



FISCAL YEAR 2017 BUDGET

Harris-Galveston Subsidence District

The Harris-Galveston Subsidence District was created in 1975 to provide reasonable groundwater regulation to address concerns related to groundwater use and subsidence. Since that time, the District has taken a reasonable and inclusive approach to groundwater regulation resulting in a dramatic reduction in subsidence rates within the District. Annually, the District prepares a budget for the upcoming fiscal year. The Fiscal Year 2017 Budget presented herein will provide for the expected operational needs required to fulfill the District's mission.

Michael J. Turco – General Manager

12/14/2016

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VISION STATEMENT

The Harris-Galveston Subsidence District is the premier water management and subsidence authority in the Upper Gulf Coast Aquifer in Texas. The District plays an integral role in regional water management strategies to insure the long-term viability of all water resources while protecting lives and property within the District from the impacts of subsidence and flooding.

MISSION STATEMENT

The Harris-Galveston Subsidence District protects lives and property within the District from the impacts of future subsidence by providing reasonable groundwater regulation based on the best available science.

STRATEGIC GOALS

Utilizing the District's mission and strategic vision, the following goals will be the focus of the District through 2025:

- *Conduct research that enhances the understanding and effective management of the Upper Gulf Coast Aquifer System to minimize subsidence in the District*
- *Educate the community on the importance of water resources, the occurrence of subsidence in the region, and promote water conservation*
- *Communicate effectively with regional water providers and stakeholders*
- *Provide reasonable groundwater regulation in support of the District mission*
- *Develop a diverse, highly-motivated, customer service focused organization while maintaining fiscal stability*



TRANSMITTAL MEMORANDUM

TO: Board of Directors

From: Michael J. Turco, General Manager

Date: December 5, 2016

Subject: 2017 Proposed Operating Budget

Enclosed please find staff's proposed operating budget for the 2017 fiscal year. As summarized below, this budget will provide for the funding of the Harris-Galveston Subsidence District (HGSD) programs that support our mission to protect lives and property within the District from the impacts of future subsidence by providing reasonable groundwater regulation based on the best available science as directed by the Texas Legislature through the HGSD enabling Act.

The Water Conservation Program Fund will allow the District to consistently dedicate resources to effectively administer the program and identify other approaches to promote water conservation within the District. WCP estimated revenues are based on a conservative estimate of 45,000 students enrolled in the program. Estimated expenses associated with the WCP will be offset by \$1.59 million in estimated sponsor revenue resulting in an estimated end of year increase in the WCP fund balance of \$8,255.

The Science and Research Fund provides fundamental support to the District's regulatory plan by conducting research that enhances the understanding and effective management of the Upper Gulf Coast Aquifer System to minimize subsidence and ensure the long-term viability of all the water resources within the District. In 2015, the Board of Directors initiated two projects that addressed priorities outlined in the District Science and Research Plan. Although no new projects are included for initiation in FY 2017, it is expected that the proposed discussions of rules associated with regulatory plan exemptions during drought in FY 2017 will instigate the need for additional science and research to be determined. Disincentive fee revenue is likely to increase in FY 2017 due to the board approved increase of the rate to \$8.46 per thousand beginning January 1, 2017. Future years will be indexed to the highest city of Houston contract rate updated annually.

The proposed general fund budget includes \$3.41 million in revenue and \$3.35 million in expenses resulting in an increase in net income, before depreciation, of \$60,855. The proposed expenses include IT infrastructure improvements including a revision and upgrade to the permit tracking system. Two restricted accounts have been specified in 2017 to account for future capital replacements and maintenance as well as the regulatory plan update. An increase in the regular permit fee and associated well application fees will increase revenue in 2017.

Revenues are expected to remain relatively flat through 2020, when a proposed rate increase will be addressed by the Board. Future years will include a regulatory plan update process that will begin in 2020, extend through at least 2022, and cost about \$1.7 million.

WATER CONSERVATION PROGRAM FUND

The proposed 2017 Water Conservation Program Fund budget represents the objectives and necessary resources to accomplish the District's strategic mission to promote water conservation and conduct daily operations related to the District's Water Conservation Program.

The primary objective of the Water Conservation Program Fund is to provide for the effective administration of the Waterwise elementary student education program, the groundwater credit program, and the outdoor irrigation campaign. The Waterwise program provides education to 4th and 5th grade students, in Harris, Galveston, and Fort Bend County schools, on subjects including: water conservation, hydrology and subsidence. Sponsors are invoiced \$35.40 for each student and in return, a groundwater credit is issued to the sponsor in the amount of 84,000 gallons.

Continuing the progress made in 2016, the District will continue a new program to provide education and tools relating to the appropriate water use for outdoor irrigation. Based on information received from the Goldwater Project, the Sierra Club, and other Conservation Focused Groups, water conservation efforts focused on outdoor irrigation can have an important impact on total water use. In 2017, the District will communicate with water users about the proper use of water for landscape irrigation and provide tools, such as the watermyard online calculator. The online "Watermyard Calculator" utilizes climate data from stations (fig 1) installed in 2016 to provide real-time guidance to willing users on how much water is needed to maintain outdoor landscaping. District efforts will continue to focus on collaboration with local water authorities, municipal utility districts, and cities to develop a unified approach while leveraging resources.



Figure 1. Evapotranspiration and climate monitoring station located in Dickinson, TX

REVENUES and EXPENSES

The Water Conservation Program Fund will allow the District to consistently dedicate resources to effectively administer the program and identify other approaches to promote water conservation within the District. WCP estimated revenues are based on a conservative estimate of 45,000 students enrolled in the program. The 2016 WCP budget includes operating expenses and estimated contractual expenses related to the implementation of an effort to provide tools and information to the District regarding the appropriate amounts of water to use for

outdoor irrigation. Contractual expenses include the cost of the elementary school education program curriculum and take-home kits as well as other estimated expenses for the continuation of the outdoor irrigation education effort (table 1).

Table 1. 2017 estimated Water Conservation Fund revenue and budgetted expenses assuming 45,000 students enrolled in program.

| Budget Category | 2017 Proposed Budget |
|---|-------------------------|
| Program Sponsor Fees | \$ 1,593,000 |
| TOTAL REVENUES | \$ 1,593,000 |
| Personnel Expenses | \$ 129,295 |
| Office Expenses | \$ 1,500 |
| Info and Education | \$ 2,500 |
| Transportation Expenses | \$ 2,700 |
| Contractual Expenses - Outdoor Irrigation Educ. | \$ 200,000 |
| Contractual Expenses - Elem. School Program | \$ 1,248,750 |
| TOTAL EXPENSES | \$ 1,584,745 |
| NET INCOME | \$ 8,255 |
| ESTIMATED FUND BALANCE BOY | \$ 295,192 |
| ESTIMATED FUND BALANCE EOY | \$ 303,447 |

SCIENCE AND RESEARCH FUND

The Science and Research Fund was created in 2015 to purpose disincentive fee revenue for Science and Research needs in support of the District Regulatory Plan. The Science and Research Fund provides fundamental support to the District's Regulatory Plan by conducting research that enhances the understanding and effective management of the Upper Gulf Coast Aquifer System to minimize subsidence and ensure the long-term viability of all the water resources within the District.

Two projects addressing District science and research priorities were initiated during the 2016 fiscal year:

- Investigation of the brackish groundwater resources of the Gulf Coast aquifer and potential subsidence impact with future development – *estimated completion spring/summer 2017.*
- Evaluation of aquifer storage and recovery (ASR) projects on subsidence in the Gulf Coast aquifer – *estimated completion winter 2017.*

The Science and Research fund is entirely sourced from disincentive fee revenue which can be variable from year-to-year. Estimated disincentive fee income for the 2017 fiscal year, based in-part on the rolling 5-year average, is \$132,500.

With the issues of drought, groundwater credits, and exemptions raised by several municipal and regional water providers during the 2016 fiscal year, it is likely that an investigation into the specific impact of "exemption-type" regulatory tools on subsidence in the District will be required in 2017. The scope for this effort will likely evolve

over the course of 2017 and possibly 2018. Any determined scopes will be brought back to the board for review and approval and the Science and Research Fund budget amended.

The 2017 Science and Research Fund budget does not include costs beyond those committed through action in 2016. Assuming no additional work is initiated in 2017, the estimated balance of the general fund will be about \$1.3 million.

GENERAL FUND

The General Fund provides for the day-to-day operations of the District. The District is not a taxing authority, rather, it receives all income in the General fund through the issuance of permits based on groundwater allocation and administrative fees. This legislated funding mechanism is significantly impacted by the District's legislative mandate to reduce groundwater withdrawal. Permit fee revenue is the primary component to the overall income to the District. The District approved regulatory plan calls for a 30 percent reduction of groundwater withdrawal by 2025 in Regulatory Area 3. An important part of the District's regulatory plan is the ability to utilize a disincentive permit fee to encourage reduction of groundwater use and conversion to alternative supplies. With the rapidly changing wholesale market for water in the Houston region, it was determined that a more systematic approach to determining the disincentive permit fee was needed,

Over the course of the 2016 fiscal year, the District worked with many of the largest permittees in the District to develop a plan to increase permit fees in an incremental manner to insure the regulatory conversion did not inhibit the District's ability to effectively regulate groundwater within the District. On September 14, 2016, utilizing information compiled by the District Rules Committee and statements provided by stakeholders in public hearings, the Board of Directors increased the district regular permit fee from \$20 to \$22 per million gallons of groundwater allocation while also increasing other administrative fees of the District.

Additionally, in an effort to assure that the disincentive permit fee remained a disincentive considering the rapidly changing water market in the Houston region, the Board approved the annual indexing of the disincentive permit fee to 200% of the highest City of Houston wholesale contract rate beginning January 1, 2017, and adjusting annually thereafter. Changing to the index, increases the Disincentive Permit fee from \$7.00 to \$8.46 per thousand gallons of allocation beginning January 1, 2017.

Although an incremental progression of regular permit fee rate increases was proposed (a \$2 increase in 2017, 2020, and 2023) the Board's action in September of 2016 only authorized the regular permit fee increase in 2017. Any future change in the regular permit fee will require a public hearing and board approval.

The proposed general fund budget includes \$3.41 million in revenue (table 2) and \$3.35 million in expenses, an increase of 9.3% and a decrease of 14.5% respectively when compared to the 2016 approved budget. The resulting net income before depreciation will increase the fund balance by an amount of \$60,855. The proposed expenses include Information Technology expenses related to the development of a replacement permit tracking system.

Table 2. Estimated change in general fund balance, 2016-2017.

| | 2016 Approved Budget | 2016 Projected Year End Totals | 2017 Proposed Budget | \$ Variance 2016 Approved and 2017 Proposed | % Variance 2016 Approved and 2017 Proposed |
|--|----------------------------|--------------------------------------|----------------------------|--|--|
| Total Revenues | \$ 3,120,000 | \$ 3,093,440 | \$ 3,408,855 | \$ 288,855 | 9.3% |
| Total Expenses | \$ 3,916,021 | \$ 3,388,034 | \$ 3,348,000 | \$ (568,021) | -14.5% |
| Fund Balances (Increase/(Decrease)) | \$ (796,021) | \$ (294,595) | \$ 60,855 | \$ (856,876) | 107.6% |
| Transfer In from other fund | \$ - | \$ - | \$ - | \$ - | |
| Transfer Out to other fund | \$ - | \$ - | \$ - | \$ - | |
| General Fund - Fund Balance BOY | \$ 4,027,812 | \$ 4,027,812 | \$ 3,733,217 | \$ (294,595) | -7.3% |
| General Fund - Fund Balance EOY | \$ 3,231,791 | \$ 3,733,217 | \$ 3,794,072 | \$ 562,281 | 17.4% |

REVENUES

General fund revenues are derived primarily from the issuance of annual permit fees and application fees. The current (2016) permit fee rate is \$20.00 per million gallons of groundwater allocation. Each permittee is required to pay an application fee for new wells to be permitted or to renew a previously permitted well. Emergency application fees are applied at the permittee's request when emergency processing is required due to well failure, loss of access to water, or if a significant economic impact would occur as a result of the normal processing period which can extend to 90 days. The 2017 budgeted revenue includes a regular permit fee rate increase to \$22 per million gallons of allocation as well as increased rates to the new well application fee (\$240 per well) and the renewal well application fee (\$60 per well) (table 3).

Table 3. Proposed 2017 District fee schedule.

| Description | Units | 2016 | 2017 |
|---|----------------------|-----------|-----------|
| New Well Application Fee | per well | \$ 200.00 | \$ 240.00 |
| Emergency Well Application Fee | per well | \$ 500.00 | \$ 500.00 |
| Temporary Well Application Fee | per well | \$ 100.00 | \$ 100.00 |
| Renewal Well Application Fee | per well | \$ 50.00 | \$ 60.00 |
| Previously Permitted Well Application Fee | per well | \$ 75.00 | \$ 75.00 |
| Existing Active Well Application Fee | per well | \$ 200.00 | \$ 200.00 |
| Amendment in Allocation | per well | \$ 75.00 | \$ 75.00 |
| Groundwater Credit Rebate | per well | \$ 25.00 | \$ 25.00 |
| Permit Fee Rebate | per well | \$ 75.00 | \$ 75.00 |
| Permit Fee Rate | per million gallons | \$ 20.00 | \$ 22.00 |
| Agricultural Permit Fee Rate | per million gallons | \$ 10.00 | \$ 10.00 |
| Minimum Permit Fee | annually | \$ 20.00 | \$ 22.00 |
| Disincentive Fee | per thousand gallons | \$ 7.00 | \$ 8.46 |

Enforcement of the District Rules and Regulatory Plan generate revenue annually. Any permittee in violation of District Rules and/or the Regulatory Plan are subject to violation fees and may enter into the compromise and settlement process. From 2010-2015, the average revenue from compromise and settlement action is about \$219,000.

The District operates several inter-local agreements with nearby Districts. In place since 1989, the largest of these agreements is with the Fort Bend Subsidence District for operation and administrative services. In the 2016 fiscal year, due to changes in their rules and recent conversion requirements, additional staff were added and funded entirely by the Fort Bend Subsidence District. With the addition of the new staff, modifications to the interlocal agreement were made to re-distribute the work load between staff solely dedicated to Fort Bend and District staff, resulting in a reduction in the interlocal agreement of \$24,500. It is possible that future agreements may be reduced considerably should the Fort Bend Subsidence District determine that it is in their best interest to operate their District without the aid of HGSD staff. Other inter-local agreements for the 2017 fiscal year include Brazosport Water Authority, for the operation and maintenance of subsidence monitoring equipment and technical assistance.

Table 4. Estimated general fund revenue by budget category, 2016 -2017.

| Budget Category | 2016 Approved Budget | 2016 Projected Year End Totals | 2017 Proposed Budget | \$ Variance 2016 Approved and 2017 Proposed Budget | % Variance 2016 Approved and 2017 Proposed Budget |
|---------------------------|-------------------------------------|---|-------------------------------------|---|--|
| Permit Fees | \$ 2,139,000 | \$ 2,146,084 | \$ 2,372,000 | \$ 233,000 | 10.86% |
| Permit Fee Refunds | - | (39,294) | (27,645) | (27,645) | 70.36% |
| Application Fees | 375,000 | 385,000 | 462,000 | 87,000 | 22.60% |
| Interest | 2,000 | 2,150 | 2,000 | - | 0.00% |
| Compromise and Settlement | 175,000 | 175,000 | 175,000 | - | 0.00% |
| FBSD Income | 408,000 | 382,500 | 383,500 | (24,500) | -6.41% |
| Legal Recovery Fees | 20,000 | 30,000 | 30,000 | 10,000 | 33.33% |
| Other Misc. Income | 1,000 | 12,000 | 12,000 | 11,000 | 91.67% |
| TOTAL REVENUES | \$ 3,120,000 | \$ 3,093,440 | \$ 3,408,855 | \$ 288,855 | 9.34% |

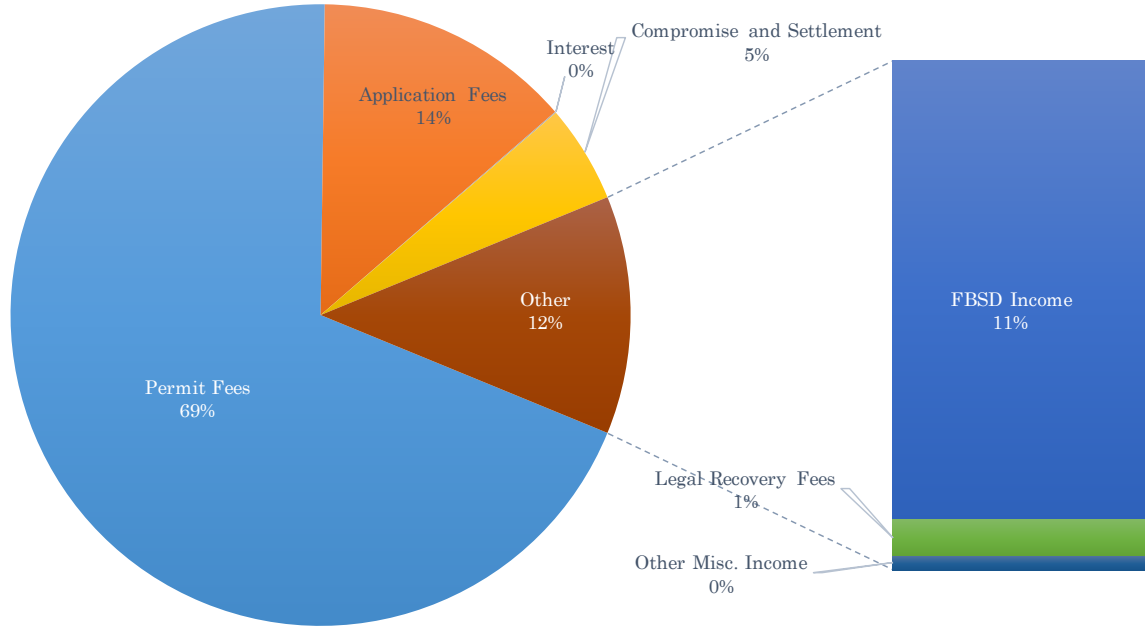


Figure 2. Proposed distribution of income sources by major category, 2017.

EXPENSES

The proposed 2017 general fund budget represents the necessary recommendation to support the District's strategic objectives and conduct daily operations. The purpose of the General Fund is to support the day to day operational needs of the District. Proposed General Fund operating expenses for 2017 total about \$3.35 million, representing a 14.5% decrease from the 2016 approved budget. In 2017, about 52% of General Fund expenses are associated with employee salaries and benefits. Another 30% is proposed to be budgeted for professional and technical contractual services. The remaining categories, which include the Board of Directors, office supplies, building operation, transportation, and capital expenses comprise the remaining 18%.

Table 5. Estimated general fund expenses by budget category, 2016-2017.

| Budget Category | 2016 Approved Budget | 2016 Projected Year End Totals | 2017 Proposed Budget | \$ Variance 2016 Approved and 2017 Proposed Budget | % Variance 2016 Approved and 2017 Proposed Budget |
|-------------------------|-------------------------------------|---|-------------------------------------|---|--|
| Personnel Expenses | \$ 1,832,955 | \$ 1,655,298 | \$ 1,744,970 | \$ (87,985) | -4.80% |
| Board Expenses | 132,950 | 118,373 | 123,000 | (9,950) | -7.48% |
| Office Expenses | 258,930 | 231,099 | 257,000 | (1,930) | -0.75% |
| Info and Education | 42,600 | 21,500 | 41,000 | (1,600) | -3.76% |
| Building Operations | 100,775 | 102,719 | 102,000 | 1,225 | 1.22% |
| Transportation Expenses | 41,500 | 32,192 | 42,000 | 500 | 1.20% |
| Contractual Services | 1,019,869 | 790,320 | 1,013,000 | (6,869) | -0.67% |
| Capital Outlay | 486,442 | 436,533 | 25,000 | (461,442) | -94.86% |
| TOTAL EXPENSES | \$ 3,916,021 | \$ 3,388,034 | \$ 3,347,970 | \$ (568,051) | -14.51% |

The reduction in the 2017 budgeted expenses is a result of the completion of the construction and renovation project begun in 2016. Generally, most budget categories are estimated to be less than the approved budget in 2016. Highlighted budgeted increases in non-labor accounts from the approved 2015 budget for the 2016 fiscal year include (see *appendix 2*):

- The primary consideration for the General Fund in 2017 is the initiation of the permit tracking system software redevelopment. The current system has exceeded its operational lifespan and a replacement is needed. Funds were included in the 2016 approved budget but not utilized, as the amount of time needed for the development of the scope of the new system was expanded. Estimated cost for the first year of the two-year upgrade is about \$300k in contractual services.

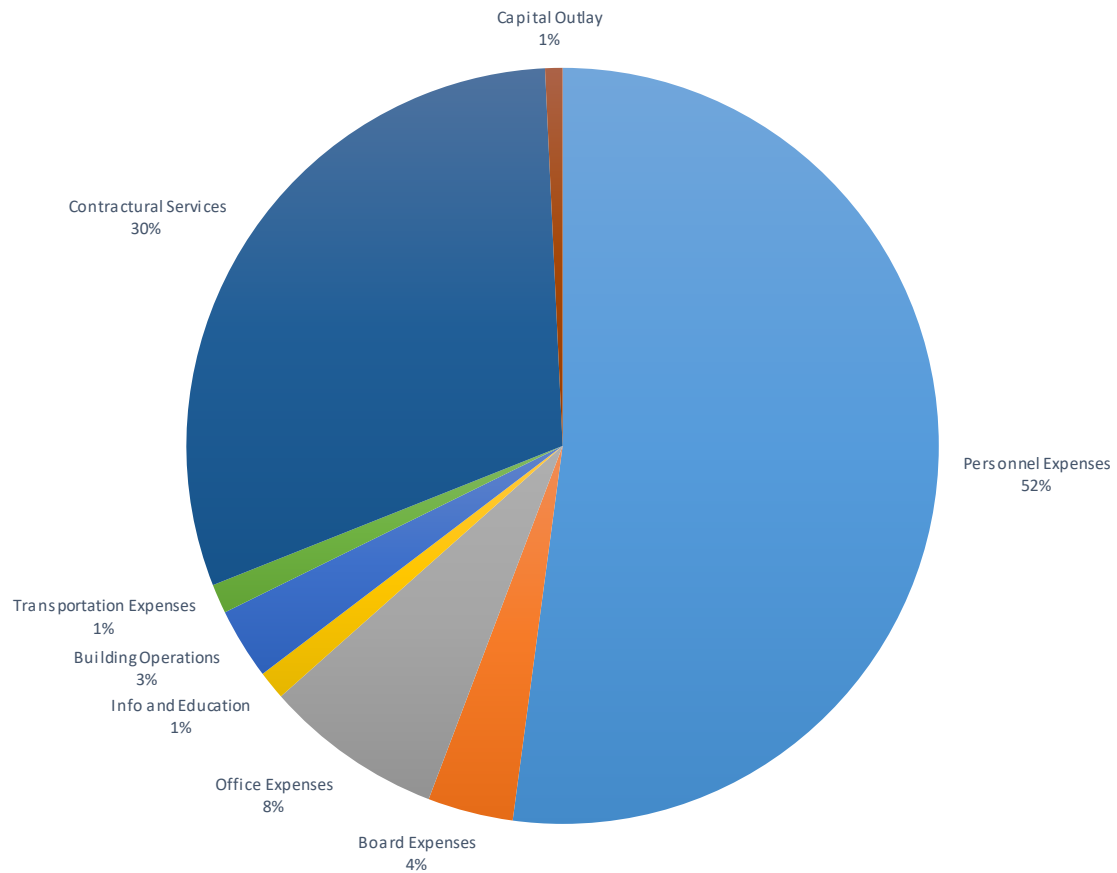


Figure 3. Proposed distribution of expense sources by major category, 2017.

GENERAL FUND FIVE-YEAR PROJECTION

The proposed 2017 budget assumes an initial operating reserve of about \$3.73 million. Two restricted accounts will be established in 2017 to characterize known large future capital and regulatory projects: capital assets and improvements, and regulatory planning. The Capital Assets and Improvements account will be utilized to replace fleet vehicles and replace or repair mechanical assets at the District main office. The regulatory planning account identifies the estimated cost of the next regulatory plan update which will begin in 2020. In 2017, the accounts have been estimated based on historical costs, resulting in an unrestricted reserve balance of about \$1.91 million (table 6).

Table 6. Distribution of Restricted and Unrestricted General Funds, 2015-2017.

| | Actual Fund Balance at end of fiscal year 2015 | Projected Fund Balance at end of fiscal year 2016 | Estimated 2017 end of year fund balance based on proposed 2017 fiscal year budget |
|--|---|--|---|
| General Fund Balance | \$ 4,027,812 | \$ 3,733,217 | \$ 3,794,072 |
| Restricted for Capital Assets and Improvements | \$ - | \$ - | \$ 185,000 |
| Restricted for Regulatory Planning | \$ - | \$ - | \$ 1,700,000 |
| Unrestricted Reserve | \$ 4,027,812 | \$ 3,733,217 | \$ 1,909,072 |

The General Fund operating reserve will fluctuate with each annual budget based on the needs of the District. Where there is excess, those funds can be carried over into the next fiscal year to maintain stability in District fees. In 2015 and 2016, the District has taken steps to address building, IT infrastructure, and vehicle needs utilizing operating reserves to accomplish those tasks. Revenues are expected to increase in 2017 due to the regular permit fee and administrative fee increases. The 5-year projection shown in table 7, accounts for the permit fee increase in 2017 as well as the proposed permit fee increase in 2020 (\$26 per million gallons of allocation) to continue the incremental rise in the permit fee to offset the pending conversion of Regulatory Area 3 in 2025 which will result in an estimated 30% reduction in annual revenue.

Future years will include a regulatory plan update process that will begin in 2020 (represented by the increase in contractual services in 2020 and 2021 in table 7), extend through at least 2022 with a cost of about \$1.7 million. With the specification of the restricted accounts, the large capital and regulatory efforts will deplete the restricted accounts while the unrestricted reserve balance will maintain and increase through 2021.

Table 7. Estimated General Fund Revenue and Expenses by Category 2017-2021.

[BOY-Beginning of Fiscal Year; EOY-End of Fiscal Year]

| Budget Category | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Permit Fees | \$ 2,344,355 | \$ 2,353,858 | \$ 2,364,310 | \$ 2,590,704 | \$ 2,602,215 |
| Application Fees | \$ 462,000 | \$ 462,000 | \$ 462,000 | \$ 462,000 | \$ 462,000 |
| Interest | \$ 2,000 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 |
| Compromise and Settlement | \$ 175,000 | \$ 175,000 | \$ 175,000 | \$ 175,000 | \$ 175,000 |
| FBSD Income | \$ 383,500 | \$ 393,013 | \$ 402,771 | \$ 412,781 | \$ 423,051 |
| Legal Recovery Fees | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ 30,000 |
| Other Misc. Income | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ 12,000 |
| TOTAL REVENUE | \$ 3,408,855 | \$ 3,427,371 | \$ 3,447,581 | \$ 3,683,985 | \$ 3,705,766 |
| Personnel Expenses | \$ 1,744,970 | \$ 1,779,869 | \$ 1,815,467 | \$ 1,851,776 | \$ 1,888,812 |
| Board Expenses | \$ 123,000 | \$ 123,000 | \$ 123,000 | \$ 123,000 | \$ 123,000 |
| Office Expenses | \$ 257,000 | \$ 262,140 | \$ 267,383 | \$ 272,730 | \$ 278,185 |
| Info and Education | \$ 41,000 | \$ 41,000 | \$ 41,820 | \$ 42,656 | \$ 43,510 |
| Building Operations | \$ 102,000 | \$ 103,020 | \$ 104,050 | \$ 105,091 | \$ 106,142 |
| Transportation Expenses | \$ 42,000 | \$ 42,840 | \$ 43,697 | \$ 44,571 | \$ 45,462 |
| Contractual Services | \$ 1,013,000 | \$ 1,013,000 | \$ 873,130 | \$ 1,281,861 | \$ 1,490,593 |
| Capital Outlay | \$ 25,000 | \$ 25,000 | \$ 50,000 | \$ 75,000 | \$ 75,000 |
| TOTAL EXPENSES | \$ 3,347,970 | \$ 3,389,869 | \$ 3,318,547 | \$ 3,796,686 | \$ 4,050,703 |
| NET INCOME | \$ 60,885 | \$ 37,502 | \$ 129,034 | \$ (112,701) | \$ (344,937) |
| General Fund Balance at BOY | \$ 3,733,217 | \$ 3,794,102 | \$ 3,831,603 | \$ 3,960,638 | \$ 3,847,937 |
| Restricted Account: Capital Assests and Improvements | \$ 185,000 | \$ 185,000 | \$ 160,000 | \$ 110,000 | \$ 60,000 |
| Restricted Account: Regulatory Plan Update | \$ 1,700,000 | \$ 1,700,000 | \$ 1,700,000 | \$ 1,300,000 | \$ 700,000 |
| Unrestricted Gen. Fund Balance at EOY | \$ 1,909,102 | \$ 1,946,603 | \$ 2,100,638 | \$ 2,437,937 | \$ 2,743,000 |
| General Fund Balance at EOY | \$ 3,794,102 | \$ 3,831,603 | \$ 3,960,638 | \$ 3,847,937 | \$ 3,503,000 |

COMBINED FUNDS 2017 BUDGET

Table 8. Proposed 2017 General, Water Conservation, and Science and Research Fund Budgets.

| | General Fund | Water Conservation Fund | Science and Research Fund |
|---|-------------------------|--|--|
| Revenues | | | |
| Permit Fees, net | \$ 2,344,355 | \$ - | \$ - |
| Disincentive Fees, net | - | - | 120,000 |
| Application Fees, net | 462,000 | - | - |
| C&S Fees | 175,000 | - | - |
| C&S Disincentive Fees | - | - | 12,500 |
| Interlocal Agreement | 383,500 | - | - |
| Water Conservation Program | - | 1,593,000 | - |
| Interest | 2,000 | - | - |
| Legal Recovery Fees | 30,000 | - | - |
| Other Misc. Income | 12,000 | - | - |
| Total Revenues | \$ 3,408,855 | \$ 1,593,000 | \$ 132,500 |
| Expenses | | | |
| Personnel | \$ 1,745,000 | \$ 129,295 | \$ - |
| Board of Directors | 123,000 | - | - |
| Office Supplies | 257,000 | 1,500 | - |
| Information and Education | 41,000 | 2,500 | - |
| Building Operations | 102,000 | - | - |
| Transportation | 42,000 | 2,700 | - |
| Contractual Services | 1,013,000 | 200,000 | - |
| Contractual Services - Elem. School Prg. | - | 1,248,750 | - |
| Capital Outlay | 25,000 | - | - |
| Total Expenses | \$ 3,348,000 | \$ 1,584,745 | \$ - |
| Revenues Over (Under) Expenditures | \$ 60,855 | \$ 8,255 | \$ 132,500 |
| Transfer OUT to other fund | - | - | - |
| Transfer IN from other fund | - | - | - |
| Fund Balances - BOY | \$ 3,733,217 | \$ 295,192 | \$ 1,188,028 |
| Fund Balances - EOY | \$ 3,794,072 | \$ 303,447 | \$ 1,320,528 |

APPENDIX

Appendix I. Detailed personnel expenses estimated in the District's 2016 approved Budget and as proposed within the 2017 General Fund budget.

| Object Class No. | Description | Approved 2016 Budget | Proposed 2017 Budget | Variance |
|---------------------|--|-------------------------|-------------------------|-------------|
| 511 | Employee Salary and Allowances | \$ 1,315,491 | \$ 1,218,470 | \$ (97,021) |
| 512 | Group Health Insurance - District Contribution | \$ 240,778 | \$ 256,370 | \$ 15,592 |
| 513 | Employee Retirement | \$ 191,576 | \$ 182,780 | \$ (8,796) |
| 514 | Group Life Insurance | \$ 9,005 | \$ 8,080 | \$ (925) |
| 515 | Disability Insurance | \$ 6,131 | \$ 5,850 | \$ (281) |
| 516 | Medicare - Employer | \$ 18,519 | \$ 17,670 | \$ (849) |
| 517 | Workers Compensation | \$ 9,433 | \$ 8,110 | \$ (1,323) |
| 518 | Retirement Health Savings | \$ 42,022 | \$ 47,640 | \$ 5,618 |

NOTE: Employee Salary and Allowances includes estimated 2016 performance based salary adjustments and awards.

Appendix 2. Detailed non-salary expenses by account estimated in the District's approved 2016 Budget and the proposed 2017 General Fund budget.

| Account | Description | Approved | Proposed | Variance |
|---------|--------------------------------------|-------------|-------------|--------------|
| | | 2016 Budget | 2017 Budget | |
| 521 | Member Per Diem | \$ 55,000 | \$ 57,850 | \$ 2,850 |
| 522 | Member Travel Expense | \$ 17,500 | \$ 17,500 | \$ - |
| 523 | Officer and Director Liability | \$ 8,500 | \$ 8,000 | \$ (500) |
| 524 | Member Retirement | \$ 8,200 | \$ 8,700 | \$ 500 |
| 525 | Medicare - Board Members | \$ 750 | \$ 750 | \$ - |
| 529 | Other Board Expenditures | \$ 43,000 | \$ 30,000 | \$ (13,000) |
| 531 | Office Supplies | \$ 18,000 | \$ 14,000 | \$ (4,000) |
| 532 | Mail and Postage | \$ 25,000 | \$ 25,000 | \$ - |
| 533 | IT Equipment (non-cap) | \$ 18,000 | \$ 18,000 | \$ - |
| 534 | IT Software | \$ 38,430 | \$ 38,430 | \$ - |
| 535 | Telephone | \$ 49,000 | \$ 49,000 | \$ - |
| 536 | Legal Notice | \$ 77,000 | \$ 77,000 | \$ - |
| 537 | Surety Bonds | \$ 500 | \$ 500 | \$ - |
| 538 | Rental of Equipment | \$ 24,000 | \$ 25,500 | \$ 1,500 |
| 539 | Miscellaneous Supplies and Equipment | \$ 9,000 | \$ 9,000 | \$ - |
| 541 | Membership Dues and Subscriptions | \$ 8,500 | \$ 8,500 | \$ - |
| 542 | Conferences and meetings | \$ 15,500 | \$ 13,000 | \$ (2,500) |
| 543 | Employee Travel Expense | \$ 15,000 | \$ 15,000 | \$ - |
| 547 | Employee Training | \$ 3,600 | \$ 3,600 | \$ - |
| 551 | Utilities | \$ 35,000 | \$ 35,000 | \$ - |
| 552 | Insurance | \$ 10,000 | \$ 10,000 | \$ - |
| 553 | Janitorial Services | \$ 11,700 | \$ 12,000 | \$ 300 |
| 554 | Building Maintenance | \$ 36,485 | \$ 36,915 | \$ 430 |
| 555 | Grounds Maintenance | \$ 7,590 | \$ 7,400 | \$ (190) |
| 561 | Operating Supplies | \$ 12,000 | \$ 12,000 | \$ - |
| 562 | Maintenance of Vehicles | \$ 7,500 | \$ 7,500 | \$ - |
| 563 | Tolls, Parking | \$ 4,000 | \$ 5,200 | \$ 1,200 |
| 564 | Insurance of Vehicles | \$ 6,000 | \$ 7,200 | \$ 1,200 |
| 565 | Mileage Allowance | \$ 12,000 | \$ 10,000 | \$ (2,000) |
| 571 | Audit Expense | \$ 20,000 | \$ 20,000 | \$ - |
| 572 | USGS Cooperative Agreement | \$ 315,000 | \$ 276,200 | \$ (38,800) |
| 573 | Legal Expense | \$ 169,500 | \$ 177,000 | \$ 7,500 |
| 574 | Consulting Expense | \$ 358,000 | \$ 423,000 | \$ 65,000 |
| 575 | Management Services | \$ 53,300 | \$ 50,000 | \$ (3,300) |
| 576 | Hearing Examiner | \$ 21,400 | \$ 21,400 | \$ - |
| 577 | GPS Systems/Releveling | \$ 30,000 | \$ 40,000 | \$ 10,000 |
| 578 | NGS - Geodetic Advisor | \$ - | \$ - | \$ - |
| 579 | IT Systems Development | \$ 52,689 | \$ 5,000 | \$ (47,689) |
| 591 | Office Equipment (Cap) | \$ - | \$ - | \$ - |
| 592 | IT Equipment (Cap) | \$ 100,000 | \$ 25,000 | \$ (75,000) |
| 593 | Motor Vehicles (Cap) | \$ 50,000 | \$ - | \$ (50,000) |
| 594 | GPS Equipment (Cap) | \$ - | \$ - | \$ - |
| 596 | Building Improvements | \$ 336,442 | \$ - | \$ (336,442) |