

FISCAL YEAR 2018 - 2019
ANNUAL BUDGET

APPROVED BY THE BOARD OF DIRECTORS
May 23, 2018



May 18, 2018

87 Carol Lane
P.O. Box 127
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925-625-3798
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To: Each Director

Gentlemen:

Directors:
Edward Garcia
President

Kenneth L. Crockett
Vice President

Howard Hobbs
Enrico Cinquini
John H. de Fremery

*General Manager
& Secretary:*
Mike Yeraka

General Counsel:
Jeffrey D. Polisner

I would first like to acknowledge the help of Mrs. Jennifer McCoy in preparation of the budget, without whose effort, the budget could not have been completed on time. We submit for your consideration, Diablo Water District's proposed Fiscal Year (FY) 2018-2019 budget.

The Budgeted positions and Organization Chart are shown on pages 6 and 7. The number of budgeted positions has increased by one (1) field worker and one (1) part-time office worker compared to the current fiscal year.

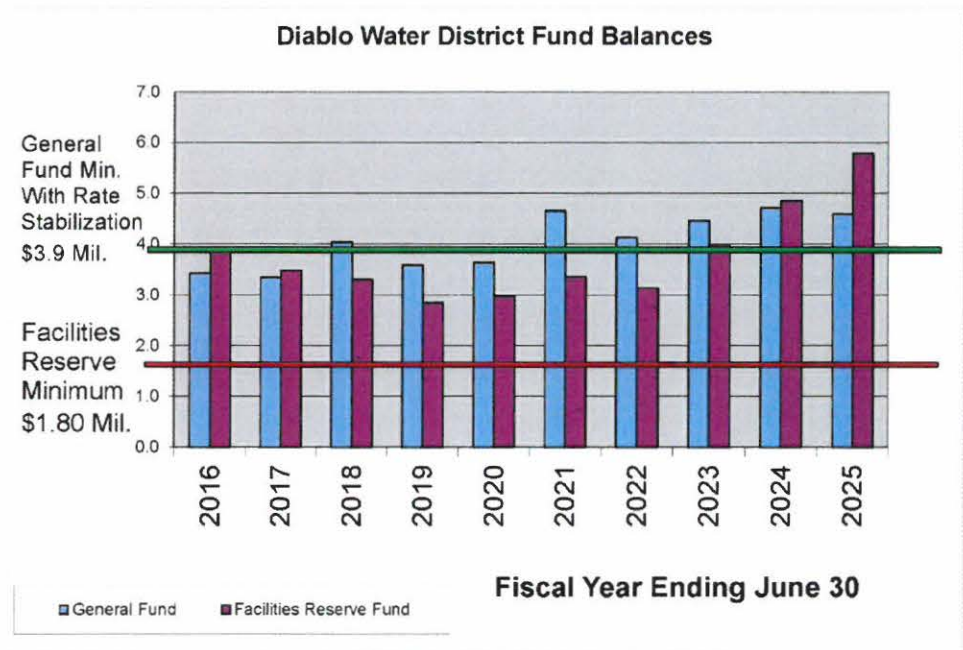
Schedule I shows that as of June 30, 2018, the District's income from water sales will be \$9.3 Million (11 months actual and one month estimated), which is 7% higher than budgeted due to higher than expected water use. Next year's income from water sales is estimated to be \$10.3 Million which reflects an anticipated increase in consumption due to the end of the drought. The income projections also include the anticipated water rate increase for next Fiscal Year. The number of customers for next Fiscal Year is estimated at 11,857 given the anticipated growth in the District.

Schedule II shows that this year's actual operating expenses of \$8.11 Million will be approximately \$213,000 less than the \$8.32 Million budget. Next year's operating budget is estimated at \$9.2 million which is \$880,000 more than this year's budget; \$467,000 of which is for additional water purchases in anticipation of increased consumption and \$331,000 is for addition of the new field and part-time employees, cost of living salary adjustments, and three (3) months of overlap between General Managers in the event I decide to retire this year. We have estimated that 20% of our water supply will come from the Glen Park and Stonecreek wells for next Fiscal Year. The budget for next year includes a 3.5% cost of living salary adjustment (COLA) for all employee positions based on the annual increase in the San Francisco Bay Area Consumer Price Index (CPI) of 3.4%. Last year's COLA was also 3.5% when the CPI was 3.66%. Table 1 on page 10 shows how salaries are allocated between the District's various funds for FY 2019.

Schedule III shows the monies being spent from the District’s General Fund for capital expenses as well as a portion of the Randall-Bold and Glen Park/Blending debt payments as well as the anticipated annual debt for the New Office Building. The other portion of the debt service comes from the Facilities Reserve Fund, which is schedule IV in the budget. Schedule III also shows the monies being spent on Infrastructure Replacement projects.

We anticipate receiving approximately \$1.8 million in developer fees next Fiscal Year from 260 new connections to the water system. Schedule IV is a reflection of the monies being spent from developer fees for the Randall-Bold debt, Glen Park and Blending debt, Stonecreek debt, the New Office debt and capital projects.

The chart below represents the District’s projected Fund Balances to Fiscal Year 2025 Based on a conservative 400 gallons per day per service (gpdps) for Fiscal Year 2019. Consumption in FY 2015 was 410 gpdps and in FY 2018 we expect to end up at 380 gpdps.



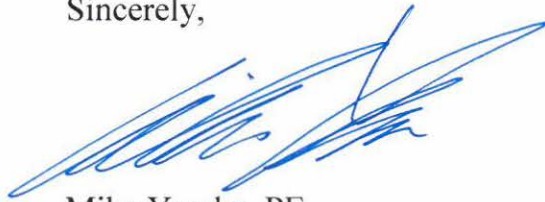
General Fund and Infrastructure Replacement Fund balances have been combined in the chart as General Fund items. The minimum Fund balance goal is \$3.9 million for the General Fund which is higher than the previous goal of \$3.65 million since one-quarter of our operating income has increased. The Facilities Reserve minimum Fund Balance is \$1.8 million.

Given the anticipated up-tick in the housing market, the Facilities Reserve Fund balances are based on 260 connections for FY 2019, and 300 connections for 2020.

We moved the Schedule V notes to page 17 of the budget and expanded on the Rate Stabilization Fund policy as was requested by the District's auditors. The last page includes Schedule VI which shows the anticipated capital expenditure for the the installation of water meters at County Well System M-27, Willow Park Marina and the water pipeline to M-26 Beacon West.

If you have any questions, please do not hesitate to call me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Yeraka", with a stylized flourish extending to the right.

Mike Yeraka, PE
General Manager

DIABLO WATER DISTRICT

FY 2018 - 2019 BUDGET

ACRONYMS

BNSF	Burlington Northern and Santa Fe Railway
Co	County
Consult	Consultant
Corp	Corporation
CPAs	Certified Public Accountants
DC	Delta Coves
Dist	Distribution
Fac Res	Facilities Reserve
FR	Facilities Reserve Fund
FY	Fiscal Year
gpdps	Gallons Per Day Per Service
Gen	General
GF	General Fund
GIS	Graphic Information System
GP	Glen Park
Infrast	Infrastructure
LAFCO	Local Agency Formation Commission
MERA	Main Extension Reimbursement Assessment
Mil	Million
Min	Minimum
Misc	Miscellaneous
MUNCPAs	Mann, Urrutia, Nelson CPA's and Associates LLP
NA	Not Applicable
O & M	Operations and Maintenance
OPEB	Other Post Employment Benefits
RBWTP	Randall-Bold Water Treatment Plant
R1	Reservoir 1
Rec	Reconciliation
Reg	Regular
Replace	Replacement
Res	Reservoir
SC	Stonecreek
SCADA	Supervisory Control and Data Acquisition
Sys	System
T & D	Transmission and Distribution
Temp	Temporary
VFD	Variable Frequency Drive
WC	Workers' Compensation Insurance

DIABLO WATER DISTRICT

BUDGETED POSITIONS

FY 2018 - 2019 POSITIONS

General Manager	1
Overlap General Manager (3 Months)	1

Office:

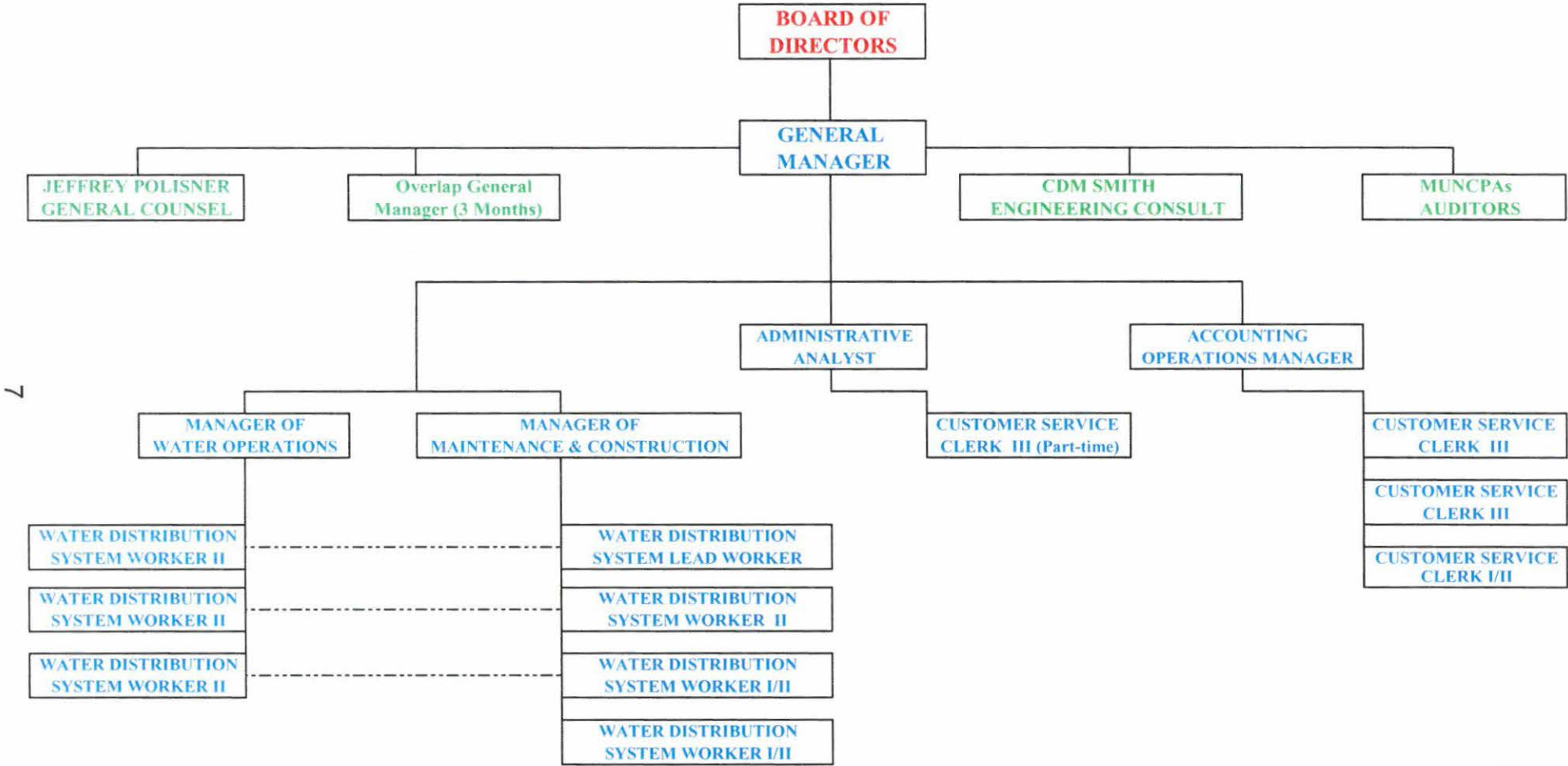
Administrative Analyst	1
Accounting Operations Manager	1
Customer Service Clerk III	1
Customer Service Clerk III (Part-time)	1
Customer Service Clerk I/II	2

Operations & Maintenance:

Manager of Maintenance & Construction	1
Manager of Water Operations	1
Water Distribution System Leadworker	1
Water Distribution System Worker II	4
Water Distribution System Worker II/I	2

TOTAL FY 2018 - 2019 POSITIONS	17
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DIABLO WATER DISTRICT ORGANIZATION CHART FOR FY 18 - 19



DIABLO WATER DISTRICT

OPERATING BUDGET

SCHEDULE I FOR FY 18 - 19

CONSUMPTION

AND

INCOME FROM WATER SALES

	BUDGET FY 17-18	ACTUAL FY 17-18	BUDGET FY 18-19
TREATED WATER CONSUMPTION			
(CUBIC FEET)			
Domestics	204,284,840	212,622,700	231,433,422
DuPont	2,400	1,800	2,005
Hydrant	3,000,000	4,826,100	5,000,000
TOTAL	207,287,240	217,450,600	236,435,427

	BUDGET FY 17-18	ACTUAL FY 17-18	BUDGET FY 18-19
INCOME			
TREATED WATER			
(Water Sales / Services Charges)			
Domestics	8,553,419	9,064,178 *	10,032,079 *
DuPont	2,100	1,125	1,268
Hydrant/Fire Services	120,000	202,383	215,517
WELL SYSTEMS			
All Systems (Net Income)	35,000	35,500	35,000
TOTAL	8,710,519	9,303,186	10,283,864

* 98 Services without Customers attached - no service charge collected

DIABLO WATER DISTRICT

OPERATING EXPENSES

SCHEDULE II FOR FY 18 - 19

	BUDGET	ACTUAL	BUDGET
	FY 17-18	FY 17-18	FY 18-19
OPERATING EXPENSES			
Water Purchases	3,038,511	3,286,824	3,505,877
Water Samples	62,000	57,500	62,000
RBWTP O & M	1,279,000	1,126,547	1,334,706
Utilities			
Corp Yard	2,000	1,890	2,000
T & D	80,000	68,150	80,000
GP Well/SC Well/ DC	110,000	113,000	120,000
Office	11,000	10,500	11,000
Telephone	11,000	11,300	12,000
Maintenance			
Corp Yard	31,670	13,343	39,700
T & D	525,000	502,220	540,000
Backflow	40,500	34,438	44,500
Res 1, 2 & 3	41,000	9,121	41,000
GP/SC/DC/Blending	41,000	29,167	43,500
Gen Operating			
Corp Yard	40,871	26,241	33,060
T & D	132,308	143,523	140,250
GP/SC/DC/Blending/Chemicals	82,600	60,480	83,800
Safety	5,500	3,466	6,200
Salaries (Reg Time) *	1,286,051	1,241,025	1,456,268
Salaries (Over Time) *	123,203	104,726	125,923
Benefits (Employees) *	576,725	551,888	681,936
Benefits (Retirees)	45,011	43,594	60,245
Payroll Taxes/Workers' Comp *	124,916	119,318	137,931
Directors' Fees & Expenses	12,000	6,800	20,000
Auto / Travel / Education	81,500	61,896	86,500
Insurance	110,000	100,618	110,000
Accounting	45,000	45,000	45,000
Engineering / Consulting	55,000	35,000	80,000
Legal - 50% Operating Expense & 50% FR	27,000	27,880	28,950
Office	281,175	253,677	297,250
Dues & Licenses	23,090	22,657	23,750
TOTAL OPERATING EXPENSES	8,324,632	8,111,789	9,253,347

* See Page 10

DIABLO WATER DISTRICT
SUMMARY OF SALARIES AND BENEFITS
FY 2018 - 2019
(See Budget Page 5 for Acronyms)

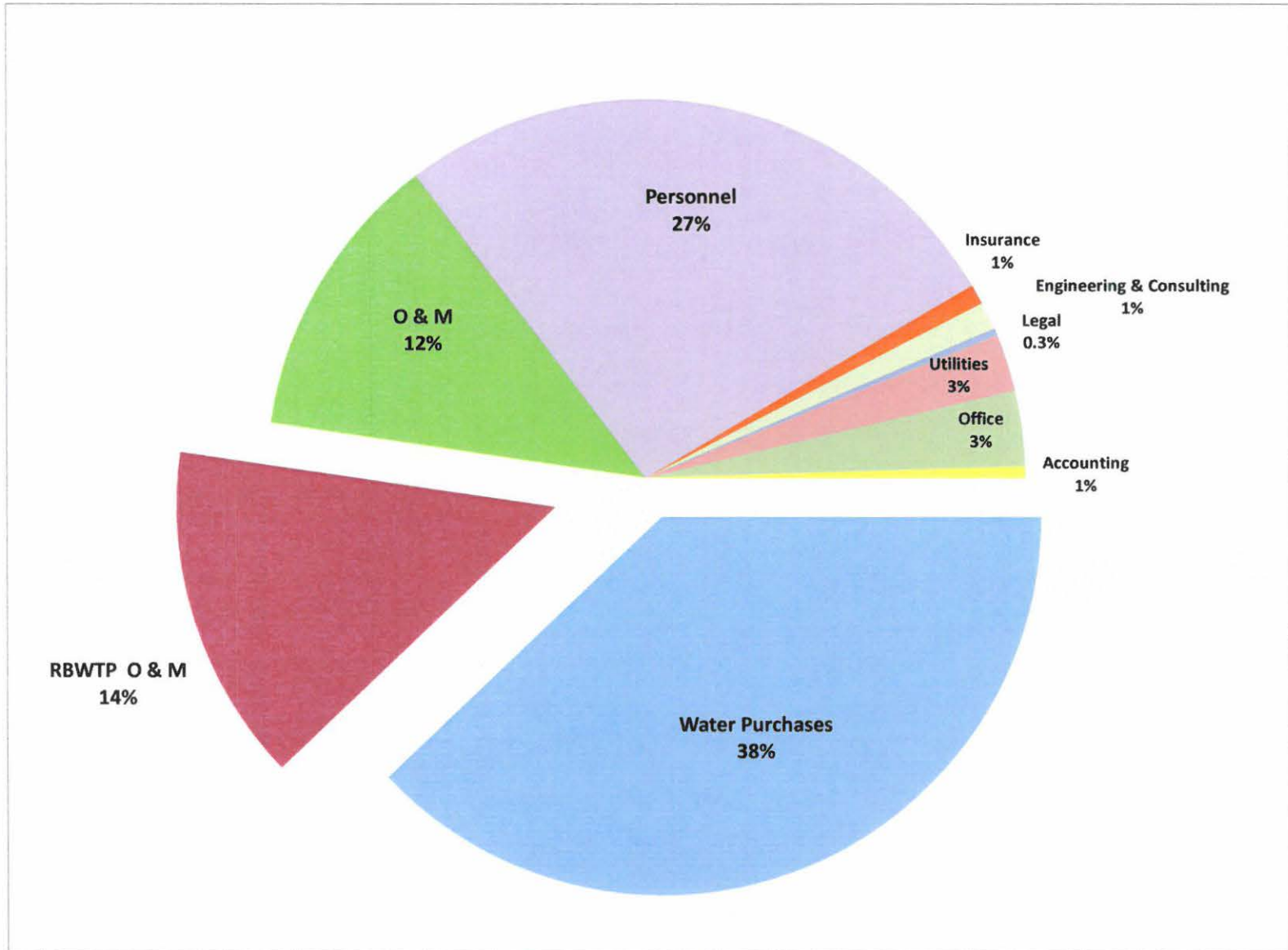
TABLE 1

	Budget 2018	Actual 2018	Reimbursed by Others	FY 2018 ALLOCATION TO OPERATING	FY 2018 ALLOCATION TO FAC RES	FY 2018 ALLOCATION TO MERA
Salaries	1,528,884.69	1,483,859.27	117,024.14	1,241,024.81	213,532.65	29,301.81
Overtime	136,451.09	117,014.94	46,106.65	104,725.60	8,905.09	3,384.25
Benefits	647,970.86	626,464.77	48,087.69	555,888.30	60,643.78	9,932.68
Tax/WC	142,147.55	136,456.81	14,544.07	119,318.25	14,610.17	2,528.39
TOTAL	2,455,454.19	2,363,795.79	225,762.55	2,020,956.97	297,691.69	45,147.13

TABLE 1

	Budget 2018	Actual 2018	Budget 2019	FY 2019 ALLOCATION TO OPERATING	FY 2019 ALLOCATION TO FAC RES	FY 2019 ALLOCATION TO MERA
Salaries	1,528,884.69	1,483,859.27	1,734,045.64	1,456,267.89	245,394.75	32,383.00
Overtime	136,451.09	117,014.94	139,414.73	125,922.63	10,102.79	3,389.31
Benefits	647,970.86	626,464.77	764,434.24	681,936.21	71,396.17	11,101.86
Tax/WC	142,147.55	136,456.81	157,390.11	137,931.40	16,761.15	2,697.57
TOTAL	2,455,454.19	2,363,795.79	2,795,284.72	2,402,058.13	343,654.85	49,571.74

DIABLO WATER DISTRICT FY 2018 - 2019 OPERATING EXPENSES



DIABLO WATER DISTRICT

SCHEDULE III FOR FY 18 - 19

GENERAL FUND CAPITAL

AND

INFRASTRUCTURE REPLACEMENT

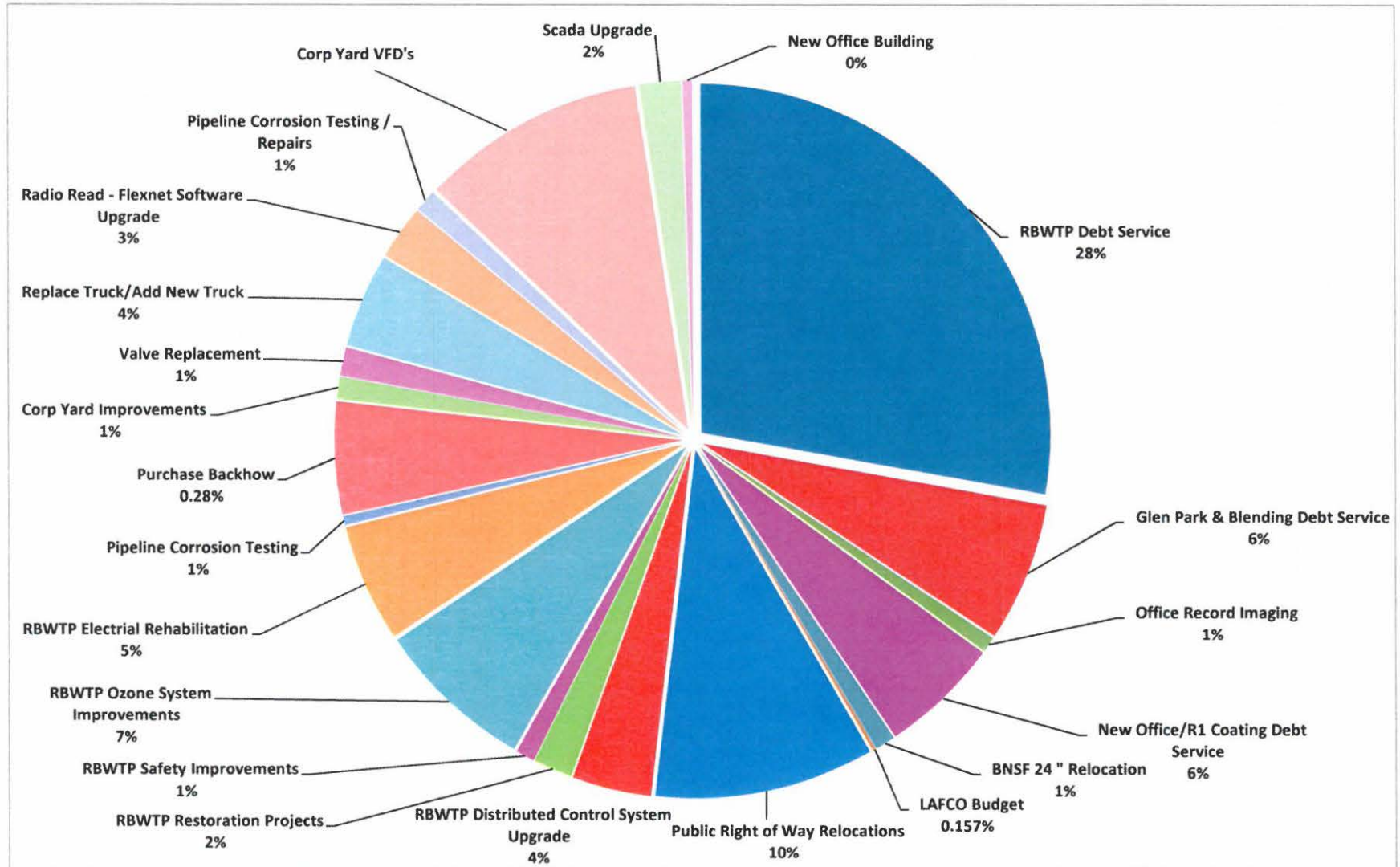
BUDGET AND EXPENDITURES

	BUDGET FY 17-18	ACTUAL FY 17-18	BUDGET FY 18-19
GENERAL FUND			
CAPITAL & DEBT SERVICE EXPENSES			
RBWTP Debt Service - 40% GF & 60% FR	446,782	445,170	532,791
Glen Park & Blending 24% GF & 76% FR	91,553	121,251	124,128
LAFCO Budget - 50% GF & 50% FR	3,000	2,438	3,000
Office Record Imaging	14,000	11,800	14,000
BNSF 24" Relocation - 20% GF & 80% FR	17,245	17,143	17,915
New Office Building - 57.5% GF & 42.5% FR (R1)	106,392	106,392	106,392
TOTAL CAPITAL & DEBT SERVICE	678,972	704,194	798,226
INFRASTRUCTURE REPLACEMENT FUND			
CAPITAL EXPENSES			
Public Right of Way Relocations	195,000	35,000	195,000
RBWTP Restoration Projects	157,988	35,563	35,000
RBWTP Safety Improvements	27,469	8,053	17,000
RBWTP Distributed Control System Upgrade	46,209	15,139	70,000
RBWTP Ozone System Improvements	149,437	28,542	142,000
RBWTP Electrical Rehabilitation	109,237	29,532	105,000
RBWTP Filter Media Program	270,644	0	8,000
Purchase Backhoe	0	0	100,000
Corp Yard Improvements	19,800	6,500	19,800
Valve Replacement	25,000	0	25,000
Replace Truck & Add New Truck	0	0	84,000
Pipeline Corrosion Testing / Repairs	20,000	20,000	20,000
Scada Upgrade- 50% GF & 50% FR	0	0	37,500
Design Corp Yard Pump Base Repair	4,000	12,632	0
Construct Corp Yard Pump Base Repair	143,500	143,500	0
Corp Yard VFD's	0	0	200,000
New Office Building- 50% GF & 50% FR	20,000	4,000	8,750
Ice Pig Well Pipeline	110,000	126,212	0
Radio Read - Flexnet Software Upgrade	55,750	6,522	49,228
TOTAL INFRASTRUCTURE	1,354,034	471,195	1,116,278

DIABLO WATER DISTRICT

FY 2018 - 2019

GENERAL FUND CAPITAL AND INFRASTRUCTURE REPLACEMENT



DIABLO WATER DISTRICT
SCHEDULE IV FOR FY 18 - 19
FACILITIES RESERVE
BUDGET AND EXPENDITURES

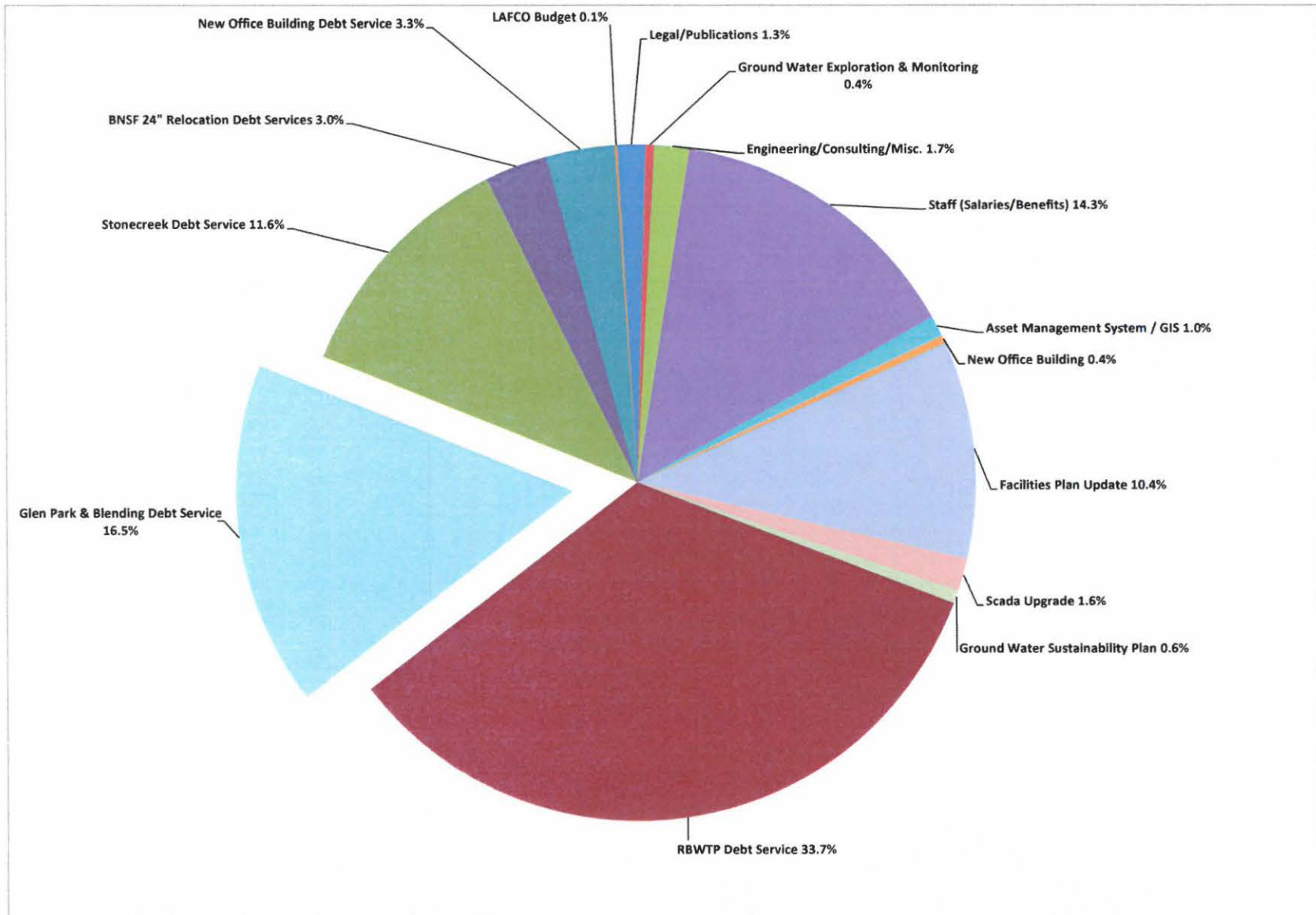
	BUDGET FY 17-18	ACTUAL FY 17-18	BUDGET FY 18-19
OPERATING			
Staff (Salaries/Benefits)*	299,422	297,692	343,655
TOTAL OPERATING	299,422	297,692	343,655
DEBT SERVICE			
RBWTP Debt Service - 60% FR & 40% GF	894,292	890,988	808,372
Glen Park & Blending - 76% FR & 24% GF	436,874	407,176	396,799
Stonecreek Debt Service - 100% FR	279,319	276,025	279,019
BNSF 24" Relocation - 80% FR & 20% GF	68,980	68,569	71,660
New Office Building - 42.5% FR & 57.5% GF	78,638	78,638	78,638
LAFCO Budget - 50% FR & 50% GF	3,000	2,438	3,000
TOTAL DEBT SERVICE	1,761,103	1,723,834	1,637,488
CAPITAL			
Public Notices	3,000	0	3,000
Legal - 50% FR & 50% Operating Expense	27,000	27,880	28,950
Ground Water Exploration & Monitoring	10,000	7,000	10,000
Ground Water Sustainability Plan	20,000	8,500	15,000
Engineering/Consulting/Misc.	40,000	25,000	40,000
Scada Upgrade- 50% FR & 50% GF	0	0	37,500
Asset Management System / GIS	115,000	43,700	24,000
New Office Building- 50% FR & 50% GF	20,000	4,000	8,750
Facilities Plan Update	250,000	0	250,000
TOTAL CAPITAL	485,000	116,080	417,200

* See Page 10

DIABLO WATER DISTRICT

FY 2018 - 2019

FACILITIES RESERVE



DIABLO WATER DISTRICT
SCHEDULE V FOR FY 18 - 19
Revenue and Expenditure Statement

	General Fund 01	Facilities Reserve Fund 02	MERA Fund 01	Infrast. Replace. Fund 01
Beginning Balances (6/30/2017)	2,339,643	3,476,503	86,937	1,000,000
<i>FISCAL YEAR 2018 ACTUAL</i>				
Revenues				
Income	9,303,186	1,922,888	131,648	0
Interest	40,000	26,000	1,000	0
Reimbursements	325,000	0	0	0
DC Additional Maintenance	50,999	0	0	0
OPEB	40,664	0	0	0
Misc. / Bond Issue / Grant	315,000	15,430	0	0
Transfer from Gen. Fund 01	0	0	0	0
Total 1	10,074,849	1,964,318	132,648	0
Expenses				
Operating	8,111,789	297,692	88,075	0
Debt Service	689,956	1,723,834	0	0
Capital	14,238	116,080	0	471,195
Co Retirement Rec	94,668	0	0	0
Transfer to Infrast. Fund 01	0	0	0	0
Total 2	8,910,651	2,137,606	88,075	471,195
Net Actual (Total 1 minus 2)	1,164,198	(173,288)	44,573	(471,195)
Fund Balances (6/30/18)	3,503,841	3,303,215	131,510	528,805
<i>FISCAL YEAR 2019 BUDGET</i>				
Revenues				
Income	10,283,864	1,757,251	129,616	0
Interest	50,000	30,000	1,200	0
Reimbursements	350,000	0	0	0
DC Additional Maintenance	50,999	0	0	0
OPEB	43,600	0	0	0
Misc. / Grant	333,100	17,000	0	0
Transfer from Gen. Fund 01	0	0	0	1,965,000
Total 3	11,111,563	1,804,251	130,816	1,965,000
Expenses				
Operating	9,253,347	343,655	92,500	0
Debt Service	781,226	1,637,488	0	0
Capital	17,000	417,200	0	1,116,278
Co Retirement Rec	94,668	0	0	0
Transfer to Infrast. Fund 01	1,965,000	0	0	0
Total 4	12,111,241	2,398,343	92,500	1,116,278
Net Budget (Total 3 minus 4)	(999,678)	(594,092)	38,316	848,722
Fund Balances (6/30/19)	2,504,163	2,709,123	169,826	1,377,527
Minimum Fund Balances	2,500,000	1,800,000	N/A	1,400,000

DIABLO WATER DISTRICT
FISCAL YEAR 18 - 19
BUDGET NOTES

Reserve Fund Minimums:

- General Fund: \$2,500,000 equals one quarter of operations income,
\$ 750,000 for cash shortfalls that occur during the fiscal year,
\$ 750,000 for emergency purposes, and
\$1,000,000 for a Rate Stabilization Fund which has been established to allow the District to smooth rate increases consistent with the District's long term outlook on water rate setting. Amounts utilized from this fund constitute gross revenues for the fiscal year in which they are utilized. Interest earned on this fund may be withdrawn by the District at its discretion annually and accounted for as gross revenue. The District has the right at any time to withdraw any or all amounts in this fund for any lawful purpose of the District.
- Facilities Reserve: \$1,800,000 for cash shortfall due to reduced hookups of 140/ year for three years.
- Infrast. Replacement: \$1,400,000 equals 5% of the replacement cost of large depreciated assets.

COUNTY WELL SYSTEMS
SCHEDULE VI FOR FY 18 - 19
BUDGET AND EXPENDITURES

	BUDGET FY 17-18	ACTUAL FY 17-18	BUDGET FY 18-19	BUDGET FY 19-20	BUDGET FY 20-21
CAPITAL					
M-27 Willow Park Marina					
Install water meters on 25% of services	71,500	76,180	65,000	15,000	0
M-26 Beacon West					
Pipeline Project	160,000	145,596	0	0	0
TOTAL	231,500	221,776	65,000	15,000	0
M-27 Willow Park Marina					
Fiscal Year ending June 30, 2018 Fund Balance					75,297
Meter Installation Project					(65,000)
Typical Operating Expenses					(25,000)
Income					42,120
Fiscal Year ending June 30, 2019 Fund Balance					<u><u>27,417</u></u>
M-26 Beacon West					
Fiscal Year ending June 30, 2018 Fund Balance					37,950
Pipeline Loan Payment					(11,760)
Typical Operating Expenses					(15,000)
Income					27,000
Fiscal Year ending June 30, 2019 Fund Balance					<u><u>38,190</u></u>