



Operating and Capital Budget

Fiscal Year July 1, 2017 – June 30, 2018

Budget prepared by Ralph Felix, General Manager, District Staff, and District Engineer

6/19/2017

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LETTER OF TRANSMITTAL

June 19, 2017

Board of Directors
Rio Linda Elverta Community Water District

It is my pleasure to provide you with the Rio Linda/Elverta Community Water District's Fiscal Year 2017-2018 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 mission is achieved in part by annually reviewing its strategic goals and objectives. 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 a mid-year budget review if adjustments are required.

As we commence with the new fiscal year, we are faced with significant challenges that prioritize how we operate and forecast the Capital Improvement Program (CIP) budget. With the uncertainty of the court ruling remanding the hexavalent chromium (Cr6) Maximum Contaminant Level (MCL) back to the State to conduct an economic feasibility study for small water districts, there still resides for the interim, a looming deadline of January 1, 2020 for our wells to be in compliance with a potentially new Cr6 MCL standard to come. Fortunately, the District conducted a Prop 218 water rate study to fund infrastructure improvements to include meeting any potential mandated compliance measures. After conducting an assessment, we have determined that approximately \$4.9 million would be expensed for the CIP budget, which would address projects like water supply issues by constructing new wells 16 and 17 to replace wells 4, 6, 8A, and 11, and potentially modify wells 2A, 10, and 15 for Cr6 mitigation. Other projects include distribution service line, valve and meter replacement.

Along with the Prop 218 water rate structure, staff is researching other possible financial options to undertake in order to supplement the CIP budget. Other options, such as, Prop 1 Ground Water Funding, prop 84 IRWM, SRF funding, loans, and other grant funding opportunities will be considered conjunctively to help offset costs.

In the interim, staff will continue to fund the Capital Improvement Fund with the Operating budget. It is expected that the District will meet or exceed its target fund balance on an annual basis. The target balance for the operating fund is defined as 6 months of annual operating expenses plus the annual debt service. The required debt service coverage for the outstanding debt obligations the District holds should be met in the years to come. With that said, debt service coverage is defined as net operating revenues (total revenues minus operating expenses) divided by debt service. The result is a minimum debt service coverage of 1.25 for each fiscal year. Therefore, staff will transfer \$600,000 from the operating fund to the capital fund for contingency purposes to cover capital project costs as needed. The capital fund will also be funded by capacity fees from new connections to the water system.

In continuance of its proactive stance, the District will follow through in its collaboration with PCWA and other member agencies throughout the phases of the RiverArc project. Currently, consultant group

West-Yost Associates were awarded the On-Call Engineering Services contract to facilitate the next phase of the project. The cost associated with this project for the given fiscal year is approximately \$65,000.

Along with the RiverArc project, the District is required to contribute approximately \$23,450 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.

As with inflation, the District will see an increase in Staff Wages and Benefits of approximately \$42,019 and \$16,408 respectively due to the annual MOU wage agreement and benefit expenses.

As you review the budget, you will notice that staff has created a more streamlined approach in presenting the budget with transparency in mind. You will also notice Capital Improvement Fund categories including General, Connections, Chromium Mitigation & New Wells, and Vehicle Replacement. These measures were taken into account to show how projects will be funded.

In summary, the budget reflects the Board of Directors' priorities and strategic plans which are conveyed to staff. Hence, the budget is an instrument that guides staff in prioritizing its operations and capital improvement programs. The overall objective is to address the District's short-term and long-term goals, to use capital resources for completing critical capital projects for current and future customers, as well as, the District's commitment to meet its financial obligations, which ultimately fulfills the District's mission statement.

I would like to thank the Board of Directors for their leadership, support, and continued dedication in pragmatic fiscal management. I would also like to extend my appreciation to the District's staff and engineer for assisting in reaching the objectives for this year's budget. Most importantly, on behalf of our District's Board of Directors and staff, we would like to thank our valued customers, for whom it is an honor to serve.

Respectfully,

Ralph Felix

Ralph Felix
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

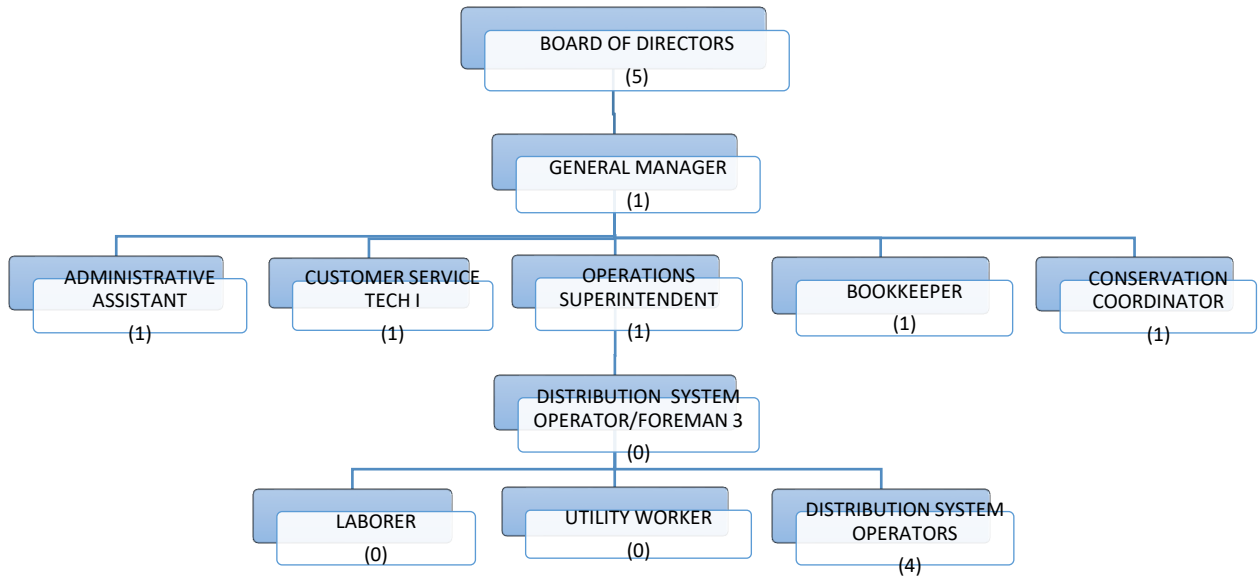
Board of Directors

Brent Dills, President/Director
Mary Harris, Vice President/Director
Paul R. Green Jr., Director
Mary Henrici, Director
John Ridilla, Director

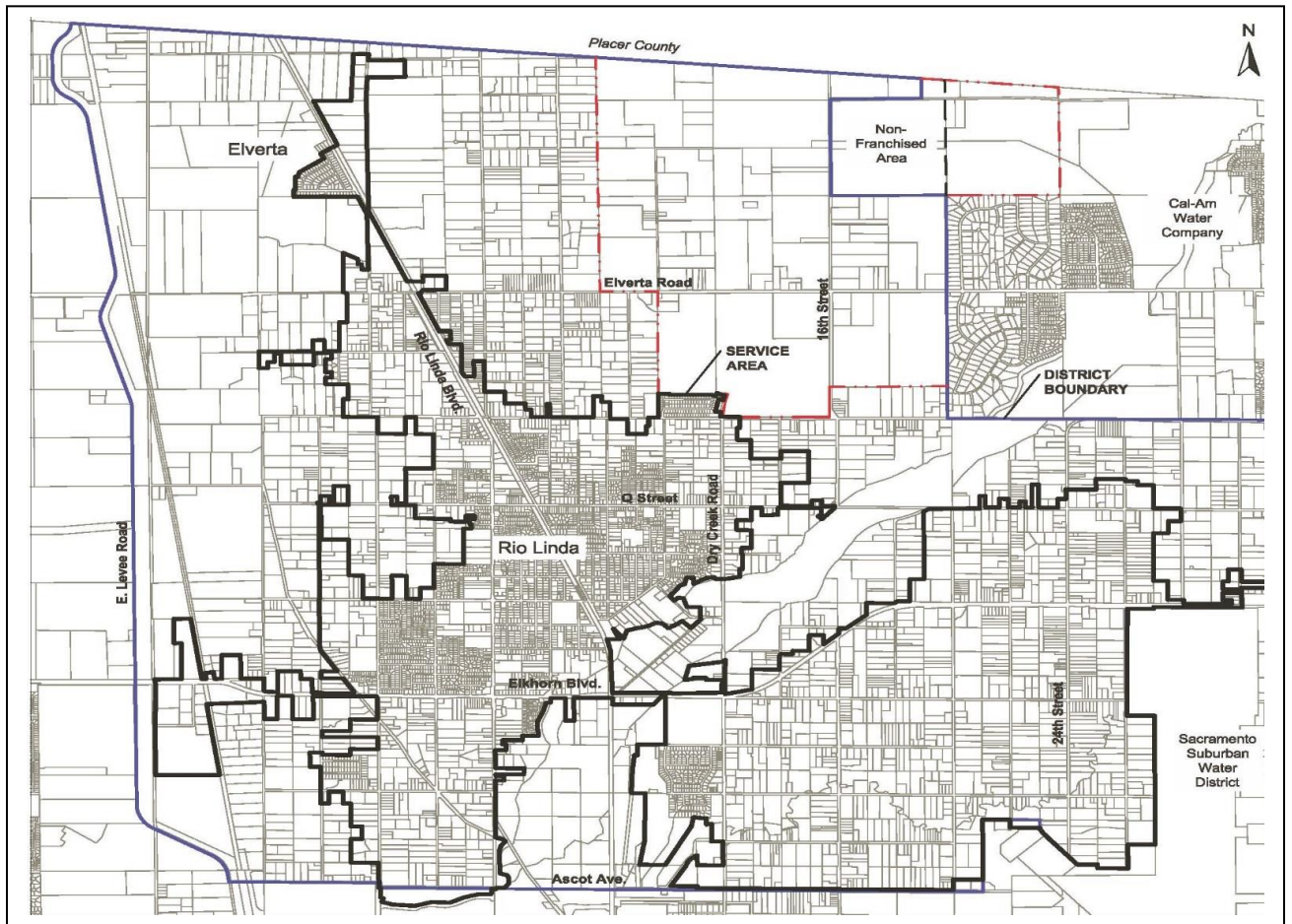
Appointed Official

Ralph Felix, General Manager

Organizational Structure



Service Area



OPERATING BUDGET

The Incremental Budgeting Method is used to prepare the Operating Budget. See Glossary for definition. The Operating Budget is described below outlining the categories, and columns.

The budget is divided into the following categories:

OPERATING REVENUE – Includes both operating and non-operating revenue.

PROFESSIONAL, WAGE & BENEFITS, AND OFFICE OPERATION EXPENSE – The first and second Operating Expense categories are Officers, Auditor & Legal Fees and Wages & Benefits. A third category of Operating Expenses are Office Operations includes all general expense categories related to operating the office.

FIELD OPERATIONS – The fourth category of Operating Expenses includes all expenses related to field operations.

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 beginning and ending fund balances.

The budget is divided into the following columns:

COLUMN 1 - 2016-2017 ACTUAL YTD – Actual revenue and expenses beginning July 1, 2016 and ending May 31, 2017. 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 - 2016-2017 BUDGET – The prior fiscal year budget for 2016-2017.

COLUMN 3 - 2017-2018 BUDGET – The new fiscal year budget for 2017-2018.

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

| | 2016-2017 ACTUAL YTD | 2016-2017 BUDGET | 2017-2018 BUDGET | DIFFERENCE | EXPLANATION |
|---------------------------------------|-------------------------|-----------------------|-----------------------|---------------------|-----------------------------------------------------------------------------|
| 40000 OPERATING REVENUE | | | | | |
| 40100 Water Service Rates | | | | | |
| 40101 Basic Service Charge | \$1,511,355.00 | \$1,791,611.00 | \$1,827,443.00 | \$35,832.00 | Ordinance 2016-02 Increase; Water Rate Study Table 2.1 |
| 40102 Usage Charge | 439,275.00 | 441,877.00 | 618,628.00 | 176,751.00 | Ordinance 2016-02 Increase; Water Rate Study Table 2.1 |
| 40105 Backflow Charge | 23,709.00 | 24,140.00 | 24,140.00 | 0.00 | 483 billable backflow devices @8.33 each |
| Total Water Service Rates | 1,974,339.00 | 2,257,628.00 | 2,470,211.00 | 212,583.00 | |
| 40200 Water Services | | | | | |
| 40201 Service App/New Location Fee | 13,900.00 | 13,500.00 | 15,000.00 | 1,500.00 | Increase using 2016-17 actual revenue |
| 40202 Late Payment Fee | 22,137.00 | 24,000.00 | 26,000.00 | 2,000.00 | Increase using 2016-17 actual revenue |
| 40203 Disconnect Tag Fee/NSF Fees | 52,075.00 | 48,000.00 | 54,000.00 | 6,000.00 | Increase using 2016-17 actual revenue |
| 40204 Termination/Reconnection | 6,800.00 | 6,000.00 | 7,000.00 | 1,000.00 | Increase using 2016-17 actual revenue |
| 40206 Fire Protection/Hydrant Meter | 12,074.00 | 10,600.00 | 10,600.00 | 0.00 | |
| 40209 Other Account Service Charges | 1,303.00 | 2,000.00 | 2,000.00 | 0.00 | |
| Total Water Services | 108,289.00 | \$104,100.00 | \$114,600.00 | \$10,500.00 | |
| 40300 Field Water Service Fees | | | | | |
| 40301 Plan Check/Inspections/FireFlow | 3,525.00 | \$2,000.00 | \$4,000.00 | \$2,000.00 | Increase using 2016-17 actual revenue |
| 40302 Service Install/Modification | 10,300.00 | 10,000.00 | 10,000.00 | 0.00 | |
| 40303 Other Field Service Fees | 2,919.00 | 1,000.00 | 3,000.00 | 2,000.00 | Increase using 2016-17 actual revenue |
| Total Field Water Service Fees | 16,744.00 | 13,000.00 | 17,000.00 | 4,000.00 | |
| 40400 Other Operating Revenue | 22,719.00 | 4,000.00 | 4,000.00 | 0.00 | |
| 40450 Grant Revenue-Operating | 502.00 | 10,000.00 | 10,000.00 | 0.00 | RWA: Outdoor Water Efficiency Grant 50% Toilet & Washing Machine Rebates |
| TOTAL OPERATING REVENUE | \$2,122,593.00 | \$2,388,728.00 | \$2,615,811.00 | \$227,083.00 | |

| | 2016-2017 ACTUAL YTD | 2016-2017 BUDGET | 2017-2018 BUDGET | DIFFERENCE | EXPLANATION |
|----------------------------------------------------|---------------------------------|-----------------------------|-----------------------------|-------------------|--------------------|
| 41000 NON-OPERATING REVENUE | | | | | |
| 41110 Interest Revenue | \$311.00 | \$400.00 | \$400.00 | \$0.00 | |
| 41120 Property Taxes & Assessments | 75,951.00 | 70,000.00 | 70,000.00 | 0.00 | |
| 41140 Other Non-Operating Revenue | 30.00 | 2,000.00 | 2,000.00 | 0.00 | |
| TOTAL NON-OPERATING REVENUE | 76,292.00 | 72,400.00 | 72,400.00 | 0.00 | |
| TOTAL OPERATING & NON-OPERATING REVENUE | \$2,198,885.00 | \$2,461,128.00 | \$2,688,211.00 | \$227,083.00 | |

Professional, Wage & Benefits, and Office Operations Expense

| | 2016-2017 ACTUAL YTD | 2016-2017 BUDGET | 2017-2018 BUDGET | DIFFERENCE | EXPLANATION |
|---------------------------------------------------|-------------------------|---------------------|---------------------|--------------------|-----------------------------------------|
| 60010 OFFICERS, AUDITORS, & LEGAL FEES | | | | | |
| 60011 General Counsel fees-Legal | \$45,697.00 | \$70,000.00 | \$70,000.00 | \$0.00 | |
| 60012 Auditor Fees | 9,844.00 | 9,844.00 | 9,844.00 | 0.00 | |
| 60014 Board of Director-Meeting Fees | 10,650.00 | 14,000.00 | 14,000.00 | 0.00 | |
| 60015 Meetings & Conferences | 7,596.00 | 10,000.00 | 10,000.00 | 0.00 | |
| Total Officers, Auditor & Legal Fees | 73,787.00 | 103,844.00 | 103,844.00 | 0.00 | |
| 60100 WAGES & BENEFITS | | | | | |
| 60110 Salaries & Wages | | | | | |
| 60111 Salary - General Manager | 91,875.00 | 105,000.00 | 110,000.00 | 5,000.00 | Increase to adjust new GM contract |
| 60112 Staff Regular Wages | 401,125.00 | 466,886.00 | 508,905.00 | 42,019.00 | Increase reflects annual Union MOU |
| 60113 Contract Extra Help | 0.00 | 5,000.00 | 5,000.00 | 0.00 | |
| 60114 Staff Standby Pay | 15,900.00 | 18,250.00 | 18,250.00 | 0.00 | |
| 60115 Staff Overtime Pay | 4,040.00 | 7,500.00 | 7,500.00 | 0.00 | |
| Total Salaries & Wages | 512,940.00 | 602,636.00 | 649,655.00 | 47,019.00 | |
| 60150 Employee Benefits & Expense | | | | | |
| 60151 PERS Retirement | 110,255.00 | 122,748.00 | 138,537.00 | 15,789.00 | Increase to adjust for projected costs |
| 60152 Workers Compensation | 14,811.00 | 14,750.00 | 13,400.00 | (1,350.00) | Actual Annual Contribution Change |
| 60153 Group Insurance | 98,545.00 | 105,000.00 | 105,000.00 | 0.00 | |
| 60154 Retirees Insurance | 16,810.00 | 21,750.00 | 22,110.00 | 360.00 | Increase to adjust for premium increase |
| 60155 Staff Training | 852.00 | 2,500.00 | 2,500.00 | 0.00 | |
| 60156 Management Training | 111.00 | 1,500.00 | 1,500.00 | 0.00 | |
| 60157 Uniforms | 4872.00 | 5,767.00 | 5,767.00 | 0.00 | |
| 60158 Payroll Taxes | 43844.00 | 50,470.00 | 52,079.00 | 1,609.00 | Increase to adjust for projected costs |
| 60159 Payroll Services | 509.00 | 550.00 | 550.00 | 0.00 | |
| Total Employee Benefits & Expense | 290,609.00 | 325,035.00 | 341,443.00 | 16,408.00 | |
| TOTAL WAGES & BENEFITS | \$803,549.00 | \$927,671.00 | \$991,098.00 | \$63,427.00 | |

| | | 2016-2017 ACTUAL YTD | 2016-2017 BUDGET | 2017-2018 BUDGET | DIFFERENCE | EXPLANATION |
|----------------------------------------------|----------------------------------------------|-------------------------|---------------------|---------------------|--------------|-------------------------------------------|
| 60200 OFFICE OPERATIONS | | | | | | |
| 60205 | Bank and Merchant Fees | \$19,648.00 | \$17,500.00 | \$21,500.00 | \$4,000.00 | Increase to adjust for projected costs |
| 60210 Building Expenses | | | | | | |
| 60211 | Office Utilities | 5,344.00 | 7,000.00 | 6,000.00 | (1,000.00) | Decrease using 2016-17 actual expenses |
| 60212 | Janitorial | 2,145.00 | 2,800.00 | 2,340.00 | (460.00) | Decrease using 2016-17 actual expenses |
| 60213 | Maintenance | 1,969.00 | 7,500.00 | 7,500.00 | 0.00 | |
| 60214 | Security | 336.00 | 400.00 | 400.00 | 0.00 | |
| | Total Building Expenses | 9,794.00 | 17,700.00 | 16,240.00 | (1,460.00) | |
| 60220 Computer & Equipment Maint. | | | | | | |
| 60221 | Computer Systems | 26,993.00 | 22,500.00 | 22,500.00 | 0.00 | |
| 60222 | Office Equipment | 2,261.00 | 4,868.00 | 4,868.00 | 0.00 | |
| | Total Computer & Equipment Maint. | 29,254.00 | 27,368.00 | 27,368.00 | 0.00 | |
| 60230 | Office Expense | 7,012.00 | 11,000.00 | 11,000.00 | 0.00 | |
| 60240 | Postage and Delivery | 16,953.00 | 19,000.00 | 19,000.00 | 0.00 | |
| 60250 | Printing | 5,050.00 | 6,200.00 | 5,500.00 | (700.00) | Decrease using 2016-17 actual expenses |
| 60260 | Publishing | 678.00 | 2,100.00 | 1,000.00 | (1,100.00) | Decrease using 2016-17 actual expenses |
| 60270 | Telephone & Internet | 4,942.00 | 5,500.00 | 5,500.00 | 0.00 | |
| 60400 Conservation | | | | | | |
| 60401 | Community Outreach | 296.00 | 7,000.00 | 3,500.00 | (3,500.00) | Decrease to adjust for projected costs |
| 60402 | Contract Services (CUWCC) | 2,580.00 | 2,635.00 | 2,688.00 | 53.00 | Increase includes 2% annual dues increase |
| 60403 | Regional Conservation Program | 4,808.00 | 4,808.00 | 5,048.00 | 240.00 | Increase includes 5% annual dues increase |
| 60404 | Toilet Replacement Program | 825.00 | 1,650.00 | 1,000.00 | (650.00) | Decrease using 2016-17 actual expenses |
| 60405 | Washing Machine Rebates | 100.00 | 300.00 | 300.00 | 0.00 | |
| 60406 | Other Conservation Programs | 2,680.00 | 10,000.00 | 10,000.00 | 0.00 | Water Efficiency Grant |
| | Total Conservation | 11,289.00 | 26,393.00 | 22,536.00 | (3,857.00) | |
| 60420 | Engineering Services | \$91,122.00 | \$76,000.00 | \$70,000.00 | (\$6,000.00) | Decreased for prior FY Chrom 6 Project |

| | | 2016-2017 ACTUAL YTD | 2016-2017 BUDGET | 2017-2018 BUDGET | DIFFERENCE | EXPLANATION |
|--------------------------------|--------------------------------|-------------------------|---------------------|---------------------|-------------|----------------------------------------------|
| 60430 Insurance | | | | | | |
| 60431 | General Liability | \$19,095.00 | \$20,686.00 | \$20,885.00 | \$199.00 | Decrease to reflect actual premium |
| 60432 | Property | 6,495.00 | 7,132.00 | 6,876.00 | (256.00) | Decrease to reflect actual premium |
| | Total Insurance | 25,590.00 | 27,818.00 | 27,761.00 | (57.00) | |
| 60500 Water Memberships | | | | | | |
| 60501 | SAWWA | 500.00 | 500.00 | 500.00 | 0.00 | |
| 60502 | Regional Water Authority | 8,529.00 | 8,529.00 | 8,955.00 | 426.00 | Increase includes 5% annual dues increase |
| 60503 | SGA | 23,441.00 | 23,441.00 | 23,441.00 | 0.00 | |
| 60504 | ACWA | 8,075.00 | 8,075.00 | 8,075.00 | 0.00 | |
| 60505 | CSDA | 6,026.00 | 6,026.00 | 6,026.00 | 0.00 | |
| 60506 | AWWA | 525.00 | 105.00 | 420.00 | 315.00 | Increase to change to a Utility membership |
| 60507 | CRWA | 1,203.00 | 1,203.00 | 1,203.00 | 0.00 | |
| | Total Water Memberships | 48,299.00 | 47,879.00 | 48,620.00 | 741.00 | |
| 60550 | Permits & Fees | 37,428.00 | 35,000.00 | 40,000.00 | 5,000.00 | Increase using 2016-17 actual expenses |
| 60555 | Subscriptions & Licensing | 1,622.00 | 2,120.00 | 2,120.00 | 0.00 | |
| 60560 | Elections | 1,669.00 | 1,669.00 | 0.00 | (1,669.00) | Decreased due to non-election year |
| 60565 | Uncollectable Accounts | 0.00 | 2,000.00 | 2,000.00 | 0.00 | |
| 60570 | Other Operating Expenditures | 333.00 | 425.00 | 20,425.00 | 20,000.00 | Increase to reflect Salary & Benefits Survey |
| TOTAL OFFICE OPERATIONS | | \$310,683.00 | \$325,672.00 | \$340,570.00 | \$14,898.00 | |

Field Operations

| | | 2016-2017 | 2016-2017 | 2017-2018 | | |
|----------------------------------------------|----------------------------------------------|-------------|--------------|--------------|------------|------------------------------------------------------------------------------------------------------------|
| | | ACTUAL YTD | BUDGET | BUDGET | DIFFERENCE | EXPLANATION |
| 65000 FIELD OPERATIONS | | | | | | |
| 65005 | Backflow Testing | \$1,551.00 | \$3,000.00 | \$3,000.00 | \$0.00 | |
| 65010 | Chemicals and Supplies | 12,556.00 | 15,000.00 | 15,000.00 | 0.00 | |
| 65015 | Construction Equipment Maint. | 1,114.00 | 2,000.00 | 5,000.00 | 3,000.00 | Increased to adjust for projected cost; Backhoe Service |
| 65020 | Field Communication | 2,753.00 | 3,300.00 | 4,500.00 | 1,200.00 | Increase using 2016-17 actual expenses |
| 65023 | Field IT | 15,258.00 | 26,360.00 | 19,000.00 | (7,360.00) | Decreased to adjust for projected costs; Verizon, SEMS, Tesco, Inductive Automation, & Ferguson Waterworks |
| 65025 Laboratory Services | | | | | | |
| 65026 | Coliform Test and Non-Customer | 3,345.00 | 4,000.00 | 4,000.00 | 0.00 | |
| 65027 | Physical and Chemical Tests | 8,803.00 | 19,000.00 | 19,000.00 | 0.00 | |
| 65028 | Lab Supplies | 430.00 | 500.00 | 500.00 | 0.00 | |
| | Total Laboratory Services | 12,578.00 | 23,500.00 | 23,500.00 | 0.00 | |
| 65030 Pumping | | | | | | |
| 65031 | Maintenance | 8,536.00 | 21,500.00 | 14,800.00 | (6,700.00) | Decrease to reflect 1 time replacement failed level transducers |
| 65032 | Electricity and Fuel | 143,752.00 | 187,000.00 | 187,000.00 | 0.00 | |
| | Total Pumping | 152,288.00 | 208,500.00 | 201,800.00 | (6,700.00) | |
| 65040 | Safety Equipment | 1,453.00 | 2,000.00 | 3,000.00 | 1,000.00 | Increased to reflect new Traffic Safety Equipment |
| 65045 | Shop Supplies | 3,196.00 | 5,000.00 | 5,000.00 | 0.00 | |
| 66000 Transmission & Distribution | | | | | | |
| 66001 | Distribution Supplies | 29,330.00 | 37,000.00 | 37,000.00 | 0.00 | |
| 66002 | Meter Maintenance | 33,714.00 | 40,000.00 | 40,000.00 | 0.00 | |
| 66003 | Tank Maintenance | 1,210.00 | 2,120.00 | 3,000.00 | 880.00 | Increased to adjust for projected cost for Tank Inspection |
| 66004 | Contract Repairs | 9,294.00 | 21,000.00 | 21,000.00 | 0.00 | |
| | Total Transmission & Distribution | 73,548.00 | \$100,120.00 | \$101,000.00 | \$ 880.00 | |
| 67000 Transportation | | | | | | |
| 67001 | Fuel | 9,398.00 | 12,000.00 | 12,000.00 | 0.00 | |
| 67002 | Maintenance | 3,612.00 | 6,000.00 | 6,000.00 | 0.00 | |
| | Total Transportation | \$13,010.00 | \$18,000.00 | \$18,000.00 | \$ 0.00 | |

| | 2016-2017 ACTUAL YTD | 2016-2017 BUDGET | 2017-2018 BUDGET | DIFFERENCE | EXPLANATION |
|----------------------------------------------------|-------------------------|---------------------|---------------------|---------------------|---------------------------|
| TOTAL FIELD OPERATIONS | \$289,305.00 | \$406,780.00 | \$398,800.00 | (\$7,980.00) | |
| TOTAL OPERATING EXPENSE | \$1,477,324.00 | \$1,763,967.00 | \$1,834,312.00 | \$70,345.00 | |
| Non-Operating Expense | | | | | |
| NON-OPERATING EXPENSE | | | | | |
| 69010 Debt Service | | | | | |
| 69100 Revenue Bond 2015 | | | | | |
| 69105 Revenue Bond 2015-Principle | 124,776.00 | 124,776.00 | 129,077.00 | 4,301.00 | Per Loan Payment Schedule |
| 69120 Interest | 73,382.00 | 73,382.00 | 69,617.00 | (3,765.00) | Per Loan Payment Schedule |
| Total Revenue Bond 2015 | 198,158.00 | 198,158.00 | 198,694.00 | 536.00 | |
| 69125 AMI Meter Loan | | | | | |
| 69130 Principle | 44,700.00 | 46,078.00 | 45,400.00 | (678.00) | Per Loan Payment Schedule |
| 69135 Interest | 13,814.00 | 12,436.00 | 13,114.00 | 678.00 | 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 | |
| Contingencies | 0.00 | 0.00 | 0.00 | 0.00 | |
| TOTAL NON-OPERATING EXPENSE | 256,672.00 | 258,672.00 | 259,208.00 | 536.00 | |
| TOTAL OPERATING & NON-OPERATING EXPENSE | \$1,733,996.00 | \$2,022,639.00 | \$2,093,520.00 | \$70,881.00 | |
| NET REVENUE (Revenue-Expense) | \$464,889.00 | \$438,489.00 | \$594,691.00 | \$156,202.00 | |

Operating & Surcharge Fund Balances

| | 2016-2017 BUDGET | 2017-2018 BUDGET | DIFFERENCE | EXPLANATION |
|---------------------------------------------------|---------------------|---------------------|-------------|----------------------------------------|
| OPERATING FUND BALANCE | | | | |
| Operating Account Balance June 30 | \$525,108.00 | \$363,597.00 | | |
| Net Revenue | 438,489.00 | 594,691.00 | | |
| Transfer to Capital Improvement Funds | (600,000.00) | (600,000.00) | 0.00 | |
| Estimated Operating Fund Balance June 30 | \$363,597.00 | \$358,288.00 | | |
| SURCHARGE 1 FUND BALANCE | | | | |
| Surcharge 1 Fund Balance June 30 | \$384,391.00 | \$454,468.00 | | |
| 43010 Surcharge Revenue | 523,374.00 | 523,374.00 | 0.00 | |
| 41110 Investment Revenue | 10,000.00 | 8,000.00 | (2,000.00) | Decreased using 2016-17 actual revenue |
| 69155 SRF Principle | (321,372.00) | (333,902.00) | (12,530.00) | Per Loan Payment Schedule |
| 69160 SRF Interest | (139,983.00) | (127,453.00) | 12,530.00 | Per Loan Payment Schedule |
| 69220 SRF Administration | (1,942.00) | (1,942.00) | 0.00 | Fidelity Investment Advisor Fees |
| Estimated Surcharge 1 Fund Balance June 30 | \$454,468.00 | \$522,545.00 | | |
| SURCHARGE 2 FUND BALANCE | | | | |
| Surcharge 2 Fund Balance June 30 | \$0.00 | \$213,006.00 | | |
| S2R Surcharge 2 Revenue | 213,000.00 | 213,000.00 | 0.00 | |
| 41110 Investment Revenue | 6.00 | 6.00 | 0.00 | |
| Estimated Surcharge 2 Fund Balance June 30 | \$213,006.00 | \$426,012.00 | | |

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 | 555,209.00 | 51,170.00 | 230,192.00 | 32,771.00 | 869,342.00 |
| FUNDING SOURCES | | | | | |
| Fund Transfers | | | | | |
| Operating Fund Transfers In | 600,000.00 | | | | 600,000.00 |
| CIP Fund Intrafund Transfers | (68,730.00) | 15,500.00 | | 53,230.00 | 0.00 |
| Surcharge 2 Rate | | | 213,000.00 | | 213,000.00 |
| Contributed Funding | | | | | |
| Capacity Fee Revenue | | 25,000.00 | | | 25,000.00 |
| Contributed Facilities (Developers) | | | | | 0.00 |
| Grant Revenue | | | 515,000.00 | | 515,000.00 |
| Loan Proceeds | | | 3,159,000.00 | | 3,159,000.00 |
| Investment Revenue | 350.00 | | 10.00 | | 360.00 |
| Sale of Fixed Assets | | | | | 0.00 |
| TOTAL FUNDS AVAILABLE FOR CIP PROJECTS | 1,086,829.00 | 91,670.00 | 4,117,202.00 | 86,001.00 | 5,381,702.00 |

| | GENERAL | CONNECTIONS | CHROMIUM MITIGATION & NEW WELLS | VEHICLE REPLACEMENT | TOTAL |
|-----------------------------------------------------|-------------------|------------------|---------------------------------------|------------------------|---------------------|
| PROJECTS | | | | | |
| A · WATER SUPPLY | | | | | |
| A-1 · River Arc | | 65,000.00 | | | 65,000.00 |
| A-2 · El Dorado County Water & Power-EDWAPA | 250,000.00 | | | | 250,000.00 |
| A-3 · Well 2A - Cr6 Treatment | | | 204,000.00 | | 204,000.00 |
| A-4 · Well 10 - Cr6 Treatment | | | 1,525,000.00 | | 1,525,000.00 |
| A-5 · Well 15 - Cr6 Treatment | | | 200,000.00 | | 200,000.00 |
| A-6 · Well 16 | | | 905,000.00 | | 905,000.00 |
| A-7 · Well 17 | | | 840,000.00 | | 840,000.00 |
| A-8 · Miscellaneous Pump Replacements | 40,000.00 | | | | 40,000.00 |
| A-9 · Master Plan | 100,000.00 | | | | 100,000.00 |
| Total A · WATER SUPPLY | 390,000.00 | 65,000.00 | 3,674,000.00 | 0.00 | 4,129,000.00 |
| B · WATER DISTRIBUTION | | | | | |
| B-1 · System Valve Replacements | 35,000.00 | | | | 35,000.00 |
| B-2 · Paving Replacements | 25,000.00 | | | | 25,000.00 |
| B-3 · Service Replacements | 30,000.00 | | | | 30,000.00 |
| B-4 · Large Meter Replacements | 5,000.00 | | | | 5,000.00 |
| B-5 · Small Meter Replacements | 120,000.00 | | | | 120,000.00 |
| Total B · WATER DISTRIBUTION | 215,000.00 | 0.00 | 0.00 | 0.00 | 215,000.00 |
| M · GENERAL PLANT ASSETS | | | | | |
| M-1 · Computer Server | 10,000.00 | | | | 10,000.00 |
| M-2 · Trucks (2) | | | | 60,000.00 | 60,000.00 |
| M-3 · Office & Shop Roof | 35,000.00 | | | | 35,000.00 |
| Total M · GENERAL PLANT ASSETS | 45,000.00 | 0.00 | 0.00 | 60,000.00 | 105,000.00 |
| FO · PROJECTS FUNDED BY OTHERS | | | | | |
| TOTAL FO · PROJECTS FUNDED BY OTHERS | | | | | 0.00 |
| C · CONTINGENCY | | | | | |
| C-1 · Contingency (10% of Est A,B,M, & FO Projects) | 65,000.00 | 6,500.00 | 367,400.00 | 6,000.00 | 444,900.00 |
| TOTAL BUDGETED PROJECT EXPENDITURES | 715,000.00 | 71,500.00 | 4,041,400.00 | 66,000.00 | 4,893,900.00 |
| ESTIMATED ENDING BALANCE | 371,829.00 | 20,170.00 | 75,802.00 | 20,001.00 | 487,802.00 |

Capital Budget Technical Memorandum

To: Ralph Felix, General Manager
From: Jim Carson, District Engineer
Subject: 2017/18 Capital Budget Descriptions
Date: June 19, 2017

The Technical Memorandum (TM) provides the revised budget descriptions for the proposed 2017/18 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 · River Arc Participation - 65,000

This budget item is for the District's portion of the 2017/18 River Arc Project Budget. The River Arc Project consists of six local water purveyors (Rio Linda / Elverta Community Water District, City of Sacramento, Sacramento County Water Agency, California American Water Company, Placer County Water Agency, and City of Roseville) that are working together to construct a surface water treatment plant that treats Sacramento River water and delivers treated water to the region. The District is participating in this project to bring supplemental surface water into the District to supply the current and future customers with a combination of ground and surface water. This is a long range project that is planned to be built within the next 10 to 20 years.

A-2 · El Dorado County Water & Power – 250,000

A Memorandum of Understanding (MOU) was signed between El Dorado Water and Power Authority (EDWAPA) and the District. The purpose of the MOU is for the District and EDWAPA to work together to put EDWAPA's surface water right to use by the District for conjunctive use planning through the implementation of ASR well technology. The project is being administrated by EDWAPA.

A-3 · Well 2A Hexavalent Chromium (Cr6) Treatment – 204,000

This budget item is for the cost to upgrade Well 2 with Cr6 treatment.

A-4 · Well 10 Hexavalent Chromium (Cr6) Treatment –1,525,000

This budget item is for the cost to upgrade Well 10 with Cr6 treatment. The project is being partially funded through a Proposition 84 Grant that is being administered by the Regional Water Authority.

A-5 · Well 15 Hexavalent Chromium (Cr6) Treatment – 200,000

This budget item is for the cost to modify Well 15 for Cr6 mitigation through the use of Aquifer Storage and Recovery (ASR) Technology. The project will also benefit conjunctive use planning and ground water banking. The District is collaborating with EL Dorado Water and Power Authority and the City of Folsom to provide surface water that will be injected at Well 15 during the low demand months.

A-6 · Well 16 – Land Purchase, Monitoring Well, and Well Construction - 905,000

This budget item is being completed in parallel with the Well 17 project (Item A-5) and is detailed as follows:

- Purchase Well Site Land;
- Drill monitoring wells and take water quality samples to predetermine water quality;
- Drill a production well, pump test for well capacity, and take samples to determine well water quality.

Once the project well is constructed, tested and water quality determined, the above grade improvements will be designed as part of the 2017/18 Capital Budget. This project is planned to be completed by January 1, 2020 as part of a compliance requirement by the Division of Drinking Water (DDW).

A-7 · Well 17 – Land Purchase, Monitoring Well, and Well Construction - 840,000

This budget item is being completed in parallel with the Well 16 project (Item A-4) and is detailed as follows:

- Purchase Well Site Land;
- Drill monitoring wells and take water quality samples;
- Drill a production well, pump test for well capacity, and take samples to determine well water quality.

Once the project well is constructed, tested and water quality determined, the above grade improvements will be designed as part of the 2017/18 Capital Budget. This project is planned to be completed by January 1, 2020 as part of a compliance requirement by DDW.

A-8 · Miscellaneous Pump Replacements – 40,000

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

A-9 · Master Plan – 100,000

This budget item is for the cost to update the current Master Plan.

B · Water Distribution

B-1 · System Valve Replacements – 35,000

This 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

This 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

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

B-4 · Large Meter Replacements – 5,000

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

B-5 · Small Meter Replacements – 120,000

This budget item is to replace small (residential) water meters that are underreporting their water usage due to age with new meters that are compatible with the District's new AMI meter reading system.

M · General Plant Assets

M-1 · Computer Server – 10,000

This budget item is to replace the existing hardware.

M-2 · Trucks (2) – 60,000

This budget item is to replace two (2) field trucks that are beyond their economic life.

M-3 · Office & Shop Roof – 35,000

This budget item is to replace the existing roof, which is beyond repair.

FO · Projects Funded by Others

These projects are planned to be funded by the Elverta Specific Plan (ESP) and Northborough Developers. The current budget does not include any budgeted items.

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