



Solano County Water Agency  
Fiscal Year 2020-2021  
Proposed Budget



# SOLANO COUNTY WATER AGENCY



## General Manager's Budget Message

### **FY 2020-2021 Proposed Budget May 2020**

#### **Current Financial Position**

The Water Agency's financial position remains strong. Due to significantly lower than anticipated expenditures, the Water Agency's cumulative fund balance is projected to be at least \$51,306,700 at the close of FY 2019-2020, a net Increase of approximately \$2,216,402 from the prior year. Major expenditures that were planned but did not occur in FY 2019-2020 include the purchase of Habitat Conservation Plan (HCP) easements (\$3,000,000) and project delays associated with the Dixon Watershed Implementation program and miscellaneous Putah South Canal rehabilitation and betterment projects. More recently, a number of activities involving consultants and vendor contracts have been curtailed if not postponed or canceled as a result of the COVID-19 shelter at home directives. As discussed elsewhere, the ongoing COVID-19 situation presents a variety of economic and logistical challenges as we enter FY 2020-2021.

The Water Agency's budget is comprised of four funds; the Administration-Solano Project – Watermaster (ASW) Fund, State Water Project Fund, Ulatis Flood Control Fund, and Green Valley Flood Control Fund. The latter three are “restricted” funds – the respective revenue streams cannot be redirected to other funds – while the former, the ASW Fund, in addition to supporting Solano Project operations and administration, also serves as the Water Agency's general fund – revenues can be used for any purpose. A summary of the four funds is as follows:

Fund	Type	<u>Estimated Fund Balance on 6/30/20</u>	
		Dollars	Percent of total
ASW	general	20,016,577	39.0
State Water Project	restricted	23,574,910	46.0
Ulatis Flood Control	restricted	7,501,950	14.5
Green Valley Flood Control	restricted	213,263	0.5
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		51,306,700	100

#### **Long Term Outlook**

The Water Agency's responsibilities have expanded over the years, early on with the adoption of the Putah Creek Accord and commitment to prepare and implement the Solano Project Habitat Conservation Plan, along with the regional coordination of water conservation activities in Solano County, technical support for the North Bay Aqueduct Alternate Intake Project, and more recently with the adoption of the Flood Management Policy and participation in the development of the Solano Sub-basin Groundwater Sustainability Agency and Groundwater Management Plan. To

some degree the level of effort associated with these newer responsibilities has or will be peaking at different times – different years – and with somewhat different fiscal impacts to the four respective Funds. A long term outlook summary, by Fund, is presented below.

#### ASW Fund

With the notable exception of the NBA Alternate Intake Project and related technical studies, most of the aforementioned responsibilities have or will be financially supported by the ASW Fund. In the short term – next two to three years – the ASW Fund balance will be drawn down to accommodate technical studies in support of Voluntary Agreement development and participation in the ongoing Bay Delta Plan Update proceedings, as well as the “jump start” of the Solano Project Habitat Conservation Plan. Shortly thereafter, with the anticipated implementation of the Solano Sub-basin Groundwater Sustainability Plan, there will likely be significant and at least short term groundwater management expenditures – all this plus the ongoing operations and maintenance costs associated with the Solano Project, implementation of the Flood Management Policy, and water conservation programs.

While property taxes, the primary source of revenue for the ASW Fund, are expected to increase over the long term, staff believes it would be prudent to explore and wherever possible develop additional revenue streams to support the ASW Fund. To that end, the proposed FY 2020-2021 budget includes \$100,000 for a Solar feasibility study, as well as \$100,000 to develop a Hazard Mitigation Plan that would make the Water Agency available for FEMA hazard mitigation grant funding – a possible revenue source for certain rehabilitation and betterment projects. Other potential revenue sources are under consideration. In summary, additional revenue streams are needed to expand the “financial pie”, otherwise in future years the available “slices” attributable to the various functions the ASW Fund supports will most likely need to be smaller.

#### State Water Project Fund

Nearly half of the Water Agency’s cumulative fund balance is attributable to the State Water Project Fund. While seemingly robust, at least in the short term, significant expenditures are anticipated in the next three to seven years, as the planning, environmental review, and design of what is currently anticipated to be a \$600 million construction project – the North Bay Alternate Intake (NBA AI) - resume in earnest. Currently, the Water Agency is funding several technical studies to support formulation of a multi-benefit North Bay Aqueduct Alternate Intake Project (NBA AIP) that will hopefully attract significant financial contributions from the Federal and State governments. The planning, environmental review, and design of the NBA AIP are expected to cost on the order of \$10 to \$15 million.

#### Ulatris Flood Control Fund

The Ulatris Flood Control Fund has benefited from increased property values associated with the conversion of agricultural lands to residential housing at and near Vacaville. Then again, urbanization has created new challenges and expenses. Significant capital expenditures, most notably a series of grade control weirs, are anticipated in the next five years, assuming the Solano Project Habitat Conservation Plan is formally approved by the Federal and State resource agencies in the next 12 to 18 months. Once approved, the Solano Project Habitat Conservation Plan will provide streamlined permitting that will facilitate the environmental review and compliance matters associated with these capital projects. Adoption of the Solano Project Habitat Conservation Plan will also obligate the Ulatris Flood Control Project to mitigate for the

loss of Giant Garter Snake and other special status species habitats – estimated to cost approximately \$1 million.

In addition to flood protection, the Ulatis Flood Control Project is currently used to convey and store irrigation water in the summer and also serves as the year-round point of discharge for the City of Vacaville’s tertiary treated wastewater. Because the Ulatis Flood Control Project ultimately drains into the Cache Slough Complex, an ecologically important area that is the focus of large scale habitat restoration efforts, staff anticipates that the Ulatis Flood Control Project will come under increased scrutiny by State and Federal resource agencies in the coming years – a double edged sword. Based on biological information collected to date it appears likely that the Ulatis Flood Control Project could be operated and maintained in ways that enhance habitat values in at least the upstream portions of Cache Slough –potential mitigation credits and/or source of revenue. On the other hand, if in fact the operation and maintenance of the Ulatis Flood Control Project has a significant impact on the ecology of at least portions of the Cache Slough Complex, one can expect the regulatory agencies to take interest. Over the next several years staff anticipates the initiation of additional biological, water quality and hydrodynamic investigations, and ultimately, the development of a management plan for the Ulatis Flood Control Project that incorporates habitat restoration as one of the flood project’s functions.

On the whole, the Ulatis Flood Control Fund is in good shape for the foreseeable future – no discernible negative expenditure or revenue trends, and sufficient reserves to accomplish anticipated capital improvement projects with funds remaining to explore new opportunities.

#### Green Valley Flood Control Fund

When constructed, the predominant land uses in and around the Green Valley Flood Control Project were agricultural and rural residential. Property tax revenues were modest at best and out of necessity, operations and maintenance expenditures were backstopped via loans from the ASW Fund. Landuses have shifted over time and are now predominately residential and commercial, which has enhanced property tax revenues somewhat. However, urbanization, in addition to sea level rise are creating significant operations and maintenance challenges and the financial position of the Green Valley Flood Control Fund, while certainly better in recent years, will continue to be marginally adequate for the foreseeable future.

#### FY 2019/2020 Budget Synopsis

The FY 2019/20 budget was designed with the expectation that the Water Agency’s reserves would be drawn down by approximately \$8,000,000 to fund certain one-time and short term expenditures. Due to project delays, most notably with regard to the Solano Project Habitat Conservation Plan, the opposite has occurred – the Water Agency’s cumulative fund balance is projected to increase by at least \$2,216,402 at the close of FY 2019/20.

#### Proposed FY 2020/21 Budget

As of this writing the State of California is anticipating significant revenue shortfalls that will necessitate significant State budget cuts in FY 2020/2021. Unlike many County and city programs that rely heavily on State and Federal funding sources, the majority of the Water Agency’s revenues are derived from local property taxes, which to date have not been significantly impacted by the coronavirus pandemic and historically have not fluctuated annually to the degree sales tax revenues and many other revenue streams have and are expected to fluctuate in the immediate future.

Accordingly, the Water Agency's fiscal position is reasonably strong as we enter these uncertain economic times.

In view of the ongoing coronavirus pandemic and the associated economic uncertainty, the proposed FY 2020/2021 budget is more conservative than those of recent years and as discussed below, should the shelter-in-place/social distancing orders remain in effect through the summer and fall of 2020, operating expenses will be less than budgeted due to the curtailment of certain field activities by staff and consultants.- most notably, water conservation home audits, education and public outreach programs, planning and implementation of some small grant flood control projects, and some hydrologic and biological field data collection efforts. As proposed, total FY 2020/2021 revenues (\$39,796,941) exceed total anticipated FY 2020/2021 expenditures (\$39,029,549) by \$767,392, leaving \$52,074,092 in reserves.

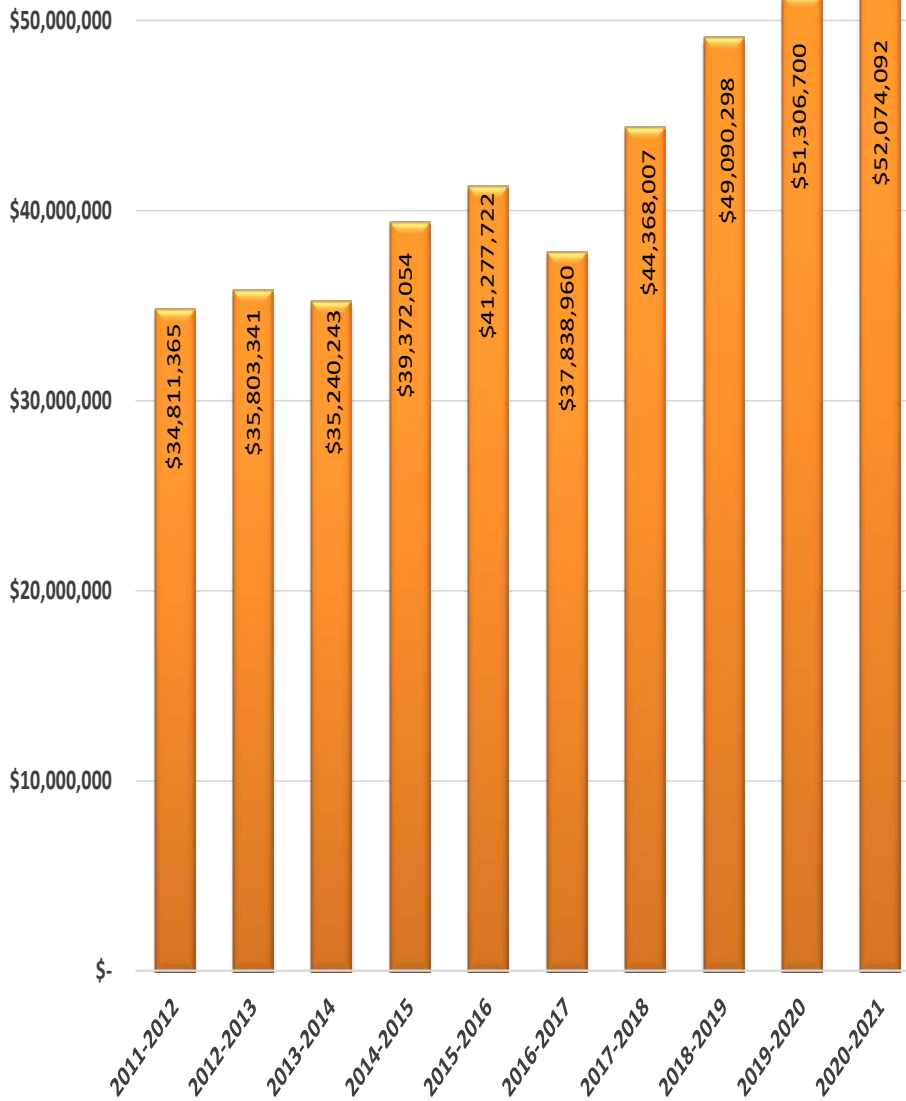
In recent years the projected cost of habitat conservation easements (\$3,000,000) and a potential office expansion (\$2,500,000) have been identified and included in the respective budgets, with the expectation that funding for these items would be taken from reserves. The prospects of obtaining the aforementioned habitat conservation easements remains highly speculative in FY 2020/2021 due to delays associated with the United States Fish and Wildlife Service (USFWS) review and approval of the Solano Habitat Conservation Plan (shelter-in-place restrictions have slowed USFWS review). Staff anticipates bringing the office expansion purchase proposal to the Board in early FY 2020/2021. The extent and cost of the proposed office expansion has yet to be determined and will ultimately be the Board's decision. For budgeting purposes, staff has not included the cost of habitat conservation easements or the office expansion in the proposed FY 2020/2021 budget and would prefer to simply identify the two items as purchases that if occurring in FY 2020/2021 would be funded from reserves, pending Board approval.

While the combined anticipated FY 2020/2021 revenue of the four funds exceeds the corresponding anticipated FY 2020/2021 expenses, the projected expenses from the ASW Fund – baring curtailment of certain activities due to coronavirus shelter-in-place/social distancing restrictions – will exceed the projected revenues by \$1,804,434 (revenues of \$19,297,323 versus \$21,101,757 of expenses). As previously discussed, over time the fiscal demands on the ASW Fund have grown significantly and accordingly, additional revenue streams will be needed to sustain the current level of expenditures in future years.

A summary of proposed FY 2020/20 21expenses and revenues, along with long-term expense and revenue trends, is presented in the following charts and tables.

# Figure 1

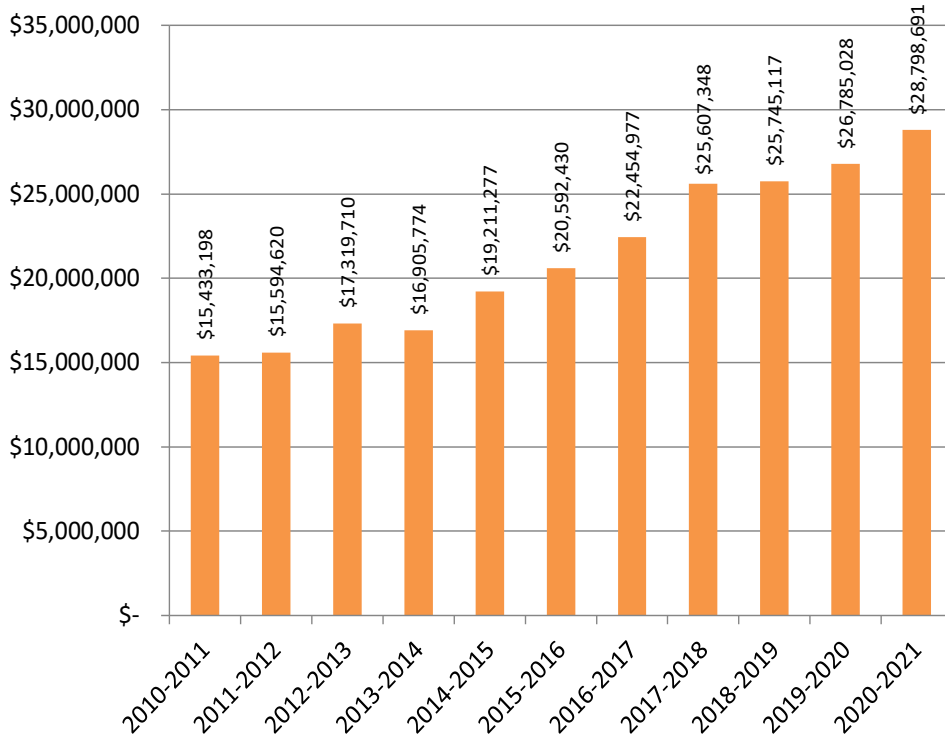
## Cumulative Fund Balance



Notes: 2020-2021 cumulative fund balance data based on proposed budget  
2019-2020 cumulative fund balance data based on year end projected budget  
2011-2012 through 2018-2019 “actuals” from annual audit reports

# Figure 2

## Property Tax Revenue

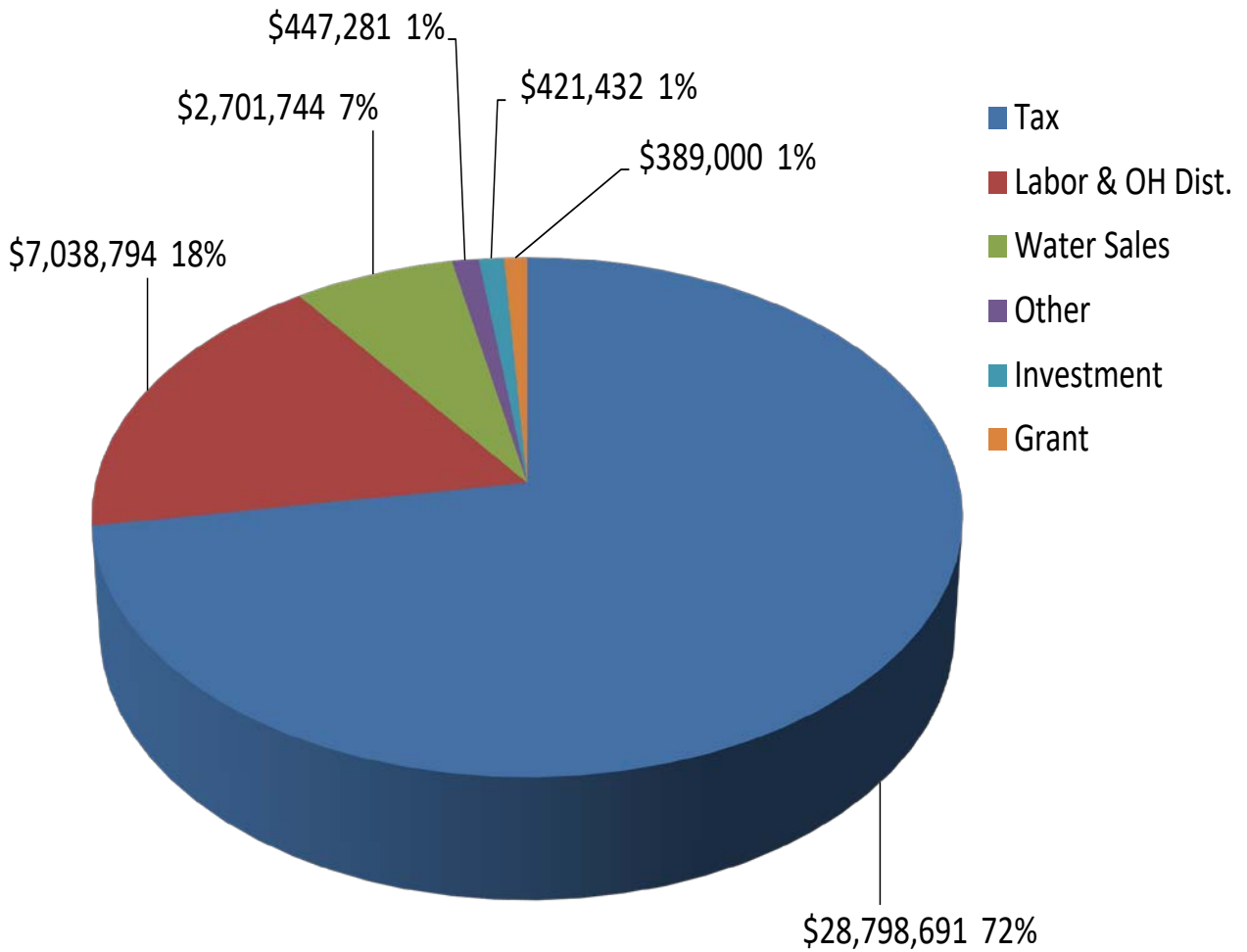


Notes: 2020-2021 property tax revenue data based on County estimates  
2019-2020 property tax revenue based on year end projected budget  
2010-2011 through 2018-2019 “actuals” from annual audited reports



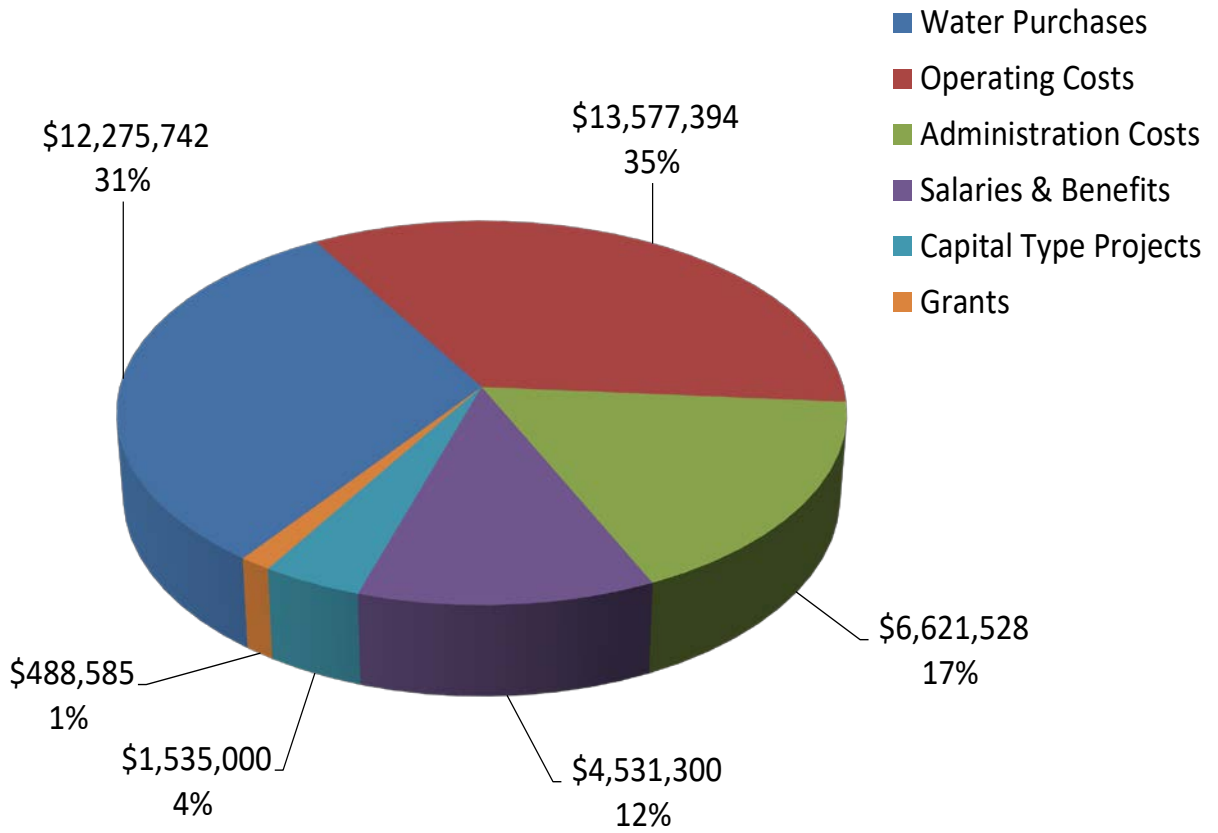
**Figure 3**

**Summary of Projected Revenues  
FY 2020-2021  
Total Revenues - \$39,796,941**



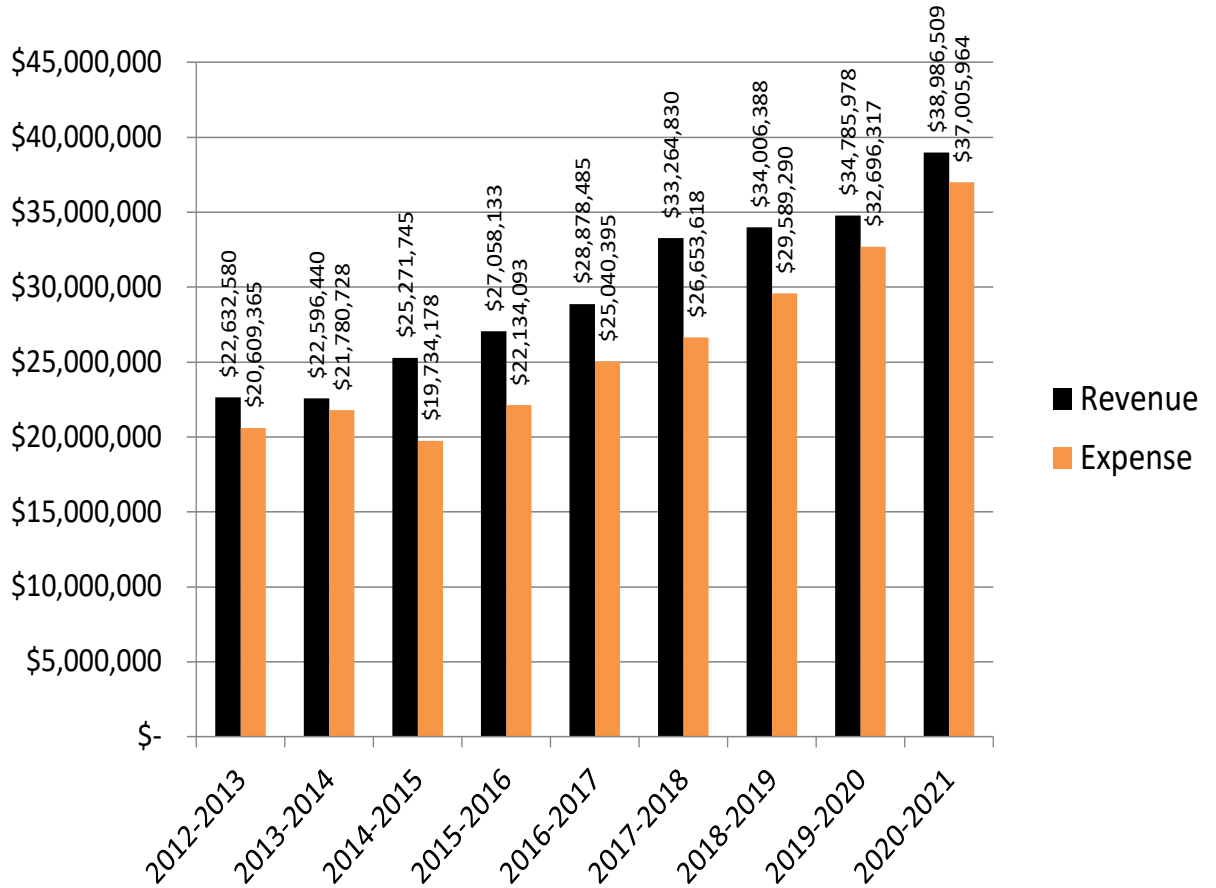
**Figure 4**

**Summary of Expenditures  
FY 2020-2021  
Total Expenditures - \$39,029,549**



# Figure 5

## Operating Income and Expense



Notes: 2020-2021 revenue/expense data based on proposed budget  
2019-2020 revenue/expense data based on year end projection  
2012-2013 through 2018-2019 “actuals” from annual audit reports

SOLANO COUNTY WATER AGENCY  
SCHEDULE 1  
ALL FUNDS SUMMARY  
FY 2020/2021

FUND NAME	FUND BALANCE AVAILABLE 6/2018 AUDITED	FUND BALANCE AVAILABLE 6/2019 AUDITED	YEAR END PROJECTION INCREASE/ DECREASE TO FUND BALANCE 19/20	FUND BALANCE AVAILABLE 6/30/2020 ESTIMATED	PROPOSED 20/21 REVENUES	PROPOSED 20/21 EXPENDITURES	PROPOSED INCREASE/ DECREASE TO FUND BALANCE	PROPOSED FUND BALANCE 6/30/2021
ADMIN - SOLANO PROJECT - WM*	20,878,116	20,866,265	(849,688)	20,016,577	19,297,323	21,101,757	(1,804,434)	18,212,143
STATE WATER PROJECT	16,914,423	20,792,243	2,782,667	23,574,910	18,646,431	16,077,506	2,568,925	26,143,835
ULATIS FLOOD CONTROL	6,343,849	7,214,592	287,358	7,501,950	1,670,016	1,674,243	(4,227)	7,497,723
GREEN VALLEY FLOOD CONTROL	231,620	217,198	(3,935)	213,263	183,172	176,044	7,128	220,391
<b>Total All FUNDS</b>	<b>44,368,008</b>	<b>49,090,298</b>	<b>2,216,402</b>	<b>51,306,700</b>	<b>39,796,941</b>	<b>39,029,549</b>	<b>767,392</b>	<b>52,074,092</b>

\*Administration, Solano Projects, and Watermaster

Schedule 1 provides the reserve balances based on the FY 2019/2020 Year End Projections.

This schedule also provides Projected Year End net increase/(decrease) by Fund for the FY 19/20 budget year.

SOLANO COUNTY WATER AGENCY  
SCHEDULE 2  
ALL FUNDS SUMMARY - BY FUNDS  
FY 2020/2021

DETAIL BY FUND REVENUE CATEGORY AND FUND EXPENDITURE CATEGORY	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ACTUAL	2019/2020 YEAR END PROJECTION	2020/21 PROPOSED	FROM PROJECTION TO PROPOSED	PERCENT CHANGED
<b>Revenues</b>							
Admin-Solano Project-Watermaster	13,253,900	15,838,360	16,699,831	16,774,771	19,297,323	2,522,552	15%
State Water Project	15,074,314	16,989,484	17,170,108	17,703,538	18,646,431	942,893	5%
Ulatis Flood Control	1,258,855	1,533,615	1,627,560	1,623,176	1,670,016	46,840	3%
Green Valley Flood Control	120,066	129,305	154,696	169,204	183,172	13,968	8%
<b>Total Revenues</b>	<b>29,707,135</b>	<b>34,490,764</b>	<b>35,652,195</b>	<b>36,270,688</b>	<b>39,796,941</b>	<b>3,526,253</b>	<b>10%</b>
<b>Expenditures</b>							
Admin-Solano Project-Watermaster	15,521,374	14,423,930	16,711,681	17,624,459	21,101,757	3,477,298	20%
State Water Project	16,637,637	12,724,956	13,292,288	14,920,871	16,077,506	1,156,635	8%
Ulatis Flood Control	947,255	764,375	756,816	1,335,818	1,674,243	338,424	25%
Green Valley Flood Control	39,586	48,457	169,119	173,139	176,044	2,906	2%
<b>Total Expenditures</b>	<b>33,145,851</b>	<b>27,961,718</b>	<b>30,929,903</b>	<b>34,054,286</b>	<b>39,029,549</b>	<b>4,975,263</b>	<b>15%</b>
<b>Net</b>							
Admin-Solano Project-Watermaster	(2,267,474)	1,414,430	(11,850)	(849,688)	(1,804,434)	(954,746)	112%
State Water Project	(1,563,323)	4,264,528	3,877,820	2,782,667	2,568,925	(213,742)	-8%
Ulatis Flood Control	311,601	769,240	870,744	287,358	(4,227)	(291,584)	-101%
Green Valley Flood Control	80,480	80,848	(14,422)	(3,935)	7,128	11,063	-281%
<b>Total Net</b>	<b>(3,438,716)</b>	<b>6,529,046</b>	<b>4,722,291</b>	<b>2,216,402</b>	<b>767,392</b>	<b>(1,449,010)</b>	<b>-165%</b>

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

SOLANO COUNTY WATER AGENCY  
SCHEDULE 3  
ALL FUNDS SUMMARY - BY ACTIVITY  
FY 2020/2021

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ACTUAL	2019/2020 YEAR END PROJECTION	2020/21 PROPOSED	FROM PROJECTION TO PROPOSED	PERCENT CHANGED
<b>Revenues</b>							
Taxes	22,454,977	25,607,348	25,745,117	26,785,028	28,798,691	2,013,663	8%
Water Sales	2,451,389	2,452,701	2,588,338	2,358,206	2,701,744	343,538	15%
Grant Revenues	622,869	810,703	575,834	696,276	389,000	(307,276)	-44%
Investment Income	205,753	415,231	1,069,972	788,434	421,432	(367,002)	-47%
InterFund Cost Allocation	3,053,599	4,211,746	4,531,302	5,212,478	7,038,794	1,826,316	35%
Other Revenue	918,519	993,034	1,141,632	430,266	447,281	17,015	4%
<b>Total Revenues</b>	<b>29,707,107</b>	<b>34,490,764</b>	<b>35,652,195</b>	<b>36,270,688</b>	<b>39,796,941</b>	<b>3,526,253</b>	<b>10%</b>
<b>Expenditures</b>							
Salaries and Employee Benefits	3,099,414	3,447,128	3,850,069	4,054,754	4,531,300	476,546	12%
Services and Supplies	786,125	834,637	999,124	1,258,262	1,592,915	334,653	27%
Operations & Maintenance	4,496,992	5,588,445	6,243,706	6,216,903	8,382,867	2,165,964	35%
LPCCC Operations	924,938	1,212,843	1,591,989	2,270,114	1,711,090	(559,023)	-25%
Putah Creek Watershed Management		-	992,361	884,274	1,075,315	191,041	22%
Rehab & Betterment	19,500	247,787	174,651	330,887	1,185,000	854,113	258%
Water Purchases	11,508,929	11,115,387	11,150,619	12,014,202	12,275,742	261,540	2%
Grant Expenditures	661,558	758,173	633,043	247,556	345,085	97,529	39%
Flood Control	223,550	285,394	410,415	499,301	1,291,610	792,309	159%
HCP Planning	518,241	593,797	693,193	746,951	817,613	70,661	9%
Water Conservation	1,789,809	1,588,754	1,898,708	1,845,010	1,967,575	122,565	7%
Consultants	1,692,398	1,987,232	1,754,107	2,641,545	3,218,437	576,891	22%
Fixed Assets	7,424,398	302,139	532,919	779,526	370,000	(409,526)	-53%
Contingency	-	-	5,000	265,000	265,000	-	0%
<b>Total Expenditures</b>	<b>33,145,851</b>	<b>27,961,718</b>	<b>30,929,903</b>	<b>34,054,286</b>	<b>39,029,549</b>	<b>4,975,263</b>	<b>15%</b>
<b>Total Net</b>	<b>(3,438,744)</b>	<b>6,529,046</b>	<b>4,722,291</b>	<b>2,216,402</b>	<b>767,392</b>	<b>(1,449,010)</b>	<b>-65%</b>

Schedule 3 provides revenue and expenses by activity type for all four funds combined. It includes three 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 2020/2021**

DETAIL BY OPERATING REVENUE AND EXPENDITURE CATEGORY AND NON-OPERATING REVENUE AND EXPENDITURES CATEGORY	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ACTUAL	2019/2020 YEAR END PROJECTION	2020/21 PROPOSED	FROM PROJECTION TO PROPOSED	PERCENT CHANGED
<b>Operating Revenues</b>							
Taxes	22,454,977	25,607,348	25,745,117	26,785,028	28,798,691	2,013,663	-92%
Water Sales	2,451,389	2,452,701	2,588,338	2,358,206	2,701,744	343,538	-85%
InterFund Cost Allocation	3,053,599	4,211,746	4,531,302	5,212,478	7,038,794	1,826,316	-65%
Other Revenue	918,519	993,034	1,141,632	430,266	447,281	17,015	-96%
<b>Total Operating Revenues</b>	<b>28,878,485</b>	<b>33,264,829</b>	<b>34,006,388</b>	<b>34,785,978</b>	<b>38,986,509</b>	<b>4,200,531</b>	<b>-88%</b>
<b>Operating Expenditures</b>							
Salaries and Employee Benefits	3,099,414	3,447,128	3,850,069	4,054,754	4,531,300	476,546	-88%
Services and Supplies	786,125	834,637	999,124	1,258,262	1,592,915	334,653	-73%
Operations & Maintenance	4,496,992	5,588,445	7,236,067	7,101,177	9,458,182	2,357,005	-67%
LPCCC Operations	924,938	1,212,843	1,591,989	2,270,114	1,711,090	(559,023)	-125%
Water Purchases	11,508,929	11,115,387	11,150,619	12,014,202	12,275,742	261,540	-98%
Flood Control	223,550	285,394	410,415	499,301	1,291,610	792,309	59%
HCP Planning	518,241	593,797	693,193	746,951	817,613	70,661	-91%
Water Conservation	1,789,809	1,588,754	1,898,708	1,845,010	1,967,575	122,565	-93%
Consultants	1,692,398	1,987,232	1,754,107	2,641,545	3,218,437	576,891	-78%
Contingency	-	-	5,000	265,000	265,000	-	-100%
<b>Total Operating Expenditures</b>	<b>25,040,395</b>	<b>26,653,618</b>	<b>29,589,290</b>	<b>32,696,317</b>	<b>37,129,464</b>	<b>4,433,147</b>	<b>-86%</b>
<b>Net Operating</b>	<b>3,838,090</b>	<b>6,611,211</b>	<b>4,417,098</b>	<b>2,089,660</b>	<b>1,857,045</b>	<b>(232,616)</b>	<b>-111%</b>
<b>Non-Operating Revenues</b>							
Investment Income	205,753	415,231	1,069,972	788,434	421,432	(367,002)	-147%
Grant Revenues	622,869	810,703	575,834	696,276	389,000	(307,276)	-144%
<b>Total Non-Operating Revenues</b>	<b>828,622</b>	<b>1,225,935</b>	<b>1,645,807</b>	<b>1,484,710</b>	<b>810,432</b>	<b>(674,278)</b>	<b>55%</b>
<b>Non-Operating Expenditures</b>							
Rehab & Betterment	19,500	247,787	174,651	330,887	1,185,000	854,113	158%
Grant Expenditures	661,558	758,173	633,043	247,556	345,085	97,529	-61%
Fixed Assets	7,424,398	302,139	532,919	779,526	370,000	(409,526)	-153%
<b>Total Non-Operating Expenditures</b>	<b>8,105,455</b>	<b>1,308,100</b>	<b>1,340,614</b>	<b>1,357,969</b>	<b>1,900,085</b>	<b>542,116</b>	<b>-60%</b>
<b>Net Non-Operating</b>	<b>(7,276,833)</b>	<b>(82,165)</b>	<b>305,193</b>	<b>126,741</b>	<b>(1,089,653)</b>	<b>(1,216,394)</b>	<b>-1060%</b>
<b>Net Operating and Non-Operating</b>	<b>(3,438,744)</b>	<b>6,529,046</b>	<b>4,722,291</b>	<b>2,216,402</b>	<b>767,392</b>	<b>(1,449,010)</b>	<b>-165%</b>

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 2020/21

FUND	DESCRIPTION	TOTAL AMOUNT	2020/21 PLANNED	2021/22 PROPOSED	2022/23 PROPOSED	2023/24 PROPOSED	2024/25 PROPOSED
SP	SP Risk Assessment	350,000	200,000	150,000	-	-	-
SP	MD Gantry Crane Motor Install	100,000	-	-	100,000	-	-
SP	PDD Flood Gate Rehab	850,000	100,000	250,000	250,000	250,000	-
SP	PDD Monitoring Well Rehab	75,000	50,000	25,000	-	-	-
SP	PSC Drainage Rehab	100,000	20,000	20,000	20,000	20,000	20,000
SP	PSC Road Gravel and Turn-Around Improvements	375,000	75,000	75,000	75,000	75,000	75,000
SP	PSC Panel Replacement & Rehab	650,000	130,000	130,000	130,000	130,000	130,000
SP	PSC Radial Gate Rehab	350,000	50,000	75,000	75,000	75,000	75,000
SP	PSC Check Upgrades (Automation)	700,000	140,000	140,000	140,000	140,000	140,000
SP	PSC Electrical Upgrades	500,000	100,000	100,000	100,000	100,000	100,000
SP	PSC Seismic Assessment	250,000	50,000	50,000	50,000	50,000	50,000
SP	PSC Fence Installation (Security)	800,000	-	-	100,000	300,000	400,000
<b>Total Solano Project Rehab &amp; Betterment</b>		<b>5,100,000</b>	<b>915,000</b>	<b>1,015,000</b>	<b>1,040,000</b>	<b>1,140,000</b>	<b>990,000</b>



SOLANO COUNTY WATER AGENCY  
SCHEDULE 6  
BUDGET PROJECTIONS

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2017/18 ACTUAL	2018/19 ACTUAL	2019/20 YEAR END PROJECTED BUDGET	2020/21 PROPOSED	2021/22 PROPOSED	2022/23 PROPOSED	2023/24 PROPOSED
<b>Revenues</b>							
Taxes	22,454,977	25,607,348	26,785,028	28,798,691	26,163,166	25,118,901	25,575,892
Water Sales	2,451,389	2,452,701	2,358,206	2,701,744	2,640,100	2,640,100	2,640,100
Grant Revenues	622,869	810,703	696,276	389,000	114,123	90,000	180,000
Investment Income	205,753	415,231	788,434	421,432	423,158	423,158	423,158
Labor & Ovhd Distr.	3,053,599	4,211,746	5,212,478	7,038,794	5,368,852	5,529,917	5,695,815
Other Revenue	918,519	993,034	430,266	447,281	261,681	251,481	213,481
<b>Total Revenues</b>	<b>29,707,107</b>	<b>34,490,764</b>	<b>36,270,688</b>	<b>39,796,941</b>	<b>34,971,080</b>	<b>34,053,557</b>	<b>34,728,446</b>
<b>Expenditures</b>							
Salaries and Employee Benefits	3,099,414	3,447,128	4,054,754	4,531,300	5,301,500	6,081,400	7,095,900
Services and Supplies	786,125	834,637	1,258,262	1,592,915	1,537,078	1,530,270	1,552,550
Operations & Maintenance	4,496,992	5,588,445	6,216,903	8,382,867	8,147,993	8,252,703	8,882,955
LPCCC Operations	924,938	1,212,843	2,270,114	1,711,090	1,791,209	1,883,142	1,980,590
Putah Creek Watershed Mgt			884,274	1,075,315	818,163	842,000	870,000
Rehab & Betterment	19,500	247,787	330,887	1,185,000	985,000	985,000	985,000
Water Purchases	11,508,929	11,115,387	12,014,202	12,275,742	13,138,760	13,541,579	13,546,111
Grant Expenditures	661,558	758,173	247,556	345,085	346,168	356,553	-
Flood Control	223,550	285,394	499,301	1,291,610	925,913	775,911	685,493
HCP Planning	518,241	593,797	746,951	817,613	3,847,035	728,786	753,029
Water Conservation	1,789,809	1,588,754	1,845,010	1,967,575	1,808,646	1,829,357	1,866,444
Consultants	1,692,398	1,987,232	2,641,545	3,218,437	2,022,955	2,050,752	2,045,221
Fixed Assets	7,424,398	302,139	734,526	370,000	25,000	25,000	25,000
Contingency	-		265,000	265,000	275,000	275,000	275,000
<b>Total Expenditures</b>	<b>33,145,851</b>	<b>27,961,718</b>	<b>34,009,286</b>	<b>39,029,549</b>	<b>40,970,419</b>	<b>39,157,452</b>	<b>40,563,293</b>
<b>Total Net</b>	<b>(3,438,744)</b>	<b>6,529,046</b>	<b>2,261,402</b>	<b>767,392</b>	<b>(5,999,340)</b>	<b>(5,103,895)</b>	<b>(5,834,848)</b>

Key Budget Projection Assumptions

1. Projected property tax revenues based on observed post 2008 trend
2. Salary and Employee Benefits increased 6%, annually, includes anticipated new hires
3. Projected grant revenues based on currently awarded grants, grant expenditures include matching funds provided by Water Agency

SOLANO COUNTY WATER AGENCY  
SCHEDULE 7  
BUDGET PROJECTIONS

FUND NAME	FUND BALANCE AVAILABLE 6/2018 AUDITED	FUND BALANCE AVAILABLE 6/2019 AUDITED	YEAR END PROJECTION INCREASE/ DECREASE TO FUND BALANCE 19/20	FUND BALANCE JUNE 30, 2020 YEAR END PROJECTION	PROPOSED INCREASE/ DECREASE TO FUND BALANCE 20/21	FUND BALANCE JUNE 30, 2021 PROPOSED	FUND BALANCE JUNE 30, 2022 PROJECTED	FUND BALANCE JUNE 30, 2023 PROJECTED	FUND BALANCE JUNE 30, 2024 PROJECTED
ADMIN - SOLANO PROJECT - WM	20,878,116	20,866,265	(849,688)	20,016,577	(1,804,434)	18,212,143	11,658,179	7,176,943	1,941,397
STATE WATER PROJECT	16,914,423	20,792,243	2,782,667	23,574,910	2,568,925	26,143,835	26,798,786	26,207,197	25,619,356
ULATIS FLOOD CONTROL	6,343,849	7,214,592	287,358	7,501,950	(4,227)	7,497,723	7,461,904	7,498,576	7,556,264
GREEN VALLEY FLOOD CONTROL	231,620	217,198	(3,935)	213,263	7,128	220,391	155,883	88,141	18,992
<b>Total All FUNDS</b>	<b>44,368,008</b>	<b>49,090,298</b>	<b>2,216,402</b>	<b>51,306,700</b>	<b>767,392</b>	<b>52,074,092</b>	<b>46,074,752</b>	<b>40,970,857</b>	<b>35,136,009</b>

**FUND PURPOSE**

The Administration-Solano Project-Watermaster (ASW) fund is comprised of three sub-funds; Administration, Solano Project, and Watermaster. Unlike the Water Agency’s State Water Project, Ulatis and Green Valley funds, which for accounting purposes are defined as “restricted” funds, the ASW is a “general fund” and therefore the monies within the ASW fund can be used for any purpose – flood control, groundwater monitoring, water conservation, etc.

**FUNCTION AND RESPONSIBILITIES**

Administration – The Administration sub-fund provides human resource and other administrative support for SCWA staff, as well as funding for SCWA’s general flood control, groundwater monitoring and Solano Subbasin Groundwater Sustainability Agency administrative support, integrated regional water management planning, and water conservation activities.

Solano Project - The Solano Project sub-fund supports the Solano Project water supply, including operation and maintenance of the Solano Project facilities (Monticello Dam, Putah Diversion Dam, and Putah South Canal), compliance with the Putah Creek Accord and a variety of technical studies and administrative functions in support of the Lower Putah Creek Coordinating Committee (LPCCC), and implementation of the Solano Habitat Conservation Plan (HCP).

Watermaster – The Watermaster sub-fund is used to implement the Condition 12 water rights settlement in the Lake Berryessa watershed.

**FUND DETAIL COMMENTS*****Revenues***

Property Taxes -FY 2020-2021 property tax revenues are projected to increase 7% from the prior fiscal year, reflecting the prevailing trend of increasing property values in Solano County. The timing and extent of the COVID-19 pandemic’s economic impact on future property tax revenues is unclear. However, as illustrated in the 2008-2009 economic recession, changes in property tax revenues typically lag the corresponding economic downturns (or upturns) by 18 to 24 months

Grant Revenue – The Water Agency has been awarded three grants, two pertaining to the Lake Berryessa Invasive Mussel Inspection Program and one in support of ongoing water conservation programs, that are collectively projected to increase grant revenues by 11% over the prior year

Investment Income – Interest earnings have been declining since the Fall of 2019, with the rate of decline accelerating at the onset of the COVID-19 pandemic. In view of the prevailing economic uncertainty, FY 2020-2020 interest earnings are projected to be just 50 percent of those achieved in FY 2019-2020

***Expenditures***

Salaries & Benefits – Includes funding for new positions; SCADA tech, maintenance aides, accounting clerk, water resources engineer and/or technician, and the Assistant general manager; as well as a \$224,000 lump sum payoff of unfunded Pension liabilities.

Services and Supplies – FY 20/21 expenditures projected to increase 27% over prior year due to additional public outreach/education and computer equipment expenditures, additional human resources support services.

Operations and Maintenance –Includes additional funding for technical studies in support of Voluntary Settlement Agreement/Bay-Delta Plan update and funding for projects budgeted but not initiated in FY 2019-2020, most notably PSC Algacide Study and Alternative Energy Feasibility Study.

Grant Expenditures – Implementation of two new Lake Berryessa Invasive Mussel Inspection Program grants and a new water conservation grant funded project.

Water Conservation – Expanded programs for Lower Income and Residents with Disabilities and additional grant funding for 2 years.

Flood Control –Includes funding for ongoing Dixon Watershed Management Plan, update to Master Drainage Plan and Hydrology Design Manual, funding for small grant flood protection grant program.

HCP – FY 20/21 expenditures less than anticipated due to project delays and delay in purchasing the easements.

Consultants – Funding has been increased in anticipation of several new technical studies related to the operation of the Solano Project and the State Water Resources Control Board’s ongoing update of the 2016 Bay-Delta Plan, groundwater investigations, and IT services.

Fixed Assets – Funding has been included for new vehicles for maintenance aides, SCADA, and water resources utilities for use in operations and maintenance and additional streamflow and water quality monitoring

**(GENERAL FUND)****ADMINISTRATION – SOLANO PROJECT - WATERMASTER**

<b>DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY</b>	<b>2016/17 ACTUAL</b>	<b>2017/18 Actual</b>	<b>2018/19 Actual</b>	<b>2019/20 YE PROJECTION</b>	<b>2020/2021 PROPOSED</b>	<b>PROJECTION TO PROPOSED</b>	<b>PERCENT CHANGED</b>
<b>Revenues</b>							
Taxes	8,638,934	9,566,656	9,881,679	10,415,474	11,166,680	751,206	7%
Grants	482,309	810,703	575,834	351,276	389,000	37,724	11%
Investment Income	114,881	219,270	520,960	317,316	186,165	(131,151)	-41%
InterFund Cost Allocation	3,053,599	4,211,746	4,531,302	5,212,478	7,038,794	1,826,316	35%
Water Sales	67,734	83,748	93,644	72,676	93,644	20,968	29%
Other Revenue Sources	896,443	946,237	1,096,412	405,551	423,040	17,489	4%
<b>Total Revenues</b>	<b>13,253,900</b>	<b>15,838,360</b>	<b>16,699,831</b>	<b>16,774,771</b>	<b>19,297,323</b>	<b>2,522,552</b>	<b>15%</b>
<b>Expenditures</b>							
Salaries & Benefits	3,099,414	3,447,128	3,850,069	4,054,754	4,531,300	476,546	12%
Services and Supplies	643,148	749,514	921,079	1,149,787	1,460,415	310,628	27%
Operations and Maintenance	3,194,631	3,996,774	4,433,064	4,060,569	5,450,423	1,389,854	34%
LPCCC Operations	924,938	1,212,843	1,591,989	2,270,114	1,711,090	(559,023)	-25%
Putah Creek Watershed Management			992,361	884,274	1,075,315	191,041	22%
Rehab & Betterment	19,500	247,787	174,651	330,887	915,000	584,113	177%
Grant Expenditures	379,367	758,173	632,625	247,556	345,085	97,529	39%
Water Conservation	1,295,783	1,077,805	1,206,585	1,059,263	1,091,469	32,207	3%
Flood Control	223,550	285,394	410,415	499,301	1,291,610	792,309	159%
HCP	518,241	593,797	693,193	746,951	817,613	70,661	9%
Consultants	1,540,558	1,799,765	1,285,064	1,764,844	1,937,437	172,592	10%
Fixed Assets	3,682,245	254,949	515,587	386,158	305,000	(81,158)	-21%
Contingency	-	-	5,000	170,000	170,000	-	0%
<b>Total Expenditures</b>	<b>15,521,374</b>	<b>14,423,930</b>	<b>16,711,681</b>	<b>17,624,459</b>	<b>21,101,757</b>	<b>3,477,298</b>	<b>20%</b>
<b>Net Change</b>	<b>(2,267,474)</b>	<b>1,414,430</b>	<b>(11,850)</b>	<b>(849,688)</b>	<b>(1,804,434)</b>	<b>(954,746)</b>	<b>112%</b>

**FUND PURPOSE**

Repayment of capital costs, ongoing operations and maintenance of the North Bay Aqueduct.

**FUNCTION AND RESPONSIBILITIES**

SCWA is responsible for purchasing water from the State Water Project for resale to cities in Solano County. Water is delivered via the North Bay Aqueduct (NBA), which originates in Barker Slough and terminates in Napa County (Napa County has a similar State Water Project water supply contract). The NBA is owned, operated, and maintained by the California Department of Water Resources (DWR). SCWA administers the State Water Project water supply contract, which among other things, obligates SCWA to reimburse DWR for Solano's share of the NBA operation, maintenance, and capital costs. The majority of the funds used to reimburse DWR are obtained via the "NBA Zone of Benefit Tax" – a property tax assessment. In addition to administering the water supply contract, SCWA performs various technical studies related to NBA operations, monitors water quality in Barker Slough, and provides technical assistance to DWR in support of the NBA Alternate Intake Project.

**FUND DETAIL COMMENTS****Revenues**

Property Taxes –FY 2020-2021 property tax revenues are projected to increase 8% from the prior fiscal year, reflecting the prevailing trend of increasing property values in Solano County. The timing and extent of the COVID-19 pandemic's economic impact on future property tax revenues is unclear. However, as illustrated in the 2008-2009 economic recession, changes in property tax revenues typically lag the corresponding economic downturns (or upturns) by 18 to 24 months.

Investment Income –Interest earnings have been declining since the Fall of 2019, with the rate of decline accelerating at the onset of the COVID-19 pandemic. In view of the prevailing economic uncertainty, FY 2020-2020 interest earnings are projected to be just 50 percent of those achieved in FY 2019-2020.

**Expenditures**

Operations and Maintenance –Due to unusually favorable water quality conditions, expenditures in the prior fiscal year were lower than anticipated. Proposed FY 2020-2021 budget assumes return to more typical water quality conditions and in turn increased operations and maintenance expenditures.

Water Purchases – 2% increase based on Department of Water Resources' projected Statement of Charges.

Water Conservation – water Conservation costs are split with the ASW Fund.

Consultants – Funding has been increased in anticipation of additional technical studies related to the biology and hydrodynamics of the Cache Slough Region.

Fixed Assets – Includes funding for an additional water quality monitoring station

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**(RESTRICTED FUND)****STATE WATER PROJECT**

<b>DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY</b>	<b>2016/17 ACTUAL</b>	<b>2017/18 Actual</b>	<b>2018/19 Actual</b>	<b>2019/20 YE PROJECTION</b>	<b>2020/2021 PROPOSED</b>	<b>PROJECTION TO PROPOSED</b>	<b>PERCENT CHANGED</b>
<b>Revenues</b>							
Property Taxes	12,467,260	14,468,386	14,273,482	14,705,759	15,846,290	1,140,531	8%
Water Sales	2,383,655	2,368,953	2,494,694	2,285,530	2,608,100	322,570	14%
Grant Revenues	140,560	-	-	345,000	-	(345,000)	-100%
Investment Income	65,597	134,904	384,692	349,928	174,800	(175,128)	-50%
Other Sources	17,242	17,241	17,241	17,320	17,241	(80)	0%
<b>Total State Water Project Revenues</b>	<b>15,074,314</b>	<b>16,989,484</b>	<b>17,170,108</b>	<b>17,703,538</b>	<b>18,646,431</b>	<b>942,893</b>	<b>5%</b>
<b>Expenditures</b>							
Services and Supplies	127,874	70,396	63,790	93,375	116,300	22,925	25%
Operations and Maintenance	603,791	813,630	916,295	1,100,846	1,463,358	362,512	33%
Water Purchases	11,508,929	11,115,387	11,150,619	12,014,202	12,275,742	261,540	2%
Grant Expenditures	282,191	-	418	-	-	-	
Water Conservation	494,026	510,950	692,123	785,748	876,106	90,359	11%
Consultants	151,840	187,467	469,042	876,701	1,281,000	404,299	46%
Fixed Assets	3,468,986	27,126	-	10,000	25,000	15,000	150%
Contingency	-	-	-	40,000	40,000	-	0%
<b>Total State Water Project Expenditures</b>	<b>16,637,637</b>	<b>12,724,956</b>	<b>13,292,288</b>	<b>14,920,871</b>	<b>16,077,506</b>	<b>1,156,635</b>	<b>8%</b>
<b>Net Change</b>	<b>(1,563,323)</b>	<b>4,264,528</b>	<b>3,877,820</b>	<b>2,782,667</b>	<b>2,568,925</b>	<b>(213,742)</b>	<b>-8%</b>

**FUND PURPOSE**

Operation and maintenance of Ulatis Flood Control Project.

**FUNCTION AND RESPONSIBILITIES**

The Ulatis Flood Control Project (Project) was constructed by the Soil Conservation Service (now known as the Natural Resources Conservation Service) and is maintained by SCWA pursuant to a contract with the Natural Resources Conservation Service. The Project consists of over 45 miles of flood control channels and is largely located within and provides flood protection to agricultural lands downstream of Vacaville. SCWA subcontracts with the Solano County Transportation Department for routine maintenance duties while most engineering and administrative functions are performed by SCWA staff.

**FUND DETAIL COMMENTS****Revenues**

Property Taxes -FY 2020-2021 property tax revenues are projected to increase 7% from the prior fiscal year, reflecting the prevailing trend of increasing property values in Solano County. The timing and extent of the COVID-19 pandemic's economic impact on future property tax revenues is unclear. However, as illustrated in the 2008-2009 economic recession, changes in property tax revenues typically lag the corresponding economic downturns (or upturns) by 18 to 24 months.

Investment Income –Interest earnings have been declining since the Fall of 2019, with the rate of decline accelerating at the onset of the COVID-19 pandemic. In view of the prevailing economic uncertainty, FY 2020-2020 interest earnings are projected to be just 50 percent of those achieved in FY 2019-2020.

**Expenditures**

Operations and Maintenance – FY 2019-2020 maintenance costs much lower than anticipated due to dry year with no major flood events. FY 2020-2021 budget includes funding for Ulatis Facilities Risk Assessment Project.

Rehab & Betterment – Includes funding for replacement of box culverts.

Fixed Assets – Boom Mower and Wheeled Excavator purchased in FY 2019-2020, FY 2020-2021 budget includes funding for one truck..



DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2016/17 ACTUAL	2017/18 Actual	2018/19 Actual	2019/20 YE PROJECTION	2020/2021 PROPOSED	PROJECTION TO PROPOSED	PERCENT CHANGED
<b>Revenues</b>							
Property Taxes	1,228,717	1,444,608	1,440,907	1,498,129	1,604,316	106,187	7%
Investment Income	25,302	59,450	158,674	117,652	58,700	(58,952)	-50%
Other Sources	4,836	29,557	27,979	7,395	7,000	(395)	-5%
<b>Total Ulatis Revenues</b>	<b>1,258,855</b>	<b>1,533,615</b>	<b>1,627,560</b>	<b>1,623,176</b>	<b>1,670,016</b>	<b>46,840</b>	<b>3%</b>
<b>Expenditures</b>							
Supplies and Services	13,972	13,645	13,237	14,000	15,000	1,000	7%
Operations and Maintenance	660,115	730,666	726,247	888,450	1,299,243	410,793	46%
Rehab & Betterment	-	-	-	-	270,000	270,000	
Fixed Assets	273,167	20,064	17,332	383,368	40,000	(343,368)	-90%
Contingency	-	-	-	50,000	50,000	-	0%
<b>Total Ulatis Expenditures</b>	<b>947,255</b>	<b>764,375</b>	<b>756,816</b>	<b>1,335,818</b>	<b>1,674,243</b>	<b>338,424</b>	<b>25%</b>
<b>Net Change</b>	<b>311,601</b>	<b>769,240</b>	<b>870,744</b>	<b>287,358</b>	<b>(4,227)</b>	<b>(291,584)</b>	<b>-101%</b>

**FUND PURPOSE**

Operation and maintenance of Green Valley Flood Control Project.

**FUNCTION AND RESPONSIBILITIES**

The Green Valley Flood Control Project (Project) was constructed by the United States Army Corps of Engineers (USACOE) and is maintained by SCWA pursuant to an agreement with the USACOE. The Project consists of approximately 3 miles of flood control channels and is largely located in and downstream of Cordelia. SCWA subcontracts with the Solano Transportation Department for routine maintenance duties, while most engineering and administrative functions are performed by SCWA staff.

**FUND DETAIL COMMENTS**

***Revenues***

Property Taxes - FY 2020-2021 property tax revenues are projected to increase 10% from the prior fiscal year, reflecting the prevailing trend of increasing property values in Solano County. The timing and extent of the COVID-19 pandemic's economic impact on future property tax revenues is unclear. However, as illustrated in the 2008-2009 economic recession, changes in property tax revenues typically lag the corresponding economic downturns (or upturns) by 18 to 24 months

Investment Income – Interest earnings have been declining since the Fall of 2019, with the rate of decline accelerating at the onset of the COVID-19 pandemic. In view of the prevailing economic uncertainty, FY 2020-2020 interest earnings are projected to be just 50 percent of those achieved in FY 2019-2020.

***Expenditures***

Operations and Maintenance – Operations and maintenance expenses are projected to remain consistent with prior year.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2016/17 ACTUAL	2017/18 Actual	2018/19 Actual	2019/20 YE PROJECTION	2020/2021 PROPOSED	PROJECTION TO PROPOSED	PERCENT CHANGED
<b>Revenues</b>							
Property Taxes	120,066	127,697	149,049	165,666	181,405	15,739	10%
Investment	-	1,608	5,647	3,538	1,767	(1,771)	-50%
<b>Total Green Valley Revenues</b>	<b>120,066</b>	<b>129,305</b>	<b>154,696</b>	<b>169,204</b>	<b>183,172</b>	<b>13,968</b>	<b>8%</b>
<b>Expenditures</b>							
Supplies and Services	1,131	1,082	1,018	1,100	1,200	100	9%
Operations and Maintenance	38,455	47,375	168,101	167,039	169,844	2,806	2%
Rehab & Betterment	-	-	-	-	-	-	-
Fixed Assets	-	-	-	-	-	-	-
Contingency	-	-	-	5,000	5,000	-	0%
<b>Total GV Expenditures</b>	<b>39,586</b>	<b>48,457</b>	<b>169,119</b>	<b>173,139</b>	<b>176,044</b>	<b>2,906</b>	<b>2%</b>
<b>Net Change</b>	<b>80,480</b>	<b>80,848</b>	<b>(14,422)</b>	<b>(3,935)</b>	<b>7,128</b>	<b>11,063</b>	<b>-281%</b>

# Solano County Water Agency

## Fund Balance Policy

### I. PURPOSE OF STATEMENT

The purpose of this fund balance policy is to identify the authority for committing and assigning fund balance in conformance with Governmental Accounting Standards Board Statement No. 54 and to establish the order in which unrestricted resources are to be used.

### II. SCOPE

This fund balance policy will be applicable to all funds under the control of the Agency.

### III. DEFINITION OF FUND BALANCE

Fund Balance is used to describe the difference between assets and liabilities reported within a fund. GASB 54 established the following five components of fund balance, each of which identifies the extent to which the Agency is bound to honor constraints on the specific purposes for which the amounts can be spent. These restrictions vary significantly depending upon the source.

- A. **Nonspendable:** Amounts that cannot be spent because they are either (a) not in spendable form (not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- B. **Restricted:** Amounts subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provision, or enabling legislation.
- C. **Committed:** Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Agency. Committed amounts cannot be used for any other purpose unless the Agency removes or changes the specified use by taking the same type of action (action item, legislation, resolution, ordinance) it employed to previously commit those amounts.
- D. **Assigned:** Amounts that are constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the Board of Directors itself or the General Manager of the Agency.
- E. **Unassigned:** Residual amounts in the general fund, not classified as nonspendable, restricted, committed, or assigned. For other governmental fund types, unassigned is only used when a deficit or negative fund balance occurs.

#### IV. COMMITTING FUND BALANCE

Only the Agency's Board of Directors has the authority to create or change a fund balance commitment. Committing fund balance is accomplished by approval of an action item by the Board of Directors.

#### V. ASSIGNING FUND BALANCE

The Board of Directors delegates authority to the General Manager to assign amounts to be used for specific purposes. Assignments are less formal than commitments and can be changed by the General Manager. An example of an assignment would be the encumbrance of funds for purchase orders approved but not fulfilled by the end of a fiscal year.

#### VI. FUND BALANCE CLASSIFICATION

Restricted fund balances will be spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Agency will first reduce committed amounts, followed by assigned amounts, and finally unassigned amounts.

#### VII. AGENCY FUNDS

For internal 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 Ulatis 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 Ulatis 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 included in each Fiscal Year's adopted budget. There are separate reserves for all four Agency funds: Solano Project and Administration, State Water Project, Ulatis Flood Control Project and Green Valley Flood Control Project. The small Green Valley Project has not accumulated any reserves. 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 a "Capital Reserve" 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 Reserves**

Solano Project - Future capital projects 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 projects 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. The amount to be allocated to the State Water Project Capital Reserve is the balance remaining after the allocation to the State Water Project Operating Reserves.

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

### **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.

This policy is in place to comply with GASB Statement No. 54.

**SOLANO COUNTY WATER AGENCY  
RECOMMENDED RESERVES  
FY 2020/21**

DETAIL BY FUND RESERVE CATEGORY	RESERVE FUND FY 19/20 APPROVED	RECOMMENDED RESERVE FUND FY 20/21	PROJECTED LONG-TERM CAPITAL PROJECTS <sup>5</sup>
<b>Solano Project/Admin</b>			
Solano Project/Admin Operating Reserve	\$ 9,854,391	\$ 10,550,879	
Solano Project/Admin Short-Term Capital Improvements (within 5 years) <sup>1</sup>	5,895,000	5,100,000	
Solano Project Capital Improvements			
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
<b>Solano Project/ Admin Subtotal</b>	<b>15,749,391</b>	<b>15,650,879</b>	<b>17,350,000</b>
<b>State Water Project</b>			
State Water Project Operating Reserves	8,271,784	8,038,753	
State Water Project Short-Term Capital Improvements (within 5 years)	5,491,317	5,500,000	
NBA Capital Improvements			
NBA Alternate Intake Project Implementation <sup>2</sup>			15,000,000
NBA Capacity Remediation <sup>3</sup>			TBD
<b>State Water Project Subtotal</b>	<b>13,763,101</b>	<b>13,538,753</b>	<b>15,000,000</b>
<b>Ulatis Project</b>			
Ulatis Flood Control Project Operating Reserve	659,233	837,122	
Ulatis Flood Control Project Short Term Capital Improvements (within 5 years)	5,650,285	5,700,000	
Ulatis Flood Control Project Capital Improvements			
Giant Garner Snake Preserve (cost shared) <sup>4</sup>			1,400,000
30 Grade Control Structures <sup>4</sup>			750,000
All Weather Access Improvements			500,000
Spoil Easement Purchases			100,000
Heavy Equipment Acquisitions			200,000
<b>Ulatis Project Subtotal</b>	<b>6,309,518</b>	<b>6,537,122</b>	<b>2,950,000</b>
<b>Green Valley Project</b>			
Green Valley Flood Control Project Operating Reserve	120,498	88,022	
Green Valley Flood Control Project Capital Improvements (within 5 years)	161,629	170,000	
Green Valley Flood Control Project Capital Improvements			TBD
<b>Green Valley Project Subtotal</b>	<b>282,127</b>	<b>258,022</b>	
<b>Other Flood Control Projects</b>	<b>200,000</b>		
<b>Emergency Reserve</b>	<b>2,000,000</b>	<b>2,000,000</b>	
<b>Totals</b>	<b>\$ 38,304,137</b>	<b>\$ 37,984,776</b>	<b>35,300,000</b>

Notes

1. Include R & B projects planned for the next 5 years
2. Tot. est. capital cost = \$600M; 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 2021



## Solano County Water Agency Projected Reserves Summary

	Fund					Total
	State Water		Ulatis FC	Green Valley FC	Total	
	ASW	Project				
<b>Projected Fund Balance on June 30, 2021 (Available Reserves)</b>	\$ 18,212,143.00	\$ 26,143,835.00	\$ 7,497,723.00	\$ 220,391.00	\$ 52,074,092.00	
Less Operating Reserves	\$ 10,550,879.00	\$ 8,038,753.00	\$ 837,122.00	\$ 88,022.00	\$ 19,514,776.00	
	\$ 7,661,264.00	\$ 18,105,082.00	\$ 6,660,601.00	\$ 132,369.00	\$ 32,559,316.00	
Less Emergency Reserves	\$ 2,000,000.00	-	-	-	\$ 2,000,000.00	
	\$ 5,661,264.00	\$ 18,105,082.00	\$ 6,660,601.00	\$ 132,369.00	\$ 30,559,316.00	
Less Other Flood Control Projects	\$ 200,000.00	-	-	-	\$ 200,000.00	
	\$ 5,461,264.00	\$ 18,105,082.00	\$ 6,660,601.00	\$ 132,369.00	\$ 30,359,316.00	
Less Future Short-Term Capital Improvements (within 5 years)	\$ 5,100,000.00	\$ 5,500,000.00	\$ 5,700,000.00	\$ 170,000.00	\$ 16,470,000.00	
	\$ 361,264.00	\$ 12,605,082.00	\$ 960,601.00	\$ (37,631.00)	\$ 13,889,316.00	