

SONOMA COUNTY WATER AGENCY

Grant Davis
General Manager

The mission of the Sonoma County Water Agency is to effectively manage the water resources in our care for the benefit of people and the environment through resource and environmental stewardship, technical innovation, and responsible fiscal management.

BUDGET AT A GLANCE:	REVISED FY 2015-2016	RECOMMENDED FY 2016-2017
Total Expenditures	\$264,659,522	\$229,703,973
Total Revenues/Use of Fund Balance	\$264,659,522	\$229,703,973
Total General Fund Contribution	\$0	\$0
Total Staff	222.75	226.75
% Funded by General Fund	0.00%	0.00%

DEPARTMENT SERVICES

The Sonoma County Water Agency is a special district founded in 1949 whose Board of Directors is comprised of the same members as the Sonoma County Board of Supervisors. The key functions of the Water Agency are **Water Supply and Transmission, Flood Control, Sanitation** services, including wastewater collection and treatment, and **Sustainability and Renewable Energy Programs**.

The Water Agency is responsible for **Water Supply and Transmission** for much of Sonoma County and beyond. As a water supplier, the Water Agency is responsible for securing and maintaining Warm Springs Dam and water rights, and encouraging water conservation and reuse to meet present and future demand. The Water Agency's water transmission system provides wholesale domestic water supply and delivery to more than 600,000 residents of Sonoma and Marin Counties through eight primary contractors (Cities of Santa Rosa, Petaluma, Sonoma, Rohnert Park, Cotati, Valley of the Moon Water District, Town of Windsor, and North Marin Water District), a major non-contractor customer, Marin Municipal Water District, and to other smaller customers.

Pursuant to its **Flood Control** function, the Water Agency designs, constructs and maintains flood control facilities, and provides flood protection and stream maintenance for over 175 miles of creeks and waterways.

The Water Agency operates and maintains eight **Sanitation** systems which provide wastewater collection and treatment services to over 22,000 residences and businesses throughout the County.

Sustainability and Renewable Energy Programs include energy efficiency improvements, solar power and anaerobic digestion projects, and climate change research, among other activities.

For more information, call (707) 526-5370, or visit www.sonomacounty.ca.gov/Water-Agency/.

FINANCIAL SUMMARY

Program Uses	FY 2015-16 (Year 1)		FY 2016-17 (Year 2)				
	Adopted Budget (Jun '15)	Revised Budget	Approved Budget (Jun '15)	Year 2 Changes	Revised Recomm.	Difference from 2015-16 Revised	% Change from 2015-16
Water Transmission and Supply	79,564,104	131,159,604	92,686,934	26,352,068	119,039,002	(12,120,602)	(9.2)
Sanitation	48,446,930	72,660,597	42,765,943	21,445,714	64,211,657	(8,448,939)	(11.6)
Flood Control	10,720,380	19,119,003	10,439,018	3,197,959	13,636,977	(5,482,026)	(28.7)
Energy Projects	1,422,418	1,743,065	1,244,803	436,360	1,681,163	(61,902)	(3.6)
Internal Transfers & Reimbursements	69,987,660	39,977,253	69,584,377	(38,449,203)	31,135,174	(8,842,079)	(22.1)
Total Expenditures by Program	210,141,492	264,659,522	216,721,075	12,982,898	229,703,973	(34,955,549)	(13.2)
Expenses by Category							
Salaries and Benefits	35,330,346	35,342,042	35,330,346	3,335,952	38,666,297	3,324,256	9.4
Services and Supplies	94,771,255	116,126,232	93,285,973	6,476,219	99,762,191	(16,364,041)	(14.1)
Other Charges	30,324,732	33,599,088	29,315,379	3,743,567	33,058,946	(540,142)	(1.6)
Capital Expenditures	918,500	1,253,626	850,000	25,210	875,210	(378,416)	(30.2)
Appropriation for Contingencies	517,000	517,000	362,000	170,000	532,000	15,000	2.9
Special Items	850,000	850,000	600,000	(600,000)	0	(850,000)	(100.0)
Other Financing Uses	26,437,659	39,977,253	26,284,377	4,850,797	31,135,174	(8,842,079)	(22.1)
Capital Assets	20,992,000	36,994,281	30,693,000	(5,018,846)	25,674,154	(11,320,127)	(30.6)
Total Expenditures by Category	210,141,492	264,659,522	216,721,075	12,982,898	229,703,973	(34,955,549)	(13.2)
Revenues/Use of Fund Balance (Sources)							
General Fund Contribution	0	0	0	0	0	0	0.0
Use of Fund Balance	28,912,445	65,615,235	31,322,827	10,350,507	41,673,334	(23,941,901)	(36.5)
Tax Revenue	47,236,683	47,236,683	48,865,459	194,057	49,059,516	1,822,833	3.9
Licenses, Permits, Franchises	0	0	0	0	0	0	0.0
Intergovernmental Revenues	3,949,537	7,045,321	2,872,422	7,770,309	10,642,731	3,597,410	51.1
Fines, Forfeitures, Penalties	0	0	0	0	0	0	0.0
Revenue - Use of Money & Property	12,176,728	12,188,554	8,505,536	(1,097,981)	7,407,555	(4,780,999)	(39.2)
Charges for Services	47,077,440	47,177,440	48,767,254	(6,372,669)	42,394,585	(4,782,854)	(10.1)
Miscellaneous Revenue	801,000	1,869,036	6,803,200	1,787,878	8,591,078	6,722,042	359.7
Other Financing Sources	26,437,659	39,977,253	26,284,377	4,850,797	31,135,174	(8,842,079)	(22.1)
Special Items	850,000	850,000	600,000	(600,000)	0	(850,000)	(100.0)
Reimbursements	42,700,000	42,700,000	42,700,000	(3,900,000)	38,800,000	(3,900,000)	(9.1)
Total Revenues/Use of Fund Balance	210,141,492	264,659,522	216,721,075	12,982,898	229,703,973	(34,955,549)	(13.2)
Total Permanent Positions	222.75	222.75	221.75	5.00	226.75	4.00	1.80

1) Note: Internal transfer and reimbursement of expenses between budget sections within the Sonoma County Water Agency total \$64 million in FY 2016-2017, resulting in a net budget of \$165 million.

FY 2016-2017 BUDGET CHANGES

The FY 2016-2017 Recommended Budget includes expenditures totaling \$229.7 million, financed with \$188 million in revenues and \$41.7 million in fund balance. Appropriations are decreasing by \$35 million, or 13.2%, compared to the FY 2015-2016 Revised Budget. This decrease is attributed to the completion during FY 2015-2016 of various projects, including flood control zone channel improvements; water transmission operations, maintenance, and construction; and sanitation capital projects.

The Department's budget does not include any County General Fund contribution.

Expenditures (Uses)

- Salaries and Benefits are expected to increase by \$3.3 million, or 9.4%. Of this amount, approximately \$2.6 million is attributed to negotiated labor costs implemented during March 2016 and to the addition during FY 2015-2016 of 1.0 FTE Administrative Services Officer I to provide financial and managerial support for the pursuit and management of grants and other new revenue sources. The remaining \$700,000 results from the Recommended Budget's addition of 4.0 FTE, as discussed below.
 - Delete 1.0 vacant FTE Water Agency Programs Specialist II
 - Delete 1.0 vacant FTE Office Assistant II
 - Add 1.0 FTE Water Agency Senior Programs Specialist for strategic development of the Water Agency public affairs portfolio and other key water supply and transmission system plans.
 - Add 1.0 FTE Principal Hydrogeologist to manage implementation of water transmission system groundwater management projects in support of the Sustainable Groundwater Management Act (SGMA).
 - Add 1.0 FTE Senior Network Analyst to analyze and redefine security standards and configure critical functions such as Supervisory Control and Data Acquisition (SCADA) and business network policies and security and control systems for water and wastewater operations.
 - Add 1.0 FTE Engineering Technician III to support the sanitation operations section with regulatory reporting requirements.
 - Add 1.0 FTE Technical Writing Specialist; and
 - Add 1.0 FTE Accountant II to assist with the current and pending grant workload which includes an \$8 million federal conservation grant with the Open Space District and a \$19.8 million Department of Water Resources grant for the Advanced Quantitative Precipitation Information Project.Labor for these new positions will be paid for through the Water Agency's enterprise funds to the maximum extent possible. It is also expected that the additional successful grant applications will in turn provide increased funding to support the added team members.
- Services and Supplies are expected to decrease by \$16.4 million, or 14.1%.
 - Water Transmission System: Declines in operation and maintenance expenditures account for \$3.6 million of the decrease and are attributable to the drought, and widespread successful conservation efforts resulting in 20% lower water deliveries to meet state mandated conservation targets. These efforts led to lower costs for power, labor, and water treatment as well as cost reductions in consulting services and cathodic protection maintenance projects included in the prior year budget. In addition, the Water Agency negotiated more favorable terms for purchase of power from the Power Water Resources Pooling Authority, resulting in \$1.2 million in utility expense savings in FY 2016-2017.
 - Water Supply: District operations and contractual work will decrease by \$5.7 million due to the non-recurrence of FY 2015-2016 funding for the design phase for Miles 4, 5, and 6 of the Dry Creek Habitat Enhancement Project; funding for the construction phase will be requested in the FY 2017-2018 budget. A \$690,000 increase is attributable to conducting the final year of a two-year process to develop a governance structure for city and county entities and stakeholders under the state Sustainable Groundwater Management Act is offset by a \$900,000 decrease in contractual and district operations charges for Santa Rosa Plain, Sonoma Valley, and Petaluma groundwater studies

and modeling, as these activities were budgeted in FY 2015-2016. An additional decline of \$650,000 is related to the completion of planning and environmental impact work, including the urban water management plan update.

- Energy Projects: Funding for solar power energy and sustainability projects declines by \$120,000 due to changes in timing of potential solar power projects.
- Flood Control expenditures decreased \$5 million from FY 2015-2016. This decrease is attributable to the Water Agency having accomplished a number of projects in FY 2015-2016, including \$1.5 million in habitat enhancement and restoration projects and flood modeling projects in Zone 1A Laguna Mark West; \$1.8 million in flood control studies and channel improvement projects in Zone 2A Petaluma; and \$1.7 million in Zone 3A Valley of the Moon, with fewer projects budgeted in FY 2016-2017 to build fund balance for future projects.
- Sanitation Services saw a net increase of \$120,000, with an increase of \$1.1 million for SCADA master planning accounting, offset by reductions of \$1 million in contract maintenance services for the completion during FY 2015-2016 of previously budgeted work, including a pipeline/creek crossing assessment, creek bank repair, and tank coating projects.
- Capital Expenditures are expected to decline by \$378,400, or 30.2%, with the completion of storm water detention groundwater recharge projects in Zone 1A Laguna Mark West and Zone 3A Valley of the Moon Flood Control Zones and right of way work accomplished in FY 2015-2016 for the Warm Springs Dam Dry Creek Habitat Enhancement Project.
- Special Items are decreasing \$850,000, or 100%, as a result of accounting changes to record residual equity transfers from the Water Agency General Fund to the Sanitation Districts instead as operating transfers between government funds.
- Other Financing Uses are expected to decrease by \$8.8 million, or \$22.1%, with a reduction of \$14 million in capital projects transfers due to the availability of revenue bond proceeds and grant funds offset by increases of \$5.2 million to support sanitation collection system improvements and recycled water projects.
- Capital Assets, charged to the Department's Enterprise Funds, are decreasing \$11.3 million, or 30.6%, due to completion of the Water Transmission System Mirabel Fish Screen/Fish Ladder and Westside Facility projects, totaling \$5 million, partially offset by initiation of the Isolation Valves Hazard Mitigation Project, with \$4.5 million budgeted for FY 2016-2017. the FY 2015-2016 administration building roof replacement and the air conditioning improvements for the computer server (\$1.8 million) and FY 2015-2016 Sonoma Valley County Sanitation District collection system improvements, Agua Caliente Creek Crossing, and the 5th Street East recycled water pipeline projects (\$9 million).

Revenues/Reimbursements/Use of Fund Balances (Sources)

- Use of Fund Balance is decreasing \$23.9 million, or 36.5%, as a result of the completion of water transmission and sanitation capital projects, the availability of grant funds, and water revenue bond proceeds to fund new water transmission capital projects.
- Tax Revenue is increasing by \$1.8 million, or 3.9%. This trend represents a two-year increase based on higher than budgeted collections in FY 2015-2016 and expected continued growth in FY 2016-2017.
- Intergovernmental Revenues are expected to increase by \$3.6 million, or 51.1%. This amount is net of a \$3.9 million increase resulting from an accounting practice change recommended by the Water Agency's financial auditors to record sanitation district funds owed to the General Fund for overhead expenses as revenue instead of reimbursements, partially offset by a \$300,000 reduction resulting from decreased water sales revenue for the support of Russian River projects and water conservation projects.
- Revenue – Use of Money and Property is expected to decrease by \$4.8 million, or 39.2%. This amount is comprised of a decrease of \$4.4 million in revenue accumulated from Water Agency enterprise funds which was used to make final payment on the administration building loan, a decrease of \$120,000 in fleet rental income attributed to reductions in vehicle travel upon the completion of various flood control habitat enhancement and restoration projects, and a reduction of \$190,000 in other interest income due to the repayment from 2015 water revenue bond proceeds of a water transmission intrafund loan used to fund construction projects.

- Charges for Services are projected to decrease by \$4.8 million, or 10.1%, due to a decrease of \$5.5 million in water transmission sales as a result of the drought and significant efforts on the part of customers to conserve water and meet state mandated reductions. This decrease is partially offset by increases of \$260,000 in Spring Lake Park recreation services and \$425,000 from power sales based on funds owed by the Power and Water Resources Pooling Authority.
- Miscellaneous Revenue is projected to increase by \$6.7 million, or 359.7%, due to an increase in federal and state grant funds. The increase is derived from the following sources: \$3 million in FEMA grants for the Isolation Valves hazard mitigation project and funds for the Mark Creek and Russian River Crossing hazard mitigation projects; a \$1.1 million Proposition 1E grant for the Zone 3A Valley of the Moon City Watersheds stormwater detention groundwater discharge project; \$1 million in Proposition 84 funds for a Sonoma Valley Sanitation District recycled water pipeline project and \$750,000 in Bureau of Reclamation grant funds for the District's pumping and piping upgrade project; \$535,000 from the Occidental County Sanitation District for costs associated with trucking wastewater for treatment at the Russian River County Sanitation District facility; and \$330,000 in contributions from partners for water use efficiency projects.
- Other Financing Sources are expected to decrease by \$8.8 million, or \$22.1%, represented by a reduction of \$14 million in transfers for new water transmission capital projects, due to the availability during FY 2016-2017 of revenue bond proceeds and grant funds, partially offset by an increase of \$5.2 million in support of sanitation collection system improvements and recycled water projects.
- Special Items are decreasing by \$850,000, or 100%, as a result of the change in accounts used for recording operating transfers in the enterprise financial system. Residual equity transfers from the General Fund to the Sanitation Districts are recorded as operating transfers between government funds going forward.
- Reimbursements are expected to decrease by \$3.9 million, or 9.1%. Accounting practices recommended by the Water Agency's financial auditors will record \$3.9 million in sanitation district funds owed to the General Fund for overhead expenses as revenue, rather than as reimbursements because the Water Agency and sanitation districts are separate legal entities.

FY 2015-2017 OBJECTIVES UPDATE

- Conduct two-year process to develop governance structure for city and county entities and stakeholders under the state Sustainable Groundwater Management Act to ensure that groundwater resources in Sonoma County will be sustainably managed and comply with the requirements of state law.
 - **In progress:** Local agencies have agreed on a skeleton structure for the creation of Groundwater Sustainability Agencies, with one agency in each of three mandated basins and coordination between these agencies. The Water Agency, in coordination with the County and other local agencies, is on track to form Groundwater Sustainability Agencies by June 30, 2017, in compliance with state law.
- Complete design of, and initiate construction on, Miles 2 and 3 of the Dry Creek Habitat Enhancement Project in collaboration with the US Army Corps of Engineers to continue efforts to improve habitat for listed species in compliance with the Russian River Biological Opinion.
 - **In progress:** Work consisting of hydraulic modeling, design, and construction of habitat enhancement features in Dry Creek is underway. Design of Miles 2 and 3 will be final by the end of December 2016, with construction beginning in spring of 2017 and projected to be completed by December 2017. Construction of Miles 4, 5, and 6 is expected to begin during FY 2017-2018.
- Complete construction of the Westside Facility, install educational exhibits, and initiate watershed education classes to teach Sonoma County students about their water systems.
 - **Completed:** The facility opened, with watershed education classes being conducted, as of August 2015.
- Complete construction of the Mirabel Fish Ladder, Fish Screen, and Viewing Gallery Project and initiate fish monitoring and public tours and improve access for salmonids to the upper Russian River watershed.
 - **In progress:** Construction was substantially completed during FY 2015-2016, with final work continuing through summer 2016 and official opening day anticipated for October 2016.

- Implement the National Oceanic and Atmospheric Administration funded Russian River Habitat Blueprint to restore habitat for endangered fish species; conduct drought and atmospheric rivers research to inform reservoir operations; and improve community and ecosystem resiliency to flooding and drought.
 - **In progress:** Twenty-one inversion towers have been installed for frost protection forecasting and the Lake Mendocino Forecast Informed Reservoir Operations (FIRO) preliminary feasibility study and Russian River pilot project are underway.

New FY 2016-2017 Objective

- Expand the impact of the FIRO project by executing an agreement with the Department of Water Resources for a \$19.8 million grant to lead a collaboration of federal, state, local and academic partners to improve observing systems and numerical forecast modeling systems that will provide accurate and timely information to decision makers, allowing them to secure water supplies, mitigate flood risks, minimize water quality impacts to the Bay, and have improved lead-time on coastal and Bay inundation from severe storms like Atmospheric Rivers.