. charges. What has influenced this change for CY 2020 and why does it then increase/maximize in CY 2021?

CY 2020 is the first year of additional debt service payments. The debt service charge goes up dramatically, so the remaining fixed portion of the water rate is

reduced to keep from spiking the rates that year. The fixed costs will then begin to increase the following year to continue the transition to all fixed costs being included in the fixed portion of the water rate.

Responses to comments from the report:

68.9 on p 15

One focus of this wholesale financial plan is to help ensure adequate funding of the District's wholesale capital improvement program. The wholesale capital improvement program includes about \$64.6 million (in future dollars) in capital improvements over the ten-year planning period extending through FY 25-26. The financial plan presented herein indicates that undertaking this capital program will require additional funding.

This will be revised to reflect the most recent number.

28.4
below
(69.3%)

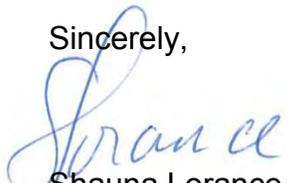
The financial plan model includes estimates related to the issuance of additional long-term debt in 2019 in order to fund major capital improvement projects. The 2019 new debt issue is estimated with a total par amount of \$41.5 million (\$28.75 million for wholesale projects and \$12.75 million for retail projects). Estimated terms include a 4.0 percent interest rate, 30-year repayment term, issuance costs of 2.0 percent of the par amount, funding of a debt service reserve, and approximately equal annual principal and interest payments throughout the repayment period. Actual terms would be determined at the

The \$28.4 million is the total of the two capital projects. The \$28.75 million is the total of the debt issuance costs assigned to wholesale. These numbers are not intended to be the same.

The footnotes numbered 9 and 10 are missing in Exhibit II-3. This will be fixed.

Again, I want to thank you for your detailed review of the Plan. It is very much appreciated.

Sincerely,


Shauna Lorange
General Manager



Dona

President - Kevin M. Thomas
Vice President - Robert P. Wichert
Frederick A. Gayle
Craig M. Locke
Neil W. Schild

October 18, 2016

Pamela Tobin, President Board of Directors
San Juan Water District
9935 Auburn Folsom Road
Granite Bay, CA 95746

Dear Ms. Tobin:

It was a pleasure meeting with the Wholesale Financial Plan Ad Hoc Committee on Tuesday, October 11, 2016. We were impressed with the breadth and depth of discussion concerning the proposed Wholesale Financial Plan that took place at that meeting. As a result of the meeting and based on our review of the Rate Consultant's Final Wholesale Financial Plan Report, dated August 31, 2016, we offer the following comments.

Sacramento Suburban Water District (District) appreciates its long and staid relationship with San Juan Water District (SJWD) beginning in earnest with the joint exercise of building a Cooperative Transmission Pipeline (CTP) that serves the needs of both district's customers that began in the early 1990's. Since these beginnings, the districts have worked together on various projects, which have proven advantageous in their outcomes.

The District respects the operational and financial issues that face SJWD and is willing to do its part in helping resolve those issues. First and foremost the District recognizes that the language in the "Agreement Between SJWD and Northridge Water District (Northridge) Concerning Diversion, Treatment and Conveyance of Water" (Agreement) dated November 23, 1993, regarding the charge by SJWD to treat water for Northridge is vague and needs to be readdressed. Nevertheless, for the present discussion, the contract language states "San Juan's charge to Northridge for use of Surplus Capacity in San Juan's Facilities to deliver Surplus Water or Northridge Water shall be at the same average wholesale rate it charges to San Juan's Member Districts, plus a charge to cover the pro rata cost of treating water to be delivered to Northridge to the extent treatment costs are not included in the wholesale rate. The charge for using Surplus Capacity to divert, treat and deliver Northridge Water shall not include the cost-of-water component of San Juan's wholesale rate, but may include the cost to San Juan to obtain Surplus Water specifically for the purpose of making it available for delivery to Northridge." (Agreement, part 4.)

This paragraph has been interpreted by SJWD to mean that all SJWD costs of service, exclusive of source of supply costs, are to be charged to the District. (See page 26 and 33 of the Rate Consultant's report.) The District disagrees with this wholesale allocation structure and believes the proper structure to allocate costs should be based on at least the following components.

1. Raw Water Supply Costs
2. Raw Water Transmission Costs
3. Treatment Costs including Hinkle Reservoir
4. Treated Water Transmission
5. Distribution Costs including local storage
6. Metering and Customer Service Costs

As each wholesale customer entity operates their own distribution system and customer service, Nos. 5 and 6 above are not included in wholesale water costs. If we understand the rate calculations correctly, the difference between SSWD and SJWD wholesale customer entities is not recognized in the present cost allocation. While wholesale cost for SJWD customer entities includes items 1-4 above, SSWD should not be assessed item 1, as we do not use SJWD raw water nor USBR Warren Act costs as we have our own. We should be assessed for Raw Water Transmission from the face of Folsom Dam through the "Hinkle Wye" to the Peterson Water Treatment Plant, together with Treatment costs at Peterson, including costs for clear well storage at Hinkle reservoir. SSWD should not be charged for finished water transmission in the Cooperative Transmission pipeline as we own our own capacity in that facility.

SSWD's interpretation of the contract language applicable to rate-setting above is that SSWD should pay for costs associated with use of surplus capacity "in San Juan Facilities." We should not pay the rates charged to other wholesale customer entities where we are using our own facilities such as our capacity in the cooperative transmission pipeline. It is not clear from the rate information provided that this is the case. As it stands, with the current cost structure, it appears the District is being asked to pay for costs charged to other wholesale entities for facilities not used by SSWD.

Thank you again for the opportunity to comment. If I can provide any further information or clarification, please contact me at (916) 679-3994.

Sincerely,



Robert S. Roscoe
General Manager

cc: Dan York
Dan Bills



November 11, 2016

Robert S. Roscoe, General Manager
Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821-5346

Directors
Edward J. "Ted" Costa
Kenneth H. Miller
Don Rich
Pamela Tobin
Bob Walters
General Manager
Shouna Langston

Dear Mr. Roscoe,

Thank you for providing comments on the Wholesale Financial Plan and proposed rate structure in your letter dated October 18, 2016.

As you know, our rate consultant, The Reed Group, included a calculation of the cost to treat SSWD's raw water in our Financial Plan. The calculation of the rate is governed by the "Agreement Between SJWD and Northridge Water District (Northridge) Concerning Diversion, Treatment and Conveyance for Water" (Agreement) dated November 23, 1993. We provided the agreement to our consultant for use in preparing the water treatment rate.

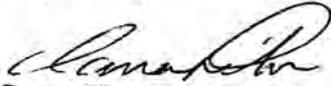
In your letter you acknowledged that the language in the Agreement is vague and needs to be readdressed. You also expressed disagreement with the interpretation of the agreement as it pertains to the calculation of the water treatment rate and you suggested a different interpretation.

We are in complete agreement that the agreement is vague and should be revised. As a starting point for our discussions, would you be willing to provide suggested language that would better define a fair and equitable calculation of the cost of water treatment for both agencies?

Until our agreement is revised, our approach in for the financial plan is to follow our interpretation of the existing agreement. It does not include any raw water supply costs or CTP costs, but does include all other wholesale costs. The current agreement says the cost for SSWD should be the same as those charged other wholesale customer agencies. We agree there are likely costs that are paid by other wholesale customer agencies that might not be as applicable to you and should be reconsidered.

If you have any questions or concerns, please contact me at your convenience. I look forward to working with you on revisions to this agreement.

Respectfully,



Donna Silva, CPA

Director of Finance

cc: Shauna Lorange, General Manager, San Juan Water District
Keith Durkin, Assistant General Manager, San Juan Water District
Pamela Tobin, President of the Board of Directors, San Juan Water District
Dan Rich, Board Member, San Juan Water District
Ken Miller, Board Member, San Juan Water District
Robert Wallace, Board Member, San Juan Water District
Ted Costa, Board Member, San Juan Water District



November 18, 2016

Mr. Daniel A. Bills
Finance Director
Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, California 95821-5346

Subject: Review of the San Juan Water District Wholesale Treat and Wheel Water Rate Study

Dear Mr. Bills:

HDR Engineering, Inc. (HDR) was retained by the Sacramento Suburban Water District (District) to review the wholesale water rate study recently conducted for the San Juan Water District (San Juan). San Juan serves a number of member agencies on a wholesale basis and has an agreement in place with the District to provide treat and wheel water services on a surplus capacity or surplus water basis. San Juan completed their study on August 31, 2016 and issued a report of the findings conclusions and recommendations from the study. The report, developed by The Reed Group Inc. was titled: San Juan Water District, Wholesale Financial Plan and Water Rate Update Study. As a part of this study, the “treat and wheel” water rate for the District was analyzed and proposed treat and wheel rates developed for 2017 through 2021. The rates as proposed for 2017 are approximately 34% more than the current rate charged to the District. In light of this level of proposed adjustment, the District asked HDR to provide a technical review of the study. This report is intended to summarize our review of the San Juan Water District’s wholesale water rate study and, more specifically, the development of the proposed treat and wheel rate for the District.

HDR has reviewed the San Juan report along with other relevant documents. The HDR review was not intended to “audit” the San Juan study’s data inputs, but rather, review the overall methodology in relation to generally accepted rate setting methodologies, and the development of the treat and wheel rate to be in compliance with the existing agreement for those services. It is important to note that there is an agreement between the San Juan Water District and the District (formerly the Northridge Water District) for the provision of the services. The agreement contains a specific section discussing the payment (i.e., basis for the rate) for use of surplus capacity or surplus water by the District.

Please find attached a letter report summarizing our review of the San Juan wholesale water rate study. We have attempted to provide a comprehensive review of this issue, along with the

hdrinc.com

500 108th Ave NE, Suite 1200, Bellevue, WA 98004-5549
(425) 450-6200

relevant background information, to help provide the District and San Juan with an independent and unbiased review of this issue.

We appreciate the assistance provided by the District in the development of this review. More importantly, HDR appreciates the opportunity to provide these technical and professional services to the District.

Sincerely yours,
HDR

A handwritten signature in blue ink, appearing to read "Tom Gould". The signature is fluid and cursive, with the first name "Tom" being more prominent than the last name "Gould".

Tom Gould
Vice President
HDR's Business Leader
for Finance and Rates



Review of the San Juan Water District Wholesale Financial Plan and Water Rate Study

Introduction

HDR Engineering, Inc. (HDR) was retained by the Sacramento Suburban Water District (District) to provide a review of the San Juan Water District (San Juan) wholesale financial plan and water rate study update. San Juan provides wholesale and retail water services to an area near the District. San Juan's wholesale services include supply, treatment and transmission of the water. The wholesale rates include both operating and capital costs. The District is not a San Juan wholesale customer. Instead, the District has an agreement to purchase surplus capacity or surplus water on a treat and wheel basis. The volumes of water delivered to the District can vary from year-to-year, and may include no deliveries during any particular year. This is a beneficial relationship for both parties.

In early 2016, San Juan retained The Reed Group, Inc. (Reed) to update the District's ten-year wholesale and retail financial plans and develop recommendations for updating water rates for the five-year period of 2017 through 2021. Included within the wholesale rate study was an analysis of the treat and wheel rate, specific to the District. The development of this rate is predicated upon the existing agreement between the parties as it relates to these services. There is a specific section within the 1994 agreement related to the pricing of these services. Reed, in the development of the wholesale rate study used their interpretation of the specific language from the 1994 agreement to develop the proposed treat and wheel rates. The result was an increase in the treat and wheel rate of approximately 34%. Given the magnitude of this level of adjustment, the District requested that HDR review the Reed study to confirm its use of generally accepted rate setting methodologies and conformance with the existing agreement between the parties.

Review of Documents

As a part of this review, HDR reviewed a number of different documents. The primary document reviewed was The Reed Group, Inc. final report dated August 31, 2016 and titled: San Juan Water District, Wholesale Financial Plan and Water Rate Update Study. This report provided the background discussion and exhibits summarizing San Juan's proposed wholesale rates, along with the District's proposed treat and wheel rate. In addition to our review of this report, HDR also reviewed the following documents:

- Agreement Between San Juan Water District and Northridge Water District Concerning Diversion, Treatment and Conveyance of Water (As Amended), dated October 10, 1994.
- Letter dated August 16, 2010 from Shauna Lorange, General Manager of the San Juan Water District to Mr. Rob Roscoe, related to the proposed changes in water rates and charges.
- Letter dated October 18, 2016 from Rob Roscoe, District General Manager to Pamela Tobin President of the San Juan Board of Directors, regarding the 1994 contract language related to the pricing of treat and wheel rates.

- Response letter dated November 11, 2016 from Donna Silva, San Juan’s Director of Finance to Mr. Rob Roscoe, District General Manager related to the District’s letter dated October 18, 2016.
- San Juan Water District, 2015 Urban Water Management Plan.

The review of these documents was intended to provide background information on the issue, along with the context of the issue and current discussions.

Overview of the Issue

The San Juan Water District maintains contracts with four wholesale customer agencies. These agencies are as follows:

- ✓ Citrus Heights Water District
- ✓ Fair Oaks Water District
- ✓ Orange Vale Water Company, and
- ✓ City of Folsom

San Juan also contracts with the City of Roseville and the District to provide water on an as-available basis. For purposes of establishing wholesale rates, Roseville and the District are not considered to be wholesale customer agencies by San Juan. The wholesale water rate study conducted by Reed is primarily focused on properly and adequately funding the wholesale water system of San Juan and equitably allocating the costs between the San Juan retail system and the four wholesale customers noted above. The development of the treat and wheel rate for the District is a very minor portion of the wholesale rate study conducted by Reed, but it is based upon, and directly related to, the prior technical analyses conducted for the other wholesale customers.

In 1994 San Juan entered into an agreement with the Northridge Water District (now Sacramento Suburban Water District or the District) to work cooperatively with Northridge to use Northridge’s capacity, along with any surplus capacity in San Juan’s facilities to divert, treat and convey for Northridge’s use within its service area, San Juan’s surplus water from the Folsom Reservoir and any surface water from the Folsom Reservoir that Northridge may become entitled to divert from time to time in the future. While there are more details to this arrangement, it was essentially an agreement to sell surplus water to Northridge, or to treat and deliver water that Northridge may have or become entitled to.

The pricing for these services for the use of surplus capacity in San Juan’s facilities was specified within the 1994 agreement. The agreement is written in a relatively simple and easy to understand approach. However, it is written in such a manner that it may be open to different interpretations. More problematic is that the agreement may be overly simplistic and fails to fully recognize the complexities of the relationship.

As noted above, HDR stated that this was an agreement for a complex arrangement. In many ways, this is a combination of a surplus water arrangement, an interruptible water arrangement, and a wheeling arrangement. At the same time, Northridge provided a payment to San Juan of \$4.7 million to expand the capacity of San Juan’s pipeline by 59 million gallons

per day for Northridge’s exclusive use for conveying water for Northridge. In essence, Northridge provided a major capital contribution to San Juan to provide the available capacity to allow for the conveyance of water to Northridge. From a very basic perspective, the section on pricing within the 1994 agreement provides a rate for the delivery of surplus water at the same average wholesale rate that it charges San Juan’s wholesale member agencies. In comparison, the charge for using surplus capacity to divert, treat, and deliver District water (from Folsom Reservoir) is the average wholesale rate less the cost-of-water component of San Juan’s wholesale water rate. Essentially, a non-interruptible (firm delivery) member agency rate is being used as the “yardstick” or basis to price a surplus capacity (non-firm delivery) or interruptible rate.

The District’s letter to San Juan, dated October 18, 2016, highlights the complexity of the relationship between the parties and the potential areas of disagreement concerning the existing pricing arrangement. San Juan and Reed, in developing wholesale rate study, appeared to use a literal and narrow reading of the pricing arrangement within agreement. As the District points out in their letter to San Juan, the District believes the wholesale allocation structure should be based upon the following components:

1. Raw Water Supply Costs
2. Raw Water Transmission Costs
3. Treatment Costs Including Hinkle Reservoir
4. Treated Water Transmission
5. Distribution Costs Including Local Storage
6. Metering And Customer Service Costs

The District maintains that items five and six are local distribution costs and should not be included within the wholesale water costs. There is also a question about the inclusion of item 1 since the District does not use San Juan raw water, nor USBR Warren Act costs, as the District provides their own water supply. In the District’s letter it notes, “we should be assessed for raw water transmission from the face of Folsom dam through the “Hinkle Wye” to the Peterson water treatment plant, together with treatment costs at Peterson, including cost for clear well storage at Hinkle reservoir. SSWD (i.e., the District) should not be charged for finished water transmission in the Cooperative Transmission pipeline as we own our own capacity in the facility.”¹

The above encapsulates the key issues. HDR believes these key issues are as follows:

- A single rate structure cannot fairly or fully capture the difference between the use of San Juan raw water rights or District-owned water rights.
- The existing agreement is in place and has a specific methodology for establishment of the rate. The language within that portion of the agreement is vague and open to different interpretations.

¹ Letter dated October 18, 2016 to Pamela Tobin, President Board of Directors, San Juan Water District, from Rob Roscoe, General Manager for Sacramento Suburban Water District, page 2.

- The existing agreement, and language related to pricing, does not seem to take into consideration the \$4.7 million capital contribution provided to San Juan for the Cooperative Transmission pipeline.
- The District's approach contained within their October 18, 2016 letter is a more technically sound and potentially a more equitable methodology. However, the language of the existing agreement likely does not support its use at this time.

The analytical level of detail contained within the Reed report likely does not fully support the District's suggested approach. Greater cost detail may be available from San Juan, but the Reed report does not have the required level of detail to fully analyze or utilize the District's suggested approach.

To their credit, San Juan responded to the District's October 18, 2016 letter and acknowledged that the language in the agreement is vague and needs to be re-addressed. However, San Juan noted that it intends to follow their interpretation of the existing agreement until such time as a new agreement can be agreed upon. Given that, the objective of this review is to analyze the approach used by Reed to develop the proposed rate for 2017 through 2021. HDR agrees that the parties should continue discussions of an updated agreement.

Overview of the 1994 Agreement

In 1993, the San Juan Water District and Northridge Water District (current Sacramento Suburban Water District) entered into an agreement concerning the diversion, treatment and conveyance of water. In 1994, the parties amended the agreement for these services. Provided below is a discussion and overview of the agreement and the key elements of the contained within it which are related to this issue.

Northridge desired to have supplemental surface water supplies diverted, treated and conveyed through San Juan's facilities. In the past, San Juan had diverted treated and conveyed surface water from the Folsom Reservoir to Northridge using San Juan's facilities. The Agreement anticipated that Northridge may obtain water rights and entitlements in the future to divert water from the Folsom Reservoir. At the same time, San Juan was undertaking a project to enhance reliability and increase the capacity of its water conveyance facilities from its treatment plant to Filbert Avenue to meet future demands. As a part of that capacity expansion, Northridge agreed to pay San Juan \$4.7 million to expand the capacity of San Juan's pipeline by 59 million gallons per day for Northridge's exclusive use in the conveyance of water from San Juan to Northridge. At the same time, Northridge was undertaking a project to construct with Citrus Heights Irrigation District a pipeline for their joint use connecting with San Juan's pipeline at Filbert Avenue and terminating at C Bar C Park, and also constructing new water conveyance facilities to be connected to the Northridge Citrus Heights pipeline at C Bar C Park to deliver water to Northridge's service area.

With these facilities in place, San Juan was willing to work cooperatively with Northridge to use Northridge's capacity and surplus capacity in San Juan's facilities to divert, treat and convey for Northridge's use within its service area, surplus water from Folsom Reservoir under San Juan's water rights and/or surface water from Folsom Reservoir that Northridge may become entitled

to divert from time to time (i.e., Northridge’s water rights). In essence, the agreement provided treatment and conveyance of water from either San Juan’s surplus water rights or Northridge’s water rights.

The agreement makes a clear distinction between the right to surplus facilities and surplus water. The agreement clearly noted that San Juan’s first priority for use of their facilities was to San Juan’s Member Districts, with the exception of Northridge’s exclusive right to use Northridge’s pipeline capacity (i.e., 59 MGD)². The agreement clearly noted that Northridge would be using surplus capacity in San Juan’s facilities which were not required to serve the needs of San Juan’s Member Districts. The General Manager of San Juan, with concurrence from San Juan’s Board of Directors, has the sole authority to determine the availability of surplus capacity from time to time.

With regard to surplus water, the agreement is very similar to the clause concerning surplus facilities. That is, San Juan’s first priority for use of San Juan’s water rights is to provide water service to San Juan’s Member Districts. Northridge does have the right to first priority in the use of surplus water for use within Northridge’s service area. Again, the General Manager of San Juan, with concurrence from the San Juan’s Board of Directors, has sole authority to determine the availability of surplus water from time to time. It is important to note that any water purchased by Northridge is “surplus” water.

Section 4 the agreement provides the terms for payment for surplus capacity (facilities) or surplus water. It reads as follows:

“4 Payment for Use of Surplus Capacity or Surplus Water. San Juan’s charge to Northridge for use of Surplus Capacity in San Juan’s Facilities to deliver Surplus Water or Northridge Water shall be at the same average wholesale water rate it charges San Juan’s Member Districts, plus a charge to cover the pro rata cost of treating water to be delivered to Northridge to the extent treatment costs are not included in the wholesale water rate. The charge for using Surplus Capacity to divert, treat and deliver Northridge Water shall not include the cost-of-water component of San Juan’s wholesale water rate, but may include the cost to San Juan to obtain Surplus Water specifically for the purpose of making it available for delivery to Northridge.”

In very simple terms, the payment for the access and use of San Juan’s facilities or surplus water is based upon the average wholesale water rate charged to San Juan’s Member Districts. In the case where Northridge would purchase both surplus capacity and surplus water, the agreement calls for Northridge to pay the same average wholesale water rate it charges to the Member Districts, plus a charge to cover the cost of treating water if treatment costs are not included within the wholesale water rate. In the case where Northridge purchases only surplus capacity (i.e. facilities), and uses their own water rights, the agreement calls for Northridge to pay the average wholesale water rate San Juan charges its Member Districts, less the cost-of-water (supply) contained within San Juan’s wholesale water rate. This section does provide a component for San Juan to include the cost of obtaining surplus water specifically for the

² This line is now referred to as the Cooperative Transmission pipeline (CTP)

purpose of making it available for delivery to Northridge. This last portion of the section is somewhat confusing in that it is unclear whether Northridge is being charged for water supply or for the wheeling costs incurred by San Juan to have water to treat for Northridge.

While the above pricing section is simple and straightforward, it lacks technical elements related to the overall transaction. For example, it is unclear how or where Northridge's capital contribution of \$4.7 million for the water conveyance facilities is considered or even taken into account. At the same time, Northridge is purchasing "surplus" capacity and/or water, yet the services are being priced as if these were "firm" deliveries like any other Member District of San Juan. Finally, the use of the average rate paid by Member Districts does not exclude any specific costs other than water supply, if Northridge provides their own water from their water rights. This may be a concern in that for any particular year San Juan can include within their revenue requirements specific costs which may have no relationship or direct bearing on the services being provided to Northridge. Most agreements of this nature would itemize the costs which can be included in the calculation of the rate and avoid the "catch all" approach used within this agreement.

One important element of this section is that there is no minimum purchase or minimum bill associated with the agreement. In any year that Northridge (Sacramento Suburban) does not use the services, there is no obligation for payment or minimum bill.

As noted earlier in this letter report, the parties have agreed that the language of this particular section of the agreement is vague and should be clarified. However, San Juan has stated that until such time as the agreement is updated the existing pricing approach will be utilized. Therefore as part of this review, HDR has reviewed the pricing approach developed within the Reed study to determine whether it appears to comply with the Agreement and language above.

Review of San Juan's Wholesale Financial Plan and Water Rate Study Update

In 2016, the San Juan Water District retained The Reed Group, Inc. to conduct a comprehensive rate study for San Juan's retail and wholesale water systems. The objective of this review was not to review the wholesale rate study, per se, but to review the wholesale rate study in the context of the development of the "treat and wheel" water rates for Sacramento Suburban Water District.

The San Juan wholesale water rate study is summarized in Reed's report titled San Juan Water District, Wholesale Financial Plan and Water Rate Study Update, Final Report, August 31, 2016. This report provides a financial plan (revenue requirement analysis), a cost allocation study (cost of service analysis) and the proposed wholesale rate designs (rate design analysis). At the end of the report, a brief discussion of the development of the treat and wheel water rate is provided. The report contains a number of exhibits summarizing the analysis. It is from this report and the exhibits contained within the report that HDR has relied upon to reach its observations and conclusions. At no time did HDR attempt to "audit" or verify the data contained in the Reed report. The data and information as presented and used within the

report is presumed to be reasonable and correct. Finally, HDR did not review the San Juan retail rate study and no analysis or review has been undertaken of the reasonableness of the assignment of costs between wholesale and retail.

Reed's wholesale rate study report is divided into two main sections; the financial plan and the development of the proposed rates. HDR reviewed both sections of the report and will summarize each section, along with our observations. The discussion of the treat and wheel rates are contained in the final section of the report.

The overall objective of San Juan's study, like any rate study, is to provide adequate funding for San Juan's O&M and capital expenditures. To accomplish this objective, a revenue requirement analysis was developed. Provided below is a more detailed discussion of this portion of the analysis.

Financial Plan/Revenue Requirement Analysis

Section II of the report provides the summary of San Juan's Financial Plan. The treat and wheel rates are linked to this section of the report in that any inclusion or exclusion of costs within this portion of the analysis impacts the average cost of the wholesale customers, which then directly impacts the treat and wheel rate. The 1994 agreement, as currently written, does not specifically include or exclude any particular costs from the treat and wheel rate (with the exception of the "cost of water" component). Given that, HDR has not focused on any particular costs contained within the revenue requirement analysis under the presumption that the San Juan's Member Districts would have more than a passing interest in avoiding unneeded or unnecessary costs inclusions within the revenue requirements. However, if the language of the treat and wheel agreement were modified to be more specific the District may have a greater interest in the costs included, or eligible to be excluded, from the treat and wheel rate. Among the areas of interest may be the following:

- **Reserves** – Accumulation of excess reserves would not benefit the District. This could be items such as the Delta/Water Rights Reserve, particularly if the District uses its own water rights for water supply. The other type of reserve would be for a specific capital project which may not directly benefit the District. An example of this type of specific facility reserve is the current Hinkle Reservoir Reserve. San Juan could establish a special reserve for a facility that does not directly benefit the District, yet in the end, still contribute to the reserve fund via a methodology that uses a simple average cost approach. Interestingly, within the current study, the Hinkle Reservoir Reserve is proposed to be utilized to pay for the PERS UAL, a totally different use of funds than originally designated.
- **Cost of Water Supplies** – San Juan currently owes Citrus Heights Water District and Fair Oaks Water District a combined \$1.98 million for treated water purchase costs related to groundwater used during the recent drought. The study has spread these costs (i.e., amortized) these costs over a four-year period. In that sense, it has taken prior cost obligations for water supply and brought them forward into the current period, thus artificially raising the cost of water in the current period. The 1994 agreement discusses the "cost of water" but does not provide a clear definition as to whether that is the

current time period costs, plus any other water cost obligations. The impact of the inclusion of these prior period purchased water supply costs in the current period revenue requirements (2017) are approximately \$866,900 or about \$20/acre foot.

- **Unfunded Accrued Liabilities** – San Juan currently has an unfunded accrued liability (UAL) of about \$5.5 million. Of this amount, the wholesale system is responsible for approximately \$2.3 million. This is a good example of a prior cost incurrence (obligation) being placed in the current time period. Under the current agreement these costs are likely included in the treat and wheel rate. Whether that is equitable and appropriate is one question, but the other is whether any portion of the \$2.3 million obligation is related to the “cost of water”.
- **Loans and Loan Repayment** – The wholesale system is loaning approximately \$790,000 to the retail system, to be repaid by the retail system over the next four years. If the District does not access and utilize the treat and wheel agreement during that time period (which is projected in the wholesale rate study), then any funds originally accumulated from the District and used for the loan will technically not be recouped via a lower rate for the District. This is a very minor item, but highlights some of the complexities of this type of agreement, particularly when one attempts to clearly define specific costs or components to be included within the treat and wheel rate.
- **Demand Projections** – With the drought, San Juan needed to be very conservative on its projections of water sales. Given that, the average cost per unit increases as one becomes more conservative with the estimated annual water deliveries. Much like the projection of operating and capital costs, the wholesale customers have a far greater interest in this issue than the District, but it does have a short-term impact upon the rate calculated for the treat and wheel rates.

In summary, the development of the revenue requirements appeared reasonable for purposes of establishing the wholesale revenue requirements. The wholesale revenue requirement analysis indicated the need for significant rate adjustments over the near-term future and long term. The level of these adjustments directly impacts the treat and wheel rate in future years.

Cost Allocation / Rate Design

Section III of San Juan’s wholesale rate report reviews the allocation of the wholesale water revenue requirements and then takes that analysis and converts it to wholesale water rates for each of San Juan’s member agencies. For purposes of the “treat and wheel” rate, the cost allocation study is important in that it appears to define the “cost of water” within the analysis.

Cost Allocation - The cost of service analysis utilizes the 2017 revenue requirement and segregates the cost between the cost components of:

- Supply (variable)
- Treatment (variable)
- Treatment (fixed)
- Customer (fixed) and,
- Debt Service (fixed)

The basis for the segregation of the costs, as shown on Exhibit III-2 of the San Juan report, are not clearly documented (e.g., basis for the cost split of treatment [75% fixed and 25% variable]). However, in the case of the treat and wheel rate, the allocation of costs between the member agencies has no impact upon the District's treat and wheel rate since the rate is developed based upon the total average cost of all wholesale customers. In other words, the total revenue requirement of \$9.233 million for calendar year (CY) 2017 is the primary starting point for the determination of the treat and wheel rate. However, for purposes of the treat and wheel rate, an important assignment within the cost of service analysis is the source of supply costs and the "cost of water".

On Table III-2, the wholesale cost allocation worksheet, the source of supply cost is shown as \$1.516 million. As is noted within the report, the revenue requirement (financial plan) is developed on a fiscal year basis and the cost allocation and rates are for a calendar year time period. In reviewing Table II-4 (summary of the wholesale financial plan), the source of supply costs are segregated between source of supply and treated water purchased cost. In reviewing those costs for FY 16/17 and FY 17/18, it is unclear how the costs were analyzed to produce the CY 2017 source of supply cost of \$1.516 million. That is not implying that there is an error or issue with this particular figure, simply that the document provides insufficient documentation to completely follow the conversion from the fiscal year cost to the calendar year costs. Overall, the use of the \$1.516 million appears reasonable, but it is not the simple sum of 50% of FY 16/17 and 50% of FY 17/18. It is suspected that the high treated water purchase costs shown in FY 16/17 are related more to the first part of the year and less to last half.

Focusing back on Exhibit III-2, there remains the question of the "cost of water" and what the definition of that item is for purposes of calculating the treat and wheel rate. Interestingly, the line item (row) labeled source of supply is assigned 100% to the "Supply (Variable)" cost category. As other CY 2017 revenue requirements are assigned to the cost categories, certain overhead costs are also assigned to the category of "Supply (Variable)" costs. These other overhead costs include Executive & Board of Directors, Administration & Info. Tech., Finance and Purchasing, and Human Resources. Once the source of supply costs are fully burdened, the total costs categorized as "Supply (Variable)" is equal to \$2.351 million.

Exhibit III-2 extends the analysis to produce an average unit cost at the bottom of the table. The \$2.351 million is divided by the total annual wholesale consumption for CY 2017 (42,622 AF) to produce an average cost for supply of \$55.18/AF.

The average unit costs calculated in Exhibit III-2 are carried forward to Exhibit III-3 and each wholesale customer's units of consumption are charged these average unit costs. For example, Citrus Heights has annual consumptive use of 13,015 AF and for supply costs they are charged \$718,148 (13,015 AF x \$55.18/AF). This approach is used for each cost component and for each wholesale customer. The result is the rates produce a total of \$9.233 million which ties back to the CY 2017 revenue requirement allocated in Exhibit III-2.

Treat and Wheel Rate Design – The agreement between San Juan and the District specifies the method for determining the treat and wheel water rate. The report also notes that the District

is currently charged \$135.34/AF for SSWD water treated and wheeled through San Juan Facilities and delivered to the District.³

As noted previously, Section 4 the 1994 agreement provides the terms for payment for surplus capacity (facilities) or surplus water. It reads as follows:

“4. Payment for Use of Surplus Capacity or Surplus Water. San Juan’s charge to Northridge for use of Surplus Capacity in San Juan’s Facilities to deliver Surplus Water or Northridge Water shall be at the same average wholesale water rate it charges San Juan’s Member Districts, plus a charge to cover the pro rata cost of treating water to be delivered to Northridge to the extent treatment costs are not included in the wholesale water rate. The charge for using Surplus Capacity to divert, treat and deliver Northridge Water shall not include the cost-of-water component of San Juan’s wholesale water rate, but may include the cost to San Juan to obtain Surplus Water specifically for the purpose of making it available for delivery to Northridge.”

As HDR reads this clause for purposes of the District using surplus capacity to have San Juan treat the District’s water is that the District will be charged the same average wholesale rate charged to San Juan’s Member Districts, excluding the cost of water component of San Juan’s wholesale water rate.

As shown in the San Juan report, the treat and wheel rate for the District is calculated as follows:

District Rate =	$\frac{[\text{SJWD Wholesale Rev. Requir. – Source of Supply Costs}]}{\text{Estimated Annual SJWD Water Deliveries}}$
District Rate =	$\frac{[\$9,233,000 - \$1,516,000]}{42,622 \text{ AF}}$
District Rate =	$\$181.06/\text{AF}$

The calculated rate of \$181.06/AF is an increase of \$42.72/AF over the existing treat and wheel rate, or an increase of 31.6%. As a point of reference, the recommended overall adjustment of wholesale rates for Member Districts in 2017 was 16%.⁴ That means that the proposed treat and wheel rate for the District is roughly double the proposed wholesale rate adjustment for the Member District’s. Given that the treat and wheel rate has a direct linkage to the average cost charged to the Member District’s, at least on the surface and intuitively, there appears to be a disconnect at some level

³ Paraphrased from p. 32 of San Juan Wholesale Rate Study

⁴ San Juan Wholesale Rate Study, p. 3

The calculation of the treat and wheel rate shown above is very easy to follow. The \$9.233 million reflects the average cost (rate) charged to all of San Juan’s Member Districts. The \$1.516 million reflects the “source of supply” row item from Exhibit III-2. As the parties have already agreed, the language of the agreement is “vague” and this is a prime example. As HDR has reviewed the analysis, the “cost of water” could also be interpreted as the total costs assigned to the “Supply (Variable)” cost component on Exhibit III-2 and III-3. This is \$2.351 million. If this interpretation of the “cost of water” is used, the District’s treat and wheel rate is revised as follows:

District Rate =	<u>[SJWD Wholesale Rev. Requir. – Source of Supply Costs]</u> Estimated Annual SJWD Water Deliveries
District Rate =	<u>[\$9,233,000 - \$2,351,900]</u> 42,622 AF
District Rate =	\$161.44/AF

As can be seen in the above table, using the total supply costs from Table III-2, the calculated treat and wheel rate is \$161.44/AF or an increase of \$26.10/AF or a 19.3% increase. This level of adjustment is much more in line with the overall 16% adjustment applied to San Juan’s member agencies.

Even with the above proof of the reasonableness of the end result, the other way in which this can be viewed is based upon a cost per acre foot approach. As will be recalled, in Exhibit III-2, the supply costs for rate design purposes were \$55.18/AF. The total average cost of the wholesale customers is \$216.63/AF [$\$9.233 \text{ M} \div 42,622 \text{ AF}$]. Taking the \$216.63/AF and subtracting out the \$55.18 of supply costs, the result is \$161.45/AF or essentially the same result as shown above.

It can also be argued that San Juan’s repayment for the previously purchased groundwater from Citrus Heights Water District and Fair Oaks Water District is a supply cost which is not a current period cost and as an amortized supply cost should also be deducted from the treat and wheel rate. While not specifically classified as a supply cost in Exhibit III-2, it is a deferred/amortized payment for water supply which is the responsibility of the Member Districts. The inclusion of this cost in the calculation has artificially raised the revenue requirements for the current period, or stated alternatively, was improperly classified and should have been identified as a water supply cost. As noted previously, for CY 2017 this amount appears to be roughly \$20/acre foot, which would further reduce the treat and wheel rate to \$141.44/AF or an increase of \$6.10/AF or 4.5% above the existing treat and wheel rate.

Summary Conclusions

Ultimately, this issue is centered on the definition of “cost of water” and whether the definition of these costs should follow and be consistent with cost of service study, or be more narrowly

defined and limited to the “unburdened” costs. HDR did not have any prior studies or analyses of this rate to base its opinion. Given that, HDR concluded that the use of the “burdened” supply costs seemed to be most consistent with the Agreement. HDR did not focus on the phrase “cost of water” but rather on the more holistic perspective of:

“shall not include the cost of water component of San Juan’s wholesale water rate, but may include the cost to San Juan to obtain surplus water specifically for the purpose of making it available for delivery to Northridge.”

From HDR’s perspective, the cost of water component in San Juan’s wholesale water rate is the “Supply” cost of \$55.18/AF shown in Exhibit III-3 and used by San Juan to develop the proposed wholesale rates for the Member Districts. Added to that, the end result of using this definition is much more in line with the overall percentage adjustments to the other Member Districts (which one should expect). Finally, the cost of obtaining water is not simply the cost of the water, but there is an overhead (burdened) cost to obtain those supplies. It would seem logical and appropriate to have the same definition of the “cost of water” whether the District provides their own supply or purchases water from San Juan.⁵

HDR would make one additional observation and that is the San Juan study should have calculated or provided rates under the condition of the District using their water, or the alternative provided by the Agreement, of San Juan providing the water. These are two separate and distinct rates and should be clearly spelled out with the wholesale rate study.

In summary, HDR is of the opinion that San Juan Water District should reconsider their proposed treat and wheel rate for the District and, at the very least, revise it to \$161.44/AF. Financially, this change in the rate has no impact to San Juan’s financial plan. Their current plan assumed no water deliveries to the District over the planning horizon.

⁵ This statement implies that if San Juan were charging the District for water supply, they would likely be inclined to use the fully burdened cost and value of \$55.18/AF, as opposed to \$35.57/AF ($\$1.516 \text{ M} \div 42,622/\text{AF}$).

Technical Appendix
Exhibits From the San Juan Wholesale Water Rate Study

Exhibit 11-4
San Juan Water District
Wholesale Financial Plan - Operating Fund

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Calendar Year Overall Rate Increases -->	16%	9%	9%	9%	9%	5%	5%	5%	5%	6%	6%
WHOLESALE OPERATIONS											
Beginning Balance	1,272,500	3,232,500	3,461,000	1,822,268	3,447,360	2,433,240	2,753,840	2,885,140	2,020,940	3,229,840	3,401,240
Sources of Funds											
CDER Flood Energy	1,316,000	2,043,000	4,328,000	5,211,000	3,168,000	5,371,000	6,521,000	6,731,000	7,585,000	8,422,000	8,094,000
CDER Waste Charge	2,722,000	3,426,000	3,427,000	3,742,000	3,922,000	4,043,000	4,271,000	4,030,000	4,127,000	4,155,000	4,172,000
CDER Service Charge	1,979,000	1,979,000	1,979,000	1,979,000	3,459,240	3,638,100	3,638,100	3,638,100	3,638,100	3,638,100	3,638,100
Wholesale Rate Revenue	6,270,000	8,197,400	9,863,400	10,931,300	12,097,200	13,052,100	13,730,600	14,443,600	15,270,300	16,215,200	16,980,600
Sacramento Suburban RD	400,000	600,000									
Greater Bay Golf Course	23,000	31,200	23,500	23,500	23,500	23,500	23,500	24,700	26,200	27,800	29,300
Spec. Operating Revenue	110,000	112,500	115,000	119,000	123,000	127,000	131,000	135,000	139,000	143,000	147,000
Treatment Earnings	34,200	9,400	38,000	27,000	30,000	40,000	47,000	40,000	64,000	58,000	69,000
Total Sources of Funds	6,819,000	9,251,100	10,000,000	11,110,800	12,273,760	13,247,600	13,932,100	14,653,300	15,498,500	16,454,000	17,226,100
Uses of Funds											
Source of Supply	574,000	1,270,000	1,250,700	1,496,400	1,496,400	1,613,000	1,578,000	1,746,900	1,817,800	1,891,400	1,970,700
Treated Water Purchase Costs	856,000	371,520	371,520	2,065,000	2,065,000	2,127,000	2,191,000	2,257,000	2,325,600	2,398,000	2,467,000
Water Treatment & Operations	1,025,300	1,027,000	1,027,000	775,000	853,000	923,000	976,000	1,032,000	1,091,000	1,151,000	1,216,000
Energy, Chemicals, Maint.	514,500	575,200	702,000	702,000	926,000	985,000	1,015,000	1,045,000	1,076,000	1,108,000	1,141,000
Executive & Board of Directors	783,700	875,200	904,000	926,000	956,000	985,000	1,015,000	1,045,000	1,076,000	1,108,000	1,141,000
Administration & Inv. Mgmt.	581,500	789,700	971,000	956,000	932,000	907,000	962,000	991,000	1,021,000	1,052,000	1,084,000
Facilities	480,000	389,200	401,000	413,000	425,000	438,000	451,000	465,000	479,000	493,000	508,000
Human Resources	325,400	300,000	324,000	324,000	328,000	345,000	352,000	360,000	368,000	376,000	384,000
Interest Accrual and OFEB	325,000	206,000	219,000	219,000	235,000	245,000	252,000	260,000	268,000	276,000	284,000
IFBIS-UM Reg & Payment	152,300	148,200									
IFBIS-UM Reduction	2,000,000	2,000,000									
Engineering	317,000	368,000	360,000	391,000	403,000	415,000	427,000	440,000	453,000	467,000	481,000
Wholesale Meter Run	368,900	376,500	368,000	400,000	412,000	424,000	437,000	450,000	464,000	478,000	492,000
Construction & Outreach											
Transfers to Other Service											
2009 CDEs	1,743,000	1,040,000	1,147,000	1,249,400	1,345,100	1,345,100	1,345,100	1,346,000	1,345,700	1,347,100	1,346,600
2012 Refunding Rev. Bonds	624,500	632,600	630,500	630,100	630,300	633,400	632,600	630,800	631,400	632,600	633,200
2019 New Debt Issue											
Transfer to Capital Fund	(800,000)	(1,080,000)	750,000	990,000	1,668,000	1,668,000	1,668,000	1,668,000	1,668,000	1,668,000	1,668,000
Total Uses of Funds	6,850,000	10,202,000	9,074,920	10,403,820	12,285,020	12,928,200	13,001,800	14,017,200	15,190,300	16,202,500	16,821,400
Ending Balance	3,232,500	3,081,000	3,277,580	2,447,560	3,435,440	2,754,840	2,885,140	2,920,740	3,220,740	3,401,240	4,005,040
Operating Reserve (20%)	1,320,000	1,229,000	1,000,000	1,880,000	1,738,000	1,731,000	1,795,000	1,891,000	1,929,000	2,006,000	2,096,000
Rate Stabilization Reserve	1,000,000			200,000	750,000	500,000	310,000	580,000	780,000	750,000	1,000,000
Cont. Assistance Reserve	190,550										
IFBIS-Substitution Reserve	403,000										
Debt/Inv. Rights Reserve	102,666	453,000	208,000	253,000	303,000	351,000	403,000	453,000	503,000	553,000	603,000
Uncommitted Fund Balance	986	(100)	24,580	484,560	141,440	168,840	386,140	106,740	47,700	102,240	316,940

Exhibit III-2
San Juan Water District
Wholesale Water Rate Cost Allocation Steps

Wholesale Cost Allocation – Units of Service

Wholesale Customer	Annual Water Use		No. of Customers (Accts.)
	Estimated for 2017 (AF)	Avg. for 2012-2015 (AF)	
San Juan WD - RSA	13,680	12,658	10,582
Citrus Heights WD	13,915	11,785	19,785
Fair Oaks WD	9,975	8,861	13,894
Orangevale WC	8,615	4,216	5,577
City of Folsom	1,328	1,296	1,025
Totals	42,622	38,847	50,863

Wholesale Cost Allocation – Unit Costs of Service (2017)

	Total Cost	Supply (Variable)	Water Treatment		Customer (Fixed)	Debt Serv. (Fixed)
			(Variable)	(Fixed)		
Units of Service:		42,622 AF	42,622 AF	28,847 AF	50,863 Accts.	
Source of Supply:						
Total	\$ 1,516,000	\$ 1,516,000				
Unit Cost						
Water Treatment & Operations						
Total	\$ 2,536,250		\$ 638,950	\$ 1,887,300		
Unit Cost						
Executive & Board of Directors						
Total	\$ 868,100	\$ 287,900	\$ 121,300	\$ 405,200	\$ 72,600	
Unit Cost						
Administration & Info. Tech.						
Total	\$ 840,000	\$ 274,300	\$ 115,600	\$ 387,000	\$ 69,300	
Unit Cost						
Finance & Purchasing						
Total	\$ 395,400	\$ 128,200	\$ 54,000	\$ 180,000	\$ 32,300	
Unit Cost						
Human Resources						
Total	\$ 446,850	\$ 145,800	\$ 61,200	\$ 205,300	\$ 36,200	
Unit Cost						
Engineering						
Total	\$ 374,450			\$ 374,450		
Unit Cost						
Conservation & Outreach						
Total	\$ 382,250				\$ 382,250	
Unit Cost						
Transfers for Debt Service						
Total	\$ 1,978,350					\$ 1,978,350
Unit Cost						
Transfer To/(From) Cap. Fund						
Total	\$ 1415,000			\$ (415,000)		
Unit Cost						
Offsetting Misc. Revenues						
Total	\$ (836,750)			\$ (636,750)		
Unit Cost						
To/(from) Reserves						
Total	\$ 949,100			\$ 949,100		
Unit Cost						
Total Revenue Reqmt.	\$9,233,000	\$ 2,351,900	\$ 991,150	\$ 3,318,500	\$ 593,050	\$ 1,978,350
Unit Costs of Service		\$ 55.18	\$ 23.25	\$ 85.43	\$ 11.66	
		Per AF	Per AF	Per AF	Per Acct.	

Exhibit III-3
San Juan Water District
Wholesale Water Rate Cost Allocation Steps -- Continued

Wholesale Cost Allocation -- Allocation to Wholesale Customers

Wholesale Customers	Supply (Variable)	Water Treatment		Customer (Fixed)	Debt Serv. (Fixed)	O, M&R and DS Costs (\$)	O, M&R and DS Costs (%)
		(Variable)	(Fixed)				
Unit Costs of Service -->	\$ 55.18 Per AF	\$ 23.25 Per AF	\$ 85.43 Per AF	\$ 11.66 Per Acct.			
San Juan WD -RSA							
Units of Service	13,680	13,680	12,658	10,582			
Allocation of Costs	\$ 754,882	\$ 318,126	\$ 1,081,336	\$ 123,384	\$ 613,750	\$ 2,891,479	31%
Citrus Heights WD							
Units of Service	18,015	18,015	11,785	19,785			
Allocation of Costs	\$ 718,148	\$ 302,646	\$ 1,006,739	\$ 230,688	\$ 672,800	\$ 2,931,020	32%
Fair Oaks WD							
Units of Service	9,978	9,978	8,861	13,894			
Allocation of Costs	\$ 550,603	\$ 232,038	\$ 796,976	\$ 162,001	\$ 443,450	\$ 2,145,068	23%
Orangevale WC							
Units of Service	4,615	4,615	4,246	5,577			
Allocation of Costs	\$ 254,650	\$ 107,320	\$ 362,738	\$ 65,026	\$ 191,950	\$ 981,694	11%
City of Folsom							
Units of Service	1,334	1,334	1,296	1,025			
Allocation of Costs	\$ 73,607	\$ 31,020	\$ 110,711	\$ 11,951	\$ 56,400	\$ 283,689	3%
Totals	\$ 2,351,900	\$ 991,150	\$ 3,318,500	\$ 593,050	\$ 1,978,350	\$ 9,232,950	100%



December 12, 2016

Mr. Daniel A. Bills
Finance Director
Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821-5346

Directors
Edward J. "Ted" Costa
Kenneth H. Miller
Dan Rich
Pamela Tobin
Bob Walters
General Manager
Shauna Lorange

Subject: HDR Review of the San Juan Water District Wholesale Treat and Wheel Water Rate Study

Dear Mr. Bills,

The San Juan Water District (SJWD) is in receipt of the above mentioned report. We are pleased that SSWD had an independent analysis performed on the rate calculation and look forward to working together to craft an amendment to the agreement that provides both clarity and equity for both Districts moving forward. We feel that the HDR report will be very useful in the process.

We have reviewed the report and are pleased to provide comments that will be instrumental both in revising the underlying contract and in recommending the Treat and Wheel Water Rate for calendar year 2017.

Our comments are as follows:

- On page 3 of the agreement, HDR included an excerpt from the Sacramento Suburban Water Districts (SSWD) October 18, 2016 letter which identified components that should be included the wholesale allocation structure as follows:
 1. Raw Water Supply Costs
 2. Raw Water Treatment Costs
 3. Treatment Costs Including Hinkle Reservoir
 4. Treated Water Transmission
 5. Distribution Costs Including Local Storage
 6. Metering and Customer Service Costs

SSWD maintains that items #1, 5 and 6 should not be included within the wholesale water costs. SJWD agrees with this assertion and confirms that they are currently not included in the existing or proposed treat and wheel rate calculation.

- On page 3 of the report HDR raises the issue that a non-interruptible (firm delivery) member agency rate is being used as the “yardstick” or basis to price a surplus capacity (non-firm delivery) or interruptible rate.

SJWD agrees with this observation. While that is the way the existing contract was written, and SJWD remains committed to applying the existing agreement as currently worded, the District is amenable to discussing ways in which this could be addressed in a renegotiation of the agreement.

- The HDR report also says “SSWD should not be charged for finished water transmission in the Cooperative Transmission pipeline as we own our own capacity in the facility.”

The SJWD agrees with this position and confirms that all costs for the Cooperative Transmission pipeline are maintained and accounted for in a separate fund and were not included in the existing or proposed treat and wheel rate calculation.

- HDR noted, at the top of page 4, that the existing agreement, and language related to pricing, does not seem to take into consideration the \$4.7 million capital contribution provided to San Juan for the Cooperative Transmission pipeline.

SJWD agrees with this observation. We are amenable to adding language to a revised agreement that would specifically exclude maintenance of the Cooperative Transmission pipeline from the treat and wheel rate. However, since the previous \$4.7 million dollar capital contribution towards the Cooperative Transmission pipeline was not included in the existing or proposed treat and wheel rate, a deduction in costs for purposes of rate calculation would not be justified.

- As identified by HDR on page 7 of the report, “The 1994 agreement, as currently written, does not specifically include or exclude any particular costs from the treat and wheel rate (with the exception of the “cost of water” component). HDR then identifies potential areas of interest to be contemplated in a future revision to the 1994 agreement as follows:

- Reserves – HDR points out that the accumulation of certain reserves within the Wholesale operations may not benefit the SSWD and may not be for items that pertain to the cost to treat water. HDR specifically mentions SJWD’s Delta/Water Rights Reserve as one that would not pertain to the cost of treating water for SSWD.

SJWD agrees with this point and confirms that while the reserve exists, there are no material contributions to the reserve included in the underlying expenses used to calculate both the existing and the proposed rate. SJWD would be agreeable to adding language to the agreement to clarify how contributions to reserves should be handled in the calculation of the rate.

- Cost of Water Supplies – SJWD currently owes Citrus Heights Water District and Fair Oaks Water District a combined \$1.98 million for treated water purchase costs related

to groundwater used during the recent drought. The study spread these costs over a four year period. HDR correctly points out that SJWD took prior cost obligations for water supply and brought them forward into the current period and included them in the rate calculation.

SJWD agrees that this cost is a “cost of water” that should be excluded from the treat and wheel rate and will make the appropriate adjustment.

- **Unfunded Accrued Liabilities** – San Juan currently has an unfunded accrued liability (UAL) of about \$5.5 million. Of this amount, the wholesale system is responsible for approximately \$2.3 million. HDR identified this as an example of a prior cost incurrence being placed in the current time period.

SJWD maintains that this is a regular operating cost that is correctly included in the calculation of the rate. The study contemplates paying off the unfunded liability in its entirety, saving the SJWD considerable interest costs over time, thereby reducing future treat and wheel rates that would be paid by SSWD. Additionally, had the pension contribution rates set by CalPERS in prior years been such that unfunded liabilities did not occur, SSWD would have paid higher rates in the past. Therefore, SJWD finds it reasonable to include these costs in the current rate. HDR further questions whether any portion of the \$2.3 million obligation is related to the cost of water and SJWD advises that it would not. Our cost of water does not include labor or labor related expenses.

- **Loans and Loan Repayment** – The wholesale system is loaning approximately \$790,000 to the retail system, to be repaid by the retail system over the next four years. HDR maintains that if SSWD does not access and utilize the treat and wheel agreement during that time period, then any funds originally accumulated from the District and used for the loan will technically not be recouped via a lower rate for the District.

SJWD advises that the loan to retail is not included as a “cost” and therefore in no way affects the treat and wheel rate for SSWD.

- **Demand Projections** – HDR identified that with the drought, San Juan needed to be very conservative on its projections of water sales. Given that, the average cost per unit increases as one becomes more conservative with the estimated annual water deliveries.

The Wholesale Rate Study initially included demand projections from each District’s Urban Water Management Plan. In response to a comment received from Citrus Heights, the latest version of the Wholesale Rate Study included revised demand projections from the Citrus Heights Water District, reflecting lower demand levels. After consideration of the effect on the Plan and in order to retain consistency in plan assumptions, SJWD will be changing the demand assumptions for Citrus Heights back to what was reported in their Urban Water Management Plan.

- On page 9 of the HDR report a question arises about the inclusion of overhead in the calculation of the cost of water. HDR correctly observes that in Exhibit III-2 of the Wholesale Rate Study costs from "Executive & Board of Directors", "Administration & Info Tech", "Finance & Purchasing" and "Human Resources" are added to the "Supply (Variable)" column. HDR then goes on to state that the calculation of the rate should include these overhead costs, which would produce a lower rate.

Those overhead costs were included in exhibit III-2 for the sole purpose of calculating fixed vs. variable costs. The purpose of the exhibit is NOT to calculate water supply costs. The existing agreement is very clear that the cost of water is to be excluded from the calculation of the treat and wheel rate. There is no mention of excluding overhead or administrative costs and no mention of burdening the cost of water with such costs. The intent of the agreement, as understood by SJWD, is to exclude the purchase price of water, since the underlying action is for SJWD to "treat" SSWD's water. The exclusion of the Districts \$1,516,000 cost of water accomplishes that goal. SJWD does not find it appropriate to burden the cost of water with overhead or labor.

- On page 10 HDR points out that the calculated rate of \$181.06/AF is an increase of \$42.72/AF over the existing treat and wheel rate, or an increase of 31.6%. They further states that "as a point of reference, the recommended overall adjustment of wholesale rates for Member Districts in 2017 was 16%."

Given the dramatic difference in percentage increases between the rate for SSWD and the rate for Member Districts, HDR suggests a disconnect exists at some level. The reason for the large percentage increase for the SSWD rate is that the SSWD rate has not been properly calculated in accordance with the agreement for many years. Additionally, the rate has been considerably lower than that charged to Member Districts, so it is reasonable that a larger percentage increase is necessary to bring the rate into conformance with the existing agreement.

I hope that these comments are useful in addressing the issues raised by HDR in their report. We are directing our rate consultant to remove the cost of the groundwater reimbursement from the rate calculation and we are requesting that the demand projections for the Citrus Heights Water District be restored to their original value, in line with their Urban Water Management Report.

If you have any additional comments or concerns, please do not hesitate to contact me at your earliest convenience.

Kindly and Respectfully,



Donna Silva, CPA
Director of Finance

San Juan Water District

Wholesale Financial Plan and Water Rate Update Study

January 11, 2017

The Reed Group, Inc.



Presentation Outline

- Proposed 5-year rate plan
- Current financial situation
- Financial plan development and recommendations
- Cost of service and water rate analyses
- Summary of recommendations



Annual Overall Wholesale Water Rate Adjustments

Year	Increase		Year	Increase
2017	16%		2022	8%
2018	9%		2023	8%
2019	9%		2024	8%
2020	9%		2025	6%
2021	5%		2026	6%

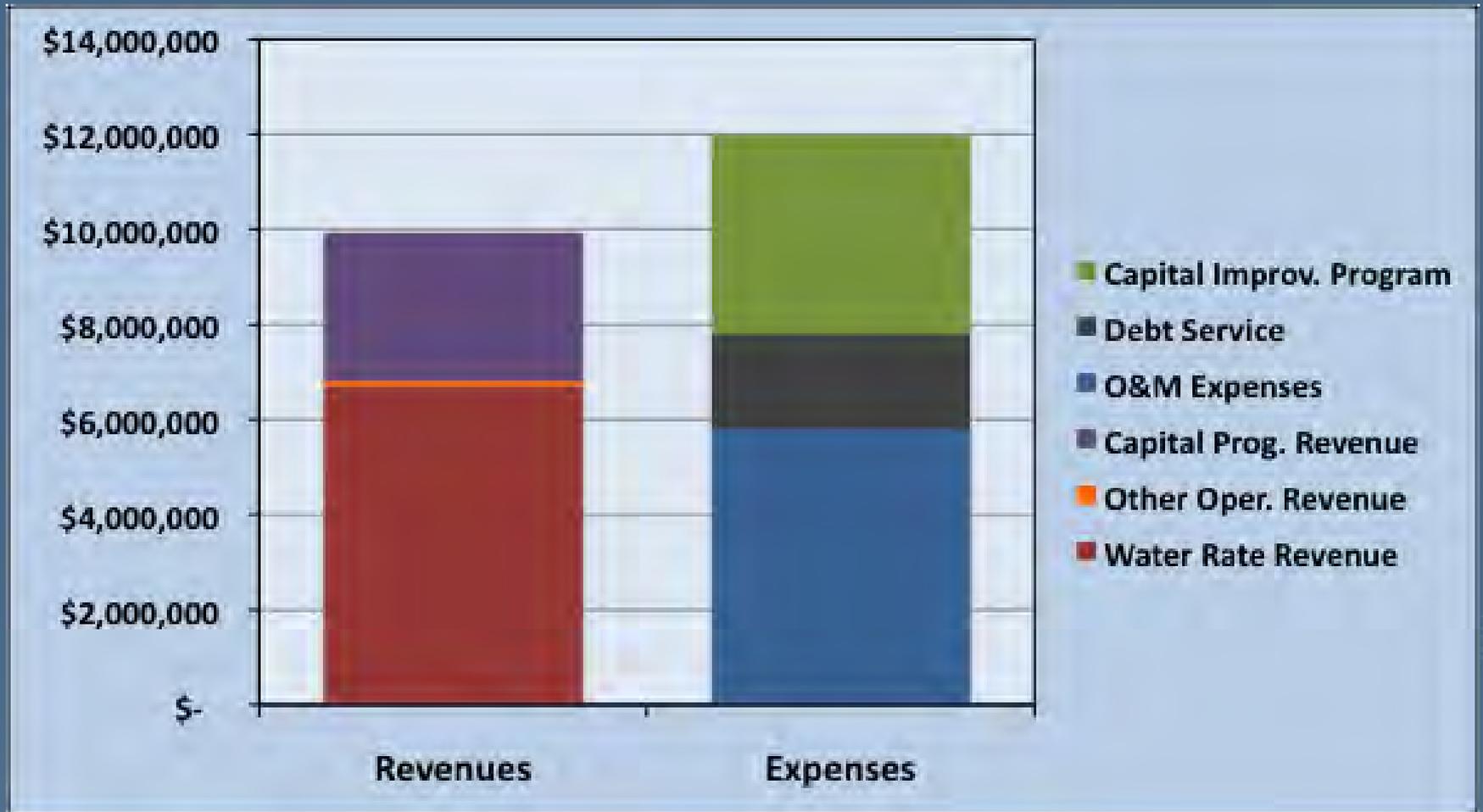


Changes Since October Presentation

- Incorporated actual FY 15-16 revenue
- Incorporated actual 2016 water deliveries
 - Reduced estimated deliveries for 2017
- Modified PERS UAL payoff from 100% to 75% of outstanding balance
 - Increased annual costs to carry UAL balance
- Adjusted annual rate adjustments to meet financial objectives
- Updated water rate calculations



Est. FY 15-16 Revs. & Expenses

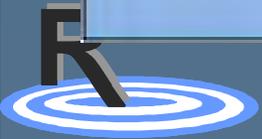


Impacts of Recession and Drought

- 2009 recession resulted in reduced water deliveries to wholesale customers (about 20% over 2 years) and efforts to minimize rate increases
- With recent drought water deliveries declined about 35% in 2015, relative to 2013
 - Water deliveries increased 9% in 2016
- Reduced water sales necessitated increased reliance on financial reserves
- Trajectory of demand rebound is uncertain



Wholesale Water Deliveries (Excludes SSWD)

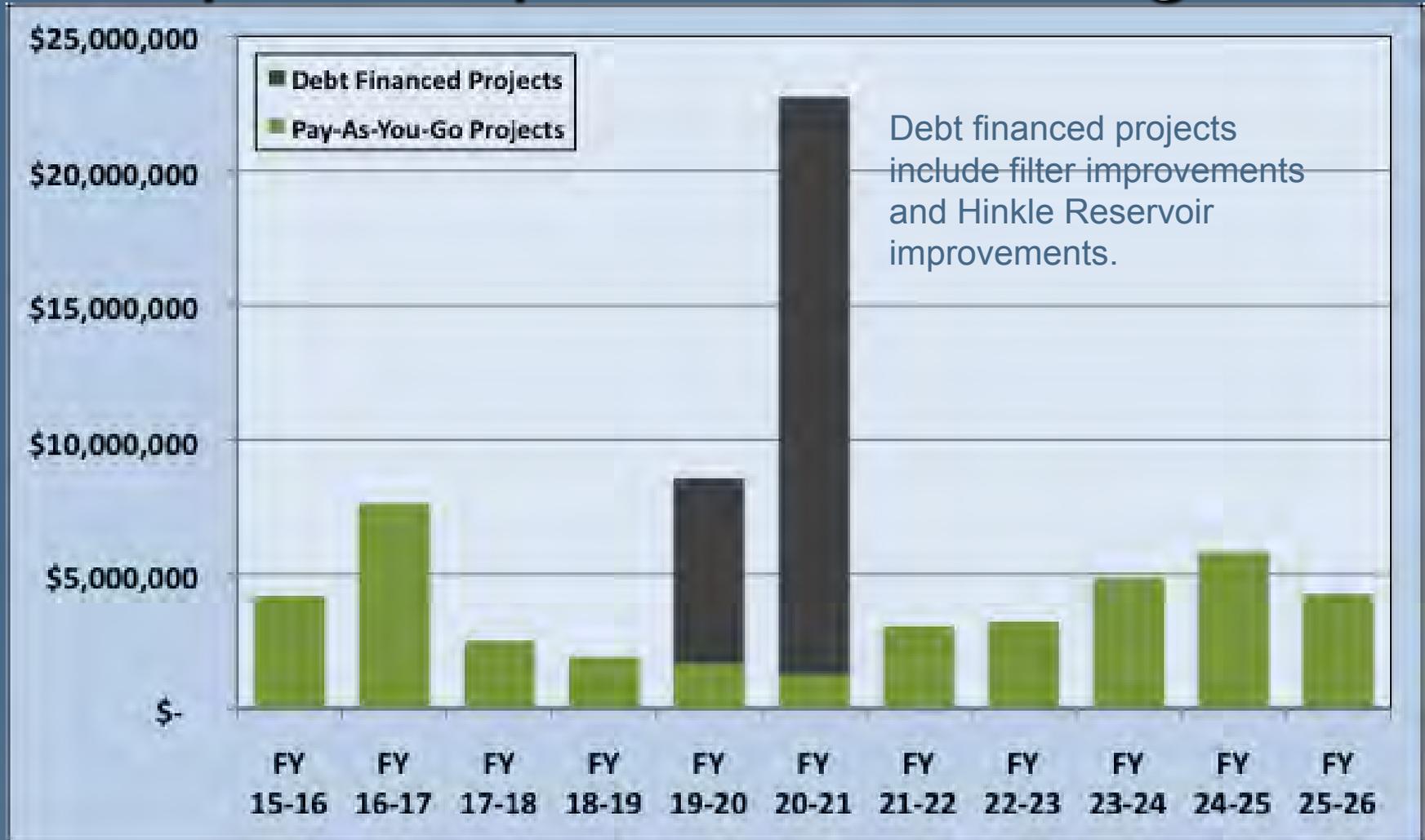


Future Costs and Obligations

- O&M costs increase from \$6.7 million to \$10.1 million per year over planning period
 - Average increase is about 4.1% per year
- Existing debt service is stable at about \$2.0 million per year
 - New debt could add \$1.7 million per year
- Capital program totals \$64.6 million over 10 years
 - Pay-as-you-go program totals \$36.2 million
 - Debt financed program totals \$28.4 million



Capital Improvement Program



Wholesale CIP Financing

- Issue new debt in 2019
 - \$29.0 million par amount at estimated 4.0%
 - Annual debt service (and total interest)
 - 30-year term = \$1,675,000
- Pay-as-you-go funding
 - About \$36.2 million over 10 years

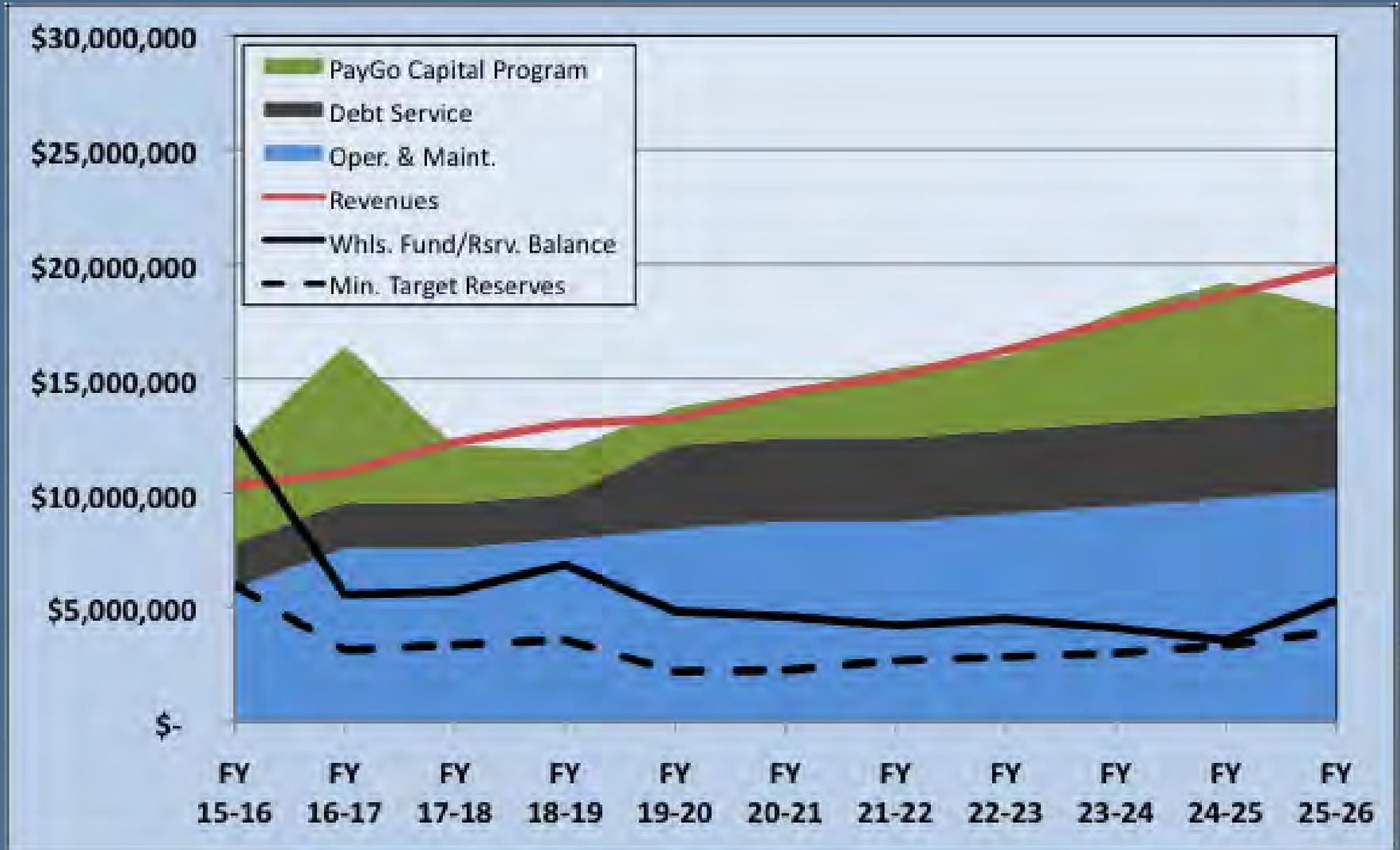


Current PERS Unfunded Accrued Liability (UAL)

- Est. UAL at June 30, 2016 = \$5,477,000
 - Wholesale portion = \$2,300,000
 - Retail portion = \$3,177,000
- Use available financial reserves to reduce UAL by 75%
 - Wholesale
 - Wholesale PERS stab. reserve = \$416,000
 - Hinkle reservoir reserve = \$1,309,000



Wholesale Financial Plan Summary



Debt proceeds and debt-funded projects not shown.



Wholesale Rate Analysis

- Anticipate gradual rebound in water deliveries
- Gradually increase emphasis on fixed charges
 - Reduce, then hold, water usage rate
- “Overall” rate increases apply to sum total of usage charges, fixed O,M&R service charges, and debt service charges
- No change in capital facilities charges



Proposed Wholesale Water Rates

	Current	Jan. 2017	Jan. 2018	Jan. 2019	Jan. 2020	Jan. 2021
Water Usage Rate (\$/AF)						
All Water Deliveries	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14	\$ 81.14
Quarterly O, M, & R Service Charges						
San Juan Water District	\$ 126,315	\$ 278,661	\$ 339,915	\$ 408,924	\$ 356,838	\$ 404,099
Citrus Heights Water District	\$ 132,586	\$ 285,567	\$ 348,338	\$ 419,057	\$ 365,680	\$ 414,112
Fair Oaks Water District	\$ 102,172	\$ 213,956	\$ 260,987	\$ 313,972	\$ 273,980	\$ 310,267
Orange Vale Water Company	\$ 44,801	\$ 98,562	\$ 120,227	\$ 144,635	\$ 126,212	\$ 142,928
City of Folsom	\$ 12,869	\$ 28,416	\$ 34,663	\$ 41,700	\$ 36,388	\$ 41,207
Quarterly Debt Service Charges						
San Juan Water District	\$ 153,453	\$ 153,438	\$ 153,450	\$ 153,450	\$ 289,531	\$ 289,425
Citrus Heights Water District	\$ 168,208	\$ 168,200	\$ 168,188	\$ 168,175	\$ 295,069	\$ 294,981
Fair Oaks Water District	\$ 110,878	\$ 110,863	\$ 110,850	\$ 110,838	\$ 207,163	\$ 207,105
Orange Vale Water Company	\$ 47,980	\$ 47,988	\$ 47,988	\$ 47,988	\$ 93,619	\$ 93,592
City of Folsom	\$ 35,571	\$ 35,538	\$ 35,488	\$ 35,488	\$ 49,369	\$ 49,398

Notes:

(1) Capital facilities charges are not shown. City of Folsom is also subject to a pumping surcharge and an additional debt service charge.



Est. Costs of Water Service in 2017

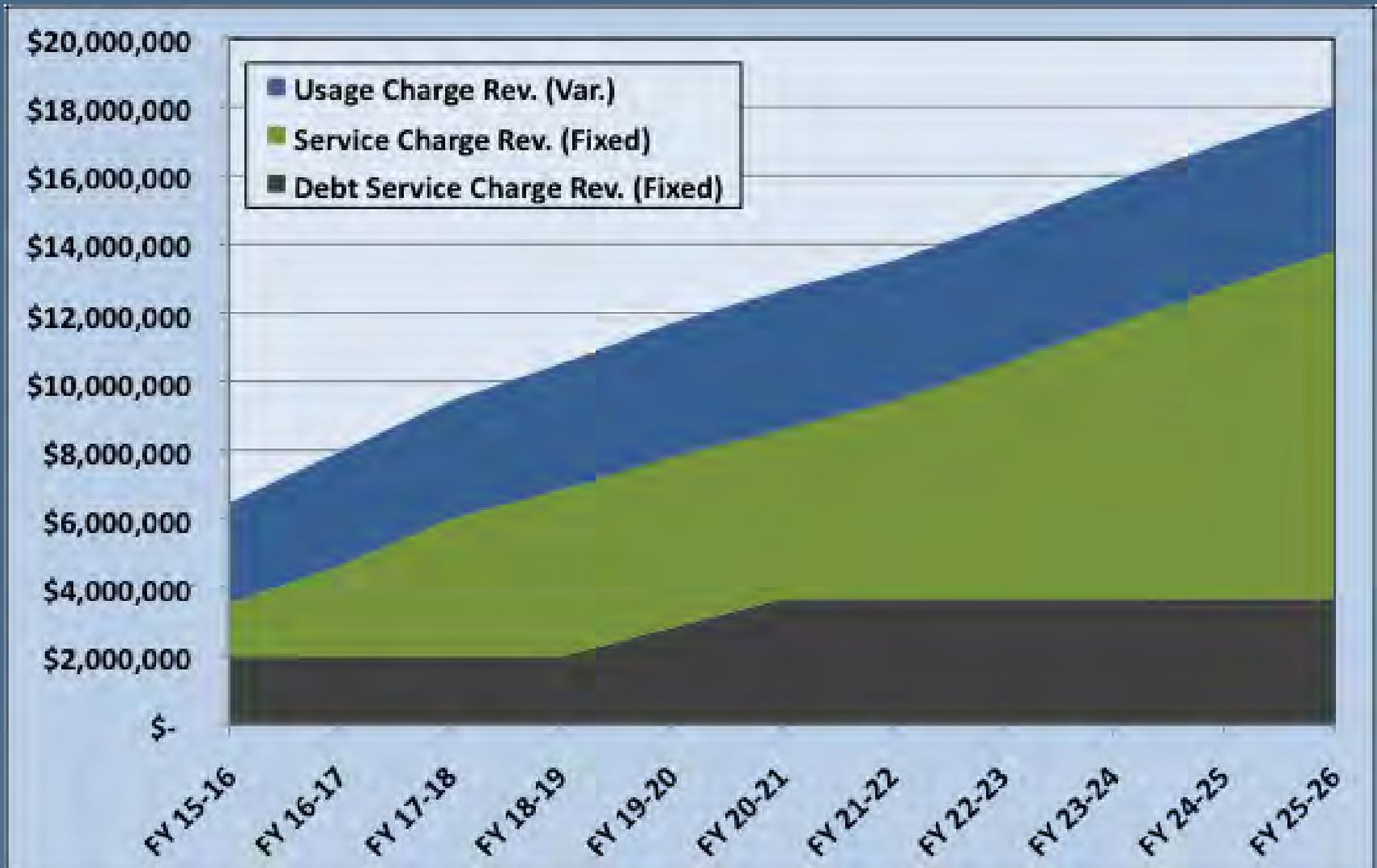
	SJWD	CHWD	FOWD	OVWC	Folsom
Est. 2017 Water Deliveries (AF)	13,530	11,833	9,244	4,088	1,272
Estimated Water Service Costs					
Wtr. Usage Chrg. @ \$81.14/AF (2)	\$ 1,097,800	\$ 960,108	\$ 750,041	\$ 331,693	\$ 197,819
OM&R Service Charge	\$ 1,114,645	\$ 1,142,267	\$ 855,826	\$ 394,247	\$ 113,665
Debt Service Charge (3)	\$ 613,750	\$ 672,800	\$ 443,450	\$ 191,950	\$ 142,150
Total Water Service Costs	\$ 2,826,195	\$ 2,775,175	\$ 2,049,317	\$ 917,890	\$ 453,635
% Chng. from 2016 Rates (4)	13.1%	15.1%	14.2%	16.5%	10.3%
Est. 2017 effective cost per AF	\$ 208.88	\$ 234.53	\$ 221.69	\$ 224.53	\$ 356.63

Notes:

- (1) Capital facilities charges are not included in this exhibit.
- (2) City of Folsom is also subject to a pumping surcharge of \$74.38 per AF, which is included herein.
- (3) City of Folsom is also subject to an additional debt service charge (direct debt), which is included herein.
- (4) Comparison between 2017 rates and 2016 rates with estimated 2017 water usage.



Wholesale Rate Revenue Mix



SSWD Treat & Wheel Water Rate

- Updated water rate calculation per the 1994 Agreement

$$\frac{\text{Total Rev. Rqmt.} - \text{Supply Costs}}{\text{Est. Water Deliveries}}$$

- Proposed SSWD T&W water rate:

• 2017	\$178.10/AF
• 2018	\$194.13/AF
• 2019	\$211.60/AF
• 2020	\$230.64/AF
• 2021	\$242.17/AF



Financial Plan Results

- Operation, maintenance, and debt service obligations met through planning period
- Majority of CIP projects funded on pay-as-you-go basis
 - New debt issued in 2019 for two major projects
- PERS UAL reduced by 75%
- Reserve recommendations help to reduce costs and help limit annual rate adjustments
- Recommend adopting entire 5-year rate schedule
 - Proposed rate schedules meet cost of service requirements and help improve revenue stability



5-Year SJWD Rate Adjustments

Year	Wholesale	Retail*
2017	16%	8%
2018	9%	9%
2019	9%	9%
2020	9%	9%
2021	5%	6%

* Pending completion of study.



Impact of Wholesale Rates on Wholesale Customers' Retail Rates

- San Juan Water District 4.1%
- Citrus Heights Water District 4.8%
- Fair Oaks Water District 3.2%
- Orange Vale Water Company 5.3%



STAFF REPORT

To: Board of Directors
From: Keith Durkin, Interim General Manager
Date: January 5, 2017
Subject: Board Tablets for Email and District Communications

RECOMMENDED ACTION

Staff recommends a motion to authorize staff to purchase tablet computers for those Directors that choose to receive direct email and other district information electronically.

BACKGROUND

The Board previously discussed the benefits of utilizing tablet computers for email, meeting agenda packets, and other district information at two separate meetings. There are three main benefits to using tablet computers:

- 1) Board member's personal data from their own device would not be subject to discovery in the event of a public records request. A clear example of personal email being rendered discoverable is in the recent documentation requests from Hillary Clinton's personal email server. Official records residing on her personal email server rendered all email on that server discoverable by law.
- 2) Board members would be able to directly access their SJWD email and respond to customer inquiries. The public would not have the perception that their communication was being filtered through staff.
- 3) There would be cost savings to the District from Directors "going paperless". For example, the initial cost for an iPad Air 2 (32 GB) is less than \$400. Assuming the tablets would last three years, and each director attends approximately 30 board meetings, committee meetings, etc. and receives additional communications and information, it would cost less than \$5 per transmittal. This is less than the current mail delivery cost for board packets. This does not consider the additional savings in staff time and increased productivity from avoided copying and handling costs. (This example assumes WiFi enabled tablets only; adding cellular internet service would cost \$37.99 per month.)

Providing tablets to Directors would not change how we provide information to our customers, with the exception of how they could directly exchange emails with Directors. Meeting notices would still be posted at the District and on the website, sent directly to those that request the notices and the public copy of the Board packet would still be available for public inspection at the District office per Brown Act requirements.



January 5, 2017

To: San Juan Water District Board of Directors
From: Shellie Anderson
Subject: General Manager Recruitment Status

As part of the recruitment and selection process, San Juan Water District has a pre-employment requirement that includes reference checks, background check, and medical screening. Bryce Consulting has concluded the reference check process. Five references were contacted that included two Board of Directors from the candidate's previous employment, a previous manager of the candidate, a previous direct subordinate of the candidate, and a former General Manager of an agency that the candidate worked with while at the Department of Water Resources. The District contracts with Employee Relations for the background check.

Reference questions covered a variety of topics including the ability to serve in the role of General Manager and effectively manage an organization such as the San Juan Water District; how the candidate handles himself in a situation of conflict or disagreement; the candidate's ability to build and maintain a working relationship with the Board of Directors; the candidate's ability to build and maintain relationships at the local, regional and state levels; the candidate's management style; how well the candidate develops relationships, both internally and externally, including customers and other organizations; and whether the candidate left the organization on good terms.

The reference and background checks have been completed with favorable results. Additionally, the medical screening has been completed and results should be available prior to January 11th. No issues are anticipated.

**SAN JUAN WATER DISTRICT
EMPLOYMENT AGREEMENT WITH GENERAL MANAGER**

This Employment Agreement with General Manager (“Agreement”) is entered into and made effective as of January 11, 2017, by and between San Juan Water District, a public agency (“District”), and Paul Helliker, an individual (“Mr. Helliker”), who agree as follows:

1. **Recitals.** The District has selected Mr. Helliker as the General Manager of the District, and Mr. Helliker consents to such selection, subject to the terms of this Agreement.

2. **Employment.** The District hereby employs Mr. Helliker as General Manager of the District commencing on March 6, 2017, subject to the terms and conditions of this Agreement. Mr. Helliker hereby accepts such employment on the terms and conditions of this Agreement. In accordance with the provisions of sections 53262 and 5495 of the Government Code, this Agreement is subject to ratification in an open session of a regular meeting of the Board of Directors of the District.

3. **Term.** The initial term of this Agreement shall be for two years ending on March 6, 2019, unless earlier terminated by either party in accordance with Section 8 of this Agreement. The parties may mutually agree to renegotiate or extend the term of this contract at any time.

4. **Duties.** As General Manager, Mr. Helliker will be the chief executive officer of the District, and will work under the direction of the District Board of Directors. Mr. Helliker’s duties under this Agreement will be those enumerated in Government Code section 61051, assigned to the office of the General Manager, as described in the job description for the General Manager position and as adopted and amended from time to time by the District Board of Directors, and such other duties and responsibilities as may be assigned by the District Board of Directors. The current job description for the General Manager is attached as Exhibit A to this Agreement.

5. **Work Hours.** Mr. Helliker will devote his full time, attention and energies to his duties, and will be available to work at such times as necessary to fully and competently perform the duties of General Manager, regardless of the number of hours involved. Mr. Helliker acknowledges that the duties of General Manager may require an average of more than forty hours per week, and that some day-to-day work hours may vary (for example on Board meeting days). Except as otherwise provided in this Agreement, Mr. Helliker will not be compensated for overtime hours worked or otherwise earned, or be entitled to compensatory time off for hours worked in excess of eight hours per day or forty hours per week. Mr. Helliker will not engage in any conduct or other employment or business that would interfere with his responsibilities and duties to the District or that would reflect unfavorably on the interests of the District.

6. Compensation. For all services to be rendered by Mr. Helliker under this Agreement, the District will provide to Mr. Helliker the following salary and benefits:

a. During the term of this Agreement, Mr. Helliker will be paid a salary in the amount of \$177,000 per year (“Base Salary”). The District will pay Mr. Helliker his Base Salary in accordance with the pay periods established for all District employees.

b. The District Board of Directors may, at any time during the term of this Agreement, increase Mr. Helliker’s Base Salary. The Board of Directors will conduct an annual review each year of Mr. Helliker’s job performance, and may consider a merit salary increase after performing each such review. Mr. Helliker will not be entitled to any cost of living increase awarded to other District employees as provided in the District Personnel Manual.

c. Mr. Helliker will be entitled to 40 hours per year of Administrative Leave and 40 hours per year of General Manager’s leave, but will not be entitled to any overtime pay or other compensatory time off benefits.

d. Mr. Helliker will receive a \$400 per month car allowance. Mr. Helliker understands that the car allowance will be deemed taxable income to the extent provided by law, but that it is not “PERSable” compensation.

e. Mr. Helliker will not be entitled to accrue or cash out any annual vacation, Administrative Leave or General Manager’s Leave time unless first approved by the Board. It is the Board’s policy that the General Manager should use his leave time each year to rest and rejuvenate himself to maintain the highest possible performance.

f. Mr. Helliker will be entitled to receive all other employee benefits (including, but not limited to, vacation and sick leave, retirement system membership, deferred compensation investment opportunities, and employee and dependent coverage on health, dental and other group insurance programs), as provided in the District Personnel Manual, as amended from time to time by the Board of Directors, and as otherwise provided to other regular full-time District employees.

g. Mr. Helliker will be entitled to be reimbursed for the reasonable amount of his actual and necessary expenses incurred in carrying out his duties as General Manager to the extent that his expenses have been properly documented in conformance with the District Personnel Manual and policies, and the Internal Revenue Service’s requirements for an Accountable Plan. Reimbursement for travel-related expenses incurred by Mr. Helliker as General Manager for travel outside of California will require the prior approval of the Board of Directors. If emergency travel outside of California is required, Mr. Helliker will be reimbursed if such travel is approved in advance by the Board President and the request is ratified by the Board at its next regular meeting.

h. The District will reimburse Mr. Helliker's actual, reasonable expenses for relocating to the greater Sacramento area to assume his duties as General Manager in an amount not to exceed \$3,000.

7. Other Terms and Conditions of Employment. Mr. Helliker's performance of his duties also will be governed by the District Personnel Manual, and the District and Mr. Helliker will comply with all applicable provisions of the Personnel Manual. If any term or condition of this Agreement is inconsistent or in conflict with a term or condition of the Personnel Manual, the provisions of this Agreement will govern. Mr. Helliker acknowledges that the position of General Manager is one requiring frequent and highly-visible contact and involvement with members of the public and the community, and that in many respects the General Manager is the spokesperson and representative of the District. Mr. Helliker will not engage in any conduct within or outside the scope of his employment with the District that reflects unfavorably on or discredits the District, its Board of Directors, or other employees.

8. Termination. This Agreement may be terminated in any one of the following ways:

a. By mutual agreement of the parties, expressed in writing.

b. By Mr. Helliker, upon giving to the District not less than 90 days' prior written notice of his election to terminate.

c. By the District, for cause, upon giving to Mr. Helliker written notice of immediate termination. The written notice of termination will specify (1) the particular cause(s) and the facts and circumstances justifying the termination of the Agreement for cause, and (2) the opportunity of Mr. Helliker to be heard before the District Board of Directors on the reasons for his termination. If Mr. Helliker requests a hearing, the hearing will be held at the Board's earliest convenience in a closed session, unless Mr. Helliker requests an open session hearing. After the hearing, the Board may affirm, modify or reverse its decision to terminate for cause. For purposes of this Agreement, the following will justify termination for cause: willful breach of duty; habitual neglect of duty; insubordination; conviction of a crime involving moral turpitude; conduct that makes it impossible or impracticable to perform the duties under this Agreement, or that seriously impedes District operations; conduct that tends to bring discredit to the District, or conduct unbecoming an employee in public service; mishandling of District funds; any intentional misrepresentation or fraud in connection with the performance of his duties; or, theft of District property.

d. By the District, without cause, upon giving to Mr. Helliker written notice of immediate termination and payment of severance pay in a maximum amount equal to Mr. Helliker's then-monthly salary multiplied by 3 months, consistent with, and as may be limited by, the provisions of Government Code sections 53260 through 53264.

Notwithstanding the provisions of any District rule, regulation, policy, procedure or practice to the contrary, upon termination of Mr. Helliker's employment, whether with or without cause, Mr. Helliker will not be entitled to any compensation, damages or other monetary award except as specifically authorized by this Agreement.

9. Report Date. Mr. Helliker will use his best efforts to report to the District and assume his duties as General Manager as soon as possible, but in no case later than March 6, 2017.

10. Dispute Resolution. If any dispute arises between the District and Mr. Helliker over the conditions of his employment or the terms of this Agreement, the District and Mr. Helliker agree that they first will meet and confer to try to resolve the dispute. If that informal process does not result in a resolution of the dispute, the parties then will agree on a mutually acceptable mediator and attempt to mediate the dispute. If mediation is ineffective, the parties agree to submit the dispute to binding arbitration before a single mutually acceptable arbitrator using the procedures set forth in the California Arbitration Act, Code of Civil Procedure sections 1280 and following. Each party will bear its own costs in all phases of the dispute resolution process.

11. Entire Agreement. This Agreement constitutes the sole, entire, integrated and exclusive contract between the parties respecting Mr. Helliker's employment by the District, and any other contracts, contract terms, understandings, promises or representations not expressly set forth or referenced in this Agreement are void and of no effect.

12. Notices. Any notice to be given to Mr. Helliker will be sufficiently served if given to him personally, or if deposited in the United States Mail, regular pre-paid mail, addressed to Mr. Helliker at his most recent residence address as shown on the District's payroll records. Any notice to be given to the District will be addressed and delivered or mailed to the Board of Directors at the District office.

13. Successors and Assigns. This Agreement is personal to Mr. Helliker. He may not transfer or assign the Agreement or any part of it. Subject to this restriction on transfer and assignment, this Agreement will bind, and inure to the benefit of, the successors, assigns, heirs and legal representatives of the parties.

14. Amendments. This Agreement may be amended only by a subsequent writing approved and signed by both parties. Any amendment by the District must be approved by the Board of Directors in a noticed regular public meeting. Individual Directors do not have the authority, express or implied, to amend, modify, waive or in any way alter this Agreement or the terms and conditions of Mr. Helliker's employment.

15. Waiver. A waiver at any time by either party of its rights with respect to a default or other matter arising in connection with this Agreement will not be deemed a waiver with respect to any subsequent default or matter.

16. Construction and Interpretation. The parties acknowledge and agree that this Agreement has been arrived at through negotiation, and that each party has had a full and fair opportunity to revise the terms of this Agreement. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting party will not apply in construing or interpreting this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

SAN JUAN WATER DISTRICT:

By: _____
President, Board of Directors

By: 
Paul Helliker

Attest:

Secretary, Board of Directors

STAFF REPORT

To: Board of Directors
From: Keith Durkin, Interim General Manager
Date: January 3, 2017
Subject: Q1/Q2 2017 Interim General Manager Work Plan and Transition Items

RECOMMENDED ACTION

This item is provided for information only, no action is necessary.

BACKGROUND

The District will continue to have a full agenda during the 2017 calendar year. This staff report provides a summary of issues that will be worked through various board committees during the first two quarters of 2017, and external activities delegated to the Interim General Manager, Strategic Water Resource Specialist, and the new General Manager during the transition period.

Status

Board of Director Activities:

Finance Committee

1. 5-year wholesale rate plan
2. Prop 218 hearing and 5-year retail rate plan
3. Retail fees and charges
4. Process for bill paying
5. Mid-year budget review
6. CalPERS unfunded liability advanced payment options
7. 2009 Bonds refinancing
8. Baldwin Reservoir discharge piping –unbudgeted project
9. Hinkle and Kokila Reservoir maintenance/repair bids
10. FY17/18 Wholesale and Retail budgets

Legal Affairs Committee

1. District ordinances
2. Board policies – review and update all policies; new policy on authority of general manager, compensation policy

3. Los Lagos Tank ownership transfer from PCWA
4. Proposed Sacramento County Utility Trench Paving Requirements – legal coordination with other stakeholders
5. Groundwater reimbursement - final agreement with WCAs
6. Groundwater substitution water transfer policy and protocols
7. SJWD/USBR property line adjustments along raw water pipelines, Hinkle Reservoir, and WTP.

Personnel Committee

1. HR audit
2. Staffing
 - a. Approval to hire WTP Operator
 - b. Approval to hire HR Specialist
 - c. Other staffing issues
3. Employee manual
4. WTP Relief Operator MOU for 24-hour shift
5. Safety Program development and management
6. AGM job description and salary range
7. Incentive compensation program revisions for specificity and measurability

Public Information Committee

1. Proposed fees for meter box brush clearing
2. Joint strategic public affairs outreach with PCWA, Roseville and City of Sacramento
3. Public information officer versus complete PI outsourcing to Crocker & Crocker
4. PI piece on forecast based operations once Folsom Water Control Manual is completed

Water Supply Reliability Committee

1. Warren Act Contract place of use change/water supply and management analysis
2. Long-term conservation requirements
3. Wholesale Water Management and Reliability Study implementation plan
 - a. Review and amend as needed relevant District policies, contracts and practices to implement plan recommendations

- b. Define scope of work for feasibility study and rules of engagement with other agencies
- 4. North Natomas water transfer and wheeling partnership with SSWD
- 5. Conserved water transfer white paper to SWRCB
- 6. Short-term regional surface water transfers
- 7. Shortage policy for wholesale water supply
- 8. Wholesale Water Supply Agreement amendment or renewal

Engineering Committee

- 1. GIS scoping and resource needs analysis
- 2. Capital Improvement Project Binder - develop a binder of all CIP projects with a full description of the project, including the need, cost, implementation year, and the resources needed to complete the project

Ad Hoc Retail Finance & Rate Review Committee

- 1. Education and informational meetings with committee, staff and Bob Reed (2)
 - a. Share Prop 218 notice
 - b. Overview of Retail Financial Plan and Rate Study
 - c. Overview of CIP and rate impacts
 - d. Overview of rate structure revision
- 2. Community outreach efforts

SJWD/FOWD 2X2 ad hoc committee

- 1. Define role and determine continued need for committee in 2017

External Activities:

- 1. SWRCB Long-Term Conservation framework and potential follow-up legislation
- 2. Coordinated strategic communications effort with PCWA and Cities of Roseville and Sacramento to influence conservation and other legislative actions affecting region
- 3. California WaterFix
 - a. Twin tunnels "operation plan" and assurances for upstream water right holders and storage
 - b. Cost allocations among CVP contractors

4. Bay Delta Water Quality Control Plan Update
5. Bay Delta Task Force
6. SWP and CVP Coordinated Operating Agreement (COA)
7. USACOE Folsom Reservoir Water Control Manual
8. Water Forum
 - a. Modified Flow Management Standard for LAR
 - b. Other stakeholder efforts
9. State and federal power operations – California-Oregon Transmission Project and WAPA/CVP impacts
10. RWA Regional Water Reliability Study
11. RWA 2017 regional groundwater substitution transfer effort
12. RWA State Lobbyist Subscription Program
13. R3 federal lobbying efforts/Washington D.C. legislative delegation meetings
14. USBR CVAO Joint R3 meetings and collaborative efforts
15. American River Division representative for remanded environmental work on OCAP
16. American River Basin Study – SJWD left on sidelines but need to monitor
17. ACWA

Making Conservation a Way of Life: Water Suppliers and Associations Position on Legislation to Implement Executive Order B-37-16

January 4, 2017

Background

Governor Brown issued Executive Order B-37-16 on May 9, 2016. Included in the Executive Order were various mandates to the State Water Resources Control Board and the Department of Water Resources to develop recommendations for updating water use efficiency requirements promulgated by SB x7-7 of 2009 (Water Code 10608 et seq.) and water shortage contingency plan requirements of the Urban Water Management Planning Act. In November 2016, DWR and the SWRCB (and other Executive Order agencies) released their draft report in response to the Executive Order. A number of recommendations contained in the draft report will require legislation to implement. The position on such legislation of 114 California public water suppliers and associations, signatories to the December 19, 2016 joint comment letter, is described below.

Water Use Efficiency

Multiple Compliance Methods – SB x 7-7 established four methods that water suppliers can use to determine compliance with efficiency requirements. A single method does not account for the diversity within the state, and additional compliance methods that are based on the alternatives provided in SB x7-7 should be included. Additionally, the regional compliance option should be maintained.

No Impact on Water Rights – Water Code Section 1011, allowing water right holders to use or transfer conserved water, must continue to apply. The new legislation should not adversely impact water supply contracts or water rights.

Sustainable Water Management – as described in the California Water Action Plan, both water use efficiency measures and development of additional resilient water supplies will be required to sustainably manage California's water. New laws or regulations must not result in stranded water resource assets nor discourage continued regional or local investments in these critical new water supplies.

Legislative Role in Updates – any revisions of standards or performance measures beyond the initially adopted standards must be approved by the Legislature.

Enforcement Measures – the current sanction for failure to meet efficiency targets – ineligibility for state water grant funds – should be maintained.

Compliance Reporting - we support reporting on compliance with the 2025 targets in the 2025 Urban Water Management Plan. We do not support annual reporting on targets either before or after the 2025 Plan.

Efficiency Standards – for a water budget based compliance method, we support 55 gallons per capita per day as the indoor standard and the Model Water Efficient Landscape Ordinance (MWELO) standard in place when landscapes were installed for irrigable areas. We support a stakeholder consultation process for developing efficiency standards for commercial, industrial and institutional uses, for developing variances for unique uses, and for any recommendations for changes to indoor or landscape standards.

Landscape Area Data – the state shall provide validated land use data of the irrigable area at the parcel level to each water supplier in a timely manner, and will defer to water suppliers that choose to utilize their own validated data sets.

Recycled Water – consistent with existing law, recycled water (including potable reuse) should be excluded from calculations of water budgets and corresponding efficiency standards, as it is already an efficient beneficial use.

Water Loss Requirements – we do not support including water loss standards in efficiency standards, as they will already be addressed through the separate regulatory requirements and provisions of SB 555 of 2015 (Water Code 10608.34 et seq).

Water Shortage Contingency Plans

Plan Enhancements – we support the transition to a five-year drought planning sequence in the Urban Water Management Plan, and the additional components proposed for the Water Shortage Contingency Plans – communication plan, specific compliance and exemption procedures, monitoring and reporting protocols and a regular review process.

Annual Water Budget Forecast – we support providing State agencies with our annual supply and demand assessments, to facilitate better understanding of hydrologic and local supply conditions throughout the state.

Additional Dry Year Analyses - we support an analysis of one additional dry year in the annual water budget forecast, if conditions require a water supplier to implement its water shortage contingency plan.

SGMA Implementation - GSAs must consider the interests of all water users, but they do not have an explicit obligation to ensure water supply reliability for any and all users within the GSA jurisdiction. Additional requirements for Groundwater Sustainability Plans should be considered only within SGMA implementation stakeholder processes, and are inappropriate as part of this framework.

Small Supplier and Rural Community Drought Planning - those small water systems which have already established their own shortage plans should retain the flexibility to maintain the authority to implement their shortage plans and coordinate with their respective water wholesaler or County and not be subject to a new duplicative countywide effort.

State Water Resources Control Board

NOTICE OF PUBLIC WORKSHOP

Urban Water Conservation

Wednesday January 18, 2017
(will not begin before 10:00 a.m.)

Joe Serna Jr. - CalEPA Headquarters Building
Coastal Hearing Room
1001 I Street, Second Floor
Sacramento, CA 95814

NOTICE IS HEREBY GIVEN that the State Water Resources Control Board (State Water Board or Board) will hold a public workshop to receive input on extension and potential modification of the current Emergency Regulation for Statewide Urban Water Conservation. This will be an informational workshop only and the State Water Board will take no formal action.

BACKGROUND

On April 1, 2015, Governor Brown issued the fourth in a series of executive orders on actions necessary to address California's severe drought conditions. On May 5, 2015, the State Water Board adopted an Emergency Regulation to address specific provisions of the April 1 Executive Order, including the mandatory 25 percent statewide reduction in potable urban water use between June 2015 and February 2016. On November 13, 2015, Governor Brown issued [Executive Order B-36-15](#), which directed the State Water Board to extend the May 2015 Emergency Regulation, if drought conditions persisted. Drought conditions continued and the emergency regulation was extended in February 2016 for another 270 days.

The State Water Board adjusted the Emergency Regulation in May 2016, in response to improved hydrologic conditions through April 2016. The May 2016 Emergency Regulation allowed urban water suppliers to self-certify information upon which a new, supply reliability-based conservation standard was imposed, based on the amount of potable water that would be available following three additional years of drought. Suppliers whose supply analysis showed a supply shortfall at the end of three additional years of drought were issued a mandatory conservation standard equal to that supply shortfall. The self-certification was voluntary; some suppliers chose to retain their mandatory conservation standard from the February 2016 emergency regulation. The Office of Administrative Law approved the extended Emergency Regulation on May 31, 2016. The Emergency Regulation is scheduled to expire on February 28, 2017 if the Board does not act to extend it. A copy of the adopted and approved regulation is located on the [Water Conservation Portal - Emergency Conservation Regulation](#) webpage.

Additionally, on May 9, 2016, Governor Brown issued [Executive Order B-37-16](#). The Executive Order notes that while California has suffered through a severe multi-year drought, and that Californians have responded to the drought by conserving at unprecedented levels, severe drought conditions persist in many areas of the state. Issues of limited drinking water supplies, diminished water for agricultural production and environmental habitat, and severely-depleted groundwater basins have persisted, despite better precipitation during the 2015-16 water year. The Executive Order calls out four directives to help the state transition to permanent, long-term improvements in water use, including: using water more wisely, eliminating water waste, strengthening local drought resilience, and improving agricultural water use efficiency and drought planning.

Executive Order B-37-16 called on the State Water Board to adjust emergency water conservation regulations through the end of January 2017 in recognition of differing water supply conditions across the state. The State Water Board responded to this directive by updating the Emergency Regulation in May 2016 to include the self-certification process described above that recognizes supplier-specific supply conditions and drought levels.

Executive Order B-37-16 also calls on the State Water Board to develop, by January 2017, a proposal to achieve a mandatory reduction in potable urban water usage that builds off of the mandatory 25% reduction called for in earlier executive orders and lessons learned through 2016. The workshop will provide an opportunity to receive stakeholder input regarding extension and potential modification of the Emergency Regulation.

From June 2015 through November 2016, customers of the state's 411 urban water suppliers have saved 2.35 million acre-feet of water, which equates to a 18-month cumulative savings of 22.6 percent relative to the 2013 baseline. Compliance and water savings with the May 2016 Emergency Regulation remains positive. The supply reliability-based regulation that went into effect in June 2016 resulted in many suppliers having a zero percent conservation mandate, and nearly all of those suppliers are in compliance by having water production levels below 2013 levels (the baseline year for the emergency regulation). Thirty eight percent of suppliers reporting in October 2016 achieved water savings between 10 and 20 percent compared to the same month in 2013; these suppliers serve almost 18 million people. Fifty percent of suppliers, serving more than 14 million Californians, reported water savings of 20 percent or more.

WORKSHOP OVERVIEW

With California still experiencing severe drought in large portions of the state, the State Water Board is proposing to extend the May 2016 Emergency Regulation. Although precipitation levels from October through December have been promising in Northern California, southern California has remained dry. Severe drought conditions over multiple years have decreased water levels in many of California's reservoirs and groundwater basins, and reduced flows in the state's rivers. Rains in parts of California this water year are encouraging so far and above normal for this date. In some regions, however, the drought continues to present challenges including water shortages, over-drafted groundwater basins and land subsidence, dying trees and increased wildfire activity, diminished water for agricultural production, degraded habitat for many fish and wildlife species, and an increased threat of saltwater intrusion. Hydrologic conditions for the water year are not yet known, making it prudent to prepare for continued drought conditions and consider adjustments when hydrologic conditions are better known.

A readopted Emergency Regulation would extend through October 2017. The State Water Board is interested specifically in public comment on the following questions at this workshop:

1. What elements of the existing May 2016 Emergency Regulation, if any, should be modified? Should the State Water Board wait until the hydrology for the current water year is known (April or later) before proposing adjustments to the current method for calculating conservation standards? And, should the State Water Board allow suppliers to update or modify their conservation standard calculations (and if so, how)?
2. Should the State Water Board account for regional differences in snowpack, precipitation, and lingering drought impacts differently than under the current emergency regulation, and if so, how?
3. Executive Order B-37-16 requires the Board to develop a proposal to achieve a mandatory reduction in potable water use that builds off the mandatory 25 percent reduction in previous Executive Orders and lessons learned through 2016. The Board, however, is not required to act on this proposal. Should the Board act now, or later if conditions warrant, to a conservation standard structure like the one the Board adopted in February 2016 to achieve a mandatory reduction in water use? Should the Board set a conservation floor, individually or cumulatively?

If the Board extends the Emergency Regulation essentially unchanged, each urban water supplier (serving more than 3,000 connections or more than 3,000 acre-feet of water annually) would continue to either 1) be assigned a conservation standard between 8 percent and 36 percent, based on their residential gallons per capita per day (R-GPCD) for the months of July through September 2014, with some adjustment factors, or; 2) self-certify a conservation standard based on the supplier's water supply reliability assessment that demonstrates the degree sufficient supplies are available to meet demand should drought conditions persist through 2019. Additional information on the Emergency Regulation and conservation standards is available at the Water Conservation Portal referenced above

The purpose of this workshop is to solicit input on potential adjustments to the May 2016 Emergency Regulation in response to precipitation levels and other drought indicators across the state since May 2016, for consideration and possible action by the State Water Board in February 2017. The workshop will include a staff presentation and information on water supply conditions followed by public comments and Board Member discussion.

PROCEDURAL MATTERS

The workshop will be informational only. While a quorum of the State Water Board may be present, the Board will not take formal action at the workshop. There will be no sworn testimony or cross-examination of participants, but the State Water Board and its staff may ask clarifying questions. The workshop is an opportunity for interested persons to provide input to the State Water Board. To ensure a productive and efficient workshop, oral comments may be limited to three (3) minutes or otherwise limited at the discretion of the Board Chair or any Board member present. So that all commenters have an opportunity to participate, presentations and questions may be time-limited.

SUBMISSION OF WRITTEN COMMENTS

Interested persons must submit written comments by **12 noon on Thursday, January 12, 2017.**

Written comment letters must be submitted to the attention of:

Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th floor
Sacramento, CA 95814

Comment letters may be submitted to the Clerk of the Board via email at: commentletters@waterboards.ca.gov (15 megabytes, or less, in size) or by fax at (916) 341-5620.

ADDITIONAL INFORMATION

Please indicate in the subject line “**Comment Letter – Urban Water Conservation Workshop.**”

Comments may also be hand delivered. Couriers delivering comment letters must check in with lobby security personnel on the first floor of the CalEPA Building at the above address. Questions on comment submittals may be directed to Ms. Townsend, at (916) 341-5600.

More information on the State Water Board's Emergency Water Conservation Regulation can be found here:

http://www.waterboards.ca.gov/water_issues/programs/conservation_portal/emergency_regulation.shtml

For directions to CalEPA, visit: <http://www.calepa.ca.gov/EPABldg/location.htm>

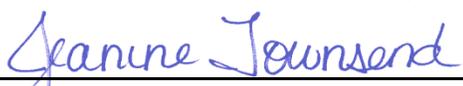
Notices and submittals are available electronically at:

http://www.waterboards.ca.gov/board_info/calendar/index.shtml

All visitors must check-in upon arrival to CalEPA and then proceed to the meeting room. Individuals who require special accommodations are requested to contact the Clerk to the Board at (916) 341-5600.

Please direct other questions about this notice to Kathy Frevert at (916) 322-5274 or kathy.frevert@waterboards.ca.gov.

Date January 6, 2017



Jeanine Townsend
Clerk to the Board



January 12, 2017

Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th floor
Sacramento, CA 95814

via email to: commentletter@waterboards.ca.gov

SUBJECT: Comment Letter – Urban Water Conservation Workshop

Members

California American Water
Carmichael Water District
Citrus Heights Water District
Del Paso Manor Water District
El Dorado Irrigation District
Elk Grove Water District
Fair Oaks Water District
Folsom, City of
Golden State Water Company
Lincoln, City of
Orange Vale Water Company
Placer County Water Agency
Rancho Murieta Community Services District
Roseville, City of
Rio Linda / Elverta Community Water District
Sacramento, City of
Sacramento County Water Agency
Sacramento Suburban Water District
San Juan Water District
West Sacramento, City of
Yuba City, City of

Dear Ms. Townsend:

The Regional Water Authority (RWA) appreciates the opportunity to comment on the Notice of Public Workshop regarding the Emergency Regulation for Statewide Urban Water Conservation dated January 6, 2017. RWA is a Joint Powers Authority that represents 21 water suppliers in the greater Sacramento region. Collectively, these agencies provide reliable water supplies to approximately two million residents and thousands of businesses.

Water supply conditions have drastically improved since the Emergency Regulation was first adopted in May 2015. In many parts of the State, precipitation levels are now at or above average historical levels, reservoirs are spilling to ensure flood protection, and snowpack is at or above historical averages. We believe that current conditions no longer constitute a statewide drought emergency that calls for State intervention in local water management decisions. We recommend the State Water Resources Control Board (State Water Board) allow the current Emergency Regulation to expire in February 2017. We recognize that some limited areas of the State may still face potential water shortages in 2017, and urge the State Water Board to focus on those communities that require assistance in meeting their water needs.

In May 2016, the State Water Board adopted an Emergency Regulation that focused on a demonstration by water suppliers of whether they had adequate supplies to respond to three additional dry years. Unfortunately, this new standard was widely misinterpreted as “backsliding” from the prior mandatory conservation targets, when in fact it represented a sound water management approach given improved conditions. In light of current hydrologic conditions, there is no justification to consider a return to mandatory conservation targets on a statewide basis. Instead, the most productive action now would be to shift our focus to developing a credible longer term approach to planning for drought and improving water use efficiency over time.

Associates

County of Placer
El Dorado County Water Agency
Sacramento Area Flood Control Agency
Sacramento Municipal Utility District
Sacramento Regional County Sanitation District

Our region’s customers have decreased total water demand 9% from 2000 to 2013, while population increased 17%, demonstrating a commitment to long-term water efficiency. Additionally, customers saved 19% in 2014 under voluntary conservation targets and 30% from June 2015 to June 2016 under State mandated conservation targets, demonstrating the region’s ability to aggressively conserve in times of real or potential shortage. We are well situated to respond quickly if our region or the State should return to severe drought conditions in the future.

Furthermore, the State's current water supply conditions, including flood control releases from major reservoirs, highlight the necessity of embracing all of the actions in the California Water Action Plan. For example, expanding water storage capacity and promoting safe and effective water transfers would allow California to take advantage of these recent storms. To truly prepare for the effects of climate change, the State needs to implement a portfolio of solutions, in which conservation is one action among many.

RWA is dedicated to preparing for future droughts and advancing water supply reliability through a balanced approach that includes the continued development of resilient supplies as well as demand management. We look forward to working together to implement the comprehensive California Water Action Plan. Let's move on from crisis management and focus on building a sustainable and resilient future.

Respectfully,

A handwritten signature in black ink, appearing to read 'John Woodling', with a stylized, cursive flourish at the end.

John Woodling
Executive Director



HUMBOLDT BAY MUNICIPAL WATER DISTRICT

828 SEVENTH STREET, PO Box 95 • EUREKA, CALIFORNIA 95502-0095

OFFICE 707-443-5018 ESSEX 707-822-2918

FAX 707-443-5731 707-822-8245

EMAIL OFFICE@HBMWD.COM

Website: www.hbmwd.com

BOARD OF DIRECTORS

BARBARA HECATHORN, PRESIDENT
ALDARON LAIRD, VICE-PRESIDENT
J. BRUCE RUPP, SECRETARY-TREASURER
SHERI WOO, DIRECTOR
NEAL LATT, DIRECTOR

January 11, 2017

GENERAL MANAGER

PAUL HELLIKER

Ms. Jeanine Townsend
Clerk of the Board
State Water Resources Control Board
1001 I St., 24th Floor
Sacramento, CA 95814

Comment Letter – Urban Water Conservation Workshop

Dear Ms. Townsend:

Executive Order B-37-16, adopted on May 9, 2016, included assertions that drought conditions persisted, and that such conditions could persist into 2017. Those were the findings on which the May 18, 2016 emergency conservation regulations were based. However, those conditions no longer persist.

The Executive Order directs the State Water Resources Control Board to develop a proposal for extending the emergency conservation regulations, to “prepare for the possibility of another dry winter.” However, as noted below, the winter of 2016-17 is not dry – it is the wettest on record so far. Consequently, there is no rationale for extending the emergency conservation regulations, due to the fact that there is no longer a drought emergency. The current regulations should expire and no emergency regulations need succeed them.

Water Year 2016-17 is the wettest on record for all three basins in the Central Valley, which are the primary source of water supplies in California. In the Sacramento Valley, San Joaquin Basin and Tulare Basin, precipitation levels are 203%, 199% and 190% of average, respectively. In fact, in these three basins, precipitation levels have already reached 84%, 75% and 68% of the annual average precipitation, and we are only 44% into the three typically wettest months of the winter.

Precipitation levels around the state are all above average. Since the beginning of the water year on October 1, rainfall in Eureka has been 169% of normal and 173% of normal in Redding. In San Francisco, Sacramento and Monterey, precipitation is 166%, 220% and 155% of normal, respectively. In Fresno and Bakersfield, it is 172% and 170%, respectively. In Santa Barbara, Los Angeles and San Diego, the figures are 117%, 144% and 139%, respectively.

Snowpack is also robust this year. As of January 11, 2017, statewide snowpack is 158% of normal, and 63% of the April 1 average. Again, this is at a time when we are only 27% into the snowpack measurement period of December 1 through April 1.

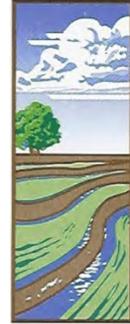
As reported on the Daily Reservoir Summary on the California Data Exchange Center, storage as of January 10, 2017 in selected reservoirs around the state was 17.35 million acre-feet, which is 110% of the average storage level of 15.79 million acre-feet on that date. Last year on that date, storage was 7.89 million acre-feet.

As reported in the stress test results in 2016, over 80% of California's urban water agencies calculated that they had enough supply to meet demand in 2019, even were there to be three additional dry years similar to 2013-15. Precipitation levels have now exceeded even the wettest of those years, so there is no possibility that water supplies would be inadequate to meet demand in 2017. For this reason, and for all of the reasons stated above, there is no longer a drought emergency, nor any need for emergency conservation regulations for urban water supply.

Sincerely,



Paul Helliker
General Manager



December 15, 2016

The Honorable Bruce Babbitt
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

SUBJECT: State Water Board Bay-Delta Plan Update Negotiation Process

Dear Mr. Babbitt:

Thank you for meeting with our large group of Central Valley Project contractors at the ACWA conference to discuss our concerns about possible redirected impacts of the California WaterFix project, and issues associated with the State Water Resources Control Board's Bay-Delta Water Quality Control Plan (BDWQCP) update. We are encouraged that Governor Brown is engaged and working towards facilitation of an agreeable solution to the extensive challenges surrounding the Delta and its tributaries, and our group is equally committed to forging durable agreements that meet these goals.

As you know, there are extensive and diverse water contractor interests that need to be addressed as part of a California-wide solution (by way of illustration, please see the attached list of water stakeholders). We appreciate your logistical concerns related to having all stakeholders actively participating in a single forum. However, as the State Water Resources Control Board has recognized, the participation of local stakeholders with the real-world knowledge needed to develop workable solutions and functional flow regimes is key to building the consensus needed to reach agreement.

Honorable Bruce Babbitt

December 15, 2016

Page 2

We suggest that a regional stakeholder approach that balances both tributary and Delta health with California's water supply reliability goals has the greatest chance of success. The Sacramento and San Joaquin Valley and Delta stakeholders, for instance, have specific water supply and environmental considerations that require focused conversations, but these conversations can be anchored by focusing on acceptable approaches to addressing Delta requirements in order to facilitate a holistic and durable solution. Discussions should be conducted on a watershed level with representatives appointed to represent the collective watershed interests as part of a "global" resolution.

Our approach requires leadership from the highest levels of State government and a commitment to participate from key government personnel, environmental organizations, as well as agricultural and municipal interests in order to be successful. Key stakeholders from the major regions are eager to begin the process very soon and we request a meeting with you and other appropriate representatives of the Governor's office at your earliest convenience to discuss a more inclusive approach.

Sincerely,



Jeff Sutton,
On behalf of the agencies listed

Attachment

List of Regions for SWRCB Bay-Delta Water Quality Update Negotiations

Sacramento River and Tributaries

Sacramento River
Settlement Contractors
CVP WSCs (TCCA, Shasta County)
Water Rights Holders
Yuba River
YCWA
Feather River
NOD SWP Contractors
American River
Sr. Water Rights
CVP WSCs (including EBMUD)

Delta and Eastside Tributaries

CVP Contractors (CCWD and EBMUD (also on Mokelumne))
SWP Contractors (Napa County FC&WCD and Solano County WA)
Settlement Contracts (NDWA, BBID)
Individual water rights (CCWD, Antioch, Stockton, CDWA, SDWA, etc.)
Eastside Tributaries (water rights holders)
Mokelumne (EBMUD, WID, PG&E, NSJWCD, AWA, CCWD, CPUC, JVID, SJ County)
Calaveras (SEWD, Stockton)
Cosumnes

San Joaquin River and Tributaries

Upper San Joaquin River
Exchange Contractors (Water Rights)
Friant Authorities (3) and other Friant Contractors (CVP Contracts)
San Joaquin Tributaries
SJTRA Members (Modesto Irrigation District, Turlock Irrigation District, Oakdale Irrigation District, South San Joaquin Irrigation District, and the City and County of San Francisco)
Merced ID
CVP Contractors (Eastside Division)

Export Interests

CVP Water Service (SLDMWA, Westlands, Santa Clara, et al)
Exchange Contractors
Refuge Water Supplies
CVP Cross Valley (State conveyance)
SWP (Met, Kern, Santa Clara, et al)
Friant Contractors (Exchange Contract)

Others

Power Interests (Power impacts of operational changes)
CVP, DWR, independent tributary entities, NCPA, WAPA, SMUD

**Finance Committee Meeting Minutes
San Juan Water District
January 10, 2017
4:00 p.m.**

Committee Members: Ted Costa, Director (Chair)
Pam Tobin, President

District Staff: Keith Durkin, Interim General Manager
Donna Silva, Director of Finance
Tony Barela, Operations Manager
Teri Grant, Board Secretary/Administrative Assistant

Topics: Review and Pay Bills (W & R)
Engineering Plotter/Scanner (W & R)
Baldwin Reservoir Raw Water Piping Improvements (W)
Other Finance Matters
Public Comment

1. Review and Pay Bills (W & R)

The committee reviewed the presented bills and claims. The reviewed bills and claims were found to be in order.

Staff update: the total amount of bills and claims provided for approval for December payables is \$4,230,601.57.

The Finance Committee recommends adoption of Resolution 17-01 via the Board Consent Calendar

2. Engineering Plotter/Scanner (W & R)

Mr. Durkin provided the committee with a written staff report which will be attached to the meeting minutes. He informed the committee that the plotter/scanner that is used by the Engineering Department needs to be replaced. The current plotter was purchased used in 2005, is in need of service, and replacement parts are no longer made for it. He explained that staff uses the plotter/scanner for printing plans for bid packets and other needs. Ms. Silva commented that close to \$8,000 was saved on the recent purchase of the Canon printer which could be used to partially offset the cost of this purchase.

The Finance Committee recommends a motion to purchase a new HP Designjet Z5400 plotter/scanner to replace the existing plotter/scanner for an amount not to exceed \$12,500

3. Baldwin Reservoir Raw Water Piping Improvements (W)

Mr. Durkin informed the committee that the District is responsible for maintaining water levels in Baldwin Reservoir, which is considered an environmental habitat. He provided the committee with a written staff report which will be attached to the meeting minutes. He explained that the District currently supplies partially treated water to maintain water levels

at the reservoir; however, under the new permit, the District would need to monitor, sample and report each planned water discharge event.

Staff is recommending that new raw water piping be installed that will supply raw water to Baldwin Reservoir. Mr. Durkin explained that raw water discharges under the permit do not require monitoring, sampling, and reporting for each discharge event. He explained that there would still need to be sampling performed on an annual basis in order to record that raw water was being discharged to Baldwin Reservoir. Mr. Durkin provided an estimate of \$90,000 for the Baldwin Reservoir Raw Water Piping Improvements Project.

The Finance Committee recommends a motion to authorize using \$90,000 of wholesale capital reserves to construct the improvements

4. Other Finance Matters (W & R)

Ms. Silva informed the committee that she just received information that the District might qualify for financing through the EPA's Water Infrastructure Finance and Innovation Act (WIFIA) program. She commented that Hinkle Reservoir replacement should qualify but she is not sure about Kokila Reservoir; however, there may be a possibility to combine both replacement projects under one project for purposes of obtaining financing. She will research the information that she received and will report back to the committee.

Ms. Silva informed the committee that CalPERS Board of Directors lowered the discount rate (assumed rate of return on investments) for the CalPERS pension fund. She explained that the rate was lowered from 7.5% to 7%. She explained that the lowered rate will increase the District's contribution rate and will be phased in over a three-year period beginning fiscal year 2017-2018. She will report back to the committee once more information on the impact to the District is received.

5. Public Comment

There were no public comments.

The meeting was adjourned at 4:40 p.m.

San Juan Water District

**RESOLUTION 17-01
PAYMENT OF BILLS AND CLAIMS**

WHEREAS, the Finance Committee of the Board of Directors has reviewed the bills and claims in the amount of \$4,230,601.57; and

WHEREAS, the Finance Committee of the Board of Directors has found the bills and claims to be in order.

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

1. The bills and claims attached hereto totaling \$4,230,601.57 are hereby approved.
2. That the depository be and the same is hereby authorized to pay said bills and claims in the total sum of \$4,230,601.57 of the General Fund Account.

PASSED AND ADOPTED by the Board of Directors of the San Juan Water District on the 11th day of January 2017, by the following vote:

AYES: DIRECTORS:
NOES: DIRECTORS:
ABSENT: DIRECTORS:

PAMELA TOBIN
President, Board of Directors
San Juan Water District

TERI GRANT
Secretary, Board of Directors

January 2017 Payment Register

Paid in Advance:

<u>Check Date:</u>	<u>Vendor Name - Description:</u>	<u>Type:</u>	<u>Payment No.:</u>	<u>Amount:</u>
12/31/2016	Payroll			824,577.27
01/06/2017	AFLAC - Payroll	CK	50841	1,657.86
12/21/2016	Galic Disbursing Company - Payroll	CK	50837	400.00
01/06/2017	Galic Disbursing Company - Payroll	CK	50843	400.00
12/21/2016	Lauri, Phillip - reimbursement	CK	50838	393.67
12/21/2016	WageWorks, Inc -Payroll	EFT	404776	267.23
01/06/2017	WageWorks, Inc -Payroll	EFT	404778	217.23
12/28/2016	ACWA/JPIA - Payroll	EFT	404777	103.40
Total Paid in Advance				828,016.66

Open Payable's:

** See Attached Open Payable Report

Total Open Payables				1,355,872.13
----------------------------	--	--	--	---------------------

Pending Payables:

<u>Invoice No.:</u>	<u>Vendor Name - Description:</u>	<u>Invoice Amount:</u>	<u>Vendor Total:</u>
SANJUANWD09A	Union Bank - debt service payment	1,273,664.14	1,273,664.14
SJWD2012A	Union Bank - debt service payment	713,509.58	713,509.58
AR64841	City of Roseville- Advocacy Services	18,161.46	18,161.46
CALCARDDEC	US Bank - Dec CalcCARD Statements	17,326.92	17,326.92
RWA 16-190	Regional Water Authority - Lobbying Services	9,000.00	9,000.00
7000018889 Dec 2016	SMUD-electricity	8,205.79	8,205.79
NNPB0841216	Department of Enenergy- Base Resource Allocation	481.41	3,981.41
Dec	Department of Enenergy - Restoration	3,500.00	
0130369-IN	Vavrinek, Trine, Day& Co, LLP-Finance Services	1,625.00	1,625.00
9777878508	Verizon - Cell Phones	536.48	536.48
2017 Sponsor	Sacramento River Watershed Program	500.00	500.00
WR STF 0940000041	State Board of Equalization - Interest charge	99.42	101.68
WR STF 094001350	State Board of Equalization - Interest charge	2.26	
08664602897-010117	MCI- Long Distance Phone charge	68.82	68.82
January 2017	PG&E - COTP Invoice	10.00	10.00
Total Pending Payables			2,046,691.28

REPORTED TO FINANCE COMMITTEE AS PAID AND PAYABLE	4,230,580.07
--	---------------------

Adjustments:

<u>Invoice No.:</u>	<u>Vendor Name - Description:</u>	<u>Invoice Amount:</u>	<u>Vendor Total:</u>
889518509001	Office Depot	21.50	21.50
TOTAL PAID AND PAYABLE			4,230,601.57

Signature _____

Signature _____



San Juan Water District, CA

Open Payable Report

As Of 01/10/2017

Summarized by Payable Account

Payable Number	Description	Post Date	Payable Amount	Discount Amount	Shipping Amount	Tax Amount	Net Amount
Payable Account:	<u>999-20200 - Accounts Payable</u>						
Vendor: <u>03091</u>	Ace Hardware - Auburn Folsom Act#2051						Payable Count: (6) 154.63
<u>18961</u>	FS Gas Tank Grounding Supplies-Glue,Clamp,Cable	12/06/2016	14.47	0.00	0.00	0.00	14.47
<u>18975</u>	WTP Facility MaintSuplys-Nuts/Bolts/Screws/Strap	12/08/2016	23.85	0.00	0.00	0.00	23.85
<u>18996</u>	BPS Maint-Hook,Paracord,Bungee,Lght CalicoAceLogo	12/13/2016	34.36	0.00	0.00	0.00	34.36
<u>19029</u>	FS Shop&Grnd Supls-Sprayer3gal,CeramicHTR ADJThemo	12/19/2016	58.03	0.00	0.00	0.00	58.03
<u>19037</u>	SmToolsShop-Nuts,Bolts, Nails,Screws,Driver,Wk Bag	12/21/2016	19.09	0.00	0.00	0.00	19.09
<u>19088</u>	E# 125-Paint for Wacker Rack on Trailer	12/30/2016	4.83	0.00	0.00	0.00	4.83
Vendor: <u>01041</u>	Afman, Todd R						Payable Count: (1) 683.53
<u>409354</u>	SafetySupplies-Smudrags, Lg Raven,Flex Gloves	12/13/2016	635.84	0.00	0.00	47.69	683.53
Vendor: <u>01048</u>	Airgas, Inc						Payable Count: (1) 110.65
<u>9941196419</u>	Nov Air Gas Cylinder Rentals	11/30/2016	110.65	0.00	0.00	0.00	110.65
Vendor: <u>01073</u>	Amarjeet Singh Garcha						Payable Count: (1) 1,500.00
<u>5670</u>	Dec Landscape Maintenance	12/29/2016	1,500.00	0.00	0.00	0.00	1,500.00
Vendor: <u>01081</u>	American Messaging Services, LLC						Payable Count: (1) 9.10
<u>R1105372RA</u>	Dec Pager Services	01/01/2017	9.10	0.00	0.00	0.00	9.10
Vendor: <u>01026</u>	American River Ace Hardware, Inc.						Payable Count: (5) 100.07
<u>127947</u>	V#19 Supls-Trnsplntr Hndle, Hose Adapter,Alcohol	12/09/2016	26.20	0.00	0.00	0.00	26.20
<u>127959</u>	FS Sppls-NuttsetterSet,AnchorShackle,MagDrv Guide	12/12/2016	35.06	0.00	0.00	0.00	35.06
<u>128030</u>	FS Sppls Co-Op Pipeline CTP-Ldr Hose, Street Elbow	12/19/2016	15.53	0.00	0.00	0.00	15.53
<u>128057</u>	Field Services Supplies-Goof Off Spray VOC 12oz	12/21/2016	6.79	0.00	0.00	0.00	6.79
<u>128099</u>	Tools for V#28-Garment Hook, Snap Trigger Key Ring	12/27/2016	16.49	0.00	0.00	0.00	16.49
Vendor: <u>02463</u>	AnswerNet						Payable Count: (1) 227.45
<u>054-62155</u>	Dec Answering Services	12/01/2016	227.45	0.00	0.00	0.00	227.45
Vendor: <u>03361</u>	Applied Landscape Materials Inc dba NorCal Wholesale Bark						Payable Count: (1) 1,298.06
<u>2757</u>	FS Lower Yard-70 Yards Shredded Cedar Bark	12/14/2016	1,207.50	0.00	0.00	90.56	1,298.06
Vendor: <u>01138</u>	AT&T Mobility II LLC						Payable Count: (1) 61.66
<u>991798660X1219201</u>	Dec GPS Wireless Service 11/12/16 -12/11/16	12/19/2016	61.66	0.00	0.00	0.00	61.66
Vendor: <u>01164</u>	Backflow Distributors Inc						Payable Count: (2) 326.62
<u>39798</u>	Backflow Test Kit, Gasket, Hose Filter Element	01/03/2017	103.51	0.00	0.00	1.48	104.99
<u>39799</u>	Backflow Calibration-Test Kit, Hose & Gaskets	01/03/2017	211.51	0.00	0.00	10.12	221.63
Vendor: <u>01182</u>	Bartkiewicz, Kronick & Shanahan						Payable Count: (1) 18,624.25
<u>8917 Nov 2016</u>	Nov Legal Services	11/30/2016	18,624.25	0.00	0.00	0.00	18,624.25
Vendor: <u>01189</u>	Bay Area Coating Consultants, Inc.						Payable Count: (1) 13,350.15
<u>EC5837</u>	Dec Los Lagos Tank coating inspection service	12/21/2016	13,350.15	0.00	0.00	0.00	13,350.15
Vendor: <u>03462</u>	Blastco Incorporated						Payable Count: (4) 50,848.75
<u>47711 CM-RET</u>	Nov Capital Los Lagos Tank Recoating Prj Retention	11/28/2016	-4,570.50	0.00	0.00	0.00	-4,570.50
<u>47711-RET</u>	Nov Progress Billing Los Lago Tank Recoating Proj	11/28/2016	4,570.50	0.00	0.00	0.00	4,570.50
<u>47734</u>	Dec Progress Billing Los Lago Tank Recoating Proj	12/30/2016	53,525.00	0.00	0.00	0.00	53,525.00
<u>47734 CM-RET</u>	Dec Capital Los Lagos Tank Recoating Prj Retention	12/30/2016	-2,676.25	0.00	0.00	0.00	-2,676.25
Vendor: <u>03476</u>	Calabrese, Leslie OR James						Payable Count: (1) 249.84
<u>REF 6965 Sandy Creel</u>	REFUND 6965 Sandy Creek Ct	01/04/2017	249.84	0.00	0.00	0.00	249.84
Vendor: <u>01283</u>	CALIFORNIA MUNICIPAL STATISTICS						Payable Count: (1) 850.00
<u>16012502</u>	CAFRStats2014-2015 -Debt Statement,Valuations, Tax	07/01/2016	850.00	0.00	0.00	0.00	850.00

Open Payable Report

As Of 01/10/2017

Payable Number	Description	Post Date	Payable Amount	Discount Amount	Shipping Amount	Tax Amount	Net Amount
Vendor: 01330	CDW Government LLC						
GDS6338	Ergotron Workfit-A /KB Tray 24 LD	12/03/2016	476.38	0.00	19.55	35.73	782.56
GFN9445	MS SLD+WIN SVR UCAL 2016	12/07/2016	250.90	0.00	0.00	0.00	531.66
							250.90
Vendor: 03221	Chemtrade Chemicals Corporation						
91982545	Clar+ION A 402P Wet 24.27 Tons	12/09/2016	3,815.49	0.00	0.00	286.16	4,101.65
91984739	Clar+ION A402P Wet Tons 24.32	12/12/2016	3,823.35	0.00	0.00	286.75	4,110.10
							8,211.75
Vendor: 01372	City of Folsom						
16-5078	2016 Annual Encroachment Permit Fee	12/20/2016	2,417.00	0.00	0.00	0.00	2,417.00
000024205-0001724:	Dec Monthly Meter Service	12/28/2016	33.60	0.00	0.00	0.00	33.60
							2,450.60
Vendor: 01378	Clark Pest Control of Stockton						
19230247	Pre/Post Weed Control Hinkle Reservoir/Dam	11/22/2016	506.00	0.00	0.00	0.00	506.00
19230248	Pre/Post Weed Control at Solar Field	11/22/2016	611.00	0.00	0.00	0.00	611.00
19232545	WTP Ground Squirrel Bait Box Maintenance	11/22/2016	150.00	0.00	0.00	0.00	150.00
19413067	WTP Ground Squirrel Bait Box Maintenance	12/15/2016	150.00	0.00	0.00	0.00	150.00
							1,417.00
Vendor: 02613	Clark, Tom						
Vison Reimb 01-2017	Vison Reimb 010317-Chyla, Justin, Tom	01/03/2017	316.90	0.00	0.00	0.00	316.90
							316.90
Vendor: 01415	Cooks Truck Body Mfg. Inc.						
45940	V #9 Replacement Utility Body Paint & Transfer	12/20/2016	7,250.00	0.00	0.00	543.75	7,793.75
							7,793.75
Vendor: 02214	County of Placer Engineering & Surveying						
IN1116-4153	Water Line@Barton Rd (UT) Inspections	11/30/2016	60.00	0.00	0.00	0.00	60.00
							60.00
Vendor: 01423	County of Sacramento						
90347989	Construction Mngmt/Inspect-ENAC2016-00019	11/26/2016	172.09	0.00	0.00	0.00	172.09
90346087	Construction Mngmt/Insepection Fees-ENAC2016-00019	12/22/2016	57.37	0.00	0.00	0.00	57.37
							229.46
Vendor: 01521	DataProse, LLC						
DP1603882	Dec Billing and Insert Services	12/31/2016	9,762.97	0.00	0.00	0.00	9,762.97
							9,762.97
Vendor: 03479	DC Mack, Inc.						
S2401867.001	E#15 CAT Backhoe-Hose Repair/Replacement Service	12/02/2016	191.73	0.00	0.00	3.72	195.45
S2401910.001	E#86 Deere Backhoe-Hose/Tube Replacement & Service	12/02/2016	131.68	0.00	0.00	4.71	136.39
							331.84
Vendor: 01532	E&M Electric & Machinery, Inc.						
152169	WonderWare Software Licenses Access Anywhere	12/27/2016	19,428.68	0.00	0.00	1,148.76	20,577.44
							20,577.44
Vendor: 03147	EDGES ELECTRICAL GROUP LLC						
S3908689.004	Lab Relocation Freight Charge-Panduit	11/03/2016	10.59	0.00	0.00	0.79	11.38
S3950268.001	Arc Flash Conduit and Fittings	12/13/2016	83.01	0.00	0.00	7.06	90.07
							101.45
Vendor: 01589	Eurofins Eaton Analytical, Inc						
L0290478	Wholesale Regulatory Compliance Sampling 11/01	11/07/2016	90.00	0.00	0.00	0.00	90.00
L0293960	Wholesale Regulatory Compliance Sampling 11/15	12/02/2016	75.00	0.00	0.00	0.00	75.00
L0295457	Retail Regulatory Compliance Sampling 12/06	12/12/2016	195.00	0.00	0.00	0.00	195.00
L0296011	Folsom Lake Raw WH Reg Compliance Sampling 12/06	12/15/2016	29.00	0.00	0.00	0.00	29.00
L0297313	Retail Regulatory Compliance Sampling 12/13	12/23/2016	195.00	0.00	0.00	0.00	195.00
L0297908	Wholesale Regulatory Compliance Sampling 12/16	12/30/2016	75.00	0.00	0.00	0.00	75.00
L0297914	Retail Regulatory Compliance Sampling 12/20	12/30/2016	195.00	0.00	0.00	0.00	195.00
L0297915	Wholesale Regulatory Compliance Sampling 12/17	12/30/2016	75.00	0.00	0.00	0.00	75.00
L0297917	Wholesale Regulatory Compliance Sampling 12/18	12/30/2016	75.00	0.00	0.00	0.00	75.00
L0297918	Raw/Treated Water WH Reg Compliance Sampling 12/20	12/30/2016	80.00	0.00	0.00	0.00	80.00
L0297919	Wholesale Regulatory Compliance Sampling 12/19	12/30/2016	75.00	0.00	0.00	0.00	75.00
L0297999	Wholesale Regulatory Compliance Sampling 12/20	12/30/2016	25.00	0.00	0.00	0.00	25.00
L0298395	Folsom Lake Raw WH Reg Compliance Sampling 12/20	01/03/2017	29.00	0.00	0.00	0.00	29.00
							1,213.00
Vendor: 01611	Ferguson Enterprises, Inc						
L233909	Materials & Supplies Gasket Replacements	12/12/2016	2,164.93	0.00	38.45	162.36	2,365.74
L23778&CM103765	Material Replenishment	12/20/2016	123.82	0.00	0.00	7.65	131.47
							2,497.21

Open Payable Report

As Of 01/10/2017

Payable Number	Description	Post Date	Payable Amount	Discount Amount	Shipping Amount	Tax Amount	Net Amount
Vendor: 01634	Folsom Lake Ford, Inc.						
FOTS780762	V#28 -Inspect & Replace Broken Tow Plug	12/09/2016	90.01	0.00	0.00	0.00	90.01
FOTS780770	E #70 Motor Test and Inspection-Switch Replacement	12/09/2016	76.84	0.00	0.00	0.00	76.84
FOTS781882	V#26 FS- Multi Point Inspection	12/20/2016	85.00	0.00	0.00	0.00	85.00
FOTS781883	E#35- Trailer Multi Point Inspection	12/20/2016	65.00	0.00	0.00	0.00	65.00
FOTS782341	V # 19 -Lube, Oil, Filter & Inspections	12/22/2016	73.73	0.00	0.00	0.00	73.73
FOTS783329	F150 Supercab 2012 4X2- Coolant Syst Hose&Anti Frz	01/04/2017	214.85	0.00	0.00	0.00	214.85
Vendor: 01659	Gary Webb Trucking						
744634	Oct Sludge Out 76 yrds 11/17 - 11/25/16	11/25/2016	741.00	0.00	0.00	0.00	741.00
Vendor: 01068	Glenn C. Walker						
17365	Dec Patrol Services	12/20/2016	993.00	0.00	0.00	0.00	993.00
Vendor: 01674	Global Labs, Inc.						
6122220	Customer Sampling for Color	12/29/2016	1,491.75	0.00	0.00	0.00	1,491.75
Vendor: 03237	GM Construction & Developers, Inc						
4239	9025 Oak Leaf Way Tap&Connect Srvc	10/21/2016	4,635.00	0.00	0.00	0.00	4,635.00
4242	319-321 Crow Canyon Dr-Tap& Connect Srvc	10/21/2016	5,571.00	0.00	0.00	0.00	5,571.00
RET 4239	Ret Release Construction Srvc 9025 Oak Leaf Way	10/21/2016	244.00	0.00	0.00	0.00	244.00
RET 4242	Ret Release Cnstruc Srvc-319&321 Crow Canyon Dr	10/21/2016	294.00	0.00	0.00	0.00	294.00
4244	5025 Twin Schools Rd-Instl 8" Valve/Raise Existing	11/07/2016	6,505.00	0.00	0.00	0.00	6,505.00
RET 4244	Ret Release Construction Srvc 5025 TwinSchools Rd	11/07/2016	343.00	0.00	0.00	0.00	343.00
4273	8310 Santa Juanita Way#175803 Longside 1.5" Srvc	12/07/2016	5,905.68	0.00	0.00	0.00	5,905.68
4277	6565&6535 Oak Hill Dr-Tap&Connect Srvc	12/07/2016	5,138.00	0.00	0.00	0.00	5,138.00
4278	113&109 Oak Rock Cir-Tap&Connect Srvc	12/07/2016	5,138.00	0.00	0.00	0.00	5,138.00
4301	6550-6590 Country Woods Ln Tap&Connect Srvc	12/07/2016	6,278.00	0.00	0.00	0.00	6,278.00
4318	5927&5923 Wedgewood Dr Short Side 1# srvc replace	12/27/2016	4,341.50	0.00	0.00	0.00	4,341.50
4321	6355 Fern Leaf Drive-Tap&Connect Service Lateral	12/27/2016	5,150.25	0.00	0.00	0.00	5,150.25
RET 4273	8310 Santa Juanita Way #175803 LngSd Srvc Retent	12/27/2016	311.00	0.00	0.00	0.00	311.00
RET 4277	Ret Release Construc Srvc 6565&6535 Oak Hill Dr	12/27/2016	271.00	0.00	0.00	0.00	271.00
RET 4278	Ret Release Cnstruc Srvc-113&109 Oak Rock Cir	12/27/2016	271.00	0.00	0.00	0.00	271.00
RET 4301	Ret Release Cnstruc Srvc-6550-6590 Country Wds Ln	12/27/2016	331.00	0.00	0.00	0.00	331.00
RET 4318	Ret Release Constrct Srvc-5927&5923 Wedgewood Dr	12/27/2016	230.00	0.00	0.00	0.00	230.00
RET 4321	Ret Release Construction Srvc 6355 Fern Leaf Dr	12/27/2016	272.00	0.00	0.00	0.00	272.00
Vendor: 01681	Golden State Flow Measurements, Inc.						
I-053252	Inventory Replenishment -Meter 1 " Register Srij	12/05/2016	5,732.80	0.00	0.00	429.96	6,162.76
I-053305	Sensus OMNI C2 Chamber Meter 2.0 Inch	12/13/2016	1,275.00	0.00	0.00	95.63	1,370.63
Vendor: 01706	Graymont Western US Inc.						
288635 RI	High Calcium Quicklime 26.39 Tons	12/06/2016	6,043.31	0.00	0.00	0.00	6,043.31
Vendor: 03477	Hall, Elizabeth						
REF 4900 Dartford Plc	Refund 4900 Dartford Place	01/04/2017	105.96	0.00	0.00	0.00	105.96
Vendor: 01733	Harris Industrial Gases						
01699700	WTP Shop Supplies-SS Welding Rod	11/30/2016	102.59	0.00	0.00	8.21	110.80
Vendor: 03478	Harris, Chad						
REF 5919 Wedgewoo	Refund 5919 Wedgewood Dr	01/06/2017	183.16	0.00	0.00	0.00	183.16
Vendor: 03235	HD Supply Construction Supply LTD						
50005408474	Sikaflex for Launderer Leaks	12/02/2016	496.08	0.00	0.00	42.17	538.25
Vendor: 01483	Hyde Veith, Denise						
6933	Mobile Drug Testing Services-10/17/2016	10/31/2016	74.61	0.00	0.00	0.00	74.61
Vendor: 01790	Industrial Safety Supply Corp of California						
1042331	Safety Supplies-Harnesses & SALA Bag	12/20/2016	2,288.00	0.00	45.56	171.60	2,505.16
Vendor: 03383	Inferrera Construction Management Group, Inc.						
1701	Dec Floc Sed Basin Construction Management	12/31/2016	37,934.00	0.00	0.00	0.00	37,934.00

Open Payable Report

As Of 01/10/2017

Payable Number	Description	Post Date	Payable Amount	Discount Amount	Shipping Amount	Tax Amount	Net Amount
Vendor: 03481 <u>REF. 5002 Chelshir Do</u>	Jerge, R Douglas Refund 5002 Chelshir Downs Rd	01/05/2017	74.96	0.00	0.00	0.00	74.96
Payable Count: (1)							74.96
Vendor: 01895 <u>0060680</u> <u>0062268</u>	Joseph G Pollard Co, Inc Heavy Duty Rubber Covered Fire Hose Blue Pipe Marker W/WTR *FIBERC	12/02/2016 12/15/2016	1,336.16 191.00	0.00 0.00	103.66 52.94	100.21 14.33	1,798.30 1,540.03 258.27
Payable Count: (2)							1,798.30
Vendor: 01917 <u>107274</u>	Kennedy/Jenks Consultants, Inc. Nov Floc Sed Basin-Construction Srvcs Support	11/25/2016	7,437.04	0.00	0.00	0.00	7,437.04
Payable Count: (1)							7,437.04
Vendor: 01915 <u>Exp Reimb 12-2016</u> <u>Expense Reimb 12-20</u>	Kirkland, Ken Boot Reimbursement 12-2016 Expense Reimbursement 12/2016	12/20/2016 12/20/2016	182.72 41.49	0.00 0.00	0.00 0.00	0.00 0.00	182.72 41.49
Payable Count: (2)							224.21
Vendor: 03473 <u>REF. 6803 Brandy Circ</u>	Kuhl, Connie Refund 6803 Brandy Circle	01/05/2017	13.92	0.00	0.00	0.00	13.92
Payable Count: (1)							13.92
Vendor: 03411 <u>21663014</u> <u>21681651</u> <u>21701282</u> <u>21735196</u>	Labor Ready Southwest, Inc. Field Srvcs Temp Week Ending11/27-Daniel, Holt Field Srvcs Temp Week Ending12/04-Daniel, Holt Field Srvcs Temp Week Ending12/11-Daniel, Holt Field Srvcs Temp Week Ending12/18-Daniel, Holt	11/29/2016 12/06/2016 12/13/2016 12/20/2016	1,189.10 2,024.00 1,973.40 1,214.40	0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00	1,189.10 2,024.00 1,973.40 1,214.40
Payable Count: (4)							6,400.90
Vendor: 03482 <u>REF. 101 Jedediah Rd</u>	Laverdiere, Victor OR Alice Marie Refund 101 Jedediah Rd	01/06/2017	3.52	0.00	0.00	0.00	3.52
Payable Count: (1)							3.52
Vendor: 02683 <u>SR025867</u>	Lewis-Goetz and Company Inc. WTP-O Rings for Ball Valves	11/29/2016	706.20	0.00	16.94	61.49	784.63
Payable Count: (1)							784.63
Vendor: 02027 <u>91831743</u> <u>91868856</u> <u>92087946</u> <u>92875027</u> <u>93229172</u> <u>94141876</u>	Mcmaster-Carr Supply Company WTP Shop Replacement Tools-High Contrast Rulers WTP Filtrate Pump Maint Suppls-Nuts,Screws,Anchor Floc Sed BasinMaint Sppls-Brass Hose Pipe Fitting WTP Backwash EQ System Supplies-Nuts, Screws WTP Maintenance and Supplies-Nuts,Screws, Washers Strut Channel Connector 45 & 30 Degree	12/05/2016 12/05/2016 12/06/2016 12/12/2016 12/14/2016 12/20/2016	47.65 100.41 11.32 165.60 157.77 51.20	0.00 0.00 0.00 0.00 0.00 0.00	22.01 7.04 6.07 8.81 7.37 7.73	3.58 7.53 0.85 12.42 11.83 3.85	73.24 114.98 18.24 186.83 176.97 62.78
Payable Count: (6)							633.04
Vendor: 03386 <u>0115-07</u> <u>0115-07 CM-RET</u>	Myers & Sons Construction, LP Nov FLOC SED BASIN IMPROVEMENT - WTP Nov Retention WTP Floc Sed Basin Improvements	11/25/2016 11/25/2016	1,056,465.13 -52,823.25	0.00 0.00	0.00 0.00	0.00 0.00	1,003,641.88 1,056,465.13 -52,823.25
Payable Count: (2)							1,003,641.88
Vendor: 02093 <u>2ND1986125</u>	NDS Solutions, Inc Port & Company Sandwich Bill Cap	12/12/2016	792.00	0.00	19.26	59.40	870.66
Payable Count: (1)							870.66
Vendor: 03402 <u>755172</u>	Normac, Inc SJWD Entrance-Maintenance Supplies	12/02/2016	217.87	0.00	0.00	16.34	234.21
Payable Count: (1)							234.21
Vendor: 02131 <u>883440023001</u> <u>884129976001</u> <u>884132670001</u> <u>884133165001</u> <u>884636584001</u> <u>88413267002</u> <u>885087736001</u> <u>885634428001</u> <u>888142096001</u> <u>888834617001</u> <u>889518509001</u>	Office Depot, Inc. Field Services Office Supplies-Bulletin Cork Board Admin & Engineering Office Supplies WTP & Admin Office Supplies Admin Office Supplies- Napkins Admin Office Supplies-Energizer MAX Batteries WTP & Admin Office Supplies Admin & Field Services Office Supplies WTP & Admin Office Supplies Field Services & Admin Office Supplies Admin& Field Services Office Supplies Sm Bndr Clips, Post its, Tape, Clock, Toner	12/01/2016 12/02/2016 12/02/2016 12/05/2016 12/05/2016 12/06/2016 12/06/2016 12/06/2016 12/08/2016 12/16/2016 12/20/2016 12/23/2016	84.99 88.56 341.45 12.57 60.54 199.96 72.81 54.15 58.01 273.99 286.63	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00	6.37 6.64 17.64 0.94 4.54 15.00 5.45 3.18 4.35 3.75 0.00	91.36 95.20 359.09 13.51 65.08 214.96 78.26 57.33 62.36 277.74 286.63
Payable Count: (11)							1,601.52
Vendor: 03098 <u>00000526</u>	On Scene Event Medical Services LLC CPR Training-28 Employees	12/15/2016	1,360.00	0.00	0.00	0.00	1,360.00
Payable Count: (1)							1,360.00
Vendor: 02150	Pace Supply Corp						
Payable Count: (4)							2,102.49

Open Payable Report

As Of 01/10/2017

Payable Number	Description	Post Date	Payable Amount	Discount Amount	Shipping Amount	Tax Amount	Net Amount
<u>063628782</u>	Baldwin Pump Station EQ Basin-Bolts	12/12/2016	51.00	0.00	0.00	3.83	54.83
<u>063614161-2</u>	Inventory Replenishment 170014	12/13/2016	606.80	0.00	0.00	45.51	652.31
<u>063614161-3</u>	Inventory Replenishment 170014	12/16/2016	228.20	0.00	0.00	17.12	245.32
<u>063614161&CM0636</u>	Inventory Replenishment 170014	12/30/2016	1,069.80	0.00	0.00	80.23	1,150.03
Vendor: 03026	PFM Asset Management						Payable Count: (3) 4,793.73
<u>69095</u>	Prj#05.02628.002 Arbitrage Rpt Series 2009A	08/29/2016	3,000.00	0.00	0.00	0.00	3,000.00
<u>71410</u>	Oct Fiscal Agent Fee	10/31/2016	911.10	0.00	0.00	0.00	911.10
<u>72297</u>	Nov Fiscal Agent Fee	11/30/2016	882.63	0.00	0.00	0.00	882.63
Vendor: 02146	PG&E						Payable Count: (1) 1,668.13
<u>0824701340-5 12-30-</u>	Dec Electric and Gas Services	12/30/2016	1,668.13	0.00	0.00	0.00	1,668.13
Vendor: 02281	Ray A Morgan Company Inc						Payable Count: (2) 10,105.24
<u>1443594</u>	Canon copier maintenance/service-09/15/16-12/14/16	12/13/2016	576.78	0.00	0.00	14.71	591.49
<u>1454413</u>	C5540i Copier-Copier, Set up and Installation	12/23/2016	8,850.00	0.00	0.00	663.75	9,513.75
Vendor: 02283	Recology Auburn Placer						Payable Count: (1) 640.70
<u>53837555</u>	Dec Garbage Disposal Services	12/31/2016	640.70	0.00	0.00	0.00	640.70
Vendor: 02223	Rexel Inc (Platt - Rancho Cordova)						Payable Count: (1) 4.39
<u>L005625</u>	Lab Rehab Supplies-Bushing,Conduit 1X2 Galv Nip	12/14/2016	4.05	0.00	0.00	0.34	4.39
Vendor: 02293	RFI Enterprises, Inc						Payable Count: (1) 48.40
<u>552404</u>	Jan Burg Monitoring	12/05/2016	48.40	0.00	0.00	0.00	48.40
Vendor: 02328	Rocklin Windustrial Co						Payable Count: (10) 1,341.68
<u>203499 00</u>	Lab Proj-PVC80 Tee,PVC80 Thrd90, PVC80 St 90,90ELL	12/02/2016	53.80	0.00	0.00	4.04	57.84
<u>203560 00</u>	Prccs Cntrl Sys-1 1/2"A312 Pipe304SCH 40,150SS304	12/02/2016	72.26	0.00	0.00	5.42	77.68
<u>203633 00</u>	S.Basin Bypas/FlocSedProj-PVC40 90ELL,DuoBloc,BE	12/05/2016	465.16	0.00	0.00	34.89	500.05
<u>203650 00</u>	Floc Sed/Bypass-Strut Clamps	12/05/2016	27.96	0.00	0.00	2.10	30.06
<u>203684 00</u>	Lab Rehab-PVC Fittings & Valves	12/06/2016	314.06	0.00	0.00	23.55	337.61
<u>203827 00</u>	Shop&BWPump1-EQ Basin-Gskt, Gry Cement,Thrd Tape	12/12/2016	51.37	0.00	0.00	3.85	55.22
<u>203915 00</u>	Process Control System-PVC80 ADPT	12/16/2016	13.14	0.00	0.00	0.99	14.13
<u>203901 00</u>	Lab Retrofit PVC80 Bush 2X3/8 MXF	12/22/2016	15.85	0.00	0.00	1.19	17.04
<u>203902 00</u>	LabRetro-PVC80 ELL, Nipples, ADPT, Duo Bloc,Primer	12/22/2016	194.19	0.00	0.00	14.56	208.75
<u>203904 00</u>	LabRetro-3/4 in Fem Adapter/Reinfrcd Brass Collar	12/22/2016	40.28	0.00	0.00	3.02	43.30
Vendor: 02379	Sacramento Metropolitan Chamber of Commerce						Payable Count: (1) 1,190.00
<u>104816</u>	Annual Membership 02/01/2017-01/31/2018	12/02/2016	1,190.00	0.00	0.00	0.00	1,190.00
Vendor: 02395	SAFETY KLEEN SYSTEMS INC.						Payable Count: (1) 790.19
<u>72108845</u>	Parts Wash Service	12/21/2016	735.06	0.00	0.00	55.13	790.19
Vendor: 02423	Sensus USA, Inc						Payable Count: (1) 1,978.34
<u>ZA17012473</u>	Flexnet Support Software 02/17/17-02/16/18	12/15/2016	1,893.15	0.00	0.00	85.19	1,978.34
Vendor: 03407	SF&B LLC						Payable Count: (1) 2,446.33
<u>0012840</u>	Shop-Cooling Fan	09/15/2016	2,440.33	0.00	6.00	0.00	2,446.33
Vendor: 02446	Sierra Chemical Co						Payable Count: (1) 3,664.57
<u>SLS 10042358</u>	6-Chlorine 2000LB Ton Tank & Mill Assessment Fee	12/21/2016	3,664.57	0.00	0.00	0.00	3,664.57
Vendor: 01391	Sinnock, Cody						Payable Count: (2) 325.00
<u>Exp Reimb 12-2016</u>	Boot Reimbursement MM-YYYY **Change Coding**	12/13/2016	250.00	0.00	0.00	0.00	250.00
<u>Exp-Reimb 12-2016 #</u>	Boot Reimbursmnt -\$75 remaining12-2016-C. Sinnock	12/13/2016	75.00	0.00	0.00	0.00	75.00
Vendor: 03220	Solenis LLP						Payable Count: (1) 3,529.44
<u>131103515</u>	8-Praestol N 3100 Ltr Drum 200L Stl	12/06/2016	3,283.20	0.00	0.00	246.24	3,529.44
Vendor: 03309	Sorum, Mark						Payable Count: (1) 800.00
<u>9981</u>	FS Back Lot-Cut Fallen Tree on Fence/Haul Debris	12/20/2016	800.00	0.00	0.00	0.00	800.00
Vendor: 02514	State Water Resources Control Board - SWRCB						Payable Count: (1) 155.00
<u>QP#29359 12-2016</u>	D-4 Renerwal-A. Larsen	12/21/2016	155.00	0.00	0.00	0.00	155.00

Open Payable Report

As Of 01/10/2017

Payable Number	Description	Post Date	Payable Amount	Discount Amount	Shipping Amount	Tax Amount	Net Amount
Vendor: 01411 <u>916-791-0135/0 12/2</u>	SureWest Telephone Phone Services 12/25/16 - 01/24/17	01/09/2017	1,589.49	0.00	0.00	0.00	1,589.49
Payable Count: (1)							1,589.49
Vendor: 02580 <u>1772-B (revised)</u> <u>1773-B</u>	The Eidam Corporation Dec Retail Public Outreach FY 2016-2017 Dec Wholesale Public Outreach FY 2016-2017	12/29/2016 12/29/2016	4,628.75 6,095.40	0.00 0.00	0.00 0.00	0.00 0.00	4,628.75 6,095.40
Payable Count: (2)							10,724.15
Vendor: 02592 <u>1654</u>	The Reed Group, Inc. Dec Wholesale/Retail Financial Plan Rate Study	12/31/2016	1,060.00	0.00	0.00	0.00	1,060.00
Payable Count: (1)							1,060.00
Vendor: 02651 <u>0003E2E70506</u> <u>00003E2E70536</u>	United Parcel Service Inc Weekly Service Charges 12/03-12/10 Weekly Service Charges & Shippings-12/17-12/31	12/10/2016 12/31/2016	67.51 87.85	0.00 0.00	0.00 0.00	0.00 0.00	67.51 87.85
Payable Count: (2)							155.36
Vendor: 02700 <u>5082761</u>	Viking Shred LLC Dec Shredding Services	12/15/2016	50.00	0.00	0.00	0.00	50.00
Payable Count: (1)							50.00
Vendor: 01687 <u>9296854087</u> <u>9315185661</u>	W. W. Grainger, Inc. Hand Drum Pump 3/4 " OD Danger Sign 10X14 & 4 Hole Mount	12/05/2016 12/22/2016	5.21 31.05	0.00 0.00	0.00 0.00	0.40 2.33	5.61 33.38
Payable Count: (2)							38.99
Vendor: 02710 <u>125A10502581</u>	WageWorks, Inc Nov FSA Admin Fee & AFLAC Flex Compliance Fee	12/16/2016	98.00	0.00	0.00	0.00	98.00
Payable Count: (1)							98.00
Vendor: 02716 <u>2017 Membership M</u>	WATER EDUCATION FOUNDATION 2017 Membership Mailing No 90-Patron	11/18/2016	7,600.00	0.00	0.00	0.00	7,600.00
Payable Count: (1)							7,600.00
Vendor: 03118 <u>1562</u>	Watersmart Software Inc. Utility Dashboard/Customer Portal/HWR, 2 of 4	12/30/2016	16,171.25	0.00	0.00	0.00	16,171.25
Payable Count: (1)							16,171.25
Vendor: 02730 <u>EO&M000840117</u>	Western Area Power Admin Dec CVP O&M Program Funding FY2018 - 3rd Billing	12/20/2016	2,717.00	0.00	0.00	0.00	2,717.00
Payable Count: (1)							2,717.00
Vendor: 03483 <u>REF 268 Alpine Falls C</u>	Yapit, Christina Refund 268 Alpine Falls Dr	01/06/2017	25.73	0.00	0.00	0.00	25.73
Payable Count: (1)							25.73
Vendor: 03484 <u>REF 8085 Granite Dr</u>	Zhao, Dalong Refund 8085 Granite Dr	01/06/2017	189.08	0.00	0.00	0.00	189.08
Payable Count: (1)							189.08
Vendor: 03445 <u>Vision Reimb 12-2016</u> <u>Exp Reimb 12/2016 #</u> <u>Exp Reimb 12/2016 #</u> <u>Exp Reimb 12/2016 #</u>	Zlotnick, Greg Vision Reimbursement 12-2016-G. Zlotnick/Self Expense Reimbursement 12/2016 #2 Expense Reimbursement 12/2016 #3 Expense Reimbursement 12/2016 #4	12/19/2016 12/28/2016 12/28/2016 12/28/2016	200.00 173.08 26.64 161.00	0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00	200.00 173.08 26.64 161.00
Payable Count: (4)							560.72
Payable Account 999-20200						Payable Count: (188)	Total: 1,355,872.13

Payable Account Summary

Account	Count	Amount
999-20200 - Accounts Payable	188	1,355,872.13
Report Total:	188	1,355,872.13

Payable Fund Summary

Fund	Count	Amount
999 - INTERCOMPANY	188	1,355,872.13
Report Total:	188	1,355,872.13

STAFF REPORT

To: Keith Durkin
From: Rob Watson – Engineering Services Manager
Date: January 10, 2017
Subject: Authorization to Replace Engineering Plotter Scanner

RECOMMENDED ACTION

Staff recommends authorizing the purchase of a new HP Designjet Z5400 plotter/scanner unit as replacement for the existing HP Designjet 800 unit for a total purchase amount not to exceed \$12,500 (including taxes, delivery and setup onsite, and training).

BACKGROUND

The existing HP Designjet 800 is used by Engineering and other departments for plotting (printing) and scanning design work products for bidding and construction. This aged equipment was originally manufactured in March 2005, and the warranty expired in June 2006. The existing plotter/scanner was purchased used and had already seen 2 or 3 years of service when the District originally purchased it in approximately 2007. It has not been supported by HP for over 5 years. Replacement parts are scarce and are only available on the used market. This aged equipment is also considered a security risk for the District's network because software updates are not available, and it is running on Windows 2000 software which is very outdated.

Engineering staff evaluated the current and future uses for the plotter/scanner equipment to determine the appropriate specifications. Staff then investigated replacement equipment from several manufacturers including Canon/OCE, Epson, and HP to evaluate the capabilities of the available equipment, the ability to meet the specifications, and the costs. Following that evaluation process the determination was the HP Designjet Z5400 plotter/scanner unit was the appropriate cost-effective choice to replace the aged equipment.

BUDGET

This equipment replacement purchase was initially included in the FY14/15, 15/16, and 16/17 budgets however, the purchase continued to be deferred as a cost savings measure to help offset the revenue shortfalls. The item is presently identified for acquisition in FY 16/17 in the current draft Financial Plan, but is not shown in the adopted FY 16/17 Retail Budget. At the time of budget creation, the plotter was slated to be replaced in FY 17/18 but due to its current condition, and the lack of replacement parts, staff recommends immediate replacement.

There was a savings of \$7,986 remaining from the recent Canon printer purchase which could be re-allocated to supplement the purchase of the new plotter/scanner. The remaining \$4,433 would be re-allocated from other CIP cost savings that has been realized this FY.

STAFF REPORT

To: Board of Directors
From: Keith Durkin, Interim General Manager
Date: December 30, 2016
Subject: Baldwin Reservoir Raw Water Piping Improvements

RECOMMENDED ACTION

Staff recommends a motion to authorize using \$90,000 of wholesale capital reserves for construction of the Baldwin Reservoir Raw Water Piping Improvements.

BACKGROUND

Under the Baldwin Reservoir Wetland Enhancement Plan, San Juan Water District (District) is required to supply water to Baldwin Reservoir on a daily or as needed basis for environmental habitat management. Under current operations, the District supplies partially treated water to Baldwin Reservoir. Per the District's new Permit for Drinking Water System Discharges to Waters of the United States with the State Resources Control Board, this requires monitoring, sampling and reporting for each planned discharge event. This project allows raw water to be delivered directly to the reservoir in lieu of partially treated water and will allow the District to monitor discharges on a yearly representative basis per the Discharge Permit. This project is the lowest cost alternative for the District to supply raw, untreated water from Folsom Lake to Baldwin Reservoir.

STATUS

A cost estimate for the project is summarized as follows:

Piping (including fittings, bolts, nuts, etc.)	\$38,000
Meters, Valves, and Electrical Materials	\$17,000
Labor	\$25,000
Contingency (~10%)	\$10,000
Total	\$90,000

The estimate was prepared with the assumption the District will pre-purchase all materials, with installation labor provided by staff and the District's on-call contractor, GM Construction.

FINANCIAL CONSIDERATIONS

This is a newly identified project that was not budgeted for in FY 16/17. Staff is requesting authorization to spend wholesale capital reserves to cover the construction of the Project.