



Solano County Water Agency
Fiscal Year 2018-2019
Proposed Budget

SOLANO COUNTY WATER AGENCY



General Manager's Budget Message

FY 2018/19 Proposed Budget June 2018

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 approximately \$42,000,000 at the close of FY 2017/18, a net increase of approximately \$4,000,000 from the prior fiscal year. Major expenditures that were planned but did not occur in FY 2017/18 include the purchase of Habitat Conservation Plan (HCP) easements (\$3,000,000), reduced NBA water operations costs due to reduced water deliveries (\$ 1,300,000), and project delays associated with the Dixon Watershed Implementation Program (\$500,000).

The FY 2017/18 budget was designed with the expectation that the Water Agency's reserves would be drawn down by approximately \$7,000,000 to fund certain one-time and short term expenditures. As discussed below, the proposed FY 2018/19 budget is crafted in the same manner and again, with the expectation that reserves will be drawn down by approximately \$6,500,000 to fund certain one-time and short term expenditures, most of which are carryovers from FY 2017/18. As proposed, total FY 2018/2019 expenditures (\$43,467,687) exceed total anticipated FY 2018/2019 revenues (\$36,933,018), with the difference (\$6,534,669), to be withdrawn from reserves.

The proposed FY 2018/19 budget has been constructed around the goals and objectives set forth in the SCWA 2016-2025 Strategic Plan, but also reflects emerging challenges and opportunities, most notably increased expenditures directed toward groundwater management and compliance with California's Sustainable Groundwater Management Act, technical studies related to the State Water Resources Control Board's ongoing and contentious update of the 2006 Bay Delta Plan, an expanded role in habitat restoration, as well as an expanded role with the Lake Berryessa invasive mussel control program. A summary of projected FY 2018/19 expenses and revenues, along with long-term expense and revenue trends is presented in the following charts and tables. Key budget items to be funded via withdraw from reserves are as follows:

Solano Habitat Conservation Plan (HCP)

The Draft Solano Project Habitat Conservation Plan is in the hands of the United States Fish and Wildlife Service (Service), awaiting the Service's final review and approval. It was anticipated that the plan would be approved by the Service in FY 2017/18 and therefore, significant expenditures, including \$3,000,000 for conservation easements, were programed into the FY 2017/18 budget. These expenditures did not occur and are now included in the proposed FY 2018/19 budget.

Flood Management

The proposed FY 2018/19 budget includes \$500,000 for the Dixon Watershed Implementation Program, \$200,000 for the Phase II Green Valley/Cordelia area flood management feasibility study, and \$100,000 for the Suisun flood management feasibility study.

OPEB Liability

In April 2017 the Water Agency Board of Directors authorized the establishment of an OPEB (Other Post Retirement Employee Benefits) Trust Account to fund future OPEB liabilities, and also authorized staff to transfer \$500,000 to the Trust Account to “pay down” the accumulated unfunded OPEB liability (estimated to have been \$1,829,000 as of June 2016). In FY 2017/18, \$750,000 was transferred from reserves to the Trust Account. Staff is proposing to continue paying down the accumulated OPEB liability by transferring an additional \$750,000 from reserves to the OPEB Trust Account in FY 2018/19. Staff anticipates that the entire accumulated unfunded OPEB liability will be eliminated by the close of FY 2019/20, if not the close of FY 2018/19.

State Water Resources Control Board Update of 2006 Bay-Delta Plan

The State Water Resources Control Board (SWRCB) has begun what will be a lengthy and contentious update of the 2006 Bay-Delta Plan. In short, the SWRCB is seeking to increase stream flows into and through the Bay-Delta to stabilize if not enhance the ecology of the Bay-Delta. The additional water would come from existing water right holders, most notably, reservoirs located on the tributaries of the Sacramento and San Joaquin rivers – one of which is Lake Berryessa. The proposed FY 2018/19 budget includes \$450,000 for technical studies to investigate options for minimizing the potential water supply impacts of the SWRCB’s Bay Delta Plan Update to the Lake Berryessa water supply.

Groundwater Management

The proposed FY 2018/19 budget includes a \$350,000 grant match for preparation of a groundwater sustainability plan, pursuant to the Sustainable Groundwater Management Act, for the Solano Sub Basin.

Water Management Planning

The proposed FY 2017-18 budget includes \$350,000 for a County wide current-future water needs analysis and preparation of the SCWA Water Management Plan, as well as \$250,000 for technical studies in support of water management planning in the Yolo Bypass/Cache Slough region.

Figure 1

**Summary of Revenues
FY 2018-2019
Total Revenues - \$36,933,018**

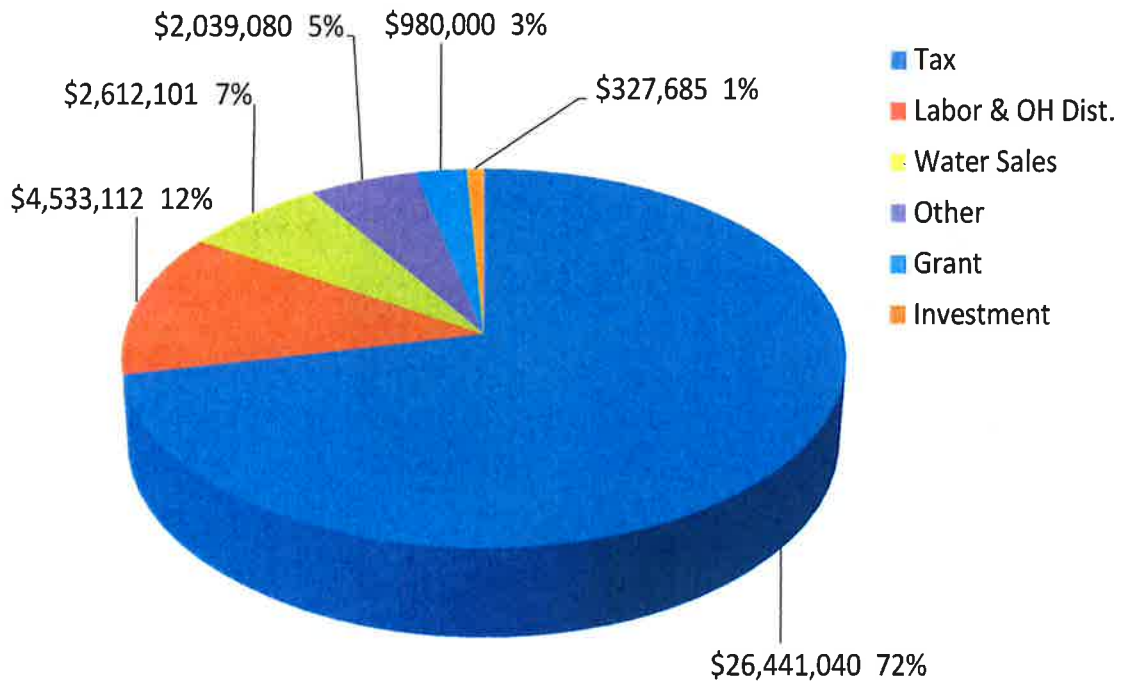


Figure 2

**Summary of Expenditures
FY 2018-2019
Total Expenditures - \$43,467,687**

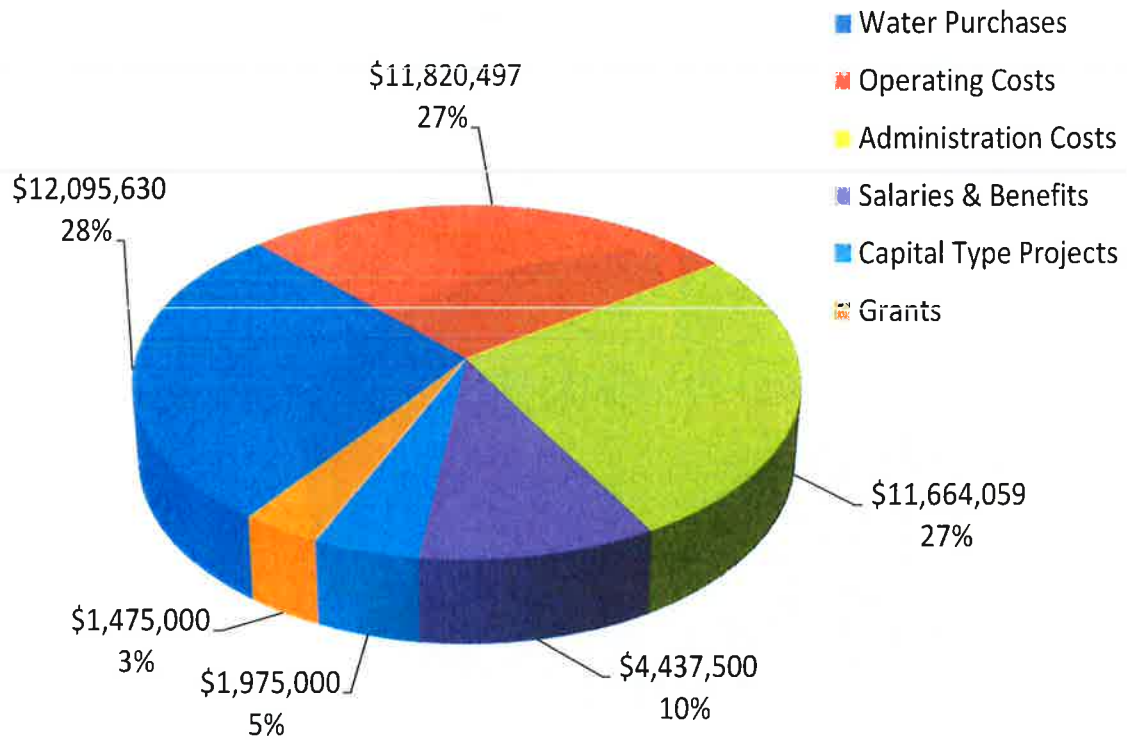
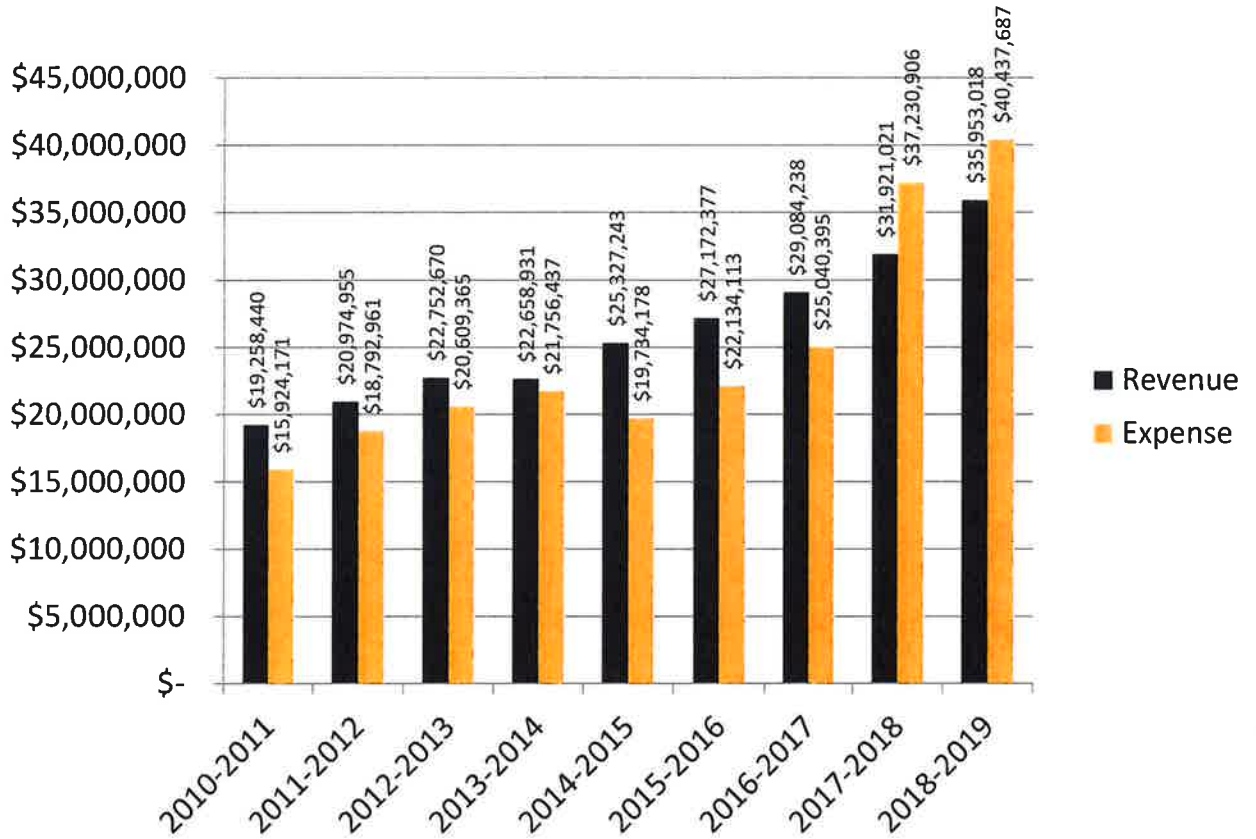


Figure 3

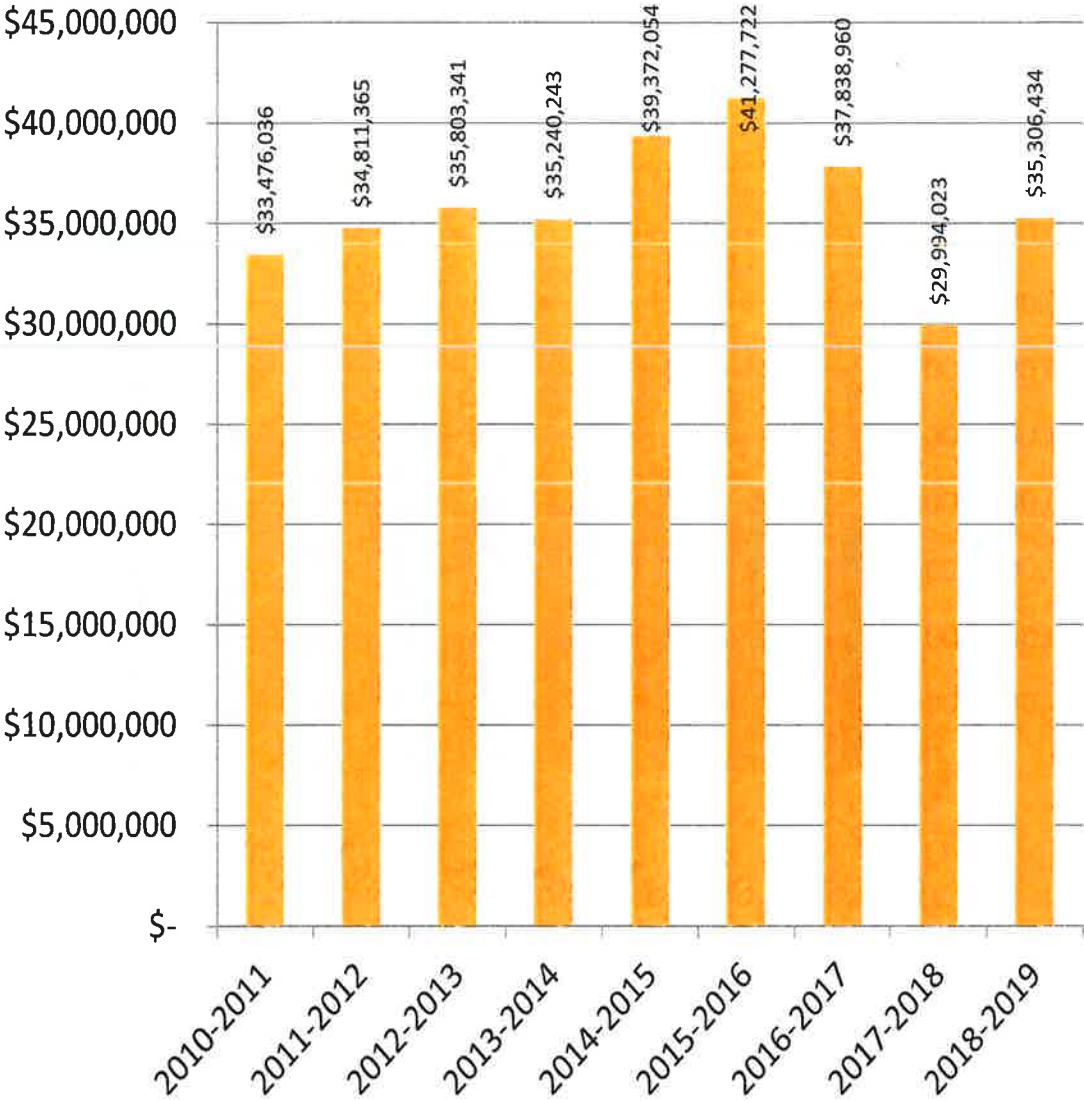
Operating Income and Expense



Notes: 2018-2019 revenue/expense data based on proposed budget
2017-2018 revenue/expense data based on adopted budget
2010-2011 through 2016-2017 “actuals” from annual audit reports

Figure 4

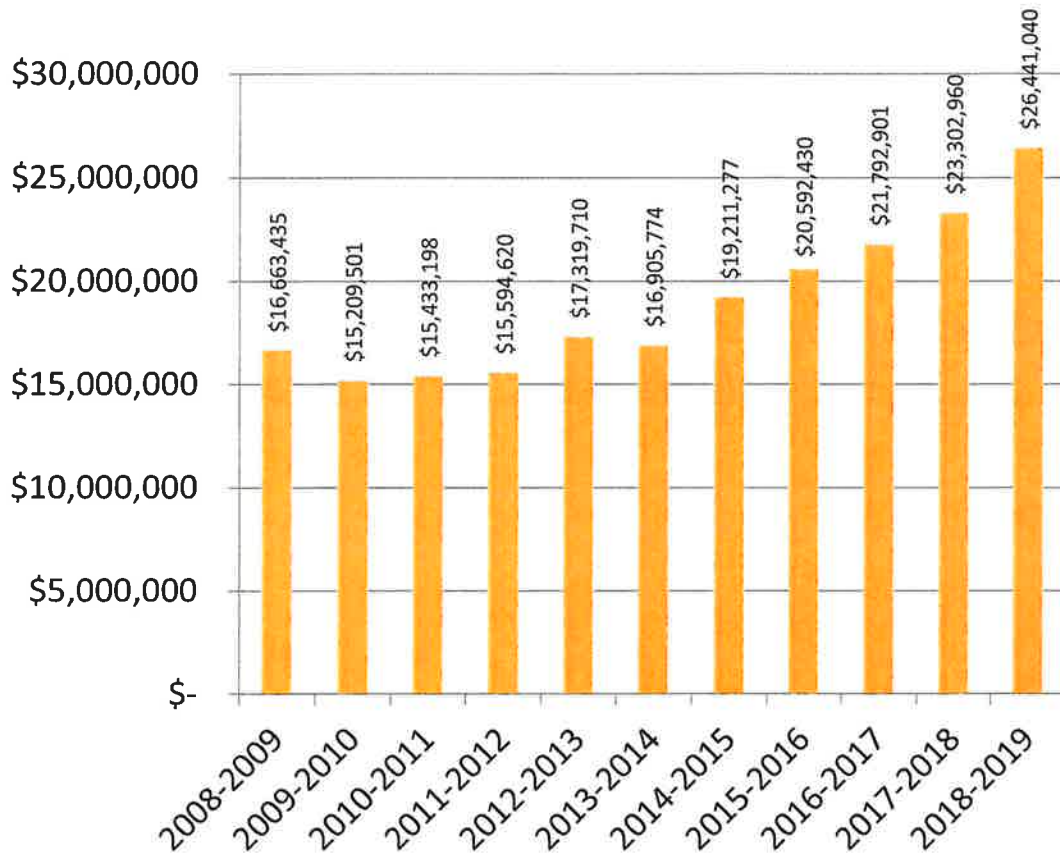
Cumulative Fund Balance



Notes: 2018-2019 cumulative fund balance data based on proposed budget
2017-2018 cumulative fund balance data based on adopted budget
2010-2011 through 2016-2017 “actuals” from annual audit reports

Figure 5

Property Tax Revenue



Notes: 2018-2019 property tax revenue data based on proposed budget
2017-2018 property tax revenue based on adopted budget
2010-2011 through 2016-2017 “actuals” from annual audit reports

SOLANO COUNTY WATER AGENCY
SCHEDULE 1
ALL FUNDS SUMMARY
FY 2017/18

FUND NAME	FUND BALANCE AVILABLE 6/30/2016 AUDITED	FUND BALANCE AVAILABLE 6/30/2017 AUDITED	YEAR END PROJECTION INCREASE/ DECREASE TO FUND BALANCE 17/18	FUND BALANCE AVAILABLE 6/30/2018 ESTIMATED	PROPOSED 18/19 REVENUES	PROPOSED 18/19 EXPENDITURES	PROPOSED INCREASE/ DECREASE TO FUND BALANCE	PROPOSED FUND BALANCE 6/30/2019
ADMIN - SOLANO PROJECT - WM	21,731,175	19,463,685	(349,104)	19,114,581	17,255,052	25,860,102	(8,605,051)	10,509,531
STATE WATER PROJECT	14,213,249	12,649,896	3,649,175	16,299,071	18,010,561	15,792,456	2,218,105	18,517,175
ULATIS FLOOD CONTROL	5,263,006	5,574,608	613,688	6,188,296	1,519,660	1,654,456	(134,796)	6,053,500
GREEN VALLEY FLOOD CONTROL	70,292	150,772	88,384	239,156	147,745	160,672	(12,927)	226,229
Total All FUNDS	41,277,722	37,838,960	4,002,143	41,841,103	36,933,018	43,467,687	(6,534,669)	35,306,434

SOLANO COUNTY WATER AGENCY
SCHEDULE 2
ALL FUNDS SUMMARY - BY FUNDS
FY 2018/19

DETAIL BY FUND REVENUE CATEGORY AND FUND EXPENDITURE CATEGORY	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ADOPTED BUDGET	2018/19 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Admin-Solano Project-Watermaster	12,737,318	13,253,903	16,156,737	17,255,052	1,098,315	7%
State Water Project	13,750,427	15,074,284	15,666,101	18,010,561	2,344,460	15%
Ulatis Flood Control	1,147,922	1,258,855	1,285,726	1,519,660	233,934	18%
Green Valley Flood Control	105,774	120,066	129,707	147,745	18,038	14%
Total Revenues	27,741,441	29,707,108	33,238,271	36,933,018	3,694,747	11%
Expenditures						
Admin-Solano Project-Watermaster	13,502,040	15,521,374	23,575,144	25,860,102	2,284,959	10%
State Water Project	11,745,100	16,637,637	15,326,808	15,792,456	465,649	3%
Ulatis Flood Control	663,952	947,255	1,004,813	1,654,456	649,644	65%
Green Valley Flood Control	50,848	39,586	198,143	160,672	(37,471)	-19%
Total Expenditures	25,961,940	33,145,851	40,104,906	43,467,687	3,362,781	8%
Net						
Admin-Solano Project-Watermaster	(764,722)	(2,267,471)	(7,418,407)	(8,605,051)	(1,186,644)	16%
State Water Project	2,005,327	(1,563,353)	339,294	2,218,105	1,878,811	554%
Ulatis Flood Control	483,970	311,600	280,914	(134,796)	(415,710)	-148%
Green Valley Flood Control	54,926	80,480	(68,436)	(12,927)	55,509	-81%
Total Net	1,779,501	(3,438,743)	(6,866,635)	(6,534,669)	331,966	-5%

**SOLANO COUNTY WATER AGENCY
SCHEDULE 3
ALL FUNDS SUMMARY - BY ACTIVITY
FY 2018/19**

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ADOPTED BUDGET	2018/19 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Taxes	20,592,430	22,454,977	23,302,960	26,441,040	3,138,080	13%
Water Sales	2,443,675	2,451,389	2,612,101	2,612,101	-	0%
Grant Revenues	569,668	622,869	1,317,250	980,000	(337,250)	-26%
Investment Income	114,244	205,753	195,630	327,685	132,055	68%
Labor & Ovhd Distr.	2,806,624	3,053,599	3,590,730	4,533,112	942,382	26%
Other Revenue	1,215,405	918,519	2,219,600	2,039,080	(180,520)	-8%
Total Revenues	27,742,045	29,707,107	33,238,271	36,933,018	3,694,747	11%
Expenditures						
Salaries and Employee Benefits ³	2,170,678	3,099,414	3,530,183	4,437,500	907,317	26%
Services and Supplies	819,596	786,125	1,336,568	2,272,615	936,047	70%
Operations & Maintenance	3,874,944	4,496,992	6,923,121	7,156,379	233,258	3%
LPCCC Operations	1,093,167	924,938	1,626,355	2,024,256	397,901	24%
Putah Creek Watershed Mgt			1,237,218	2,051,218	814,000	66%
Rehab & Betterment	2,699,108	19,500	1,030,000	735,000	(295,000)	-29%
Water Purchases	10,112,942	11,508,929	12,483,955	12,095,630	(388,325)	-3%
Grant Expenditures	592,915	661,558	1,176,500	775,000	(401,500)	-34%
Flood Control	139,982	223,550	2,006,883	1,293,809	(713,074)	-36%
HCP Planning ⁴	508,262	518,241	3,732,579	3,791,923	59,344	2%
Water Conservation	2,123,096	1,789,809	2,472,219	2,254,494	(217,725)	-9%
Consultants	1,291,446	1,692,398	1,881,826	3,059,862	1,178,036	63%
Capital Expenditures	523,943	7,424,398	391,500	1,240,000	848,500	217%
Contingency	12,000	-	276,000	280,000	4,000	1%
Total Expenditures	25,962,079	33,145,851	40,104,906	43,467,687	3,362,781	8%
Total Net	1,779,966	(3,438,744)	(6,866,635)	(6,534,669)	331,966	-5%

³ Includes \$750,000 for paydown of the unfunded retiree health obligation(OPEB).

⁴ Includes \$3,000,000 for HCP mitigation easements.

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 2017/18**

DETAIL BY OPERATING REVENUE AND EXPENDITURE CATEGORY AND NON- OPERATING REVENUE AND EXPENDITURES CATEGORY	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ADOPTED BUDGET	2018/19 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Operating Revenues						
Taxes	20,592,430	22,454,977	23,302,960	26,441,040	3,138,080	13%
Water Sales	2,443,675	2,451,389	2,612,101	2,612,101	-	0%
Investment Income	114,244	205,753	195,630	327,685	132,055	68%
Labor & Ovhd Distr.	2,806,624	3,053,599	3,590,730	4,533,112	942,382	26%
Other Revenue	1,215,405	918,519	2,219,600	2,039,080	(180,520)	-8%
Total Operating Revenues	27,172,377	29,084,238	31,921,021	35,953,018	4,031,997	13%
Operating Expenditures						
Salaries and Employee Benefits	2,170,678	3,099,414	3,530,183	4,437,500	907,317	26%
Services and Supplies	819,596	786,125	1,336,568	2,272,615	936,047	70%
Operations & Maintenance	3,874,944	4,496,992	6,923,121	7,156,379	233,258	3%
LPCCC Operations	1,093,167	924,938	1,626,355	2,024,256	397,901	24%
Putah Creek Watershed MGt			1,237,218	2,051,218	814,000	66%
Water Purchases	10,112,942	11,508,929	12,483,955	12,095,630	(388,325)	-3%
Flood Control	139,982	223,550	2,006,883	1,293,809	(713,074)	-36%
HCP Planning	508,262	518,241	3,732,579	3,791,923	59,344	2%
Water Conservation	2,123,096	1,789,809	2,472,219	2,254,494	(217,725)	-9%
Consultants	1,291,446	1,692,398	1,881,826	3,059,862	1,178,036	63%
Total Operating Expenditures	22,134,113	25,040,395	37,230,906	40,437,687	3,206,781	9%
Net Operating	5,038,264	4,043,842	(5,309,885)	(4,484,669)	825,216	-16%
Non-Operating Revenues						
Grant Revenues	569,668	622,869	1,317,250	980,000	(337,250)	-26%
Total Non-Operating Revenues	569,668	622,869	1,317,250	980,000	(337,250)	-26%
Non-Operating Expenditures						
Rehab & Betterment	2,699,108	19,500	1,030,000	735,000	(295,000)	-29%
Grant Expenditures	592,915	661,558	1,176,500	775,000	(401,500)	-34%
Capital Expenditures	523,943	7,424,398	391,500	1,240,000	848,500	217%
Contingency	12,000	-	276,000	280,000	4,000	1%
Total Non-Operating Expenditures	3,827,966	8,105,455	2,874,000	3,030,000	156,000	5%
Net Non-Operating	(3,258,298)	(7,482,586)	(1,556,750)	(2,050,000)	(493,250)	217%
Net Operating and Non-Operating	1,779,966	(3,438,744)	(6,866,635)	(6,534,669)	331,966	-5%

SOLANO COUNTY WATER AGENCY
SCHEDULE 5
SOLANO PROJECT REHAB & BETTERMENT
FY 2018/19

FUND	DESCRIPTION	TOTAL AMOUNT	PLANNED 2018-19	PROPOSED 2019-20	PROPOSED 2020-21	PROPOSED 2021-22	PROPOSED 2022-23
SP	PDO Renovation	50,000	10,000	10,000	10,000	10,000	10,000
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	575,000	175,000	100,000	100,000	100,000	100,000
SP	PSC Headworks Improvements	50,000	50,000	-	-	-	-
SP	PSC Gate Rehab	80,000	-	20,000	20,000	20,000	20,000
SP	PSC Terminal Check Liner Replacement	150,000	100,000	50,000	-	-	-
SP	PSC Check Upgrades (Automation/Electrical)	230,000	30,000	50,000	50,000	50,000	50,000
SP	PSC Check Screen Cleaners	325,000	50,000	50,000	75,000	75,000	75,000
SP	PDD Flood Gate Rehab	425,000	75,000	125,000	125,000	50,000	50,000
SP	PSC Fence Installation	150,000	-	50,000	50,000	50,000	-
SP	PDO Solar Installation	150,000	-	-	50,000	100,000	-
SP	PSC Shallow Monitoring Wells	150,000	-	-	-	150,000	-
SP	PSC Alt Cleanout, Canal Modifications	200,000	-	50,000	50,000	50,000	50,000
SP	PDD Flood Gate Upgrades (Automation/Electrical)	200,000	-	50,000	50,000	50,000	50,000
SP	PDD Access Road Rehab	325,000	-	50,000	200,000	75,000	-
SP	Reservoir Lane/Terminal Reservoir Paving	300,000	-	-	-	-	300,000
Total Solano Project Rehab & Betterment		3,835,000	585,000	700,000	875,000	875,000	800,000

SOLANO COUNTY WATER AGENCY
SCHEDULE 6
BUDGET PROJECTIONS

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2016/17 ACTUAL	2017/18 ADOPTED BUDGET	2017/18 YEAR END PROJECTED BUDGET	2018/19 PROPOSED	2019/20 PROPOSED	2020/21 PROPOSED	2021/22 PROPOSED
Revenues							
Taxes	22,454,977	23,302,960	25,285,617	26,441,040	26,690,213	26,941,877	27,196,059
Water Sales	2,451,389	2,612,101	2,389,248	2,612,101	2,612,101	2,612,101	2,612,101
Grant Revenues	622,869	1,317,250	841,436	980,000	645,000	350,000	-
Investment Income	205,753	195,630	384,049	327,685	321,460	321,460	311,460
Labor & Ovhd Distr.	3,053,599	3,590,730	3,466,318	4,533,112	4,536,248	4,860,075	5,239,884
Other Revenue	918,519	2,219,600	675,077	2,039,080	434,080	444,080	394,080
Total Revenues	29,707,107	33,238,271	33,041,745	36,933,018	35,239,101	35,529,593	35,753,583
Expenditures							
Salaries and Employee Benefits	3,099,414	3,530,183	3,602,409	4,437,500	4,705,300	4,968,500	5,263,400
Services and Supplies	786,125	1,336,568	905,733	2,272,615	1,762,336	1,786,022	1,796,588
Operations & Maintenance	4,496,992	6,923,121	5,278,148	7,156,379	6,770,046	7,076,183	7,236,781
LPCCC Operations	924,938	1,626,355	1,095,978	2,024,256	1,268,963	1,258,518	1,321,614
Putah Creek Watershed Mgt		1,237,218		2,051,218	1,663,750	1,399,000	1,391,250
Rehab & Betterment	19,500	1,030,000	390,000	735,000	527,000	460,000	460,000
Water Purchases	11,508,929	12,483,955	11,189,400	12,095,630	12,888,243	12,661,523	12,503,146
Grant Expenditures	661,558	1,176,500	686,436	775,000	490,000	350,000	-
Flood Control	223,550	2,006,883	357,336	1,293,809	1,117,113	1,121,001	1,125,006
HCP Planning	518,241	3,732,579	945,792	3,791,923	623,715	606,980	554,025
Water Conservation	1,789,809	2,472,219	1,934,711	2,254,494	1,488,659	1,478,702	1,503,206
Consultants	1,692,398	1,881,826	1,951,580	3,059,862	2,166,129	1,893,288	1,872,004
Fixed Assets	7,424,398	391,500	309,731	1,240,000	294,000	188,500	278,500
Contingency	-	276,000	196,000	280,000	276,000	276,000	276,000
Total Expenditures	33,145,851	40,104,906	28,843,254	43,467,687	36,041,253	35,524,217	35,581,520
Total Net	(3,438,744)	(6,866,635)	4,198,491	(6,534,669)	(802,152)	5,377	172,063

Key Budget Projection Assumptions

1. Projected property tax increase of 1% per year, a conservative approach.
2. Salary and Employee Benefits are increased by 3.8%, a preliminary CPI projection.
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, 2016 (AUDITED)	FUND BALANCE JUNE 30, 2017 (AUDITED)	YEAR END PROJECTION INCREASE/ DECREASE TO FUND BALANCE 17/18	FUND BALANCE JUNE 30, 2018 YEAR END PROJECTION	PROPOSED INCREASE/ DECREASE TO FUND BALANCE 18/19	FUND BALANCE JUNE 30, 2019 PROPOSED	FUND BALANCE JUNE 30, 2020 PROJECTED	FUND BALANCE JUNE 30, 2021 PROJECTED	FUND BALANCE JUNE 30, 2022 PROJECTED
ADMIN - SOLANO PROJECT - WM	21,731,175	19,463,683	(349,104)	19,114,579	(8,605,051)	10,509,528	7,314,294	4,221,133	960,805
STATE WATER PROJECT	14,213,249	12,649,897	3,649,175	16,299,072	2,218,105	18,517,177	20,551,038	23,289,188	26,360,766
ULATIS FLOOD CONTROL	5,263,006	5,574,608	613,688	6,188,296	(134,796)	6,053,500	6,415,832	6,779,470	7,143,753
GREEN VALLEY FLOOD CONTROL	70,292	150,772	88,384	239,156	(12,927)	226,229	223,118	219,868	216,398
Total All FUNDS	41,277,722	37,838,960	4,002,143	41,841,103	(6,534,669)	35,306,434	34,504,282	34,509,659	34,681,722

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, Ulati 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 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 18/19 tax revenues are projected to increase 11% from the prior fiscal year.

Grant Revenue – Water conservation grants will be ending during FY 18/19, while the Brownfields grant and Prop 1 grants will continue into FY 19/20.

Interest Earnings – Interest earnings have nearly doubled due to higher interest rates and investing in higher yield instruments (CD's).

Labor & Overhead Distribution – The projected net increase reflects decreased management and administrative tasks, which are not included in fund redistributions, and an increase in project related labor (new positions).

Expenditures

Salaries & Benefits –Increased expenditures due to the addition of four full-time staff positions, two of which are grant funded, and conversion of Streamkeeper position to full time status during latter portion of FY 17/18. Funding for these positions was not included in the FY 17/18 budget. SCWA has committed to “pay down” the balance of the estimated accumulated unfunded OPEB liability (approximately \$790,000) at a rate of \$750,000 per year, and remain current with estimated annual OPEB costs.

Services and Supplies– Increased expenditures due to SGMA compliance (support for Solano Subbasin GSA), additional groundwater studies and monitoring.

LPCCC Operations- Increased expenses due to addition of temporary Water Resources Technician and Assistant Water Resources Specialist, both grant funded, and conversion of Putah Creek Streamkeeper from part-time (32 hours per week) to full-time status in late FY 17/18.

Watershed Management - A new funding category intended to differentiate traditional “hard” infrastructure (Monticello and Putah Diversion dams, Putah South Canal) operations & maintenance expenditures from biological/physical science investigations such as the ongoing Lower Putah Creek Chinook Salmon Study and the ongoing Lake Berryessa Invasive mussel control program. Includes expenditures related to Lower Putah Creek Coordinating Committee – but not mandated by the Putah Creek Accord - and the State Water Resources Control Board’s Bay Delta Plan Update, and more specifically, the regulatory impact of the Bay-Delta Plan Update on the Solano Project water supply. An expansion of these Watershed Management activities is anticipated in FY 18/19. Total FY 18/19 expenditures anticipated to increase by approximately \$800,000 over the prior fiscal year to accommodate one-time and short-term technical studies.

Rehab & Betterment -Includes funding for ongoing multi-year rehab & betterment projects, such as Putah South Canal drainage repair and canal panel replacement , and funding for “one-time” projects such as the replacement of the Putah Diversion Dam radial gate seals. Less expensive Rehab & Betterment projects are scheduled for FY 18/19 as opposed to FY 17/18.

Grant Expenditures - The River Park and Coastal Conservancy projects will be ending in FY 18/19.

Water Conservation Reduced costs due to diminishment of available grant funds.

Flood Control – Reduced costs due to completion of one technical study (East Solano Drainage Study) and near completion of first phase of Cordelia Flood Study in FY 17/18, change in accounting of \$500,000 Rio Vista Flood Wall Feasibility Study.

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 a Bucket Truck and a Utility Tractor for use on Putah Creek; a replacement truck for Solano Project maintenance; three vehicles to be used by SID for Putah South Canal operations and maintenance, in lieu of SCWA paying SID for use of their vehicles, and additional streamflow and water quality monitoring equipment.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ADOPTED BUDGET	2018/19 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Taxes	8,168,228	8,638,934	8,888,027	9,831,140	943,113	11%
Grants	405,668	482,309	1,317,250	980,000	(337,250)	-26%
Investment Income	74,130	114,884	116,130	173,960	57,830	50%
Labor & Ovhd Distribution	2,806,624	3,053,599	3,590,730	4,533,112	942,382	26%
Water Sales	68,846	67,734	65,000	65,000	-	0%
Other Revenue Sources	1,213,821	896,443	2,179,600	1,671,840	(507,760)	-23%
Total Revenues	12,737,318	13,253,903	16,156,737	17,255,052	1,098,315	7%
Expenditures						
Salaries & Benefits	2,170,678	3,099,414	3,530,183	4,437,500	907,317	26%
Services and Supplies	685,598	643,148	1,201,668	2,137,715	936,047	78%
Operations and Maintenance	2,923,336	3,194,631	4,852,891	4,810,306	(42,585)	-1%
LPCCC Operations	1,093,167	924,938	1,626,355	2,024,256	397,901	24%
Watershed Management			1,237,218	2,051,218	814,000	66%
Rehab & Betterment	2,699,108	19,500	970,000	675,000	(295,000)	-30%
Grant Expenditures	264,915	379,367	1,176,500	775,000	(401,500)	-34%
Water Conservation	1,629,251	1,295,783	1,593,542	1,299,014	(294,528)	-18%
Flood Control	139,982	223,550	2,006,883	1,293,809	(713,074)	-36%
HCP	508,262	518,241	3,732,579	3,791,923	59,344	2%
Consultants	1,106,376	1,540,558	1,116,326	1,574,362	458,036	41%
Fixed Assets	281,368	3,682,245	331,000	790,000	459,000	139%
Contingency	-	-	200,000	200,000	-	0%
Total Expenditures	13,502,040	15,521,374	23,575,144	25,860,102	2,284,959	10%
Net Change	(764,722)	(2,267,471)	(7,418,407)	(8,605,051)	(1,186,644)	16%

FUND PURPOSE

This fund encompasses all expenses and revenues associated with SCWA's State Water Project (North Bay Aqueduct) water supply.

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 18/19 proposed property tax revenues are projected to increase by 15% from the prior fiscal year, reflecting the ongoing trend of increasing property values in Solano County.

Interest Revenue – Interest earnings have increased significantly due to higher interest rates and investing in higher yielding instruments (CD's).

Other Revenue Sources – Includes refunds from DWR for prior year advance funding of SWP expenses and grant reimbursement from DWR associated with the NBA Alternate Intake Project.

Expenditures

Consultants – Includes additional funding for the following projects: UCD Cache Slough Fisheries and Water Quality Study, NBA Reliability Program Study, and NBA Organic Carbon Treatment Study.

Fixed Assets – Purchase of Cordelia Forebay Water Quality Station.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ADOPTED BUDGET	2018/19 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Property Taxes	11,185,460	12,467,260	13,028,000	15,001,220	1,973,220	15%
Water Sales	2,374,829	2,383,655	2,547,101	2,547,101	-	0%
Grant Revenues	164,000	140,560	-	-	-	
Investment Income	26,138	65,567	56,000	100,000	44,000	79%
Other Sources	-	17,242	35,000	362,240	327,240	935%
Total State Water Project Revenues	13,750,427	15,074,284	15,666,101	18,010,561	2,344,460	15%
Expenditures						
Services and Supplies	119,686	127,874	118,700	118,700	-	0%
Operations and Maintenance	431,428	603,791	1,014,975	1,092,146	77,171	8%
Water Purchases	10,112,942	11,508,929	12,483,955	12,095,630	(388,325)	-3%
Grant Expenditures	328,000	282,191	-	-	-	
Water Conservation	493,845	494,026	878,678	955,481	9,264	9%
Consultants	185,070	151,840	765,500	1,485,500	720,000	94%
Fixed Assets	62,129	3,468,986	40,000	20,000	(20,000)	-50%
Contingency	12,000	-	25,000	25,000	-	0%
Total State Water Project Expenditures	11,745,100	16,637,637	15,326,808	15,792,456	465,649	3%
Net Change	2,005,327	(1,563,353)	339,294	2,218,105	1,878,811	

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 and provides flood protection to the 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 18/19 proposed tax revenues are projected to increase 16% from the prior fiscal year.

Investment Income –Interest earnings have nearly doubled due to higher interest rates and investing in higher yielding instruments (CD's). Last year was the first year of investing.

Expenditures

Operations and Maintenance -operations and maintenance expenses are projected to increase over the prior year due primarily to the addition of a new streamflow monitoring station near Brown Road, biological surveys, and increased weed control.

Fixed Assets –Purchase of Boom Mower and a Wheeled Excavator.

DETAIL BY REVENUE CATEGORY AND EXPENDITURES CATEGORY	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ADOPTED BUDGET	2018/19 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Property Taxes	1,132,967	1,228,717	1,257,226	1,462,660	205,434	16%
Investment Income	13,371	25,302	23,500	52,000	28,500	121%
Other Services	1,583	4,835	5,000	5,000	-	0%
Total Ulatis Revenues	1,147,922	1,258,855	1,285,726	1,519,660	233,934	18%
Expenditures						
Supplies and Services	13,089	13,972	15,000	15,000	-	0%
Operations and Maintenance	470,417	660,115	899,313	1,139,456	240,144	27%
Rehab & Betterment	-	-	20,000	20,000	-	0%
Fixed Assets	180,446	273,167	20,500	430,000	409,500	2098%
Contingency	-	-	50,000	50,000	-	0%
Total Ulatis Expenditures	663,952	947,255	1,004,813	1,654,456	649,644	65%
Net Change	483,970	311,600	280,914	(134,796)	(415,710)	-148%

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 18/19 proposed tax revenues are projected to increase 13% over the prior fiscal year

Expenditures

Operations and Maintenance –In FY 17/18 it was anticipated that SCWA staff would perform various land surveying tasks related to the phase I Cordelia Flood Study. Instead, this work task was performed by consultants and funded with Administration-Solano-Project-Watermaster dollars. Now that the work is complete these costs have been excluded from the FY 18/19 budget.

Contingency – The contingency fund has been increased by \$4,000, from \$1,000 in FY 17/18 to \$5,000 in FY 18/19.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2015/16 ACTUAL	2016/17 ACTUAL	2016/17 ADOPTED BUDGET	2018/19 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Property Taxes	105,774	120,066	129,707	146,020	16,313	13%
Investment	-	-	-	1,725	1,725	
Total Green Valley Revenues	105,774	120,066	129,707	147,745	18,038	14%
Expenditures						
Supplies and Services	1,084	1,131	1,200	1,200	-	0%
Operations and Maintenance	49,764	38,455	155,943	114,472	(41,471)	-27%
Rehab & Betterment	-	-	40,000	40,000	-	0%
Contingency	-	-	1,000	5,000	4,000	400%
Total GV Expenditures	50,848	39,586	198,143	160,672	(37,471)	-19%
Net Change	54,926	80,480	(68,436)	(12,927)	55,509	

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
RESERVE FUNDS
FY 2018/19**

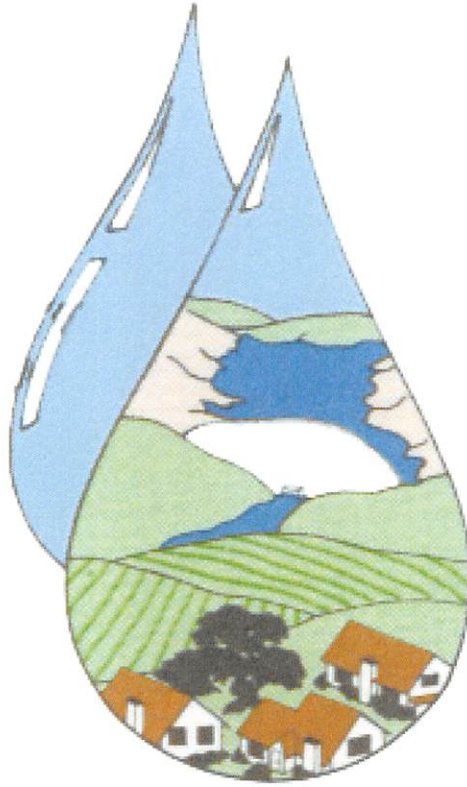
DETAIL BY FUND RESERVE CATEGORY	RESERVE FUND FY 17/18 APPROVED	RECOMMENDED RESERVE FUND FY 18/19	PROJECTED LONG-TERM CAPITAL PROJECTS ⁵
Solano Project/Admin			
Solano Project/Admin Operating Reserve	\$ 7,018,660	\$ 7,710,348	
Solano Project/Admin Short-Term Capital Improvements (within 5 years) ¹	3,165,000	(168,317)	
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
Solano Project/ Admin Subtotal	10,183,660	7,542,031	17,350,000
State Water Project			
State Water Project Operating Reserves	7,127,577	7,305,590	
State Water Project Short-Term Capital Improvements (within 5 years)	5,491,317	11,211,585	
NBA Capital Improvements			
NBA Alternate Intake Project Implementation ²			8,000,000
NBA Capacity Remediation ³			TBD
State Water Project Subtotal	12,618,894	18,517,175	8,000,000
Ulatris Project			
Ulatris Flood Control Project Operating Reserve	363,000	476,750	
Ulatris Flood Control Project Short Term Capital Improvements (within 5 years)	5,650,285	5,576,750	
Ulatris Flood Control Project Capital Improvements			
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
Ulatris Project Subtotal	6,013,285	6,053,500	2,950,000
Green Valley Project			
Green Valley Flood Control Project Operating Reserve	44,100	64,600	
Green Valley Flood Control Project Capital Improvements (within 5 years)	27,761	161,629	
Green Valley Flood Control Project Capital Improvements			TBD
Green Valley Project Subtotal	71,861	226,229	
Other Flood Control Projects	200,000		
Emergency Reserve	1,000,000	1,000,000	
Totals	\$ 30,087,700	\$ 33,338,935	28,300,000

Notes

1. Include R & B projects planned for the next 5 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 2017 as part of Strategic Plan.

Solano County Water Agency Projected Reserves Summary

	Fund				<i>Total</i>
	Solano Project	State Water Project	Ulatis FC	Green Valley FC	
<i>Projected Fund Balance on June 30, 2019 (Available Reserves)</i>	\$ 10,509,531.00	\$ 18,517,175.00	\$ 6,053,500.00	\$ 226,229.00	\$ 35,306,435.00
Less Operating Reserves	\$ 7,960,348.00	\$ 7,305,590.00	\$ 476,750.00	\$ 64,600.00	\$ 15,807,288.00
	\$ 2,549,183.00	\$ 11,211,585.00	\$ 5,576,750.00	\$ 161,629.00	\$ 19,499,147.00
Less Emergency Reserves	\$ 1,000,000.00	-	-	-	\$ 1,000,000.00
	\$ 1,549,183.00	\$ 11,211,585.00	\$ 5,576,750.00	\$ 161,629.00	\$ 18,499,147.00
Less Other Flood Control Projects	\$ 200,000.00	-	-	-	\$ 200,000.00
	\$ 1,349,183.00	\$ 11,211,585.00	\$ 5,576,750.00	\$ 161,629.00	\$ 18,299,147.00
Less Future Short-Term Capital Improvements (within 5 years)	\$ 3,250,000.00	\$ 5,491,317.00	\$ 5,650,285.00	\$ 161,629.00	\$ 14,553,231.00
	\$ (1,900,817.00)	\$ 5,720,268.00	\$ (73,535.00)	-	\$ 3,745,916.00



Solano County Water Agency
Fiscal Year 2019-2020
Proposed Budget

SOLANO COUNTY WATER AGENCY



General Manager's Budget Message

FY 2019/20 Proposed Budget June 2019

Overview

The Water Agency's financial position remains strong. Due to significantly lower than anticipated expenditures coupled with higher than anticipated revenues, the Water Agency's cumulative fund balance is projected to be at least \$47,759,320 at the close of FY 2018/19, a net increase of approximately \$3,391,313 from the prior fiscal year (see Figure 1 and Figure 2). Major expenditures that were planned but did not occur in FY 2018/19 include the purchase of Habitat Conservation Plan (HCP) easements (\$3,000,000) and project delays associated with the Dixon Watershed Implementation Program (\$500,000).

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:

<u>Fund</u>	<u>Type</u>	<u>Percent of Cumulative Fund Balance</u>
ASW	general	40
State Water Project	restricted	45
Ulatis Flood Control	restricted	14
Green Valley Flood Control	restricted	1

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, 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.

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 2019-2020 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 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 .

Also of note are the rising operations and maintenance costs of the existing NBA facilities, particularly with the respect to “Delta Water Charges” and the associated Federally mandated habitat mitigation requirements of the State Water Project in general, as well as the rising cost of electricity. Currently, there is sufficient revenue to offset operations and maintenance expenditures. However, there is considerable uncertainty with respect to future operations and maintenance costs, particularly in regards to electricity.

Ulatis Flood Control Fund

The Ulatis 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 Ulatis Flood Control Project to mitigate for the loss of Giant Garter Snake and other special status species habitat – estimated to cost approximately \$1 million.

On the whole, the Ulatis Flood Control Fund is in good shape for the foreseeable future – no discernible negative expenditure or revenue trends, 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 and out of necessity, operations and maintenance expenditures were backstopped via loans from the ASW Fund. Land uses have shifted over time and are now predominantly residential and commercial, which has enhanced property tax revenues and made it possible to reimburse the ASW Fund. 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.

Proposed FY 2019/20 Budget

The FY 2018/19 budget was designed with the expectation that the Water Agency's reserves would be drawn down by approximately \$6,500,000 to fund certain one-time and short term expenditures. Due to project delays, most notably with regard to the Solano Project Habitat Conservation Plan, and higher than anticipated revenues, nearly the opposite has occurred – the Water Agency's cumulative fund balance is projected to increase by at least \$3,391,313 at the close of FY 2018/19 **(note: the FY 2018/19 year end projections presented in the attached charts and tables are conservative in that projected expenses have been “high balled”, resulting in a conservatively low estimate of the projected FY 2018/19 cumulative fund balance).**

As discussed below, the proposed FY 2019/20 budget is crafted in the same manner as the FY 2018/19 budget and again, with the expectation that reserves will be drawn down by approximately \$8,000,000 to fund certain one-time and short term expenditures, most of which are carryovers from

FY 2018/19. As proposed, total FY 2019/20 expenditures (\$47,007,809) exceed total anticipated FY 2018/2019 revenues (\$38,992,979), with the difference (\$8,014,830), to be withdrawn from reserves.

The proposed FY 2019/20 budget has been constructed around the goals and objectives set forth in the SCWA 2016-2025 Strategic Plan, but also reflects emerging challenges and opportunities, most notably increased expenditures directed toward groundwater management and compliance with California's Sustainable Groundwater Management Act, technical studies related to the State Water Resources Control Board's ongoing and the contentious update of the 2006 Bay Delta Plan, an expanded role in habitat restoration, as well as an expanded role with the Lake Berryessa invasive mussel control program. A summary of projected FY 2019/20 expenses and revenues, along with long-term expense and revenue trends, is presented in the following charts and tables. Key budget items to be largely funded from reserves are as follows:

Solano Habitat Conservation Plan (HCP)

The Draft Solano Project Habitat Conservation Plan is in the hands of the United States Fish and Wildlife Service (Service), awaiting the Service's final review and approval. It was anticipated that the plan would be approved by the Service in FY 2018/19 and therefore, significant expenditures, including \$3,000,000 for conservation easements, were programed into the FY 2018/19 budget. These expenditures did not occur and are now included in the proposed FY 2019/20 budget.

SCWA Office Expansion

In 2018 the Board authorized staff to explore opportunities to expand the existing SCWA office through the purchase of unoccupied space immediately adjacent to the existing office. The research has taken longer than anticipated due to complexities regarding ownership of the building and existing cost sharing arrangements between the Water Agency and the Solano Irrigation District. That research is nearly complete and pending final Board approval, staff is prepared to move forward with the office expansion. The proposed FY 2019/20 budget includes \$2,500,000 for the SCWA office expansion project.

Flood Management

The proposed FY 2019/20 budget includes \$300,000 for the Hydrology Manual and Master Drainage Plan updates (Task 1 of the adopted 2018 Flood Management Policy), and \$500,000 for implementation of the Dixon Watershed Management Plan.

Facilities Risk Analyses

Staff is proposing to hire an outside firm to inspect the Solano Project, Ulatris Flood Control Project, and Green Valley Flood Control Project facilities for potential safety hazards, and where appropriate, recommend corrective action. A total of \$300,000 has been budgeted for these inspections and implementation of associated corrective actions.

State Water Resources Control Board Update of 2006 Bay-Delta Plan

The State Water Resources Control Board (SWRCB) has begun what will be a lengthy and contentious update of the 2006 Bay-Delta Plan. In short, the SWRCB is seeking to increase stream flows into and through the Bay-Delta to stabilize if not enhance the ecology of the Bay-Delta. The additional water would come from existing water right holders, most notably, reservoirs located on the tributaries of the Sacramento and San Joaquin rivers – one of which is Lake Berryessa. The proposed FY 2019/20 budget includes \$450,000 for technical studies to investigate options for minimizing the potential water supply impacts of the SWRCB's Bay Delta Plan Update to the Lake Berryessa water supply.

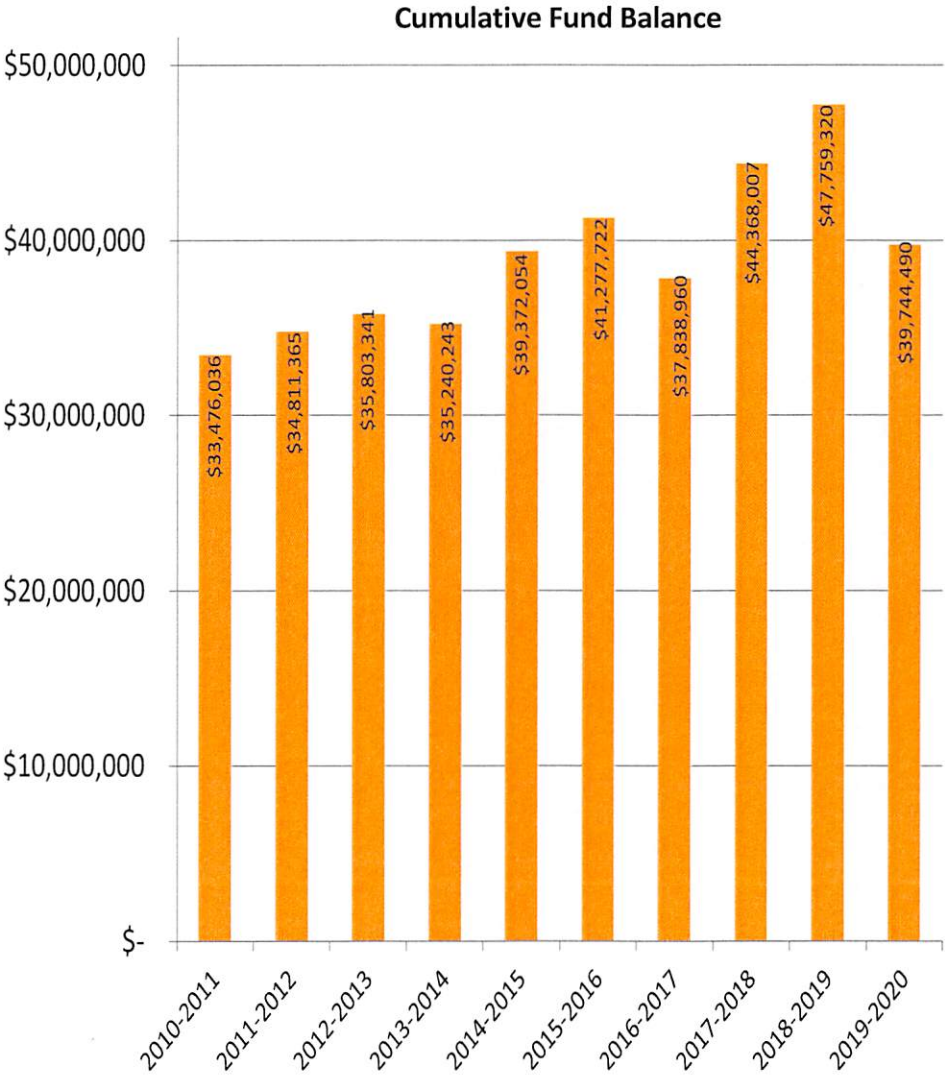
Water Management Planning

The proposed FY 2019/20 budget includes \$200,000 for a countywide current-future water needs analysis and preparation of the SCWA Water Management Plan, as well as \$700,000 for technical studies in support of water management planning in the Yolo Bypass/Cache Slough region.

CalPERS Unfunded Pension Liability

In FY 2018/19 the Water Agency paid off the accumulated OPEB (Other Post Retirement Employee Benefits) liability and began to pay off the accumulated unfunded CalPERS pension liability. Staff is proposing to pay off the remaining accumulated unfunded CalPERS pension liability in FY 2019/20 - \$750,000 has been programed into the proposed FY 2019/20 budget for this item.

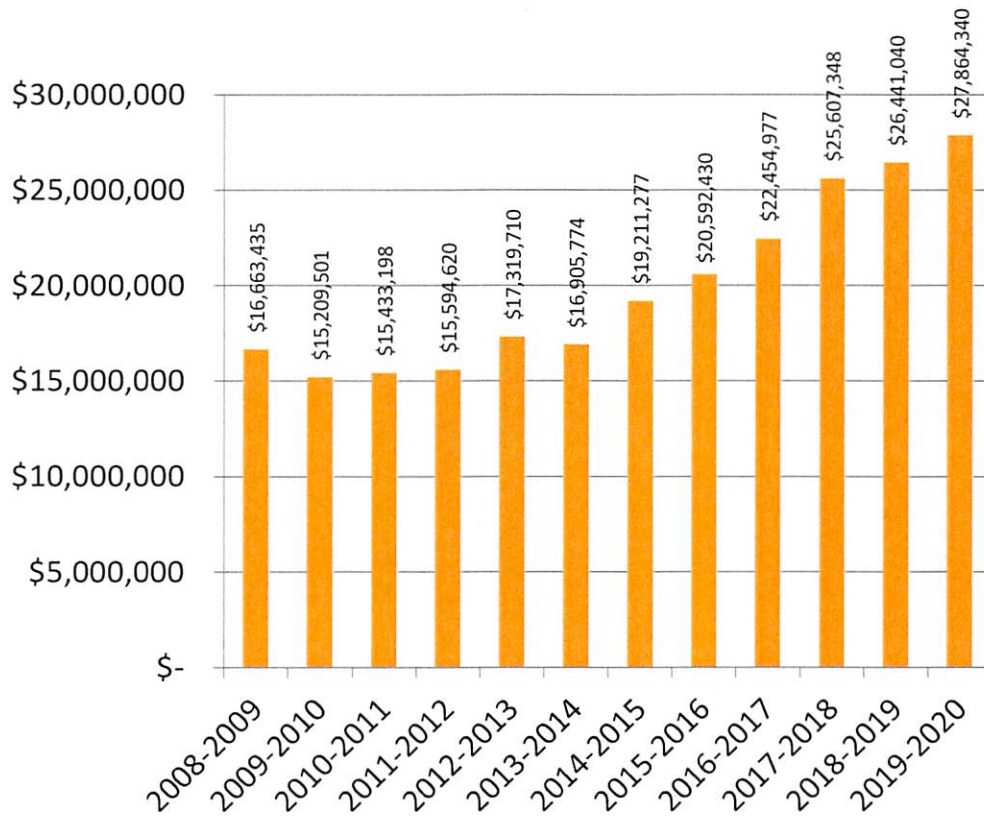
Figure 1



Notes: 2019-2020 cumulative fund balance data based on proposed budget
2018-2019 cumulative fund balance data based on adopted budget
2010-2011 through 2017-2018 “actuals” from annual audit reports

Figure 2

Property Tax Revenue



Notes: 2019-2020 property tax revenue data based on proposed budget
2018-2019 property tax revenue based on adopted budget
2010-2011 through 2017-2018 "actuals" from annual audit reports

Figure 3

**Summary of Projected Revenues
FY 2019-2020
Total Revenues - \$38,992,979**

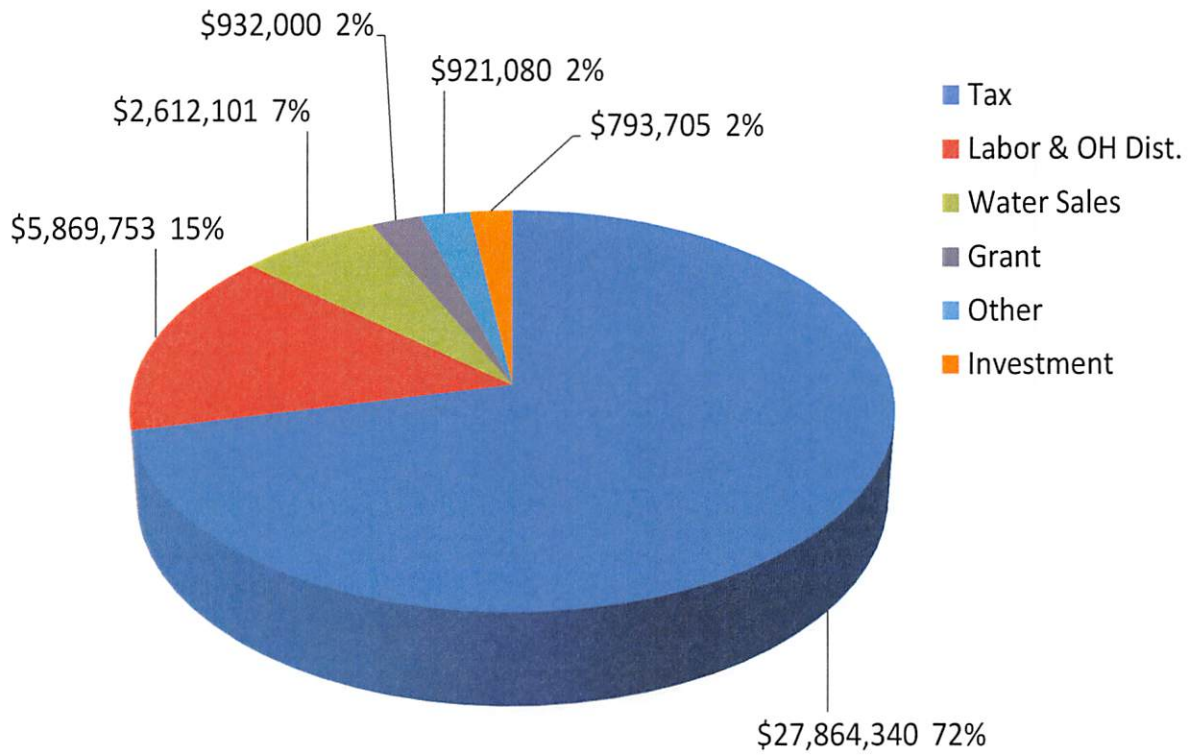


Figure 4

**Summary of Projected Expenditures
FY 2019-2020**

Total Expenditures - \$47,007,809

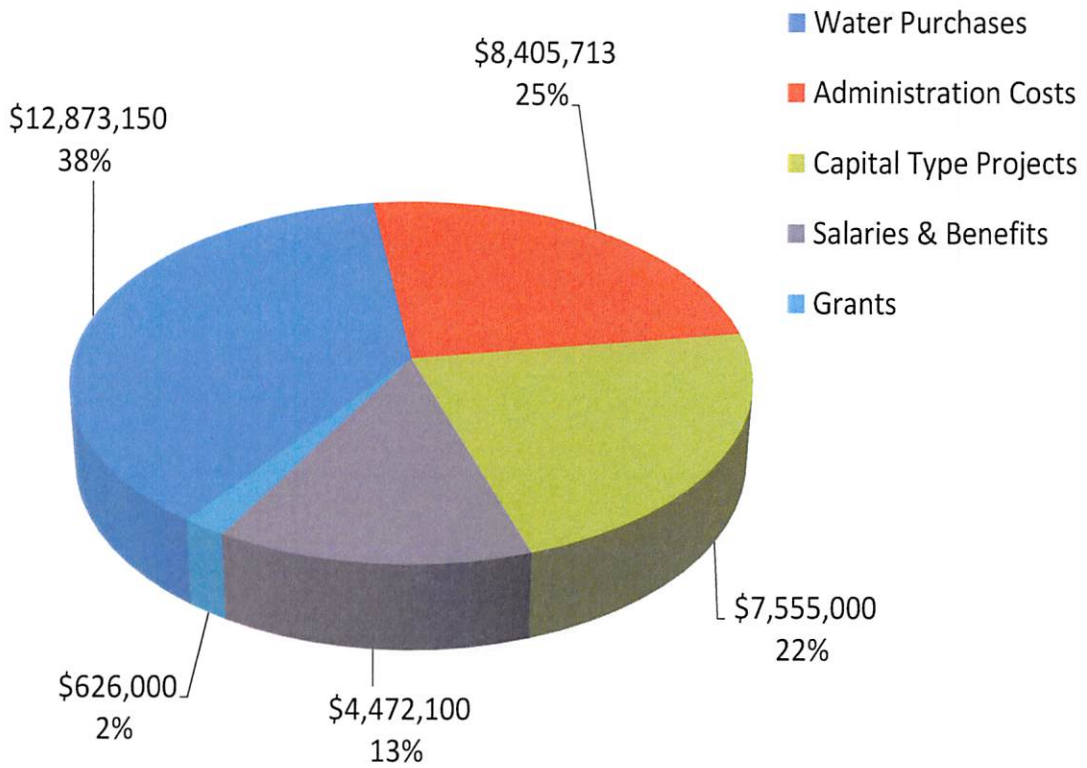
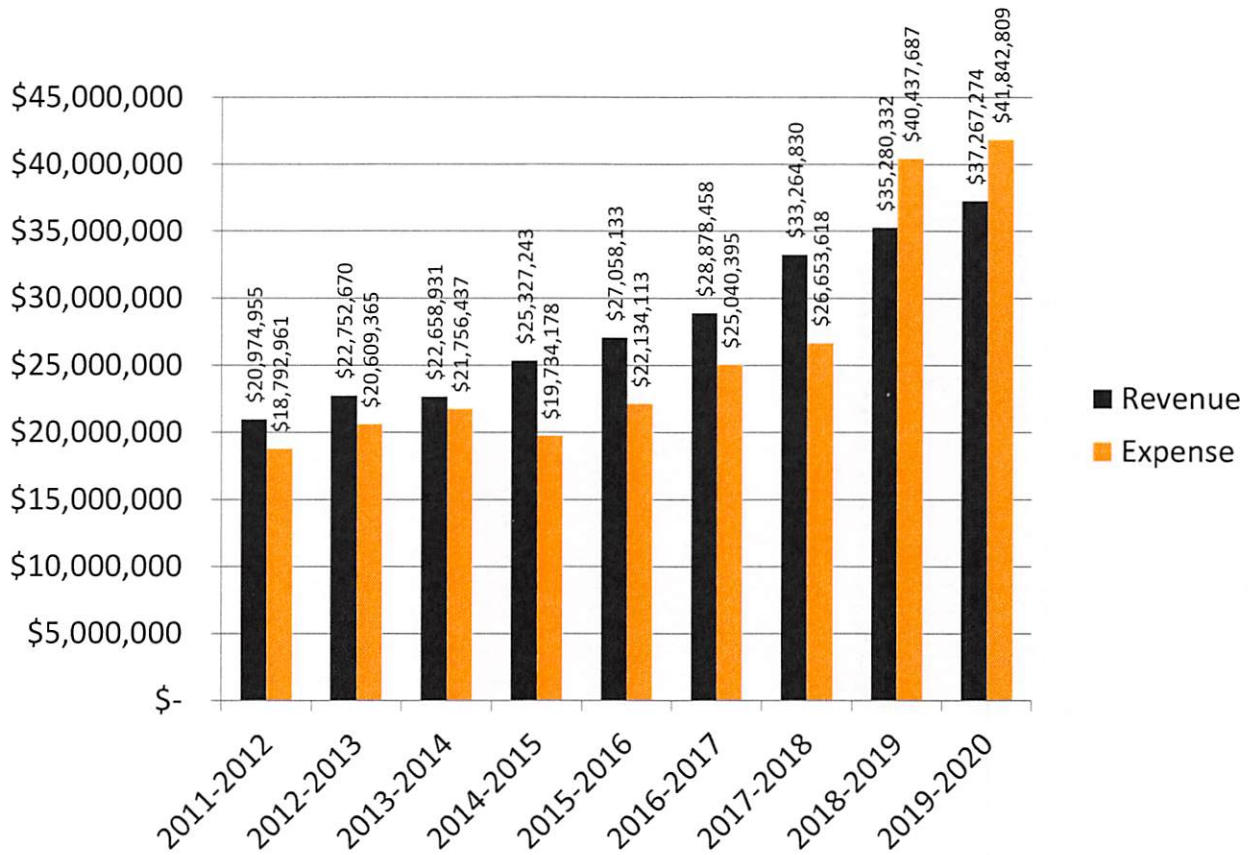


Figure 5

Operating Income and Expense



Notes: 2019-2020 revenue/expense data based on proposed budget
2018-2019 revenue/expense data based on adopted budget
2011-2012 through 2017-2018 “actuals” from annual audit reports

SOLANO COUNTY WATER AGENCY
SCHEDULE 1
ALL FUNDS SUMMARY
FY 2019/20

FUND NAME	FUND BALANCE AVAILABLE 6/2017 AUDITED	FUND BALANCE AVAILABLE 6/2018 AUDITED	YEAR END PROJECTION INCREASE/ DECREASE TO FUND BALANCE 18/19	FUND BALANCE AVAILABLE 6/30/2019 ESTIMATED	PROPOSED 19/20 REVENUES	PROPOSED 19/20 EXPENDITURES	PROPOSED INCREASE/ DECREASE TO FUND BALANCE	PROPOSED FUND BALANCE 6/30/2019
ADMIN - SOLANO PROJECT - WM*	19,463,685	20,878,116	(1,121,463)	19,756,653	18,336,318	28,267,280	(9,930,962)	9,825,691
STATE WATER PROJECT	12,649,896	16,914,423	3,769,204	20,683,627	18,843,111	17,039,818	1,803,293	22,486,920
ULATIS FLOOD CONTROL	5,574,608	6,343,848	768,170	7,112,018	1,646,590	1,425,966	220,624	7,332,642
GREEN VALLEY FLOOD CONTROL	150,772	231,620	(24,598)	207,022	166,960	274,745	(107,785)	99,237
Total All FUNDS	37,838,960	44,368,007	3,391,313	47,759,320	38,992,979	47,007,809	(8,014,830)	39,744,490

*Administration, Solano Projects, and Watermaster

Schedule 1 provides the reserve balances based on the FY 18/19 Quarter 3 Actuals.

This schedule also provides Year to Date revenue and expenses by fund for the FY 18/19 Budget.

SOLANO COUNTY WATER AGENCY
SCHEDULE 2
ALL FUNDS SUMMARY - BY FUNDS
FY 2019/20

DETAIL BY FUND REVENUE CATEGORY AND FUND EXPENDITURE CATEGORY	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ADOPTED BUDGET	2019/20 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues							
Admin-Solano Project-Watermaster	12,737,318	13,253,902	15,838,360	17,255,051	18,336,318	1,081,267	106%
State Water Project	13,750,427	15,074,284	16,989,484	18,010,561	18,843,111	832,550	105%
Ulatis Flood Control	1,147,922	1,258,855	1,533,615	1,519,660	1,646,590	126,930	108%
Green Valley Flood Control	105,774	120,066	129,305	147,745	166,960	19,215	113%
Total Revenues	27,741,441	29,707,107	34,490,764	36,933,017	38,992,979	2,059,962	106%
Expenditures							
Admin-Solano Project-Watermaster	13,502,040	15,521,374	14,423,930	25,860,102	28,267,280	2,312,178	109%
State Water Project	11,745,100	16,637,637	12,724,956	15,792,456	17,039,818	1,247,362	108%
Ulatis Flood Control	663,952	947,255	764,375	1,654,456	1,425,966	(228,490)	86%
Green Valley Flood Control	50,848	39,586	48,457	160,672	274,745	114,073	171%
Total Expenditures	25,961,939	33,145,851	27,961,718	43,467,687	47,007,809	3,445,123	108%
Net							
Admin-Solano Project-Watermaster	(764,722)	(2,267,472)	1,414,430	(8,605,051)	(9,930,962)	(1,230,911)	115%
State Water Project	2,005,327	(1,563,353)	4,264,528	2,218,105	1,803,293	(414,812)	81%
Ulatis Flood Control	483,970	311,600	769,240	(134,796)	220,624	355,420	-164%
Green Valley Flood Control	54,926	80,480	80,848	(12,927)	(107,785)	(94,858)	834%
Total Net	1,779,502	(3,438,744)	6,529,046	(6,534,669)	(8,014,830)	(1,385,161)	123%

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 2019/20

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ADOPTED BUDGET	2019/20 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues							
Taxes	20,592,430	22,454,977	25,607,348	26,441,040	27,864,340	1,423,300	105%
Water Sales	2,443,675	2,451,389	2,452,701	2,612,101	2,612,101	-	100%
Grant Revenues	569,668	622,869	810,703	1,325,000	932,000	(393,000)	70%
Investment Income	114,244	205,753	415,231	327,685	793,705	466,020	242%
InterFund Cost Allocation	2,806,624	3,053,599	4,211,746	4,533,112	5,869,753	1,336,642	129%
Other Revenue	1,215,405	918,519	993,034	1,694,080	921,080	(773,000)	54%
Total Revenues	27,742,045	29,707,107	34,490,764	36,933,017	38,992,979	2,059,962	106%
Expenditures							
Salaries and Employee Benefits	2,170,678	3,099,414	3,447,128	4,437,500	4,472,100	34,600	101%
Services and Supplies	819,596	786,125	933,223	2,272,615	1,858,451	(414,164)	82%
Operations & Maintenance	3,874,944	4,496,992	5,489,859	7,156,379	8,151,210	994,831	114%
LPCCC Operations	1,093,167	924,938	1,212,843	2,024,256	2,591,895	567,639	128%
Putah Creek Watershed Mgt				2,051,218	1,282,052		
Rehab & Betterment	2,699,108	19,500	247,787	735,000	1,015,000	280,000	138%
Water Purchases	10,112,942	11,508,929	11,115,387	12,095,630	13,185,150	1,089,520	109%
Grant Expenditures	592,915	661,558	758,173	775,000	325,000	(450,000)	42%
Flood Control	139,982	223,550	285,394	1,293,809	1,711,057	417,248	132%
HCP Planning	508,262	518,241	593,797	3,791,923	3,824,315	32,392	101%
Water Conservation	2,123,096	1,789,809	1,588,754	2,254,494	1,887,877	(366,618)	84%
Consultants	1,291,446	1,692,398	1,987,232	3,059,862	2,878,702	(181,159)	94%
Fixed Assets	523,943	7,424,398	302,139	1,240,000	3,560,000	2,291,250	287%
Contingency	12,000	-	-	280,000	265,000	(15,000)	95%
Total Expenditures	25,962,079	33,145,851	27,961,718	43,467,687	47,007,809	4,280,539	108%
Total Net	1,779,966	(3,438,744)	6,529,046	(6,534,669)	(8,014,830)	(2,220,577)	123%

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
SCHEDULE 4
ALL FUNDS SUMMARY - BY OPERATING & NON-OPERATING
FY 2019/20**

DETAIL BY OPERATING REVENUE AND EXPENDITURE CATEGORY AND NON-OPERATING REVENUE AND EXPENDITURES CATEGORY	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ADOPTED BUDGET	2019/20 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Operating Revenues							
Taxes	20,592,430	22,454,977	25,607,348	26,441,040	27,864,340	1,423,300	105%
Water Sales	2,443,675	2,451,389	2,452,701	2,612,101	2,612,101	-	100%
InterFund Cost Allocation	2,806,624	3,053,599	4,211,746	4,533,112	5,869,753	1,336,642	129%
Other Revenue	1,215,405	918,519	993,034	1,694,080	921,080	(773,000)	54%
Total Operating Revenues	27,058,134	28,878,485	33,264,829	35,280,333	37,267,274	1,986,942	106%
Operating Expenditures							
Salaries and Employee Benefits	2,170,678	3,099,414	3,447,128	4,437,500	4,472,100	34,600	101%
Services and Supplies	819,596	786,125	933,223	2,272,615	1,858,451	(414,164)	82%
Operations & Maintenance	3,874,944	4,496,992	5,489,859	7,156,379	8,151,210	994,831	114%
LPCCC Operations	1,093,167	924,938	1,212,843	2,024,256	2,591,895	567,639	128%
Putah Creek Watershed Mgt				2,051,218	1,282,052		
Water Purchases	10,112,942	11,508,929	11,115,387	12,095,630	13,185,150	1,089,520	109%
Flood Control	139,982	223,550	285,394	1,293,809	1,711,057	417,248	132%
HCP Planning	508,262	518,241	593,797	3,791,923	3,824,315	32,392	101%
Water Conservation	2,123,096	1,789,809	1,588,754	2,254,494	1,887,877	(366,618)	84%
Consultants	1,291,446	1,692,398	1,987,232	3,059,862	2,878,702	(181,159)	94%
Total Operating Expenditures	22,134,113	25,040,395	26,653,618	40,437,687	41,842,809	2,174,289	103%
Net Operating	4,924,020	3,838,090	6,611,211	(5,157,354)	(4,575,535)	(187,347)	89%
Non-Operating Revenues							
Investment Income	114,244	205,753	415,231	327,685	793,705	466,020	242%
Grant Revenues	569,668	622,869	810,703	1,325,000	932,000	(393,000)	70%
Total Non-Operating Revenues	683,911	828,622	1,225,935	1,652,685	1,725,705	73,020	104%
Non-Operating Expenditures							
Rehab & Betterment	2,699,108	19,500	247,787	735,000	1,015,000	280,000	138%
Grant Expenditures	592,915	661,558	758,173	775,000	325,000	(450,000)	42%
Fixed Assets	523,943	7,424,398	302,139	1,240,000	3,560,000	2,291,250	287%
Contingency	12,000	-	-	280,000	265,000	(15,000)	95%
Total Non-Operating Expenditures	3,827,966	8,105,455	1,308,100	3,030,000	5,165,000	2,106,250	170%
Net Non-Operating	(3,144,055)	(7,276,833)	(82,165)	(1,377,315)	(3,439,295)	(2,033,230)	250%
Net Operating and Non-Operating	1,779,966	(3,438,744)	6,529,046	(6,534,669)	(8,014,830)	(2,220,577)	123%

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 6
BUDGET PROJECTIONS

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 YEAR END PROJECTED BUDGET	2019/20 PROPOSED	2020/21 PROPOSED	2021/22 PROPOSED	2022/23 PROPOSED
Revenues							
Taxes	22,454,977	25,607,348	25,525,182	27,864,340	28,891,179	30,002,378	31,207,307
Water Sales	2,451,389	2,452,701	3,915,745	2,612,101	2,612,101	2,612,101	2,612,101
Grant Revenues	622,869	810,703	724,750	932,000	-	-	-
Investment Income	205,753	415,231	896,526	793,705	792,705	792,705	797,705
Labor & Ovhd Distr.	3,053,599	4,211,746	4,521,761	5,869,753	5,577,989	5,912,668	5,912,668
Other Revenue	918,519	993,034	1,223,007	921,080	429,830	416,080	231,080
Total Revenues	29,707,107	34,490,764	36,806,971	38,992,979	38,303,804	39,735,931	40,760,861
Expenditures							
Salaries and Employee Benefits	3,099,414	3,447,128	3,909,366	4,472,100	4,455,700	5,012,400	5,757,100
Services and Supplies	786,125	933,223	1,039,621	1,858,451	1,842,394	1,920,107	1,953,779
Operations & Maintenance	4,496,992	5,489,859	6,055,070	8,151,210	6,992,986	7,090,539	7,376,968
LPCCC Operations	924,938	1,212,843	1,627,145	2,591,895	2,141,201	2,096,257	2,207,453
Putah Creek Watershed Mgt			1,091,051	1,282,052	1,317,250	1,314,750	1,112,250
Rehab & Betterment	19,500	247,787	264,500	1,015,000	1,175,000	995,000	395,000
Water Purchases	11,508,929	11,115,387	12,955,650	13,185,150	12,888,243	12,661,523	12,503,146
Grant Expenditures	661,558	758,173	536,065	325,000	-	-	-
Flood Control	223,550	285,394	506,325	1,711,057	1,289,597	1,228,223	1,242,666
HCP Planning	518,241	593,797	579,954	3,824,315	796,310	632,337	649,277
Water Conservation	1,789,809	1,588,754	1,839,072	1,887,877	2,073,504	1,848,265	1,895,711
Consultants	1,692,398	1,987,232	2,192,207	2,878,702	2,220,717	2,123,880	2,087,233
Fixed Assets	7,424,398	302,139	539,631	3,560,000	175,000	77,500	55,000
Contingency	-	-	280,000	265,000	295,000	295,000	295,000
Total Expenditures	33,145,851	27,961,718	33,415,658	47,007,809	37,662,902	37,295,779	37,530,582
Total Net	(3,438,744)	6,529,046	3,391,314	(8,014,830)	640,902	2,440,152	3,230,278

Key Budget Projection Assumptions

1. Projected property tax increase of an average of 3% per year, a conservative approach.
2. Salary and Employee Benefits are increased by 6%, a preliminary CPI and insurance increases
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, 2017 (AUDITED)	FUND BALANCE JUNE 30, 2018 (AUDITED)	YEAR END PROJECTION INCREASE/ DECREASE TO FUND BALANCE 18/19	FUND BALANCE JUNE 30, 2019 YEAR END PROJECTION	PROPOSED INCREASE/ DECREASE TO FUND BALANCE 19/20	FUND BALANCE JUNE 30, 2020 PROPOSED	FUND BALANCE JUNE 30, 2021 PROJECTED	FUND BALANCE JUNE 30, 2022 PROJECTED	FUND BALANCE JUNE 30, 2023 PROJECTED
ADMIN - SOLANO PROJECT - WM	19,463,683	20,878,116	(1,121,463)	19,756,653	(9,930,962)	9,825,691	6,630,457	3,537,296	276,969
STATE WATER PROJECT	12,649,897	16,914,423	3,769,204	20,683,627	1,803,293	22,486,920	24,520,781	27,258,931	30,330,509
ULATIS FLOOD CONTROL	5,574,608	6,343,848	768,170	7,112,018	220,624	7,332,642	7,694,974	8,058,612	8,422,895
GREEN VALLEY FLOOD CONTROL	150,772	231,620	(24,598)	207,022	(107,785)	99,237	96,126	92,876	89,406
Total All FUNDS	37,838,960	44,368,007	3,391,313	47,759,320	(8,014,830)	39,744,490	38,942,338	38,947,715	39,119,778

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, Ulati 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 19/20 tax revenues are projected to increase 7% from the prior fiscal year, reflecting the ongoing trend of increasing property values in Solano County.

Grant Revenue – Water Conservation grant to end at the close of FY 2018-2019.

Interest Earnings – Interest earnings continue to increase due to higher interest rates and investing in higher yield instruments (CD's).

Expenditures

Salaries & Benefits – No significant change from prior year, SCWA continues to “pay down” the accumulated unfunded Pension Liability (\$750,000 budgeted for FY 2019-2020) and remain current with annual OPEB costs. The accumulated unfunded Pension Liability will be paid off at the close of FY 2019-2020.

Services and Supplies– In FY 2018-2019 SCWA made a one-time \$350,000 contribution to the Solano Sub-basin Groundwater Sustainability Agency to augment grant funds obtained from DWR for preparation of Solano Sub-basin Groundwater Sustainability Plan.

LPCCC Operations- Increased expenses due to less grant funding.

Watershed Management - A new funding category intended to differentiate traditional “hard” infrastructure (Monticello and Putah Diversion dams, Putah South Canal) operations & maintenance expenditures from biological/physical science investigations such as the ongoing Lower Putah Creek Chinook Salmon Study and the ongoing Lake Berryessa Invasive mussel control program. Includes expenditures related to the Lower Putah Creek Coordinating Committee - but not mandated by the Putah Creek Accord - and technical studies pertaining to the State Water Resources Control Board’s Bay Delta Plan Update.

Rehab & Betterment - Includes funding for ongoing multi-year rehab & betterment projects, such as Putah South Canal drainage repair and canal panel replacement , and funding for “one-time” projects such as the replacement of the Putah Diversion Dam radial gate seals. Electrical upgrades, and PSC Seismic Assessment.

Grant Expenditures - The River Park and Coastal Conservancy projects will be ending in FY 19/20.

Water Conservation Reduced costs due to diminishment of available grant funds.

Flood Control – Increases to accommodate Hydrology Manual update and a Flood Master Plan Update.

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 a trailer compressor, and a 2 row transplanter for use on Putah Creek; an additional Mobile Wash Station for the Mussel program; three vehicles to be used by SID for Putah South Canal operations and maintenance, in lieu of SCWA paying SID for use of their vehicles; and additional streamflow and water quality monitoring equipment.

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

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 Actual	2018/19 ADOPTED BUDGET	2019/20 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues							
Taxes	8,168,228	8,638,934	9,566,656	9,831,140	10,510,520	679,380	107%
Grants	405,668	482,309	810,703	980,000	587,000	(393,000)	60%
Investment Income	74,130	114,883	219,270	173,960	407,205	233,245	234%
InterFund Cost Allocation	2,806,624	3,053,599	4,211,746	4,533,112	5,869,753	1,336,642	129%
Water Sales	68,846	67,734	83,748	65,000	65,000	-	100%
Other Revenue Sources	1,213,821	896,443	946,237	1,671,840	896,840	(775,000)	54%
Total Revenues	12,737,318	13,253,902	15,838,360	17,255,051	18,336,318	1,081,267	106%
Expenditures							
Salaries & Benefits	2,170,678	3,099,414	3,447,128	4,437,500	4,472,100	34,600	101%
Services and Supplies	685,597	643,148	848,100	2,137,715	1,723,551	(414,164)	81%
Operations and Maintenance	2,923,336	3,194,631	3,898,188	4,810,306	5,166,410	261,104	107%
LPCCC Operations	1,093,167	924,938	1,212,843	2,024,256	2,591,895	567,639	128%
Putah Creek Watershed Management				2,051,218	1,282,052	(769,166)	63%
Rehab & Betterment	2,699,108	19,500	247,787	675,000	995,000	320,000	147%
Grant Expenditures	264,915	379,367	758,173	775,000	325,000	(450,000)	42%
Water Conservation	1,629,251	1,295,783	1,077,805	1,299,014	1,125,698	(173,316)	87%
Flood Control	139,982	223,550	285,394	1,293,809	1,711,057	417,248	132%
HCP	508,262	518,241	593,797	3,791,923	3,824,315	32,392	101%
Consultants	1,106,376	1,540,558	1,799,765	1,574,362	1,862,702	288,341	118%
Fixed Assets	281,368	3,682,245	254,949	790,000	3,017,500	2,227,500	382%
Contingency	-	-	-	200,000	170,000	(30,000)	85%
Total Expenditures	13,502,040	15,521,374	14,423,930	25,860,102	28,267,280	2,312,178	109%
Net Change	(764,722)	(2,267,472)	1,414,430	(8,605,051)	(9,930,962)	(1,230,911)	

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 9/20 proposed property tax revenues are projected to increase by 4% from the prior fiscal year, reflecting the ongoing trend of increasing property values in Solano County.

Interest Income – Interest earnings continue to increase due to higher interest rates and investing in higher yielding instruments (CD’s).

Other Revenue Sources – Includes refunds from DWR for prior year advance funding of SWP expenses and grant reimbursement from DWR associated with the NBA Alternate Intake Project.

Expenditures

Operations and Maintenance – Increased costs for Peterson Ranch fencing and aquatic surveys, which are cost-shared with Solano Project.

Water Purchases – 9% increase based on Department of Water Resources’ projected Statement of Charges.

Water Conservation – Budget is being reduced due to Grant funded activities projected to end during 2019/20..

Consultants – Draft EIR for NBA North Bay Aqueduct Alternate Intake Project (NBA AIP) has been delayed, funding of UCD Cache Slough Fisheries and Water Quality Study, along with other studies in support of a multi-benefit NBA AIP to continue.

Fixed Assets – Installation of water quality monitoring station and SWP Fund’s share of SCWA office expansion.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ADOPTED BUDGET	2019/20 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Property Taxes	12,467,260	14,468,386	15,001,220	15,658,770	657,550	104%
Water Sales	2,383,655	2,368,953	2,547,101	2,547,101	-	100%
Grant Revenues	140,560	-	345,000	345,000	-	100%
Investment Income	65,567	134,904	100,000	275,000	175,000	275%
Other Sources	17,242	17,241	17,240	17,240	-	100%
Total State Water Project Revenues	15,074,284	16,989,484	18,010,561	18,843,111	832,550	105%
Expenditures						
Services and Supplies	127,874	70,396	118,700	118,700	-	100%
Operations and Maintenance	603,791	813,630	1,092,146	1,461,539	369,394	134%
Water Purchases	11,508,929	11,115,387	12,095,630	13,185,150	1,089,520	109%
Grant Expenditures	282,191	-	-	-	-	-
Water Conservation	494,026	510,950	955,481	762,179	(193,302)	80%
Consultants	151,840	187,467	1,485,500	1,016,000	(469,500)	68%
Fixed Assets	3,468,986	27,126	20,000	456,250	436,250	2281%
Contingency	-	-	25,000	40,000	15,000	160%
Total State Water Project Expenditures	16,637,637	12,724,956	15,792,456	17,039,818	1,247,362	108%
Net Change	(1,563,353)	4,264,528	2,218,105	1,803,293	(414,812)	

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 19/20 proposed tax revenues are projected to increase 5% from the prior fiscal year, reflecting the ongoing trend of increasing property values in Solano County

Investment Income –Interest earnings are still increasing due to higher interest rates and investing in higher yielding instruments (CD’s).

Expenditures

Operations and Maintenance - Operations and maintenance expenses are projected to increase by 13% largely due to inclusion of one-time “Ulatis Facilities Risk Assessment Project”.

Fixed Assets – No significant asset purchases anticipated, other than Fund’s share of SCWA office expansion.

DETAIL BY REVENUE CATEGORY AND EXPENDITURES CATEGORY	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ADOPTED BUDGET	2019/20 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Property Taxes	1,228,717	1,444,608	1,462,660	1,532,590	69,930	105%
Investment Income	25,302	59,450	52,000	107,000	55,000	206%
Other Services	4,835	29,557	5,000	7,000	2,000	140%
Total Ulatis Revenues	1,258,855	1,533,615	1,519,660	1,646,590	126,930	108%
Expenditures						
Supplies and Services	13,972	13,645	15,000	15,000	-	100%
Operations and Maintenance	660,115	730,666	1,139,456	1,283,466	144,010	113%
Rehab & Betterment	-	-	20,000	20,000	-	100%
Fixed Assets	273,167	20,064	430,000	57,500	(372,500)	13%
Contingency	-	-	50,000	50,000	-	100%
Total Ulatis Expenditures	947,255	764,375	1,654,456	1,425,966	(228,490)	86%
Net Change	311,600	769,240	(134,796)	220,624	355,420	

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 19/20 proposed tax revenues are projected to increase 5% from the prior fiscal year, reflecting the ongoing trend of increasing property values in Solano County

Investment Income –Interest earnings are still increasing due to higher interest rates and investing in higher yielding instruments (CD's).

Expenditures

Operations and Maintenance - Operations and maintenance expenses are projected to increase by 13% largely due to inclusion of one-time "Ulatis Facilities Risk Assessment Project".

Fixed Assets – No significant asset purchases anticipated, other than Fund's share of SCWA office expansion.

DETAIL BY REVENUE CATEGORY AND EXPENDITURES CATEGORY	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ADOPTED BUDGET	2019/20 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Property Taxes	1,228,717	1,444,608	1,462,660	1,532,590	69,930	105%
Investment Income	25,302	59,450	52,000	107,000	55,000	206%
Other Services	4,835	29,557	5,000	7,000	2,000	140%
Total Ulatis Revenues	1,258,855	1,533,615	1,519,660	1,646,590	126,930	108%
Expenditures						
Supplies and Services	13,972	13,645	15,000	15,000	-	100%
Operations and Maintenance	660,115	730,666	1,139,456	1,283,466	144,010	113%
Rehab & Betterment	-	-	20,000	20,000	-	100%
Fixed Assets	273,167	20,064	430,000	57,500	(372,500)	13%
Contingency	-	-	50,000	50,000	-	100%
Total Ulatis Expenditures	947,255	764,375	1,654,456	1,425,966	(228,490)	86%
Net Change	311,600	769,240	(134,796)	220,624	355,420	

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 19/20 proposed tax revenues are projected to increase 11% over the prior fiscal year, reflecting the ongoing trend of increasing property values in Solano County.

Investment Income – Interest earnings continue to increase due to higher interest rates and investing in higher yielding instruments (CD's).

Expenditures

Operations and Maintenance – Operations and maintenance expenses are projected to increase 209% largely due to inclusion of one-time “Green Valley Facilities Risk Assessment Project”, initiation of “Bank Stabilization Project”, and an expected increase in related labor costs.

Fixed Assets – No significant fixed asset purchases anticipated, other than Fund’s share of SCWA office expansion.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ADOPTED BUDGET	2019/20 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
Revenues						
Property Taxes	120,066	127,697	146,020	162,460	16,440	111%
Investment	-	1,608	1,725	4,500	2,775	261%
Total Green Valley Revenues	120,066	129,305	147,745	166,960	19,215	113%
Expenditures						
Supplies and Services Operations and Maintenance	1,131	1,082	1,200	1,200	-	100%
Rehab & Betterment	38,455	47,375	114,472	239,795	125,323	209%
Fixed Assets	-	-	40,000	-	(40,000)	0%
Contingency	-	-	5,000	28,750	28,750	
	-	-	5,000	5,000	-	100%
Total GV Expenditures	39,586	48,457	160,672	274,745	114,073	171%
Net Change	80,480	80,848	(12,927)	(107,785)	(94,858)	

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 Ulatis 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 Projected Reserves Summary

	Fund				Total
	Solano Project	State Water Project	Ulatis FC	Green Valley FC	
Projected Fund Balance on June 30, 2019 (Available Reserves)	\$ 9,825,691.00	\$ 22,486,920.00	\$ 7,332,642.00	\$ 99,237.00	\$ 39,744,490.00
Less Operating Reserves	\$ 9,854,391.00	\$ 8,271,784.00	\$ 659,233.00	\$ 120,498.00	\$ 18,905,906.00
	\$ (28,700.00)	\$ 14,215,136.00	\$ 6,673,409.00	\$ (21,261.00)	\$ 20,838,584.00
Less Emergency Reserves	\$ 2,000,000.00	-	-	-	\$ 2,000,000.00
	\$ (2,028,700.00)	\$ 14,215,136.00	\$ 6,673,409.00	\$ (21,261.00)	\$ 18,838,584.00
Less Other Flood Control Projects		-	-	-	\$ -
	\$ (2,028,700.00)	\$ 14,215,136.00	\$ 6,673,409.00	\$ (21,261.00)	\$ 18,838,584.00
Less Future Short-Term Capital Improvements (within 5 years)	\$ 3,250,000.00	\$ 5,491,317.00	\$ 5,650,285.00	\$ 161,629.00	\$ 14,553,231.00
	\$ (5,278,700.00)	\$ 8,723,819.00	\$ 1,023,124.00	\$ (182,890.00)	\$ 4,285,353.00