

Solano County Water Agency
Fiscal Year 2015-2016
Proposed Budget

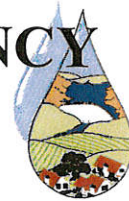
Solano County Water Agency

FY 2015/16 Proposed Budget

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SOLANO COUNTY WATER AGENCY



Interim General Manager's Budget Message

FY 2015/16 Proposed Budget June 2015

A budget is a financial plan that includes estimates of expenditures and revenues for a single fiscal year, beginning July 1, and ending June 30. This Proposed Budget is a document which serves as a guide to the management of the Agency. It is a policy decision made by the Board of Directors. The budgeting process provides procedures for evaluating the Agency's needs and identifying revenue sources to meet those needs.

The Board of Directors designates a Budget Committee. The Budget Committee reviews and discusses the budget document and makes a recommendation to the Board of Directors to adopt the budget or provides recommendations to the budget. The Proposed Budget for FY 15/16 is prepared for each fund of the Agency in accordance with the modified accrual method of accounting.

Budget Overview

The Agency's financial position remains strong. A healthy reserve has been maintained in anticipation for future infrastructure needs. The reserve funds are summarized in Section IV.

The Agency built up considerable reserves during years when property tax revenues were increasing. Starting in FY 08/09 property taxes began declining until FY 10/11 when they stabilized (see Figure 5). The property tax remained stabilized in FY 11/12. The revenues in FY 12/13 reflect two onetime payments, the repayment of an 8% State borrowing from FY 09/10 and payments associated with the dissolution of Redevelopment Agencies. FY13/14 and FY14/15 have shown an increase in property tax revenues signaling the economic improvements the County has been experiencing and we are projecting further increases in the FY 15/16 Proposed Budget.

The FY 14/15 Year End Projection was accepted by the Board in May 2015. The Year End Projection budgeted an overall increase in the surplus of \$2,930,708 an increase of \$8,083,049 when compared to the FY 14/15 Approved Budget, from a (\$5,152,341) deficit to a \$2,930,708 surplus, primarily due to timing delays in implementing some large projects, increased tax revenues, lower water purchase costs and the cancellation of a large grant. Also, generally, actual expenditures come in below amounts due to variable factors such as weather.

A budget goal has been to have Agency operating costs paid out of current year revenues (mainly property taxes), not out of reserves. We define “operating costs” as those costs that are not “capital-type” expenses. We use the words “capital-type” rather than “capital” because major “capital-type” projects such as the North Bay Aqueduct Alternate Intake Project and work on the Solano Project are not true capital projects, from an accounting standpoint, because they are on lands that the Agency does not own. This budget goal is achieved in the FY 15/16 Proposed Budget for all the funds. For the FY 15/16 Proposed Budget as a whole, the “operating revenues” (mostly property taxes) are \$25,429,513, and the “operating expenses” are \$23,824,481. (See Schedule 4).

The FY 15/16 Proposed Budget includes budget projections primarily for the operational budget. Further refinement of budget projections will occur during the Agency’s strategic planning phase which will occur during FY 15/16. (See Schedules 6 and 7).

In the FY 15/16 Proposed Budget, total expenditures are budgeted at \$29,418,857 and total revenues are budgeted at \$26,674,066, for a decrease to the fund balance (tapping reserves) of (\$2,744,791). This deficit includes a SWP capital-type project, the North Bay Aqueduct Alternate Intake Project, and several Solano Project capital-type projects including the Putah South Canal Headworks Screens Project. The North Bay Aqueduct Alternate Intake Project is a grant funded project, but has a local share (approximately 50%) and has a net cost of \$645,446. The Solano Project capital-type projects are projected to cost \$2.955 million and are included on the Solano Project Rehab and Betterment Schedule (See Schedule 5).

FY 2015/16 Budget Summary

Figure 1, "Summary of Revenues" provides information on all the sources of funds included in the budget document. Tax Revenues represent 72% of all funds followed by, 10% for Labor and Overhead Distribution, 10% for Water Sales and 5% for Grant Revenues. Almost all the Water Sales revenues are from State Water Project water sales. Other revenues consist of Napa Make Whole agreement payments, State Water Project water purchase adjustments and water conservation reimbursements from the cities. Investments are interest earnings on reserves.

Figure 1

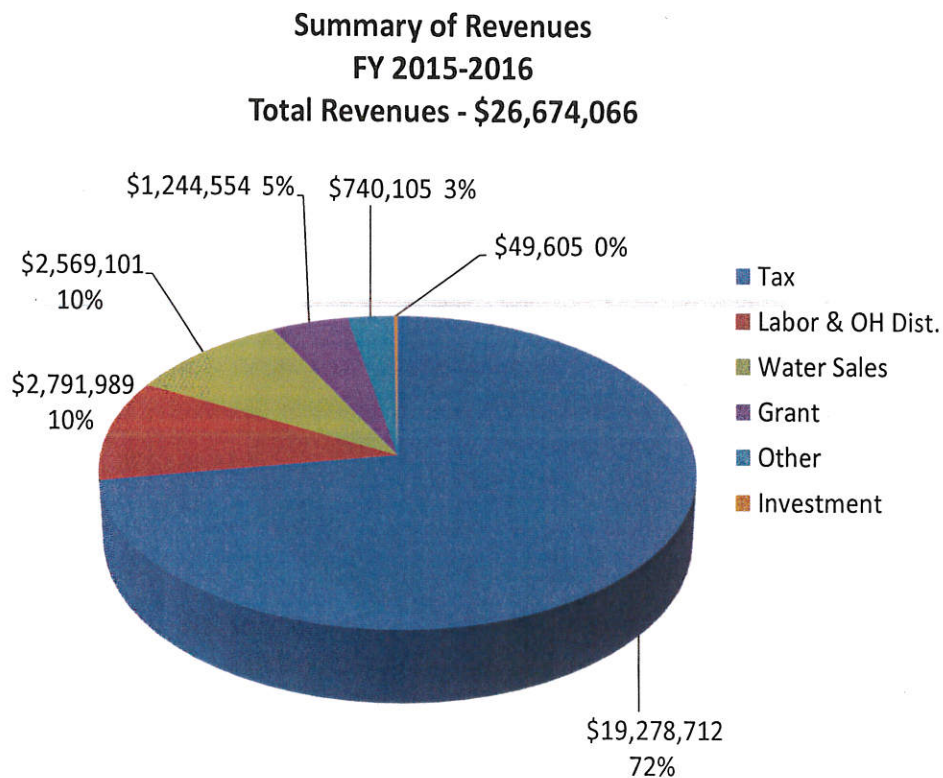
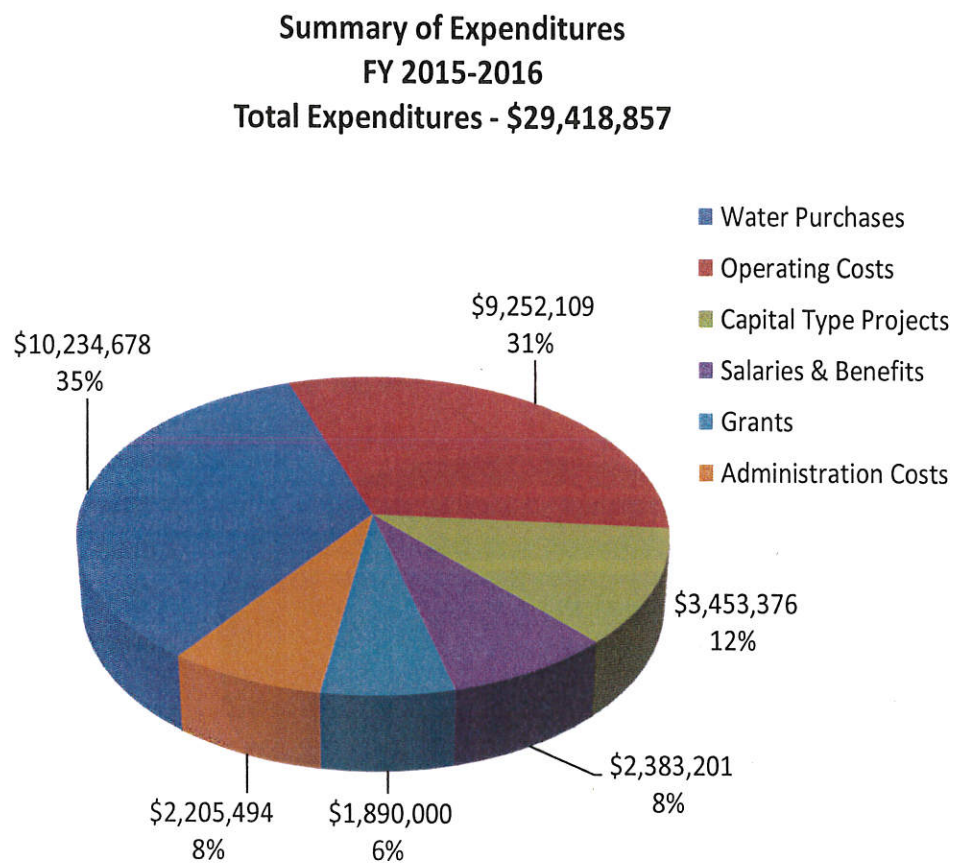


Figure 2, “Summary of Expenditures” portrays spending by categories. The largest expenditure category with 33% of all expenditures is Water Purchases – all for State Water Project water, followed by Operating Costs with 31%, Capital Type Projects with 12%, Grant Expenditures 6%. Salaries & Benefits make up 8% of the overall expenditures with Administrative Costs the remaining 8%.

Figure 2



Trends

Figure 3, “Operating Income and Expense” provides a yearly trend analysis of operating revenues and expenditures. Annual operating expenditures have been funded by annual revenues with the exception of the State Water Project fund. For FY’s 12/13 and 13/14 the State Water Project fund had operating expenses exceed revenues due to an one time increase in State Department of Water Resources charges for SWP water in calendar year 2013 which was due to a recalculation of cost allocation factors. In the Proposed FY15/16 Budget all of the funds operating expenditures are paid out of current operating revenues. Capital-type projects are not included in Figure 3.

Figure 3

Operating Income and Expense

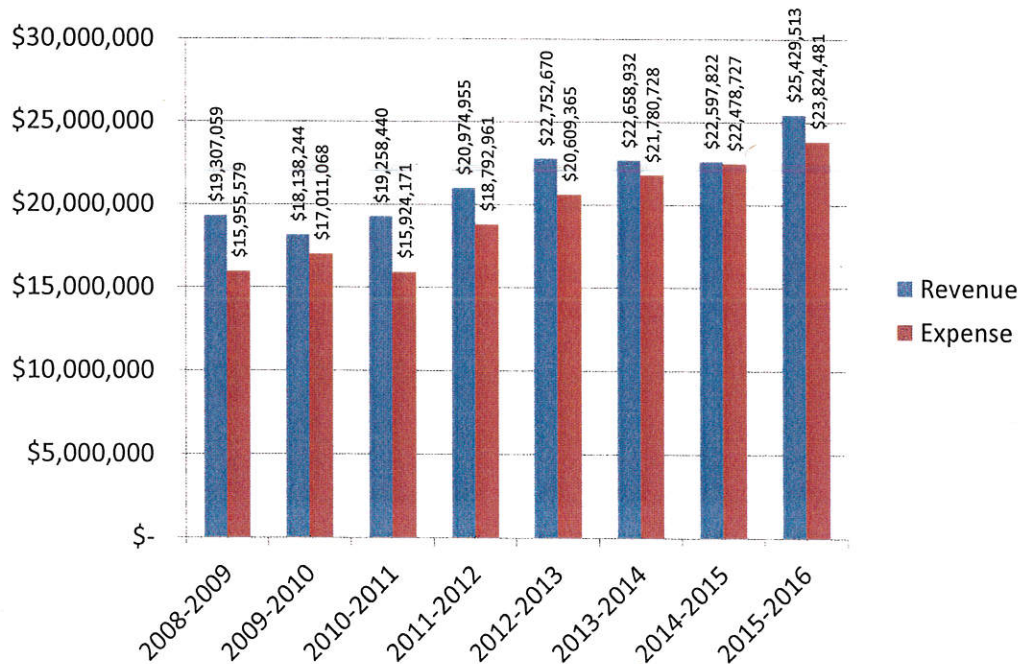


Figure 4, “Cumulative Fund Balance” provides a yearly trend analysis of the Agency’s financial reserves. When annual revenues cannot fully fund expenditures the fund balance is tapped to make up the difference. Conversely, when annual revenues exceed expenditures the excess revenues are added to the fund balance. The Proposed FY 15/16 budget contains two large capital-type projects that are partially funded from reserves, the NBA Alternate Intake Project and the Putah South Canal Headworks Screens Project.

Figure 4

Cumulative Fund Balance

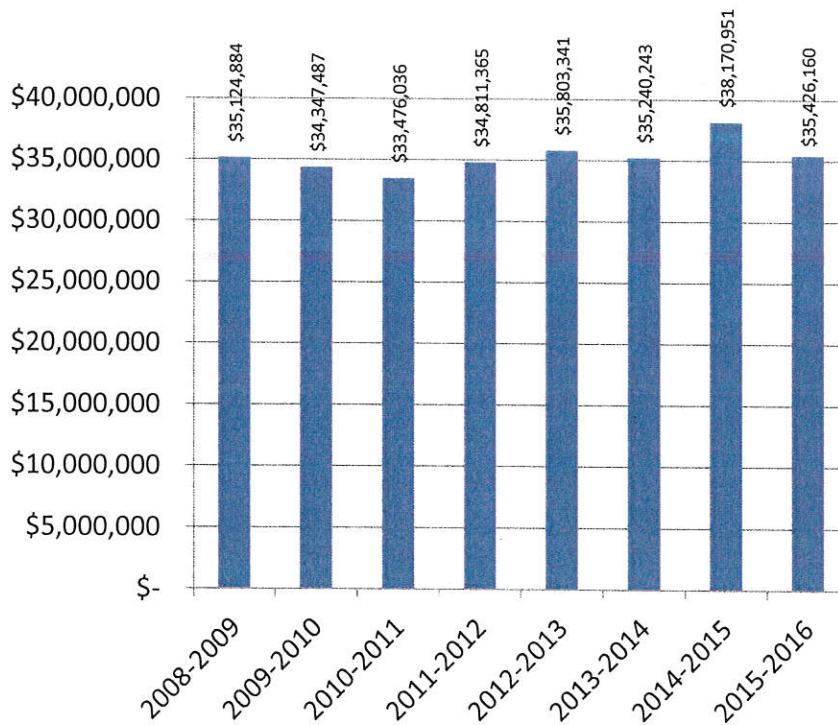
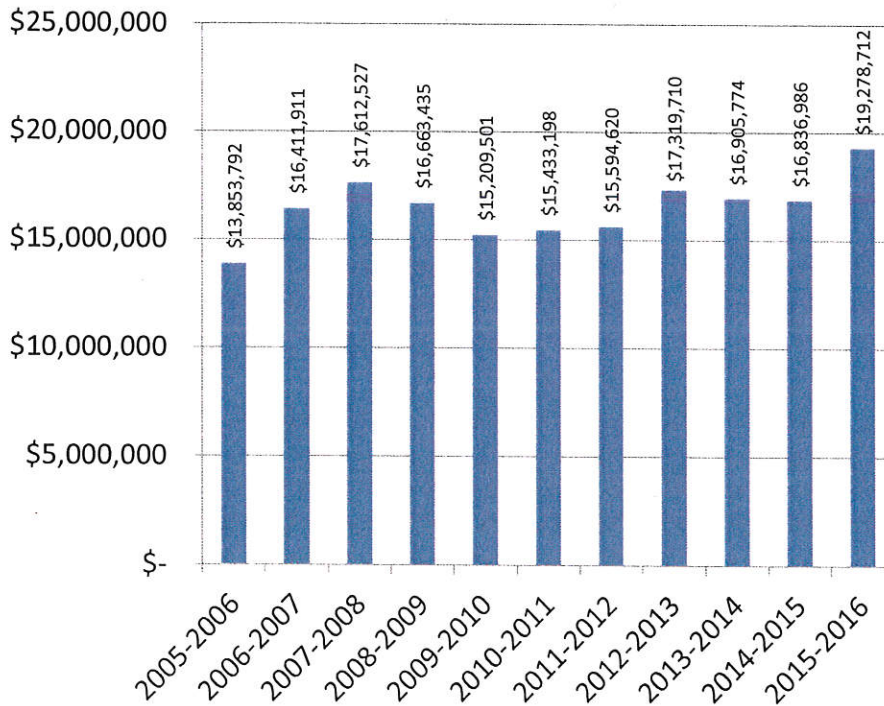


Figure 5, “Property Tax Revenues” provides a trend analysis of Total Tax Revenues which includes both Property Tax Revenues and Redevelopment Property Tax Trust Fund Distributions. The revenues trend shows the decline in property tax revenues during FY 08/09 and FY 09/10 followed by several years of stabilization. The FY 12/13 tax revenues include one-time payments associated with the dissolution of redevelopment agencies and the repayment of an 8% State borrowing, which occurred in FY 09/10. The FY 14/15 Adopted Budget tax revenues are stable when compared to the FY 13/14 actuals. The FY 15/16 Proposed Budget has a 15.4% increase from the FY 14/15 Adopted Budget which includes an increase of 12% to the FY 14/15 Adopted Budget based on FY 14/15 Year End projections and an increase of 3.4% from these FY 14/15 projections.

Figure 5

Property Tax Revenue



**SOLANO COUNTY WATER AGENCY
SCHEDULE 1
ALL FUNDS SUMMARY
FY 2015/16**

FUND NAME	FUND BALANCE AVAILABLE 6/30/2014 AUDITED	YEAR END PROJECTION INCREASE/ DECREASE TO FUND BALANCE	FUND BALANCE AVAILABLE 6/30/2015 ESTIMATED	PROPOSED 15/16 REVENUES	PROPOSED 15/16 EXPENDITURES	PROPOSED INCREASE/ DECREASE TO FUND BALANCE	PROPOSED FUND BALANCE 6/30/2016
ADMIN - SOLANO PROJECT - WM	20,753,404	1,071,173	21,824,577	12,461,806	15,219,212	(2,757,407)	19,067,170
STATE WATER PROJECT	10,318,697	1,218,046	11,536,743	12,956,977	13,118,315	(161,338)	11,375,405
ULATIS FLOOD CONTROL	4,175,526	610,466	4,785,992	1,148,505	980,444	168,061	4,954,053
GREEN VALLEY FLOOD CONTROL	(7,384)	31,023	23,639	106,779	100,886	5,893	29,532
Total All FUNDS	35,240,243	2,930,708	38,170,951	26,674,066	29,418,857	(2,744,791)	35,426,160

Schedule 1 provides the reserve balances based on the FY 14/15 Year End Projection and the FY 15/16 Proposed Budget. This schedule also provides revenue and expenses by fund for the Proposed FY 15/16 Budget.

**SOLANO COUNTY WATER AGENCY
SCHEDULE 2
ALL FUNDS SUMMARY - BY FUNDS
FY 2015/16**

DETAIL BY FUND REVENUE CATEGORY AND FUND EXPENDITURE CATEGORY	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ADOPTED BUDGET	2015/16 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Admin-Solano Project-Watermaster	11,116,419	11,041,434	12,180,809	12,461,806	280,996	2%
State Water Project	11,417,692	11,854,087	12,867,808	12,956,977	89,169	1%
Ulati Flood Control	1,182,358	964,990	981,890	1,148,505	166,615	17%
Green Valley Flood Control	95,657	94,089	94,370	106,779	12,409	13%
Total Revenues	23,812,126	23,954,599	26,124,878	26,674,066	549,188	2%
Expenditures						
Admin-Solano Project-Watermaster	8,824,641	9,988,664	16,223,350	15,219,212	(1,004,138)	-6%
State Water Project	13,458,962	13,722,344	14,073,635	13,118,315	(955,320)	-7%
Ulati Flood Control	460,902	757,949	886,066	980,444	94,378	11%
Green Valley Flood Control	75,646	48,738	94,168	100,886	6,718	7%
Total Expenditures	22,820,151	24,517,694	31,277,218	29,418,857	(1,858,361)	-6%
Net						
Admin-Solano Project-Watermaster	2,291,778	1,052,770	(4,042,541)	(2,757,407)	1,285,134	-32%
State Water Project	(2,041,270)	(1,868,257)	(1,205,827)	(161,338)	1,044,488	-87%
Ulati Flood Control	721,456	207,041	95,824	168,061	72,237	75%
Green Valley Flood Control	20,011	45,351	202	5,893	5,691	2812%
Total Net	991,975	(563,095)	(5,152,341)	(2,744,791)	2,407,550	-47%

In addition to the revenues and expenses segregated by funds as in Schedule 1, Schedule 2 provides two years of historical data to allow for comparison and trend analysis.

**SOLANO COUNTY WATER AGENCY
SCHEDULE 3
ALL FUNDS SUMMARY - BY ACTIVITY
FY 2015/16**

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ADOPTED BUDGET	2015/16 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Taxes	17,319,710	16,905,774	16,836,986	19,278,712	2,441,726	15%
Water Sales	2,373,203	2,594,108	2,492,255	2,569,101	76,846	3%
Grant Revenues	1,059,456	1,295,668	3,527,055	1,244,554	(2,282,501)	-65%
Investment Income	120,090	62,492	53,355	49,605	(3,750)	-7%
Labor & Ovhd Distr.	2,265,021	2,448,784	2,722,502	2,791,989	69,487	3%
Other Revenue	674,646	647,774	492,725	740,105	247,380	50%
Total Revenues	23,812,126	23,954,599	26,124,878	26,674,066	549,188	2%
Expenditures						
Salaries and Employee Benefits	1,714,063	1,862,271	2,154,400	2,383,201	228,801	11%
Services and Supplies	748,347	797,696	823,560	864,295	40,735	5%
Operations & Maintenance	3,314,226	3,523,319	4,385,195	4,919,958	534,762	12%
LPCCC Operations	737,585	777,490	939,998	931,141	(8,857)	-1%
Rehab & Betterment	291,811	761,550	2,960,000	2,980,000	20,000	1%
Water Purchases	11,179,540	11,639,635	9,822,918	10,234,678	411,760	4%
Grant Expenditures	1,763,714	1,627,108	4,845,990	1,890,000	(2,955,990)	-61%
Flood Control	105,145	84,839	705,962	693,200	(12,762)	-2%
HCP Planning	644,218	618,885	679,516	647,999	(31,517)	-5%
Water Conservation	1,044,324	1,598,446	1,754,880	1,972,575	217,695	12%
Consultants	1,121,917	878,148	1,212,299	1,177,435	(34,864)	-3%
Fixed Assets	155,261	348,308	741,500	473,376	(268,124)	-36%
Contingency	-	-	251,000	251,000	-	0%
Total Expenditures	22,820,151	24,517,694	31,277,218	29,418,857	(1,858,361)	-6%
Total Net	991,975	(563,095)	(5,152,341)	(2,744,791)	2,407,550	-47%

Schedule 3 provides revenue and expenses by activity type for all four funds combined. It includes two years of historical data for comparison and trend analysis.

Solano County Water Agency
All Fund Summary - By Operating & Non-Operating

**SOLANO COUNTY WATER AGENCY
SCHEDULE 4
ALL FUNDS SUMMARY - BY OPERATING & NON-OPERATING
FY 2015/16**

DETAIL BY OPERATING REVENUE AND EXPENDITURE CATEGORY AND NON- OPERATING REVENUE AND EXPENDITURES CATEGORY	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ADOPTED BUDGET	2015/16 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Operating Revenues						
Taxes	17,319,710	16,905,774	16,836,986	19,278,712	2,441,726	15%
Water Sales	2,373,203	2,594,108	2,492,255	2,569,101	76,846	3%
Investment Income	120,090	62,492	53,355	49,605	(3,750)	-7%
Labor & Ovhd Distr.	2,265,021	2,448,784	2,722,502	2,791,989	69,487	3%
Other Revenue	674,646	647,774	492,725	740,105	247,380	50%
Total Operating Revenues	22,752,670	22,658,932	22,597,823	25,429,513	2,831,690	13%
Operating Expenditures						
Salaries and Employee Benefits	1,714,063	1,862,271	2,154,400	2,383,201	228,801	11%
Services and Supplies	748,347	797,696	823,560	864,295	40,735	5%
Operations & Maintenance	3,314,226	3,523,319	4,385,195	4,919,958	534,762	12%
LPCCC Operations	737,585	777,490	939,998	931,141	(8,857)	-1%
Water Purchases	11,179,540	11,639,635	9,822,918	10,234,678	411,760	4%
Flood Control	105,145	84,839	705,962	693,200	(12,762)	-2%
HCP Planning	644,218	618,885	679,516	647,999	(31,517)	-5%
Water Conservation	1,044,324	1,598,446	1,754,880	1,972,575	217,695	12%
Consultants	1,121,917	878,148	1,212,299	1,177,435	(34,864)	-3%
Total Operating Expenditures	20,609,365	21,780,728	22,478,728	23,824,481	1,345,753	6%
Net Operating	2,143,305	878,203	119,094	1,605,031	1,485,937	1248%
Non-Operating Revenues						
Grant Revenues	1,059,456	1,295,668	3,527,055	1,244,554	(2,282,501)	-65%
Total Non-Operating Revenues	1,059,456	1,295,668	3,527,055	1,244,554	(2,282,501)	-65%
Non-Operating Expenditures						
Rehab & Betterment	291,811	761,550	2,960,000	2,980,000	20,000	1%
Grant Expenditures	1,763,714	1,627,108	4,845,990	1,890,000	(2,955,990)	-61%
Fixed Assets	155,261	348,308	741,500	473,376	(268,124)	-36%
Contingency	-	-	251,000	251,000	-	0%
Total Non-Operating Expenditures	2,210,786	2,736,966	8,798,490	5,594,376	(3,204,114)	-36%
Net Non-Operating	(1,151,330)	(1,441,298)	(5,271,435)	(4,349,822)	921,613	-36%
Net Operating and Non-Operating	991,975	(563,095)	(5,152,341)	(2,744,791)	2,407,550	-47%

Schedule 4 provides revenues and expenditures segregated by operating and non-operating classes for all four funds combined. The Net Operating line reflects whether the operating revenues fund the operating costs or if reserves will have to be used for the combined four funds.

SOLANO COUNTY WATER AGENCY
SCHEDULE 5
SOLANO PROJECT REHAB & BETTERMENT
FY 2015/16

FUND	DESCRIPTION	TOTAL AMOUNT	PLANNED 2015-16	PROPOSED 2016-17	PROPOSED 2017-18	PROPOSED 2018-19	PROPOSED 2019-20
SP	Road Gravel and Turn-around Improvements	275,000	75,000	50,000	50,000	50,000	50,000
SP	PSC Drainage Rehab and Improve	130,000	10,000	30,000	30,000	30,000	30,000
SP	PSC Panel Replacement	500,000	100,000	100,000	100,000	100,000	100,000
SP	Putah Diversion Compound Improvement	220,000	130,000	45,000	45,000	-	-
SP	PSC HW Screen Rehab	2,450,000	2,450,000	-	-	-	-
SP	Putah Diversion Dam Gate Rehab	350,000	150,000	50,000	50,000	50,000	50,000
SP	Reservoir Lane/Terminal Reservoir Paving	300,000	-	200,000	100,000	-	-
SP	PDD Venturi Replacement	40,000	40,000	-	-	-	-
Total Solano Project Rehab & Betterment		4,265,000	2,955,000	475,000	375,000	230,000	230,000

**SOLANO COUNTY WATER AGENCY
SCHEDULE 6
BUDGET PROJECTIONS**

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2013/14 ACTUAL	2014/15 ADOPTED	2014/15 YEAR END PROJECTED BUDGET	2015/16 PROPOSED	2016/17 PROJECTION	2017/18 PROJECTION	2018/19 PROJECTION
Revenues							
Taxes	16,905,774	16,836,986	18,695,595	19,278,712	19,456,049	19,635,160	19,816,061
Water Sales	2,594,108	2,492,255	2,462,510	2,569,101	2,251,101	2,251,101	2,251,101
Grant Revenues	1,295,668	3,527,055	1,665,000	1,244,554	-	-	-
Investment Income	62,492	53,355	52,855	49,605	46,226	42,711	39,055
Labor & Ovhd Distr.	2,448,784	2,722,502	2,191,440	2,791,989	2,984,980	3,128,576	3,273,445
Other Revenue	647,774	492,725	637,477	740,105	604,605	499,605	384,605
Total Revenues	23,954,599	26,124,877	25,704,877	26,674,066	25,342,962	25,557,152	25,764,267
Expenditures							
Salaries and Employee Benefits	1,862,271	2,154,400	2,227,127	2,383,201	2,504,200	2,631,500	2,756,900
Services and Supplies	797,696	823,560	747,180	864,295	838,371	834,471	858,371
Operations & Maintenance	3,523,319	4,385,197	3,224,092	4,919,958	5,275,771	5,506,282	5,418,404
LPCCC Operations	777,490	939,998	849,313	931,141	717,759	744,658	772,671
Rehab & Betterment	761,550	2,960,000	656,878	2,980,000	265,000	315,000	215,000
Water Purchases	11,639,635	9,822,918	9,164,170	10,234,678	10,774,215	10,796,810	10,809,048
Grant Expenditures	1,627,108	4,845,990	2,075,954	1,890,000	-	-	-
Flood Control	84,839	705,962	159,515	693,200	180,404	183,189	186,097
HCP Planning	618,885	679,516	554,800	647,999	496,540	507,861	522,052
Water Conservation	1,598,446	1,754,879	1,893,960	1,972,575	1,815,553	1,706,838	1,709,290
Consultants	878,148	1,212,299	1,018,681	1,177,435	1,011,092	926,237	906,388
Fixed Assets	348,308	741,500	202,500	473,376	35,000	15,000	-
Contingency	-	251,000	-	251,000	251,000	251,000	251,000
Total Expenditures	24,517,694	31,277,219	22,774,169	29,418,857	24,164,905	24,418,845	24,405,221
Total Net	(563,095)	(5,152,342)	2,930,708	(2,744,791)	1,178,056	1,138,307	1,359,046

Key Budget Projection Assumptions

1. Projected property tax increase of 1% per year.
2. Salary and Employee Benefits are increased by 5%.
3. Grant expenditures are paid 100% from grant revenues and due to the unpredictability of implementation timing they have been excluded from projections.

SOLANO COUNTY WATER AGENCY
SCHEDULE 7
BUDGET PROJECTIONS

FUND NAME	FUND BALANCE JUNE 30, 2013 (AUDITED)	FUND BALANCE JUNE 30, 2014 (AUDITED)	YEAR END PROJECTION DECREASE TO FUND BALANCE 14/15	FUND BALANCE JUNE 30, 2015 YEAR END PROJECTION	FUND BALANCE JUNE 30, 2016 PROPOSED	FUND BALANCE JUNE 30, 2017 PROJECTED	FUND BALANCE JUNE 30, 2018 PROJECTED	FUND BALANCE JUNE 30, 2019 PROJECTED
ADMIN - SOLANO PROJECT - WM	19,700,634	20,753,404	1,071,173	21,824,577	19,067,170	20,025,478	20,797,157	21,733,475
STATE WATER PROJECT	12,186,954	10,318,697	1,218,046	11,536,743	11,375,405	11,268,357	11,314,456	11,423,229
ULATIS FLOOD CONTROL	3,968,488	4,175,526	610,466	4,785,992	4,954,053	5,276,661	5,594,733	5,908,038
GREEN VALLEY FLOOD CONTROL	(52,735)	(7,384)	31,023	23,639	29,532	33,720	36,178	36,827
Total All FUNDS	35,803,341	35,240,243	2,930,708	38,170,951	35,426,160	36,604,216	37,742,523	39,101,569

FUND SUMMARY
ADMINISTRATION – SOLANO PROJECT - WATERMASTER

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ADOPTED BUDGET	2015/16 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Taxes	7,620,083	6,890,009	6,855,028	7,892,406	1,037,379	15%
Grants	402,231	947,218	2,010,000	940,000	(1,070,000)	-53%
Investment Income	91,154	49,610	40,055	36,805	(3,250)	-8%
Labor & Ovhd Distribution	2,265,021	2,448,784	2,722,502	2,791,989	69,487	3%
Water Sales	67,530	67,418	65,000	65,000	-	0%
Other Revenue Sources	670,400	638,395	488,225	735,605	247,380	51%
Total Revenues	11,116,419	11,041,434	12,180,809	12,461,806	280,996	2%
Expenditures						
Salaries & Benefits	1,714,063	1,862,271	2,154,400	2,383,201	228,801	11%
Services and Supplies	649,078	685,892	691,975	726,701	34,726	5%
Operations and Maintenance	2,256,622	2,247,782	3,070,764	3,348,785	278,021	9%
LPGCC Operations	737,585	777,490	939,998	931,141	(8,857)	-1%
Rehab & Betterment	285,618	761,550	2,935,000	2,955,000	20,000	1%
Grant Expenditures	440,715	911,619	2,010,000	940,000	(1,070,000)	-53%
Water Conservation	887,404	1,158,965	1,110,936	1,244,875	133,939	12%
Flood Control	105,145	84,839	705,962	693,200	(12,762)	-2%
HCP	644,218	618,885	679,516	647,999	(49,156)	-5%
Consultants	990,475	809,149	1,073,299	877,935	(195,364)	-18%
Fixed Assets	113,718	70,223	651,500	270,376	(381,124)	-58%
Contingency	-	-	200,000	200,000	-	0%
Total Expenditures	8,824,641	9,988,664	16,223,350	15,219,212	(1,004,138)	-6%
Net Change	2,291,778	1,052,770	(4,042,541)	(2,757,407)	1,285,134	-32%

FUND PURPOSE

This fund is comprised of three distinct sub funds including Solano Project. Because the tax revenues for Solano Project are not solely restricted to that purpose, this fund acts as the General Fund of the Agency.

FUNCTION AND RESPONSIBILITIES

Administration – The Administration function provides human resource and financial services of the Agency and provides other support to SCWA staff. The Administration function also includes flood control, groundwater monitoring, and water conservation activities.

Solano Project - The Solano Project provides about half the municipal water supply and a majority of the agricultural water supply in Solano County. SCWA protects and maintains the reliability and quality of the water supply and operates and maintains Monticello Dam, Putah Diversion Dam and 33 miles of water distribution infrastructure. Solano Project also supports The Putah Creek Accord and the work of the Lower Putah Creek Coordinating Committee (LPCCC) and the HCP.

Watermaster – The Watermaster implements the water rights settlement in the Lake Berryessa watershed.

FUND DETAIL COMMENTS**Revenues**

Property Taxes - The FY 15/16 Proposed Tax Revenues increased 15% from the FY 14/15 Adopted Budget due to the tax revenues in the FY 14/15 Year End Projections increasing 12% from the FY 14/15 Adopted Budget and the projection that FY 15/16 tax revenues will increase 3.4% from the FY 14/15 Year End Projections.

Grants - The FY 15/16 Grant Revenues have decreased (\$1,070,000) due to decreased activity for LPCCC projects.

Investment Income – Investment Income is expected to decrease by 8% from the FY 14/15 Adopted Budget due to a decrease in investment yields on reserves.

Other Revenue Sources - The increase in the Other Revenue Sources budget of \$247,380 from the FY 14/15 Adopted Budget is primarily due to a new Boating & Waterways and Cities Oil Grant, and other minor increases.

Expenditures

Salaries & Benefits - The Proposed FY 15/16 Salaries includes the new General Manager approved by the Board, funding for merit and cost of living increases, and equity adjustments to salaries based on a recent salary survey which will be presented to the Board in the future. Health benefits are also projected to increase by 5% and dental benefits by 2%. SCWA also budgeted for an increase in Intern expense.

Operations & Maintenance - The Proposed FY 15/16 Operations and Maintenance has increased by \$278,021 from the Adopted FY 14/15 Budget due to higher water deliveries from the Solano Project in response to drought conditions, and an increase in hydrologic stations and related expenses.

Rehab & Betterment - Rehab and Betterment expenditures have increased \$20,000 in the Proposed FY 15/16 Budget from the FY 14/15 Adopted Budget. The amounts in both budgets are for a project to improve the headworks screens on the Putah South Canal and for improvements to the building and grounds at the Putah Diversion Dam, all of which have been deferred from FY 14/15.

Grants - The FY 15/16 Grant Expenditures have decreased \$1,070,000 due to decreased activity for LPCCC projects.

Water Conservation – Water Conservation costs are expected to increase by 12% due to the on-going drought and participation in water conservation programs.

Consultants – The Proposed FY 15/16 consulting expenses have a budgeted decrease of \$195,364.

Fixed Assets – Fixed Asset purchases in the FY15/16 budget includes computer system upgrades, new computer security, a new SUV vehicle, a new Trimble GPS unit, and the PDD Bulkhead project.

Summary

The Administration/Solano Project/Watermaster fund has an overall FY 15/16 proposed net deficit decrease of 32% from (\$4,042,541) in FY 14/15 to (\$2,757,407) in FY 15/16 primarily due to increased property tax revenues.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ADOPTED BUDGET	2015/16 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Property Taxes	8,436,350	8,965,473	8,914,298	10,139,122	1,224,824	14%
Water Sales	2,305,673	2,526,689	2,427,255	2,504,101	76,846	3%
Grant Revenues	657,225	348,450	1,517,055	304,554	(1,212,501)	-80%
Investment Income	18,444	8,660	9,200	9,200	-	0%
Other Sources		4,815			-	
Total State Water Project Revenues	11,417,692	11,854,087	12,867,808	12,956,977	89,169	1%
Expenditures						
Services and Supplies	86,189	98,334	115,585	121,594	6,009	5%
Operations and Maintenance	540,329	760,405	506,198	757,843	251,645	50%
Water Purchases	11,179,540	11,639,635	9,822,918	10,234,678	411,760	4%
Grant Expenditures	1,322,999	715,489	2,835,990	950,000	(1,885,990)	-67%
Water Conservation	156,920	439,481	643,944	727,700	83,756	13%
Consultants	131,442	69,000	139,000	299,500	160,500	115%
Fixed Assets	41,543	-	-	17,000	17,000	0%
Contingency	-	-	10,000	10,000	-	0%
Total State Water Project Expenditures	13,458,962	13,722,344	14,073,635	13,118,315	(955,320)	-7%
Net Change	(2,041,270)	(1,868,257)	(1,205,827)	(161,338)	1,044,488	-87%

FUND PURPOSE

This fund is for all expenses and revenues associated with SCWA State Water Project water supply. There is a dedicated property tax for State Water Project related expenses.

FUNCTION AND RESPONSIBILITIES

SCWA is responsible for purchasing wholesale water from the State Water Project via the North Bay Aqueduct for resale to cities. SCWA administers the State Water Project contract with the State. The Department of Water Resources owns, operates, and maintains the Aqueduct. The Department's operation, maintenance, and capital costs are paid by SCWA. SCWA also performs various studies and monitors water quality in the Barker Slough. A major project is the development of the NBA Alternate Intake Project.

FUND DETAIL COMMENTS**Revenues**

Property Taxes – The Proposed FY 15/16 Tax Revenues increased 14% from the FY 14/15 Adopted Budget due to the tax revenues projected in the FY 14/15 Year End Budget increasing 10% from the FY 14/15 Adopted Budget and the projection that FY 15/16 tax revenues will increase 3.4% from FY 14/15 Year End Projections. The revenues are based on the Board establishing a tax rate of \$0.02 per \$100 of assessed valuation.

Grants – The Proposed FY 15/16 Grant Revenues have decreased from the FY 14/15 Adopted Budget by 80% due to the NBR Research Station Grant being cancelled and a reduction in the revenues for the DWR NBA Alternate Intake Project.

Expenditures

Operations and Maintenance – Operations and Maintenance will increase by 50% primarily due to more staff labor and overhead charges expected in FY 15/16 with an increase in hydrologic station and watershed program costs.

Grant Expenditures – The Proposed FY 15/16 Grant Expenditures are projected to decrease by (\$1,885,990) from the FY 14/15 Adopted Budget due to cancellation of the NBR Research Station Grant and a reduction in costs for the DWR NBA Alternate Intake Project.

Water Conservation - Increased Water Conservation efforts are resulting in a FY 15/16 Proposed Budget cost increase of \$83,756 from the FY 14/15 Adopted Budget.

Consultants – Consultant expenditures will increase because of the Cache Science Complex project and the Yolo Bypass Management project.

Summary

The Proposed Budget for the State Water Project has a projected net deficit of (\$161,338), which is an 87% decrease from the FY Adopted Budget deficit of (\$1,205,827) primarily due to increased tax revenues and reduced net grant expenditures.

FUND SUMMARY**ULATIS**

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ADOPTED BUDGET	2015/16 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Property Taxes	1,167,997	956,203	973,290	1,140,405	167,115	17%
Investment Income	10,115	4,223	4,100	3,600	(500)	-12%
Other Sources	4,246	4,564	4,500	4,500	-	0%
Total Ulatis Revenues	1,182,358	964,990	981,890	1,148,505	166,615	17%
Expenditures						
Supplies and Services	12,104	12,433	15,000	15,000	-	0%
Operations and Maintenance	444,231	467,431	726,066	724,444	(1,622)	0%
Rehab & Betterment	4,567	-	15,000	15,000	-	0%
Fixed Assets	-	278,085	90,000	186,000	96,000	107%
Contingency	-	-	40,000	40,000	-	0%
Total Ulatis Expenditures	460,902	757,949	886,066	980,444	94,378	11%
Net Change	721,456	207,041	95,824	168,061	72,237	75%

FUND PURPOSE

This fund appropriates tax revenues for performing maintenance functions on the Ulatis Flood Control Project.

FUNCTION AND RESPONSIBILITIES

The Ulatis Flood Control Project was constructed by the Soil Conservation Service, then turned over to SCWA to maintain, providing flood protection of agricultural land within and downstream of Vacaville. Solano County Channel maintenance staff perform the routine maintenance duties, while SCWA provides engineering, administration, and right of way management.

FUND DETAIL COMMENTS**Revenues**

Property Taxes - The Projected FY 15/16 Tax Revenues increased 17% from the FY 14/15 Adopted Budget due to the tax revenues projected in the FY 14/15 Year End Budget increasing 14% from the FY 14/15 Adopted Budget and the projection that FY 15/16 tax revenues will increase 3.4% from FY 14/15 Year End Projections.

Investment Income - Investment Income has decreased from FY 14/15 to FY 15/16 due to a decrease in investment yields on reserves.

Expenditures

Fixed Assets - The FY 15/16 Fixed Assets includes \$186,000 for a backhoe.

Summary

The FY 15/16 Proposed Budget for the Ulati Project has a projected net surplus of \$168,061, which is a 75% increase from the FY Adopted Budget deficit of 95,824 primarily due to increased tax revenues.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ADOPTED BUDGET	2015/16 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Property Taxes	95,280	94,089	94,370	106,779	12,409	13%
Investment	377	-	-	-	-	
Total Green Valley Revenues	95,657	94,089	94,370	106,779	12,409	13%
Expenditures						
Supplies and Services	976	1,037	1,000	1,000	-	0%
Operations and Maintenance	73,044	47,701	82,168	88,886	6,718	8%
Rehab & Betterment	1,626	-	10,000	10,000	-	0%
Contingency	-	-	1,000	1,000	-	0%
Total GV Expenditures	75,646	48,738	94,168	100,886	6,718	7%
Net Change	20,011	45,351	202	5,893	5,691	

FUND PURPOSE

This fund is comprised of tax revenues and is appropriated to perform maintenance of the Green Valley Flood Control Project.

FUNCTION AND RESPONSIBILITIES

The Green Valley Flood Control Project was constructed by the Corps of Engineers then turned over to SCWA to maintain. The Project provides flood protection of lands in Fairfield and areas downstream of Fairfield. Solano County Channel Maintenance staff perform routine maintenance, while SCWA provides engineering, administration, and right-of-way management.

FUND DETAIL COMMENTS**Revenues**

Property Taxes - The FY 15/16 Tax Revenues increased by 13% from the FY 14/15 Adopted Budget due to the tax revenues projected in the FY 14/15 Year End Budget increasing 10% from the FY 14/15 Adopted Budget and the projection that FY 15/16 tax revenues will increase 3.4% from FY 14/15 Year End Projections.

Summary

The FY 15/16 Proposed net budget has increased from a surplus of \$202 in the FY 14/15 Adopted Budget to a surplus of \$5,893 primarily due to increases in tax revenues.

Solano County Water Agency

Reserve Fund Policy

The purpose of the Reserve Fund Policy is for proper allocation of reserve funds to protect the ability to fund capital improvements.

For auditing purposes, the funds do not represent separate governmental funds but rather the Agency maintains the funds as one governmental fund with each separate fund having a reserve balance. This policy provides guidance for the allocation of each fund's reserve balance.

The Solano Project fund is a "General Fund" for the Agency meaning that its revenues can be used to fund anything under the legal scope of the Agency. Revenues for the State Water Project, and Ulati and Green Valley Flood Control Projects can only be used for those specific projects, so the reserve funds must be segregated.

The Agency is financially responsible for two major water supply projects, the Solano Project and the North Bay Aqueduct of the State Water Project. Additionally the Agency has maintenance responsibility for two flood control projects, the Ulati and Green Valley flood control projects. The Solano Project was built in the 1950's and has significant future financial needs for rehabilitation projects and improvements. The Agency is also contemplating the North Bay Aqueduct Alternate Intake Project with a capital cost of over \$500 million. Clearly the Agency has future financial obligations that will need to be funded through a possible combination of use of reserves and financing.

The Agency seeks maximum flexibility to fund these future projects and the Reserve Fund Policy provides the Agency with financial options.

The components of the Agency reserve funds are found in a Schedule (see page IV-3) included in each Fiscal Year's adopted budget. There are separate reserves for all four Agency funds: Solano Project and Administration, State Water Project, Ulati Flood Control Project and Green Valley Flood Control Project. There is also a line for "Other Flood Control Projects" and "Emergency Reserve".

For each of the three major funds there is a further breakdown of the reserves. Each has an "Operating Reserve" and "Capital Improvements" explained below.

Operating Reserves

The purpose of operating reserves is to provide the Agency with working cash flow due to fluctuations in revenue streams. The Agency needs to fund ongoing operating expenses prior to the receipt of the majority of its revenues from the County of Solano property tax collections which are available in December and April. The Operating Reserve balance is determined by calculating six months of projected operating expenses for each fund.

Capital Improvements

Solano Project - Future capital improvements include rehabilitation and improvements to Solano Project major facilities: Monticello Dam, Putah Diversion Dam, and the Putah South Canal. The Solano Project was completed in 1957 at an original cost of \$40 million. An example of a future capital cost is replacement of the Putah South Canal concrete canal liners that have a useful life varying from 50 to 75 years. Because replacement costs are high for the Solano Project a considerable reserve should be maintained for this purpose. The Solano Project also has a specific Rehabilitation & Betterment Reserve used to fund planned capital projects that are identified in the Five-Year Rehabilitation and Betterment Plan which is updated each year. The amount of this reserve varies each year as projects are completed and new projects are added.

State Water Project – Future capital improvements include the NBA Alternate Intake Project. Although the timeline and final costs for this project have yet to be determined, the estimated costs of the capital projects will be at a minimum of \$550 million. Any replacement of the NBA will be financed by the State, but the Agency could accumulate funds to buy-down the financed debt. The Agency may also be required to pre-fund costs prior to construction. A NBA Capacity Remediation analysis to address impacts from a biofilm in the NBA pipeline is currently underway. The results of this study could lead to development of a capital project and increased operating costs. The amount to be allocated to the State Water Project Capital Improvements is the balance remaining after the allocation to the State Water Project Operating Reserve.

Ulati Flood Control Project– Future potential capital improvements are listed in the schedule. The amount to be allocated to the Ulati Project Capital Improvements is the balance remaining after the allocation to the Ulati Operating Reserve.

Other Flood Control Projects

This is a reserve for flood control projects that are not part of the Ulati and Green Valley Flood Control Projects. The Agency has a funding policy that specifies the types of projects eligible for funding and cost sharing requirements. There are currently no specific projects identified for this fund. The funding amount for Other Flood Control Projects reserve is at the discretion of SCWA Board of Directors.

Emergency Reserve

This reserve provides funding for needs in the event of an emergency or unforeseen event, such as major flooding or an earthquake. The funding amount for the Emergency Reserve is at the discretion of SCWA Board of Directors.

**SOLANO COUNTY WATER AGENCY
RESERVE FUNDS
FY 2015/16**

DETAIL BY FUND RESERVE CATEGORY	PROJECTED LONG-TERM CAPITAL PROJECTS ⁵	RESERVE FUND FY 14/15 APPROVED MAY 2014	CHANGE	RECOMMENDED RESERVE FUND FY 15/16
Solano Project/Admin				
Solano Project/Admin Operating Reserve		4,210,477	243,958	\$ 4,454,435
Solano Project/Admin Rehabilitation & Betterment Program ¹		1,440,000	(130,000)	1,310,000
Solano Project Capital Improvements		8,880,454	3,222,281	12,102,735
Putah South Canal Power line	750,000			
Reservoir Lane Rehabilitation	500,000			
Putah Diversion Office Solar Installation	100,000			
Terminal Dam Seismic Retrofit (SCWA 15% share)	6,000,000			
Putah South Canal Sediment Management - est	10,000,000			
	<u>17,350,000</u>			
Solano Project/ Admin Subtotal		14,530,931	3,336,239	17,867,170
State Water Project				
State Water Project Operating Reserves		5,314,286	364,835	5,679,121
State Water Project Capital Improvements		2,702,568	2,993,716	5,696,284
NBA Alternate Intake Project Implementation ²	8,000,000			
NBA Capacity Remediation ³	TBD			
	<u>8,000,000</u>			
State Water Project Subtotal		8,016,854	3,358,551	11,375,405
Ulatris Project				
Ulatris Project Control Project Operating Reserve		353,259	(5,000)	348,259
Ulatris Flood Control Project Capital Projects		3,790,058	815,736	4,605,794
Giant Garner Snake Preserve (cost shared) ⁴	1,400,000			
30 Grade Control Structures ⁴	750,000			
All Weather Access Improvements	500,000			
Spoil Easement Purchases	100,000			
Heavy Equipment Acquisitions	200,000			
	<u>2,950,000</u>			
Ulatris Project Subtotal		4,143,317	810,736	4,954,053
Green Valley Project				
Green Valley Flood Control Project Operating Reserve		-	29,532	29,532
Green Valley Project Subtotal		-	29,532	29,532
Other Flood Control Projects		200,000	-	200,000
Emergency Reserve		1,000,000	-	1,000,000
Total		\$ 27,891,102	7,535,058	\$ 35,426,160

Notes

1. Include R & B projects planned for the next 4 years
2. Tot. est. capital cost = \$550M; financed by State, Agency reserves to pre-fund costs prior to construction or buy-down debt; seek grant funds.
3. Current analysis underway to determine scope and cost to manage biofilm.
4. Pending completion of Solano HCP.
5. Capital Improvement Plan to be updated in 2015 as part of Strategic Plan.