

AGENDA
Borrego Water District Board of Directors
Special Meeting
June 19, 2012 9:00 a.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004

I. OPENING PROCEDURES

- A. Call to Order
- B. Pledge of Allegiance
- C. Roll Call
- D. Approval of Agenda
- E. Comments from Directors and Requests for Future Agenda Items
- F. Comments from the Public and Requests for Future Agenda Items (comments will be limited to 3 minutes)

II. CURRENT BUSINESS MATTERS

- A. Overview of Borrego Valley Water Quality Report by Michael Wright USGS. Report can be found at the following link <http://pubs.usgs.gov/ds/659/>. Copy will be available to view at the Borrego Water District.
- B. Discussion of correspondence from Lucy Larson (page 2)
- C. Discussion and possible approval of FY2013 budget, water and sewer rates (page 3-26)
- D. Discussion and possible approval of ***RESOLUTION 2012-06-02 AUTHORIZING SUBMITTAL OF APPLICATION AND RELATED DOCUMENTS TO THE CALIFORNIA DEPARTMENT OF WATER RESOURCES TO OBTAIN A LOCAL GROUNDWATER ASSISTANCE GRANT PURSUANT TO THE SAFE DRINKING WATER, WATER QUALITY AND SUPPLY, FLOOD CONTROL, RIVER AND COASTAL PROTECTION BOND ACT OF 2006 PUBLIC RESOURCE CODE SECTION 75001 et seq.), AND TO ENTER INTO AN AGREEMENT TO RECEIVE A GRANT FOR THE PROJECT.*** (page 27-29)
- E. Discussion of potential agenda items for June 27th board meeting.

III. CLOSED SESSION

- A. Public employee discipline/dismissal/release – Reference Government Code § 54957

IV. CLOSING PROCEDURE, Adjournment

The next Regular Meeting of the Board of Directors is scheduled for June 27, 2012 at the Borrego Water District.

May 12, 2012

To: Directors of the Borrego Water District and Jerry Rolwing, Manager
From: Lucy Larson, ratepayer

I have become increasingly concerned about the direction the board seems to be taking; so I have a modest proposal below aimed at achieving equity for the ratepayers. You may take my solution as hyperbole, but be assured that I am serious.

Who benefits from board decisions:

- the **farmers** who have had a free pass for the past 50 years or so by withdrawing water from the aquifer with their own pumps, paying nothing to the district. Now, however, they are included as a prominent¹ voice in determining the recommendations for addressing the overdraft to be established by the \$800,000 grant (should it be received). This grant proposal was developed, sponsored and paid for solely by the employees and ratepayers of the district.
- the **developers** who are asking that the mitigation policy be amended to give them a break in their costs with the promise that the board will take this issue into consideration².
- the **golf courses**, including the 27 hole course at Rams Hill that may purchase 49% of the well currently owned by the water district. They can then pump water onto the golf course and into lakes and ponds thereby reducing any revenue by 49% owing to the district³.
- the **employees** of the water district (though necessary for us all and probably themselves rate-payers) pay just 4% toward the pension costs so that the ratepayers must make up the difference in the required contribution for the district⁴. Other water districts have begun to address this inequity and are beginning to require that employees contribute the maximum of 8% allowed by CALPERS⁵.

Who ultimately pays for these studies, loss of revenue, and high costs:

- **Borrego Water District ratepayers**

A possible solution aimed at achieving equity for the ratepayers:

- Drop the tiered water rates for the ratepayers and require other groups to pay their fair share of the costs.

¹Anza Borrego Desert Planning Grant Proposal, Attachment 3: Work Plan FINAL. Page 11 of 42. Comment: The first identified ABD stakeholder is the AAWARE. Nowhere are the ratepayers specifically identified as stakeholders, except for the BWD. The goal of the BWD, however, must be to facilitate the meetings and help arrive at consensus in how to address the overdraft. The board may not necessarily represent the specific concerns of the ratepayers.

²Lauren C. Ruth. "Residents, developers say that water credit costs impede growth." *Borrego Sun* 10 May 2012. Comment: The proposal that an *ad hoc* committee look into the issue was proposed by a developer and a resident/ratepayer who is looking toward a sale of the property or future development.

³I am fully aware of the fact that the district will retain a controlling interest of 51%. To ensure that all requirements stated in the agreement are fully and constantly complied with, however, will require extra vigilance by the water district staff. Work that may be urgently needed elsewhere. Perhaps the financial reason for such a sale is that the proceeds from the sale exceed the present value of the lost revenues?

⁴The district's share of the total contribution has been 17.898% in 2011 and 17.688% in 2010: footnotes 7 of the Basic Financial Statements for those years.

⁵Karen Pearlman. "Padre Dam employees to pay more into pension." *San Diego Union Tribune* 21 April 2012.

SANTEE—The Padre Dam Municipal Water District Board of Directors approved agreements with the Padre Dam Employees' Association that requires workers to pay a larger portion into the California Public Employees' Retirement System. All district employees will be paying the entire 8 percent of the CalPERS contribution by 2014 and 10 percent of their dependent health care coverage beginning in 2015. Previously, employees did not contribute to health-care coverage. The measures are expected to save the district nearly \$750,000 annually.

Andy Lin (AP). "CALPERS SEES DIP IN INVESTMENT RETURNS." *San Diego Union Tribune* 15 March 2012. Comment: This article is longer than the one above, but the important message for us is that "CalPERS voted to lower its projected annual return from 7.75 percent to 7.5 percent."

BORREGO WATER DISTRICT

FISCAL YEAR 2012-2013

ANNUAL BUDGET

SUBMITTED BY:

**JERRY ROLWING
GENERAL MANAGER**

TO:

BOARD OF DIRECTORS

**BETH HART
PRESIDENT**

**LYLE BRECHT
VICE-PRESIDENT**

**MARSHAL BRECHT
SECRETARY/ TREASURER**

**LEE ESTEP
DIRECTOR**

**RAYMOND DELAHAY
DIRECTOR**

JUNE 19, 2012

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June 19, 2012

Board of Directors:

This Fiscal Year 2012-2013 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 \$2,554,645. A proposed rate increase of 10%/20%/30% will potentially bring this total up, accordingly, to \$2,783,818/\$3,012,991/\$3,242,164. A rate increase is needed to replenish the District reserve fund in order to adequately address any future repairs and restore the District's credit worthiness.

Included in this budget package are the proposed Board Resolution to adopt and approve the budget, the detailed revenue, expense and capital improvements 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 for your consideration.

Sincerely,

Jerry Rolwing
General Manager

RESOLUTION NO. 2012-06-01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT APPROVING THE OPERATIONS, MAINTENANCE, CAPITAL IMPROVEMENTS AND GROUNDWATER MANAGEMENT BUDGETS AND BOARD DESIGNATED RESERVES FUND POLICY FOR FISCAL YEAR 2012-2013

WHEREAS, the Board of Directors has reviewed and considered the Budget as presented for Fiscal Year 2012-2013 hereinafter referred to as the "Budget" which is attached hereto as Exhibit A and incorporated by reference, and

WHEREAS, the Budget provides a comprehensive plan of financial operations for the District including an estimate of revenues and the anticipated requirements for expenditures, appropriations, and reserves for the forthcoming fiscal year, and

WHEREAS, the Budget establishes the basis for incurring liability and making expenditures on behalf of the District.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Borrego Water District, that the Budget and each and every part thereof, is hereby approved and adopted for the Fiscal Year 2012-2013.

PASSED, ADOPTED AND APPROVED at a regular meeting of the Board of Directors of the Borrego Water District held on June 19, 2012.

Beth A. Hart
President of the Board of Directors
Of Borrego Water District

ATTEST:

Marshal J. Brecht
Secretary/Treasurer of the Board of Directors
Of Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

BWD CASH FLOW 2011-2012

	C	E	S	T	U	W	X	Y	Z
1									
2									
3	BWD CASH FLOW								
4	2011-2012								
5	Proposed Budget	BUDGET	ACTUAL	PROJECTED	YTD + PROJ MONTHS>>	PROPOSED			
6		FY 2012	YTD	YTD	PROJECTED	BUDGET	10%	20%	30%
7			2011-2012	2011-2012	2011-2012	2012-2013	Increase	Increase	Increase
8									
9									
10	REVENUE								
11									
12	WATER REVENUE								
13	Residential Water Sales (Assume no water use on Montezoro GC)	424,312	579,492	454,720	664,425	664,425	66,442	132,885	199,327
14	Commercial Water Sales	98,000	82,753	76,946	93,792	93,792	9,379	18,758	28,138
15	Irrigation Water Sales	99,000	96,354	72,662	111,914	111,914	11,191	22,383	33,574
16	GVM Surcharge	94,000	76,352	60,338	86,003	86,003	8,600	17,201	25,801
17	Water Sales Power Portion	277,000	248,320	175,319	276,351	276,351	27,635	55,270	82,905
18	Readiness Water Charge	635,000	752,489	466,074	821,705	821,705	82,171	164,341	246,512
19	Meter Installation	40,000	2,020	15,000	2,020	0	0	0	0
20	Water hook-up charge	0	19,875	19,875	19,875	0	0	0	0
21	Reconnect Fees	6,500	14,194	4,760	14,874	11,000	0	0	0
22	Backflow Testing/Installation	3,300	7,108	1,000	7,108	5,000	0	0	0
23	Bulk Water Sales	1,200	3,881	700	3,981	3,570	0	0	0
24	Penalty & Interest Water Collection	24,000	33,751	14,000	35,751	35,751	0	0	0
25	TOTAL WATER REVENUE:	1,702,312	1,916,588	1,361,394	2,137,799	2,103,978	206,435	412,870	619,305
26					2,137,799				
27	PROPERTY ASSESSMENTS/AVAILABILITY CHARGES								
28	641500 1% Property Assessments	69,080	67,629	44,102	68,174	68,174			
29	641502 Property Assess wtr/swr/fltd (679 parcels \$66 ea(44,814))	45,000	24,754	29,248	24,985	24,985			
30	641502/641503 Prop Assess. -delinq-Montezoro(\$113,987)	0	-	236	-	0			
31	641501 Water avail Standby	82,673	78,071	58,482	78,918	78,918			
32	641504 ID 3 Water Standby (361 parcels \$37.70 parcel (1,3609.7))	13,609	13,609	26,002	13,609	13,609			
33	641504 ID 3 Water Standby-(La Casa-2 parcels= \$20,150)	20,150	19,325	20,461	19,495	19,495			
34	641503 Pest standby	17,953	14,070	14,835	14,183	14,183			
35	Penalty & Interest-Avail Charges	1,000	-	500	-	0			
36	TOTAL PROPERTY ASSES/AVAIL CHARGES:	249,465	217,460	193,866	219,365	219,364			
37					219,365				
38	SEWER SERVICE CHARGES								
39	Town Center Sewer Holder's Fees	180,140	165,129	105,084	180,141	180,144	0	0	0
40	Sewer user Fees (budget increase figures excludes TCS)	221,400	238,325	177,614	259,325	264,000	22,895	45,790	68,685
41	Penalty Interest-Sewer	1,800	380	900	480	1,200	0	0	0
42	Sewer Inspection Fees	200	763	663	763	0	0	0	0
43	Sewer Capacity Fees	12,138	10,158	10,457	10,158	0	0	0	0
44	TOTAL SEWER SERVICE CHARGES:	415,678	414,755	294,717	450,867	445,344	22,738	45,476	68,214
45					450,867				
46	PARK/GOLF INCOME								
47	CSD Fees-(golf/trash WEA -2,500)		18,925	17,108	18,925	0			
48	CC Golf Income		115		115				
49	TOTAL PARK/GOLF INCOME:		19,040	17,108	19,040	0			
50					19,040				
51	OTHER INCOME								
52	Rent Income-San Diego County	7,715	7,072	5,144	7,715	7,715			
53	Annexation Fees	0	-	-	-	0			
54	Fire Hydrant Installation	5,000	-	5,000	-	0			
55	Miscellaneous income (net csd fee/JPIA rebate)	5,000	13,172	2,919	13,456	13,000			
56	Administrative Fee-Water Credits	5,000	1,000	4,500	1,000	1,000			
57	Gain on Asset Sold	1,500	-	-	-	0			
58	Stag Grant	125,000	131,750	120,590	131,750	0			
59	Interest Income	1,550	225	780	236	200			
60	TOTAL OTHER INCOME:	150,765	153,220	138,932	154,158	21,915			
61									
62	TOTAL INCOME:	2,518,220	2,721,063	2,252,962	2,981,229	2,790,617	3,019,790	3,248,963	3,478,136
63					2,981,229				
64	CASH BASIS ADJUSTMENTS								
65	Decrease (Increase) in Accounts Receivable		(75,825)	-	(75,825)	0			
66	CC Golf Equipment receivable		1,135		1,324	2,268			
67	TOTAL CASH BASIS ADJUSTMENTS:	0	(74,690)	0	(74,501)	2,268			
68									
69	TOTAL INCOME RECEIVED:	2,518,220	2,646,373	2,006,017	2,906,728	2,792,885	3,022,058	3,251,231	3,480,404
70					2,906,728	Increase>>	229,173	458,346	687,519
71									

**BWD CASH FLOW
2011-2012**

	C	E	S	T	U	W	X	Y	Z
4	2011-2012								
5									
6	Proposed Budget	BUDGET	ACTUAL	PROJECTED	YTD + PROJ MONTHS->	PROPOSED			
7		FY 2012	YTD	YTD	PROJECTED	BUDGET	10%	20%	30%
72	EXPENSES		2011-2012	2011-2012	2011-2012	2012-2013	Increase	Increase	Increase
73									
74	MAINTENANCE EXPENSE								
75	R & M Buildings & Equipment	110,000	111,372	59,668	126,372	130,000			
76	R & M - WWTP	35,000	31,522	19,502	34,435	60,000			
77	Telemetry	20,000	9,901	13,000	16,901	15,000			
78	Trash Removal	7,500	3,890	6,125	4,190	3,600			
79	Vehicle Expense	17,000	8,410	9,919	9,826	12,000			
80	Fuel & Oil	38,000	35,768	21,502	38,268	35,000			
81	TOTAL MAINTENANCE EXPENSE:	227,500	200,863	129,715	229,992	255,600			
82					229,992				
83	PROFESSIONAL SERVICES EXPENSE								
84	Accounting	8,000	4,671	4,002	4,671	4,000			
85	Administrative Services (ADP/Bank Fees)	4,000	3,728	2,331	4,062	5,000			
86	Audit Fees	26,000	20,369	19,200	24,569	26,000			
87	Computer billing	12,000	16,781	16,000	17,781	9,000			
88	Consulting/Technical	25,000	200	14,581	200	1,500			
89	Engineering	25,000	5,475	14,581	7,562	10,000			
90	Legal Services	60,000	24,647	35,500	25,147	10,000			
91	Testing/lab work	25,000	21,279	14,581	23,366	28,000			
92	Regulatory Permit Fees	45,000	41,938	35,600	43,938	45,000			
93	TOTAL PROFESSIONAL SERVICES EXPENSE:	230,000	139,090	158,777	151,298	138,500			
94					151,298				
95	INSURANCE/INTEREST EXPENSE								
96	ACWA Insurance	102,774	72,495	-	72,495	72,000			
97	Workers Comp	20,000	14,525	10,000	19,425	19,200			
98	Interest-COP 2008/Well 12 Purchase Agreement	194,875	194,875	132,438	194,875	225,072			
99	TOTAL INSURANCE/INTEREST EXPENSE:	317,649	281,895	142,438	286,795	316,272			
100					286,795				
101	PERSONNEL EXPENSE								
102	Board Meeting Expense (board stipend/board secretary)	22,000	8,760	7,833	9,960	9,130			
103	Salaries & Wages (gross)	826,918	785,309	482,511	854,059	825,000			
104	Taxes on Payroll	32,930	19,063	12,362	20,063	19,251			
105	Medical Insurance Benefits	232,733	191,140	130,758	208,810	223,000			
106	Calpers Retirement Benefits	178,000	158,848	103,504	173,354	177,240			
107	Salaries & Wages contra account	(18,000)	(36,906)	(12,500)	(38,406)	(24,000)			
108	Conference/Conventions/Training/Seminars	10,600	7,159	7,750	8,034	7,500			
109	TOTAL PERSONNEL EXPENSE:	1,286,081	1,133,372	837,430	1,235,874	1,237,121			
110					1,235,874				
111	OFFICE EXPENSE								
112	Office Supplies	20,000	14,346	10,667	15,846	18,000			
113	Office Equipment/ Rental/Maintenance Agreements	32,500	22,797	18,956	25,505	26,000			
114	Postage & Freight	11,000	9,703	7,083	10,303	11,000			
115	Taxes on Property	2,291	2,288	2,291	2,288	2,300			
116	Telephone/Answering Service	10,700	6,804	6,244	7,694	8,500			
117	Bad Debt Collection	4,000	217	2,331	551	1,000			
118	Dues & Subscriptions	8,000	4,290	4,669	4,953	5,000			
119	Printing, Publications & Notices	5,000	237	2,919	654	1,500			
120	Uniforms	7,000	5,627	4,081	6,214	6,500			
121	Osha Requirements/Emergency preparedness	7,500	4,545	4,375	5,170	5,000			
122	TOTAL OFFICE EXPENSE:	107,991	70,854	63,616	79,178	84,800			
123					79,178				
124	UTILITIES EXPENSE								
125	Pumping-Electricity	320,000	281,499	177,678	319,499	330,000			
126	Office/Shop Utilities	15,000	14,603	8,750	15,853	16,000			
127	Cellular Phone	10,000	7,341	5,831	8,178	9,000			
128	TOTAL UTILITIES EXPENSE:	345,000	303,443	192,259	343,530	355,000			
129					343,530				
130	TOTAL EXPENSES:	2,513,221	2,129,517	1,690,911	2,326,666	2,387,292			
131					2,326,666				
132	CASH BASIS ADJUSTMENTS								
133	Decrease (Increase) in Accounts Payable		70,488	0	70,488	0			
134	Increase (Decrease) in Inventory		18,130	0	18,130	0			
135	Other Cash Basis Adjustments		(850)		(850)				
136	TOTAL CASH BASIS ADJUSTMENTS:		87,768	0	87,768	0			
137									
138	TOTAL EXPENSES PAID:	2,513,221	2,217,285	1,857,588	2,414,434	2,387,292			
139					2,414,434				
140	O&M								
141	NET CASH FLOW (O&M)	4,999	429,088	228,697	492,294	405,593	634,766	863,939	1,093,112
142					492,294				
143									

**BWD CASH FLOW
2011-2012**

	C	E	S	T	U	W	X	Y	Z
4	2011-2012								
5		BUDGET	ACTUAL	PROJECTED	YTD + PROJ MONTHS>>	PROPOSED			
6	Proposed Budget	FY 2012	YTD	YTD	PROJECTED	BUDGET	10%	20%	30%
7			2011-2012	2011-2012	2011-2012	2012-2013	Increase	Increase	Increase
144	NON O & M EXPENSES								
145	USGS Basin study	131,500	111,494	65,750	111,494	131,035			
146	GWM Planning Costs - unallocated	14,000	8,786	-	8,786	25,000			
147	Integrated Regional Water Management Plan/Staff time	53,000	63,787	59,197	63,787	0			
148	BOR S.E. California Regional Basin Study/Staff Time	20,000	13,477	12,000	13,477	0			
149	STAG/LGA Grant/Staff time	40,000	53,402	40,000	53,802	0			
150	Viking Ranch Purchase	69,000	6,989	138,000	75,989	0			
151	Viking Ranch Purchase RESERVE					100,000			
152	GWM/ABD-IRWM Legal Expenses	10,000	700	12,589	700	0			
153	Water Credit Policy legal expenses	12,000	639	22,500	3,139	0			
154	Contingency for possible well pump/motor failure	60,000	38,181	-	58,181	62,000			
155	Rams Hill #1 1980 steel needs inside coating, 1.25mg	150,000	-	100,000	-	200,000			
156	Twin Tanks, 1970's-inside coating (rescheduled into 2013-2014)	40,000	-	-	-	0			
157	Pickup	0	-	-	-	15,000			
158	ID4, Reducing Station design and installation	0	-	-	-	25,000			
159	Circle J Drive pipeline (excludes BWD labor)	0	-	-	-	60,000			
160	Montezuma Road pipeline project-final	0	11,900	-	11,900	0			
161	Two water credit refunds-less admin processing fee	10,000	10,000	10,000	10,000	0			
162	Telemetry Radio & PLC Upgrades	29,081	29,081	18,146	29,081	0			
163	Splitter Box Concrete Repairs-WWTP	9,100	9,100		9,100	0			
164	Bending Elbow Pipeline Project (includes labor of \$8,700)	16,500	12,495		14,495	0			
165	New Motor & Pump Kit for ID4-Booster Station 3	6,130				0			
166	Concrete replacement-WWTP					10,000			
167	Rework drying bed material-WWTP					43,000			
168	Roof replacement for Lugo building					10,000			
169	TOTAL NON O&M EXPENSES	670,311	370,031	603,182	463,931	681,035			
170					463,931				
171	CASH RECAP								
172	Cash beginning of period	779,356	779,356	779,356	779,356	807,719	807,719	807,719	807,719
173	Net Cash Flow (O&M)	4,999	429,088	586,994	492,294	419,790	634,766	863,939	1,093,112
174	Total Non O&M Expenses	(670,311)	(370,031)	(603,182)	(463,931)	(681,035)	(681,035)	(681,035)	(681,035)
175	Transfer To/From Reserves	0	-		0				
176	CASH AT END OF PERIOD	114,044	838,413	763,169	807,719	546,474	761,450	990,623	1,219,796
177					(0)				
178	(Rounding)								
179	RESERVES	TARGET				TARGET			
180	Working Capital (3 months)	629,555				600,000			
181	Contingency (3%)	75,546				72,000			
182	Asset replacement	114,791				115,000			
183	Emergency	2,500,000				2,500,000			
184	Viking Ranch Purchase					100,000			
185	TOTAL RESERVES	3,319,892				3,387,000			

**BWD
PROPOSED BUDGET
2012-2013**

DRAFT

	<u>TOTAL BUDGET</u>	<u>WATER</u>	<u>ID4-WATER</u>	<u>SEWER</u>	<u>TOTAL ALL FUNDS</u>
REVENUE					
Water Sales	2,018,097	807,239	1,210,858		2,018,097
GWM Surcharge	85,881	34,352	51,529		85,881
1% Property Assessments/641502	68,182	27,273	40,909		68,182
Water Availability Standby-Admin-6415-01	151,199	60,480	75,600	15,120	151,199
Sewer Revenue	445,344			445,344	445,344
Interest Income	200	68	100	32	200
Other Income	21,715	7,383	10,858	3,474	21,715
TOTAL PROPOSED INCOME FY 2013:	<u>2,790,618</u>	<u>936,795</u>	<u>1,389,853</u>	<u>463,970</u>	<u>2,790,618</u>
EXPENSE					
Repairs & Maintenance	255,600	78,240	117,360	60,000	255,600
Professional Services	138,500	47,090	69,250	22,160	138,500
Insurance	91,200	31,008	45,600	14,592	91,200
Personnel Expense	836,881	284,540	418,441	133,901	836,881
Employee Benefits	400,240	136,081	200,120	64,038	400,240
Office expense	84,800	28,832	42,400	13,568	84,800
Utilities	355,000	120,700	177,500	56,800	355,000
Interest Expense-COP 2008	225,072	100,197	124,875	-	225,072
TOTAL PROPOSED EXPENSE FY 2013:	<u>2,387,292</u>	<u>826,688</u>	<u>1,195,545</u>	<u>365,059</u>	<u>2,387,292</u>
NET INCOME (EXPENSE):	<u>403,326</u>	<u>110,107</u>	<u>194,308</u>	<u>98,911</u>	<u>403,326</u>

MEMORANDUM

DATE: June 5, 2012
TO: Borrego Water District Board of Directors
FROM: Jerry Rolwing, 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. In order to maintain infrastructure integrity, a ten year program is included to re-build the concrete facilities that are showing sign of deterioration from the harsh desert climate over the past 25 years. 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 the upgrading of existing infrastructure while following the provisions of the Regional Water Quality Control Board Order.

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 are scheduled payments for the Viking Ranch following project. The payment plan calls for a one-time \$150,000 payment in year four, followed by quarterly payments of \$20,228.82 over the following 25 years.



CIVIL ENGINEERING - LAND SURVEYING - CONSTRUCTION MANAGEMENT

6/6/12

Jerry Rolwing
General 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 2012 dollars) of these improvements are reasonable for planning purposes.

If you have any questions please contact me.

Regards,

A handwritten signature in cursive script that reads "David Dale".

David Dale, PE, PLS
Contract Engineer

Reason	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Wells, Booster Stations, Reservoirs and Associated Transmission Mains										
Wilcox Reservoir, 2.0 MG						\$ 1,300,000				
Wilcox Related Transmission Mains						\$ 2,000,000				
Wilcox Booster Station/Forebay						\$ 400,000				
New well north end of Valley						\$ 400,000				
Transmission mains for new well						\$ 100,000				
Indianhead Reservoir, 0.5 MG						\$ 375,000				
Indianhead Transmission Mains						\$ 800,000				
Water Treatment Facility (phase 1)										
Wastewater Plant										
Re-build concrete structures	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Dispose of Sludge Stockpile	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Priority	1									
Pressure Reducing Stations										
ID4, Reducing Sta. design and installation	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	\$ 20,000									
ID5, Reducing Sta. design and installation, Borrego Valley Rd					\$ 25,000					
Priority	1									
Pipelines										
Borrego Springs Rd. Weatherane Dr. to Barrel Dr.	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Borrego Springs Rd. Weatherane Dr. to Barrel Dr.	\$ 112,500									
Borrego Springs Rd. Walking H Dr. to Tilting T Dr.										
Borrego Springs Rd. Tilting T Dr. to Country Club Rd. First half			\$ 162,750							
Borrego Springs Rd. Tilting T Dr. to Country Club Rd. Second half				\$ 142,500						
Borrego Springs Rd. Christmas Circle to Diamond Bar Dr					\$ 135,000					
Borrego Springs Rd. Diamond Bar Dr. to T Anchor Dr						\$ 78,000				
Borrego Springs Rd. Christmas Circle loop						\$ 118,500				
Borrego Springs Rd. Upgrade 6" to 10" Country Club Rd. to San Pablo Rd								\$ 61,650		
Borrego Springs Rd. Upgrade 8" to 10" 660' north of Weatherane Dr									\$ 165,000	
Circle 1 Dr.	\$ 108,000									\$ 49,500
Bending Elbow Rd. Second half										
Double O										
Fairway Lane										
Club Circle East										
Club Circle West										
Borrego Valley Rd. South of Tilting T										
De Anza Dr. 1600 block										
Pointing Rock Dr/Montezuma Rd Loop First half										
Pointing Rock Dr/Montezuma Rd Loop Second half										
Other Infrastructure										
Fire Hydrant Replacements	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
New roof for Stirrup Road commercial property	\$ 5,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Priority	1									
Groundwater Management										
Viking Ranch Following										
TOTAL - CAPITAL IMPROVEMENTS PROGRAM	\$ 196,000	\$ 236,500	\$ 364,750	\$ 350,500	\$ 367,915	\$ 3,985,915	\$ 396,415	\$ 739,565	\$ 1,536,695	\$ 771,255
TOTAL - SHORT LIVED ASSETS (FROM SHEET 2)	\$ 313,000	\$ 141,000	\$ 160,000	\$ 232,500	\$ 236,000	\$ 178,000	\$ 176,000	\$ 198,000	\$ 188,500	\$ 201,000
Total CIP and Short Lived Assets	\$ 509,000	\$ 377,500	\$ 524,750	\$ 583,000	\$ 603,915	\$ 4,163,915	\$ 572,415	\$ 937,565	\$ 1,725,195	\$ 972,255

	A	B	C	D	E	F	G	H	I	J	K
		1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
1	Wells										
2	ID1-1, replace 40 Hp submersible pump, clean casing			\$ 15,000							
3	ID1-2, replace 40 Hp submersible pump										
4	ID1-8, 125 Hp, rewind motor in yr 3, pump and casing cleaning in yr 9			\$ 10,000				\$ 7,000		\$ 35,000	
5	ID1-10, 150 Hp, rewind motor in yr 1, pump and casing cleaning in yr 4	\$ 10,000			\$ 45,000			\$ 10,000			
6	ID1-12, 200 Hp, rewind motor in yr 2, pump and casing cleaning in yr 5		\$ 15,000			\$ 60,000			\$ 15,000		
7	ID1-16, 300 Hp, pump and casing cleaning in yr 3, rewind motor in yr 6			\$ 60,000			\$ 20,000				
8	Wilcox Diesel drive		\$ 10,000								
9	ID4-4, 150 Hp, rewind motor in yr 2, pump and casing cleaning in yr 7		\$ 10,000					\$ 50,000		\$ 10,000	\$ 8,000
10	ID4-10, replace 30 Hp submersible yr 4 and yr 9		\$ 15,000		\$ 8,000					\$ 8,000	
11	ID4-11, 200 Hp, rewind motor	\$ 8,000			\$ 40,000	\$ 60,000			\$ 8,000	\$ 15,000	
12	ID4-18, 100 Hp, rewind motor in yr 1, pump and casing cleaning in yr 4	\$ 15,000									
13	ID5-5, 200 Hp, rewind motor in yr 1, pump and casing cleaning in yr 6						\$ 60,000		\$ 8,000		\$ 15,000
14											
15	Tanks										
16	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
17	Rams Hill #2, 1980 galv. 0.44 MG, repairs	\$ 200,000									
18	800 Tank, Hyperlon .75 MG		\$ 5,000				\$ 40,000				
19	Reclaim #1, 1985, galv repaired 2010 0.4 MG										
20	Rams Hill #4, Hyperlon 2007, 1 MG, reconfigure plumbing	\$ 10,000				\$ 40,000			\$ 125,000		
21	Indianhead, 1970's 1- 0.22MG, inside coating					\$ 40,000					
22	Twin Tanks, 1970's 2- 0.22 MG, inside coating #1 in yr 2, #2 in yr 5		\$ 40,000								\$ 100,000
23	Country Club, 1999 1.0 MG										
24											
25	Booster/Pressure Reducing Sta.	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
26	ID1, Booster Sta. 1, #1, 30 Hp, motor yr 1, pump yr 3	\$ 9,000						\$ 4,000			
27	ID1, Booster Sta. 1, #2, 30 Hp, motor yr 3, pump yr 6		\$ 4,000						\$ 4,000		\$ 15,000
28	ID1, Booster Sta. 1, #3, 50 Hp, motor and pump yr 3			\$ 15,000							
29	ID1, Booster Sta. 2, #4, 30 Hp, motor yr 2, pump yr 5			\$ 9,000							
30	ID1, Booster Sta. 2, #5, 30 Hp, pump yr 3, motor yr 4	\$ 4,000									
31	ID1, Booster Sta. 2, #6, 50 Hp, motor yr 2, pump yr 8	\$ 5,000						\$ 10,000			
32	ID4, Booster Sta. 3, #7, 25 Hp, motor yr 4, pump yr 8			\$ 4,000				\$ 9,000			
33											
34	Wastewater Plant	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
35	Shredder Cutters	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
36	Motor and Gear Reducers for Brushes	\$ 16,000				\$ 16,000					\$ 16,000
37	Wastewater Return Pump		\$ 6,000				\$ 6,000				\$ 6,000
38	Surface Aerator Motor				\$ 4,500					\$ 4,500	
39	Video Collection Lines		\$ 10,000			\$ 10,000			\$ 10,000		\$ 10,000
40											
41	Equipment	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
42	Tractor repair/roadwork blade	\$ 10,000									\$ 25,000
43	Backhoe				\$ 80,000					\$ 80,000	
44	Pickups	\$ 15,000			\$ 20,000		\$ 25,000		\$ 25,000		
45	Big Truck			\$ 50,000				\$ 50,000			
46	Misc. Equipment	\$ 10,000	\$ 5,000	\$ 15,000	\$ 5,000	\$ 10,000	\$ 5,000	\$ 20,000	\$ 5,000	\$ 20,000	
47	Computers/Office Equipment		\$ 10,000		\$ 10,000		\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	
48											
49	SHORT LIVED ASSETS REPLACEMENT PROGRAM	\$ 313,000	\$ 141,000	\$ 160,000	\$ 232,500	\$ 236,000	\$ 178,000	\$ 176,000	\$ 198,000	\$ 188,500	\$ 201,000

**BORREGO WATER DISTRICT
POLICY STATEMENT**

SUBJECT: CASH RESERVES POLICY

NO: 2011-05-01

ADOPTED: 2011-05-25

AMENDED:

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.

	A	B	C	D	E	F
1	BORREGO WATER DISTRICT					
2	FIVE YEAR NET INCOME/ WORKING CAPITAL PROJECTION	Projected	Projected	Projected	Projected	Projected
3		FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
4	Prop 218 Approved Revenue Increases	30%	10%	10%	5%	5%
5	Projected Revenue Increases	10%	5%	5%	5%	5%
6	Existing Rate Revenue	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978
7	Additional Revenue	\$ 229,173	\$ 355,218	\$ 487,566	\$ 626,530	\$ 772,443
8	Other Income	\$ 686,639	\$ 686,639	\$ 686,639	\$ 686,639	\$ 686,639
9	Total Revenue (/w Other Rev.)	\$ 3,019,790	\$ 3,145,835	\$ 3,278,183	\$ 3,417,147	\$ 3,563,060
10						
11	O&M Expenses	\$ 2,162,221	\$ 2,162,220	\$ 2,162,220	\$ 2,162,220	\$ 2,162,220
12						
13	Net Revenue	\$ 857,569	\$ 983,615	\$ 1,115,963	\$ 1,254,927	\$ 1,400,840
14						
15	Total Bond Issued	\$ -	\$ -	\$ -	\$ -	\$ -
16	Issuance Expense & Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
17	Amount available for CIP	\$ -	\$ -	\$ -	\$ -	\$ -
18						
19	CIP Financing					
20	Cash CIP (without Viking reserve)	\$ 581,035	\$ 377,500	\$ 524,750	\$ 433,000	\$ 523,000
21	Debt CIP	\$ -	\$ -	\$ -	\$ -	\$ -
22	Existing Debt Service					
23	ID 4 Bonds	\$ 124,875	\$ 149,875	\$ 257,675	\$ 256,375	\$ 254,850
24	Well 12	\$ 100,196	\$ 110,216	\$ 115,726	\$ 121,513	\$ 127,588
25	Viking Ranch	\$ -	\$ -		\$ 270,750	\$ 224,936
26						
27	Total Debt Service	\$ 225,071	\$ 260,091	\$ 373,401	\$ 648,638	\$ 607,374
28						
29	Net Annual Cash Flow	\$ 51,463	\$ 345,025	\$ 217,811	\$ 173,290	\$ 270,466
30						
31	Beginning Reserves Level	\$ 807,717	\$ 859,180	\$ 1,205,205	\$ 1,423,016	\$ 1,596,305
32	Ending Reserves Level	\$ 859,180	\$ 1,205,205	\$ 1,423,016	\$ 1,596,305	\$ 1,866,772
33						

	A	B	C	D	E	F
1	BORREGO WATER DISTRICT					
2	FIVE YEAR NET INCOME/	Projected	Projected	Projected	Projected	Projected
3	WORKING CAPITAL PROJECTION	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
4	Prop 218 Approved Revenue Increases	30%	10%	10%	5%	5%
5	Projected Revenue Increases	15%	5%	5%	5%	5%
6	Existing Rate Revenue	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978
7	Additional Revenue	\$ 343,760	\$ 475,534	\$ 613,897	\$ 759,179	\$ 911,724
8	Other Income	\$ 686,639	\$ 686,639	\$ 686,639	\$ 686,639	\$ 686,639
9	Total Revenue (/w Other Rev.)	\$ 3,134,377	\$ 3,266,151	\$ 3,404,514	\$ 3,549,796	\$ 3,702,341
10						
11	O&M Expenses	\$ 2,162,221	\$ 2,162,220	\$ 2,162,220	\$ 2,162,220	\$ 2,162,220
12						
13	Net Revenue	\$ 972,156	\$ 1,103,931	\$ 1,242,294	\$ 1,387,576	\$ 1,540,121
14						
15	Total Bond Issued	\$ -	\$ -	\$ -	\$ -	\$ -
16	Issuance Expense & Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
17	Amount available for CIP	\$ -	\$ -	\$ -	\$ -	\$ -
18						
19	CIP Financing					
20	Cash CIP (without Viking reserve)	\$ 581,035	\$ 377,500	\$ 524,750	\$ 433,000	\$ 523,000
21	Debt CIP	\$ -	\$ -	\$ -	\$ -	\$ -
22	Existing Debt Service					
23	ID 4 Bonds	\$ 124,875	\$ 149,875	\$ 257,675	\$ 256,375	\$ 254,850
24	Well 12	\$ 100,196	\$ 115,225	\$ 120,987	\$ 127,036	\$ 133,388
25	Viking Ranch	\$ -	\$ -		\$ 270,750	\$ 224,936
26						
27	Total Debt Service	\$ 225,071	\$ 265,100	\$ 378,662	\$ 654,161	\$ 613,174
28						
29	Net Annual Cash Flow	\$ 166,050	\$ 461,331	\$ 338,883	\$ 300,415	\$ 403,947
30						
31	Beginning Reserves Level	\$ 807,717	\$ 973,767	\$ 1,435,097	\$ 1,773,980	\$ 2,074,394
32	Ending Reserves Level	\$ 973,767	\$ 1,435,097	\$ 1,773,980	\$ 2,074,394	\$ 2,478,341
33						

	A	B	C	D	E	F
1	BORREGO WATER DISTRICT					
2	FIVE YEAR NET INCOME/	Projected	Projected	Projected	Projected	Projected
3	WORKING CAPITAL PROJECTION	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
4	Prop 218 Approved Revenue Increases	30%	10%	10%	5%	5%
5	Projected Revenue Increases	20%	5%	5%	5%	5%
6	Existing Rate Revenue	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978
7	Additional Revenue	\$ 458,346	\$ 595,850	\$ 740,229	\$ 891,827	\$ 1,051,005
8	Other Income	\$ 686,639	\$ 686,639	\$ 686,639	\$ 686,639	\$ 686,639
9	Total Revenue (/w Other Rev.)	\$ 3,248,963	\$ 3,386,467	\$ 3,530,846	\$ 3,682,444	\$ 3,841,622
10						
11	O&M Expenses	\$ 2,162,221	\$ 2,162,220	\$ 2,162,220	\$ 2,162,220	\$ 2,162,220
12						
13	Net Revenue	\$ 1,086,742	\$ 1,224,247	\$ 1,368,626	\$ 1,520,224	\$ 1,679,402
14						
15	Total Bond Issued	\$ -	\$ -	\$ -	\$ -	\$ -
16	Issuance Expense & Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
17	Amount available for CIP	\$ -	\$ -	\$ -	\$ -	\$ -
18						
19	CIP Financing					
20	Cash CIP (without Viking reserve)	\$ 581,035	\$ 377,500	\$ 524,750	\$ 433,000	\$ 523,000
21	Debt CIP	\$ -	\$ -	\$ -	\$ -	\$ -
22	Existing Debt Service					
23	ID 4 Bonds	\$ 124,875	\$ 149,875	\$ 257,675	\$ 256,375	\$ 254,850
24	Well 12	\$ 100,196	\$ 120,235	\$ 126,247	\$ 132,559	\$ 139,187
25	Viking Ranch	\$ -	\$ -		\$ 270,750	\$ 224,936
26						
27	Total Debt Service	\$ 225,071	\$ 270,110	\$ 383,922	\$ 659,684	\$ 618,973
28						
29	Net Annual Cash Flow	\$ 280,636	\$ 576,637	\$ 459,954	\$ 427,539	\$ 537,428
30						
31	Beginning Reserves Level	\$ 807,717	\$ 1,088,353	\$ 1,664,990	\$ 2,124,943	\$ 2,552,483
32	Ending Reserves Level	\$ 1,088,353	\$ 1,664,990	\$ 2,124,943	\$ 2,552,483	\$ 3,089,911
33						

	A	B	C	D	E	F
1	BORREGO WATER DISTRICT					
2	FIVE YEAR NET INCOME/ WORKING CAPITAL PROJECTION	Projected	Projected	Projected	Projected	Projected
3		FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
4	Prop 218 Approved Revenue Increases	30%	10%	10%	5%	5%
5	Projected Revenue Increases	30%	5%	5%	5%	5%
6	Existing Rate Revenue	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978
7	Additional Revenue	\$ 687,519	\$ 836,481	\$ 992,892	\$ 1,157,123	\$ 1,329,566
8	Other Income	\$ 686,639	\$ 686,639	\$ 686,639	\$ 686,639	\$ 686,639
9	Total Revenue (/w Other Rev.)	\$ 3,478,136	\$ 3,627,098	\$ 3,783,509	\$ 3,947,740	\$ 4,120,183
10						
11	O&M Expenses	\$ 2,162,221	\$ 2,162,220	\$ 2,162,220	\$ 2,162,220	\$ 2,162,220
12						
13	Net Revenue	\$ 1,315,915	\$ 1,464,878	\$ 1,621,289	\$ 1,785,520	\$ 1,957,963
14						
15	Total Bond Issued	\$ -	\$ -	\$ -	\$ -	\$ -
16	Issuance Expense & Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
17	Amount available for CIP	\$ -	\$ -	\$ -	\$ -	\$ -
18						
19	CIP Financing					
20	Cash CIP (without Viking reserve)	\$ 581,035	\$ 377,500	\$ 524,750	\$ 433,000	\$ 523,000
21	Debt CIP	\$ -	\$ -	\$ -	\$ -	\$ -
22	Existing Debt Service					
23	ID 4 Bonds	\$ 124,875	\$ 149,875	\$ 257,675	\$ 256,375	\$ 254,850
24	Well 12	\$ 100,196	\$ 130,255	\$ 136,768	\$ 143,606	\$ 150,786
25	Viking Ranch	\$ -	\$ -		\$ 270,750	\$ 224,936
26						
27	Total Debt Service	\$ 225,071	\$ 280,130	\$ 394,443	\$ 670,731	\$ 630,572
28						
29	Net Annual Cash Flow	\$ 509,809	\$ 807,249	\$ 702,096	\$ 681,789	\$ 804,391
30						
31	Beginning Reserves Level	\$ 807,717	\$ 1,317,526	\$ 2,124,775	\$ 2,826,871	\$ 3,508,660
32	Ending Reserves Level	\$ 1,317,526	\$ 2,124,775	\$ 2,826,871	\$ 3,508,660	\$ 4,313,051
33						

	A	B	C	D	E	F
1	BORREGO WATER DISTRICT					
2	FIVE YEAR NET INCOME/	Projected	Projected	Projected	Projected	Projected
3	WORKING CAPITAL PROJECTION	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
4	Prop 218 Approved Revenue Increases	30%	10%	10%	5%	5%
5	Projected Revenue Increases	30%	10%	10%	5%	5%
6	Existing Rate Revenue	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978	\$ 2,103,978
7	Additional Revenue	\$ 687,519	\$ 985,444	\$ 1,313,161	\$ 1,493,406	\$ 1,682,663
8	Other Income	\$ 686,639	\$ 686,639	\$ 686,639	\$ 686,639	\$ 686,639
9	Total Revenue (/w Other Rev.)	\$ 3,478,136	\$ 3,776,061	\$ 4,103,778	\$ 4,284,023	\$ 4,473,280
10						
11	O&M Expenses	\$ 2,162,221	\$ 2,162,220	\$ 2,162,220	\$ 2,162,220	\$ 2,162,220
12						
13	Net Revenue	\$ 1,315,915	\$ 1,613,841	\$ 1,941,558	\$ 2,121,803	\$ 2,311,060
14						
15	Total Bond Issued	\$ -	\$ -	\$ -	\$ -	\$ -
16	Issuance Expense & Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
17	Amount available for CIP	\$ -	\$ -	\$ -	\$ -	\$ -
18						
19	CIP Financing					
20	Cash CIP (without Viking reserve)	\$ 581,035	\$ 377,500	\$ 524,750	\$ 433,000	\$ 523,000
21	Debt CIP	\$ -	\$ -	\$ -	\$ -	\$ -
22	Existing Debt Service					
23	ID 4 Bonds	\$ 124,875	\$ 149,875	\$ 257,675	\$ 256,375	\$ 254,850
24	Well 12	\$ 100,196	\$ 130,255	\$ 143,280	\$ 157,608	\$ 165,489
25	Viking Ranch	\$ -	\$ -		\$ 270,750	\$ 224,936
26						
27	Total Debt Service	\$ 225,071	\$ 280,130	\$ 400,955	\$ 684,733	\$ 645,275
28						
29	Net Annual Cash Flow	\$ 509,809	\$ 956,211	\$ 1,015,853	\$ 1,004,070	\$ 1,142,785
30						
31	Beginning Reserves Level	\$ 807,717	\$ 1,317,526	\$ 2,273,737	\$ 3,289,590	\$ 4,293,660
32	Ending Reserves Level	\$ 1,317,526	\$ 2,273,737	\$ 3,289,590	\$ 4,293,660	\$ 5,436,445
33						

**BORREGO WATER DISTRICT
PROPOSED RATES FOR
FISCAL YEARS 2013-2017**

Sewer Rates

The District provides sewer service to areas 1, 2 and 5. Rate increases could possibly take place in areas 1 & 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:

	Current Rates	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Sewer Area 1	\$ 22.29	\$ 28.98	\$ 31.88	\$ 35.07	\$ 36.83	\$ 38.68
Sewer Area 5	\$ 41.60	\$ 54.08	\$ 59.49	\$ 65.44	\$ 68.72	\$ 72.16

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 area 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 water meter charges are proposed to change as shown in the following table:

Meter size	Current Rates	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
¾"	\$ 25.45	\$ 33.09	\$ 36.40	\$ 40.04	\$ 42.04	\$ 44.11
1"	\$ 37.21	\$ 48.37	\$ 53.20	\$ 58.53	\$ 61.45	\$ 64.53
1 ½"	\$ 62.74	\$ 81.56	\$ 89.72	\$ 98.69	\$103.62	\$108.81
2"	\$ 94.97	\$123.45	\$135.80	\$149.38	\$156.85	\$164.70
3"	\$172.47	\$224.21	\$246.63	\$271.30	\$284.86	\$299.11
4"	\$274.95	\$357.44	\$393.18	\$432.50	\$454.12	\$476.83
6"	\$548.60	\$713.18	\$784.50	\$862.95	\$906.10	\$951.41

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

Winter	Current Rates	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Tier1 < 45	\$ 1.46	\$ 1.90	\$ 2.09	\$ 2.30	\$ 2.42	\$ 2.55
Tier 2 >45	\$ 2.19	\$ 2.85	\$ 3.14	\$ 3.46	\$ 3.64	\$ 3.83

Summer	Current Rates	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Tier1 < 55	\$ 1.46	\$ 1.90	\$ 2.09	\$ 2.30	\$ 2.42	\$ 2.55
Tier 2 >55	\$ 2.19	\$ 2.85	\$ 3.14	\$ 3.46	\$ 3.64	\$ 3.83

Other Rates and Fees

Any rates or fees associated with water or sewer service that are not addressed in the 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 changes.

RESOLUTION NO. 2012-06-02

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, AUTHORIZING OF APPLICATION AND RELATED DOCUMENTS BE MADE TO THE CALIFORNIA DEPARTMENT OF WATER RESOURCES TO OBTAIN A LOCAL GROUNDWATER ASSISTANCE GRANT PURSUANT TO THE SAFE DRINKING WATER, WATER QUALITY AND SUPPLY, FLOOD CONTROL, RIVER AND COASTAL PROTECTION BOND ACT OF 2006 PUBLIC RESOURCE CODE SECTION 75001 *et seq.*), AND TO ENTER INTO AN AGREEMENT TO RECEIVE A GRANT FOR THE BORREGO VALLEY GROUNDWATER QUALITY BASELINE PROJECT

WHEREAS, the Borrego Water District (“District”) seeks to prepare a Local Groundwater Assistance grant application (“Application”); for the purpose of obtaining funding for valley wide baseline groundwater quality project; and

WHEREAS, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 section 75001 *et seq.* provides grant funding for the preparation plan for such projects; and

WHEREAS, the District desires to obtain a grant from the State of California Department of Water Resources for the preparation of the Project in an amount not to exceed Two Hundred and Fifty thousand (\$250,000.00); and

WHEREAS, the State of California requires that the District’s Board of Directors adopt a resolution authorizing an officer of the District to prepare the necessary data, conduct investigations, file such application, and execute a grant agreement with the California Department of Water Resources; and

WHEREAS, The District Board of Directors desires to authorize the General Manager of the Borrego Water District to prepare the necessary data, conduct investigation, file such application, and execute a grant agreement with California Department of Water Resources.

NOW, THEREFORE, the Board of Directors of the Borrego Water District does hereby resolve, determine and order as follows:

Section 1. That application be made to the California Department of Water Resources to obtain a Local Groundwater Assistance Grant pursuant to the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Public Resource Code Section 75001 *et seq.*), and to enter into an agreement to receive a grant for the preparation of the Plan.

Section 2. The District's General Manager is hereby authorized and directed to prepare the necessary data, conduct investigations, file such application, and execute a grant agreement with the California Department of Water Resources.

Section 3. That the District's General Manager be and hereby is authorized to approve claims for reimbursement under the Project.

ADOPTED, SIGNED AND APPROVED this 19th day of June 2012.

President of the Board of Directors
of Borrego Water District

ATTEST:

Secretary of the Board of Directors
of Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing Resolution 2012-06-02 was duly adopted by the Board of Directors of said District at an adjourned regular meeting held on the 19th day of June, and that it was so adopted by the following vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Secretary of the Board of Directors
of Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2012-06-02, of said Board, and that the same has not been amended or repealed.

Dated: _____

Secretary of the Board of Directors
of Borrego Water District