

# **BORREGO WATER DISTRICT**

## **FISCAL YEAR 2011-2012 ANNUAL BUDGET**

SUBMITTED BY:

**JERRY ROLWING**  
GENERAL MANAGER & OPERATIONS MANAGER

TO:

**BOARD OF DIRECTORS**

**BETH HART**  
PRESIDENT

**LYLE BRECHT**  
VICE-PRESIDENT

**MARSHAL BRECHT**  
SECRETARY & TREASURER

**LEE ESTEP**  
DIRECTOR

**ELEANOR SHIMEALL**  
DIRECTOR

MAY 25, 2011

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# BORREGO WATER DISTRICT

May 25, 2011

Board of Directors:

This Fiscal Year 2011-2012 budget was prepared in compliance with the laws of the State of California and reflects the Board of Directors' (Board) priorities and The District's strategic plans by which to achieve these priorities.

The proposed budget represents a "bare-bones" budget to accomplish the District's mission and goals during these tough economic times. The Board's goals and priorities are fully reflected in this budget and it will be used as policy guidelines to address the dynamics of the District's water supply from the severely overdrafted groundwater basin and the economic challenges of the District's present finances.

The proposed budget shows water and sewer revenues estimated to be \$2,117,990. The proposed rate increase will potentially bring this total up by 30% to \$2,753,387. This rate increase is needed to replenish the District reserve fund in order to adequately address any future emergency repairs and restore the District's credit worthiness.

Both the revenue and expense budgets have excluded the Montesorro Golf Course due to the uncertainty of the timing of the Montesorro foreclosure and possible sale to a new investor. In addition, the revenue and expense budgets have been excluded for the Club Circle Golf Course which has been operating at a \$40,000 to \$60,000 annual deficit.

Included in this budget package are the proposed Board Resolution to adopt and approve the budget, the detailed revenue and expense budgets, the capital improvement budget with associated justification from the District's consulting engineer, a brief outline of the proposed groundwater management program, the cash reserve policy and the detailed charts of the proposed rate increase.

Thank you.

Sincerely,

Jerry Rolwing  
General Manager and Operations Manager





**BWD  
O & M BUDGET  
2011-2012  
Board Adopted 05/03/11**

	<b><u>TOTAL ALL FUNDS</u></b>
<b><u>REVENUE</u></b>	
Water Sales	1,608,312
GWM Surcharge	94,000
1% Property Assessments/641502	69,080
Water Availability Standby-Admin-6415-01	180,385
Sewer Revenue	415,678
Interest Income	1,550
Stag Grant	125,000
Other Income	24,215
<b>TOTAL INCOME BUDGET:</b>	<b><u>2,518,221</u></b>
<b><u>EXPENSE</u></b>	
Repairs & Maintenance	189,500
Professional Services	185,000
Insurance	122,774
Personnel Expense	863,848
Employee Benefits	410,733
Office expense	88,991
Utilities	330,000
Interest Expense-COP 2008	124,875
Well 12 agreement	70,000
Groundwater Management	5,000
All Other	127,500
<b>TOTAL EXPENSE BUDGET:</b>	<b><u>2,518,221</u></b>
<b>NET INCOME (EXPENSE):</b>	<b><u>-</u></b>

**2011-2012**  
**Board Adopted 05/03/11**

	<u>TOTAL ALL FUNDS</u>	<u>(ID 1/3 &amp; 5) WATER</u>	<u>ID4-WATER</u>	<u>(ID 2) TCS</u>	<u>(01/05) SEWER</u>	<u>Total</u>
<b>REVENUE</b>						
Water Sales	1,608,313	814,531	793,782			1,608,313
GWM Surcharge	94,000	51,700	42,300			94,000
1% Property Assessments/641502	69,080	27,632	27,632	6,909	6,908	69,081
Water Availability Standby-Admin-6415-01	180,385	72,154	72,154	18,039	18,039	180,385
Sewer Revenue	415,678			166,271	249,407	415,678
Interest Income	1,550	620	620	155	155	1,550
Stag Grant	125,000	62,500	62,500			125,000
Other Income	24,215	9,686	9,686	2,422	2,422	24,215
<b>TOTAL INCOME BUDGET:</b>	<b>2,518,221</b>	<b>1,038,823</b>	<b>1,008,674</b>	<b>193,795</b>	<b>276,930</b>	<b>2,518,221</b>
<b>EXPENSE</b>						
Repairs & Maintenance	189,500	75,800	75,800	18,950	18,950	189,500
Professional Services	185,000	74,000	74,000	18,500	18,500	185,000
Insurance	122,774	49,110	49,110	12,277	12,277	122,774
Personnel Expense	863,848	385,024	300,000	47,845	130,980	863,849
Employee Benefits	410,733	164,293	164,293	41,073	41,073	410,733
Office expense	88,991	35,596	35,596	8,899	8,899	88,991
Utilities	330,000	132,000	132,000	33,000	33,000	330,000
Interest Expense-COP 2008	124,875		124,875			124,875
Well 12 agreement	70,000	70,000				70,000
Groundwater Management	5,000	2,000	2,000	500	500	5,000
All Other	127,500	51,000	51,000	12,750	12,750	127,500
<b>TOTAL EXPENSE BUDGET:</b>	<b>2,518,221</b>	<b>1,038,823</b>	<b>1,008,674</b>	<b>193,795</b>	<b>276,930</b>	<b>2,518,221</b>
<b>NET INCOME (EXPENSE):</b>	<b>-</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>-</b>	<b>-</b>

INCOME BUDGET WORKSHEET-FYE 2012  
DRAFT-05/03/11

Account #	Description	Ending Balance FYE 2010	Current Budget FYE 2011	Actual Income 3/31/2011	Projected Income April-June	End of Year Projection	% Budget	Proposed Budget FYE 2012
<b>WATER REVENUE</b>								
xx4110	Residential Water Sales	905,652	855,000	513,052	209,440	713,492	83.45%	424,312
xx4115	Commercial Water Sales	100,392	108,500	73,590	23,678	97,268	89.65%	98,000
xx4120	Irrigation Water Sales	131,831	140,000	68,265	29,998	98,263	70.19%	99,000
xx4125	GWM Surcharge	106,145	108,000	69,302	25,051	94,353	87.36%	94,000
xx4130	Water Sales Power Portion	315,145	321,000	204,138	74,344	278,482	86.75%	277,000
xx4140	Readiness Charges Water	632,882	640,000	478,117	158,681	636,798	99.50%	635,000
xx4155	Meter Installation	24,610	30,000	48,872	-	48,872	162.91%	40,000
xx4162	Reconnect Fees	5,467	6,000	6,800	340	7,140	119.00%	6,500
xx4163/4165	Backflow Testing/Backflow Installation	3,119	6,000	3,397	-	3,397	56.61%	3,300
xx4170	Water Bulk/plmp	1,397	1,500	1,177	300	1,477	98.43%	1,200
xx4180	Penalty&Interest Water Collection	21,670	25,000	18,892	6,000	24,892	99.57%	24,000
	<b>Total Water Revenue</b>	<b>2,248,310</b>	<b>2,241,000</b>	<b>1,485,602</b>	<b>518,832</b>	<b>2,004,434</b>	<b>89.44%</b>	<b>1,702,312</b>

**AVAILABILITY CHARGES**

xx4200	641500-1% Property Assessments		36,000	41,077	-	41,077	114.10%	69,080
xx4210	641502 SA 1 water/sewer/flood control assessment	85,347	158,000	17,895	-	17,895	11.33%	45,000
01-4220	641501 Water Availability Standby-Admin	164,522	87,000	58,013	-	58,013	66.68%	82,673
03-4220	641504 SA 3 Water Stand-by Fee	34,700	30,000	9,954	-	9,954	33.18%	33,760
07-4230	641503 Pest control standby charge	78,306	18,000	9,740	-	9,740	54.11%	17,953
xx4280	Penalty & Interest-Availability Charges	747	2,000	1,000	-	1,000	50.00%	1,000
	<b>Total Availability Charges</b>	<b>363,621</b>	<b>331,000</b>	<b>137,679</b>	<b>-</b>	<b>137,679</b>	<b>41.59%</b>	<b>249,465</b>

**SEWER SERVICE CHARGES**

xx4310	TCS Holders Fees	180,839	180,000	135,163	45,036	180,199	100.11%	180,140
06-4320	TCS Users Fees	30,720	30,000	25,410	9,000	34,410	114.70%	36,000
10-4320	SA 5 Sewer Fees	131,807	131,000	97,891	33,000	130,891	99.92%	131,000
xx4325	SA 1 Sewer Fees	54,480	54,000	40,881	13,563	54,444	100.82%	54,400
xx4330	Penalty & Interest - sewer	-	-	1,414	300	1,714	0.00%	1,800
xx4340	Sewer Hook-UP Fees	-	1,000	-	-	-	0.00%	-
xx4360	Inspection fees	200	500	2,138	-	2,138	61.10%	200
xx4370	Sewer Capacity Fees	2,851	3,500	302,898	100,899	403,797	100.95%	12,138
	<b>Total Sewer Service Charges</b>	<b>400,898</b>	<b>400,000</b>	<b>302,898</b>	<b>100,899</b>	<b>403,797</b>	<b>100.95%</b>	<b>415,678</b>

INCOME BUDGET WORKSHEET-FYE 2012  
DRAFT-05/03/11

Account #	Description	Ending Balance FYE 2010	Current Budget FYE 2011	Actual Income 3/31/2011	Projected Income April-June	End of Year Projection	% Budget	Proposed Budget FYE 2012
<b>PARK/GOLF INCOME</b>								
15-4605	CSD fees-Trash & Golf		92,406	72,680	24,227	96,907	104.87%	-
4610-4613	Golf receipts	25,554	27,594	16,370	5,448	21,818	79.07%	-
	<b>Total Park/Golf income</b>	<b>25,554</b>	<b>120,000</b>	<b>89,050</b>	<b>29,675</b>	<b>118,725</b>	<b>98.94%</b>	<b>-</b>

**OTHER INCOME**

xx4600	Rent Income San Diego County	7,584	7,584	5,710	1,929	7,639	100.72%	7,715
xx4602	Annexation Fees	-	-	500	-	500	0.00%	-
xx4603	Plan Review Fee/Will Serve Commitments	6,046	12,000	-	-	-	0.00%	-
xx4790	Miscellaneous Income	16,282	15,000	8,113	-	8,113	54.09%	5,000
xx4730	Fire Hydrant Installation	-	-	-	-	-	0.00%	5,000
XX4791	Water Credits Administration Fee Income	6,050	50,000	3,500	-	3,500	7.00%	5,000
XX4991	Gain on Asset Sold	1,500	2,000	-	-	-	0.00%	1,500
	Slag Grant					125,000		125,000
	<b>Total Other Income</b>	<b>37,462</b>	<b>86,584</b>	<b>17,823</b>	<b>126,929</b>	<b>19,751</b>	<b>22.81%</b>	<b>149,215</b>

**INTEREST INCOME**

xx4890	Interest Income LAIF	31	500	50	150	200	40.08%	50
xx4898	Interest Income Other	6,155	10,000	2,288	174	2,462	24.62%	1,500
	<b>Total Interest Income</b>	<b>6,186</b>	<b>10,500</b>	<b>2,339</b>	<b>324</b>	<b>2,663</b>	<b>25.36%</b>	<b>1,550</b>
	<b>Total Budgeted vs Actual Income</b>	<b>3,082,030</b>	<b>3,189,084</b>	<b>2,035,391</b>	<b>776,658</b>	<b>2,687,049</b>	<b>84.26%</b>	<b>2,518,221</b>

EXPENSE BUDGET WORKSHEET-FYE 2012  
DRAFT-05/03/11

ACCT #	General Ledger Account Name	Ending Balance FYE 2010	Current Budget FYE 2011	Actual Expense 3/31/2011	Projected Expense April-June	end of year projection	% Budget	Proposed Budget FYE 2012
<b>MAINTENANCE EXPENSE</b>								
xx5600	R & M Buildings & Equipment	240,970	127,500	82,184	26,070	108,254	84.91%	\$ 110,000.00
xx5601	R & M Sewer	37,997	35,000	16,284	9,000	25,284	72.24%	\$ 35,000.00
xx5602	R & M Other				230	230		
xx5840	Telemetry Services	14,460	20,000	13,472	8,000	21,472	107.36%	\$ 20,000.00
xx5890	Trash Removal	36,423	30,000	25,520	8,317	33,837	112.79%	\$ 7,500.00
xx5896	Vehicle Expense	14,993	15,000	16,099	500	16,599	110.66%	\$ 17,000.00
	<b>Total Maintenance Expense:</b>	<b>344,843</b>	<b>227,500</b>	<b>153,560</b>	<b>52,117</b>	<b>205,677</b>	<b>90.41%</b>	<b>\$ 189,500.00</b>

**PROFESSIONAL SERVICES EXPENSE**

xx5100	Accounting	27,234	5,000	16,317	1,000	17,317	346.35%	\$ 8,000.00
xx5120	Administrative Services	3,720	4,000	2,926	900	3,826	85.64%	\$ 4,000.00
xx5160	Audit Fees	35,971	35,000	25,400	-	25,400	72.57%	\$ 26,000.00
xx5200	Computer Billing	29,871	33,000	16,610	3,750	20,360	62.30%	\$ 12,000.00
xx5260	Consulting/Technical	-	-	-	-	-	-	\$ 25,000.00
xx5440	Engineering Services	-	1,000	-	4,000	4,000	400.00%	\$ 25,000.00
xx5660/65	Legal Services	63,455	24,000	30,738	9,000	39,738	165.57%	\$ 60,000.00
xx5860/61/62	Testing/Labwork	28,249	22,000	13,648	4,500	18,148	82.49%	\$ 25,000.00
	<b>Total Professional Services Expense:</b>	<b>188,500</b>	<b>124,000</b>	<b>105,839</b>	<b>23,150</b>	<b>128,989</b>	<b>104.02%</b>	<b>\$ 185,000.00</b>

**INSURANCE EXPENSE**

xx5520	Insurance	74,650	75,000	73,263	29,053	102,316	136.42%	\$ 102,774.00
xx5521	Workmens Comp	24,046	24,000	15,842	4,844	20,687	86.20%	\$ 20,000.00
	<b>Total Insurance Expense:</b>	<b>98,696</b>	<b>99,000</b>	<b>89,105</b>	<b>33,897</b>	<b>123,003</b>	<b>124.25%</b>	<b>\$ 122,774.00</b>

EXPENSE BUDGET WORKSEET-FYE 2012  
DRAFT-05/03/11

ACCT #	General Ledger Account Name	Ending Balance FYE 2010	Current Budget FYE 2011	Actual Expense 3/31/2011	Projected Expense April-June	end of year projection	% Budget	Proposed Budget FYE 2012
<b>PERSONNEL EXPENSE</b>								
xx5190	Board Meeting Expense	49,740	41,000	50,125	1,200	51,325	125.18%	\$ 22,000.00
xx5170/5172	Auto Allowance/Mileage Reimbursement	2,452	1,800	1,331	300	1,631	90.61%	\$ -
xx5760	Salaries & Wages	1,212,698	1,104,223	850,755	228,000	1,078,755	97.69%	\$ 826,918.00
xx5761	Accrued Sick/Vacation	16,377	26,000	13,000	-	13,000	50.00%	\$ -
xx5800	Taxes on Payroll	31,510	36,000	20,890	7,500	28,390	78.86%	\$ 32,930.00
xx5768	Salaries & Wages Contra Acct	(317,051)		(62,077)	(2,400)	(64,477)	0.00%	\$ (18,000.00)
	<b>Total Personnel Expense:</b>	<b>995,726</b>	<b>1,209,023</b>	<b>874,025</b>	<b>234,600</b>	<b>1,108,625</b>	<b>91.70%</b>	<b>\$ 863,848.00</b>

**EMPLOYEE BENEFITS EXPENSE**

xx5420	Medical Insurance Benefits	507,012	282,004	183,466	57,411	240,877	85.42%	\$ 232,733.00
xx5421	Calpers Retirement Benefits		217,996	149,387	45,708	195,095	89.49%	\$ 178,000.00
	<b>Total Employee Benefits Expense:</b>	<b>507,012</b>	<b>500,000</b>	<b>332,853</b>	<b>103,119</b>	<b>435,972</b>	<b>87.19%</b>	<b>\$ 410,733.00</b>

**OFFICE EXPENSE**

xx5450	Equipment Rental/Maintenance agreements	23,181	24,000	13,668	3,600	17,268	71.95%	\$ 18,000.00
xx5662	Office Supplies	33,960	30,000	16,162	4,500	20,662	68.87%	\$ 20,000.00
xx5663	Office Equipment	25,666	20,000	7,333	1,500	8,833	44.17%	\$ 12,000.00
xx5664	Office/Shop Utilities	13,032	13,000	10,161	3,000	13,161	101.24%	\$ 15,000.00
xx5690	Postage & Freight	14,470	13,000	8,843	3,300	12,143	93.41%	\$ 11,000.00
xx5820	Taxes on Property	2,262	3,000	2,290	-	2,290	76.35%	\$ 2,291.00
xx5852	Answering Service	2,640	2,500	2,190	675	2,865	114.61%	\$ 2,700.00
xx5858	Telephone/Internet	10,685	7,000	5,474	1,950	7,424	106.06%	\$ 8,000.00
	<b>Total Office Expense:</b>	<b>125,897</b>	<b>112,500</b>	<b>66,122</b>	<b>18,525</b>	<b>84,647</b>	<b>75.24%</b>	<b>\$ 88,991.00</b>

**UTILITIES EXPENSE**

xx5720/21/22/23/24	Pumping-Electricity	443,104	500,000	291,461	113,364	404,825	80.96%	\$ 320,000.00
xx5854/5856	Cellular Phone	12,486	11,000	8,426	2,475	10,901	99.10%	\$ 10,000.00
	<b>Total Utilities Expense:</b>	<b>455,591</b>	<b>511,000</b>	<b>299,887</b>	<b>115,839</b>	<b>415,726</b>	<b>81.36%</b>	<b>\$ 330,000.00</b>

EXPENSE BUDGET WORKSHEET-FYE 2012  
DRAFT-05/03/11

ACCT #	General Ledger Account Name	Ending Balance FYE 2010	Current Budget FYE 2011	Actual Expense 3/31/2011	Projected Expense April-June	end of year projection	% Budget	Proposed Budget FYE 2012
<b>DEPRECIATION EXPENSE</b>								
xx5140	Amortization Expense	6,488	16,491	12,369	4,122	16,491	100.00%	
xx53xx	Depreciation Expense	605,093	600,000	461,101	174,453	635,554	105.93%	
	<b>Total Depreciation Expense:</b>	<b>611,581</b>	<b>616,491</b>	<b>473,470</b>	<b>178,575</b>	<b>652,045</b>	<b>105.77%</b>	<b>\$ -</b>
<b>OTHER EXPENSE</b>								
xx5555	Interest Expense-COP-2008/Montesoro Well #12	159,739	125,000	93,656	31,219	124,875	95.90%	\$ 194,875.00
xx5180	Bad Debt/collection Expense	3,570	5,000	3,215	600	3,815	76.29%	\$ 4,000.00
xx5240	Conferences & Conventions	19,487	15,000	18,811	1,000	19,811	132.08%	\$ 8,000.00
xx5241	Training	8,652	8,500	1,853	600	2,453	28.86%	\$ 2,500.00
xx5260	Contract Labor	3,170	15,000	7,739	-	7,739	51.59%	\$ -
xx5400	Dues & Subscriptions	7,860	10,000	4,396	-	4,396	43.96%	\$ 8,000.00
xx5401	Regulatory Permit Fees	59,526	60,000	41,151	6,200	47,351	78.92%	\$ 45,000.00
xx5402	Bank Fees	451	500	79	50	129	25.70%	\$ -
xx5423	Community Relations	700	1,000	675	200	875	87.54%	\$ -
xx5460	Fuel & Oil	54,102	54,000	37,443	12,900	50,343	93.23%	\$ 38,000.00
5480/5483	GWM Planning	205,040		102	-	102		\$ 5,000.00
xx5680	Other Expense	5,457	5,000	5,630	300	6,130	122.60%	\$ 2,500.00
xx5681	Osha Requirements/Emergency preparedness	8,845	10,000	4,581	750	5,331	53.31%	\$ 7,500.00
xx5700	Printing,Publications & Notices	4,741	5,000	1,012	1,200	2,212	44.24%	\$ 5,000.00
xx5895	Uniforms	8,022	8,500	4,388	1,500	5,888	69.27%	\$ 7,000.00
xx5960	Contingency Fund	-	83,561	5,495	-	5,495	6.58%	\$ -
	<b>Total Other Expense:</b>	<b>552,362</b>	<b>406,051</b>	<b>230,428</b>	<b>56,519</b>	<b>286,947</b>	<b>70.67%</b>	<b>\$ 327,375.00</b>
<b>Total Budgeted vs actual Expense</b>		<b>3,980,207</b>	<b>3,805,575</b>	<b>2,625,288</b>	<b>816,341</b>	<b>3,441,629</b>	<b>90.44%</b>	<b>\$ 2,518,221.00</b>



CIVIL ENGINEERING - LAND SURVEYING - CONSTRUCTION MANAGEMENT

2/21/2011

Jerry Rolwing  
Interim General Manager and Operations Manager  
Borrego Water District  
806 Palm Canyon Drive  
Borrego Springs, CA 92004

Mr. Rolwing:

I have reviewed the proposed Capital Improvement Program for the next ten years and concur that the projects identified in the schedule are the most pressing physical infrastructure needs of the District at this time. The estimated costs (in 2011 dollars) of these Improvements are reasonable for planning purposes.

If you have any questions please contact me.

Regards,

David Dale, PE, PLS  
Contract Engineer

7415 Imperial Business Park Dr., Suite B, Imperial, CA 92251 Tel. (760) 545-0162 Fax (760) 545-0163

## MEMORANDUM

**DATE:** February 15, 2011, Revised May 20, 2011  
**TO:** Borrego Water District Board of Directors  
**FROM:** Jerry Rolwing, Interim General Manager and David Dale, Dynamic Consulting Engineers, Inc.  
**Re:** Borrego Water District, 5-10 Year Capital Improvement Program (CIP) Justification

This memorandum is to provide detailed information and justification for the proposed CIP for the next ten years. Through a regular maintenance schedule, the infrastructure of the Borrego Water District is in overall good condition. The District is proactive in planning for replacement of known short lived assets and necessary capital improvement projects to increase the useful life and reliability of the system, and reduce the District's risk and overall maintenance costs. This is done through the dedication and experience of the system operators and staff. The District's consulting engineer participated in the preparation of this CIP and Short Lived Assets replacement program.

A CIP will provide many benefits to the District. The CIP will:

- Allow for a systematic evaluation of all potential projects at the same time.
- Provide the ability to stabilize debt and consolidate projects to reduce borrowing costs.
- Serve as a public relations and economic development tool.
- Preserve the District's infrastructure while ensuring the efficient use of public funds.
- Be a tool used for applications for Federal and State grant and loan programs.

Projects included in the CIP were prioritized based on many years of experience and firsthand knowledge of the system and its deficiencies. The anticipated costs for each project were developed based on trends in the market and historical costs to the District. Normal operating expenses (such as office equipment and minor repairs) are not included in the short lived assets program. The CIP includes projects with a value of \$1,000.00 or more.

Justification for the expected expenses in the CIP and Short Lived Assets are as follows:

### **Short Lived Assets**

#### **Wells**

This data was compiled from historical repairs to the pumps over a 10 year period. The trends for repairs and replacements of motors and well casing have also been reviewed over the period. The wells are the essential component of the water production operation. When a well fails, the entire distribution system is disrupted. The goal is to properly maintain the equipment on a proactive basis and work for timely, cost effective repairs before failure. Based on historical trends, the numbers provided in the Short Lived Assets are realistic. Staff strives to keep the equipment adequately maintained; however some unexpected failures will undoubtedly arise.

## **Tanks**

The California Department of Health Services requires the District to physically inspect the inside of the domestic water reservoirs every three years. This service is performed by a consultant that utilizes divers and provides a written report as well as a video. There is one steel reservoir that is equipped with cathodic protection that presently needs resurfacing. One of our five bolted steel (galvanized) tanks will need inside coating in this year. As internal inspections warrant, tanks will be coated in future years. We have two (one domestic and one irrigation) reservoirs that are fitted with a hyperlon bladder. These bladders need periodic replacements and the costs are based on previous installations. The remaining six reservoirs were constructed with galvanized metal which historically has proven to be compatible with the constituents in our local groundwater.

## **Booster Stations**

This data was compiled from historical repairs and anticipated replacement costs.

## **Wastewater Plant**

The costs associated with the wastewater operations are based on historical records and anticipated repairs by the wastewater treatment plant operator who has been with the District for 25 years. With the anticipated completion of the new lift station and subsequent removal of the ID-5 package plant (formerly the Borrego Springs Park Community Service District), the sewer operational repairs and maintenance will be concentrated on the 25 year old wastewater plant. We have also included a project to video the sewer collection mains in years three and five. There are no provisions for reclaiming water (tertiary treatment) in this plan since that is based solely on population expansion to justify the change in operation.

## **Equipment**

These costs are based on normal wear and tear on District vehicles and equipment.

## **Capital Improvement Program (CIP)**

### **Capital Improvement Projects include Wells, Booster Stations, Reservoirs and Associated Transmission Mains**

These are expected major capital improvement items that are anticipated to be required in the next ten year period. These costs do not account for unanticipated population growth or decline.

### **Wastewater Plant**

These costs are associated with new installation required by the operator for containment purposes.

### **Pressure Reducing Stations**

These are estimated expenditures based on past and future studies regarding the distribution system.

### **Pipelines**

The distribution system requires continual upgrades to avoid pipeline breaks and associated damages from negligence. The list of future projects was compiled with staff and engineering assistance and represents the anticipated pipeline improvements to alleviate any future problems with high pressures currently experienced within the distribution system.

### **Other Infrastructure**

Over time, fire hydrants fail and require replacement. Some of the older hydrants in the system are constructed with inferior material as compared to today's standards and a regular replacement program is needed.

### **Groundwater Management**

Included in the budget for FYE 2012 are \$69,000 for the Viking Ranch following project and \$150,000 in FYE 2012 thru 2013 for design of groundwater implementation projects as per the proposal by Wildermuth Environmental Inc.

	Reason	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
<b>Wells, Booster Stations, Reservoirs and Associated Transmission Mains</b>											
Wilcox Reservoir, 2.0 MG	District-wide Storage							\$ 1,300,000			
Wilcox Related Transmission Mains	District-wide Storage							\$ 2,000,000			
Wilcox Booster Station/Forebay	District-wide Storage							\$ 400,000			
New well north end of Valley	Additional Water Supply								\$ 400,000		
Transmission mains for new well	Additional Water Supply									\$ 400,000	
Indianhead Reservoir, 0.5 MG	Additional Water Storage									\$ 375,000	
Indianhead Transmission Mains	Additional Water Storage										\$ 800,000
<b>Wastewater Plant</b>											
Catchment berm along north and northeast side of property	Reason: Containment	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
		\$ 5,000									
<b>Pressure Reducing Stations</b>											
ID4, Reducing Sta. design and installation	Reason	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
ID4, Reducing Sta. design and installation	Study and resolve pressure issues	\$ 25,000									
ID5, Reducing Sta. design and installation, Borrego Valley Rd	Connection to ID-1 system						\$ 25,000				\$ 25,000
<b>Pipelines</b>											
Borrego Springs Rd, Weatheravane Dr. to Barrel Dr.	Reason	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
Borrego Springs Rd, Weatheravane Dr. to Barrel Dr.	No pipeline, reduce system pressure			\$ 112,500							
Borrego Springs Rd, Walking H Dr. to Tilting T Dr.	No pipeline, reduce system pressure				\$ 162,750						
Borrego Springs Rd, Tilting T Dr. to Country Club Rd. First hal	No pipeline, reduce system pressure					\$ 142,500					
Borrego Springs Rd, Tilting T Dr. to Country Club Rd. Second hal	No pipeline, reduce system pressure						\$ 135,000				
Borrego Springs Rd, Christmas Circle to Diamond Bar Dr.	No pipeline, reduce system pressure							\$ 78,000			
Borrego Springs Rd, Diamond Bar Dr. to T Anchor Dr.	No pipeline, reduce system pressure								\$ 118,500		
Borrego Springs Rd, Christmas Circle loop	No pipeline, reduce system pressure									\$ 61,650	
Borrego Springs Rd, Upgrade 6" to 10" Country Club Rd. to San Pablo Rd	Undersized pipeline										\$ 185,000
Borrego Springs Rd, Upgrade 8" to 10" 660' north of Weatheravane Dr	Undersized pipeline										\$ 49,500
Circle J Dr.	Weakest existing pipeline		\$ 108,000								
Bending Elbow Rd. First half	Weakest existing pipeline			\$ 102,000							
Bending Elbow Rd. Second half	Weakest existing pipeline				\$ 102,000						
Double O	3" main, limited fire flow cap.					\$ 180,000					
Fairway Lane	Old line, questionable taps						\$ 36,000				
Club Circle East	Replace old mains							\$ 105,000			
Club Circle West	Replace old mains								\$ 105,000		
Borrego Valley Rd. South of Tilting T	Loop ID1-ID5 east side									\$ 150,000	
De Anza Dr. 1600 block	Replace old mains										\$ 75,000
<b>Other Infrastructure</b>											
Fire Hydrant Replacements	Reason	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
		\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
<b>Groundwater Management</b>											
Wildermuth Proposal		\$ 150,000	\$ 150,000								
Viking Ranch Following		\$ 69,000									
<b>TOTAL - CAPITAL IMPROVEMENTS PROGRAM</b>											
		\$ 236,000	\$ 295,000	\$ 276,500	\$ 276,750	\$ 334,500	\$ 208,000	\$ 3,895,000	\$ 635,500	\$ 623,650	\$ 1,501,500
<b>TOTAL - SHORT LIVED ASSETS (FROM SHEET 2)</b>											
		\$ 285,000	\$ 200,000	\$ 135,000	\$ 164,000	\$ 237,500	\$ 185,000	\$ 158,000	\$ 162,000	\$ 231,000	\$ 173,500
<b>Total CIP and Short Lived Assets</b>											
		\$ 521,000	\$ 495,000	\$ 361,500	\$ 440,750	\$ 567,000	\$ 393,000	\$ 4,053,000	\$ 797,500	\$ 854,650	\$ 1,675,000

	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
<b>Wells</b>										
ID1-1, replace 40 Hp submersible pump, clean casing					\$ 15,000					
ID1-2, replace 40 Hp submersible pump								\$ 7,000		
ID1-8, 125 Hp, rewind motor in yr 4, pump and casing cleaning in yr 10				\$ 10,000						\$ 35,000
ID1-10, 150 Hp, rewind motor in yr 2, pump and casing cleaning in yr 5	\$ 10,000				\$ 45,000					
ID1-12, 200 Hp, rewind motor in yr 3, pump and casing cleaning in yr 6			\$ 12,000			\$ 60,000				
ID1-16, 300 Hp, pump and casing cleaning in yr 5, rewind motor in yr 7				\$ 60,000			\$ 20,000			
Wilcox, Diesel drive, pump and casing cleaning in yr 10										\$ 10,000
ID4-4, 150 Hp, rewind motor in yr 3, pump and casing cleaning in yr 8			\$ 10,000					\$ 50,000		
ID4-10, replace 30 Hp submersible yr 5 and yr 10					\$ 8,000					\$ 8,000
ID4-11, 200 Hp, pump and casing cleaning in yr 1, rewind motor yr 7	\$ 60,000	\$ 15,000								
ID4-18, 100 Hp, rewind motor in yr 3, pump and casing cleaning in yr 7			\$ 8,000				\$ 40,000			
ID5-5, 200 Hp, rewind motor in yr 4, pump and casing cleaning in yr 9				\$ 10,000					\$ 60,000	
<b>Tanks</b>										
Rams Hill #1, 1980 steel, needs inside coating, 1.25 MG	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
	\$ 150,000									
Rams Hill #2, 1980 galv, 0.44 MG, inside coating							\$ 40,000			
800 Tank, Hyperlon 2003 new liner, 0.75 MG		\$ 125,000								
Reclaim #1, 1985, galv repaired 2010 0.4 MG					\$ 40,000					
Reclaim #2, Hyperlon 2005, 1 MG								\$ 125,000		
Indianhead, 1970's 1-0.22MG, inside coating						\$ 40,000				
Twin Tanks, 1970's 2-0.22 MG, inside coating #1 in yr 3, #2 in yr 10	\$ 40,000					\$ 40,000				
Country Club, 1999 1.0 MG										
<b>Booster/Pressure Reducing Sta.</b>										
ID1, Booster Sta. 1, #1, 30 Hp, motor yr 1, pump yr 3	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
	\$ 4,000		\$ 9,000							
ID1, Booster Sta. 1, #2, 30 Hp, motor yr 3, pump yr 6			\$ 4,000			\$ 9,000				
ID1, Booster Sta. 1, #3, 50 Hp, motor and pump yr 3			\$ 15,000							
ID1, Booster Sta. 2, #4, 30 Hp, motor yr 2, pump yr 5		\$ 4,000			\$ 9,000					
ID1, Booster Sta. 2, #5, 30 Hp, pump yr 3, motor yr 4			\$ 4,000	\$ 9,000						
ID1, Booster Sta. 2, #6, 50 Hp, motor yr 2, pump yr 8	\$ 5,000							\$ 10,000		
ID4, Booster Sta. 3, #7, 25 Hp, motor yr 4, pump yr 8				\$ 4,000				\$ 9,000		
<b>Wastewater Plant</b>										
Shredder Cutters	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Motor and Gear Reducers for Brushes			\$ 16,000			\$ 16,000				
Wastewater Return Pump			\$ 6,000			\$ 6,000				
Surface Aerator Motor					\$ 4,500					\$ 4,500
Video Collection Lines			\$ 10,000			\$ 10,000			\$ 10,000	
Equipment	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
		\$ 25,000								
Tractor w/gannon for road work										
<b>Backhoe</b>										
Pickups	\$ 20,000		\$ 20,000		\$ 20,000		\$ 25,000		\$ 25,000	\$ 80,000
Big Truck				\$ 50,000				\$ 50,000		
Misc. Equipment	\$ 5,000	\$ 10,000	\$ 5,000	\$ 15,000	\$ 5,000	\$ 10,000	\$ 5,000	\$ 20,000	\$ 5,000	\$ 20,000
Computers/Office Equipment			\$ 10,000			\$ 10,000		\$ 10,000		\$ 10,000
<b>SHORT LIVED ASSETS REPLACEMENT PROGRAM</b>	\$ 285,000	\$ 200,000	\$ 135,000	\$ 164,000	\$ 232,500	\$ 185,000	\$ 158,000	\$ 162,000	\$ 231,000	\$ 173,500

## **BORREGO WATER DISTRICT GROUNDWATER MANAGEMENT BUDGET**

The FY 2011-2012 budget includes \$150,000 for various tasks associated with groundwater management planning that have been identified from the plan the Board approved and presented at the Town Hall meeting March 30, 2011 (below). The financial plan includes \$150,000 in FY 2013 and \$100,000 in FY 2014. These fiscal years budgets are for groundwater management implementation planning necessary to begin the process of spreading the costs associated with the overdraft and bringing additional water supplies to the Valley among all the Valley's pumpers. However, the proposed increase does not include the cost for implementing such a plan. Additional information is contained in the following memo from Wildermuth Environmental, Inc.

### **Proposed Strategy of Present Board to Address the Overdraft - as of March 2011:**

The present Board is currently investigating a new strategy to address the overdraft that is based solidly on California water law and that includes the following objectives:

- Return the District to fiscal stability and creditworthiness by January 31, 2013. This is absolutely necessary to implement any strategy to address the overdraft;
- Determine the various viable legal options for establishing rights of all pumpers to withdraw water from an overdrafted basin and determine the costs to ratepayers for each practicable option. By April 30, 2014;
- Perform the necessary legal, policy, and economic work not performed by the previous Board to determine how the District's water credits program may be used to facilitate the County's Groundwater Mitigation requirements for new development in the Valley without placing the District and its ratepayers at undue financial risk. By December 31, 2011;
- Work closely with the USGS and Reclamation teams to ensure that the Borrego Valley Groundwater Basin is fully defined and that options for managing the basin and for importing water for storage, recharge, and supplemental supply are evaluated on a timely basis. The Board has chosen to extend the due date of the USGS work so that the District will have time to complete its financial analyses and to select basin management alternatives to be applied and documented in the final report. The final USGS report is expected to be available by the first quarter 2012. The Reclamation report will include economic analyses of the cost for importing water from viable regional sources. The Reclamation report should be completed by December 2012;
- Determine how the investigations of Clark Lake aquifer and the San Felipe Creek groundwater sources as sustainable and affordable sources of potable water might continue and at what cost to the ratepayers. By December 31, 2011.



April 14, 2011

Borrego Water District  
Attention: Board of Directors  
806 Palm Canyon Drive  
Borrego Springs, CA 92004-3101

**Subject: *Update of the Groundwater Management Plan and Anza Borrego Desert Integrated Regional Water Management Plan***

Members of the Board:

Pursuant to Director Lyle Brecht's request, Wildermuth Environmental, Inc. (WEI) analyzed the 2009 *Anza Borrego Desert Integrated Regional Water Management Plan* (ABD IRWMP) developed by Bill Mills and the 2002 *Groundwater Management Plan* (GMP) and subsequently prepared a process description and cost estimate to update and synchronize those plans. Our observations regarding the *current situation on the ground* and past management plan efforts are listed below:

- The groundwater basin is in a serious state of overdraft, and the adverse economic consequences of overdraft are imminent. This is evident in the review of groundwater level and chemistry data and corroborated in the ongoing USGS studies in the basin where the hydrogeologic impacts of future pumping scenarios are being evaluated. It is highly unlikely that the overdraft and its attendant economic consequences will be self-correcting over time. What will be required is the active management of the basin to achieve an economically least-cost future for the Valley.
- The upper aquifer of the basin is deeper in the northern portion of the basin where agricultural production occurs and shallower in the southern portion of the basin where the District's production occurs. It is likely that the District's wells will go out of production long before any agricultural wells are threatened.
- In addition to these production problems, the District will most likely be required to treat groundwater, at great cost, prior to use as water quality deterioration is likely to be exacerbated as overdraft continues and the water levels of the upper aquifer drop towards the middle and lower aquifers. This requirement for advanced water treatment is common when withdrawals occur in older geologic sediments, which will occur in the basin as the water table in the upper aquifer drops further and withdrawals commence from the middle and lower aquifers.
- The Bureau of Reclamation is in the process of evaluating the importation of water into the ABD area; this work will be completed in the near future. The USGS investigation will also be completed in the near future. The implications of these two investigations will require updates to the GMP and the ABD IRWMP.

That said, the District and other Valley stakeholders will need to develop and implement a GMP now to ensure sustainable water use both for the purposes of using the basin for water banking and if importation is not economically feasible at this time.

- The 2002 GMP produced recommendations that would limit groundwater production to a yield that would be sustainable over time.
- The 2009 ABD IRWMP produced recommendations to augment local supplies with imported water and did not incorporate the recommendations of the 2002 GMP; at present, the two plans are neither consistent nor synchronized.
- These two plans need to be updated and synchronized to enable the District to be eligible for state grants under Proposition 84—the 2012 state water bond, should it be approved by the voters—and other future state grant programs.

We have observed and/or participated in the development of GMPs and IRWMPs, and based on our experience in these processes, we respectfully recommend that the District and the Valley's other stakeholders commence with the actions described below in a deliberate and expedited manner.

#### **Develop an Implementable Groundwater Management Plan and ABDIRWMP with the Clear Objective of Establishing a Managed Borrego Valley Groundwater Basin**

**Scope.** The tasks required to develop an implementable groundwater management plan and an ABDIRWMP that are mutually supportive of the objective to establish a managed Borrego Valley Groundwater Basin include the following:

1. Establish a stakeholder group that will be administered by the District.
2. Clearly articulate the objectives of the GMP and ABD IRWMP.
3. Clearly articulate current and planned water use in the Borrego Valley Groundwater Basin.
4. Clearly describe the state of the Basin based on existing and new data collected as part of the development of the GMP.
5. Develop two management plan alternatives: one based on no importing of supplemental water and the other based on importing supplemental water.
6. Develop preliminary implementation plans and costs for each groundwater management plan alternative. The implementation plans must include schedules and milestones to achieving sustainable groundwater production.
7. Develop financing alternatives for each groundwater management plan alternative.
8. Complete CEQA/NEPA processes for the GMP and ABD IRWMP.
9. Conduct a public process consistent with IRWMP and CEQA scoping requirements.
10. Revise the GMP to comport with the CEQA/NEPA process.

**Cost and Time Required to Complete this Work.** The estimated cost to complete these plans is about \$300,000 to \$400,000, exclusive of CEQA/NEPA process. This cost assumes that the Bureau and the USGS's ongoing work will be available for use in the GMP and ABD IRWMP. The cost of the CEQA/NEPA process will be largely driven by the imported water alternative; thus, its cost is difficult

to estimate. For planning purposes, the District should budget \$100,000 for the CEQ/NEPA effort. It is estimated that it will take about two years to complete this work.

**Development of the Governance Structure and Rules to Implement the Groundwater Management Plan for the Borrego Valley Groundwater Basin Portion of the ABDIRWMP that Establishes a Managed Basin**

The scope of this effort will be determined more precisely during the development of groundwater management implementation and the ABDIRWMP. Based on our experience in the Beaumont and Chino Basins, it could cost between \$1 million to \$4 million and take two to four years to develop and implement a governance structure for establishing a managed Borrego Valley Groundwater Basin. There may be additional costs borne by the other pumpers in the basin, and these costs may also be considerable.

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Please call me if you have any questions regarding the above or need further assistance in scoping and developing these plans.

Very truly yours,

**Wildermuth Environmental, Inc.**

Mark Wildermuth, PE  
President

## **BORREGO WATER DISTRICT CASH RESERVES POLICY**

### **I. BACKGROUND AND INTRODUCTION**

Reserves are needed because of risk. Water and sewer operations are inherently risky, given the potential liability associated with repairing and replacing infrastructure necessary for maintaining 24x7 operations for supplying water and sewer services to the homes and businesses of Borrego. In addition, water operations have risk associated with the volatility of revenue due to weather conditions. Reserves also assist in reducing rate shocks. Without them a water utility is exposed to rate instability. Rate instability increases the cost of borrowing. Reserves allow the District to smooth out rate increases. In addition, reserves help the District improve its credit rating, which translates into lower interest rates on debt and thus lower rates for the District's customers. Sometimes bond covenants require a rate stabilization reserve.

Many utilities operate in a state of revenue deficiency, which means they either rely on existing reserves, skimp on funding reserves, or defer economically prudent repair and replacement of infrastructure to the distant future where much higher costs will be borne by ratepayers to repair or replace infrastructure that has failed catastrophically. Becoming revenue sufficient means that a utility can count on receiving adequate revenues to fully fund utility operations, including debt service obligations, some portion of capital improvements from rate revenues, and reserves. Reserve accounts are a vital part of every water system's financial health.

This Board believes that operating with a revenue sufficiency is required, not only to remain creditworthy for future capital borrowing, but to replace depleted reserves necessary to operate most economically. For these reasons, the District will maintain reserve funds so as to provide working capital for operations; funds required by law, ordinance and bond covenant; and necessary cash for the scheduled and unscheduled repair and replacement of capital infrastructure; as well as funds set aside for groundwater management purposes.

Reserves are also necessary for the District to stabilize rates due to normal revenue and cost uncertainties, and to provide a prudent amount of insurance against economic downturns and emergencies. The efficient and discrete management of these cash reserves, when combined with their appropriate replacement as they are drawn down from time-to-time add additional assurance that the current levels of service reliability and quality that the District's ratepayers have grown to expect will continue into the future.

This reserve policy is based upon prudent financial management practices and those amounts required by legal, legislative and contractual obligations that are critical to the financial health of the District. This policy defines required fund types for segregation purposes and their funding levels that is based upon this District's unique operating, capital investment and financial plans.

**II. LEGALLY RESTRICTED RESERVES.** Legally Restricted Reserves are established and utilized for narrowly defined purposes and are protected by law or covenant. The District's Legally Restricted Reserves are the following, although none of these reserves are expected to be funded for FY 2012:

**Debt Reserves.** Reserves shall be formally transferred and restricted in accordance with all legal requirements.

**System Growth Reserves.** These reserves are used to offset capital projects or debt service related to new development in the District so that development pays for itself.

**Rate Stabilization Reserves.** These reserves are used to stabilize rates to the extent possible. This reserve, when fully funded, shall be maintained at level of thirty (30%) percent of the revenue generated from the commodity rate for water services and thirty (30%) percent of the total revenues from sewer services. This reserve is to defray any temporary unforeseen and extraordinary increases in the operating costs of the District.

### **III. BOARD RESTRICTED RESERVES**

**Operating or Working Capital Reserves.** The purpose of this reserve is to cover temporary cash flow deficiencies caused by timing differences between revenues and expenditures. O&M reserves shall be targeted at an amount equal to three (3) months of the District's budgeted annual operating expenses beginning in FY 2012.

**Contingency Reserves.** The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts or other economic events that may affect the District's operations which could not have been reasonably anticipated at the time the budget was prepared. For FY 2012 and beyond, the target level for this reserve is a minimum of one percent (1%) and a maximum of ten percent (10%) of the District's total operating expenses. Generally, the level will be increased as the level of economic uncertainty increases.

#### **Capital Reserves**

**Asset Replacement.** The purpose of the asset replacement reserve is to provide a cushion for unscheduled and scheduled repair and replacement of existing infrastructure. The target value of this reserve is twenty-five percent (25%) percent of the three (3) year average of the capital improvement program (CIP) beginning in FY 2012.

**Emergency Reserve.** The purpose of the emergency reserve is to protect the District and its customers against the impacts from unanticipated emergencies. It provides funding for emergency repairs or failure of essential equipment that must be immediately replaced. The emergency reserve target established for FY 2012 is \$2,500,000 which should be sufficient to finance the required cash flow until such time that adequate emergency financing can be secured from conventional outside resources.

**IV. OTHER RESERVE FUNDS.** The District's Board may establish other cash reserve funds for specific needs that are over and above the reserves noted above as may be necessary from time to time.

**BORREGO WATER DISTRICT  
PROPOSED RATES FOR  
FISCAL YEARS 2012- 2016**

Sewer Rates

The District provides sewer service to Improvement Districts 1, 2 and 5. Changes are being proposed only for Districts 1 and 5. The District's monthly sewer charges are based on one equivalent dwelling unit (EDU) usage of 250 gallons per day, for a typical single family residence. Commercial projected EDU requirements are determined on a case-by-case basis. Sewer customers are charged a fixed monthly holder fee, and a monthly user fee based on number of EDU's. It is proposed that this current structure for sewer charges remain unchanged. The Board of Directors may consider changes to this basic rate structure at a later date.

Sewer service charges are proposed to change as shown in the following table:

<b>Sewer Rates</b>						
	Current Rates	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
ID -1	\$ 17.14	\$ 22.29	\$ 28.98	\$ 30.43	\$ 31.96	\$ 33.56
ID -5	\$ 32.00	\$ 41.60	\$ 54.08	\$ 56.79	\$ 59.63	\$ 62.62

Water Rates

The District's water rates have two components: 1) a **Fixed Meter Charge** based on the customer's meter size, to recover a portion of the District's fixed costs of operating, maintaining and delivering water, and 2) a **Commodity Charge**, determined by the amount of water used. The current rate structure fixes the customer's Commodity based on the Improvement District the customer is in, and for residential customers, whether the customer's water usage is from 0 to 45 Units in Winter or 0 to 55 Units in Summer (Tier 1): or over 45 Units in Winter or over 55 Units in Summer (Tier 2). It is proposed that this basic rate structure for water rates remain unchanged, however, the Board of Directors may consider changes to the rate structure at a later date.

Fixed Meter Charges are proposed to change as shown in the following table:

<b>Water Rates for All ID's</b>						
Fixed Charge	Current Rates	Proposed Rates				
Meter Size	\$/Mo.	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
3/4"	\$ 19.58	\$ 25.45	\$ 33.09	\$ 36.40	\$ 40.04	\$ 42.04
1"	\$ 28.62	\$ 37.21	\$ 48.37	\$ 53.20	\$ 58.53	\$ 61.45
1 1/2"	\$ 48.26	\$ 62.74	\$ 81.56	\$ 89.72	\$ 98.69	\$ 103.62
2"	\$ 73.05	\$ 94.97	\$ 123.45	\$135.80	\$ 149.38	\$ 156.85
3"	\$ 132.67	\$172.47	\$ 224.21	\$246.63	\$ 271.30	\$ 284.86
4"	\$ 211.50	\$274.95	\$ 357.44	\$393.18	\$ 432.50	\$ 454.12
6"	\$ 422.00	\$548.60	\$ 713.18	\$784.50	\$ 862.95	\$ 906.10

Commodity Rates are proposed to change as shown in the following table:

	Current Rates			Proposed Rates (All ID's)				
	ID-1	ID-3	ID-4 & 5	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Winter</b>								
Tier 145	\$ 1.02	\$ 1.23	\$ 1.12	\$ 1.46	\$ 1.90	\$ 2.09	\$ 2.30	\$ 2.42
Tier 2> 45	\$ 1.53	\$ 1.84	\$ 1.68	\$ 2.19	\$ 2.85	\$ 3.14	\$ 3.46	\$ 3.64
<b>Summer</b>								
Tier 155	\$ 1.02	\$ 1.23	\$ 1.12	\$ 1.46	\$ 1.90	\$ 2.09	\$ 2.30	\$ 2.42
Tier 2> 55	\$ 1.53	\$ 1.84	\$ 1.68	\$ 2.19	\$ 2.85	\$ 3.14	\$ 3.46	\$ 3.64

Other Rates and Fees

Any rates or fees associated with water or sewer service that are not addressed in this Notice shall remain in full force and effect as previously adopted by the Board of Directors.

Pass Through Costs

Pursuant to AB 3030, the District Board will also authorize the pass-through of future rate and charge increases by San Diego Gas & Electric for electricity rates associated with storing, treating, pumping, and delivering water. This authorization will be in effect for five years, until June 30, 2016. The Board will hold a public hearing to review the proposed increases prior to enacting any such charges.

	Estimated	Projected	Projected	Projected	Projected	Projected
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
1 Existing Rate Revenue	\$ 2,117,990	\$ 2,117,990	\$ 2,117,990	\$ 2,117,990	\$ 2,137,508	\$ 2,157,220
3 Additional Revenue	\$ 585,500	\$ 1,346,800	\$ 1,655,600	\$ 1,994,200	\$ 2,213,400	\$ 2,446,600
5 <b>Total Revenue (/w Other Rev.)</b>	<b>\$ 3,110,380</b>	<b>\$ 3,756,195</b>	<b>\$ 4,094,379</b>	<b>\$ 4,459,261</b>	<b>\$ 4,725,515</b>	<b>\$ 5,011,246</b>
6 <b>O&amp;M Expenses</b>	<b>\$ 2,432,321</b>	<b>\$ 2,503,191</b>	<b>\$ 2,624,850</b>	<b>\$ 2,752,593</b>	<b>\$ 2,886,722</b>	<b>\$ 3,027,558</b>
7 <b>Net Revenue</b>	<b>\$ 678,059</b>	<b>\$ 1,253,004</b>	<b>\$ 1,469,529</b>	<b>\$ 1,706,668</b>	<b>\$ 1,838,793</b>	<b>\$ 1,983,688</b>
8 Total Bond Issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9 Issuance Expense & Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10 Amount available for CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11 <b>CIP Financing</b>						
12 Cash CIP	\$ 432,000	\$ 519,750	\$ 508,804	\$ 510,223	\$ 689,192	\$ 437,765
13 Debt CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14 Existing Debt Service	\$ 124,875	\$ 124,875	\$ 149,313	\$ 255,713	\$ 254,525	\$ 253,113
15 New Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16 <b>Total Debt Service</b>	<b>\$ 124,875</b>	<b>\$ 124,875</b>	<b>\$ 149,313</b>	<b>\$ 255,713</b>	<b>\$ 254,525</b>	<b>\$ 253,113</b>
17 <b>Net Annual Cash Balance</b>	<b>\$ 121,184</b>	<b>\$ 608,379</b>	<b>\$ 811,412</b>	<b>\$ 940,733</b>	<b>\$ 895,076</b>	<b>\$ 1,292,811</b>
18 Beginning Reserves Level	\$ 383,337	\$ 504,520	\$ 1,112,900	\$ 1,924,312	\$ 2,865,045	\$ 3,760,121
19 <b>Ending Reserves Level</b>	<b>\$ 504,520</b>	<b>\$ 1,112,900</b>	<b>\$ 1,924,312</b>	<b>\$ 2,865,045</b>	<b>\$ 3,760,121</b>	<b>\$ 5,052,931</b>
20 Upper Target Reserve Level	\$ 4,029,327	\$ 4,084,422	\$ 4,165,487	\$ 4,234,258	\$ 4,723,011	\$ 4,848,148
21 Lower Target Reserve Level	\$ 3,202,338	\$ 3,233,337	\$ 3,273,038	\$ 3,298,376	\$ 3,741,525	\$ 3,818,778
22 <b>Coverage Ratio</b>	<b>543%</b>	<b>1003%</b>	<b>984%</b>	<b>667%</b>	<b>722%</b>	<b>784%</b>