



Operating and Capital Budget

Fiscal Year July 1, 2018 – June 30, 2019

Budget prepared by Timothy Shaw, General Manager, District Staff, and District Engineer

8/20/2018

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EXECUTIVE SUMMARY

August 20, 2018

Board of Directors

Rio Linda Elverta Community Water District

I hereby submit the Rio Linda/Elverta Community Water District's Fiscal Year 2018-2019 Operating and Capital Budget. The budget document provides detailed information about the District's revenue and expenditure forecast for the next fiscal year and addresses the main points and major decisions made in compiling the budget.

The District's overall operation is achieved, in part, by annually reviewing its goals and means to accomplish such goals. The goals and objectives are considered during the budget development process to provide the basis for prioritizing efforts, activities, needs, human resources, and financial resources.

Monitoring the budget and responding to unanticipated events is a continuous process. The District maintains a proactive response in performing mid-year budget review(s) if adjustments are required.

The pending hexavalent chromium (Cr+6) Maximum Contaminant Level (MCL) continues to influence our operating and capital budgets. Fortunately, the District's current rate structure provides for infrastructure improvements to comply with anticipated Cr+6 MCL. However, the rates analysis for the current rates presumed the District would receive a minimum level of Cr+6 mitigation funding through grants and low interest loans, which assumed that the District would qualify as a Disadvantaged Community (DAC). The District is not eligible for DAC funding. Consequently, the District narrowed its Cr+6 mitigation efforts to two projects, Well #16 groundwater pumping station and Well #10 ion exchange treatment of existing groundwater facilities. A 3.28 % interest for a 15-year term loan from Opus Bank has been secured and we began an 18-month construction period in March 2018 (ends September 2019). To supplement the current rate structure for Cr6 mitigation infrastructure, staff continues to stay abreast of additional funding opportunities as may materialize by legislative or other action.

The District will continue to fund the Capital Improvement Fund with the Operating budget and Opus Bank loan proceeds. The Opus loan is debt serviced by Surcharge #2. For the first time in the last several fiscal years, the District transferred less than \$600,000 from the previous year Operating budget into the subsequent year's Capital Improvement Budget. Although this is an alarming trend, and one which has understandably drawn concern by Board Members, the trend did not commence with this fiscal year. The previously adopted budgets included loan funding and expenses therefrom, which had not been secured. Had that overstated revenue not been included, the shortfall in previous year carry over should have materialized before now. Alternatively, the spending on capital improvement projects such as Well #16 and Well #10 could have been decreased to meet the \$600,000 carry over objective.

Another aspect contributing to the "trend" (less than \$600,000 carried over) is the change to a more conservative funding of employee medical, dental and vision insurance benefit. Previous budgeting practices have used the previous year's actual cost as the primary basis for setting the budgeted amounts for the subsequent year. However, conservatism warrants that we fund (budget) the full amount the District may incur by contract (MOU) given that the circumstances that can lead to higher

costs than current actual cost are beyond the District's control. For example, a current single employee can become an employee with dependents insured. The costs could rise at any point throughout the fiscal year, and the District would incur those costs. This more conservative funding approach can also result in additional unspent funds, which could be added to the budget carry over at the end of the fiscal year if the insurance cost funding is not needed to the contractual maximum amount.

The principle approach to targeting a minimum amount of carry over (previously \$600,000) includes two key elements; 1) funding an estimated 6-months of annual operating expenses (contingency or reserve funding), and 2) maintaining a 1.25 ratio of operating revenue to debt service. The minimum debt service ratio will be maintained. The decrease from \$600,000 to \$500,000 effectively lowers the degree of reserve funding available to pay operating expenses for unforeseen circumstances. Although the capital fund is also funded by new connection fees AKA capacity fees, such funding is restricted. Capacity fees can only be used for the hard and soft costs associated with new capacity, e.g. new wells and backbone infrastructure and the studies, plans and contracts appurtenant therein.

The District previously funded participation in RiverArc to further the objective for diversified water supply and conjunctive use within our region. However, the long-term funding for such activities was integrated into the capacity fee program, and building has not yet materialized. The large-scale residential developers have informed the District they are unwilling/unable to pre-fund the District's RiverArc costs, and the District has conveyed our discontinued participation to RiverArc. This change is reflected in the budget.

The District is required to contribute approximately \$24,866 in administrative membership dues this fiscal year to the Sacramento Ground Water Authority (SGA) to remain in good standing. The SGA is a Joint Powers Authority (JPA) created to manage and maintain the long-term sustainable yield of the North Basin and facilitate the implementation of an appropriate conjunctive use program by water purveyors. It has been granted extensive powers and functions to accomplish its sustainable groundwater management mission. Along with SGA, other water association memberships for the District include SAWWA, RWA, ACWA, CSDA, AWWA, and CRWA. We can expect an increase in annual dues from these associations due to inflation. The increases in funding for SGA and Regional Water Authority (RWA) go beyond inflation. RWA and SGA operating cost increases also reflect generous funding (relative to the District's approach) of employee compensation and benefits.

The District will see an increase in Staff Wages and Benefits of approximately \$22,258 and \$79,272 respectively. The increase in benefits funding is addressed previously and is a function of conservatism in funding the contractual maximum costs. The increase in wages and benefits reflect the existing employment contracts, MOU and Employment Agreement.

Continuing the streamlining improvements made in last year's budget, the District has made minor revisions to the chart of accounts to match those used by the Auditor.

In summary, the budget reflects the Board of Directors' priorities and goals which are conveyed to staff. The budgeting process continues to improve, and the staff has embraced cost avoidance strategies to improve the District's fiscal status wherever feasible. We're taking advantage of joint powers purchasing agreements only available to government agencies, purchasing fuel without the charge for excise taxes. and purchasing equipment to reduce long-term costs. We've implemented contract improvements to exercise greater control and focus on our engineering needs, embraced a completed staff work

approach to ensuring elements are not overlooked and future obligation have a greater amount of lead time for planning and funding.

I formally recognize and thank the staff and Board Members for their continued dedication and commitment. It's clear that we're all pulling in the same positive direction, and we can accomplish much more together.

Sincerely,

Timothy R. Shaw
General Manager
Rio Linda/Elverta Community Water District

UNDERSTANDING THE BUDGET DOCUMENT

On an annual basis, the District's Board of Directors adopts a budget for the subsequent fiscal year. The budget is an instrument used by management to present the proposed plan of financial operations of the District to the Board of Directors. The budget incorporates Operating, Capital, and includes all supporting statements, details, summaries and other information deemed appropriate by the General Manager.

The budget is divided into several sections as follows:

INTRODUCTION This section contains a description of the District and its organizational structure and budget process.

OPERATING BUDGET This section describes the philosophy and process used to develop the operating budget.

CAPITAL BUDGET This section describes the philosophy and process used to develop the capital budget.

GLOSSARY This section contains a description of the District and its organizational structure and budget process.

Budgetary Control and Process

Budgetary Control

The District prepares budgets as a matter of policy and financial control. The budget is a financial plan detailing operating expenses, capital infrastructure investments, debt obligations, and designation of reserves. The following items are reviewed as part of preparing the budget:

- Assess current conditions and needs, including system quality and safety;
- Develop goals, objectives, policies, and plans based upon the assessment;
- Prioritize projects and develop work programs, based upon short-term and long-term cost effectiveness, and
- Implement plans, policies, and assess shortcomings.

Budget Process

The District follows an incremental budgetary process (see glossary), which is prepared on a cash basis and is used as a management tool for projecting and measuring revenues and expenses. To commence the process, the Finance committee provides an extensive review of the proposed budget. After review, the District invites customers to a public hearing so that the District can provide budget information and receive feedback. Public hearings are designed to educate and inform customers about the District's financial operations and requirements. It is during this forum that the budget is adopted by Board of Directors.

To summarize, the District's guideline for its policy, procedures, and timeline involved in creating and approving the annual budget is outlined below.

PRELIMINARY BUDGET

Between April & May, the General Manager may create a preliminary budget and presents it to the Finance Committee no later than June to review and recommend any changes prior to the public hearing.

PUBLIC HEARING

On or before the regular Board meeting in July, the Board of Directors shall hold a public hearing on the proposed Budget.

ADOPTION

During or before the regular Board meeting in August, the Board of Directors shall adopt the budget.

DISTRICT PROFILE

District History and Service Description

The Rio Linda/Elverta Community Water District (RLECWD) was formed in 1948 after a public vote under County Water District Law (Water Code section 30000 et seq.). The District is governed by a Board of Directors that consists of five (5) members elected at large. The District includes the communities of Rio Linda and Elverta and encompasses approximately 17.8 square miles. The District has 10 full-time employees, a contracted engineer and an attorney.

The District water system consists of 11 wells and 61.72 miles of distribution mains. The overall system capacity is currently 14.4 MGD. The District pumps approximately 2110 acre-feet of water annually to its 4,618 customers with a daily average of approximately 1.9 million gallons.

To improve the water system and ensure the delivery of high quality drinking water to customers, the District constructed Well # 15 in 2012 and a 1.2 million gallon reservoir tank in 2014.

District Mission Statement

The mission of the Rio Linda/Elverta Community Water District is to provide, in a manner responsive to District customers, a water supply that is adequate, safe and potable (according to state and federal standards) and that meets both current and future needs.

District Officials

Board of Directors

Mary Harris, President/Director

Mary Henrici, Vice President/Director

Brent Dills, Director

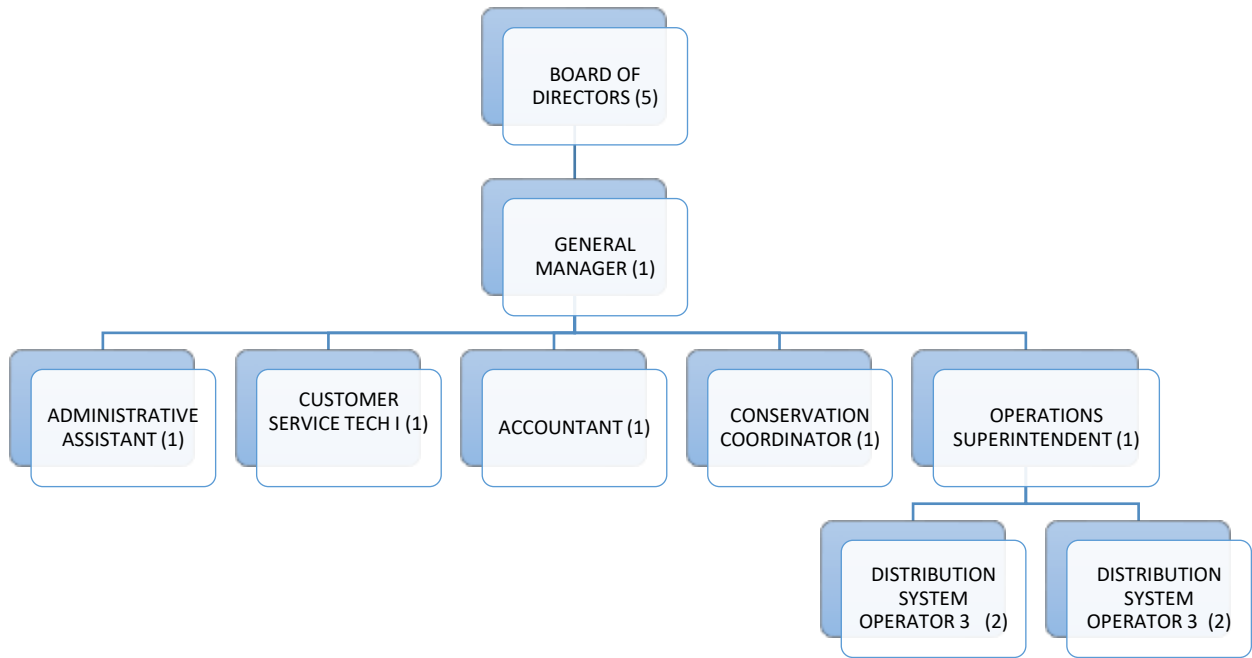
Paul R. Green Jr., Director

John Ridilla, Director

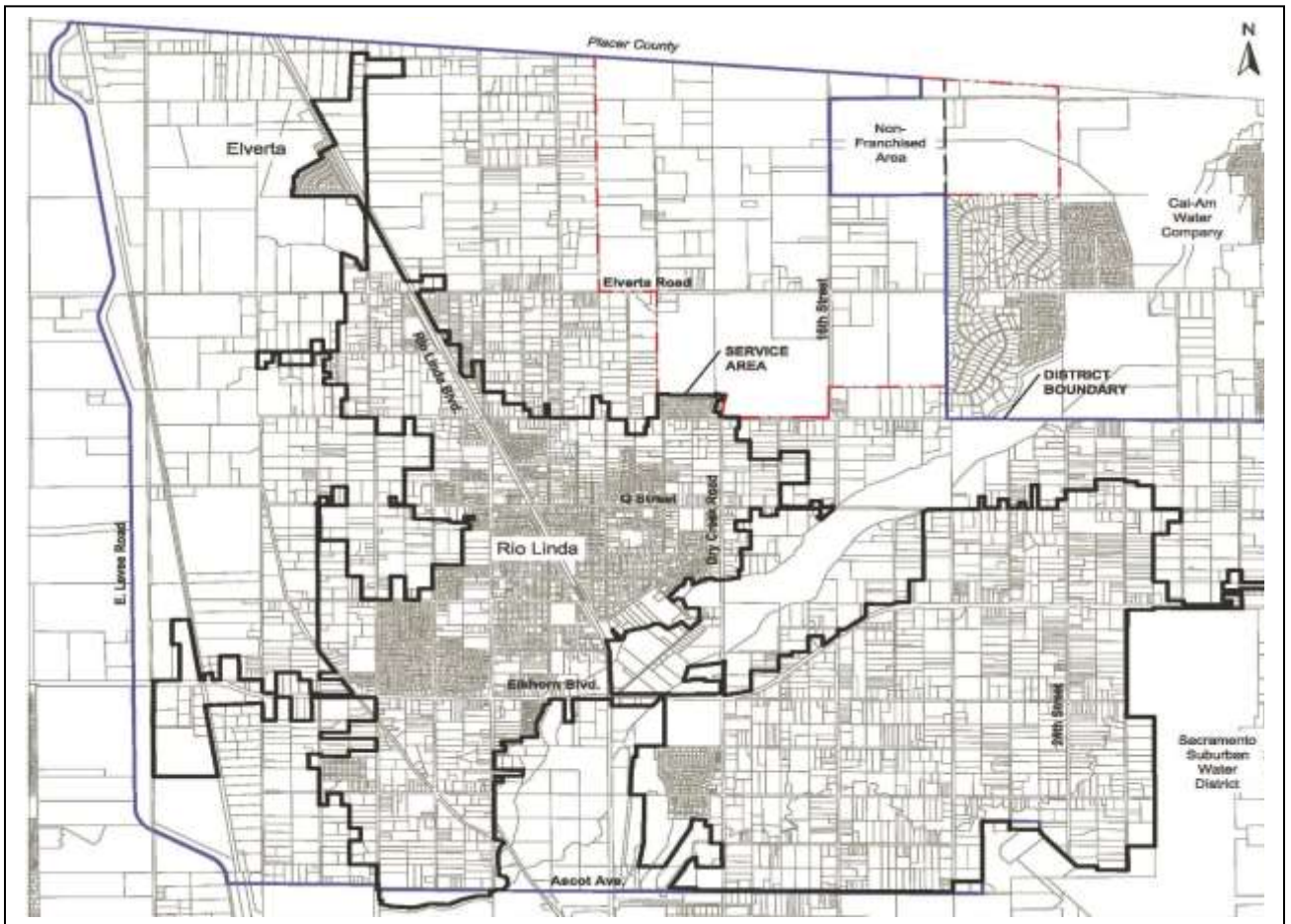
Appointed Official

Timothy Shaw, General Manager

Organizational Structure



Service Area



OPERATING BUDGET

The Incremental Budgeting Method is used to prepare the Operating Budget. See Glossary for definitions. The District uses the same structure and format for the chart of accounts as the Annual Financial Audit Report to establish symmetry. The Operating Budget is described below outlining the categories, and columns.

The budget is divided into the following categories:

REVENUE – Includes both operating and non-operating revenue.

OPERATING EXPENSE – Includes all expenses considered operating and includes the following categories: Professional Fees, Personnel Services, Administration, Conservation, and Field Operations.

- **PROFESSIONAL FEES** – A category of expenditures are fees charged by service providers in occupations requiring special training in the arts or sciences including legal services, auditors, engineers, and other specialized consultants.
- **PERSONNEL SERVICES** – A category of expenditures, which primarily covers salaries and wages, benefits, and other costs related to District personnel.
- **ADMINISTRATION** – A category of expenditures directly related to the cost of providing services including building maintenance, computer systems, office, insurance, and water memberships.
- **CONSERVATION** – A category of expenditures directly relating to providing services related to water conservation including community outreach and rebate programs.
- **FIELD OPERATIONS** – A category of expenditures directly relating to providing services related to field operations including pumping, transmission and distribution, and transportation.

NON-OPERATING EXPENSES – Includes all expenses considered non-operating such as Debt Service expenses. The total Net Revenue follows.

OPERATING AND SURCHARGE FUND BALANCES – Reflects total estimated beginning and ending fund balances.

The budget is divided into the following columns:

COLUMN 1 - ACTUAL YTD – Actual revenue and expenses beginning July 1st and ending June 30th. An incremental budget is prepared using a previous period's budget or actual performance as a basis with incremental amounts added for the new budget period.

COLUMN 2 - 2017-2018 BUDGET – The prior fiscal year budget.

COLUMN 3 - 2018-2019 BUDGET – The new fiscal year budget.

COLUMN 4 - DIFFERENCE – The calculated total taking Column 3 less Column 2.

COLUMN 5 - EXPLANATION – An explanation or description of the differences between the two fiscal year budgets Column 2 and Column 3.

Operating and Non-Operating Revenue

		2017-2018 ACTUAL UNAUDITED	2017-2018 BUDGET	2018-2019 BUDGET	DIFFERENCE	EXPLANATION
OPERATING REVENUE						
40100 Water Service Rates						
40101	Basic Service Charge	\$1,899,526.00	\$1,827,443.00	\$1,863,992.00	\$36,549.00	Ordinance 2016-02 Increase; Water Rate Study Table 2.1
40102	Usage Charge	563,390.00	618,628.00	637,187.00	18,559.00	Ordinance 2016-02 Increase; Water Rate Study Table 2.1
40105	Backflow Charge	25,008.00	24,140.00	25,000.00	860.00	Increased to adjust for 2017-18 actual
40106	Fire Prevention	12,026.00	10,600.00	10,600.00	0.00	
Total Water Service Rates		2,499,950.00	2,480,811.00	2,536,779.00	55,968.00	
40200 Water Services						
40201	Application Fee	14,770.00	15,000.00	15,000.00	0.00	
40202	Late Payment Fee	27,035.00	26,000.00	26,000.00	0.00	
40203	Disconnect Tag/NSF Fees	50,795.00	54,000.00	54,000.00	0.00	
40204	Termination/Reconnection	8,650.00	7,000.00	7,000.00	0.00	
40209	Other Account Service Charges	760.00	2,000.00	2,000.00	0.00	
Total Water Services		102,010.00	104,000.00	104,000.00	0.00	
40300 Other Water Service Fees						
40301	New Construction QC	4,368.00	4,000.00	4,000.00	0.00	
40302	Service Connection Fees	22,391.00	10,000.00	10,000.00	0.00	
40303	Other Field Service Fees	570.00	3,000.00	3,000.00	0.00	
40304	Other Operating Revenue	7,801.00	4,000.00	6,000.00	2,000.00	Increase to adjust for removal of GL 41140 (redundant account)
40305	Grant Revenue-Operating	263.00	10,000.00	650.00	-9,350.00	Decrease to adjust expired RWA: Outdoor Water Efficiency Grant - \$10,000; 50% Reimb for Rebate Program
Total Other Water Service Fees		35,393.00	31,000.00	23,650.00	-7,350.00	
TOTAL OPERATING REVENUE		\$2,637,353.00	\$2,615,811.00	\$2,664,429.00	\$48,618.00	

		2017-2018 ACTUAL UNAUDITED	2017-2018 BUDGET	2018-2019 BUDGET	DIFFERENCE	EXPLANATION
NON-OPERATING REVENUE						
41110	Interest Revenue	427.00	400.00	400.00	0.00	
41120	Property Taxes & Assessments	81,653.00	70,000.00	70,000.00	0.00	
41140	Other Non-Operating Revenue	0.00	2,000.00	0.00	-2,000.00	Decreased to remove redundant account; Prior year budget moved to GL 40304
TOTAL NON-OPERATING REVENUE		\$82,080.00	\$72,400.00	\$70,400.00	\$-2,000.00	
TOTAL OPERATING & NON-OPERATING REVENUE		\$2,719,433.00	\$2,688,211.00	\$2,734,829.00	\$46,618.00	

Operating Expense

		2017-2018 ACTUAL UNAUDITED	2017-2018 BUDGET	2018-2019 BUDGET	DIFFERENCE	EXPLANATION
60010 PROFESSIONAL FEES						
60011	General Counsel fees-Legal	53,389.00	70,000.00	65,000.00	-5,000.00	Decreased based on previous two FY actuals
60012	Auditor Fees	10,113.00	13,613.00	10,731.00	-2,882.00	Decreased to adjust for GASB 75 (replaced GASB 45) non full actuarial year; includes 2.5% increase annual financial audit
60013	Engineering Services	84,220.00	70,000.00	70,000.00	0.00	
60015	Other Professional Fees	29,758.00	0.00	17,600.00	17,600.00	New account; Strategic Planning remainder contract of \$17,600
TOTAL PROFESSIONAL FEES		\$177,480.00	\$153,613.00	\$163,331.00	\$9,718.00	
60100 PERSONNEL SERVICES						
60110 Salaries & Wages						
60111	Salary - General Manager	97,713.00	97,126.00	109,664.00	12,538.00	See attached addendum for Account 60111
60112	Staff Regular Wages	481,925.00	494,912.00	525,000.00	30,088.00	Increased to project known costs
60113	Contract Extra Help	25,368.00	25,368.00	5,000.00	-20,368.00	Decreased to adjust for projected costs
60114	Staff Standby Pay	18,250.00	18,250.00	18,250.00	0.00	
60115	Staff Overtime Pay	5,691.00	7,500.00	7,500.00	0.00	
Total Salaries & Wages		628,947.00	643,156.00	665,414.00	22,258.00	
60150 Employee Benefits & Expense						
60151	PERS Retirement	127,496.00	130,172.00	138,987.00	8,815.00	Increased to adjust for projected costs; includes decreased cost adj for PEPRA Employees see GL 60160
60152	Workers Compensation	13,141.00	13,400.00	14,937.00	1,537.00	Actual Annual Contribution Change
60153	Group Insurance	147,043.00	142,849.00	203,340.00	60,491.00	Increased using employee allowance and GM per MOU/Contract amounts
60154	Retirees Insurance	22,017.00	22,110.00	22,110.00	0.00	
60155	Staff Training	3,228.00	3,500.00	3,500.00	0.00	
60156	Management Training	1,250.00	1,500.00	1,500.00	0.00	
60157	Uniforms	3,521.00	4,500.00	4,350.00	-150.00	Decreased to adjust for projected costs
60158	Payroll Taxes	49,517.00	51,254.00	53,400.00	2,146.00	Increase to adjust for projected costs

		2017-2018 ACTUAL UNAUDITED	2017-2018 BUDGET	2018-2019 BUDGET	DIFFERENCE	EXPLANATION
60159	Payroll Services	564.00	550.00	550.00	0.00	
60160	457 Employer Contribution	3,016.00	2,332.00	8,765.00	6,433.00	Increased to reflect GM Contract & PEPRA Employees
	Total Employee Benefits & Expense	370,793.00	372,167.00	451,439.00	79,272.00	
	TOTAL PERSONNEL SERVICES	\$999,740.00	\$1,015,323.00	\$1,116,853.00	\$101,530.00	
	60200 ADMINISTRATION					
60205	Bank and Merchant Fees	24,551.00	21,500.00	26,000.00	4,500.00	Increase to adjust for projected costs
60207	Board of Director-Meeting Fees	15,800.00	18,770.00	16,770.00	-2,000.00	Decreased due to less ad hoc and special meeting compared to previous FY
	60210 Building Expenses					
60211	Office Utilities	6,232.00	6,000.00	6,000.00	0.00	
60212	Janitorial	2,340.00	2,340.00	2,340.00	0.00	
60213	Maintenance	7,020.00	7,500.00	7,500.00	0.00	
60214	Security	336.00	400.00	400.00	0.00	
	Total Building Expenses	15,928.00	16,240.00	16,240.00	0.00	
	60220 Computer & Equipment Maint.					
60221	Computer Systems	20,850.00	22,500.00	23,000.00	500.00	Increased to support improvements
60222	Office Equipment	4,627.00	4,868.00	2,200.00	-2,668.00	Decreased to adjust for new copier/printer maintenance contract
	Total Computer & Equipment Maint.	25,477.00	27,368.00	25,200.00	-2,168.00	
60230	Office Expense	5,989.00	11,000.00	7,000.00	-4,000.00	Decreased using 2017-18 actual expenses
60240	Postage and Delivery	16,405.00	19,000.00	17,500.00	-1,500.00	Decreased using 2017-18 actual expenses
60250	Printing	2,503.00	5,500.00	4,500.00	-1,000.00	Decreased using 2017-18 actual & projected expenses
60255	Meetings & Conferences	4,070.00	10,000.00	10,000.00	0.00	
60260	Publishing	1,109.00	1,000.00	1,300.00	300.00	Increased using 2017-18 actual expenses
60270	Telephone & Internet	5,060.00	5,500.00	5,500.00	0.00	
	60430 Insurance					
60431	General Liability	22,449.00	20,885.00	22,997.00	2,112.00	Increase to reflect actual premium October 17/18
60432	Property	6,489.00	6,876.00	5,329.00	-1,547.00	Decrease to reflect actual premium April 18/19
	Total Insurance	28,938.00	27,761.00	28,326.00	565.00	

		2017-2018 ACTUAL UNAUDITED	2017-2018 BUDGET	2018-2019 BUDGET	DIFFERENCE	EXPLANATION
60500 Water Memberships						
60501	SAWWA	206.00	500.00	225.00	-275.00	Decreased to reflect membership type
60502	Regional Water Authority	9,319.00	9,319.00	9,667.00	348.00	Increased to reflect actual dues
60503	SGA	25,346.00	25,346.00	24,866.00	-480.00	Decreased to reflect actual dues
60504	ACWA	8,480.00	8,480.00	8,904.00	424.00	Increase includes 5% annual increase
60505	CSDA	6,358.00	6,358.00	6,676.00	318.00	Increase includes 5% annual increase
60506	AWWA	420.00	420.00	420.00	0.00	
60507	CRWA	1,240.00	1,203.00	1,263.00	60.00	Increase includes 5% annual increase
	Total Water Memberships	51,369.00	51,626.00	52,021.00	395.00	
60550	Permits & Fees	29,840.00	40,000.00	40,000.00	0.00	
60555	Subscriptions & Licensing	3,047.00	2,120.00	2,120.00	0.00	
60560	Elections	0.00	0.00	0.00	0.00	
60565	Uncollectable Accounts	0.00	2,000.00	2,000.00	0.00	
60570	Other Operating Expenditures	540.00	20,425.00	500.00	-19,925.00	Decrease to reclass other professional fees to 60015
TOTAL ADMINISTRATION		\$230,626.00	\$279,810.00	\$254,977.00	\$-24,833.00	

			2017-2018 ACTUAL UNAUDITED	2017-2018 BUDGET	2018-2019 BUDGET	DIFFERENCE	EXPLANATION
64000 CONSERVATION							
	64001	Community Outreach	223.00	3,500.00	1,000.00	-2,500.00	Decreased to adjust to prior two-year average
	64002	Rebate Program	675.00	1,300.00	700.00	-600.00	New account: Consolidated Toilet Replacement & Washing Machine Rebates; Decreased to adjust to prior two-year average
	64003	Regional Conservation Program	5,048.00	5,048.00	5,048.00	0.00	
		Contract Services (CUWCC)	0.00	2,688.00	0.00	-2,688.00	Decreased CUWCC MOU no longer exists
	64005	Other Conservation Programs	0.00	10,000.00	0.00	-10,000.00	Decreased to adjust expired Water Efficiency Grant
	TOTAL CONSERVATION		\$5,946.00	\$22,536.00	\$6,748.00	\$-15,788.00	
65000 FIELD OPERATIONS							
	65100 Other Field Operations						
	65110	Backflow Testing	1,720.00	3,000.00	3,000.00	0.00	
	65120	Construction Equipment Maint.	3,083.00	5,000.00	5,000.00	0.00	
	65130	Field Communication	4,130.00	4,500.00	4,500.00	0.00	
	65140	Field IT	20,321.00	19,000.00	22,175.00	3,175.00	Increased to adjust for projected costs
	65150	Laboratory Services	24,559.00	23,500.00	23,500.00	0.00	Note: Consolidated account
	65160	Safety Equipment	3,523.00	3,000.00	5,000.00	2,000.00	Increased to project road sign replacements
	65170	Shop Supplies	4,479.00	5,000.00	5,000.00	0.00	
		Total Other Field Operations	61,815.00	63,000.00	68,175.00	5,175.00	
	65200 Treatment		17,487.00	15,000.00	15,000.00	0.00	Previously Chemicals and Supplies
	65300 Pumping						
	65310	Maintenance	8,094.00	21,500.00	25,000.00	3,500.00	Increased to adjust for projected costs
	65320	Electricity and Fuel	179,162.00	187,000.00	180,000.00	-7,000.00	Reduced to reflect estimated costs using 2017-18 actual
		Total Pumping	187,256.00	208,500.00	205,000.00	-3,500.00	

			2017-2018 ACTUAL UNAUDITED	2017-2018 BUDGET	2018-2019 BUDGET	DIFFERENCE	EXPLANATION
	65400 Transmission & Distribution						
	65410	Distribution Supplies	33,067.00	37,000.00	37,000.00	0.00	
	65420	Meter Maintenance	53,078.00	43,253.00	60,000.00	16,747.00	Increased to project estimated meter replacements
	65430	Tank Maintenance	4,050.00	3,000.00	3,000.00	0.00	
	65440	Contract Repairs	5,959.00	21,000.00	21,000.00	0.00	
		Total Transmission & Distribution	96,154.00	104,253.00	121,000.00	16,747.00	
	67000 Transportation						
	67001	Fuel	12,188.00	12,000.00	13,000.00	1,000.00	Increase reflects higher fuel costs
	67002	Maintenance	4,472.00	6,000.00	6,000.00	0.00	
		Total Transportation	16,660.00	18,000.00	19,000.00	1,000.00	
	TOTAL FIELD OPERATIONS		\$379,372.00	\$408,753.00	\$428,175.00	\$19,422.00	
	TOTAL OPERATING EXPENSE		\$1,793,164.00	\$1,880,035.00	\$1,970,084.00	\$90,049.00	

Non-Operating Expense

		2017-2018 ACTUAL UNAUDITED	2017-2018 BUDGET	2018-2019 BUDGET	DIFFERENCE	EXPLANATION
69010 Debt Service						
69100	Revenue Bond 2015					
69105	Revenue Bond 2015-Principle	129,077.00	129,077.00	133,163.00	4,086.00	Per Loan Payment Schedule
69120	Interest	68,974.00	69,617.00	65,726.00	-3,891.00	Per Loan Payment Schedule
	Total Revenue Bond 2015	198,051.00	198,694.00	198,889.00	195.00	
69125	AMI Meter Loan					
69130	Principle	45,400.00	45,400.00	46,818.00	1,418.00	Per Loan Payment Schedule
69135	Interest	13,114.00	13,114.00	11,696.00	-1,418.00	Per Loan Payment Schedule
	Total AMI Meter Loan	58,514.00	58,514.00	58,514.00	0.00	
69400	Other Non-Operating Expense	0.00	2,000.00	2,000.00	0.00	
TOTAL NON-OPERATING EXPENSE		\$256,565.00	\$259,208.00	\$259,403.00	\$195.00	
TOTAL OPERATING & NON-OPERATING EXPENSE		\$2,049,729.00	\$2,139,243.00	\$2,229,487.00	\$90,244.00	
NET REVENUE (Revenue-Expense)		\$669,704.00	\$548,968.00	\$505,342.00	\$-43,626.00	

Summary Net Revenue

TOTAL OPERATING & NON-OPERATING REVENUE	\$2,719,433.00	\$2,688,211.00	\$2,734,829.00	\$46,618.00
TOTAL OPERATING & NON-OPERATING EXPENSE	\$2,049,729.00	\$2,139,243.00	\$2,229,487.00	\$90,244.00
NET REVENUE (Revenue-Expense)	\$669,704.00	\$548,968.00	\$505,342.00	\$-43,626.00

Budget Item Addendum

Account 60111, Salary General Manager

This budget format entails comparing last year's budget to this year's budget amount for general manager salary. At face value, it appears the new GM salary is significantly higher than the prior year GM, i.e. the Board increased salary by over \$12,000. This is not true. The contract for the previous GM was at a higher salary than the current GM. Additionally, the compensation for the previous GM was in two separate line items, one as a full-time employee and another line item as a contract employee. In short, the side by side comparison of budget amounts is misleading.

Operating & Surcharge Fund Balances

		2017-2018 ACTUAL UNAUDITED	2018-2019 BUDGET	DIFFERENCE	EXPLANATION
OPERATING FUND BALANCE					
Operating Account Balance June 30		\$564,750.00	\$634,454.00		
Net Revenue		669,704.00	505,342.00		
Transfer to Capital Improvement Funds		-600,000.00	-500,000.00	-100,000.00	Decreased to adjust for available funds
Estimated Operating Fund Balance June 30		\$634,454.00	\$639,796.00		
SURCHARGE 1 FUND BALANCE					
Surcharge 1 Fund Balance June 30		\$429,526.00	\$497,603.00		
43010	Surcharge Revenue	523,374.00	523,374.00		
41110	Investment Revenue	8,000.00	8,000.00		
69155	SRF Principle	-333,902.00	-342,540.00	8,638.00	Per Loan Payment Schedule
69160	SRF Interest	-127,453.00	-118,814.00	-8,639.00	Per Loan Payment Schedule
69220	SRF Administration	-1,942.00	-2,210.00	268.00	Zions Investment Advisor Fees per prior FY actual
Estimated Surcharge 1 Fund Balance June 30		\$497,603.00	\$565,413.00		
SURCHARGE 2 FUND BALANCE					
Surcharge 2 Fund Balance June 30		\$181,437.00	\$399,687.00		
43050	Surcharge 2 Revenue	218,230.00	439,019.00	220,789.00	Increased per Rate Study Table 2.1
41110	Investment Revenue	20.00	20.00		
	Surcharge 2 Surplus Repayment	0.00	-435,752.00	435,752.00	Per District Repayment Schedule
69180	Principle	0.00	-195,000.00	195,000.00	Per Loan Payment Schedule
69185	Interest	0.00	-136,038.00	136,038.00	Per Loan Payment Schedule
Estimated Surcharge 2 Fund Balance June 30		\$399,687.00	\$71,936.00		

CAPITAL BUDGET

The Capital Budget is formatted to reflect the beginning and ending balance of each Capital Improvement Fund. Each fund will include the funding source and project expenditures. The funds are divided into the following groups:

GENERAL – Capital expenditures include those that are not grouped in the remaining following categories. All General Plant Assets expenditures will be included in this category with the exception of Vehicle Replacements. Funding sources may include Operating Fund Transfers and Investment Revenue.

CONNECTIONS – Capital project funded entirely by connection fees. Funding sources include Capacity Fee Revenue received by residential owners and developers.

CHROMIUM (CR6) MITIGATION & NEW WELLS – Capital projects that include all Cr6 mitigation and construction of new wells. The projects are funded by the new Surcharge 2 Rate and other sources such as loans and grants.

VEHICLE REPLACEMENT – Capital expenditures identified as General Plant Assets: Transportation Equipment. Funding sources may include Operating Fund Transfers and sale proceeds on disposals of transportation equipment.

TOTAL – The last column is the sum of all funding sources.

Capital Budget by Funds

	CAPITAL IMPROVEMENT FUNDS				
	GENERAL	CONNECTIONS	CHROMIUM MITIGATION & NEW WELLS	VEHICLE REPLACEMENT	TOTAL
ESTIMATED BEGINNING BALANCE	1,426,064.00	129,988.00	-454,317.00	0.00	1,101,735.00
FUNDING SOURCES					
Fund Transfers					
Operating Fund Transfers In	500,000.00	0.00	0.00	0.00	500,000.00
CIP Fund Intrafund Transfers	-10,000.00	0.00	0.00	10,000.00	0.00
Surcharge 2 Surplus Repayment	0.00	0.00	435,752.00	0.00	435,752.00
Contributed Funding					
Capacity Fee Revenue	0.00	40,000.00	0.00	0.00	40,000.00
Contributed Facilities (Developers)	0.00	0.00	0.00	0.00	0.00
Grant Revenue	0.00	0.00	20,000.00	0.00	20,000.00
Loan Proceeds	0.00	0.00	2,468,239.00	0.00	2,468,239.00
Investment Revenue	350.00	0.00	0.00	0.00	350.00
Sale of Fixed Assets	0.00	0.00	0.00	0.00	0.00
TOTAL FUNDS AVAILABLE FOR CIP PROJECTS	1,916,414.00	169,988.00	2,469,674.00	10,000.00	4,566,076.00

	GENERAL	CONNECTIONS	CHROMIUM MITIGATION & NEW WELLS	VEHICLE REPLACEMENT	TOTAL
PROJECT EXPENSES					
A · WATER SUPPLY					
A-1 · Well 10 - Cr6 Treatment	0.00	0.00	40,000.00	0.00	40,000.00
A-2 · Well 16	0.00	0.00	2,448,239.00	0.00	2,448,239.00
A-3 · Well 17: Monitoring Well Destruction	25,000.00	0.00	0.00	0.00	25,000.00
A-4 · Miscellaneous Pump Replacements	40,000.00	0.00	0.00	0.00	40,000.00
Total A · WATER SUPPLY	65,000.00	0.00	2,488,239.00	0.00	2,553,239.00
B · WATER DISTRIBUTION					
B-1 · System Valve Replacements	35,000.00	0.00	0.00	0.00	35,000.00
B-2 · Paving Replacements	25,000.00	0.00	0.00	0.00	25,000.00
B-3 · Service Replacements	30,000.00	0.00	0.00	0.00	30,000.00
B-4 · Large Meter Replacements	5,000.00	0.00	0.00	0.00	5,000.00
Total B · WATER DISTRIBUTION	95,000.00	0.00	0.00	0.00	95,000.00
M · GENERAL PLANT ASSETS					
M-1 · Ice Machine	3,500.00	0.00	0.00	0.00	3,500.00
M-2 · Billing Software Upgrade	25,000.00	25,000.00	0.00	0.00	50,000.00
Total M · GENERAL PLANT ASSETS	28,500.00	25,000.00	0.00	0.00	53,500.00
C · CONTINGENCY					
C-1 · Contingency (10% of Est A,B,M, & FO Projects)	18,850.00	2,500.00	248,824.00	0.00	270,174.00
TOTAL BUDGETED PROJECT EXPENDITURES	207,350.00	27,500.00	2,737,063.00	0.00	2,971,913.00
ESTIMATED ENDING BALANCE	1,709,064.00	142,488.00	-267,389.00	10,000.00	1,594,163.00

Capital Budget Technical Memorandum

The Technical Memorandum (TM) provides the revised budget descriptions for the proposed 2018/19 Rio Linda/Elverta Water District's (District) Capital Budget. The following are a list of the budget items along with their descriptions:

A · Water Supply

A-1 · Well 10 Hexavalent Chromium (Cr6) Treatment –40,000

This budget item is associated with Well 10 with Cr6 treatment. The budgeted amount reflects the anticipated costs for revising the design to reflect feasible treatment techniques. The project is being partially funded through a Proposition 84 Grant that is being administered by the Regional Water Authority.

A-2 · Well 16 – Ground Water Pumping Station – 2,448,239

The budget item is for the cost for the new pumps, piping motor control equipment, SCADA etc. for the groundwater pumping station for Well #16.

Once the land is acquired, the above grade improvements will be designed as part of the 2018/19 Capital Budget. This project is planned to be completed by September 2019).

A-3 · Well 17 – Monitoring Well Destruction - 25,000

This budget item is for abandoning, pursuant to California Well Standard, the infeasible well and pilot wells that were drilled. We're waiting on a quote from the District Engineer for preparing a bid specification package.

A-8 · Miscellaneous Pump Replacements – 40,000

The budget item is for the replacement or repair of any well pump and/or motor that fails in the budgeted year.

B · Water Distribution

B-1 · System Valve Replacements – 35,000

The budget item is to replace broken valves in the water system. These valves are being identified by the District's valve exercise program.

B-2 · Paving Replacements – 25,000

The budget item is to pave sections of streets where the existing street paving has been cut into due to water service repairs or replacements.

B-3 · Service Replacements – 30,000

The budget item is to replace leaking services that require replacement throughout the budgetary year.

B-4 · Large Meter Replacements – 5,000

The budget item is to replace large water meters that are underreporting their water usage due to age.

M · General Plant Assets

M-1 · Ice Machine – 3,500

The budget item is for OSHA best practices to provide cool water to our employees working in the heat. The District saves money in the long-term by purchasing an ice machine verses buying ice retail.

M-2 · Billing Software Upgrade – 50,000

The budget item is to upgrade the billing software originally purchased in 1999.

C · Contingency

C-1 · Contingency

This budget item accounts for the cost of unbudgeted projects that are not planned for in the capital budget. The budgeted cost is based on 10% of the total Capital Budget.

GLOSSARY

ACCRUAL BASIS The method of accounting whereby income and expense items are recognized as they are earned or incurred, even though they may not have been received or actually paid in cash.

ACWA Association of California Water Agencies

AMI Advanced Metering Infrastructure (AMI) is the new term coined to represent the networking technology of fixed network meter systems that go beyond Automated Meter Readers (AMR) into remote utility management. The meters in an AMI system are often referred to as smart meters, since they often can use collected data based on programmed logic.

ASSET A probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events (i.e., cash receivables, equipment, etc.)

AWWA American Water Works Association

BEGINNING BALANCE The beginning balance is comprised of residual funds brought forward from the previous fiscal year.

BUDGET A financial plan showing authorized planned expenditures and their funding sources.

BUDGET PROCESS The schedule of key dates or milestones, which the District follows in the development, preparation, adoption, and administration of the budget.

CAPITAL ASSETS Long-lived tangible and intangible assets obtained or controlled as a result of past transactions, events or circumstances. Current District policy is to capitalize any asset cost of \$1,500 with a useful life of 2 years or more.

CAPITAL IMPROVEMENT PROGRAM (CIP) Authorized expenditures for tangible and long-term physical improvements or additions of a fixed or permanent nature.

CRWA California Rural Water Association

CSDA California Special Districts Association

FISCAL YEAR (FY) A 12 month period to which the annual budget applies and at the end of which a government determines its financial position and the results of its operations. For RLECWD the fiscal year is July through June 30.

FUND Fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

HEXAVALENT CHROMIUM (Cr6) Refers to chemical compounds that contain the element chromium in the +6 oxidation state.

INCREMENTAL BUDGETING METHOD An incremental budget is a budget prepared using a previous period's budget or actual performance as a basis with incremental amounts added for the new budget period. The allocation of resources is based upon allocations from the previous period. Moreover it encourages "spending up to the budget" to ensure a reasonable allocation in the next period.

MOU Memorandum of Understanding agreement

OPERATING BUDGET An operating budget is a combination of known expenses, expected future costs, and forecasted income over the course of a year. Operating budgets are completed in advance of the accounting period, which is why they require estimated expenses and revenues.

OPERATING REVENUES AND EXPENSES Cost of goods sold and services provided to customers and the revenue thus generated.

PCWA Placer County Water Agency

PERS Public Employees Retirement System

PROPOSITION 218 Prop 218 amended the California Constitution to protect taxpayers by limiting the methods by which local governments can create or increase taxes, fees, and charges without taxpayer consent. Prop 218 requires voter approval prior to imposition or increase of general taxes, assessments, and certain user fees.

RWA Regional Water Authority

SAWWA Sacramento Area Water Works Association

SCADA Supervisory Control and Data Acquisition uses computer technology to monitor and control remote facilities such as pumps and reservoirs.

SGA Sacramento Ground Water Authority