

Solano County Water Agency  
Fiscal Year 2014-2015  
Proposed Budget

# Solano County Water Agency

## FY 2014/15 Proposed Budget

### TABLE OF CONTENTS

Budget Message	I
Budget Schedules	II
Fund Summaries	III

# SOLANO COUNTY WATER AGENCY



## General Manager's Budget Message

### **Proposed FY 2014/15 Budget June 2014**

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

The Board of Directors designates a Budget Committee. The Budget Committee reviews and discusses the budget document and makes a recommendation to the Board of Directors to adopt the budget or provides recommendations to the budget. The Proposed Budget for FY 14/15 is prepared for each fund of the Agency in accordance with the modified accrual method of accounting. The Proposed 14/15 Budget is in a new format, recommended by the Executive Committee in December of 2013. This format was also used for the FY 13/14 Year End Projection.

#### Budget Overview

The Agency's financial position remains strong. A healthy reserve has been maintained in anticipation for future infrastructure needs. The reserve funds are summarized in Schedule 6.

State grant programs are a very large part of the Agency's budget. Due to a variety of reasons, beyond the control of the Agency, the timing of grant funded projects is not certain. Estimating grant expenses and revenues for budgeting purposes has been difficult and often results in major discrepancies between actual and budgeted amounts. Since grant expenses and revenues make up a large part of the total Agency budget (see Figures 1 and 2 in this report), these grants can skew the overall financial picture of the Agency.

The Agency built up considerable reserves during years when property tax revenues were increasing. Starting in FY 08/09 property taxes began declining until FY 11/12 when they stabilized (see Figure 5). Generally, the property tax remained stabilized in FY 12/13 although the revenues

reflect two onetime payments, the repayment of an 8% State borrowing from FY 09/10 and payments associated with the dissolution of Redevelopment Agencies. FY13/14 has shown an increase in property tax revenues signaling the economic improvements the County has been experiencing over the last months and we are projecting further increases in the FY 14/15 Proposed Budget.

FY 13/14 Year End Projection was accepted by the Board in May 2014. The Year End budget projected an overall reduction in the deficit of (\$3,362,417) when compared to the FY 13/14 Approved Budget from (\$6,122,316) to (\$2,759,899) primarily due to timing delays in implementing some large projects. Also, generally, actual expenditures come in below budgeted amounts due to various delays in project implementation and limitations in Agency staff resources to implement projects.

A budget goal has been to have Agency operating costs paid out of current year revenues (mainly property taxes), not out of reserves. We define "operating costs" as those costs that are not "capital-type" expenses. We use the words "capital-type" rather than "capital" because major "capital-type" projects such as the North Bay Aqueduct Alternate Intake Project and work on the Solano Project are not true capital projects, from an accounting standpoint, because they are on lands that the Agency does not own.

In FY's 12/13 and 13/14 the State Water Project (SWP) operating budget had to tap its reserves to balance the budget. This is because of an onetime increase in State Department of Water Resources charges for SWP water delivered through the North Bay Aqueduct in calendar year 2013 which was due to a recalculation of cost allocation factors. The FY 14/15 water purchases have decreased by (\$1,859,929) from FY 13/14 because ½ of the 2013 calendar year was included in FY 13/14 water purchases. Although the water purchase costs have decreased in FY 14/15 the SWP operating expenditures are still slightly larger than the operating revenues by (\$86,891). If property tax revenues do not keep pace with SWP water charges, we may need to increase charges to cities for water supply, or consider other options.

For the FY 14/15 Proposed Budget as a whole, the "operating revenues" (mostly property taxes) are \$22,597,822, and the "operating expenses" are \$22,478,727. (See Schedule 4).

In the FY 14/15 Proposed Budget, total expenditures are budgeted at \$31,277,217 and total revenues are budgeted at \$26,124,877, for a decrease to the fund balance (tapping reserves) of (\$5,152,340). In addition to the SWP charges described above, this deficit includes two SWP capital-type projects. These are grant funded projects, but have a local share (approximately 50%). The North Bay Aqueduct Alternate Intake Project has a net cost of \$769,000 and the North Bay Regional Water Quality Research Station has a net cost of \$550,000. Other capital type projects are for major Solano Project rehabilitation and betterments costing \$2.94 million (See Schedule 5).

**FY 2014/15 Budget Summary**

Figure 1, “Summary of Revenues” provides information on all the sources of funds included in the budget document. Tax Revenues represent 64% of all funds followed by 14% for Grant Revenues, 10% for Labor and Overhead Distribution and 10% for Water Sales. Almost all the Water Sales revenues are from State Water Project water sales. Other revenues consist of Napa Make Whole agreement payments, State Water Project water purchase adjustments and water conservation reimbursements from the cities. Investments are interest earnings on reserves.

**Figure 1**

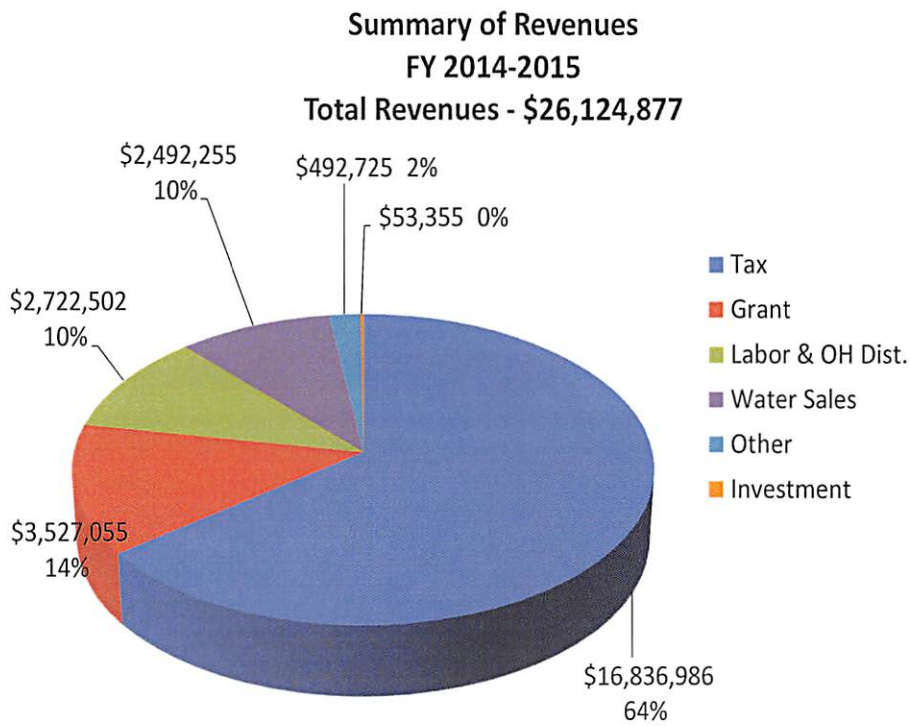
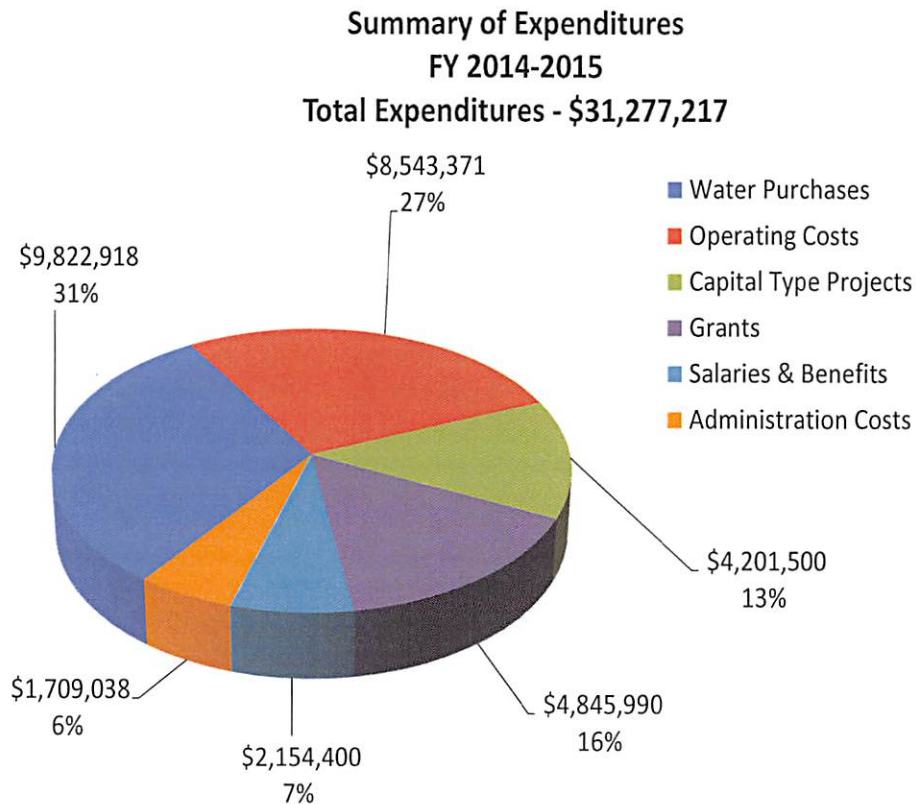


Figure 2, “Summary of Expenditures” portrays spending by categories. The largest expenditure category with 31% of all expenditures is Water Purchases – all for State Water Project water, followed by Operating Costs with 27%, Grant Expenditures 16%, Capital Type Projects with 13%. Salaries & Benefits make up 7% of the overall expenditures with Administrative Costs the remaining 6%.

**Figure 2**



## Trends

Figure 3, “Operating Income and Expense” provides a yearly trend analysis of operating revenues and expenditures. Annual operating expenditures have been funded by annual revenues with the exception of the State Water Project fund. For FY’s 12/13, 13/14 and 14/15 the State Water Project fund has had operating expenses exceed revenues as described in the Budget Overview. Capital-type projects are not included in Figure 3.

Figure 3

### Operating Income and Expense

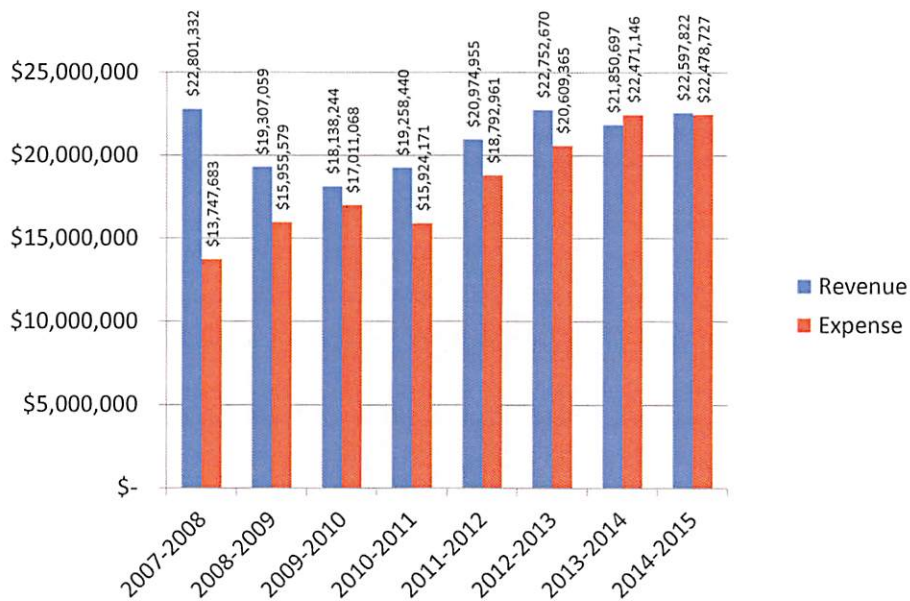


Figure 4, “Cumulative Fund Balance” provides a yearly trend analysis of the Agency’s financial reserves. When annual revenues cannot fully fund expenditures the fund balance is tapped to make up the difference. Conversely, when annual revenues exceed expenditures the excess revenues are added to the fund balance. The FY 14/15 budget contains three large capital-type projects that are funded from reserves, NBA Alternate Intake Project, NBR Research Station, and the PSC Headworks Screens.

**Figure 4**

**Cumulative Fund Balance**

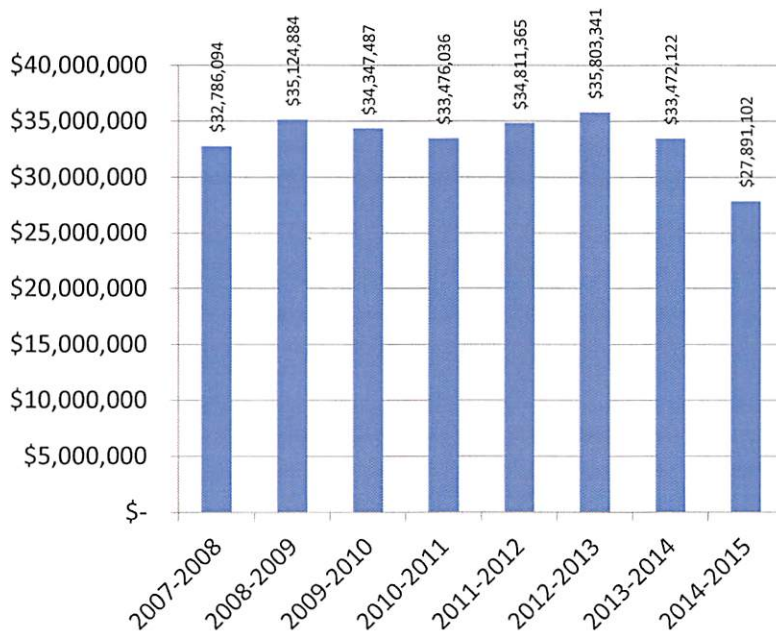
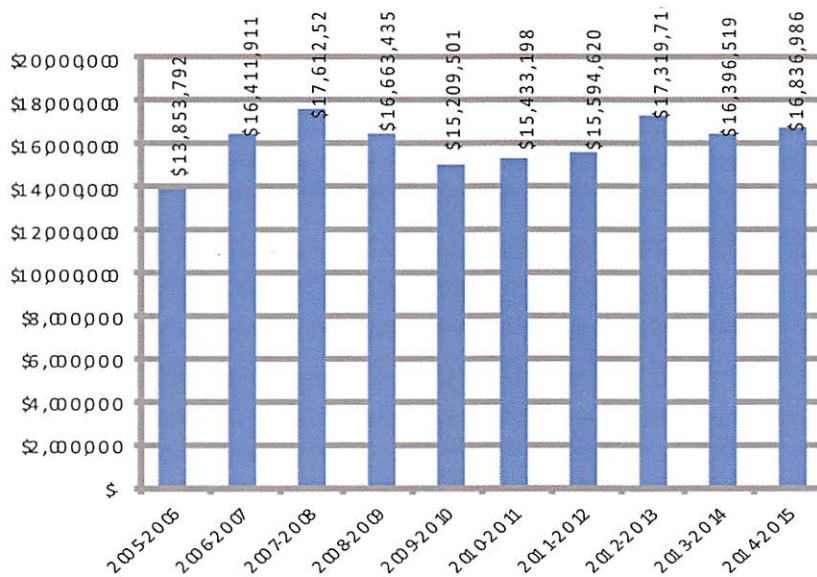




Figure 5, “Property Tax Revenues” provides a trend analysis of property tax revenues. The revenues show the decline in property tax revenue during FY 08/09 and FY 09/10 followed by several years of stabilization. The FY 12/13 tax revenues include one-time payments associated with the dissolution of redevelopment agencies and the repayment of an 8% State borrowing, which occurred in FY 09/10. Without considering FY 12/13 onetime payments, property tax revenues increased in FY 13/14 from FY 12/13 by 4%, and are expected to increase by 2% for FY 14/15.

**Figure 5**

**Property Tax Revenue**



**SOLANO COUNTY WATER AGENCY  
SCHEDULE 1  
ALL FUNDS SUMMARY  
FY 2014/15**

<b>FUND NAME</b>	<b>FUND BALANCE AVILABLE 6/13/2013 AUDITED</b>	<b>YE PROJECTION INCREASE/ DECREASE TO FUND BALANCE 13/14</b>	<b>FUND BALANCE AVAILABLE 6/13/2014 ESTIMATED</b>	<b>PROPOSED 14/15 REVENUES</b>	<b>PROPOSED 14/15 EXPENDITURES</b>	<b>PROPOSED INCREASE/ DECREASE TO FUND BALANCE</b>	<b>PROPOSED FUND BALANCE 6/30/2015</b>
ADMIN - SOLANO PROJECT - WM	19,700,634	77,667	19,778,301	12,180,809	16,223,349	(4,042,540)	15,735,761
STATE WATER PROJECT	12,186,954	(2,964,274)	9,222,680	12,867,808	14,073,634	(1,205,826)	8,016,854
ULATIS FLOOD CONTROL	3,968,488	79,005	4,047,493	981,890	886,066	95,824	4,143,317
GREEN VALLEY FLOOD CONTROL	(52,735)	47,703	(5,032)	94,370	94,168	202	(4,830)
<b>Total All FUNDS</b>	<b>35,803,341</b>	<b>(2,759,899)</b>	<b>33,043,442</b>	<b>26,124,877</b>	<b>31,277,217</b>	<b>(5,152,340)</b>	<b>27,891,102</b>

Schedule 1 provides the reserve balances based on the FY 13/14 Year End Projection and the FY 14/15 Proposed Budget. This schedule also provides revenue and expenses by fund for the Proposed FY 14/15 Budget.

**SOLANO COUNTY WATER AGENCY  
SCHEDULE 2  
ALL FUNDS SUMMARY - BY FUNDS  
FY 2014/15**

DETAIL BY FUND REVENUE CATEGORY AND FUND EXPENDITURE CATEGORY	2011/12 ACTUAL	2012/13 ACTUAL	2013/14 ADOPTED BUDGET	2014/15 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
<b>Revenues</b>						
Admin-Solano Project-Watermaster	12,412,538	11,116,419	10,229,212	12,180,809	1,951,597	19%
State Water Project	10,926,396	11,417,691	12,452,576	12,867,808	415,232	3%
Ulati Flood Control	893,545	1,182,359	916,750	981,890	65,140	7%
Green Valley Flood Control	84,403	95,657	84,219	94,370	10,151	12%
<b>Total Revenues</b>	<b>24,316,881</b>	<b>23,812,126</b>	<b>23,682,757</b>	<b>26,124,877</b>	<b>2,442,120</b>	<b>10%</b>
<b>Expenditures</b>						
Admin-Solano Project-Watermaster	11,072,486	8,824,641	12,238,794	16,223,349	3,984,555	33%
State Water Project	11,389,571	13,458,962	16,531,502	14,073,634	(2,457,868)	-15%
Ulati Flood Control	424,580	460,902	936,504	886,066	(50,438)	-5%
Green Valley Flood Control	94,915	75,646	98,273	94,168	(4,105)	-4%
<b>Total Expenditures</b>	<b>22,981,553</b>	<b>22,820,151</b>	<b>29,805,073</b>	<b>31,277,217</b>	<b>1,472,144</b>	<b>5%</b>
<b>Net</b>						
Admin-Solano Project-Watermaster	1,340,051	2,291,778	(2,009,582)	(4,042,540)	(2,032,958)	101%
State Water Project	(463,175)	(2,041,271)	(4,078,926)	(1,205,826)	2,873,100	-70%
Ulati Flood Control	468,964	721,457	(19,754)	95,824	115,578	-585%
Green Valley Flood Control	(10,512)	20,011	(14,054)	202	14,256	-101%
<b>Total Net</b>	<b>1,335,328</b>	<b>991,975</b>	<b>(6,122,316)</b>	<b>(5,152,340)</b>	<b>969,976</b>	<b>-16%</b>

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

**SOLANO COUNTY WATER AGENCY  
SCHEDULE 3  
ALL FUNDS SUMMARY - BY ACTIVITY  
FY 2014/15**

<b>DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY</b>	<b>2011/12 ACTUAL</b>	<b>2012/13 ACTUAL</b>	<b>2013/14 ADOPTED BUDGET</b>	<b>2014/15 PROPOSED</b>	<b>FROM ADOPTED TO PROPOSED</b>	<b>PERCENT CHANGED</b>
<b>Revenues</b>						
Taxes	15,594,621	17,319,710	15,682,020	16,836,986	1,154,966	7%
Water Sales	1,373,642	2,373,203	2,248,076	2,492,255	244,179	11%
Grant Revenues	3,677,384	1,059,456	2,804,500	3,527,055	722,555	26%
Investment Income	96,079	120,090	81,106	53,355	(27,751)	-34%
Labor & Ovhd Distr.	2,349,193	2,265,021	2,150,050	2,722,502	572,452	27%
Other Revenue	1,225,961	674,646	717,005	492,725	(224,280)	-31%
<b>Total Revenues</b>	<b>24,316,881</b>	<b>23,812,126</b>	<b>23,682,757</b>	<b>26,124,877</b>	<b>2,442,120</b>	<b>10%</b>
<b>Expenditures</b>						
Salaries and Employee Benefits	1,590,003	1,714,063	1,871,000	2,154,400	283,400	15%
Services and Supplies	754,860	748,347	870,615	823,560	(47,055)	-5%
Operations & Maintenance	3,414,305	3,314,226	3,745,502	4,385,195	639,693	17%
LPCCC Operations	714,438	737,585	752,945	939,998	187,053	25%
Rehab & Betterment	214,650	291,811	1,370,000	2,960,000	1,590,000	116%
Water Purchases	9,280,146	11,179,540	11,682,847	9,822,918	(1,859,929)	-16%
Grant Expenditures	3,737,087	1,763,714	4,259,000	4,845,990	586,990	14%
Flood Control	78,098	105,145	679,000	705,962	26,962	4%
HCP Planning	517,147	644,218	684,978	679,516	(5,462)	-1%
Water Conservation	1,238,554	1,044,324	1,586,000	1,754,879	168,879	11%
Consultants	1,205,410	1,121,917	1,362,186	1,212,299	(149,887)	-11%
Fixed Assets	236,855	155,261	780,000	741,500	(38,500)	-5%
Contingency	-	-	161,000	251,000	90,000	56%
<b>Total Expenditures</b>	<b>22,981,553</b>	<b>22,820,151</b>	<b>29,805,073</b>	<b>31,277,217</b>	<b>1,472,144</b>	<b>5%</b>
<b>Total Net</b>	<b>1,335,328</b>	<b>991,975</b>	<b>(6,122,316)</b>	<b>(5,152,340)</b>	<b>969,976</b>	<b>-16%</b>

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

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

**SOLANO COUNTY WATER AGENCY  
SCHEDULE 4  
ALL FUNDS SUMMARY - BY OPERATING & NON-OPERATING  
FY 2014/15**

DETAIL BY OPERATING REVENUE AND EXPENDITURE CATEGORY AND NON-OPERATING REVENUE AND EXPENDITURES CATEGORY	2011/12 ACTUAL	2012/13 ACTUAL	2013/14 ADOPTED BUDGET	2014/15 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
<b>Operating Revenues</b>						
Taxes	15,594,621	17,319,710	15,682,020	16,836,986	1,154,966	7%
Water Sales	2,261,205	2,373,203	2,248,076	2,492,255	244,179	11%
Investment Income	96,079	120,090	81,106	53,355	(27,751)	-34%
Labor & Ovhd Distr.	2,311,323	2,265,021	2,150,050	2,722,502	572,452	27%
Other Revenue	711,726	674,646	717,005	492,725	(224,280)	-31%
<b>Total Operating Revenues</b>	<b>20,974,955</b>	<b>22,752,670</b>	<b>20,878,257</b>	<b>22,597,822</b>	<b>1,719,565</b>	<b>8%</b>
<b>Operating Expenditures</b>						
Salaries and Employee Benefits	1,590,003	1,714,063	1,871,000	2,154,400	283,400	15%
Services and Supplies	754,860	748,347	870,615	823,560	(47,055)	-5%
Operations & Maintenance	3,414,305	3,314,226	3,745,502	4,385,195	639,693	17%
LPCCC Operations	714,438	737,585	752,945	939,998	187,053	25%
Water Purchases	9,280,146	11,179,540	11,682,847	9,822,918	(1,859,929)	-16%
Flood Control	78,098	105,145	679,000	705,962	26,962	4%
HCP Planning	517,147	644,218	684,978	679,516	(5,462)	-1%
Water Conservation	1,238,554	1,044,324	1,586,000	1,754,879	168,879	11%
Consultants	1,205,410	1,121,917	1,362,186	1,212,299	(149,887)	-11%
<b>Total Operating Expenditures</b>	<b>18,792,961</b>	<b>20,609,365</b>	<b>23,235,073</b>	<b>22,478,727</b>	<b>(756,346)</b>	<b>-3%</b>
<b>Net Operating</b>	<b>2,181,994</b>	<b>2,143,305</b>	<b>(2,356,816)</b>	<b>119,095</b>	<b>2,475,911</b>	<b>-105%</b>
<b>Non-Operating Revenues</b>						
Grant Revenues	3,341,927	1,059,456	2,804,500	3,527,055	722,555	26%
<b>Total Non-Operating Revenues</b>	<b>3,341,927</b>	<b>1,059,456</b>	<b>2,804,500</b>	<b>3,527,055</b>	<b>722,555</b>	<b>26%</b>
<b>Non-Operating Expenditures</b>						
Rehab & Betterment	214,650	291,811	1,370,000	2,960,000	1,590,000	116%
Grant Expenditures	3,737,087	1,763,714	4,259,000	4,845,990	586,990	14%
Fixed Assets	236,855	155,261	780,000	741,500	(38,500)	-5%
Contingency	-	-	161,000	251,000	90,000	56%
<b>Total Non-Operating Expenditures</b>	<b>4,188,592</b>	<b>2,210,786</b>	<b>6,570,000</b>	<b>8,798,490</b>	<b>2,228,490</b>	<b>34%</b>
<b>Net Non-Operating</b>	<b>(846,666)</b>	<b>(1,151,330)</b>	<b>(3,765,500)</b>	<b>(5,271,435)</b>	<b>(1,505,935)</b>	<b>-5%</b>
<b>Net Operating and Non-Operating</b>	<b>1,335,328</b>	<b>991,975</b>	<b>(6,122,316)</b>	<b>(5,152,340)</b>	<b>969,976</b>	<b>-16%</b>

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

**SOLANO COUNTY WATER AGENCY  
 SCHEDULE 5  
 SOLANO PROJECT REHAB & BETTERMENT  
 FY 2014/15**

<b>FUND</b>	<b>DESCRIPTION</b>	<b>TOTAL AMOUNT</b>	<b>PLANNED 2014-15</b>	<b>PROPOSED 2015-16</b>	<b>PROPOSED 2016-17</b>	<b>PROPOSED 2017-18</b>	<b>PROPOSED 2018-19</b>
SP	Improve Data Management System	200,000	-	50,000	50,000	50,000	50,000
SP	Road Gravel and Turn-around Improvements	250,000	50,000	50,000	50,000	50,000	50,000
SP	PSC Drainage Rehab and Improve	130,000	10,000	30,000	30,000	30,000	30,000
SP	PSC Panel Replacement	450,000	50,000	100,000	100,000	100,000	100,000
SP	Putah Diversion Compound Renovation	95,000	75,000	10,000	10,000	-	-
SP	PSC HW Screen Rehab	2,600,000	2,600,000	-	-	-	-
SP	Putah Diversion Dam Gate Rehab	350,000	150,000	50,000	50,000	50,000	50,000
SP	Reservoir Lane/Terminal Reservoir Paving	300,000	-	200,000	100,000	-	-
<b>Total Solano Project Rehab &amp; Betterment</b>		<b>4,375,000</b>	<b>2,935,000</b>	<b>490,000</b>	<b>390,000</b>	<b>280,000</b>	<b>280,000</b>

SOLANO COUNTY WATER AGENCY  
SCHEDULE 6  
RESERVE FUND - ALL FUNDS  
FY 2014/15

DETAIL BY FUND RESERVE CATEGORY	PROJECTED LONG-TERM CAPITAL PROJECTS	RESERVE FUND FY 13/14 APPROVED MAY 2013	CHANGE	RECOMMENDED RESERVE FUND FY 14/15
<b>Solano Project/Admin</b>				
Solano Project/Admin		2,873,000	1,337,477	\$ 4,210,477
Solano Project/Admin Rehabilitation & Betterment Reserve <sup>1</sup>		2,000,000	(560,000)	1,440,000
Solano Project Capital Reserve		10,534,055	(1,653,601)	8,880,454
Putah South Canal Power line	750,000			
Putah Diversion Office Solar Installation	100,000			
Terminal Dam Seismic Retrofit (SCWA 15% share)	6,000,000			
Putah South Canal Sediment Management - est	10,000,000			
	<u>16,850,000</u>			
<b>Solano Project/ Admin Subtotal</b>		<b>15,407,055</b>	<b>(876,124)</b>	<b>14,530,931</b>
<b>State Water Project</b>				
State Water Project Operating Reserves		5,473,000	(158,714)	5,314,286
State Water Project Capital Reserve		2,424,463	278,105	2,702,568
<b>State Water Project Subtotal</b>		<b>7,897,463</b>	<b>119,391</b>	<b>8,016,854</b>
<b>Ulatis Project</b>				
Ulatis Project Control Project Operating Reserve		235,000	118,259	353,259
Ulatis Flood Control Project Capital Reserve		3,664,002	126,056	3,790,058
Giant Garner Snake Preserve (cost shared)	1,400,000			
30 Grade Control Structures	750,000			
All Weather Access Improvements	500,000			
Spoil Easement Purchases	100,000			
Heavy Equipment Acquisitions	100,000			
	<u>2,850,000</u>			
<b>Ulatis Project Subtotal</b>		<b>3,899,002</b>	<b>244,315</b>	<b>4,143,317</b>
<b>Green Valley Project</b>				
Green Valley Flood Control Project Operating Reserve		-	-	-
<b>Green Valley Project Subtotal</b>		<b>-</b>	<b>-</b>	<b>-</b>
Other Flood Control Projects		200,000	-	200,000
Emergency Reserve		1,000,000	-	1,000,000
<b>Total</b>		<b>\$ 28,403,520</b>	<b>(512,418)</b>	<b>\$ 27,891,102</b>

Notes

1. Include R & B projects planned for the next 4 years

**FUND SUMMARY**

**ADMINISTRATION – SOLANO PROJECT - WATERMASTER**

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2011/12 ACTUAL	2012/13 ACTUAL	2013/14 ADOPTED BUDGET	2014/15 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
<b>Revenues</b>						
Property Taxes	6,275,969	7,620,083	6,299,351	6,855,028	555,677	9%
Grants	3,010,952	402,231	950,000	2,010,000	1,060,000	112%
Investment Income	62,578	91,154	56,806	40,055	(16,751)	-29%
Interfund Cost Allocation	2,311,323	2,265,021	2,150,050	2,722,502	572,452	27%
Water Sales	59,895	67,530	60,000	65,000	5,000	8%
Other Revenue Sources	691,820	670,400	713,005	488,225	(224,780)	-32%
<b>Total Revenues</b>	<b>12,412,538</b>	<b>11,116,419</b>	<b>10,229,212</b>	<b>12,180,809</b>	<b>1,951,597</b>	<b>19%</b>
<b>Expenditures</b>						
Salaries & Benefits	1,590,003	1,714,063	1,871,000	2,154,400	283,400	15%
Services and Supplies	646,882	649,078	756,260	691,975	(64,285)	-9%
Operations and Maintenance	2,165,710	2,256,622	2,457,225	3,070,764	613,539	25%
LPCCC Operations	714,438	737,585	752,945	939,998	187,053	25%
Rehab & Betterment	214,650	285,618	1,340,000	2,935,000	1,595,000	119%
Grant Expenditures	2,951,850	440,715	950,000	2,010,000	1,060,000	112%
Water Conservation	941,798	887,404	1,160,000	1,110,936	(49,064)	-4%
Flood Control	78,098	105,145	679,000	705,962	26,962	4%
HCP	517,147	644,218	684,978	679,516	66,927	-1%
Consultants	1,015,056	990,475	1,012,386	1,073,299	60,913	6%
Fixed Assets	236,855	113,718	465,000	651,500	186,500	40%
Contingency	-	-	110,000	200,000	90,000	82%
<b>Total Expenditures</b>	<b>11,072,486</b>	<b>8,824,641</b>	<b>12,238,794</b>	<b>16,223,349</b>	<b>3,984,555</b>	<b>33%</b>
<b>Net</b>	<b>1,340,051</b>	<b>2,291,778</b>	<b>(2,009,582)</b>	<b>(4,042,540)</b>	<b>(2,032,958)</b>	<b>101%</b>

**FUND PURPOSE**

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



**FUNCTION AND RESPONSIBILITIES**

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

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

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

**FUND DETAIL COMMENTS**Revenues

- Property Taxes - The FY 14/15 Tax Revenues increased 9% from the FY 13/14 Adopted Budget due to the tax revenues projected in the FY 13/14 Year End Budget increasing 7% from the FY 13/14 Adopted Budget and the projection that FY 14/15 tax revenues will increase 2% from FY 13/14.
- Grants - The FY 14/15 Grant Revenues have increased \$1,060,000 due to increased activity for LPCCC projects.
- Investment Income – Investment Income decreased by 29% from the FY 13/14 Adopted Budget due to a decrease in investment yields on reserves.
- Interfund Cost Allocation – The FY 14/15 Interfund Cost Allocation has increased by 27% from the FY 13/14 Adopted Budget because FY 13/14 did not include labor and overhead charges for the Lake Berryessa interns which is an Interfund Cost Allocation to the Administration fund from the Solano Project fund. Also, salary and benefits have increased in FY 14/15 which increases the amount of the labor and overhead distributed to the non-administrative funds and consequently increases the Interfund Cost Allocation reimbursement.
- Other Revenue Sources - The decrease in the Other Revenue Sources budget of (\$224,780) from the FY 13/14 Adopted Budget is primarily due to decreased reimbursements from water conservation programs funded by grants.

Expenditures

- Salaries & Benefits - The Proposed FY 14/15 Salaries and Benefits includes the addition of a new full time employee approved by the Board and funding for merit and cost of living increases.
- Operations & Maintenance - The FY 14/15 Operations and Maintenance has increased by \$613,539 from the Adopted FY 13/14 Budget due to higher water deliveries from the Solano Project in response to drought conditions.

- LPCCC Operations - The LPCCC Operations includes additional contract work and additional staff labor & overhead costs of \$187,053 in the FY 14/15 Budget.
- Rehab & Betterment - Rehab and Betterment expenditures have increased \$1,595,000 in the FY 14/15 Budget from the FY 13/14 Adopted Budget due to the an increase of \$2,600,000 for a project to improve the headworks screens on the Putah South Canal and \$335,000 for improvements to the building and grounds at the Putah Diversion Dam. This increase is offset by the completion in FY 13/14 of the Mangles Bypass project.
- Grants - The FY 14/15 Grant Expenditures have increased \$1,060,000 due to increased activity for LPCCC projects.
- Fixed Assets – Fixed Asset purchases in the FY 14/15 budget includes computer system upgrades, a mini excavator, and the Putah Diversion Dam bulkhead (\$600,000).
- Contingency - Contingency has been increased for any unplanned retirement payouts.

The Administration/Solano Project/Watermaster fund has an overall FY 14/15 net decrease of (\$4,042,540), a deficit increase of 101% from the FY 13/14 Adopted Budget net of (\$2,009,582) principally due to a major Solano Project rehabilitation and betterment project and increased LPCCCC grant activity.

DETAIL BY REVENUE CATEGORY AND EXPENDITURES CATEGORY	2011/12 ACTUAL	2012/13 ACTUAL	2013/14 ADOPTED BUDGET	2014/15 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
<b>Revenues</b>						
Property Taxes	8,366,599	8,436,350	8,392,000	8,914,298	522,298	6%
Water Sales	2,201,310	2,305,672	2,188,076	2,427,255	239,179	11%
Grant Revenues	330,975	657,225	1,854,500	1,517,055	(337,445)	-18%
Investment Income	27,512	18,444	18,000	9,200	(8,800)	-49%
<b>Total Revenues</b>	<b>10,926,396</b>	<b>11,417,691</b>	<b>12,452,576</b>	<b>12,867,808</b>	<b>415,232</b>	<b>3%</b>
<b>Expenditures</b>						
Services and Supplies	92,899	86,189	98,355	115,585	17,230	18%
Operations and Maintenance	744,179	540,329	640,500	506,198	(134,302)	-21%
Water Purchases	9,280,146	11,179,540	11,682,847	9,822,918	(1,859,929)	-16%
Grant Expenditures	785,237	1,322,999	3,309,000	2,835,990	(473,010)	-14%
Water Conservation	296,756	156,920	426,000	643,944	217,944	51%
Consultants	190,354	131,442	349,800	139,000	(210,800)	-60%
Fixed Assets	-	41,543	15,000	-	(15,000)	-100%
Contingency	-	-	10,000	10,000	-	0%
<b>Total Expenditures</b>	<b>11,389,571</b>	<b>13,458,962</b>	<b>16,531,502</b>	<b>14,073,634</b>	<b>(2,457,868)</b>	<b>-15%</b>
<b>Net</b>	<b>(463,175)</b>	<b>(2,041,271)</b>	<b>(4,078,926)</b>	<b>(1,205,826)</b>	<b>2,873,100</b>	<b>-70%</b>

**FUND PURPOSE**

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

**FUNCTION AND RESPONSIBILITIES**

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

**FUND DETAIL COMMENTS**Revenues

- Property Taxes – The FY 14/15 Tax Revenues increased 6% from the FY 13/14 Adopted Budget due to the tax revenues projected in the FY 13/14 Year End Budget increasing 4% from the FY 13/14 Adopted Budget and the projection that FY 14/15 tax revenues will increase 2% from FY 13/14.
- Water Sales – Water Sales revenue is projected to increase by 11% due to a change in the billing cycle from payment in arrears to payment for the current year in the current year of Kern County Water Transfer sales resulting in one year of Kern Water Transfer sales to be billed over a three year period.
- Grants - The FY 14/15 Grant Revenues have decreased from the FY 13/Adopted Budget by 18% due to the wind down of the Alternate Intake Project Grant.
- Investment Income - Investment Income has decreased from FY 13/14 to FY 14/15 due to a decrease in investment yield on reserves.

Expenditures

- Services and Supplies - The increase in Services and Supplies of \$17,230 is due to an increase in State Water Contractors member dues.
- Operations and Maintenance – Operations and Maintenance decreased by 12% primarily due to less staff labor and overhead charges expected in FY 14/15 because FY 13/14 had an abnormally high labor effort due to State Water Project issues and the drought.
- Water Purchases - The FY 14/15 Water Purchases have decreased by (\$1,859,929) from the FY 13/14 Adopted Budget due to a one time increase in calendar year 2013 (1<sup>st</sup> half of FY 13/14) water charges from a recalculation of cost allocation factors by DWR that inflated FY 13/14 costs.
- Grant Expenditures – FY 14/15 Grant Expenditures are projected to decrease by (\$473,010) from the FY 13/14 Adopted Budget due to the wind down of the Alternate Intake Project grant.
- Water Conservation - Increased Water Conservation efforts and decreased grant revenues are resulting in a FY 14/15 Proposed Budget cost increase of \$217,944 from the FY 13/14 Adopted Budget.
- Consultants – Consultant expenditures decreased by 60% because legal fees for the NBA water rights case are completed and the Cache Slough Hydrodynamics project is has been delayed into future years.

The Proposed Budget for the State Water Project has a projected net deficit of (\$1,205,826) which is a decrease in deficit from the FY Adopted Budget of (\$4,078,926) primarily due to a decrease in water purchase expenditures and a decrease in costs for the NBA Alternate Intake Project.

**FUND SUMMARY**

**ULATIS**

DETAIL BY REVENUE CATEGORY AND EXPENDITURES CATEGORY	2011/12 ACTUAL	2012/13 ACTUAL	2013/14 ADOPTED BUDGET	2014/15 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
<b>Revenues</b>						
Property Taxes	867,684	1,167,997	906,450	973,290	66,840	7%
Investment Income	5,955	10,115	6,300	4,100	(2,200)	-35%
Other Services	19,906	4,247	4,000	4,500	500	13%
<b>Total Ulatis Revenues</b>	<b>893,545</b>	<b>1,182,359</b>	<b>916,750</b>	<b>981,890</b>	<b>65,140</b>	<b>7%</b>
<b>Expenditures</b>						
Supplies and Services	13,890	12,104	15,000	15,000	-	0%
Operations and Maintenance	410,690	444,231	566,504	726,066	159,562	28%
Rehab & Betterment	-	4,567	15,000	15,000	-	0%
Fixed Assets	-	-	300,000	90,000	(210,000)	-70%
Contingency	-	-	40,000	40,000	-	0%
<b>Total Ulatis Expenditures</b>	<b>424,580</b>	<b>460,902</b>	<b>936,504</b>	<b>886,066</b>	<b>(50,438)</b>	<b>-5%</b>
<b>Net</b>	<b>468,964</b>	<b>721,457</b>	<b>(19,754)</b>	<b>95,824</b>	<b>115,578</b>	<b>-585%</b>

**FUND PURPOSE**

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

**FUNCTION AND RESPONSIBILITIES**

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

**FUND DETAIL COMMENTS**Revenues

- Property Taxes - The FY 14/15 Tax Revenues increased 7% from the FY 13/14 Adopted Budget due to the tax revenues projected in the FY 13/14 Year End Budget increasing 5% from the FY 13/14 Adopted Budget and the projection that FY 14/15 tax revenues will increase 2% from FY 13/14.
- Investment Income - Investment Income has decreased from FY 13/14 to FY 14/15 due to a decrease in investment yields on reserves.

Expenditures

- Operations and Maintenance - The Operations and Maintenance expense increased by 28% because the labor hours projected by the Solano County Department of Resource Management have increased.
- Fixed Assets - The FY 14/15 Fixed Assets includes \$90,000 for a tractor.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE CATEGORY	2011/12 ACTUAL	2012/13 ACTUAL	2013/14 ADOPTED BUDGET	2014/15 PROPOSED	FROM ADOPTED TO PROPOSED	PERCENT CHANGED
<b>Revenues</b>						
Property Taxes	84,369	95,280	84,219	94,370	10,151	12%
Investment	34	377	-	-	-	
<b>Total Green Valley Revenues</b>	<b>84,403</b>	<b>95,657</b>	<b>84,219</b>	<b>94,370</b>	<b>10,151</b>	<b>12%</b>
<b>Expenditures</b>						
Supplies and Services	1,189	976	1,000	1,000	-	0%
Operations and Maintenance	93,726	73,044	81,273	82,168	895	1%
Rehab & Betterment	-	1,626	15,000	10,000	(5,000)	-33%
Contingency	-	-	1,000	1,000	-	0%
<b>Total GV Expenditures</b>	<b>94,915</b>	<b>75,646</b>	<b>98,273</b>	<b>94,168</b>	<b>(4,105)</b>	<b>-4%</b>
<b>Net</b>	<b>(10,512)</b>	<b>20,011</b>	<b>(14,054)</b>	<b>202</b>	<b>14,256</b>	<b>-101%</b>

**FUND PURPOSE**

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

**FUNCTION AND RESPONSIBILITIES**

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

**FUND DETAIL COMMENTS**

**Revenues**

- Property Taxes - The FY 14/15 Tax Revenues increased by 12% from the FY 13/14 Adopted Budget due to the tax revenues projected in the FY 13/14 Year End Budget increasing 10% from the FY 13/14 Adopted Budget and the projection that FY 14/15 tax revenues will increase 2% from FY 13/14.
- The FY 14/15 Proposed net budget has increased from a deficit of (\$14,054) in the FY 13/14 Adopted Budget to a surplus of \$202 primarily due to increases in Tax Revenue.

SOLANO COUNTY WATER AGENCY  
Vacaville, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS

**June 30, 2014**



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**TABLE OF CONTENTS**

June 30, 2014

*Solano County Water Agency*

	<b>Page Number</b>
Independent Auditors' Report	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)</b>	4
<b>FINANCIAL SECTION</b>	
<b>Basic Financial Statements</b>	
Governmental-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of Fund Balances to Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of Changes in Fund Balances to Change in Net Position	16
Notes to the Financial Statements	17
<b>OTHER REPORT SECTION</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	33
<b>FINDINGS SECTION</b>	
Schedule of Audit Findings	36
Summary of Prior Audit Findings	37



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Solano County Water Agency  
Vacaville, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Solano County Water Agency (the Agency), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

The Agency's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## INDEPENDENT AUDITORS' REPORT

Continued

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

KCoe Jam, LLP

March 23, 2015  
Redding, California

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2014

*Solano County Water Agency*

The following discussion and analysis of the Solano County Water Agency's (Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ending June 30, 2014. This information is presented in conjunction with the audited financial statements.

**FINANCIAL HIGHLIGHTS**

Fiscal year 2014 had no unexpected financial events that affected the Agency finances. As budgeted, the Agency expenditures exceeded revenues, thereby decreasing the Agency's reserves.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The basic financial statements consist of three parts: Government-wide Financial Statements, Fund Financial Statements, and Notes to the Financial Statements.

The government-wide financial statements are prepared using the accrual basis of accounting. They present all the assets and liabilities of the Agency, with the difference reported as net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The fund financial statements are prepared using the modified accrual basis of accounting. They present the assets and liabilities of the Agency that are expected to be generated by or used for near-term inflows or outflows, with the difference reported as fund balance. Changes in fund balance are reported if they will have an effect on the near-term cash flow of the Agency.

The notes provide additional information that is essential to the reader for a full understanding of the data provided in the government-wide and fund financial statements.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**  
June 30, 2014

*Solano County Water Agency*

**NET POSITION**

The Statement of Net Position presents the financial position of the Agency on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year end. It also provides the basis for computing rate of return, evaluating the capital structure of the Agency, and assessing the liquidity and financial flexibility of the Agency.

The following Table A-1 summarizes the Statement of Net Position for the fiscal years ending June 30, 2014 and June 30, 2013:

**Table A-1  
Statement of Net Position**

	<b>FY 2014</b>	<b>FY 2013</b>
Current and other assets	\$ 36,812,720	\$ 36,633,470
Noncurrent receivables	458,198	535,095
Capital assets	5,784,350	5,748,772
<b>Total Assets</b>	<b>43,055,268</b>	<b>42,917,337</b>
Current liabilities	2,024,620	1,458,775
Noncurrent liabilities	937,306	698,816
<b>Total Liabilities</b>	<b>2,961,926</b>	<b>2,157,591</b>
Investment in capital assets	5,784,350	5,748,772
Restricted	14,708,627	16,125,338
Unrestricted	19,600,365	18,885,636
<b>Total Net Position</b>	<b>\$ 40,093,342</b>	<b>\$ 40,759,746</b>

This table summarizes the net position of the Agency and reflects the net position decrease of \$666,404 to \$40.1 million in fiscal year 2014 from \$40.8 million in fiscal year 2013. Net position invested in capital assets increased \$35,578, reflecting the net of assets additions and depreciation on capital assets. Approximately 14% of the Agency's net position reflects its investment in capital assets (e.g., land, building, machinery, and equipment). The Agency uses these capital assets to provide services to the Agency; consequently, these assets are not available for future spending. The decrease in Restricted Net Position of \$1.4 million mainly consists of the State Water Project expenses exceeding revenues, but includes an offset from the increases in the Green Valley and Ulatis funds. The reserves in these three funds are restricted because they are obligated to be spent within their respective funds. The Unrestricted Net Position is a resource that can be used for transactions relating to the general operations of the Agency and increased by \$714,729 primarily due to the revenues exceeding the expenditures for the Solano Project.

**CHANGES IN NET POSITION**

The Statement of Net Position is a snapshot that shows assets, liabilities, and net position at a specific point in time. The Statements of Activities provides information on the nature and source of these assets represented on the Statement of Net Position. This statement shows that expenditures exceeded revenues by \$666,404 for fiscal year 2014.

The following Table A-2 summarizes the Statement of Activities for the fiscal years ending June 30, 2014 and June 30, 2013:

**Table A-2  
Statement of Activities**

	<b>FY 2014</b>	<b>FY 2013</b>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for services	\$ 2,856,623	\$ 2,276,588
Operating grants and contributions	1,379,384	1,418,063
<b>General Revenues</b>		
Property taxes	16,905,773	16,752,464
Investment earnings	31,336	59,423
<b>Total Revenues</b>	<u>21,173,116</u>	<u>20,506,538</u>
<b>Expenses</b>		
Solano Project	7,947,771	6,878,631
State Water Project	13,316,883	12,948,693
Ulatis Flood Control	526,128	475,218
Green Valley Flood Control	48,738	75,645
<b>Total Expenses</b>	<u>21,839,520</u>	<u>20,378,187</u>
<b>Change in Net Position</b>	(666,404)	128,351
Net Position, Beginning of Year	<u>40,759,746</u>	<u>40,631,395</u>
Net Position, End of Year	<u>\$ 40,093,342</u>	<u>\$ 40,759,746</u>

Ending net position totaled \$40.1 million at June 30, 2014, or a decrease in net position of \$666,404 or 1.6% from June 30, 2013. Total revenues increased by \$666,578 or 3.2% during the fiscal year 2014 compared to 2013, totaling \$21.2 million. Property tax revenues increased in fiscal year 2014 compared to 2013 by \$153,309 or 1%. Charges for Services increased by \$580,035, due to increased State Water Project Kern County Water Agency transfer charges from changing the billing period. Grant revenues decreased by \$38,679 or 2.7% from June 30, 2013. Total Expenditures increased by \$1,461,333 or 7% to \$22 million in 2014. The Solano Project expenses increased by \$980,256, due to increased grant activity for Lower Putah Creek Coordinating Committee grants and the construction of the Mangles Bypass on the Putah South Canal. The expenses in State Water Project increased due to higher water purchase costs and costs.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**  
June 30, 2014

*Solano County Water Agency*

**CAPITAL ASSETS**

The Agency's capital assets, net of accumulated depreciation, consist mainly of ground monitoring wells and improvements (such as the Cement Hill Bypass) and other capital projects. The Agency continues to add new water monitoring equipment and field equipment as part of its water supply and flood control operations. The increase in capital assets is principally an excavator, an office vehicle and an ATV.

**Table A-3  
Capital Assets**

	<b>FY 2014</b>	<b>FY 2013</b>
Cement Hill Bypass land (not being depreciated)	\$ 148,898	\$ 148,898
Buildings	1,661,323	1,661,323
Cement Hill Bypass land improvements	2,535,494	2,535,494
Water monitoring equipment	2,101,442	2,090,594
Machinery and field equipment	1,155,301	819,017
Furniture, fixtures, and office equipment	373,152	347,684
<b>Subtotal</b>	<b>7,975,610</b>	<b>7,603,010</b>
Less accumulated depreciation	2,191,260	1,854,238
	<b>\$ 5,784,350</b>	<b>\$ 5,748,772</b>

Additional information about the capital assets can be found in Note 5 to the financial statements.



**FINANCIAL ANALYSIS OF AGENCY FUNDS**

The following Table A-4 summarizes the Changes in Fund Balance for the Governmental Funds:

**Table A-4  
Changes In Fund Balance – Governmental Funds**

	<b>Solano Project</b>	<b>State Water Project</b>	<b>Ulatis Flood Control</b>	<b>Green Valley Flood Control</b>	<b>Total</b>
<b>Revenues:</b>					
Property taxes	\$ 6,890,008	\$ 8,965,473	\$ 956,203	\$ 94,089	\$ 16,905,773
Charges for services	307,387	2,111,193	-	-	2,418,580
Investment earnings	18,454	8,659	4,223	-	31,336
Grant revenues	1,030,934	348,450	-	-	1,379,384
Other income	345,865	4,814	4,565	-	355,244
<b>Total Revenues</b>	<b>8,592,648</b>	<b>11,438,589</b>	<b>964,991</b>	<b>94,089</b>	<b>21,090,317</b>
<b>Expenditures:</b>					
Water purchase	137,431	11,224,138	-	-	11,361,569
Operations and maintenance	3,740,436	12,794	438,050	42,776	4,234,056
Administration and general	1,810,582	909,266	41,816	5,962	2,767,626
Conservation and flood control	950,829	272,686	-	-	1,223,515
Engineering	806,087	887,962	-	-	1,694,049
Capital outlay	94,513	-	278,087	-	372,600
<b>Total Expenses</b>	<b>7,539,878</b>	<b>13,306,846</b>	<b>757,953</b>	<b>48,738</b>	<b>21,653,415</b>
<b>Excess (deficiency) of Revenues Over (under) Expenditures</b>	<b>1,052,770</b>	<b>(1,868,257)</b>	<b>207,038</b>	<b>45,351</b>	<b>(563,098)</b>
<b>Fund Balance, Beginning of Year</b>	<b>19,700,634</b>	<b>12,186,954</b>	<b>3,968,488</b>	<b>(52,735)</b>	<b>35,803,341</b>
<b>Fund Balance, End of Year</b>	<b>\$ 20,753,404</b>	<b>\$ 10,318,697</b>	<b>\$ 4,175,526</b>	<b>\$ (7,384)</b>	<b>\$ 35,240,243</b>

**Solano Project** - As of June 30, 2014, the Solano Project reported an ending fund balance of \$20.7 million, an increase of \$1.0 million from 2013 due to the deferral of capital and maintenance projects at the Putah Diversion Dam.

**State Water Project** - As of June 30, 2014, the State Water Project reported ending fund balance of \$10.3 million, a decrease from 2013 of \$1.9 million. This decrease is due to increased water purchase costs and the costs associated with the NBA Alternate Intake Project.

**Ulatis Flood Control Zone 1** - As of June 30, 2014, the Ulatis Flood Control reported an ending fund balance of \$4.2 million, an increase of \$207,038 from 2013. The property tax revenues continue to exceed expenses for this fund.

**Green Valley Flood Control Zone 2** - As of June 30, 2014, the Green Valley Flood Control reported an ending fund balance of (\$7,384), an increase of \$45,351 from 2013. The property tax revenues continue to exceed expenses for this fund.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2014

*Solano County Water Agency*

**ECONOMIC FACTORS AND RATES**

During 2003, the Agency developed a Capital Project Funding Plan that looks at capital project needs for a five-year horizon. There are a few major projects that have uncertainties regarding if and when they will be funded and at what level. The Capital Project Funding Plan is helpful in budgeting capital projects.

Water rates charged by the Agency to cities, districts, and agencies are fixed by contract and do not change in relationship to the Agency's expenditures or revenues. Capital costs for the Solano Project has been paid off; therefore, Solano County Water Agency does not make payments to the United States Bureau of Reclamation for Solano Project water and, therefore, does not charge for Solano Project water supply for most of its contracting agencies.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the finances for the Solano County Water Agency. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager, 810 Vaca Valley Parkway, Suite 203, Vacaville, CA 95688.

**FINANCIAL SECTION**

**STATEMENT OF NET POSITION**

*Solano County Water Agency*

June 30, 2014

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 34,267,584
Receivables	2,046,850
Interest receivable	4,161
Note receivable - current	80,672
Other current assets	413,453
<b>Total Current Assets</b>	<u>36,812,720</u>
<b>NONCURRENT ASSETS</b>	
Nondepreciable capital assets	148,898
Depreciable capital assets - net	5,635,452
Note receivable - noncurrent	458,198
<b>Total Noncurrent Assets</b>	<u>6,242,548</u>
<b>Total Assets</b>	<u>\$ 43,055,268</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 1,451,439
Compensated absences - current	76,744
Unearned revenues	496,437
<b>Total Current Liabilities</b>	<u>2,024,620</u>
<b>NONCURRENT LIABILITIES</b>	
Other postemployment benefits obligation	790,013
Compensated absences - noncurrent	147,293
<b>Total Noncurrent Liabilities</b>	<u>937,306</u>
<b>Total Liabilities</b>	<u>2,961,926</u>
<b>NET POSITION</b>	
Investment in capital assets	5,784,350
Restricted	14,708,627
Unrestricted	19,600,365
<b>Total Net Position</b>	<u>40,093,342</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 43,055,268</u>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF ACTIVITIES**

*Solano County Water Agency*

Year Ended June 30, 2014	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
Solano Project	\$ 7,947,771	\$ 736,051	\$ 1,030,934	\$ (6,180,786)
State Water Project	13,316,883	2,116,007	348,450	(10,852,426)
Ulatis Flood Control	526,128	4,565	-	(521,563)
Green Valley Flood Control	48,738	-	-	(48,738)
<b>Total Primary Government</b>	<u>\$ 21,839,520</u>	<u>\$ 2,856,623</u>	<u>\$ 1,379,384</u>	<u>(17,603,513)</u>
<b>GENERAL REVENUES</b>				
Property taxes				16,905,773
Investment earnings				31,336
<b>Total General Revenues</b>				<u>16,937,109</u>
<b>Change in Net Position</b>				(666,404)
<b>Net Position - Beginning of Year</b>				<u>40,759,746</u>
<b>Net Position - End of Year</b>				<u>\$ 40,093,342</u>

*The accompanying notes are an integral part of these financial statements.*

**BALANCE SHEET – GOVERNMENTAL FUNDS**

*Solano County Water Agency*

June 30, 2014

	<b>Solano Project</b>	<b>State Water Project</b>	<b>Ulatris Flood Control</b>	<b>Green Valley Flood Control</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,691,462	\$ 10,118,615	\$ 4,234,301	\$ 223,206	\$ 34,267,584
Receivables	1,655,557	389,606	1,687	-	2,046,850
Interest receivable	2,497	1,165	499	-	4,161
Note receivable	538,870	-	-	-	538,870
Due from other funds	200,000	-	-	-	200,000
Other assets	15,465	397,988	-	-	413,453
<b>Total Assets</b>	<b>\$ 22,103,851</b>	<b>\$ 10,907,374</b>	<b>\$ 4,236,487</b>	<b>\$ 223,206</b>	<b>\$ 37,470,918</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 1,201,199	\$ 158,689	\$ 60,961	\$ 30,590	\$ 1,451,439
Unearned revenues	149,248	429,988	-	-	579,236
Due to other funds	-	-	-	200,000	200,000
<b>Total Liabilities</b>	<b>1,350,447</b>	<b>588,677</b>	<b>60,961</b>	<b>230,590</b>	<b>2,230,675</b>
<b>FUND BALANCES</b>					
Nonspendable:					
Note receivable	538,870	-	-	-	538,870
Committed	15,407,055	-	-	-	15,407,055
Restricted:					
State Water Project	-	10,318,697	-	-	10,318,697
Ulatris Flood Control	-	-	4,175,526	-	4,175,526
Unassigned	4,807,479	-	-	(7,384)	4,800,095
<b>Total Fund Balances</b>	<b>20,753,404</b>	<b>10,318,697</b>	<b>4,175,526</b>	<b>(7,384)</b>	<b>35,240,243</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,103,851</b>	<b>\$ 10,907,374</b>	<b>\$ 4,236,487</b>	<b>\$ 223,206</b>	<b>\$ 37,470,918</b>

*The accompanying notes are an integral part of these financial statements.*

**RECONCILIATION OF FUND BALANCES  
TO NET POSITION**

*Solano County Water Agency*

June 30, 2014

<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 35,240,243</b>
<p>Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:</p> <p>Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
Nondepreciable capital assets		148,898
Capital assets at historical cost	\$ 7,826,712	
Accumulated depreciation	<u>(2,191,260)</u>	5,635,452
<p>Deferred recognition of earned but unavailable revenue: In governmental funds, revenue is recognized only to the extent that it is "available," meaning it will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenue that was recognized in the government-wide statements in the current year is:</p>		
		82,799
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
Compensated absences		(224,037)
Other postemployment benefits obligation		<u>(790,013)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$ 40,093,342</b>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS**

Year Ended June 30, 2014	Solano Project	State Water Project	Ulatis Flood Control	Green Valley Flood Control	Total
<b>REVENUES</b>					
Property taxes	\$ 6,890,008	\$ 8,965,473	\$ 956,203	\$ 94,089	\$ 16,905,773
Charges for services	307,387	2,111,193	-	-	2,418,580
Investment earnings	18,454	8,659	4,223	-	31,336
Intergovernmental revenues	1,030,934	348,450	-	-	1,379,384
Other income	345,865	4,814	4,565	-	355,244
<b>Total Revenues</b>	<b>8,592,648</b>	<b>11,438,589</b>	<b>964,991</b>	<b>94,089</b>	<b>21,090,317</b>
<b>EXPENDITURES</b>					
Current:					
Water purchases	137,431	11,224,138	-	-	11,361,569
Operations and maintenance	3,740,436	12,794	438,050	42,776	4,234,056
Administration and general	1,810,582	909,266	41,816	5,962	2,767,626
Conservation and flood control	950,829	272,686	-	-	1,223,515
Engineering	806,087	887,962	-	-	1,694,049
Capital outlay	94,513	-	278,087	-	372,600
<b>Total Expenditures</b>	<b>7,539,878</b>	<b>13,306,846</b>	<b>757,953</b>	<b>48,738</b>	<b>21,653,415</b>
<b>Net Change in Fund Balances</b>	<b>1,052,770</b>	<b>(1,868,257)</b>	<b>207,038</b>	<b>45,351</b>	<b>(563,098)</b>
<b>Fund Balances - Beginning of Year</b>	<b>19,700,634</b>	<b>12,186,954</b>	<b>3,968,488</b>	<b>(52,735)</b>	<b>35,803,341</b>
<b>Fund Balances - End of Year</b>	<b>\$ 20,753,404</b>	<b>\$ 10,318,697</b>	<b>\$ 4,175,526</b>	<b>\$ (7,384)</b>	<b>\$ 35,240,243</b>

The accompanying notes are an integral part of these financial statements.



**RECONCILIATION OF CHANGES  
IN FUND BALANCES TO  
CHANGE IN NET POSITION**

*Solano County Water Agency*

June 30, 2014

**Total Net Change in Fund Balances – Governmental Funds** \$ (563,098)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	\$ 372,600	
Depreciation expense	<u>(337,022)</u>	35,578

Deferred recognition of earned but unavailable revenue: In governmental funds, revenue is recognized only to the extent that it is "available," meaning it will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenue that was recognized in the government-wide statements in prior years is:

82,799

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(62,683)

Other postemployment benefits obligation: In the governmental funds, expenses related to postemployment benefits are recognized when paid. In the statement of activities, postemployment benefits are accrued annually based on the annual required contribution.

(159,000)

**Change in Net Position of Governmental Activities** **\$ (666,404)**

*The accompanying notes are an integral part of these financial statements.*

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** The Solano County Water Agency (the Agency) was created in 1951 by an act of the California Legislature as the “Solano County Flood Control and Water Conservation District.” In 1988, the legislative act was changed to modify the governing board and the name was changed to Solano County Water Agency in 1989. The governing board is made up of five members of the Solano County Board of Supervisors, the mayors from the seven cities in the county and three representatives from three agricultural irrigation districts. The Agency provides wholesale water services to cities, districts, and state agencies and leads efforts to protect rights to existing sources of water and participates in efforts to secure new sources of water. The Agency is also responsible for the operations and maintenance of two flood control projects and is involved in countywide flood control planning. As required by accounting principles generally accepted in the United States of America, these financial statements present the Agency alone as the Agency has no component units, related organizations, or jointly governed organizations.

**Basic Financial Statements** The basic financial statements of the Agency have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency’s accounting principles are described below.

The financial statement presentation required by Governmental Accounting Standards Board (GASB) Statement Nos. 34, 37, 38, and 39 provides a comprehensive, entity-wide perspective of the Agency’s overall financial position and results of operations while maintaining the presentation of the financial position and results of operations of the Agency’s major funds.

**Government-Wide and Fund Financial Statements** The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Agency. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. All activities of the Agency are governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly not included among program revenues are reported instead as general revenues.

The accounts of the Agency are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Agency’s funds, all of which are considered to be major governmental funds, are reported as separate columns in the fund financial statements.

June 30, 2014

**Measurement Focus and Basis of Accounting** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers water sales, property taxes, and other general revenues to be available if they are collected within 90 days after year end. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are recognized only when cash is received by the Agency because they are not measurable until that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Agency maintains the following funds, all of which are considered to be major funds:

**General Fund:**

*Solano Project:* This fund accounts for the Agency's water supply contract with the U.S. Bureau of Reclamation for the water supply provided by contract cities, districts, and state agencies. Property tax revenues are used to pay for operations, maintenance, rehabilitation, and betterment. Operations and maintenance are performed by contract with the Solano Irrigation District. Included in this fund are costs associated with a Watermaster to monitor water use in the Upper Putah Creek Watershed and development of a Habitat Conservation Plan. Other functions include the flood control program and water conservation program.

**Special Revenue Funds:**

*State Water Project:* This fund accounts for the Agency's water supply contract with the California Department of Water Resources for the repayment of construction, operations, and maintenance costs of the North Bay Aqueduct, and the contracts with member agencies for the purchase of this water.

*Ulatis Flood Control:* This fund accounts for the costs of operating and maintaining the Ulatis Flood Control Facilities, which were built by the Federal Soil Conservation Service. The Agency contracts with the Solano County Resource Management Department for the maintenance of this project.

*Green Valley Flood Control:* This fund accounts for the costs of operating and maintaining the Green Valley Flood Control Facilities, which were built by the U.S. Army Corps of Engineers. The Agency contracts with the Solano County Resource Management Department for the maintenance of this project.

Generally, interfund activity has been eliminated from these statements.

**Cash and Cash Equivalents** Cash and cash equivalents are defined as demand deposit account balances, pooled investments in the State of California Local Agency Investment Fund (LAIF), and money market funds with California Asset Management Program (CAMP).

**Receivables** Losses on uncollectible accounts receivable are recognized when such losses become known or indicated. No allowance for losses has been reflected at June 30, 2014, as management believes all accounts are fully collectible.

**Capital Assets** All capital assets are valued at historical cost. Provision is made for depreciation using the straight-line method over the estimated useful lives of the assets, which range from five to forty years. It is the Agency's policy to capitalize all capital assets with an initial cost of more than \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the statement of activities.

Depreciation has been provided over estimated useful lives using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land improvements	25 to 30 years
Water monitoring equipment	5 to 10 years
Machinery and field equipment	5 to 15 years
Furniture, fixtures, and office equipment	5 to 10 years

**Unearned Revenues** Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arise when resources are received by the Agency before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Agency has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

**Compensated Absences** The Agency's policy allows employees to accumulate earned but unused vacation and administrative leave which will be paid to employees upon separation of service from the Agency. The policy also allows employees to receive payment for one-half of their accumulated sick leave upon retirement. Vested or accumulated vacation and sick leave are accrued in the government-wide statements as the benefits accrue to employees. However, a liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

June 30, 2014

**Net Position** Net position represents the difference between assets and liabilities. The Agency's net position is classified as follows:

*Investment in Capital Assets:* This represents the Agency's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted Net Position:* Restricted expendable net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

*Unrestricted Net Position:* Unrestricted net position represents resources derived from taxes, grants, and charges for services. These resources are used for transactions relating to the general operations of the Agency, and may be used at the discretion of the Board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Agency's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

Fund balance of the governmental fund is reported in various categories based upon the nature of the spending constraints of the revenue sources of this fund. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance:* Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

*Restricted Fund Balance:* Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

*Committed Fund Balance:* Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors.

*Assigned Fund Balance:* Amounts that are designated by management for a specific purpose.

*Unassigned Fund Balance:* All amounts not included in other spendable classifications.

The details of the fund balances are included in the governmental funds balance sheet (page 13). As discussed in note 1, restricted funds are used first as appropriate.

June 30, 2014

**Property Taxes** Property taxes are assessed and collected by Solano County (the County). The County remits the property taxes to the Agency when the taxes are collected and the allocation has been determined. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, are payable in two installments, and become delinquent if not paid by December 10 and April 10. The Agency has elected to receive the property taxes from the County under the Teeter program. Under this program, the Agency receives 100% of the levied property taxes in periodic payments with the County assuming responsibility for delinquencies.

**Budgetary Principles** Under GASB Statement No. 34, budgetary comparison information is required to be presented for the General Fund and each major special revenue fund with a legally adopted budget. The Agency is not legally required to adopt budgets for its funds. Therefore, budget comparison information is not included in the Agency’s financial statements.

**Use of Estimates** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

**Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents at June 30, 2014:

Deposits with financial institutions	\$ 3,616,828
Investments in Local Agency Investment Fund (LAIF)	7,544,126
Investments in California Asset Management Program (CAMP)	23,106,630
<b>Total Cash and Investments</b>	<b>\$ 34,267,584</b>

**Investment Policy**

California statutes authorize agencies to invest idle or surplus funds in a variety of credit instruments as provided for in the *California Government Code*, Section 53600, Chapter 4 – Financial Affairs. The Agency is authorized, by its Board of Directors, to invest its cash in the State of California’s Local Agency Investment Fund (LAIF), California Asset Management Program (CAMP), the Solano County Investment Pool, or Federal Depository Insurance Corporation (FDIC) insured accounts in a bank or savings and loan association. The Agency’s investment policy does not contain any specific provisions intended to limit the Agency’s exposure to interest rate risk, credit risk, concentration of credit risk, or custodial credit risk.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The weighted average maturity of the investments contained in the LAIF investment pool is approximately 284 days as of June 30, 2014. The weighted average maturity of the investments contained in the CAMP investment pool is approximately 58 days as of December 31, 2013. As of June 30, 2014, 1.86% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities.

### **Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization. CAMP is rated as AAAM by Standard & Poor's.

### **Concentration of Credit Risk**

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the *California Government Code*. There are no investments in any one issuer that represent 5% or more of total Agency investments.

### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The *California Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2014, the Agency had cash balances in excess of insurance of \$3,636,715. None of the Agency's deposits with institutions in excess of federal deposit insurance limits were held in uncollateralized accounts.

### **Investment in Local Agency Investment Fund (LAIF)**

The Agency is a voluntary participant in the State Treasurer's Pooled Money Investment Account (PMIA), through LAIF, that was created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. The Local Agency Investment Advisory Board has oversight of LAIF. The fair value of the Agency's position in the pool is materially equivalent to the value of pool shares. LAIF is an unrated external investment pool.

In accordance with authorized investment laws, the State Treasurer's Investment Pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. Copies of a report of LAIF's investments may be obtained from the State Treasurer's Office, Local Agency Investment Fund, P.O. Box 942809, Sacramento, CA 94209-0001.

**Investment in California Asset Management Program (CAMP)**

The Agency is a voluntary participant in CAMP that was formed in 1989 as a joint powers authority and common law trust. The trust is only accountable to its public agency shareholders. CAMP is invested in such a way as to maintain a \$1 per share net asset value. Copies of their financial report may be obtained by contacting CAMP at 50 California Street, Suite 2300, San Francisco, CA 94111.

**3. RECEIVABLES**

Receivables at June 30, 2014, consisted of:

Water sales receivable	\$ 523,255
Grants receivable	1,523,595
<b>Total</b>	<b>\$ 2,046,850</b>

**4. NOTE RECEIVABLE**

In fiscal year 2010-11, the Agency constructed a building on land owned by the federal government. The constructed building is owned by the United States Bureau of Reclamation and not the Agency. The Agency shares the use of such building with the Vacaville Fire Department District (the District). The Agency paid all of the construction costs up front; however, the District is repaying the Agency for their portion of the costs through a note receivable. The note is being repaid over a 10-year period with interest at 4%.



**5. CAPITAL ASSETS**

Capital asset activity is as follows:

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b>NONDEPRECIATED CAPITAL ASSETS</b>				
Land	\$ 148,898	\$ -	\$ -	\$ 148,898
<b>DEPRECIATED CAPITAL ASSETS</b>				
Land improvements	2,535,494	-	-	2,535,494
Buildings	1,661,323	-	-	1,661,323
Water monitoring equipment	2,090,594	10,848	-	2,101,442
Machinery and field equipment	819,017	336,284	-	1,155,301
Furniture, fixtures, and office equipment	347,684	25,468	-	373,152
<b>Total Depreciated Capital Assets</b>	<b>7,454,112</b>	<b>372,600</b>	<b>-</b>	<b>7,826,712</b>
Less: Accumulated depreciation	1,854,238	337,022	-	2,191,260
<b>Depreciable Capital Assets - Net</b>	<b>5,599,874</b>	<b>35,578</b>	<b>-</b>	<b>5,635,452</b>
<b>Capital Assets - Net</b>	<b>\$ 5,748,772</b>	<b>\$ 35,578</b>	<b>\$ -</b>	<b>\$ 5,784,350</b>

Depreciation expense for the year ended June 30, 2014, was charged to functions as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
Solano Project	\$ 280,723
State Water Project	10,037
Ulatis Flood Control Project	46,262
<b>Total</b>	<b>\$ 337,022</b>

**6. NONCURRENT LIABILITIES**

The following is a summary of changes in noncurrent liabilities for the year ended June 30, 2014:

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>	<b>Amounts Due Within One Year</b>
Compensated absences	\$ 161,354	\$ 135,329	\$ 72,646	\$ 224,037	\$ 76,744
Other postemployment benefits obligation	\$ 631,013	\$ 159,000	\$ -	\$ 790,013	\$ -

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Solano County Water Agency***7. INTERFUND BALANCES**

Interfund balances consisted of the following at June 30, 2014:

	<b>Receivable</b>	<b>Payable</b>
Solano Project	\$ 200,000	\$ -
Green Valley Flood Control	-	200,000
<b>Total</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>

During the course of operations, numerous transactions that constitute reimbursements to a fund for expenditures/expenses initially made from one fund that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

**8. ADMINISTRATION AND GENERAL EXPENDITURES**

The following is a summary of administration and general expenditures of the fund financial statements by natural classification at June 30, 2014:

Salaries and benefits	\$ 1,864,238
Professional services	343,574
Dues and memberships	132,279
Public education	114,531
Property tax administration fee	111,837
Governmental advocacy	60,288
Office equipment	64,708
Office expense	56,342
Telephone	19,922
Insurance	48,209
Watermaster services	28,684
Fuel	22,233
Board expense	27,817
Talent decision monitoring	17,152
Miscellaneous	30,039
Overhead reallocation	(174,227)
<b>Total</b>	<b>\$ 2,767,626</b>

**9. EARMARKED NET POSITION**

Earmarkings of net position are imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Earmarkings may be modified, amended, or removed by Board action. At June 30, 2014, earmarkings included:

Solano Project operating reserve	\$ 2,873,000
Solano Project rehabilitation and betterment reserve	2,000,000
Solano Project future replacement capital reserve	10,534,055
State Water Project operating reserve	5,473,000
State Water Project future capital reserve	2,424,463
Ulatris Flood Control Project operating reserve	235,000
Ulatris Flood Control Project capital reserve	3,664,002
Green Valley Flood Control Project operating reserve	-
Other flood control capital projects	200,000
Other capital projects and emergency reserves	1,000,000
<b>Total</b>	<b>\$ 28,403,520</b>

**10. EMPLOYEE BENEFIT PLANS**

**Defined Benefit Plans**

Qualified employees are covered under a cost-sharing, multiple-employer defined benefit pension plan maintained by the California Public Employees' Retirement System.

**California Public Employees' Retirement System (CalPERS)**

**Plan Description and Provisions**

The Agency contributes to CalPERS, a cost sharing, multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. All permanent full and part-time Agency employees working at least 1,000 hours per year are eligible to participate in CalPERS. Under CalPERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times their monthly average salary over the 12 highest consecutive months of employment.

CalPERS requires plans with less than 100 active participants to participate in risk pools. The Agency participates in the Miscellaneous 2.0% at 55 risk pool. Copies of the CalPERS annual financial report may be obtained from CalPERS, 400 Q Street, Sacramento, CA 95811.

**Funding Policy**

Active plan members are required to contribute 7% of their annual covered salary. The Agency makes the contributions required of the Agency employees on their behalf and for their account. Also, the Agency is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board Administration. The required employer contribution rate for the fiscal year ended June 30, 2014, was 12.846% of annual payroll. The contribution requirements of plan members and the Agency are established and may be amended by CalPERS.

**Annual Pension Cost**

For the year ended June 30, 2014, the Agency incurred an annual pension cost of \$154,180, which is a product of annual covered salaries and the annual required contribution rate.

<u>Three-Year Trend Information for CalPERS</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 134,805	100%	\$ -
June 30, 2013	\$ 139,809	100%	\$ -
June 30, 2014	\$ 154,180	100%	\$ -

**Future GASB Implementation**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The statement will improve accounting and financial reporting by State and local governments for defined benefit pensions and defined contribution plans. The statement will also improve information provided by State and local government employers about financial support for pensions that are provided by other entities. The Agency's management has not yet determined the impact that implementation of these standards, which is required for the financial statements for the year ending June 30, 2015, will have on the Agency's financial statements, if any.

**11. RISK MANAGEMENT**

The Agency participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool of water agencies in California, for general, automobile, public officials' errors and omissions, property, fidelity, workers' compensation liability, and employers' liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group-purchased commercial excess insurance is obtained. Loss contingency reserves established by the JPIA are funded by contributions from member agencies. The Agency pays an annual premium to the JPIA that includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the JPIA.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Solano County Water Agency*

The Agency's maximum coverage under the JPIA is as follows:

	<b>Pool Coverage</b>	<b>Commercial Coverage</b>
General and auto liability	\$ 2,000,000	\$ 60,000,000
Public officials and omissions liability	\$ 2,000,000	\$ 60,000,000
Property	\$ 50,000	\$ 100,000,000
Fidelity	\$ 100,000	None
Workers' compensation liability	\$ 2,000,000	Statutory
Employers' liability	\$ 2,000,000	\$ 4,000,000

The Agency is responsible for property losses up to their deductible, which ranges from \$1,000 to \$25,000, depending on coverage.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any recent fiscal year. There has been no significant reduction in coverage over the last three years.

**12. OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)**

The Agency provides postemployment healthcare benefits for retired employees in accordance with their published employee handbook.

**Plan Description**

The Solano County Water Agency Retirement Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Agency. The Agency provides certain medical insurance coverage to all employees who retire from the Agency and meet the age and service requirement for eligibility. The Agency pays 100% of the eligible retirees' medical plan premiums up to \$12,500 per year. As of June 30, 2014, membership of the Plan consists of one retiree currently receiving benefits and 14 eligible active plan members. The Plan does not issue a publicly available report.

**Funding Policy**

The contribution requirements of plan members and the Agency are based on a pay-as-you-go basis. For the year ended June 30, 2014, the Agency paid \$12,000 on behalf of its retirees.

**Annual OPEB Costs and Net OPEB Obligation**

The Agency's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Solano County Water Agency*

The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Agency's net OPEB obligation to the Plan.

Annual required contributions (ARC)	\$ 194,000
Interest on net OPEB obligation	25,000
Adjustment to ARC	(48,000)
Contributions made	(12,000)
<b>Increase in Net OPEB Obligation</b>	<b>159,000</b>
<b>Net OPEB Obligation - Beginning of Year</b>	<b>631,013</b>
<b>Net OPEB Obligation - End of Year</b>	<b>\$ 790,013</b>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and two preceding years are as follows:

	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2012	\$ 137,161	4.52%	\$ 479,820
June 30, 2013	\$ 160,193	5.62%	\$ 631,013
June 30, 2014	\$ 171,000	7.02%	\$ 790,013

*Funding Status Information*

The Agency's funding status information is illustrated as follows:

Actuarial valuation date	June 30, 2013	June 30, 2010
Actuarial accrued liability (AAL)	\$ 982,000	\$ 982,000
Actuarial value of plan assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 982,000	\$ 982,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Covered payroll (active members)	\$ 1,181,000	\$ 1,144,000
UAAL as a Percentage of Covered Payroll	83.15%	85.84%

As of June 30, 2014, the Agency has not set aside any amounts in an external trust fund.

June 30, 2014

**Actuarial Methods and Assumptions**

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members), and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014, actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 4.0% discount rate, 3.0% price inflation, 3.25% wage inflation, and an annual cost trend with no rate increase until 2016. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll over a 30-year period.

**13. COMMITMENTS AND CONTINGENCIES**

The Agency periodically enters into commitments which are funded primarily through state grants. The grants are typically for various projects such as rehabilitation, betterment, and maintenance. At June 30, 2014, the Agency had no commitments on unfinished contracts.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

The Agency has been named a real party in interest in two actions filed in 2010 against the California Department of Water Resources. The actions allege violation of the California Environmental Quality Act. No estimates of liability or conclusions have been or can be reached relative to the impact of this action; however, there can be no assurance that this matter will not adversely affect the Agency's financial position.

The Agency has been named a real party in interest in an action filed against Ana Matosantos, California Department of Finance, and in an action filed against Michael Cohen. The actions challenge various aspects of the wind-down of redevelopment agency affairs under AB 1484. The Agency may be exposed to a portion of the liability for attorneys' fees in the event the Petitioners prevail in the action. No estimates of liability or conclusions have been or can be reached relative to the impact of this action; however, there can be no assurance that this matter will not adversely affect the Agency's financial position.

**14. DEFICIT FUND BALANCE**

At June 30, 2014, the Green Valley Flood Control fund reported a deficit fund balance of \$7,384.



**OTHER REPORT SECTION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Solano County Water Agency  
Vacaville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Solano County Water Agency (the Agency), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Continued

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KCoe Jam, LLP

March 23, 2015  
Redding, California

## **FINDINGS SECTION**

**SCHEDULE OF AUDIT FINDINGS**

June 30, 2014

*Solano County Water Agency*

None.

**SUMMARY OF PRIOR AUDIT FINDINGS**

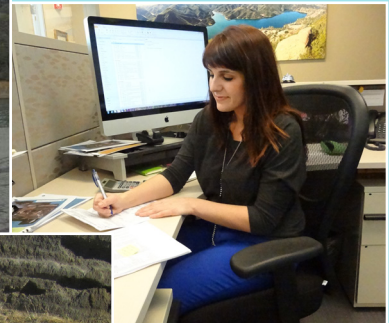
June 30, 2014

*Solano County Water Agency*

None.

# ANNUAL REPORT TO THE CALIFORNIA STATE LEGISLATURE

FEBRUARY 2015



Solano County Water Agency

# Solano County Water Agency



Director Dale Crossley

Dear State Legislators:

## BOARD OF DIRECTORS:

### Chair:

*Director Dale Crossley*  
Reclamation District No. 2068

### Vice Chair:

*Supervisor Erin Hannigan*  
Solano County District 1

*Mayor Len Augustine*  
City of Vacaville

*Mayor Jack Batchelor*  
City of Dixon

*Mayor Osby Davis*  
City of Vallejo

*Director John D. Kluge*  
Solano Irrigation District

*Mayor Elizabeth Patterson*  
City of Benicia

*Mayor Harry T. Price*  
City of Fairfield

*Mayor Norm Richardson*  
City of Rio Vista

*Director Gene Robben*  
Maine Prairie Water District

*Mayor Pete Sanchez*  
City of Suisun City

*Supervisor Linda Seifert*  
Solano County District 2

*Supervisor James P. Spring*  
Solano County District 3

*Supervisor Skip Thomson*  
Solano County District 5

*Supervisor John Vasquez*  
Solano County District 4

Thank you for taking the time to review Solano County Water Agency's (SCWA) Annual Report to the California State Legislatures. The Board of Directors and staff's goal of this brochure is to provide a brief overview to all state, federal and local government agencies on the activities of SCWA for the year 2015. The SCWA was formed in 1951 by an Act of the State Legislature and local agencies involved in water and flood management. The SCWA Board is composed of the Solano County Board of Supervisors, seven mayors representing each city of Solano County, and three directors from the three agricultural water districts.

SCWA is a wholesale water supply agency providing untreated water to cities and agricultural districts from the Federal Solano Project and the North Bay Aqueduct located in the Delta out of Cache Slough. Additionally, SCWA is involved in numerous Flood Management programs within Solano County including levees bordering the Yolo Bypass in and adjacent to Solano County.

Furthermore, SWCA is working with Federal, State and local agencies to ensure the protection of our agricultural industry that do not participate in the numerous habitat conservation projects proposed in the eastern Solano County area. For landowners and agricultural businesses that are interested in developing conservation projects in Solano County, SCWA is there to assist.

Our goal is to continue engaging with Federal, State and local agencies in the development of the relocated North Bay Aqueduct intake and its attendant public benefits. Also, SCWA ensures Solano County has a voice with the development of any water and habitat project with direct or indirect impacts in Solano County.

The SWCA Board of Directors and Staff look forward to meeting the challenging and changing needs of our very diverse county in 2015, and to working closely with all local, State and Federal agencies that have direct or indirect interests in Solano County.

Sincerely,

Dale Crossley, Chairman of the Board of Directors

810 Vaca Valley Parkway, Suite 203  
Vacaville, California 95688  
Phone (707) 451-6090 FAX (707) 451-6099  
www.scwa2.com





# TABLE OF CONTENTS

## Annual Report to the California State Legislature

---

- 2 Solano Project**
  - 3 State Water Project**
  - 4 North Bay Aqueduct  
Alternate Intake Project**
  - 5 Funding Needs**
  - 6 The Delta**
  - 7 Yolo Bypass/Cache Slough Corridor**
  - 8 Lower Putah Creek Coordinating Committee**
  - 9 Water Conservation**
  - 10 Habitat Conservation Plan**
  - 11 Flood Management, Groundwater and IRWMP**
  - 12 Finances**
  - 13 Key Issues Summary**
  - 14 Service Area & Contact Information**
- 



Monticello Dam and Lake Berryessa

# SOLANO PROJECT



Monticello Dam

Monticello Dam impounds Lake Berryessa, one of the largest reservoirs in the State at a capacity of 1.6 million acre feet. Although the Solano Project is owned by the Federal Government, it is operated and maintained by SCWA. SCWA has paid off the construction debt of \$33 million to the Federal Government. The Putah Diversion Dam is six miles downstream from Monticello Dam. The Putah Diversion Dam forms Lake Solano and diverts water to the Putah South Canal and releases water to Putah Creek.

Through the 33 miles long Putah South Canal, the Solano Project provides water supplies to cities, institutions and agricultural districts. Annually the Solano Project provides 200,000 acre feet of high quality water. About 75% of Solano Project water goes to the Solano Irrigation District and the Maine Prairie Water District for distribution to growers, supporting the County's vibrant agricultural economy.

As part of our Lake Berryessa stewardship efforts, SCWA implements a public outreach and inspection program to reduce the risk of invasive mussels. Lake Berryessa has a high risk of invasive mussel infestation due to its water chemistry and high recreation use.



Putah Divison Dam

SCWA has applied for a State grant for our boater outreach/inspection invasive mussel species program at Lake Berryessa. SCWA is also a part of a regional (Solano, Napa, Yolo and Lake counties) State grant application for a coordinated mussel program. The State Division of Boating and Waterways administers the grant program.

## Key Issues:

- SCWA seeks State grant funding of invasive mussel species management



Putah South Canal

# STATE WATER PROJECT



Barker Slough Pumping Plant

The North Bay Aqueduct of the State Water Project currently serves the cities of Vallejo, Benicia, Fairfield and Vacaville along with cities in Napa County. The Barker Slough Pumping Plant pumps from the Delta to an underground pipeline that goes through Solano County into Napa County. On average about 40,000 acre feet per year is delivered to Solano cities from the State Water Project.

SCWA works closely with other State Water Project contractors and the California Department of Water Resources on improving the water supply reliability of the Project and managing Project costs. SCWA and our cities have augmented their State Water Project supplies by securing additional water supplies through water rights permits, asserting area of origin rights and water purchases.

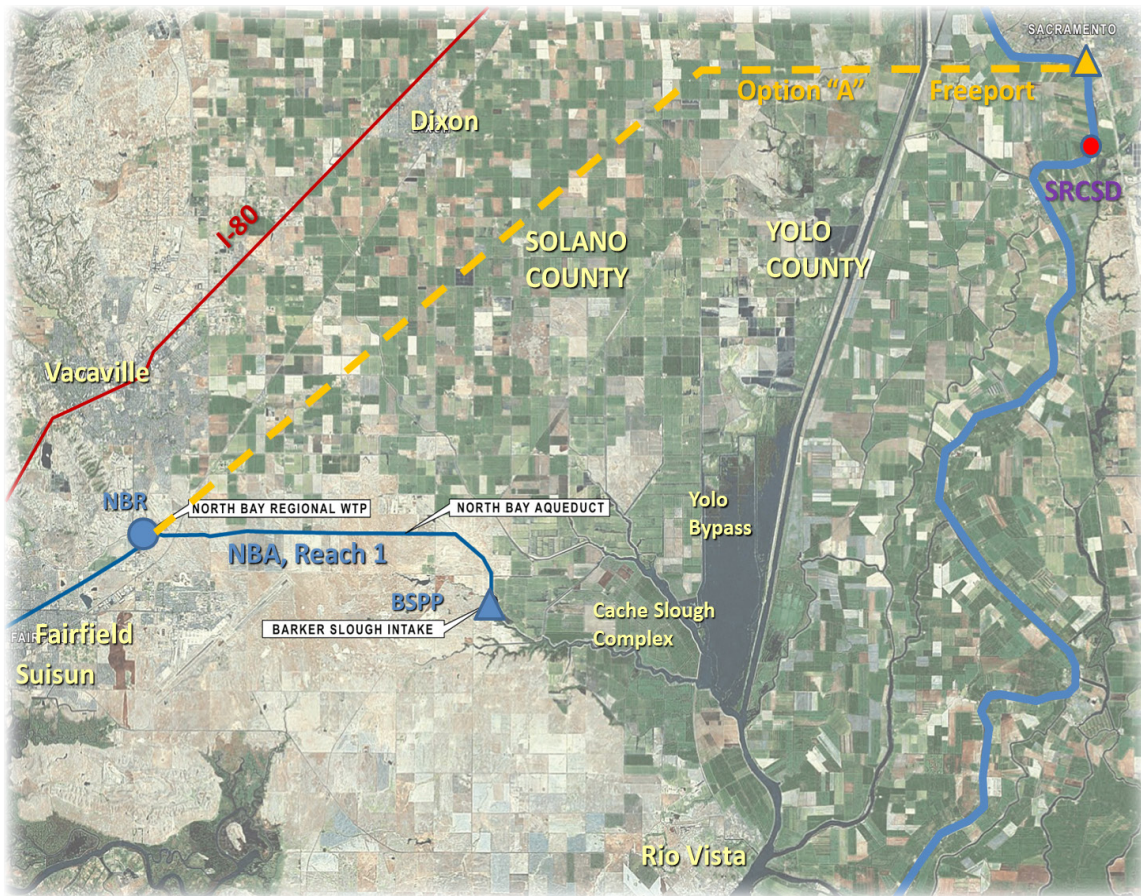
In 2014 SCWA reached an important settlement with the State on an area of origin contract claim that will result in substantial additional State Water Project supplies.

## Key Issues:

- *The State Water Project needs to build on lessons learned from the 2013-2014 drought to balance water deliveries to its contractors while protecting the environment and water quality in the Delta.*
- *Water supply contracts between the State Water Projects and water contractors, including SCWA, expire in 2035 and need to be extended to finance State Water Project capital projects, such as the North Bay Aqueduct Alternate Intake Project.*



# NORTH BAY AQUEDUCT ALTERNATE INTAKE PROJECT



The North Bay Aqueduct Alternate Intake Project (AIP) will provide a more reliable and higher quality water supply to SCWA cities and Napa County cities. The North Bay Aqueduct Pumping Plant pumps from Cache Slough and suffers from poor water quality (turbidity and organic carbon) and has pumping restrictions due to the presence of endangered species (Delta smelt and longfin smelt). The State of California has designated Cache Slough as a prime area for tidal wetlands habitat restoration for the benefit of endangered species that will increase organic carbon (for the fish food chain) and the presence of endangered species near the North Bay Aqueduct pumps.

## Key Issues:

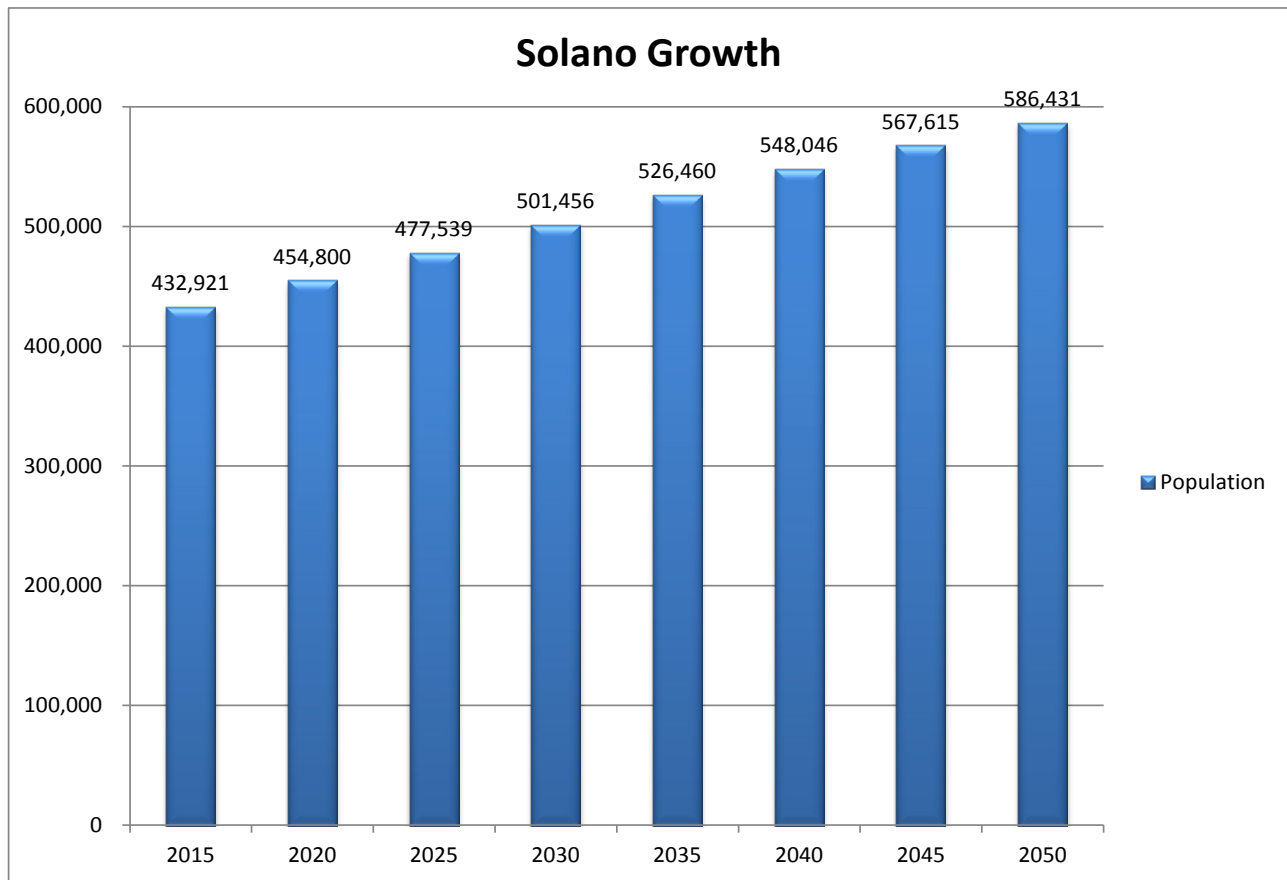
- Because of the State program to increase tidal wetland habitat, the State has an obligation to help fund the Alternate Intake Project.
- SCWA believes that the State should contribute at least half of the Alternate Intake Project capital costs that is estimated to be \$550 million.



Delta Smelt

# FUNDING NEEDS

As with most public agencies, SCWA has funding needs beyond its current resources. Solano County's population growth is expected to increase by 16% by 2030 and 36% by 2050. The North Bay Aqueduct Alternate Intake Project will help meet the water demands of this growing population and economy by improving water supply reliability. Funding for flood protection is also needed. Regional projects such as the Yolo Bypass/Cache Slough Framework and our Integrated Regional Water Management Plans also have large funding needs. Funding is needed for implementation of the SCWA HCP and Lower Putah Creek Coordinating Committee projects. State funding from Water Bond and other sources are key to assisting local Solano agencies for all these projects and programs.

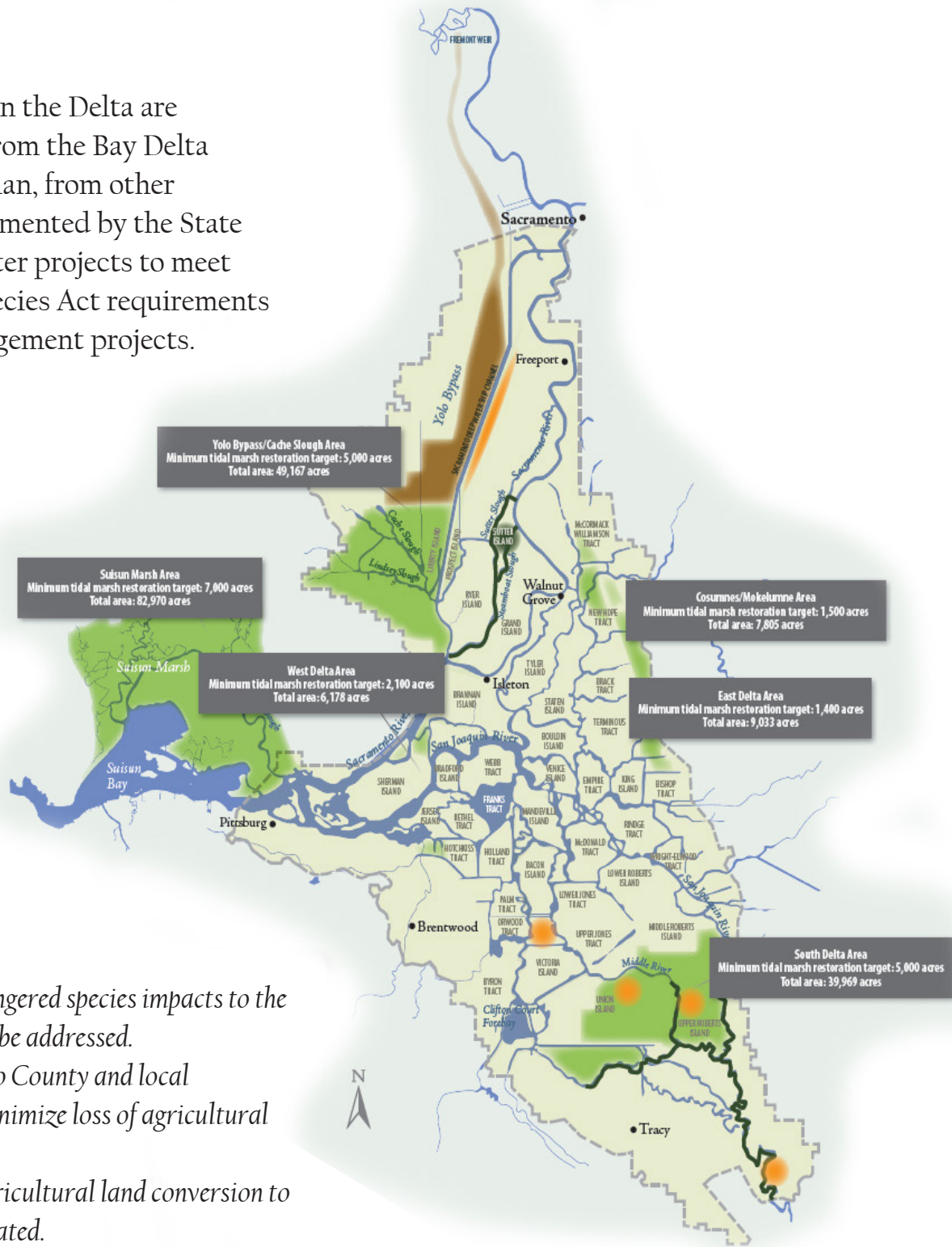


## Key Issues:

- *Water Bond funding is an important source of funding for SCWA programs and projects.*

# THE DELTA

Major changes in the Delta are contemplated from the Bay Delta Conservation Plan, from other programs implemented by the State and Federal water projects to meet Endangered Species Act requirements and flood management projects.



- Key Issues:**
- Water quality and endangered species impacts to the North Bay Aqueduct must be addressed.
  - Need to work with Solano County and local reclamation districts to minimize loss of agricultural lands.
  - Economic impacts of agricultural land conversion to habitat must be fully mitigated.
  - Sustainable flood management must be a part of any Delta fix.

# YOLO BYPASS/CACHE SLOUGH CORRIDOR



SCWA is participating with Solano County, Yolo County, the Sacramento Area Flood Control Agency and State and Federal Agencies (and others) in developing an integrated management plan for the Yolo Bypass and Cache Slough area that will meet the State and Federal needs for fish habitat and flood management projects in a manner that preserves agriculture to the maximum extent feasible and benefits local governments and the local economy.

## **K** Key Issue:

- The local agencies need State funding and participation to continue integrated management planning.
- Existing State funds should be utilized to allow early implementation projects to proceed to start a working relationship among the parties.

# LOWER PUTAH CREEK COORDINATING COMMITTEE

Before



After



Winters Putah Creek Park

SCWA is a founding member of the Lower Putah Creek Coordinating Committee and permanently funds most of the Committee's operating costs. Over the years the Committee has been very successful in obtaining over \$11 million in grants, administered by SCWA, for restoration projects in Putah Creek and, with the Putah Creek Council, provides an effective community outreach program.

## Key Issue:

- The LPCCC and SCWA support measures that provide funding sources for creek habitat restoration projects.



Source: Teale GIS Solutions Group 1999, U.S. Census Bureau 2002, U.S.G.S 1993



# WATER CONSERVATION



Conservation Landscape

In cooperation with three agricultural water districts, SCWA meets the conservation needs of the greater agricultural community that supplements their ongoing efforts to improve irrigation efficiency.

Some examples of conservation programs are: drought tolerant landscape incentives, rebates for low flow toilets and washers and water audits. The SCWA conservation webpage has contact information: [www.solanosaveswater.org](http://www.solanosaveswater.org).

SCWA continues an active urban water conservation project done in cooperation with cities and agricultural districts in Solano County. Many conservation and education programs are done countywide and some regionally.



Agricultural Weather Station

## Key Issue:

- Supplemental state funding during drought conditions for increased water conservation is a welcome addition to local programs.
- Any new conservation law or regulation needs to take into consideration geography and local cost effectiveness – avoid “one size fits all” solutions in this diverse State.

# HABITAT CONSERVATION PLAN



Swainson's Hawk

The HCP covers 36 species and will ultimately create approximately 25,000 acres of preserves for these species while allowing approximately 13,000 acres of future urban development. The HCP allows for local implementation of endangered species permitting and streamlines economic development projects.

SCWA is preparing a Habitat Conservation Plan (HCP) for the protection of endangered species. The main focus of the HCP is to address endangered species impacts from city development projects and public agency operations and maintenance.



Contra Costa Goldfield

We are also coordinating the HCP with Corps of Engineers and Regional Water Quality Control Board wetlands permitting.

## Key Issue:

- As the Solano HCP nears completion, state planning programs such as the Delta Plan, Central Valley Flood Protection Plan and the Bay Delta Conservation Plan need to coordinate with local HCP's.



Callippe Silverspot Butterfly

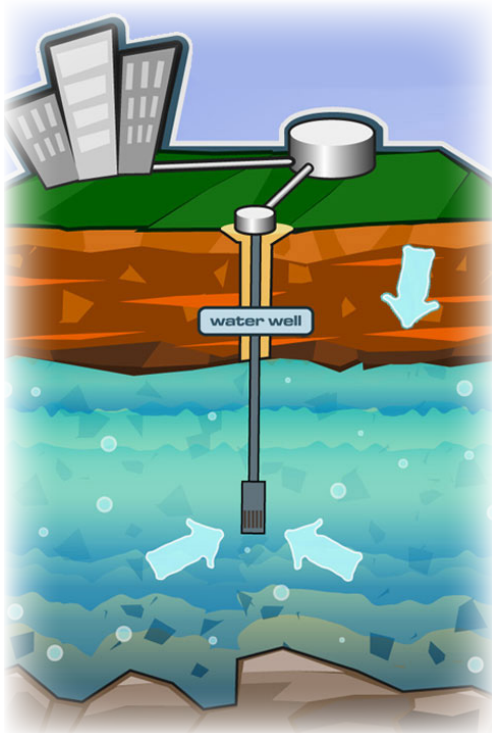
# FLOOD MANAGEMENT, GROUNDWATER, & INTEGRATED REGIONAL WATER MANAGEMENT PLANS



Ulatis Channel

## Key Issue:

- State funding is needed to meet the new requirements of groundwater management planning.
- Funding for local projects from appropriations of the new water bond (Proposition 1).



Groundwater

SCWA maintains the Ulatis Flood Control Project in the east County and the Green Valley Flood Control Project in the Fairfield area. SCWA is also involved in flood management planning in the County. The eastern part of Solano County is protected by Delta levees.



Delta Levees

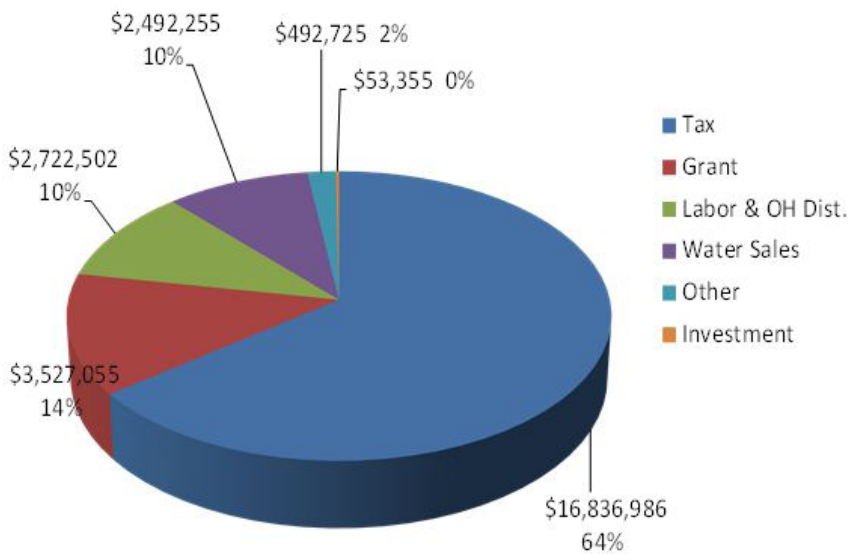
Solano groundwater users manage the groundwater basin sustainably and in coordination with surface water. SCWA, cities and agricultural districts actively monitor and manage the important groundwater resources in Solano County. SCWA is the State reporting entity (CASGEM Program) for Solano's groundwater resources and is working with other groundwater users to meet the requirements of the 2014 groundwater legislation.

SCWA participates in two Integrated Regional Water Management Plans: Bay Area and Westside (Sacramento River Region).

# FINANCES

Primarily funded by ad valorem property taxes, SCWA also receives additional funding from water charges and grants. Tax revenues and grants help keep wholesale water charges low to enable cities and districts to maintain affordable water rates. Prudently, SCWA has a series of dedicated reserves to fund future needed capital costs. Foreseeable large future expenses include refurbishment of the 50 year old Solano Project and the funding of the North Bay Aqueduct Alternate Intake Project.

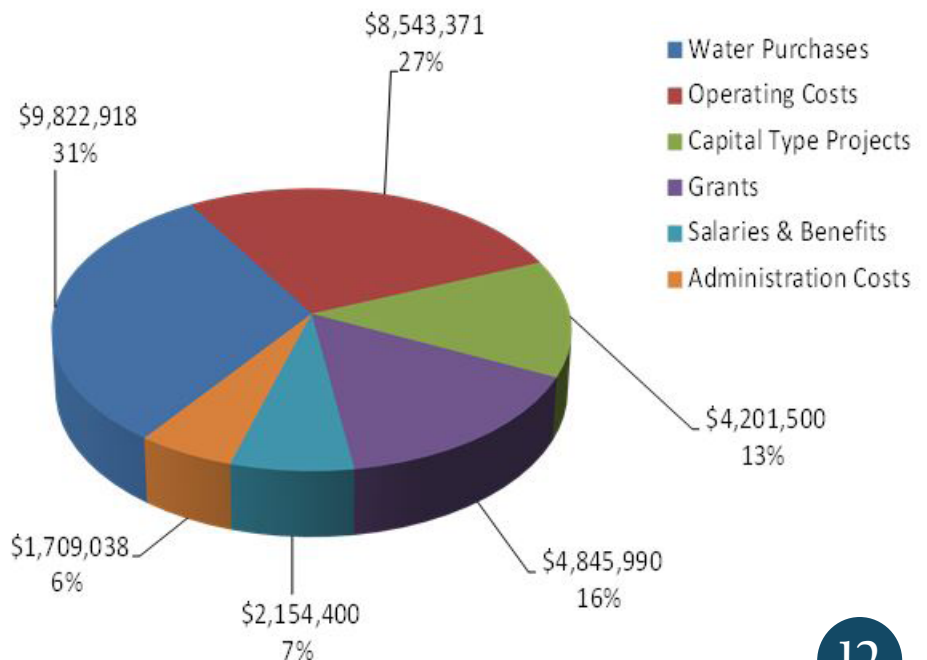
**Summary of Revenues  
FY 2014-2015  
Total Revenues - \$26,124,877**



## Key Issues:

- Protection of local property tax revenues is critical for a safe and affordable water supply in Solano County.
- SCWA reserves are dedicated towards the funding of specific critical infrastructure projects.

**Summary of Expenditures  
FY 2014-2015  
Total Expenditures - \$31,277,217**



# KEY ISSUES SUMMARY

## **Solano Project**

- SCWA seeks State grant funding of invasive mussel species management.

## **State Water Project**

- The State Water Project needs to build on lessons learned from the 2013-2014 drought to balance water deliveries to its contractors while protecting the environment and water quality in the Delta.
- Water supply contracts between the State Water Projects and water contractors, including SCWA, expire in 2035 and need to be extended to finance State Water Project capital projects, such as the North Bay Aqueduct Alternate Intake Project.

## **North Bay Aqueduct Alternate Intake Project**

- Because of the State program to increase tidal wetland habitat, the State has an obligation to help fund the Alternate Intake Project.
- SCWA believes that the State should contribute at least half of the Alternate Intake Project capital costs that is estimated to be \$550 million.

## **Funding Needs**

- Water Bond funding is an important source of funding for SCWA programs and projects.

## **The Delta**

- Water quality and endangered species impacts to the North Bay Aqueduct must be addressed.
- Need to work with Solano County and local reclamation districts to minimize loss of agricultural lands.
- Economic impacts of agricultural land conversion to habitat must be fully mitigated
- Sustainable flood management must be a part of any Delta fix.

## **Yolo Bypass/Cache Slough Corridor**

- The local agencies needs State funding and participation to continue integrated management planning.
- Existing State funds should be utilized to allow early implementation projects to proceed to start a working relationship among the parties.

## **Lower Putah Creek Coordinating Committee**

- The LPCCC and SCWA support measures that provide funding sources for creek habitat restoration projects.

## **Water Conservation**

- Supplemental state funding during drought conditions for increased water conservation is a welcome addition to local programs.
- Any new conservation law or regulation needs to take into consideration geography and local cost effectiveness – avoid “one size fits all” solutions in this diverse State.

## **Habitat Conservation Plan**

- As the Solano HCP nears completion, state planning programs such as the Delta Plan, Central Valley Flood Protection Plan and the Bay Delta Conservation Plan need to coordinate with local HCP's.

## **Flood Management & Groundwater**

- State funding is needed to meet the new requirements of groundwater management planning.
- Funding for local projects from appropriations of the new water bond (Proposition I).

## **Finances**

- Protection of local property tax revenues is critical for a safe and affordable water supply in Solano County.
- SCWA reserves are dedicated towards the funding of specific critical infrastructure projects.

# SCWA SERVICE AREA

County Population (January 2012): 413,786

Benicia: 26,919  
Dixon: 18,282  
Fairfield: 106,379  
Rio Vista: 7,148  
Suisun City: 27,978  
Vacaville: 92,092  
Vallejo: 115,928  
Unincorporated Solano: 18,790  
UC Davis



## CONTACT INFORMATION

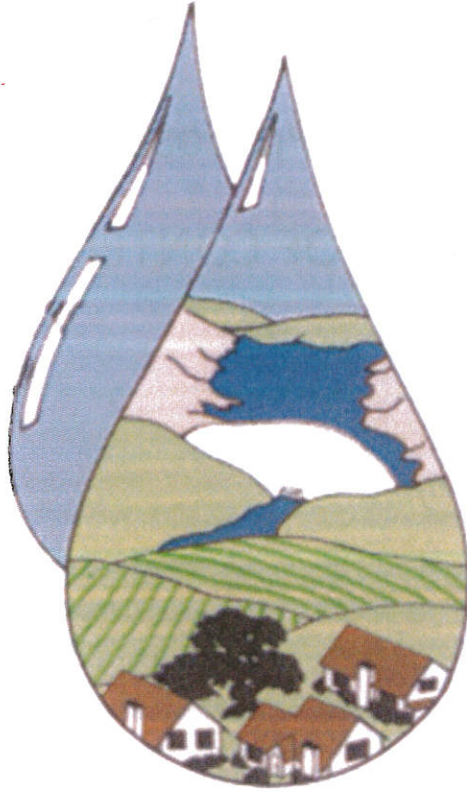
For further information contact:  
General Manager  
Solano County Water Agency  
810 Vaca Valley Parkway Suite 203  
Vacaville, CA 95688  
(707) 455-1103



Solano County Water Agency

SCWA Web page: [www.scwa2.com](http://www.scwa2.com)

Solano Water Conservation Web page: <http://www.solanosaveswater.org/HOME.html>



Solano County Water Agency  
Fiscal Year 2015-2016  
Proposed Budget

# Solano County Water Agency

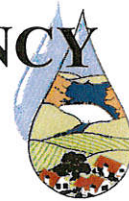
## FY 2015/16 Proposed Budget

### TABLE OF CONTENTS

Budget Message	I
Budget Schedules	II
Fund Summaries	III
Reserves	IV



# SOLANO COUNTY WATER AGENCY



## Interim General Manager's Budget Message

### **FY 2015/16 Proposed Budget June 2015**

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

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

#### **Budget Overview**

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

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

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

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

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

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

**FY 2015/16 Budget Summary**

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

**Figure 1**

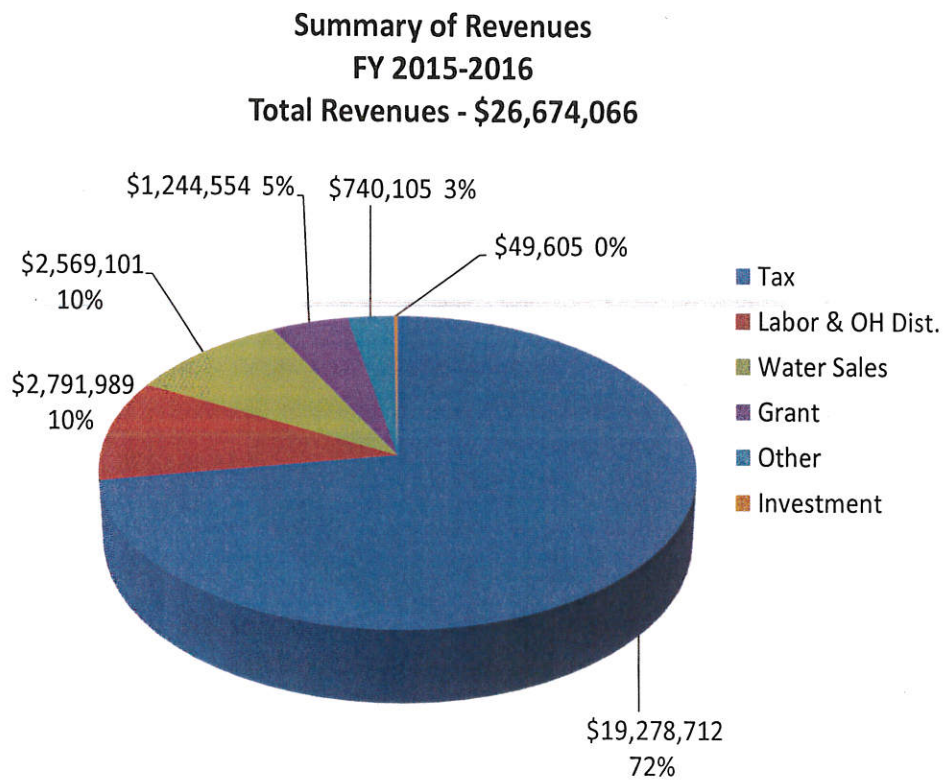
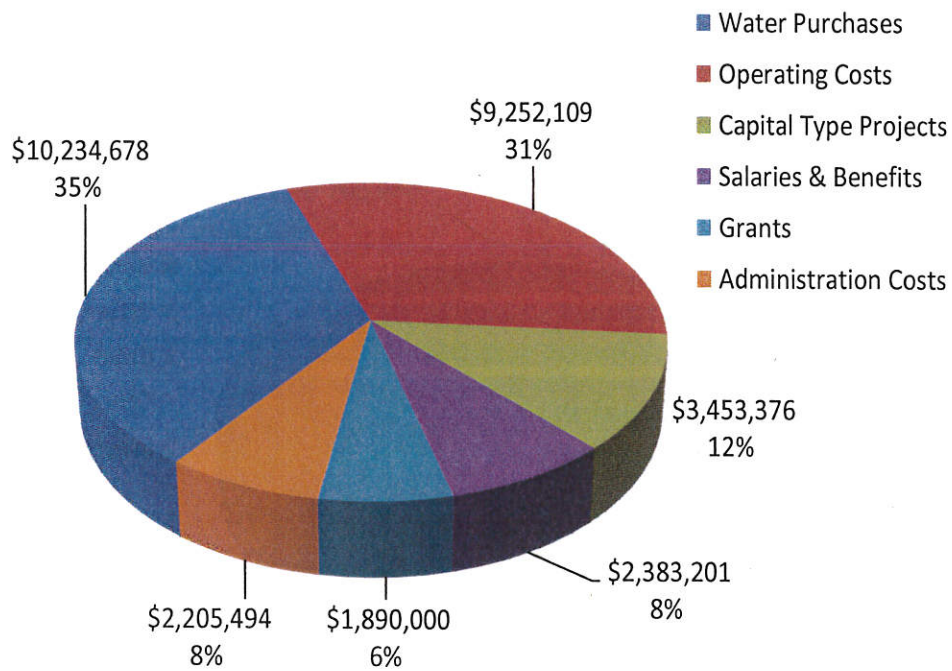


Figure 2, “Summary of Expenditures” portrays spending by categories. The largest expenditure category with 33% of all expenditures is Water Purchases – all for State Water Project water, followed by Operating Costs with 31%, Capital Type Projects with 12%, Grant Expenditures 6%. Salaries & Benefits make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

**Figure 2**

**Summary of Expenditures  
FY 2015-2016  
Total Expenditures - \$29,418,857**



**Trends**

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

**Figure 3**

**Operating Income and Expense**

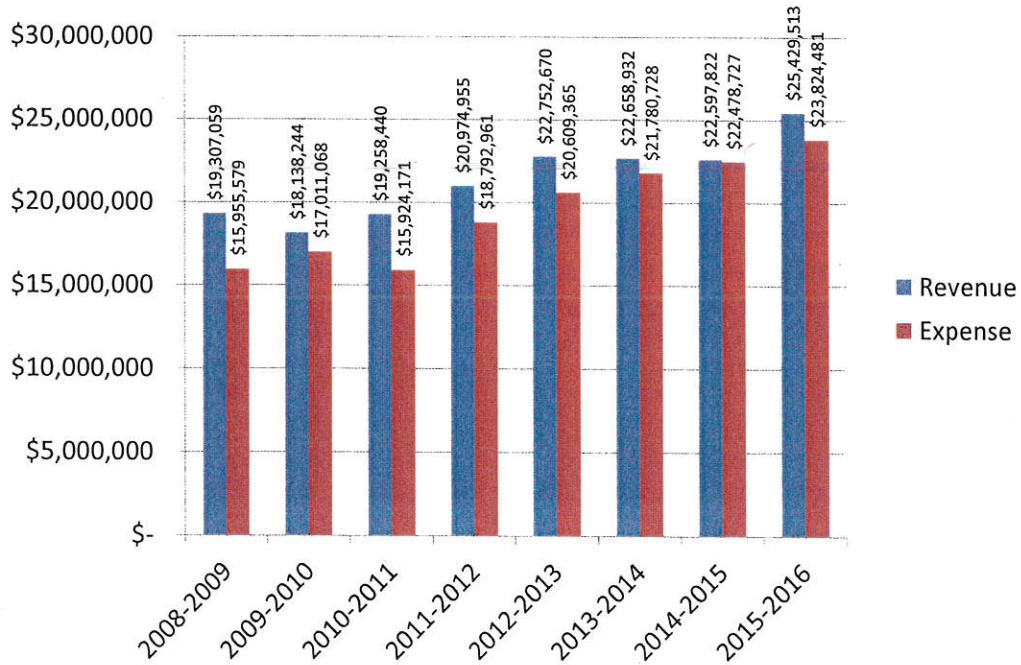


Figure 4, “Cumulative Fund Balance” provides a yearly trend analysis of the Agency’s financial reserves. When annual revenues cannot fully fund expenditures the fund balance is tapped to make up the difference. Conversely, when annual revenues exceed expenditures the excess revenues are added to the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

**Figure 4**

**Cumulative Fund Balance**

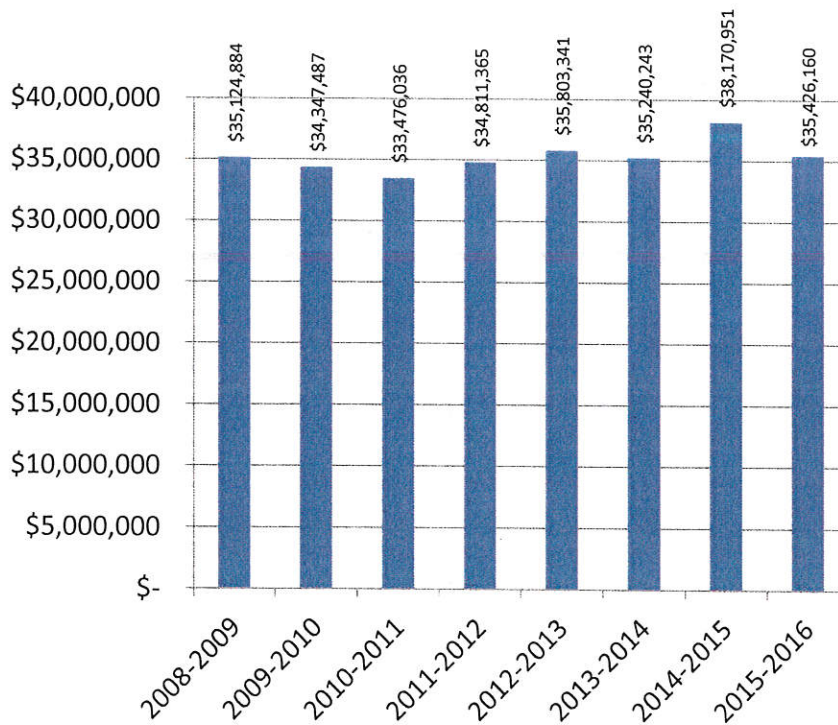
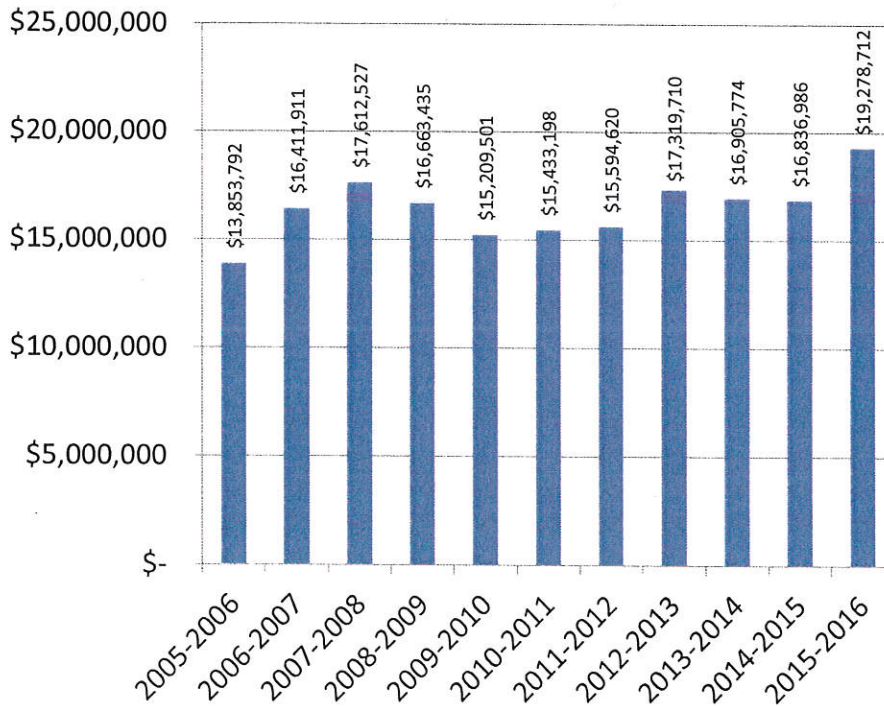


Figure 5, "Property Tax Revenues" provides a trend analysis of Total Tax Revenues which includes both Property Tax Revenues and Redevelopment Property Tax Trust Fund Distributions. The revenues trend shows the decline in property tax revenues during FY 08/09 and FY 09/10 followed by several years of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

**Figure 5**

**Property Tax Revenue**



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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

SOLANO COUNTY WATER AGENCY  
SCHEDULE 6  
BUDGET PROJECTIONS

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

Key Budget Projection Assumptions

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

SOLANO COUNTY WATER AGENCY  
SCHEDULE 7  
BUDGET PROJECTIONS

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

**FUND SUMMARY**

**ADMINISTRATION – SOLANO PROJECT - WATERMASTER**

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

**FUND PURPOSE**

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

**FUNCTION AND RESPONSIBILITIES**

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

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

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

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

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

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

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

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



**Expenditures**

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

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

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

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

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

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

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

**Summary**

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

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

**FUND PURPOSE**

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

**FUNCTION AND RESPONSIBILITIES**

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

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

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

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

**Expenditures**

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

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

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

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

**Summary**

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

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

**FUND PURPOSE**

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

**FUNCTION AND RESPONSIBILITIES**

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

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

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

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

**Expenditures**

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

**Summary**

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

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

**FUND PURPOSE**

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

**FUNCTION AND RESPONSIBILITIES**

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

**FUND DETAIL COMMENTS**

**Revenues**

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

**Summary**

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

# **Solano County Water Agency**

## **Reserve Fund Policy**

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

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

The Solano Project fund is a "General Fund" for the Agency meaning that its revenues can be used to fund anything under the legal scope of the Agency. Revenues for the State Water Project, and 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 (see page IV-3) included in each Fiscal Year's adopted budget. There are separate reserves for all four Agency funds: Solano Project and Administration, State Water Project, Ulatis Flood Control Project and Green Valley Flood Control Project. There is also a line for "Other Flood Control Projects" and "Emergency Reserve".

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

### **Operating Reserves**

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

## **Capital Improvements**

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

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

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

### **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.



SOLANO COUNTY WATER AGENCY  
RESERVE FUNDS  
FY 2015/16

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

Notes

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