

\$227,500), primarily in anticipation of the I-Bank loan. Some routine maintenance will be deferred so the crew can work on the loan-funded facilities. The contra account, by which some personnel expenditures were transferred from operations and maintenance to capital, has been eliminated. Professional services expense will decline with the completion of the Grand Jury investigation. Mr. Williamson went on to summarize insurance, personnel, employee benefits, office, utilities, depreciation and other expenses. The total expense budget is proposed at \$3,805,575. It was \$3,280,900 in 2009-2010. The total adjusted income and expenses for the FYE 2011 balance at \$3,189,084.

Ms. Larson asked whether the revenue budget reflects a decrease in revenue from Montesoro and Borrego Ranch. Mr. Williamson replied that we assumed that the Montesoro accounts will be kept current, as they have been to date. Only the tax payments are in default. The investors have a contingency plan to continue operating the golf course, even if the bonds are not purchased. Lyle Brecht recommended that the assumptions be written down so adjustments can be made if there are significant changes. Mr. Williamson explained the rate stabilization fund, which would make up for loss of a significant source of revenue. The I-Bank has suggested \$100,000.

Mr. Williamson went on to summarize the capital budget, noting that the District has undertaken a substantial amount of work since his arrival in 2008. A summary was distributed, covering the period 2007 through March 31, 2010. Capital expenditures included purchase of water credits, purchase of Well 12, ID 4/5 intertie, conservation program, Clark Lake project, Water Resource Management Plan, southeast pipeline preliminary work, the Integrated Regional Water Resources Management Program (IRWMP), water line replacements, well repairs, preliminary work on storage tanks and sewage lift station, sewer plant upgrades, rolling stock/equipment, emergency generators, property acquisition, well house replacement, administrative support and the USGS/DWR/BWD groundwater study. The total expenditure was \$4,147,162.

Mr. Williamson distributed a summary of groundwater management scenarios from the last Committee meeting, noting our mission is to achieve a sustainable water supply for the community. He outlined existing accomplishments, ongoing activities, mezzanine/bridge projects and long-term objectives. Discussion followed regarding the potential importation from Clark Lake. Director Mendenhall noted the costs involved, studies required and environmental concerns.

The IRWMP was discussed as a State mechanism for distributing funds under Proposition 84. Our area has been approved by the DWR, and funding could potentially cover the Clark Lake project, southeast pipeline and recharge basins. BWD is the lead agency, and an approved plan and outline of capital needs are required.

Lyle Brecht recommended preparation of documentation from a business plan perspective, including deliverables and time lines, to facilitate public understanding. Mr. Williamson pointed out that the project proposals being brought forth through the budget were consistent with the provisions of the Groundwater Management Plan adopted by the District. Furthermore, Mr. Williamson went on to explain that because of financing uncertainties it was premature to establish firm deliverable dates.

Mr. Jordan offered to work with Mr. Williamson on an overview matrix of District activities and cash flow. Mr. Williamson stated that he felt the matrix would be a good reporting mechanism with the start of the new budget year. Mr. Williamson noted that the current Board was sensitive to ratepayers needs and worked towards solutions

that best fit the community's needs and the goals of the District relative to accomplishing its' responsibilities, and cited the tiered rate adoption process as an example of cooperation between the District and the community, when a compromise was reached after public input and compromise.

President King declared a recess at 11:20 a.m., and the Board reconvened at 11:25 a.m.

Director Mendenhall asked how the District would repay the I-Bank loan. Mr. Williamson explained that the terms would be available after next week's I-Bank Board meeting. I-Bank staff recommends approval. He predicted it would be repaid through depreciation and assessment (estimated at \$10 to \$12 per acre per year, including vacant land). Ms. Larson expressed concern. Mr. Williamson predicted the Proposition 218 process would start in January or February, and public input will be sought. He noted that the BWD Board will have an opportunity to accept, reject or renegotiate the terms offered by I-Bank. Marshal Brecht suggested the money might be better spent on the Clark Lake project. Mr. Williamson explained that the infrastructure needs of the existing District facilities needed to be addressed first due to deferred maintenance and replacement in the past due to accrual of those funds contributing to the District's fund reserve, and that the staff and Board, through numerous committee and Board meetings, had mapped a path to accomplish existing infrastructure repairs and replacement/upgrades with the I-Bank financing, and to utilize USDA grants and low interest loans for the "mezzanine" water supply projects of transporting water from adjacent aquifers to the District to decrease the District's dependence on the groundwater supply in the Borrego Basin given the overdraft issue, while simultaneously taking steps to reduce the local overdraft of the aquifer through an active fallowing incentive program through the implementation of the Water Credit and Mitigation Policy adopted by the Board of Directors last Fall. The funding for the long-term sustainability of the aquifer through groundwater replenishment/water banking would be primarily funded through government grants and by those entities that would utilize the aquifer for water storage.

Mr. Williamson concluded by reporting the total proposed capital budget, \$986,000, funded by the STAG grant and I-Bank loan

III. CLOSING PROCEDURE

A. Adjournment: There being no further business, the meeting adjourned at 12:20 p.m. The next regular meeting of the Board of Directors is scheduled for May 26, 2010 at the Borrego Water District.