



BOARD OF DIRECTORS MEETING AGENDA

**January 7, 2021 Regular Meeting
6:30 p.m.**

Meeting link:

<https://sweetwaterspringswaterdistrict.my.webex.com/sweetwaterspringswaterdistrict.my/j.php?MTID=mb22b4e803efcc33c987e73a9a5424c98>

Meeting number: 126 779 0836
Password: XHjW9NsW6H4

OR

Join by phone: +1-415-655-0001 US Toll
Access code: 126 779 0836
Password: 94599679

All guests that join the virtual meeting will be muted with their camera/ video turned off. Guest(s) will be unmuted and video turned on when they are speaking. Proper decorum including appearance is required.

NOTICE TO PERSONS WITH DISABILITIES: It is the policy of the Sweetwater Springs Water District to offer its public programs, services and meetings in a manner that is readily accessible to everyone, including those with disabilities. Upon request made at least 48 hours in advance of the need for assistance, this Agenda will be made available in appropriate alternative formats to persons with disabilities. This notice is in compliance with the Americans with Disabilities Act (28 CFR, 35.102-35.104 ADA Title II).

Any person who has any questions concerning any agenda item may call the General Manager or Assistant Clerk of the Board to make inquiry concerning the nature of the item described on the agenda; copies of staff reports or other written documentation for each item of business are on file in the District Office and available for public inspection. All items listed are for Board discussion and action except for public comment items. In accordance with Section 5020.40 et seq. of the District Policies & Procedures, each speaker should limit their comments on any Agenda item to five (5) minutes or less. A maximum of twenty (20) minutes of public comment is allowed for each subject matter on the Agenda unless the Board President allows additional time.

I. CALL TO ORDER ***(Est. time: 2 min.)***

- A. Board members Present
- B. Board members Absent
- C. Others in Attendance

II. CHANGES TO AGENDA and DECLARATIONS OF CONFLICT
(Est. time: 2 min.)

III. CONSENT CALENDAR **(Est. time: 5 min.)**

(Note: Items appearing on the Consent Calendar are deemed to be routine and non-controversial. A Board member may request that any item be removed from the Consent Calendar and added as an “Administrative” agenda item for the purposes of discussing the item(s)).

- A. Approval of the Minutes of the December 7, 2020 Board Meeting and the December 10, 2020 Special Board Meeting
- B. Approval of Operations Warrants/Online payments/EFT payments
- C. Receipt of Item(s) of Correspondence. *Please note: Correspondence received regarding an item on the Administrative Agenda is not itemized here, but will be attached as back-up to that item in the Board packet and addressed with that item during the Board meeting*

IV. PUBLIC COMMENT: The District invites public participation regarding the affairs of the District. This time is made available for members of the public to address the Board regarding matters which do not appear on the Agenda, but are related to business of the District. Pursuant to the Brown Act, however, the Board of Directors may not conduct discussions or take action on items presented under public comment. Board members may ask questions of a speaker for purposes of clarification.

V. ADMINISTRATIVE

- A. Discussion/Action re Resolution 21-01, Accepting the Audit for the Fiscal Year Ending June 30, 2020. *(Est. time 10 min.)*
- B. Discussion/Action re Discussion re Resolution 20-24 re FEMA Grant Applications for the Walbridge Fire Damage *(Est. time 15 min.)*
- C. Discussion/Action re FY 2021-22 Budget process *(Est. time 15 min.)*
- D. Discussion/Action re Draft FY 2022-27 Capital Improvement Program *(Est time 15 min.)*
- E. Discussion/Action re CIP 2021 update. *(Est. time 10 min.)*
- F. Discussion/Action re Local Hazard Mitigation Plan Update/Timeline *(Est. time 10 min.)*
- G. Discussion/Action re 17448 River Lane property sale *(Est. time 10 min.)*

VI. GENERAL MANAGER'S REPORT

VII. BOARD MEMBERS' ANNOUNCEMENTS

VIII. ITEMS FOR NEXT AGENDA

ADJOURN

Sweetwater Springs Water District Mission and Goals

The mission of the Sweetwater Springs Water District (SSWD) is to provide its customers with quality water and service in an open, accountable, and cost-effective manner and to manage District resources for the benefit of the community and environment. The District provides water distribution and maintenance services to five townships adjacent to the Russian River:

- Guerneville
- Rio Nido
- Guernewood Park
- Villa Grande
- Monte Rio

GOAL 1: IMPLEMENT SOUND FINANCIAL PRACTICES TO ENSURE EFFECTIVE UTILIZATION OF DISTRICT RESOURCES

GOAL 2: PROVIDE RELIABLE AND HIGH QUALITY POTABLE WATER WITH FACILITIES THAT ARE PROPERLY CONSTRUCTED, MANAGED AND MAINTAINED TO ASSURE SYSTEM RELIABILITY

GOAL 3: HAVE UPDATED EMERGENCY PREPAREDNESS PLANS FOR ALL REASONABLE, FORESEEABLE SITUATIONS

GOAL 4: DEVELOP AND MAINTAIN A QUALITY WORKFORCE

GOAL 5: PROVIDE EXCELLENT PUBLIC OUTREACH, INFORMATION AND EDUCATION

GOAL 6: ENHANCE BOARD COMMUNICATIONS AND INFORMATION



BOARD MEETING MINUTES*

Meeting Date: December 3, 2020

(*In order discussed)

December 3, 2020
6:30 p.m.

Board Members Present:

Tim Lipinski
Gaylord Schaap
Larry Spillane
Sukey Robb-Wilder
Rich Holmer

Board Members Absent:

(None)

Staff in Attendance:

Ed Fortner, General Manager
Julie Kenny, Secretary to the Board

Others in Attendance:

Rachel Hundley, Legal Counsel
Michael Celentano, Auditor
Mark O'Flynn
Rita O'Flynn

I. CALL TO ORDER (6:30 p.m.)

The properly agendized meeting was called to Order by President Holmer at 6:30 p.m.

II. CHANGES TO AGENDA and DECLARATION OF CONFLICT (6:31 p.m.)

(None.)

III. CONSENT CALENDAR (6:31 p.m.)

President Holmer reviewed the items on the Consent Calendar. Director Robb-Wilder moved to approve the Consent Calendar. Director Lipinski seconded. Motion carried 5-0. following items were approved:

- A. Approval of the Minutes of the November 5, 2020 Board Meeting
- B. Approval of Operations Warrants/Online payments/EFT payments.
- C. Correspondence.

IV. PUBLIC COMMENT (6:36 p.m.)

(None.)

V. ADMINISTRATIVE (6:34 p.m.) *

**in the order discussed*

- V-A. (6:34 p.m.) Discussion/Action re Draft FY 2019-20 Audit; Presentation by District Auditor Michael Celentano.** Auditor Michael Celentano provided an overview of this item. Discussion ensued. Public comment was made by Mark O'Flynn. No action was taken but action on the Final audit was calendared for approval at the January meeting.
- V-B. (7 p.m.) Discussion/Action re Election of Officers.** The GM provided an overview of this item. Discussion ensued.
Director Holmer nominated Director Robb-Wilder to serve as President. Director Robb-Wilder accepted the nomination.
Director Robb-Wilder nominated Director Schaap to serve as Vice President. Director Schaap accepted the nomination.
Director Lipinski nominated Director Spillane to serve as Financial Coordinator. Director Spillane accepted the nomination.
- On vote, all nominations passed unanimously.
- V-C. (7:07 p.m.) Discussion/Action re Discussion re Resolution 20-24 re FEMA Grant Applications for the Walbridge Fire Damage.** The GM provided an overview of this item. Discussion ensued. Director Robb-Wilder moved to approve Resolution 20-24, Approving CalOES Form 130 Grant Application for Walbridge Fire Mitigation, CalOES Form 130 for Three Year Authorization for Grant Applications, and CalOES Form 89 Authorizing the General Manager as Agent of District for Walbridge Fire Damage Mitigation Grant Application. Director Lipinski seconded. Discussion ensued. Director Robb-Wilder amended her motion to correct the 5th "whereas" to refer to CalOES instead of FEMA as follows:
- WHEREAS, FEMA requires CalOES Forms 30 and 89 to be completed and approved....
- Director Lipinski seconded. Motion carried 5-0 but a clean version of the resolution as amended and also similarly amending the Resolution title was calendared for the January meeting.
- V-D. (7:22 p.m.) Discussion/Action re Local Hazard Mitigation Plan update/timeline.** The GM provided an overview of this item. Discussion ensued. No action was taken.
- V-E. (7:37 p.m.) Discussion/Action re Resolution 20-25, Approving a Contract with Piazza Construction for Removal of Mt. Jackson Debris.** The GM provided an overview of this item. Discussion ensued. Comments were made by Legal Counsel Rachel Hundley. Director Spillane moved to approve Resolution 20-25, Adopting Findings and Authorizing a Contract with Piazza Construction for Emergency Work to Remove Debris at the Mt. Jackson Site in the Amount of \$178,333.00, with Authorization of Change Orders up to \$10,000.00, with approval contingent on the District receiving 100% funding from FEMA for this project. Director Robb-Wilder seconded. Motion carried 5-0.
- V-F. (8:01 p.m.) Discussion/Action re CIP 2021 update.** The GM provided an overview of this item. Discussion ensued. No action was taken.

VI. GENERAL MANAGER'S REPORT (8:04 p.m.)

The GM provided a report on the following items:

1. Laboratory testing
2. Water production and sales
3. Leaks
4. Guerneville rainfall
5. In-House Construction Projects
6. Watershed Recovery Task Force
7. Monte Rio Recreation and Parks District Trail
8. Lower Russian River Community Advisory Group Governance Meeting
9. Guerneville Park Resort update
10. Grants Update
11. Property Tax Lien Policy Change
12. Gantt Chart
13. Economic Impact of No Disconnects for Non-payment

Discussion ensued.

VII. BOARD MEMBERS' ANNOUNCEMENTS/COMMENTS (8:27 p.m.)

Director Schaap announced County closures.
Director Spillane questioned the Oath of Office timing

VIII. ITEMS FOR THE NEXT AGENDA (8:30 p.m.)

1. Review of amended version of Resolution 20-24
2. River Lane property update
3. Resolution to approve Final Audit
4. Capital Improvement Plan
5. FEMA grant update
6. LHMP update

IX. CLOSED SESSION

(No items.)

ADJOURN

The meeting adjourned at 8:32 p.m.

Respectfully submitted,

Julie Kenny
Clerk to the Board of Directors

APPROVED:

Gaylord Schaap: _____

Sukey Robb-Wilder: _____
Tim Lipinski: _____
Rich Holmer _____
Larry Spillane _____



BOARD MEETING MINUTES*

Meeting Date: December 10, 2020 (Special Meeting)

(*In order discussed)

December 10, 2020
10 a.m.

Board Members Present:

Tim Lipinski
Larry Spillane
Sukey Robb-Wilder
Gaylord Schaap

Board Members Absent:

Rich Holmer

Staff in Attendance:

Ed Fortner, General Manager
Jack Bushgen, Field Manager

Others in Attendance:

Eric Vaughan, Harris & Associates
Caroline Yvellez, Harris & Associates
Steve Mack

I. CALL TO ORDER (10:03 a.m.)

The properly agendized meeting was called to Order by Acting President Sukey Robb-Wilder at 10:03 a.m.

II. PUBLIC COMMENT (10:03 a.m.)

(None.)

III. ADMINISTRATIVE (10:04 a.m.) *

**in the order discussed*

V-A. (10:04 a.m.) Discussion/Action re Resolution 20-25, Approving a Contract with Piazza Construction for Removal of Mt. Jackson Debris. The GM provided an overview of this item. Discussion ensued. Director Lipinski moved to approve Resolution 20-25, Adopting Findings and Authorizing a Contract with Piazza Construction for Emergency Work to Remove Debris at the Mt. Jackson Site in the Amount of \$178,330.00 with Authorization of Change Orders Up to \$10,000. Director Spillane seconded. Motion carried 4-0.

V-B. (10:13 a.m.) Discussion/Action re Local Hazard Mitigation Plan Committee Meeting and Public Workshop #1. Consultant: Harris & Associates. The GM provided an overview of this item. Eric Vaughan and Caroline Yvellez of Harris & Associates made a PowerPoint presentation. Discussion ensued. Public comment was made by Steve Mack.

IV. ADJOURN

The meeting adjourned at 11:43 a.m.

Respectfully submitted,

Ed Fortner
Clerk to the Board of Directors

APPROVED:

Gaylord Schaap: _____
Sukey Robb-Wilder: _____
Tim Lipinski: _____
Rich Holmer _____
Larry Spillane _____

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-A

FROM: Ed Fortner, General Manager

Meeting Date: January 7, 2021

Subject: DISCUSSION/ACTION RE RESOLUTION 21-01, ACCEPTING THE FINAL
AUDIT FOR THE FISCAL YEAR ENDING JUNE 30, 2020

RECOMMENDED ACTION:

Approve Resolution 21-01, Accepting the Final Audit for the Fiscal Year Ending June 30, 2020.

FISCAL IMPACT:

(Preparation of the FY 2019-20 Audit cost \$8,250.)

DISCUSSION:

Our FY 2019-20 Audit was conducted by Michael Celentano, CPA. Mr. Celentano discussed the Audit with you at our December meeting.

Staff recommends the Board approve Resolution 21-01, Accepting the Final Audit for the Fiscal Year Ending June 30, 2020.

Resolution No. 21-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT ACCEPTING THE FINAL AUDIT FOR THE FISCAL YEAR ENDING JUNE 30, 2020

WHEREAS, the Sweetwater Springs Water District is required to have annual audits performed relative to the spending of public funds; and

WHEREAS, Michael Celentano, CPA provides said auditing service and is under contract with the District to perform such audits.

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of the Sweetwater Springs Water District has reviewed the audit as prepared by Michael Celentano, CPA for the year ending June 30, 2020, and accepts the information contained therein.

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on January 7, 2021, by the following vote.

Director	Aye	No
Sukey Robb-Wilder	_____	_____
Tim Lipinski	_____	_____
Rich Holmer	_____	_____
Gaylord Schaap	_____	_____
Larry Spillane	_____	_____

Sukey Robb-Wilder
President of the Board of Directors

Attest: Julie A. Kenny
Clerk of the Board of Directors

MICHAEL A. CELENTANO

Certified Public Accountant

PO Box 206

Willow Creek Ca 95573

maccpa@pacific.net

530-629-3015

To the Management and
The Board of Directors of
Sweetwater Springs Water District

In planning and performing my audit of the financial statements of the business-type activities of Sweetwater Springs Water District as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, I considered Sweetwater Springs Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sweetwater Springs Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Sweetwater Springs Water District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. I did not identify any deficiencies in internal control that I consider to be material weaknesses.

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. I consider the following deficiency in Sweetwater Springs Water District's internal to be significant deficiency:

District Structure

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the District to provide oversight and independent review functions.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Michael A Celentano
Certified Public Accountant
November 10, 2020

MICHAEL A. CELENTANO

Certified Public Accountant

PO Box 206

530-629-3015

Willow Creek Ca 95573

maccpa@pacific.net

To the Management and
The Board of Directors of
Sweetwater Springs Water District

I have audited the financial statements of the business-type activities of Sweetwater Springs Water District for the year ended June 30, 2020. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated November 10, 2020. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sweetwater Springs Water District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of the other postemployment benefits payable and pension liabilities are based on industry guidelines and actuarial tables. I evaluated the key factors and assumptions used to develop these other postemployment benefits payable and pension liabilities in determining that it is reasonable in relationship to the financial statements taken as a whole

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated November 10, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of management and the Board of Directors of Sweetwater Springs Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read 'M. Celentano', with a long horizontal flourish extending to the right.

Michael A Celentano
Certified Public Accountant
November 10, 2020

SWEETWATER SPRINGS WATER DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**SWEETWATER SPRINGS WATER DISTRICT
FINANCIAL STATEMENTS**

JUNE 30, 2020 AND 2019

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MICHAEL A. CELENTANO

Certified Public Accountant

PO Box 206

530-629-3015

Willow Creek Ca 95573

maccpa@pacific.net

Board of Directors
Sweetwater Springs Water District
Guerneville, California

Independent Auditor's Report

I have audited the accompanying financial statements of the business-type activities of Sweetwater Springs Water District as of and for the year ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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; 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's 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 entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion

Management has not adopted GASB Statement 68 "Accounting and Financial Reporting of Pension Plans." and amendments to GASB 68". Accounting principles generally accepted in the United States of America require that Deferred Inflows/Outflows and Adjusted Pension Expense be recorded currently which would increase the assets and liabilities and change the pension expense. The effect on Deferred Inflows/Outflows and payroll and employee benefits expenses has not been determined. See Footnote 6 for more detail.

Management has not adopted GASB Statement 75 “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”. Accounting principles generally accepted in the United States of America require that Unfunded Postemployment Benefit’s Liability, Deferred Inflows/Outflows and Adjusted Employee Benefits Expense be recorded currently which would increase the liabilities and decrease the fund balance and change the employee benefit expense. The amount by which this departure would affect the liabilities by increasing Net OPEB Liability by \$272,265 and decreasing fund balance by \$272,265. The effect on Deferred Inflows/Outflows and payroll and employee benefit expenses has not been determined. See Footnote 11 for more detail.

Qualified Opinion

In my opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sweetwater Springs Water District as of June 30, 2020 and 2019 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3-9 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Michael A Celentano
Certified Public Accountant

November 10, 2020

Management Discussion & Analysis (Unaudited)

Management has prepared this financial overview of the activities of the Sweetwater Springs Water District for the fiscal year ended June 30, 2020. It serves as an introduction to the financial statements contained in the Audit Report and a summary of major activities of the District for the fiscal year. Much of the analysis is comparative to last year's activity.

The Discussion begins with a selection of financial activities that management considers worthy of special note for FY 2019-20. The condensed financial statements that follow provide a complete financial summary of the Audit Report. Following the financial statements are additional details on capital spending, District debt and future plans of the District.

I. SELECTED FINANCIAL ACTIVITIES IN 2019-20

Net income (change in Net Position) is more than last year. Net income for the year before depreciation expense and other items was \$1,326,785 compared to \$1,253,962 in FY 2018-19. After depreciation and other items, the District's net income was \$384,249. (p. 6)

Surplus cash transferred to CIRF was budgeted at \$190,000. Actual transfers were also \$190,000. (p. 9)

District reserves above policy are up. District reserves above policy were \$2,020,353 at FYE 2020, compared to \$1,724,933 at FYE 2019. (p. 8.)

Net pension liability (or Unfunded Liability (UL)). This year we are including this liability in the financial statements rather than just discussing it in the footnotes. In FY 2019-20 the District made an extra UL payment required by CalPERS of \$500,000, borrowing money from District policy reserves. Doing so reduced our UL from \$955,362 in FY 2018-19 to \$483,508 in FY 2019-20. (See, Condensed Statement of Net Position, Other Longterm Liabilities on p. 5; See also Statement of Net Position, p. 10)

Selected revenues and expenses, and PERS UL:

	<u>FY 2019-20</u>	<u>FY 2018-19</u>
Water Sales:	\$2,600,592	\$2,526,975
Operating Expenses (before depreciation):	\$1,915,118	\$1,871,440
Capital Improvement Projects:	\$64,472	\$1,234,210
Debt Payments (principal + interest):	\$1,028,074	\$1,014,385
PERS Pension Liability (UL):	\$483,508	\$995,553

Other Notes for FY 2019-20

(2) Fire event. In October 2019, the Kincaid Fire precipitated mandatory evacuations in our service area. The District absorbed expenses associated with the fire and did not file a FEMA claim.

II. BASIC FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The two statements contained in this Management's Discussion and Analysis are condensed versions of the statements in the Audit Report:

The Statement of Net Position is comparable to a Balance Sheet. It includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations of the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

All of the current fiscal year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position, comparable to an Income Statement. This statement measures the success of the District's operations over the past fiscal year and can be used to determine the District's creditworthiness and whether the District has successfully recovered all its costs through its user fees and other charges.

Not included in this Management's Discussion and Analysis but required in the Audit report is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

STATEMENT OF NET POSITION

A summary of the District's Statement of Net Position in FY 2019-20 compared to FY 2018-19 is presented in Table 1 below. Generally, an increase in the District's net position is a good indicator of whether its financial health is improving or deteriorating. The District's net position increased by \$384,249 to \$12,611,225 at FYE 2020, up from \$12,226,976 (restated) at FYE 2019, largely due to reducing our pension (part of "Other long-term liabilities" in the table below) and debt liabilities.

Table 1
Condensed Statement of Net Position

	<u>FYE 2020</u>	<u>FYE 2019</u>	<u>\$ Change</u>	<u>% Change</u>
Cash	3,025,913	3,265,290	(239,377)	-7.3%
Capital Assets	20,357,734	20,950,734	(593,000)	-2.8%
Other Assets	462,658	442,904	19,754	4.5%
Total Assets	23,846,305	24,658,928	(812,623)	-3.3%
Bond & Loan principal debt outstanding	10,561,406	11,207,940	(646,534)	-5.8%
Other long-term liabilities	531,592	1,002,109	(470,517)	-47.0%
Other short-term liabilities	142,082	221,903	(79,821)	-36.0%
Total Liabilities	11,235,080	12,431,952	(1,196,872)	-9.6%
Net investment in capital assets	9,796,329	9,742,793	53,536	0.5%
Restricted	0	0	0	
Unrestricted	2,814,896	2,484,183	330,713	13.3%
Total Net Position	12,611,225	12,226,976	384,249	3.1%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position provides additional information concerning this year's revenues and expenses that impacted net position. Table 2 below compares the District's Statement of Revenues, Expenses, and Changes in Net Position in FY 2019-20 versus FY 2018-19 (restated).

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>FYE 2020</u>	<u>FYE 2019</u>	<u>\$ Change</u>	<u>% Change</u>
Water Sales	2,600,592	2,526,975	73,617	2.9%
Property Tax Assessment (flat charge)	786,565	764,591	21,974	2.9%
Non-Operating Revenues	209,891	185,222	24,669	13.3%
Total Revenues	3,597,048	3,476,788	120,260	3.5%
Operating Expenses:				
Salaries & Benefits	1,309,457	1,219,853	89,604	7.3%
Services & Supplies	605,661	651,587	(45,926)	-7.0%
Total Operating Expenses	1,915,118	1,871,440	43,678	2.3%
Non-Operating Expenses:				
Interest	355,145	351,386	3,759	1.1%
Other	0	0	0	0.0%
Total Non-Operating Expenses	355,145	351,386	3,759	1.1%
Total Expenses	2,270,263	2,222,826	47,437	2.1%
Income before Other Items and Depreciation Expense	1,326,785	1,253,962	72,823	5.8%
Other income	0	0	0	-
Other - PERS UL Interest & Assumption Chges	(83,597)	(225,120)	141,523	0.0%
Depreciation Expense	(858,939)	(835,923)	(23,016)	2.8%
Change in Net Position (Net Income)	384,249	192,919	191,330	99.2%

Income before Other Items and Depreciation Expense was \$1,326,785, an increase from last fiscal year.

Total **revenues** were \$3,597,048 about 3.5% more than last year. Water Sales were up 2.9% from last year. As in recent years, the District increased rates by 3%. Flat charge revenue, collected via property tax bills, is expected to remain constant from year to year at around \$750,000. This year it came in at \$786,565. Non-operating revenues -- \$209,891 -- consist primarily of (1) interest income; (2) rent received from cell tower tenants on the District's Mt. Jackson property; and (3) construction of new services during the fiscal year. In addition, this line item also includes unrealized investment gains (losses) on the funds invested with the Public Agency Retirement Services (PARS).

On the expense side, total **expenses** increased by \$47,437, or 2.1%, compared to last year due to expected increases in Salaries & Benefits from COLAs and staff step increases. The District actually spent less on Service & Supplies than last year. This is not that unusual -- repairs and maintenance to the water system are expensive and can vary quite a bit from year to year.

Income after accounting for "Other Items" (Change in Net Position) was \$384,249 at FYE, compared to \$192,919 in FY 2018-19. In the "Other" category, this year the financials include a line item for CalPERS interest charged on unfunded pension liability (UL) and charges for changes to pension

assumptions. Last year's figures were restated to include these same changes for meaningful comparison. This line item will be a part of the financial statements going forward.

III. CAPITAL SPENDING

In FY 2019-20, the District did not begin a major capital project, but did spend an additional \$62,472 on CIP 2019 to complete that project:

Project	Project Description	Amount spent FY 2019-20	% complete at FYE 2020
CIP 2019	Monte Rio Treatment Plant Green Sand Filter Replacement	\$64,472	100% completed (Project total: \$230,777)
		\$64,472	

In addition to these capital projects, a total of \$202,158 was spent on Tank/Facilities improvements. Most of this -- \$175,558 -- was to rehabilitate the Harrison Tank parking lot which was eroding from years of winter rains.

IV. DISTRICT DEBT/SOURCES OF DEBT REPAYMENT

At the beginning of FY 2019-20, the District owed a total of \$11,207,940 in bond debt, state loans, and a private placement loan. During the year the District made \$684,427 in principal payments.

The table below summarizes activity on the bonds and loans in FY 2019-20:

<u>DEBT TYPE</u>	<u>ORIGINAL PRINCIPAL</u>	<u>PRINCIPAL OWED JULY 1, 2019</u>	<u>PRINCIPAL PAID FY 2019-20</u>	<u>PRINCIPAL OWED FYE 2019</u>
USDA G.O. Bonds	\$1,647,875 (2014)	\$1,543,648	\$27,622	\$1,516,026
USDA G.O. Bonds	\$1,535,000 (2019)	\$1,535,000	\$0	\$1,535,000
Capital One Bonds	7,993,000 (2013)*	\$5,945,000	\$359,000	\$5,623,892
State Loans	\$3,013,500 (1996)	\$417,961	\$135,235	\$282,727
Private Placement Loan	\$3,000,000 (2008)	\$1,766,331	\$162,570	\$1,603,760
		\$11,207,940	\$684,427	\$10,561,405

The Capital One Bonds were restructured in FY 2019-20 as follows: (1) The interest rate was reduced from 3.6% to 2.78%; (2) Closing costs and deferred interest totalling \$28,500 and \$9,392 respectively were added to principal; and (3) The repayment schedule was reconfigured to provide for lower payments in the first seven (7) years with larger payments thereafter.

With interest, actual payments on District bond and loan debt were \$1,028,074. The District allocates revenue from flat charges, the CDR¹ portion of the Water Sales revenue, and capital interest to pay for annual principal and interest on debt, itemized for FY 2019-20 as shown below:

¹ CDR stands for "Capital Debt Reduction".
Sweetwater Springs Water District
Management Discussion & Analysis
FY 2019-20

Flat Charges:	\$786,565
CDR Revenue:	\$299,453
Capital interest:	<u>\$27,387</u>
Total:	\$1,113,405

The excess from these sources of revenue -- \$85,331 in FY 2019-20 -- increased *District reserves above policy* and is available for capital spending.

V. DISTRICT RESERVES AND RESERVES ABOVE POLICY

The District adopted a Reserve Policy in 2009 that calls for leaving a designated amount of District funds in reserve for emergencies. All other District funds are considered "reserves above policy" and available for spending. In FY 2019-20, District policy reserves were \$1,379,359. During the year, \$500,000 of policy reserves were loaned Operations to pay down pension debt, to be paid back at a rate of \$135,000/year beginning in FY 2020-21. Therefore, at FYE policy reserves on hand were \$879,359. Reserves above policy were \$2,020,353, as detailed below:

Total District Funds*:	\$2,899,712
Less Policy Reserves:	<u>(\$879,359)</u>
Reserves Above Policy:	\$2,020,353

* Does not include Operations checking accounts

VI. ECONOMIC FACTORS, PROJECTED CAPITAL EXPENDITURES/SOURCES OF FUNDING

The bulk of the District's income is tied to water sales and flat charge revenue, both unaffected in any major way by economic events. The bulk of the District's cash on hand - over 85 percent - is conservatively managed via the County of Sonoma's investment pool. Interest rates remain low but invested principal is secure. In addition to funds invested with the County, the District has invested in mutual funds through the Public Agency Retirement System (PARS). Use of the PARS funds is limited to offsetting the costs of the PERS retirement program. The PARS investment is similar to the District's investment with the California Employee Retirement Benefit Trust (CERBT), managed by CalPERS. Funds invested with CERBT are limited to offsetting the costs of retiree health benefits.

The District's 2020-25 Capital Improvement Program identifies over \$3.7 million of additional capital projects. According to the District's long-term budget for this same time period annual capital construction costs will average about \$750,000. The District's capital construction is funded from four sources:

- **Surplus revenue.** The District has a plan to increase surplus operating revenue to \$500,000 annually. In FY 2019-20 it was budgeted at \$190,000. Surplus flat charge revenue has also been increasing in recent years. In FY 2019-20, it was \$85,331, bringing total surplus revenue to \$275,331.
- **Grants.** At FYE the District is actively pursuing grant funding from several sources.
- **Loan proceeds.** The District is not considering incurring additional debt at FYE.
- **Reserves.** Reserves available for capital spending and capital debt ("reserves above policy") were at \$2,020,353 at FYE 2020. Less anticipated debt expenditures in FY 2020-21 as well as funds with PARS and CERBT, reserves, available for capital projects at FYE were \$751,397:

Reserves Above Policy:	\$2,020,353
Less FY 2020-21 debt payments:	(\$1,000,095):
Less funds at PARS/CERBT:	<u>(\$268,879)</u>
Reserves available for capital projects:	\$751,379

MORE ABOUT DISTRICT SURPLUS REVENUES

The District is near the end of a long-term plan to increase District surplus operating revenues to a sustainable \$500,000 annually.² The plan contemplated nine years of 3% water increases. FY 2019-20 was the final year of this plan. Below is a table of budgeted and actual operating surpluses from recent years. As the table shows, despite the annual increase to water rates, rising costs have made the goal of a sustainable \$500,000 in operating surpluses difficult to attain at 3% water rate increases:

Year	Year of 9-year Budget Plan (3% water increase each year)	Budgeted Operating Surplus	Actual Operating Transfer
F 2010-11	N/A	\$240,000	\$240,000
FY 2011-12	1 of 9	\$240,000	\$240,000
FY 2012-13	2 of 9	\$220,000	\$220,000
FY 2013-14	3 of 9	\$390,000	\$390,000
FY 2014-15	4 of 9	\$260,000	\$260,000
FY 2015-16	5 of 9	\$320,000	\$320,000
FY 2016-17	6 of 9	\$330,000	\$350,392
FY 2017-18	7 of 9	\$320,000	\$320,000
FY 2018-19	8 of 9	\$320,000	\$210,000
FY 2019-20	9 of 9	\$190,000	\$190,000

In addition to operating surpluses detailed above and as discussed earlier, contributions from surplus flat charge revenue are increasing due to a combination of District debt refinancing, loan payoffs, and annual increases to District CDR revenue. The District anticipates conducting a Rate Study to assist in rate setting and capital budgeting.

VII. REQUEST FOR INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sweetwater Springs Water District at P.O. Box 48, Guerneville, California, 95446.

² "Sustainable Funding for Needed Capital Improvements", dated April 18, 2011.

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2020 and 2019

	<u>Totals</u> <u>June 30, 2020</u>	<u>Totals</u> <u>June 30, 2019</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 1,766,601	\$ 1,500,378
Accounts receivable	151,762	146,443
Rent receivable		
Flat charges receivables	33,333	38,353
Unbilled revenue	214,808	195,354
Inventory	56,505	56,505
Prepaid expenses		
Prepaid expenses	<u>6,250</u>	<u>6,250</u>
TOTAL CURRENT ASSETS	<u>2,229,259</u>	<u>1,943,283</u>
NONCURRENT ASSETS		
Land	143,053	143,053
Construction in progress	-	168,306
Buildings and improvements	32,277,351	31,844,415
Machinery and equipment	663,169	661,859
Less-accumulated depreciation	<u>(12,725,839)</u>	<u>(11,866,900)</u>
TOTAL CAPITAL ASSETS, NET	<u>20,357,734</u>	<u>20,950,733</u>
OTHER NONCURRENT ASSETS		
Prepaid expenses		
Restricted cash and investments	<u>1,259,312</u>	<u>1,764,912</u>
TOTAL OTHER NONCURRENT ASSETS	<u>1,259,312</u>	<u>1,764,912</u>
TOTAL ASSETS	<u>23,846,305</u>	<u>24,658,928</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	-	65,134
Accrued wages	12,281	6,543
Accrued interest	103,418	129,812
Customer deposits	16,277	15,311
Road maintenance obligations	10,106	5,103
Current portion of long term debt	<u>728,225</u>	<u>709,427</u>
TOTAL CURRENT LIABILITIES	<u>870,307</u>	<u>931,330</u>
LONG TERM LIABILITIES		
Compensated absences	54,359	50,077
General obligation bonds payable	8,253,641	8,612,026
California safe drinking water bonds payable	143,429	282,727
Citizens business bank (COP) payable	1,436,111	1,603,760
Construction claim payable		
Net pension liability	483,508	955,362
Other postemployment benefits payable	<u>(6,275)</u>	<u>(3,330)</u>
TOTAL LONG TERM LIABILITIES	<u>10,364,773</u>	<u>11,500,622</u>
TOTAL LIABILITIES	<u>11,235,080</u>	<u>12,431,952</u>
NET POSITION		
Net Investment in capital assets	9,796,329	9,742,793
Restricted		
Unrestricted	<u>2,814,896</u>	<u>2,484,183</u>
TOTAL NET POSITION	<u>\$ 12,611,225</u>	<u>\$ 12,226,976</u>

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2020 and 2019

	<u>Totals</u> <u>June 30, 2020</u>	<u>Totals</u> <u>June 30, 2019</u>
Operating Revenues		
Charges for services	\$ 2,600,592	\$ 2,526,975
Total Operating Revenues	<u>2,600,592</u>	<u>2,526,975</u>
Operating Expenses		
Salaries and employee benefits	1,309,457	1,219,853
Service and supplies	605,661	651,587
Repair and Maintenance		
Depreciation	<u>858,939</u>	<u>835,923</u>
Total Operating Expenses	<u>2,774,057</u>	<u>2,707,363</u>
Operating Income (Loss)	<u>(173,465)</u>	<u>(180,388)</u>
Non-Operating Revenues (Expenses)		
Interest income	45,058	43,812
Rents	109,392	104,356
Flat charges	786,565	764,591
Other non-operating revenue	55,441	37,054
Change in actuarial assumptions	(33,628)	(147,414)
Interest expense unfunded pension liability	(49,969)	(77,706)
Interest expense	<u>(355,145)</u>	<u>(351,386)</u>
Total Non-Operating Revenues (Expenses)	<u>557,714</u>	<u>373,307</u>
Net Income (Loss)	384,249	192,919
Total Net Position, Beginning of Fiscal Year	<u>12,226,976</u>	<u>12,034,057</u>
Total Net Position, End of Fiscal Year	<u><u>\$ 12,611,225</u></u>	<u><u>\$ 12,226,976</u></u>

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2020 and 2019

	Totals June 30, 2020	Totals June 30, 2019
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,575,819	\$ 2,521,744
Payments to suppliers for goods and services	(670,795)	(628,193)
Payments to employees and related items	(1,296,413)	(1,237,380)
Net cash flows provided by operating activities	608,611	656,171
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(265,940)	(1,277,262)
Proceeds from long term debt	37,893	1,535,000
Payments on long term debt	(684,427)	(652,229)
Payments on net pension liability	(555,451)	(125,451)
Interest payments	(381,539)	(362,335)
Net cash flows (used) by capital and related financing activities	(1,849,464)	(882,277)
Cash Flows From Non-Capital and Related Financing Activities		
Flat charges	791,585	766,897
Miscellaneous non-operating revenues	55,441	37,054
Net cash provided by non-capital and related financing activities	847,026	803,951
Cash Flows From Investing Activities		
Rents	109,392	104,356
Interest income	45,058	43,812
Net cash flows provided by investing activities	154,450	148,168
Net Increase (Decrease) in Cash and Investments	(239,377)	726,013
Cash and Investments, Beginning of Fiscal Year	3,265,290	2,539,277
Cash and Investments, End of Fiscal Year	\$ 3,025,913	\$ 3,265,290
Reconciliation of Cash and Investments to Amounts Reported on the Statement of Net Position:		
Cash and investments	\$ 1,766,601	\$ 1,500,378
Restricted cash and investments	1,259,312	1,764,912
	\$ 3,025,913	\$ 3,265,290
Supplemental Disclosures:		
Interest expense during the fiscal year	\$ 355,145	\$ 351,386
Interest capitalized during the fiscal year	\$ -	\$ -

(continued)

See accompanying notes to basic financial statements

**SWEETWATER SPRINGS WATER DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2020 and 2019**

(Continued)

	Totals June 30, 2020	Totals June 30, 2019
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:		
Operating income (loss)	\$ (173,465)	(180,388)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	858,939	835,923
Salaries and employee benefits		
(Increase) Decrease in Operating Assets:		
Accounts receivable/Unbilled Revenue	(24,773)	(5,231)
Inventory		
Prepaid expenses		
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(65,134)	31,598
Accrued wages	5,738	543
Compensated absences	4,282	(19,877)
Customer deposits payable	966	447
Road maintenance obligations	5,003	(5,037)
Other postemployment benefits payable	(2,945)	(1,807)
Total Adjustments	782,076	836,559
Net Cash Provided by Operating Activities	\$ 608,611	\$ 656,171

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Sweetwater Springs Water District (District) was formed on December 6, 1988 with Resolution #88-2184 through an election under Section 30290 of the California State Water Code. The District supplies water services to residential and commercial users, and provides for connections to and the servicing of the delivering system. The District's Board of Directors has the responsibility of overseeing the financial activities of the District.

The District accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments, in accordance with the uniform system of accounts for water utility special enterprise districts as prescribed by the State Controller in compliance with the government code of the State of California.

B. Basis of Accounting

The District follows the accrual basis of accounting. The District's policy is to record all assets, liabilities, revenues, and expenses on the accrual basis of accounting and the flow of economic resources measurement focus. Under this method, revenue is recognized when earned and expenses are recognized when the related liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

C. Proprietary Fund Accounting

The District has one fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

In accordance with GASB Statement No. 20 and No. 62, the District has opted to apply all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the fund. All other expenses are reported as non-operating expenses.

D. Budgetary Reporting

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is not legally required and therefore budget to actual information has not been presented, either as a statement or required or other supplementary information.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Note 1: Summary of Significant Accounting Policies (Continued)

E. Receivables

Bad debts associated with accounts receivable for services are tracked each year by staff, but have been deemed immaterial. Other receivables, if any, are shown at the anticipated recoverable amount, unless otherwise noted.

F. Flat Charges Receivable

Flat charges receivable represent direct charges owed to the District by property owners.

G. Inventories

Inventory consists primarily of water meters, water pipes, valves and fittings. Inventory is valued at estimated cost.

H. Capital Assets

Property, plant, and equipment are recorded at cost or estimated historical cost if actual cost is not available. Contributed assets are recorded at their fair value at the time of transfer to the District. Assets with a value of \$1,000 or less are expensed in the years acquired.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. The range of estimated useful lives are as follows:

Water system	40 years
Leasehold improvements	7 years
Equipment	3-5 years

I. Vacation and Sick Leave

Vacation pay is accrued by the District in the period earned. At June 30, 2020 and 2019, accrued vacation pay amounted to \$54,359 and \$56,622 respectively.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Note 2: Cash and Investments

The cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or District agreements.

The District's cash and investments are comprised of the following at June 30, 2020:

	Unrestricted	Restricted	Totals
Cash on hand	\$ 500	\$ -	\$ 500
Cash in bank	162,799	159,438	322,237
Cash and investments	1,603,302	1,099,874	2,703,176
Total Cash and Investments	\$ 1,766,601	\$ 1,259,312	\$ 3,025,913
Statement of Net Position:			
Cash and investments	\$ 1,766,601		
Restricted cash and investments	1,259,312		
Total	\$ 3,025,913		

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the Sweetwater Springs Water District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper - Selected Agencies	270 days	25%	10%
Commercial Paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20 % of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 50 Million

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. The District manages its exposure to interest rate risk by investing a majority of its cash and investments in the County Pooled Investment Fund.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Totals	Remaining maturity (in Months)					More Than 60 Months
		12 Months or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	
Public Agency Retirement Svc	\$ 221,676	\$ 221,676					
County Pooled Investment Fund	\$ 2,481,500	\$ 2,481,500	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 2,703,176</u>	<u>\$ 2,703,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Note 2: Cash and Investments (Continued)

Disclosures Relating to 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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Public Agency Retirement Svc	\$ 221,676						\$ 221,676
County Pooled Investment Fund	\$ 2,481,500	N/A	\$ -	\$ -	\$ -	\$ -	\$ 2,481,500
Total	\$ 2,703,176		\$ -	\$ -	\$ -	\$ -	\$ 2,703,176

Concentration of Credit Risk

The investment policy of the District 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 that represent 5% or more of total District investments (other than Sonoma County Investment Pool).

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 and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 fair 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 the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2020, the District's deposits with financial institutions were \$113,083 in excess of federal depository insurance limits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Sonoma County Investment Pool).

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance at July 1, 2019	Additions	Deletions	Transfers	Balance at June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 143,053	\$ -	\$ -	\$ -	\$ 143,053
Construction in progress	168,306		(168,306)		
Total capital assets, not being depreciated	311,359		(168,306)		143,053
Capital Assets, being depreciated:					
Building and improvements	31,844,415	432,936			32,277,351
Machinery and equipment	661,859	1,310			663,169
Total capital assets, being depreciated	32,506,274	434,246			32,940,520
Accumulated depreciation:					
Building and improvements	(11,301,254)	(825,395)			(12,126,649)
Machinery and equipment	(565,646)	(33,544)			(599,190)
Total accumulated depreciation	(11,866,900)	(858,939)			(12,725,839)
Total depreciable assets, net	20,639,374	(424,693)			20,214,681
Total capital assets, net	\$ 20,950,733	\$ (424,693)	\$ (168,306)	\$ -	\$ 20,357,734

Depreciation expense of \$858,939 was incurred and recorded as an operating expense for June 30, 2020.

Note 4: Long-Term Debt

The following is a summary of changes in long-term debt for the District for the fiscal year ended June 30, 2020:

	Balance at June 30, 2019	Additions	Repayments	Balance at June 30, 2020	Due Within One Year
2003 General Obligation Bonds	3,078,648		(27,622)	3,051,026	53,278
2013 General Obligation Refunding Bonds	5,945,000	37,893	(359,000)	5,623,893	368,000
California Safe Drinking Bonds	417,962		(135,235)	282,727	139,298
Citizens Business Bank Certificates of Participation	1,766,330		(162,570)	1,603,760	167,649
Total	\$ 11,207,940	\$ 37,893	\$ (684,427)	\$ 10,561,406	\$ 728,225

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Note 4: Long-Term Debt (Continued)

2003 General Obligation Bonds

On April 29, 2003, and pursuant to Resolution No. 03-15, the District authorized the issuance of General Obligation Bond of 1990, Series 2003 in the principal amount of \$4,000,000. The bond was issued as a single fully registered bond and matures in installments of the same principal amounts on the same dates as the registered bonds it represents. Interest on the bond is 4.5% per annum, payable commencing on March 1, 2004 and semi-annually thereafter on September 1st and March 1st in each year to maturity. During the fiscal year ended June 30, 2014, the District prepaid \$1,994,000 of the outstanding principal on the 2003 General Obligation Bonds from a portion of the proceeds of the 2013 General Obligation Refunding Bonds. The first installment payment that was due September 1, 2014 was deferred until September 1, 2015. The accrued interest of \$36,875, as a result of the deferred payment date, was added to the principal balance for a total outstanding balance of \$1,647,875.

The scheduled annual minimum debt service requirements at June 30, 2020 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	28,278	\$ 36,007	\$ 64,285
2022	28,950	35,336	64,286
2023	29,637	34,649	64,286
2024	30,341	33,945	64,286
2025	31,062	33,225	64,287
2026-2030	166,731	154,708	321,439
2031-2035	187,492	133,957	321,449
2036-2040	210,841	110,621	321,462
2041-2045	237,097	84,379	321,476
2046-2050	266,621	54,870	321,491
2051-2055	298,976	21,685	320,661
Total	<u>\$ 1,516,026</u>	<u>\$ 733,382</u>	<u>\$ 2,249,408</u>

2018 General Obligation Bonds

On December 1, 2018, and pursuant to Resolution No. 17-6 and 17-7, the District authorized the issuance of General Obligation Bonds in the principal amount of \$1,535,000. The bond was issued as a single fully registered bond and matures in installments of the same principal amounts on the same dates as the registered bonds it represents. Interest on the bond is 2.25% per annum, payable commencing on June 1, 2019 and semi-annually thereafter on December 1st and June 1st in each year to maturity.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

The scheduled annual minimum debt service requirements at June 30, 2020 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	25,000	\$ 34,256	\$ 59,256
2022	26,000	33,683	59,683
2023	26,000	33,098	59,098
2024	27,000	32,501	59,501
2025	27,000	31,894	58,894
2026-2030	147,000	149,839	296,839
2031-2035	163,000	132,401	295,401
2036-2040	182,000	112,995	294,995
2041-2045	210,000	171,906	381,906
2046-2050	235,000	65,981	300,981
2051-2055	260,000	38,144	298,144
2026-2058	<u>207,000</u>	<u>8,719</u>	<u>215,719</u>
Total	<u>\$ 1,535,000</u>	<u>\$ 845,417</u>	<u>\$ 2,380,417</u>

2013 General Obligation Refunding Bonds

On August 1, 2013, the District issued \$7,993,000 of General Obligation Refunding Bonds bearing interest of 4.50% and payable semi-annually on September 1 and March 1, maturing on September 1, 2033. The proceeds of the Bonds were used to (i) prepay, in full, the 1992 General Obligation Bonds; (ii) partial prepayment of the 2003 General Obligation Bonds, and (iii) pay the costs of issuing the Bonds. The outstanding principal balance of the 2013 General Obligation Refunding Bonds at June 30, 2015 was \$7,553,000.

\$7,821,765 from the 2013 General Obligation Refunding Bonds was placed in an irrevocable trust that is to be used to service the future debt requirements of the 1992 General Obligation Bonds and the 2003 General Obligation Bonds. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$648,545. The aggregate difference in debt service between the old and new debt is \$923,427.

The District defeased the 1992 General Obligation Bonds by placing a portion of the proceeds of the 2013 General Obligation Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the 1992 General Obligation Bonds. Accordingly, the trust account assets and the liability for the defeased 1992 General Obligation Bonds is not included in the District's financial statements.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Note 4: Long-Term Debt (Continued)

2013 General Obligation Refunding Bonds (Continued)

The scheduled annual minimum debt service requirements at June 30, 2020 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 368,000	\$ 145,432	\$ 513,432
2022	296,500	141,992	438,492
2023	306,300	133,614	439,914
2024	316,200	124,961	441,161
2025	323,500	116,069	439,569
2026-2031	2,021,224	427,810	2,449,034
2031-2033	1,992,168	112,758	2,104,926
Total	<u>\$ 5,623,892</u>	<u>\$ 1,202,636</u>	<u>\$ 6,826,528</u>

California Safe Drinking Bonds Payable

On June 24, 1993 the State Department of Water Resources provided a \$2,870,000 loan to the District under the Safe Drinking Water Bond Act of 1986. The project financed by this loan consists of construction of three wells, interconnection of the system's service area, and construction of five storage facilities and appurtenances.

The bonds bear interest at 2.955% and mature on April 2022. Principal payments are due semi-annually on October 1 and April 1 including interest. A 5% administrative fee was included in the principal amount.

The scheduled annual minimum debt service requirements at June 30, 2020 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	139,298	7,320	146,618
2022	143,429	3,189	146,618
Total	<u>\$ 282,727</u>	<u>\$ 10,509</u>	<u>\$ 293,236</u>

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Note 4: Long-Term Debt (Continued)

Citizens Business Bank Certificates of Participation Payable

On August 1, 2008, Citizens Business Bank as assigned from Municipal Finance Corporation provided a \$3,000,000 loan to the District in the form of Certificates of Participation.

The Certificates of Participation bear interest at 4.75% through August 1, 2018 and then due to a rate renegotiation with Citizen Business Bank in November 2016 was reduced to 3.1% and will remain until the loan matures on August 1, 2028. Principal and interest payments are due semi-annually on February 1st and August 1st in the amount of \$117,007 through August 1, 2018 and \$108,038 for the remainder of the loan.

The scheduled annual minimum debt service requirements at June 30, 2020 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 167,649	\$ 48,427	\$ 216,076
2022	172,887	43,190	216,077
2023	178,288	37,789	216,077
2024	183,857	32,219	216,076
2025	189,601	26,475	216,076
2026-2029	711,478	44,790	756,268
Total	<u>\$ 1,603,760</u>	<u>\$ 232,890</u>	<u>\$ 1,836,650</u>

Note 5: Operating Leases

The District has entered into an operating lease arrangement as lessee for the District offices. The term of the lease was for five years with an option to extend for seven, one year periods. The initial five year lease expired on July 31, 2014. On May 6, 2014, the District renegotiated the office lease. The new lease commences August 1, 2014 and expires on July 31, 2017, at a cost of \$2,364 per month. The new lease had an option to extend for one additional term of three years which was extended on July 31, 2017 through July 31, 2020 at \$ 2,483 per month. On April 16, 2020 the District exercised its option to extend the lease for an additional three years at \$2,606 per month. This extension has an option to extent the lease for an additional three years at \$2,730 per month.

The District has also entered into an operating lease arrangement as lessee for a postage machine. The term of the lease is five years, beginning in October 2015. The District's current quarterly lease expense for the postage machine is \$303.

The total rental payments for all leasing arrangements charged to expenses were \$31,002 and \$31,025 for June 30, 2020 and 2019 respectively.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Note 6: Employees Retirement Plan (Defined Benefit Pension Plan)

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2019 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2019 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (the measurement date), the active employee contribution rate is 6.906 percent of annual pay and the average employer's contribution rate is 9.680 percent of annual payroll for the 2% @ 55 plan and the active employee contribution rate is 6.750 percent of annual pay and the average employer's contribution rate is 6.985 percent of annual payroll for the 2% @ 62 plan. Employer contributions rates may change if plan contracts are amended.

Annual Pension Cost

For June 30, 2020, the District's annual pension cost of \$70,738 for PERS was equal to the District's required and actual contributions and plus an additional \$555,451 towards its unfunded liability. The required portion of the contribution was determined as part of the June 30, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.00% investment rate return of (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of PERS assets was determined by an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases and decreases in the rate spread directly over a 5-year period instead. The required and actual contribution rate for June 30, 2020 was determined as part of the June 30, 2017 actuarial valuation in which PERS using the same assumptions as the previous year

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Three-Year Trend Information For PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/18	\$ 64,100	100%	\$ 0
6/30/19	67,856	100%	\$ 0
6/30/20	\$ 70,738	100%	\$ 0

The table below shows a three-year analysis of the actuarial accrued liability of the 2% @55 plan, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Shared Mkt Value/Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>
6/30/17	\$ 4,489,369	\$3,594,908	\$894,461	80.1%	\$766,121
6/30/18	4,758,575	3,764,195	993,380	79.1%	741,245
6/30/19	\$5,190,479	\$4,204,166	\$986,313	81.0%	\$595,195

The table below shows a two-year analysis of the actuarial accrued liability of the 2% @62 plan, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Shared Mkt Value/Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>
6/30/17	\$16,915	\$16,103	\$ 812	95.2%	\$ 47,021
6/30/18	26,354	24,180	2,174	91.7%	51,622
6/30/19	\$46,738	\$44,732	\$2,006	95.7%	\$245,097

Note 7: Net Position

GASB Statement No. 63 require that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition on net investment in capital assets or restricted net position.

The District maintains the majority of its cash with the Sonoma County Treasury in a general operating account, debt service accounts, and construction accounts.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

Cash restricted to long-term debt repayment is held in the debt service accounts, and cash restricted to water system improvements is held in the construction accounts. The restrictions arise from provisions of the General Obligation Bond Issues and California Safe Drinking Water Loan Contract #58340.

Note 8: Deferred Compensation Plans

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are available to all employees. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by a third party administrator (ING and AIG Valic) for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457 (g). Accordingly, these assets have been excluded from the accompanying financial statements.

Note 9: Risk Management

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA) for insurance purposes. The SDRMA is a joint powers agency formed pursuant to Section 6500 et seq., California Government Code, is comprised of California special districts, and agencies. The relationship between the District and JPA is such that the JPA is not a component of the District for financial reporting purposes. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient, and long term risk financing for special districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof. SDRMA provides general and auto liability, workers' compensation, public officials' and employees' errors and omissions, employment practices liability, property loss, and boiler and machinery coverage.

Note 10: Contingencies

In April 2019, the District entered in a contract with Piazza Construction for \$50,890 for construction of CIP 2019. As of June 2020, this project was completed. A total of \$44,173.90 was paid to Piazza.

Note 11:

The District provides certain health insurance benefits to retired employees in accordance with memoranda of understanding as follows:

For employees who retire from the District and from CalPERS after at least five (5) years of service with CalPERS and who have reached the age of fifty-two (52) years old (fifty (50) years old for Classis PERS members), and who continue health insurance through a District-sponsored health insurance plan, the District will contribute the minimum monthly amount (as required by CalPERS) of the health insurance premium (\$133 in 2019 and \$139 in 2020).

Funding Policy

The District adopted a resolution to enter into an agreement with CalPERS to participate in the California Employer's Retiree Benefit Trust Program (CERBT). For fiscal year 2019-20 the District contributed \$8,784, which covered current premiums and \$3,000 of additional prefunding of benefits. Currently, there are 4 retirees who are receiving benefits.

Annual OPEB and Net OPEB Obligation

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45’s Alternative Measurement Method allowed for employers with less than 100 plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

Annual required contribution	\$	5,820
Interest on net OPEB obligation		(193)
Adjustment to ARC		213
Annual OPEB cost (expense)		5,839
Contributions made		(8,784)
Increase in net OPEB obligation		(2,945)
Net OPEB obligation – Beginning of the year		(4,038)
Net OPEB obligation – End of year		\$ (6,983)

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017-18, 2018-19 and 2019-20 were as follows:

Fiscal Year	Annual OPEB Cost	Percent of Annual OPEB Cost	OPEB Obligation (Asset)
6/30/2018	\$ 5,468	141%	\$ (1,523)
6/30/2019	\$ 6,038	130%	\$ (4,038)
6/30/2020	\$ 6,839	128%	\$ (6,983)

Funded Status and Funding Progress

AS of June 30, 2020, the most recent Alternate Measurement Method valuation date, the plan was 14.7% funded. The actuarial accrued liability for benefits was \$319,468, and the actuarial value of assets was \$47,203, resulting in an unfunded actuarial accrued liability (UAAL) of \$272,265. The covered payroll (annual payroll of active employees covered by the plan) was \$445,203, and the ration of the UAAL to the covered payroll was 43.7 percent.

The Alternate Measurement Method valuation of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence 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 with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projects of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Alternate Measurement Method valuation 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.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 AND 2019

In fiscal year 2018-19, the District revised its actuarial assumptions used to calculate the ARC as follows: (1) The minimum Employer Contribution rate of increase was decreased from 3.2 percent to 2.75 percent based on five years' actual MEC increases. (2) The discount rate used was increased from .3 percent to 4.18 percent based on methodology presented in GASB 75. In addition actuarial assumptions presume 75 percent of employees will choose to participate in CalPERS health upon retirement. The actuarial value of assets is not applicable (No assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payrolls over thirty years. The remaining amortization period at June 30, 2020 was twenty-four (24) years.

Other Postemployment Benefits

Schedule of Funding Progress				
Valuation Date	Liability (a)	Assets (b)	Net Liability (a)-(b)	Status (b)/(a)
6/30/2014	\$ 392,471	\$ 15,287	\$ 377,184	3.9%
6/30/2015	\$ 422,461	\$ 21,482	\$ 400,979	5.1%
6/30/2016	\$ 418,666	\$ 25,428	\$ 393,238	6.1%
6/30/2017	\$ 479,571	\$ 31,495	\$ 448,076	6.6%
6/30/2018	\$ 370,760	\$ 37,076	\$ 333,684	10.0%
6/30/2019	\$ 360,271	\$ 42,621	\$ 317,650	11.8%
6/30/2020	\$ 319,468	\$ 47,203	\$ 272,265	14.7%

Note 12 **Subsequent Event**

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein.

There are no subsequent events that have occurred through November 10, 2020 that meet the above definition.

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-B

FROM: Ed Fortner, General Manager

Meeting Date: January 7, 2021

SUBJECT: FEMA Resolution 20-24 for Walbridge Fire Damage and General Approval for FEMA/ CalOES Grant Submittals

RECOMMENDED ACTION: Review of the Resolution 20-24 for FEMA/ CalOES Grants and for FEMA/ CalOES Grant for the Walbridge Fire Damage.

FISCAL IMPACT: N/A

DISCUSSION:

FEMA and CalOES require a Board resolution for the submittal of Grant applications and reimbursement from approved projects. If no standing resolution is current within three (3) years, a resolution for the specific Federal Disaster Declaration is required. Resolution 20-24 for the Board's review tonight is for Form 130 for FEMA and CalOES Grant application, valid for three years, and a specific Form 130 for the Walbridge Fire Damage. These forms are related to the Debris Removal Project at Mt. Jackson damaged in the Walbridge Fire that was approved as up to 100% reimbursable as a Federally Declared Disaster, CA DR 4558. Form 89 designating the GM as the District agent for these FEMA and CalOE funded projects also needs Board approval. A few changes in the resolution are reflected in the attached edited resolution for Board review.

Resolution No. 20-24

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT APPROVING CALOESFEMA FORM 130 GRANT APPLICATION FOR WALBRIDGE FIRE DAMAGE MITIGATION, CALOESFEMA FORM 130 FOR THREE YEAR AUTHORIZATION FOR GRANT APPLICATIONS, AND CALOESFEMA FORM 89 AUTHORIZING THE GENERAL MANAGER AS AGENT OF DISTRICT FOR WALBRIDGE FIRE DAMAGE MITIGATION GRANT APPLICATION

WHEREAS, the District incurred damage from the Walbridge Fire at our Mt. Jackson property; and

~~**WHEREAS**, the District also incurred damage on a two-inch PVC waterline on Sweetwater Springs Rd; and~~

~~**WHEREAS**, the District also needs to mitigate and bury about two miles of above-ground two-inch PVC water line connected to the damaged section on Sweetwater Springs Rd; and~~

WHEREAS, the Walbridge Fire was part of the LNU Complex of Wildfires that were declared a National Disaster by FEMA and CalOES, CA DR 4558; and

WHEREAS, ~~FEMA~~FEMA requires CalOES forms 130 and 89 to be completed and approved by the Board to qualify for reimbursement.

NOW, THEREFORE BE IT RESOLVED by the District Board of Directors of the Sweetwater Springs Water District, as follows:

1. The two forms 130 and form 89 related to FEMA and CalOES reimbursement for damages from the Walbridge Fire are approved; and
2. The General Manager is authorized to execute said documents on behalf of the District.

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on December 3, 2020, by the following vote.

Director	Aye	No
Sukey Robb-Wilder	_____	_____
Tim Lipinski	_____	_____
Richard Holmer	_____	_____
Gaylord Schaap	_____	_____
Larry Spillane	_____	_____

~~Sukey Robb-Wilder~~~~Richard Holmer~~
President of the Board of Directors

Attest: Julie A. Kenny
Clerk of the Board of Directors

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-C

FROM: Ed Fortner, General Manager

Meeting Date: January 7, 2021

SUBJECT: FY 2021-2022 BUDGET PROCESS AND APPOINTMENT OF AD HOC BUDGET COMMITTEE

RECOMMENDED ACTION: Receive a report on the District FY 2021-2022 Budget process, appoint an ad hoc Budget Committee, and provide direction to staff.

FISCAL IMPACT: None

DISCUSSION:

The Board typically approves its annual Fiscal Year Operating and Capital Budget at the May Board meeting. We intend to continue this practice this year. The Cost of Service Study (COSS) was accepted at the March 2020 Board meeting. The COSS recommended 5% rate increases each of the next five years. Table 1 below identifies a calendar for the budget approval process. Milestones include the Proposition 218 process, which has a 45-day notice and a public hearing for increases in rates and fees, if necessary, and a public hearing on the Budget itself. A Proposition 218 Notice would be required for any rate increase or other fee increase for the Fiscal Year 2021-22 or beyond.

In past years the Board President has appointed two Board Members to the ad hoc Budget Committee to assist the General Manager in developing the Budget. Those appointments have occurred either at the December or January meetings.

The District's financial planning has assumed annual 5% increases to the base, water usage rates, and the Capital Debt Reduction Charge. Over the last 12 months, the Consumer Price Index, San Francisco Area - October 2020 (CPI-U), rose 1.1 percent. Energy prices decreased 9.7 percent, largely the result of a decrease in the price of gasoline. The index for all items less food and energy rose 1.1 percent over the year. The overall increase is lower than a year ago (3.1%). A 1% increase in water rates returns annual revenue of approximately \$25,000 to \$30,000 (when compounded annually). Rate increases have been driven by the need to fund capital projects, as described in the recently completed COSS.

If the District decides to increase water rates, staff will also review fees and charges to be adjusted simultaneously (and noticed in the same Prop 218 notice).

Table 1. FY 2021-2022 Budget Preparation	
Reviewed/Approved Capital Improvement Program	January 2021, February 2021
Introduce Budget Process	January 7, 2021
Budget Committee meetings	January - March 2021
Draft Budget to Board for Discussion/Action, Including Direction on Water Rates	March 4, 2021
Prop 218 Mailing for Water Rate Increase, if necessary	March 15, 2021
Draft Budget to Board for Discussion/Action	April 8, 2021
Approve Budget <ul style="list-style-type: none">• Prop 218 Public Hearing on Rates, if necessary	May 6, 2021

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-D

FROM: Ed Fortner, General Manager

Meeting Date: January 7, 2021

Subject: DISCUSSION/ACTION RE REVIEW OF THE DISTRICT'S CAPITAL IMPROVEMENT PROGRAM

RECOMMENDED ACTION: Receive a presentation on the 2021-2026 Capital Improvement Program (CIP) review and provide direction to staff.

FISCAL IMPACT: none

DISCUSSION:

Each year, we discuss the District's multi-year Capital Improvement Program (CIP) program at the January meeting, including discussing what has happened in the past year and what changes are needed for the program, approved the prior year. In FY 2019-2020, the District skipped any significant projects except for an unscheduled project at the Lower Harrison Tank to install a retainage wall. We are completing the design and planning phase of the FY 2020-2021 CIP. The District was awarded a Community Development Block Grant (CDBG) to fund this phase of the project. We have not yet signed the grant agreement for those funds. We have also applied for CDBG and Economic Development funding for the construction phase. We need to replace 800 feet of failing four inch galvanized line on Main Street in Monte Rio ahead of the County's paving project. We are also in the process of doing debris removal on Mt. Jackson with FEMA assistance. We will have to assess these three projects regarding priority and funding before putting the CIP out to bid.

The 2021-2026 CIP presented (Table 1) is the result of a comprehensive staff and Board review of the District's capital projects, augmented by the work of the past ad hoc CIP Review Subcommittee. Items that the Subcommittee addressed (two years ago) included the selection criteria listed below and the addition of disaster resilience related to the ongoing Local Hazard Mitigation Plan project:

- **Improved water quality**
- **Water losses**
- **Potential Liability**
 - **Age of Pipe**
 - **Pipe Material**
 - **Terrain**
 - **Difficulty of Repair/Maintenance**
- **Storage and pressure zone requirements**
- **Costs per service**
- ❖ ***Disaster Resilience/ Hardening (Addition)***

Each year we reconsider the capital planning model, as shown in Table 3, updating the model to include FY actual budget, proposed UAL funding, and the latest CIP costs placed in the year

occurring. A review of Table 3 shows that the FY 2021-2026 proposed CIP will likely require 5% annual rate increases to avoid dipping into District Policy Reserves.

We know more definitively what rate increases we need after completing the Cost of Service Study that recommended a 5% rate increase each of the next five years.

The decision has been made for CIP planning to skip a significant capital project at least every other fiscal year. This allowed two things. The District has more time to build up reserves, and the new management team has had time to assess the priorities. Management made minor adjustments compared to what was presented in last year's District plans. The primary changes involve future years projects in FY 2026-2027 and beyond. Input from the Board related to the timing and funding of these capital projects is requested.

The FY 202-2026 CIP includes construction projects at the cost of approximately \$5.827 million and project costs of \$6.881 million of additional, unapproved projects beyond 2026. The revised schedule to skip 2022, 2024, and 2026 is a realistic construction plan and should keep the District's reserves in good shape, assuming the 5% annual rate increases. As always, we review the CIP annually and, so far, have made adjustments to the plan nearly every year.

As stated last year, the Guerneville System Modeling demonstrated that the GPR if constructed with fire-safe materials and methods, can be served by existing District facilities. We are in the process of a new review of the project based on the current design to confirm the zero financial impact to the District.

Following this Capital Improvement Plan, the District will add facilities to bring water supply to fringe areas of the District, namely the upper Summit area, the upper Schoeneman pressure zone area, and the upper Natoma Tank pressure zone area (planned for FY 2022-2023). The District gets inquiries on an infrequent but regular basis about water supply to parcels in these areas that currently we cannot serve.

The recommendation is to accept the 2021-2026 CIP as described. Any final decisions on proceeding with putting the FY 2020-2021 CIP or the Monte Rio Main Street projects out to bid will be brought before the Board for final approval. If the Board agrees with the approach recommended here, we will come back at the February meeting with a resolution to approve the CIP with the revised schedule.

Table 1. Sweetwater Springs Water District Proposed 2021-2026 CIP Projects by Year

Year	Projects	Estimated Cost	Cost/Service	Comments
2021				
	Old River Rd from Morningside Dr to Hwy 116 (GV) - Replace ~3,200' of main with 31 services and one fire protection line.	\$1,280,000	\$41,290	Eliminate 14 lead goosenecks. Required plan by DDW submitted in 2020. Old 6" cast iron pipe.
	Woodland Drive – mainline replacement. (GV) Replace approximately 1,900 ft of existing mainline and 27 associated services along Woodland Dr in the main pressure zone.	\$760,000	\$28,148	Estimated two lead goosenecks
	FEMA Debris Removal at Mt. Jackson	\$45,000		SSWD share of costs.
	Main St (MR) Replace approximately 800 ft of mainline along Main St.	\$320,000		
	2021 Total	\$2,405,000		
2022	Skip Capital Project			
2023				
	Wright Drive main pressure zone. – (GV) Replace approximately 1,120 ft of existing mainline and 18 associated services along Wright Dr. and Wright Ln.	\$560,000	\$31,111	
	Wright Drive upper pressure zone. – (GV) Replace approximately 3,280 ft of existing mainline and 47 associated services along Wright Dr, Glenda Dr, Natoma Dr.	\$1,312,000	\$27,915	
	Natoma Tank – Replace the existing 10,000 gallon storage tank with a 30,000 storage tank. (requires completion of Natoma Tank and includes Edgehill Booster)	\$200,000	\$4,255	
	2023 Total	\$2,072,000		
2024	Skip Capital Project			
2025				
	Schoeneman pressure zone- main line replacement. (GV) Replace approximately 3,000 ft of existing mainline and 47 associated services along Highland Way, Sunset Ave, Woodland Dr, Laurel Way and Morningside Drive. (requires completion of Schoeneman Tank	\$1,200,000	\$25,532	
	Schoeneman Tank– Replace the existing 10,000 gallon tank with a 30,000 gallon storage tank.	\$150,000	\$3,191	
	2025 Total	\$1,350,000		
2026	Skip Capital Project			
	2021-2026 Total	\$5,827,000		

2027				
	Park Ave. (GV) replace approximately 2900 lf of main line on Park Ave. and McLane, 37 services. Loop two deadend lines. Replace/repair Park Ave. Tank	\$1,160,000	\$31,351	
	Cherry St. (GV) replace approximately 440 lf of main line, 13 services.	\$176,000	\$13,538	
	2027 Total	\$1,336,000		
	Other Projects			
	Canyon Six Road and Canyon Six Court (GV) Replace main line.	\$500,000		
	Eagles Nest Road (GV) Replace main line.	\$500,000		
	Lower Harrison Tank (MR) 130,000 gallons Tank Replacement	\$580,000		
	Neely Road main line.	\$500,000		
	Canyon Three to Sweetwater Tank (GV) Replace 10,000 feet of main line.	\$2,000,000		
	Monte Rio 8" 1,000 ft Russian River Boaring	\$500,000		
	Highway 116 (MR) Replace approximately 850 ft of main line.	\$425,000		
	Upper Summit Tank - Construct a storage tank with a nominal capacity of approximately 120,000 gallons at the District-owned site on McLane Avenue. Project to include relocation/ construction of the existing hydro-pneumatic pump station.	\$540,000		
	Total Approximate Cost of Future, Unapproved Projects	\$6,881,000		

2021-2026 CAPITAL IMPROVEMENT PROGRAM REVIEW
January 7, 2021

SUMMARY Skip CIP in FY22,24,26				5% Annual Rate Increase								
				3% Annual Wage Increase								
				FY20 Actual	FY20 Budget	FY21	FY22	FY23	FY24	FY25	FY26	
1	REVENUE											
2	OPERATING REVENUE											
3	Water Bill Revenue											
4	Capital Debt Reduction Charge			299,453	292,811	314,426	330,147	346,654	363,987	382,186	401,296	
	Base Rate			1,644,252	1,664,889	1,726,464	1,812,788	1,903,427	1,998,598	2,098,528	2,203,455	
	Water Usage			635,637	680,136	667,419	700,790	735,830	772,621	811,252	851,815	
5	Total Water Sales			2,279,889	2,345,025	2,393,884	2,462,277	2,513,578	2,585,391	2,639,257	2,714,660	
6	Total OPERATING REVENUE			2,579,342	2,637,836	2,708,309	2,792,424	2,860,232	2,949,378	3,021,443	3,115,956	
	NON-OPERATING REVENUE											
	1700 - Interest			17,662	10,900	10,900	10,900	10,900	10,900	10,900	10,900	
	xxxx - Policy Reserve Loan Proceeds			500,000	500,000	500,000						
	3600 - Construction New Services			31,041	6,978	6,978	6,978	6,978	6,978	6,978	6,978	
	3601 - Construction Service Upgrades			9,783	10,384	10,384	10,384	10,384	10,384	10,384	10,384	
	4032 - Rent			106,669	107,832	109,988	112,188	114,432	116,720	119,055	121,436	
	4040 - Miscellaneous Income			7,123	2,745	2,745	2,745	2,745	2,745	2,745	2,745	
	4117 - SCWA Reimbursement			2,995		0	0	0	0	0	0	
7	Total NON-OPERATING REVENUE			675,273	638,838	640,995	143,195	145,438	147,727	150,062	152,443	
8	Total Income			3,254,615	3,276,675	3,349,304	2,935,618	3,005,670	3,097,105	3,171,504	3,268,398	
9	EXPENSES											
10	OPERATING EXPENSES											
	SALARY & BENEFITS											
	Salary											
	5910 - Wages			847,162	861,000	886,830	913,435	940,838	969,064	998,135	1,028,080	
	5912 - Overtime			30,230	37,745	38,877	40,043	41,244	42,482	43,756	45,069	
	5916 - On-Call Pay			37,980	36,862	37,967	39,107	40,280	41,488	42,733	44,015	
	5918 - Extra help - Contract			37,286	38,158	39,303	40,482	41,696	42,947	44,236	45,563	
	Total Salary			952,658	1,006,400	1,026,528	1,047,059	1,068,000	1,089,360	1,111,147	1,133,370	
	Benefits			4,549								
	5920 - Retirement			70,738	96,845	98,782	100,758	102,773	104,828	104,829	104,830	
	5922 - Payroll Taxes - Emp			14,653	18,115	18,478	18,847	19,224	19,608	20,001	20,401	
	Retirement - UL Extra			55,451	55,000	32,000						
	5930 - Health/Dental/Visior			219,472	194,632	204,363	214,582	225,311	236,576	248,405	260,825	
	5931 - Retiree health			8,784	8,077	8,320	8,569	8,826	9,091	9,364	9,645	
	5940 - Workers Comp Insur			35,704	27,297	27,297	27,297	27,297	27,297	27,297	27,297	
	Total Benefits			409,352	441,265	454,503	468,138	482,182	496,648	511,547	526,894	
12	SALARY & BENEFITS			1,362,009	1,520,768	1,481,031	1,515,197	1,550,182	1,586,007	1,622,694	1,660,263	
13	Unfunded Liability Increase			500,000	500,000	500,000						
14	SERVICES & SUPPLIES											
15	SERVICES & SUPPLIES			589,957	620,630	626,836	633,105	639,436	645,830	652,288	658,811	
16	TOTAL OPERATING EXPENSES			2,451,967	2,141,395	2,607,867	2,148,301	2,189,618	2,231,838	2,274,982	2,319,075	
17	OPERATING SURPLUS/DEFICIT			\$802,648	\$558,155	\$741,437	\$787,317	\$816,053	\$865,267	\$896,522	\$949,324	
	8511.1 - Tank/Facilities Sites			203,593	200,000	10,000		10,000				
	Loan Payment to Policy Reserves					135,000	135,000	135,000	135,000	135,000	135,001	
18	FIXED ASSET EXPENDITURES			203,593	240,000	146,000	175,000	146,000	175,000	175,000	175,003	
	TRANSFERS TO OTHER FUNDS											
19	Tfers to CIRF for CDR Revenue			299,453	292,811	314,426	330,147	346,654	363,987	382,186	401,296	
20	Tfers to CIRF			190,000	-	240,000	242,000	283,000	286,000	299,000	333,001	
	8620.5 - Tfers to Building Fund			15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
	8620.2 - Tfers to In-House Constr			25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	
21	Total TRANSFERS TO OTHER FUNDS			526,383	332,811	594,426	612,147	669,654	689,987	721,186	774,297	
22	SURPLUS/DEFICIT			72,672	-14,656	1,011	170	398	280	336	23	

23	Capital Budget										
24	REVENUE/SOURCES OF FUNDS										
25	Net Operating Revenues**			262,672	-14,656	241,011	242,170	283,398	286,280	299,336	333,024
26	Assessments			742,263	758,152	758,152	758,152	758,152	758,152	758,152	758,152
27	Capital Debt Reduction Charge***			296,383	292,811	314,426	330,147	346,654	363,987	382,186	401,296
28	Capital Interest			27,387	30,000	30,000	30,000	30,000	30,000	30,000	30,000
29	Transfers From CIRF/Reserves			190,000	-	240,000	242,000	283,000	286,000	299,000	333,001
30	USDA Loan										
31	TOTAL REVENUE			1,518,705	1,066,307	1,583,589	1,602,469	1,701,205	1,724,419	1,768,674	1,855,473
32	EXPENSES										
33	Total Debt Payments			1,105,449	1,013,064	1,013,064	866,325	866,325	866,325	866,325	866,325
34					No Project	2021 CIP	No Project	2023 CIP	No Project	2025 CIP	No Project
35	Annual CIP			62,472		1,645,000	-	760,000	-	1,312,000	760,000
36	In-House Construction Projects, etc.			14,904	40,000	40,000	40,000	40,000	40,000	40,000	40,001
37	TOTAL EXPENSES			1,182,825	1,053,064	2,698,064	906,325	1,666,325	906,325	2,218,325	1,666,326
38	SURPLUS/DEFICIT			335,880	13,243	-1,114,475	696,144	34,880	818,094	-449,651	189,147
39	FUND AND LOAN BALANCES (EOY)										
	Beg Funds above District Reserve Policy				1,209,485	2,006,499	652,024	1,106,168	858,048	1,390,142	641,491
40	Ending Funds ab District Policy (DP)			2,006,499	1,222,728	652,024	1,106,168	858,048	1,390,142	641,491	497,637
41	Funds ab DP and Debt Payments			901,050	209,664	(361,040)	239,843	(8,277)	523,817	(224,834)	(368,689)
42	NET CAPITAL FUNDING****			223,256	53,243	330,525	494,144	551,880	572,094	603,349	656,147
	* Starting values based on actual FY17 EOY										
	** =Transfer to CIRF plus net operating surplus										
	*** =Transfers from CDRC										
	**** =Net Operating Revenues + Assessments + CDRC + Capital Interest - Total Debt Payments										

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-E

FROM: Ed Fortner, General Manager

Meeting Date: January 7, 2021

SUBJECT: FY 2020-2021 CIP Status Update

RECOMMENDED ACTION: Receive status report for FY 2020-2021 CIP.

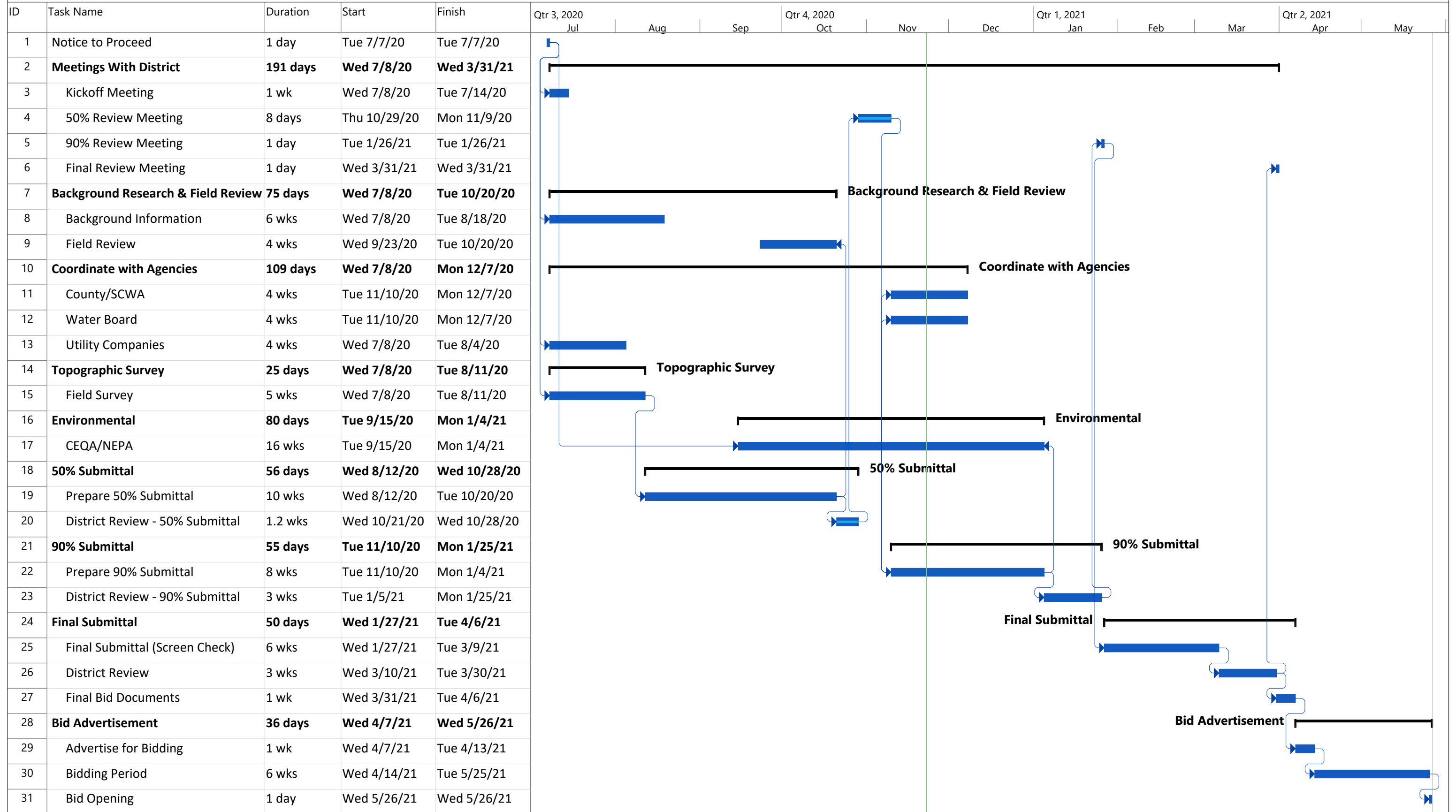
FISCAL IMPACT: N/A

DISCUSSION:

The FY 2020-2021 CIP includes ~5,600 linear feet of 6" HDPE water main replacement along Old River Rd and Woodland Drive. The existing water mains consist of 4" and 6" galvanized pipe and has 20-25 lead goosenecks connected to the service lines. These lead materials are required to be removed as soon as possible by the State Water Resources Control Board (SWRCB). Sweetwater Springs Water District included this lead material removal in a plan submitted to the SWRCB. The removal of these lead materials will remove all known lead materials in both the Guerneville and Monte Rio systems. The galvanized lines have had numerous leaks and failures over the years and represent a bottleneck in the Guerneville system between earlier Capital upgrade projects. The grant funding for this project was based, in part, on replacing these substandard materials.

John Wanger and Steve Van Saun, from Coastland, met virtually with myself and the Field managers on November 2nd to discuss the 50% design plans. The meeting was helpful to continue on track for the final design to be completed by early December. Coastland should have the final Environmental Report submitted to the District by early December also. Attached are the updated timelines and payment schedule for the project.

The Board will need to approve the next step of advertising the project for bids and proceeding with construction.



**Sweetwater Springs Water District
2021 CIP
Anticipated Monthly Expenditure**

	2020						2021	
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
Task								
Meetings with District		\$ 1,420.00		\$ 1,420.00		\$ 1,420.00	\$ 1,420.00	
Background Information	\$ 240.00	\$ 1,668.00	\$ 2,862.00					
Coordinate with Agencies	\$ 1,240.00			\$ 3,680.00	\$ 4,920.00			
Topographical Survey	\$ 21,965.00	\$ 14,647.00						
Environmental	\$ 120.00	\$ 1,258.10	\$ 2,756.20	\$ 11,024.80	\$ 12,401.90			
50% PS&E		\$ 3,360.00	\$ 15,680.00	\$ 3,360.00				
90% PS&E				\$ 876.75	\$ 16,658.25			
Final PS&E						\$ 12,375.00		
Bid Support							TBD	TBD
Direct Costs				\$ 592.33	\$ 592.33	\$ 592.33		
Monthly Expenditure	\$ 23,565.00	\$ 22,353.10	\$ 21,298.20	\$ 20,953.88	\$ 34,572.48	\$ 14,387.33	\$ 1,420.00	\$ -
Cumulative Expenditure	\$ 23,565.00	\$ 45,918.10	\$ 67,216.30	\$ 88,170.18	\$ 122,742.67	\$ 137,130.00	\$ 138,550.00	\$ 138,550.00

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-F

FROM: Ed Fortner, General Manager

Meeting Date: January 7, 2021

SUBJECT: Local Hazard Mitigation Plan (LHMP) Update

RECOMMENDED ACTION: Receive report from the General Manager. Update of the Local Hazard Mitigation Plan.

FISCAL IMPACT: \$30,074

DISCUSSION:

At the August 6th Board meeting, the Board approved Harris and Associates to undertake and complete a Local Hazard Mitigation (LHMP) to help the District qualify for FEMA grants. Eric Vaughan, with Harris and Associates, Jack Bushgen, Julie Kenny, and I participated in the first Planning Committee meeting on September 4th.

The committee and public's second meeting was conducted as a special called Board meeting on October 22nd.

The third Committee meeting was held on December 10th as a special called Board meeting. This meeting also served as the first Public Workshop meeting. The meeting was productive. Jack Bushgen and I met with Harris and Associates on December 22nd and finalized the mitigation spreadsheet. Final mitigation measures will be drafted for the second and last Public Workshop in January. After the second Public Workshop, the final draft of the plan will go to CalOES and FEMA for final approval. The work schedule is attached.

HARRIS AND ASSOCIATES
LOCAL HAZARD MITIGATION PLAN
PROJECT SCHEDULE

Months	Key Tasks	Meetings & Workshops	Key Milestones/ Deliverable
July 2020	-Pre-Meeting with Project Manager -Existing Document Review -Identify Required Participants -Invite Plan Participants -Establish Planning Committee -Document the Planning Process -Identify and Review District Assets	Pre-Meeting	Fully Executed Professional Services Agreement
August September 2020	Assess and Select Hazards of Concern	Planning Committee Meeting #1: Kickoff and Select Hazards of Concern (September 4th)	Draft Element A: Planning Process
September October 2020	Conduct Risk Assessment for Selected Hazards	Planning Committee Meeting #2: Solicit Feedback on Risk Assessment (October 22nd)	Draft Element B: Risk Assessment
October December 2020	-Develop Mitigation Goals -Develop and Launch Online Survey -Prioritize Mitigation Actions -Develop Action Plan	-Planning Committee Meeting #3: Solicit input on Mitigation Actions (December 10th) -Public Workshop #1: Solicit Public Input on Risk Assessment & Mitigation Actions (December 10th)	-Public Survey -List of Mitigation Strategies from Planning Committee
November January 2021	-Integrate Public Feedback -Public Review of Plan	Public Workshop #2: Solicit Public Input on Draft Plan (January)	-Draft Element C: Mitigation Strategies -Complete Full Public Review Draft
December February 2021	Cal OES Review		Cal OES Review Draft
January March 2021	FEMA Review		FEMA Review Draft
February April 2021	SSWD Board Adoption	SSWD Board Meeting	Approved and Adopted LHMP

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-G

FROM: Ed Fortner, General Manager

Meeting Date: January 7, 2021

Subject: DISTRICT PROPERTY AT 17488 RIVER LANE

RECOMMENDED ACTION:

Receive report from the General Manager.

FISCAL IMPACT:

\$60,000 revenue when sale is completed.

DISCUSSION:

The sale of Sweetwater Springs District property at 17488 River Lane has been explored since 2010. The final sale of the property remains in process. I spoke with Paige McDonell with Russian River Recreation and Parks recently about the status of the sale. Ms. McDonell informed me that the necessary zoning change to put the property into a conservation easement was the last hurdle before closing on the property. Permit Sonoma is reviewing the legal non-conforming park designation and continues to review the zoning change with no update. There was a report by the California Lands Commission shared with the District in October 2020. This report seems to reclassify the "typical high water level" to a lower level than earlier issued by the Commission. This decision may impact the sale of the lot.

CALIFORNIA STATE LANDS COMMISSION
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202



Established in 1938

September 25, 2020

JENNIFER LUCCHESI, *Executive Officer*
(916) 574-1800 Fax (916) 574-1810
California Relay Service TDD Phone 1-800-735-2929
from Voice Phone 1-800-735-2922

Contact Phone: (916) 574-0204
Fax: (916) 574-1925
Sweetwater Springs
Sweetwater Dist

OCT 01 2020

RECEIVED

File Ref: SD 2014-08-13.7

VIA REGULAR MAIL & EMAIL

Subject: Survey at Vacation Beach, adjacent to the Russian River

Dear Mr. and Mrs. O'Flynn:

In July 2016 Commission staff conducted a field survey of the ordinary high water mark (high water) of the Russian River adjacent to Assessor's Parcel Numbers (APN) 071-220-018, 071-220-019, 071-220-020, 071-220-067, and 071-220-068, located in Guerneville, Sonoma County. Using the information from the field survey and other available data, Staff prepared a topographic survey dated December 20, 2016 and determined that the available evidence indicated that high water was located at Elevation 27.35 feet, NAVD88. The 2016 Commission Staff survey was preliminary in nature and intended for staff use. However, due to the significant interest in the information, Commission staff shared the survey, which included a note:

"This plat has not been approved by the State Lands Commission and does not constitute an official plat of such Commission. Nor does it establish the boundary lines or limitations of any state-owned lands depicted hereon. This plat constitutes a preliminary staff-use-only plat not intended for public use/consumption and is subject to change. The preliminary nature of this plat would not require submittal or recordation pursuant to B&PC 8762."

In January 2020, staff received a memorandum from interested parties. The memorandum provided additional information that staff had not been aware of at the time of the 2016 survey. Staff have learned of additional factors since 2016 that have influenced staff's opinion, including: a seasonal dam downstream, a scour line on the opposite bank, a small grove of trees just downriver, and an ordinary high water mark determination recently done by a third party biologist (Prunuske Chatham, Inc.) for an unrelated project upstream (Guerneville River Park).¹ As a result, staff further analyzed the subject property in light of the new information and consulted additional sources to resolve the issues raised by the memorandum. In doing so, staff determined that the 2016 survey should be

revised to best reflect the current high water at the subject property based on the best available data and science. Given the complexity of the area, staff found that the high water line at this location was most accurately reflected in a range of elevations.

Incorporating the new information and the additional analysis into prior work, staff determined that high water is located between an Elevation of 17.8 and 20.7 feet, NAVD88 at the subject property. This determination of high water is based upon analysis of the best evidence known to staff at this time. It is important to understand the limitations of what an ordinary high water survey shows in this situation. At this location, the State holds sovereign fee ownership of the riverbed up to the low water mark and a Public Trust easement landward to the high water.¹ The Russian River lying below high water is subject to the Public Trust Doctrine. And it is a violation of the Public Trust Doctrine for the land below high water to be used in a way that is incompatible with the Public Trust needs of the public.

The boundary between state ownership and private ownership has not been fixed by agreement or court decision at this location. This means that the boundary line is ambulatory and subject to change. While the high water survey does indicate the Public Trust boundary line at a specific moment in time, the survey does not fix that boundary and the State's band of ownership may naturally migrate landward or waterward of its current location over the course of time.

While it may be legal, subject to local permitting rules and regulations, for a private landowner to post signs to exclude members of the public from accessing their private property landward of the ordinary high water line, caution should be exercised in placing improvements on lands that may be submerged in the future. The Russian River is susceptible to severe seasonal flooding and climate change events. Private improvements can become hazards when submerged and may impede navigation and public access or be dislodged and impact public lands and resources. Additionally, as the high water line migrates landward, any permanent improvements existing within that natural migration may unlawfully trespass on the state's sovereign land.

In addition, the Russian River at this location is subject to a public navigation servitude—a principle of the Commerce Clause of the United States Constitution.² The navigation servitude doctrine, under the Commerce Clause, provides that members of the public have the right to navigate and exercise the incidences of navigation in a lawful manner on State waters that are capable of being physically navigated by oar or motor-propelled small craft, regardless of the underlying fee ownership. Such uses include, but are not limited to, boating, rafting, sailing, rowing, fishing, fowling, bathing, skiing, and other water-related public uses. The rights of the public to use the navigation servitude must not be restricted or impeded. Placement of improvements in areas that might become submerged would unlawfully impede the navigation servitude and could create hazards. For additional information, please see *A Legal Guide to the Public's Rights to Access and*

¹ Civ. Code §§ 670, 830; *State of California v. Superior Court (Lyon)* (1981) 29 Cal.3d 210, 232.

² U.S. Const., art. I, § 8, cl. 3.

Use California's Navigable Waters available at: <https://www.slc.ca.gov/wp-content/uploads/2018/11/2017-PublicAccessGuide.pdf>.

Staff's conclusions, based on the totality of information it has developed or reviewed, are without prejudice to any future assertion of State ownership or public rights, should circumstances change, or should additional information come to the Commission's attention. This letter is not intended, nor should it be construed as, a waiver or limitation of any right, title, or interest of the State of California in any lands under its jurisdiction.

If you have any questions, please contact Public Land Manager, Ninette Lee, at (916) 574-1900.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian Bugsch', with a stylized flourish at the end.

Brian Bugsch, Chief
Land Management Division

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SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. VI

FROM: Ed Fortner, General Manager

Meeting Date: January 7, 2021

Subject: GENERAL MANAGER'S REPORT

RECOMMENDED ACTION: Receive report from the General Manager.

FISCAL IMPACT: None

DISCUSSION:

- 1. Laboratory Testing:** Water quality tests confirm that all SSWD water meets all known State and Federal water quality standards.
- 2. Water Production and Sales:** Water sales in November were 25,982 units (59.6 AF Guerneville cycle), and production was 51.6 AF. Compared to one year ago, sales were lower, and production was higher (51.2 AF and 54.0 AF, respectively). Figure 1 shows sales, production, and % difference for the combined systems; the water loss trend was down this month as a running twelve-month average (18.1%). Looking at the data over the last ten years, water production has dropped approximately 29%, and sales have dropped 18%. The water loss percentage was around 30% and now is in the 15-20% range. Much of the production and water loss drop can be attributed to capital projects.
- 3. Leaks:** In December, we had eight total leak repairs with 101 hours on them. Six leaks were in Guerneville, one was in Rio Nido, and one was in Monte Rio. All leaks were in older lines. That is more leaks and fewer person-hours than the prior month and more leaks and more person-hours than December one year ago (3 and 55). Figure 2 shows service and main leaks separately with a total leak line as well. For Calendar Year 2020, total leaks were 99, up from 78 in 2019. This year was a drought year following a very wet year, and many of the repairs were due to ground shifting. Also, 52 leaks were on mains, and 48 were on service lines. In 2019 47 leaks were on mains, and 31 were on service lines. Looking at the leaks chart over the last ten years, we've come down from around 300 leaks per year to under 100 - quite a difference and very noticeable in what the field

crews are able to do - address ongoing issues with in-house projects instead of chasing leaks every day.

- 4. Guerneville Rainfall:** October rainfall was 3.35", which is lower than the long-term average month and puts the yearly total (5.34") below the long-term annual average. Indications are: we will experience another drought year in 2021.
- 5. In-House Construction Projects:** There were no in-house construction projects in November.
- 6. System Flushing:** System flushing began October 19th along Old River Rd and Rio Nido. Guerneville and Monte Rio are now completed. We did more abbreviated flushing at each hydrant due to the need to conserve water. After last year's flushing and water use during the fire, the system was easier to flush. We sent out flyers in the billing to alert customers if they see temporarily discolored water.
- 7. Watershed Recovery Task Force:** The Walbridge and Meyers wildfires started August 18th, and Mandatory Evacuations were issued on August 19th for most of our service area. The fire was 95% contained by the end of August. I continue to take responsibility for coordinating as liaison to County Emergency Operation Center (EOC), updating staff and the Board, and virtually attending all County Supervisor, Sheriff, Cal Fire, and EOC meetings. As part of the EOC coordination, I joined the Watershed Recovery Task Force, including Permit Sonoma, Sonoma County Water, State Water Resources Control Board, California Geological Survey, and many other partners. The final WERT report was issued and shared with the Board. We are taking debris removal mitigation measures at the Mt. Jackson site with FEMA funding.
- 8. Lower Russian River Community Advisory Group Governance Meeting:** There was a remote meeting of the LRRCAG on December 17th to discuss Wastewater solutions for Monte Rio and Villa Grande. The process is moving forward with the Request for Qualifications for the Feasibility Study to be issued soon. Also, the Sacramento State study for Governance options will be completed in February.
- 9. Guerneville Park Resort Update:** Efren Carrillo and the developers met with me on December 20th to discuss re-starting the Guerneville Park Resort Development review process. We met virtually on December 23rd to discuss the development, plans review, reimbursement agreement, and ultimate will-serve letter. We agreed on a smaller deposit of \$5,000 to determine the cost based on plans review.
- 10. Grants Update:** We have been coordinating with FEMA and CalOES to fund damages due to the Walbridge Fire (DR-4558) at our Mt. Jackson site ("A" category) debris removal and to replace approximately two miles of two-inch PVC waterline from Sweetwater

Springs Tank to the outer edge of our service area. This line is above ground, and we propose to bury a new 4" HDPE line. Unfortunately, FEMA determined that the waterline project is not qualified. We are working with Piazza to finalize the Debris Removal contract. Piazza will revise their quote due to our coordination with Cal Fire, who are undertaking the clearing of the portion around the County radio tower site. FEMA funding is up to 100% reimbursable, so the District may be responsible for up to 25% of the cost. I have also reached out to Supervisor Hopkin's office to get a response from the Community Development Commission about our CDBG funding for the FY 2020-2021 CIP design and planning costs. We have not executed the grant agreement yet for the grant we were awarded in March of 2020.

- 11. Property Tax Lien Policy Change:** Sukey, Gaylord, and I met on October 8th and had a thorough discussion about the Policy changes related to Property Tax Liens. We will continue to meet and finalize the draft policy soon.
- 12. Gantt Chart:** The Gantt Chart is updated for January 2021.
- 13. Covid Update:** There have been multiple close calls with staff exposure with Covid, and one staff did test positive. We followed our ERP Covid section and Sonoma County Health Department guidance to allow leave pay for isolations. We continue to follow all protocols, including masks in the office and field, hygiene, and social distancing. Hopefully, the vaccines will end this terrible pandemic soon.
- 14. Economic Impact of no Disconnects for Non-payment:** The total uncollected amount in this Guerneville billing cycle due to non-payment with the non-Disconnect Executive Order is **\$7,260.48**. This amount is tracking upward. The chart is updated with separate columns for billing cycles. We will continue to follow this amount.

**Figure 1. Water Production and Sales 12 Month Moving Averages
Sweetwater Springs Water District Since September 2008**

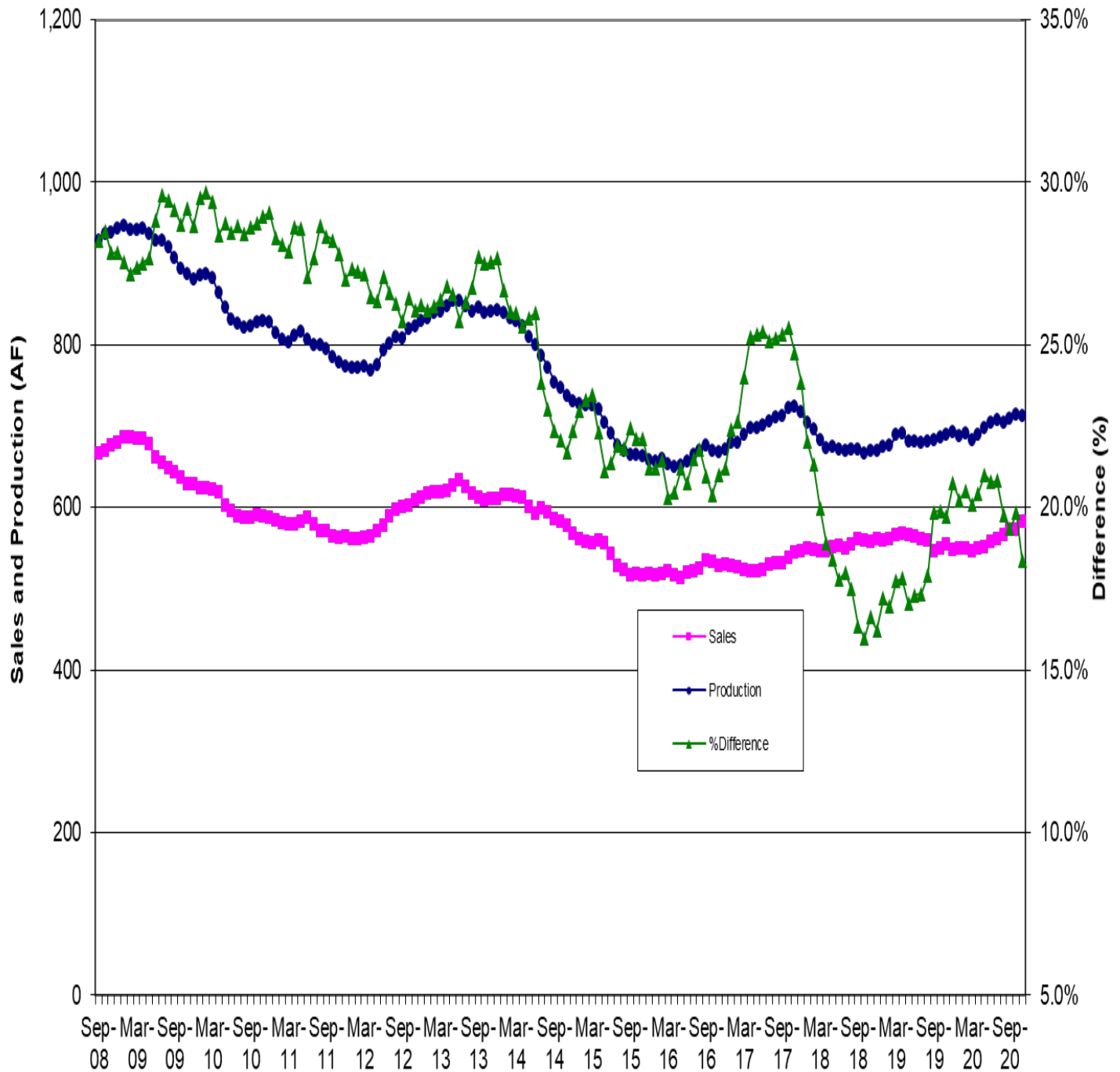


Figure 2. Sweetwater Springs Water District Main and Service Pipeline Breaks Moving Annual Average Since September 2008

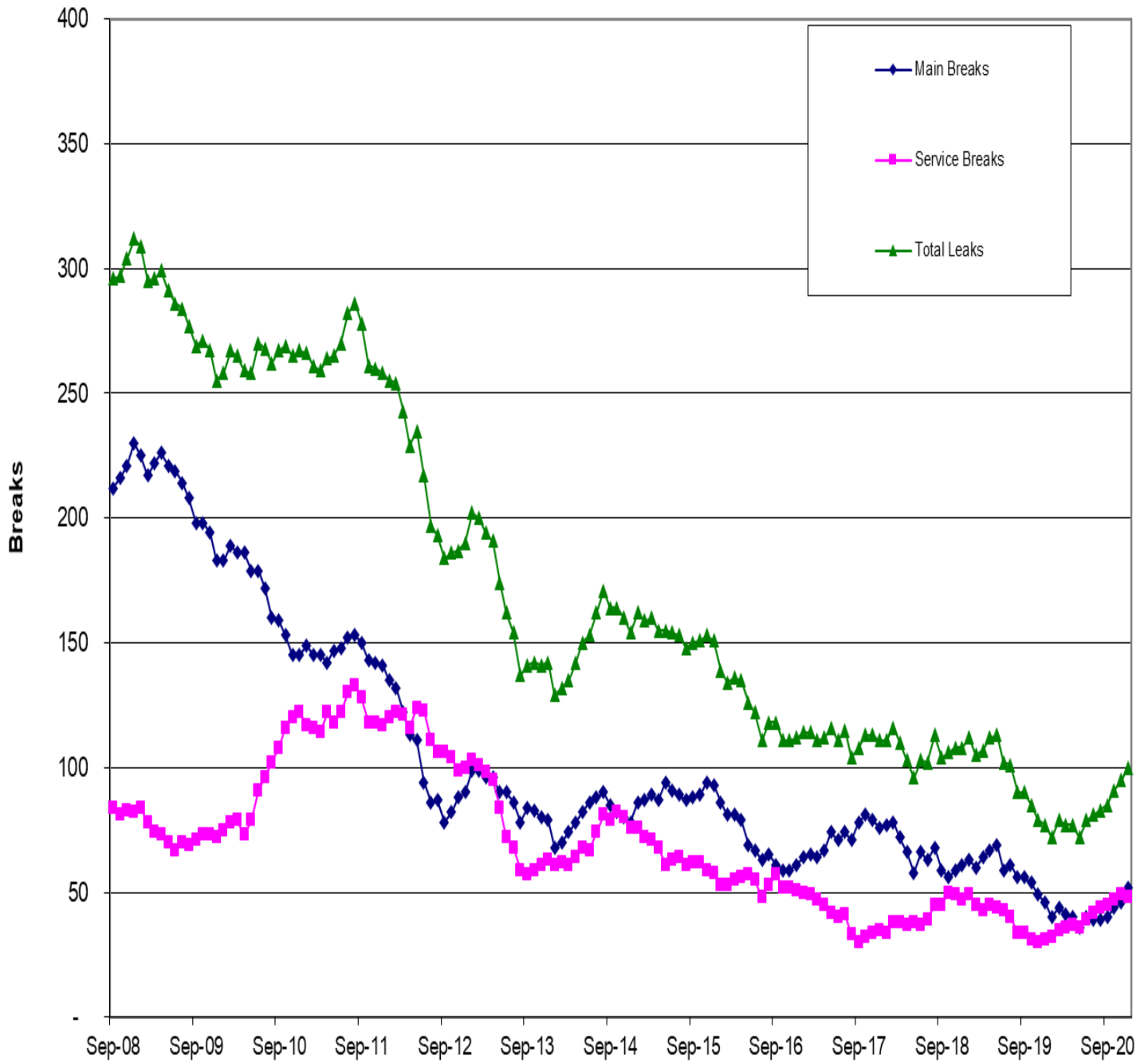
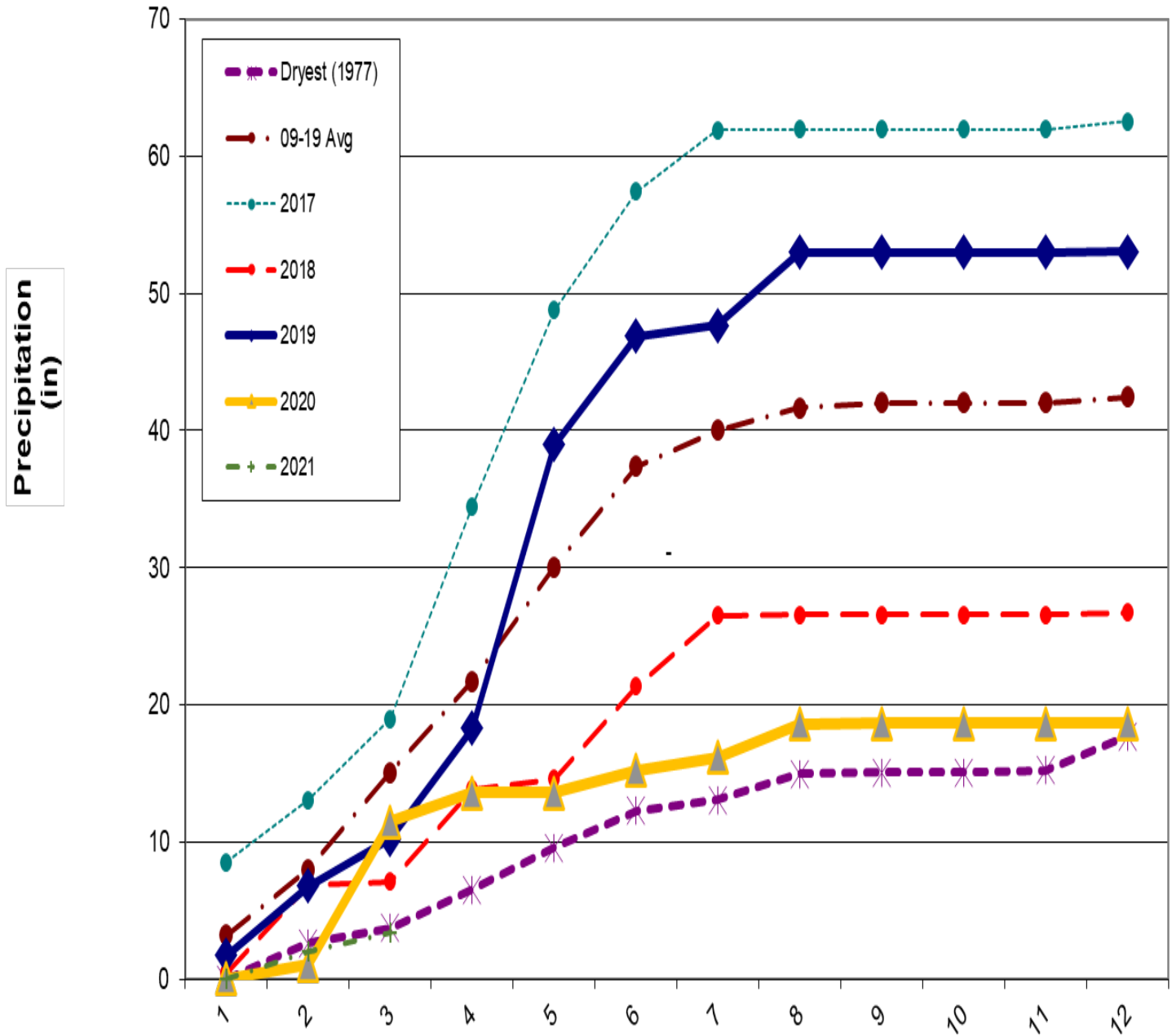


Figure 3. Guerneville Cumulative Monthly Rainfall



Tracking the Economic Impact of Suspending Water Disconnects for Non-payment

EVEN CYCLE			ODD CYCLE		
Billing Date	# of Customers whose prior bill was still unpaid when next bill mailed	\$ Value of Past Due Amounts** (including unpaid customer deposits)	Billing Date	# of Customers whose prior bill was still unpaid when next bill mailed	\$ Value of Past Due Amounts** (including unpaid customer deposits)
2/15/2020 (Historical disconnect procedure)	0	\$0	3/15/2020 (SB 998 extends time before disconnect)	10	\$1,565
4/15/2020 (Exec. Order N-42-20: Disconnects completely suspended)	24	\$4,096	5/15/2020	5	\$594.02
6/15/2020	9	\$2,947.56	7/15/2020	8	\$1,261.02
8/15/2020	7	\$2,464.32	9/15/2020 (Suspended delinquency process due to wildfire.)	57	\$7,646.52
10/15/2020	16	\$5,094.43	11/15/2020	18	\$4,406.13
12/15/2020	23	\$7,260.48			

As of 12/15/2020, 17 customers have entered into COVID-19 Agreements. These customers are not included in the numbers above.

