

**BORREGO WATER DISTRICT**

**FISCAL YEAR 2014-2015**

**ANNUAL BUDGET**

**MAY 20, 2014**

**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**

**FISCAL YEAR 2014-2015  
ANNUAL BUDGET  
MAY 20, 2014**

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# BORREGO WATER DISTRICT

May 20, 2014

Board of Directors:

This Fiscal Year 2014-2015 (FY 2015) consolidated budget was prepared in compliance with the laws of the State of California and reflects the Board of Directors' (Board) goals and priorities and the District's strategic plans by which to achieve these goals and priorities.

The Operations and Management (O&M) and Capital Improvements Projects (CIP) and non-O&M expenses budgets contained in this FY 2015 consolidated budget package represent management's best assessment of a "bare-bones" budget and proposed rate increase to successfully accomplish the District's goals and priorities for FY 2015. This budget document will be used as a guideline to address the dynamics of the District's operations and the economic challenges of returning the District's present finances to a sustainable state.

The budget shows total revenues for FY 2015 of \$3,555,875 (projected). This represents a projected revenues increase of approximately 1% from FY 2014 projected actual revenues. The FY 2015 projected revenues assumes no increase in the base water rate from FY 2014, 10% increase in the water commodity rate and 5% increase for sewer rates from FY 2014. O&M expenses are projected to be approximately \$2,336,442. Non O&M expenses (including CIP costs) for FY 2015 are projected to be approximately \$688,000. Ending cash flow to reserves for FY 2015 from FY 2014 is projected to be approximately \$531,433 assuming projected rate increases for FY 2015.

FY 2015 non O&M expenses include funds for a financial plan in the fall of 2014 and a Proposition 218 process in the spring of 2015. The objectives of this 218 process that would affect FY 2016 rates are to: (a) adjust water and sewer rates based on cost of service; (b) develop water rate tiers based on cost of service to low vs. high use water-users; (c) to add an electricity charges pass-through; (d) to update development charges and fees, and (e) to evaluate other requirements for a sound plan to restore the District to financial health.

Included in this budget package are the proposed Board Resolution to adopt and approve the FY 2015 budget; a detailed revenue and expense budget; CIP budget with associated justification from the District's consulting engineer; the District's reserves policy; and a cash flow analysis of the proposed rate increases.

Thank you for your consideration.

Sincerely,

Jerry Rolwing  
General Manager

**RESOLUTION NO. 2014-05-01**

**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 2014-2015**

**WHEREAS**, the Board of Directors has reviewed and considered the Budget as presented for Fiscal Year 2014-2015 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 2014-2015.

**PASSED, ADOPTED AND APPROVED** at a regular meeting of the Board of Directors of the Borrego Water District held on May 20, 2014.

\_\_\_\_\_  
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    )



	C	E	F	H	I	J	K
1	<b>BWD CASH FLOW</b>				4/23/2014	10% increase	5/20/2014
2	<b>BUDGET</b>	<b>ADOPTED</b>	<b>ADOPTED</b>	<b>YTD</b>	<b>PROPOSED</b>	<b>7%</b>	<b>ADOPTED</b>
3	<b>2014-2015</b>	<b>BUDGET</b>	<b>BUDGET</b>	<b>PROJECTED</b>	<b>BUDGET</b>	<b>Net Water</b>	<b>BUDGET</b>
4		<u>2012-2013</u>	<u>2013-2014</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>Increase</u>	<u>2014-2015</u>
5	<b>REVENUE</b>					(less July Increase)	
6	<b>WATER REVENUE</b>						
7	Residential Water Sales	797,310	822,850	840,498	845,000	54,221	899,221
8	Commercial Water Sales	112,548	114,404	112,508	113,300	7,270	120,570
9	Irrigation Water Sales	134,297	145,635	133,413	134,300	8,618	142,918
10	GWM Surcharge	103,204	102,709	107,149	108,000	6,930	114,930
11	Water Sales Power Portion	331,621	336,908	338,086	342,200	21,958	364,158
12	Readiness Water Charge	986,046	1,082,452	1,102,678	1,080,000		1,080,000
13	Readiness Water Charge - Liened properties		41,000	22,348	27,600		27,600
14	RH Golf Course surplus capacity lease			67,618			
15	Meter Installation			5,809	5,809		5,809
16	Water hook-up charge						
17	Reconnect Fees	11,000	6,800	6,120	4,080		4,080
18	Backflow Testing/installation	5,000	4,575	4,600	4,600		4,600
19	Bulk Water Sales	3,570	6,235	3,680	3,500		3,500
20	Penalty & Interest Water Collection	32,252	12,197	2,623	6,000		6,000
21	<b>TOTAL WATER REVENUE:</b>	<b>2,516,848</b>	<b>2,675,765</b>	<b>2,747,130</b>	<b>2,674,390</b>	<b>98,997</b>	<b>2,773,387</b>
22							
23	<b>PROPERTY ASSESSMENTS/AVAILABILITY CHARGES</b>						
24	641500 1% Property Assessments	68,174	64,388	63,597	64,625		64,625
25	641502 Property Assess wtr/swr/flld (25 parcels \$66 ea(1,650))	24,985	25,369	25,699	1,650		1,650
26	641502 Prop Assess.						
27	641501 Water avail Standby	78,918	89,038	84,405	82,559		82,559
28	641504 ID 3 Water Standby ( 361 parcels \$37.70 parcel (13,609.7))	13,609					
29	641504 ID 3 Water Standby (La Casa)	19,495	35,165	24,407	33,722		33,722
30	641503 Pest standby	14,183	15,474	14,851	17,938		17,938
31	<b>TOTAL PROPERTY ASSES/AVAIL CHARGES:</b>	<b>219,364</b>	<b>229,434</b>	<b>212,959</b>	<b>200,493</b>		<b>200,493</b>
32						5 %INCREASE	
33	<b>SEWER SERVICE CHARGES</b>					<b>SEWER</b>	
34	Town Center Sewer Holder's Fees	180,144	168,000	170,463	170,190	(less July Increase)	170,190
35	Town Center Sewer User Fees		37,920	37,990	38,040		38,040
36	Sewer user Fees	309,790	300,300	299,790	330,000	15,125	345,125
37	Sewer-liened		3,216	2,371	2,160		2,160
38	Penalty Interest-Sewer	1,200	1,200	189			
39	Sewer Capacity Fees						
40	<b>TOTAL SEWER SERVICE CHARGES:</b>	<b>491,134</b>	<b>510,636</b>	<b>510,804</b>	<b>540,390</b>	<b>15,125</b>	<b>555,515</b>
41							
42	<b>OTHER INCOME</b>						
43	Rent Income-Antilles wireless	7,715					
44	Annexation Fees						
45	Fire Hydrant Installation						
46	Miscellaneous Income (net csd fee/JPIA rebate/check free)	13,000	10,320	28,741	15,880		15,880
47	Administrative Fee-Water Credits	1,000		5,500	8,250		8,250
51	Interest Income	200	187	79	80		80
52	<b>TOTAL OTHER INCOME:</b>	<b>21,915</b>	<b>10,507</b>	<b>34,320</b>	<b>24,210</b>		<b>24,210</b>
53							
54	<b>TOTAL INCOME:</b>	<b>3,249,262</b>	<b>3,426,342</b>	<b>3,505,213</b>	<b>3,439,483</b>	<b>114,122</b>	<b>3,553,605</b>
55							
56	<b>CASH BASIS ADJUSTMENTS</b>						
57	Decrease (Increase) in Accounts Receivable			55,014			
58	CC Golf Equipment receivable	2,268	2,270	2,270	2,270		2,270
59	Other Cash Basis Adjustments-loss on water credits sold			(10,322)			
60	<b>TOTAL CASH BASIS ADJUSTMENTS:</b>	<b>2,268</b>	<b>2,270</b>	<b>46,962</b>	<b>2,270</b>		<b>2,270</b>
61							
62	<b>TOTAL INCOME RECEIVED:</b>	<b>3,251,530</b>	<b>3,428,612</b>	<b>3,552,175</b>	<b>3,441,753</b>		<b>3,555,875</b>

	C	E	F	H	I	J	K
1	<b>BWD CASH FLOW</b>				4/23/2014	10% increase	5/20/2014
2	<b>BUDGET</b>	ADOPTED	ADOPTED	YTD	PROPOSED	7%	ADOPTED
3	<b>2014-2015</b>	BUDGET	BUDGET	PROJECTED	BUDGET	Net Water	BUDGET
4		2012-2013	2013-2014	2013-2014	2014-2015	Increase	2014-2015
63	<b>EXPENSES</b>						
64							
65	<b>MAINTENANCE EXPENSE</b>						
66	R & M Buildings & Equipment	130,000	130,000	129,503	142,000		142,000
67	R & M - WWTP	60,000	40,000	84,316	60,000		60,000
68	Telemetry	15,000	10,000	10,000	20,000		20,000
69	Trash Removal	3,600	3,655	3,444	3,600		3,600
70	Vehicle Expense	12,000	18,000	15,275	18,000		18,000
71	Fuel & Oil	35,000	33,000	31,583	33,000		33,000
72	<b>TOTAL MAINTENANCE EXPENSE:</b>	<b>255,600</b>	<b>234,655</b>	<b>274,120</b>	<b>276,600</b>		<b>276,600</b>
73							
74	<b>PROFESSIONAL SERVICES EXPENSE</b>						
75	Tax Accounting (Taussig)	4,000	1,500	9,167	3,000		3,000
76	Administrative Services (ADP/Bank Fees)	5,000	6,000	16,024	6,000		6,000
77	Audit Fees	26,000	14,439	14,439	14,439		14,439
78	Computer billing-TBD	9,000	9,000	6,679	18,250		18,250
79	Consulting/Technical/Contract Labor	1,500	200	200	1,200		1,200
80	Engineering	10,000	25,200	12,515	35,000		35,000
81	District Legal Services	10,000	15,000	41,684	20,000		20,000
82	Testing/lab work	28,000	18,000	18,010	18,000		18,000
83	Regulatory Permit Fees	45,000	42,000	32,756	38,000		38,000
84	<b>TOTAL PROFESSIONAL SERVICES EXPENSE:</b>	<b>138,500</b>	<b>131,339</b>	<b>151,475</b>	<b>153,889</b>		<b>153,889</b>
85							
86	<b>INSURANCE/DEBT EXPENSE</b>						
87	ACWA Insurance	72,000	73,650	70,427	74,000		74,000
88	Workers Comp	19,200	18,800	14,871	14,400		14,400
89	COP 2008 Installment	225,072	219,313	219,313	255,713		255,713
90	<b>TOTAL INSURANCE/DEBT EXPENSE:</b>	<b>316,272</b>	<b>311,763</b>	<b>304,611</b>	<b>344,113</b>		<b>344,113</b>
91							
92	<b>PERSONNEL EXPENSE</b>						
93	Board Meeting Expense (board stipend/board secretary)	9,130	12,870	11,290	12,870		12,870
94	Salaries & Wages (gross)	825,000	750,000	712,778	730,000		730,000
95	Taxes on Payroll	19,251	16,000	15,783	15,500		15,500
96	Medical Insurance Benefits	223,000	181,000	171,762	180,000		180,000
97	Calpers Retirement Benefits	177,240	157,200	149,047	162,000		162,000
98	Salaries & Wages contra account	(24,000)	(12,870)	(10,440)	(12,195)		(12,195)
99	Conference/Conventions/Training/Seminars	7,500	7,500	6,052	7,000		7,000
100	<b>TOTAL PERSONNEL EXPENSE:</b>	<b>1,237,121</b>	<b>1,111,700</b>	<b>1,056,271</b>	<b>1,095,175</b>		<b>1,095,175</b>
101							
102	<b>OFFICE EXPENSE</b>						
103	Office Supplies	19,000	18,000	21,541	18,000		18,000
104	Office Equipment/ Rental/Maintenance Agreements	26,000	25,400	23,627	25,000		25,000
105	Postage & Freight	11,000	13,000	13,122	13,000		13,000
106	Taxes on Property	2,300	2,150	2,366	2,366		2,366
107	Telephone/Answering Service	8,500	8,400	7,611	7,674		7,674
108	Dues & Subscriptions	5,000	4,400	3,989	3,970		3,970
109	Printing, Publications & Notices	1,500	747	847	838		838
110	Uniforms	6,500	7,177	5,290	6,000		6,000
111	OSHA Requirements/Emergency preparedness	5,000	4,842	1,626	4,500		4,500
112	<b>TOTAL OFFICE EXPENSE:</b>	<b>84,800</b>	<b>84,838</b>	<b>80,019</b>	<b>81,347</b>		<b>81,347</b>
113							
114	<b>UTILITIES EXPENSE</b>						
115	Pumping-Electricity	330,000	360,000	323,573	360,000		360,000
116	Office/Shop Utilities	16,000	16,875	16,252	17,319		17,319
117	Cellular Phone	9,000	8,777	7,991	8,000		8,000
118	<b>TOTAL UTILITIES EXPENSE:</b>	<b>355,000</b>	<b>385,652</b>	<b>347,816</b>	<b>385,319</b>		<b>385,319</b>
119							
120	<b>TOTAL EXPENSES:</b>	<b>2,387,292</b>	<b>2,259,946</b>	<b>2,214,311</b>	<b>2,336,442</b>		<b>2,336,442</b>
121							
122	<b>CASH BASIS ADJUSTMENTS</b>						
123	Decrease (Increase) in Accounts Payable			(11,107)			
124	Increase (Decrease) in Inventory			22,503			
125	Other Cash Basis Adjustments			3,973			
126	<b>TOTAL CASH BASIS ADJUSTMENTS:</b>			<b>15,369</b>			
127							
128	<b>TOTAL EXPENSES PAID:</b>			<b>2,229,680</b>			
129							
130	<b>NET CASH FLOW (O&amp;M)</b>	<b>864,237</b>	<b>1,168,666</b>	<b>1,322,495</b>	<b>1,105,311</b>		<b>1,219,433</b>

	C	E	F	H	I	J	K
1	<b>BWD CASH FLOW</b>				4/23/2014	10% increase	5/20/2014
2	<b>BUDGET</b>	ADOPTED	ADOPTED	YTD	PROPOSED	7%	ADOPTED
3	<b>2014-2015</b>	BUDGET	BUDGET	PROJECTED	BUDGET	Net Water	BUDGET
4		2012-2013	2013-2014	2013-2014	2014-2015	Increase	2014-2015
131	<b>NON O &amp; M EXPENSES</b>						
132	USGS Basin study (\$49,028 balance)	131,035	57,500	57,488			
133	GWM -Plan Completion	25,000	30,000	14,256	15,000		15,000
136	Viking Ranch Purchase/Reserve	100,000	169,000	70,493			
137	Contingency for possible well pump/motor failure	62,000					
138	Rams Hill #1 1980 steel needs inside coating, 1.25mg	200,000	100,000	203,912			
139	800 Tank		123,576	125,825			
140	Twin Tanks, 1970's-inside coating (rescheduled into 2013-2014)		40,000	40,000			
141	Pickup	15,000					
142	ID4, Reducing Station design and installation	25,000	20,000	20,000			
143	Fairway Lane pipeline (excludes BWD labor)	60,000					
146	ID 5, Reducing Station design and installation				10,000		10,000
147	GWM-Plan conversion to IRWM				35,000		35,000
148	Application for IRWMP round three implementation				35,000		35,000
149	Collection system repairs \$25,000/manhole replacement \$50,000		70,000	82,079	75,000		75,000
150	Concrete work/Working drying bed material WWTP	53,000					
151	Lugo building repairs	10,000	5,000	2,980	5,000		5,000
152	Pipeline-Country Club Road Booster Sta #3 south to Slash M		154,000	154,000			
153	Fire Hydrant Replacements		12,360	12,360			
154	Rewind motors-ID1-10/ID4-11		35,000	35,000			
155	Rewind motors-ID1-12/ID5-5				30,000		30,000
156	ID 1-16 pump and casing cleaning		60,000	60,453			
157	ID4-4 pump and casing cleaning				60,000		60,000
159	Booster Station Motors				16,000		16,000
160	WWTP-Skid Steer				65,000		65,000
161	WWTP-Portable engine driven pump				10,000		10,000
162	WWTP-Rehab grit chamber & sludge holding tank diffuser system				30,000		30,000
163	WWTP-Jetting & Vactor Truck Service				10,000		10,000
164	WWTP-Rehab Clarifier		28,000	28,000	40,000		40,000
165	WWTP-Video Collection Lines		10,000	10,000	25,000		25,000
166	RHGC Settlement Statement-Availability fees past/present			(75,793)			
167	RHGC Settlement Statement-Sale of wells ID 1-1 & ID1-2			(106,436)			
168	RHGC Settlement Statement-other cost less \$6,000 deposit			(1,792)			
169	RHGC Settlement Statement-Well 12 purchase agreement pay off			372,963			
170	218 Process				110,000		110,000
171	Circle J Pipeline project				57,000		57,000
172	Trailer to haul pipe				10,000		10,000
173	Air Quality Compliance				40,000		40,000
174	New Computer for server				10,000		10,000
175	<b>TOTAL NON O&amp;M EXPENSES</b>	<b>681,035</b>	<b>914,436</b>	<b>1,105,787</b>	<b>688,000</b>		<b>688,000</b>
176							
177	<b>CASH RECAP</b>						
178	Cash beginning of period	899,435	1,471,674	1,471,674	1,688,382		1,688,382
179	Net Cash Flow (O&M)	864,237	1,168,666	1,322,495	1,105,311		1,219,433
180	Total Non O&M Expenses	(681,035)	(914,436)	(1,105,787)	(688,000)		(688,000)
181	<b>CASH AT END OF PERIOD</b>	<b>1,082,637</b>	<b>1,725,904</b>	<b>1,688,382</b>	<b>2,105,693</b>		<b>2,219,815</b>
182							
183	<b>RESERVES</b>						
184	Working Capital (4 months)			(750,000)	(750,000)		(750,000)
185	Viking Ranch			(200,000)	(300,000)		(300,000)
186	Available for Emergency Reserves			738,382	1,055,693		1,169,815
187	Target Emergency Reserves			2,000,000	2,000,000		2,000,000
188	Emergency Reserves Deficit			(1,261,618)	(944,307)		(830,185)

	B	C	D	E	F
4		<b>BWD</b>			
5		<b>INCOME/EXPENSE</b>			
6		<b>CONDENSED BUDGET</b>			
7		<b>2014-2015</b>			
8		<b>Adopted 05/20/14</b>			
9					
10					
11					
12					
13					
14		<b>TOTAL</b>			
15		<b>BUDGET</b>	<b>WATER</b>	<b>ID4-WATER</b>	<b>SEWER</b>
16	<b>REVENUE</b>				
17					
18	Water Sales	2,658,457	1,063,383	1,595,074	
19	GWM Surcharge	114,930	45,972	68,958	
21	1% Property Assessment	64,625	25,850	38,775	
22	Standby/Availability fees	135,869	54,347	67,934	13,587
23	Sewer Revenue	555,515			555,515
26	Interest Income	80	27	40	13
31	Other Income	26,400	8,976	13,200	4,224
32	<b>TOTAL PROPOSED INCOME FY 2015:</b>	<b>3,555,875</b>	<b>1,198,555</b>	<b>1,783,981</b>	<b>573,338</b>
34					
35					
36	<b>EXPENSE</b>				
37					
38	Repairs & Maintenance	276,600	77,818	104,126	94,656
39	Professional Services	153,889	51,870	77,206	24,813
40	Insurance	88,400	29,796	44,350	14,253
41	Personnel Expense	753,175	253,868	377,868	121,440
42	Employee Benefits	342,000	115,276	171,581	55,143
43	Office expense	81,347	27,419	40,812	13,116
44	Utilities	385,319	129,877	193,314	62,128
45	Debt Service-COP 2008	255,713	-	255,713	-
46	<b>TOTAL PROPOSED EXPENSE FY 2015:</b>	<b>2,336,442</b>	<b>685,924</b>	<b>1,264,970</b>	<b>385,548</b>
47					
48	<b>NET INCOME (EXPENSE):</b>	<b>1,219,433</b>	<b>512,631</b>	<b>519,012</b>	<b>187,790</b>
49					
50	<b>TOTAL NON O &amp; M EXPENSE:</b>	<b>688,000</b>	<b>\$ 174,272</b>	<b>\$ 258,728</b>	<b>\$ 255,000</b>
51					
52	<b>TOTAL NET CASH FLOW FY 2015:</b>	<b>531,433</b>	<b>338,360</b>	<b>260,283</b>	<b>(67,210)</b>

## M E M O R A N D U M

**DATE:** April 25, 2014  
**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 \$5,000.00 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 was resurfaced last year. 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. The bladder in the 800 Reservoir was replaced last year and the Reclaim Reservoir #2 has failed and is no longer utilized. The remaining six reservoirs were constructed with galvanized metal which historically has proven to be compatible with the constituents in our local groundwater. We will be investigating methods of rehabilitation for these tanks over the next year.

## **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 and District engineering consultants. 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 is an additional annual reserve accrual of \$100,000 to cover the scheduled payments for the Viking Ranch fallowing project. The payment plan calls for payments of \$270,750 in fiscal year 2017-2018, \$230,915.28 in fiscal year 2018-2019, and quarterly payments of \$20,228.82 over the following 25 years.



CIVIL ENGINEERING - LAND SURVEYING - CONSTRUCTION MANAGEMENT

4/25/14

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 2014 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

Capital Improvements Program - Fiscal Years 2013 through 2023

BORRERO WATER DISTRICT

	Priority	Reason	2013 COST	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<b>Wells, Booster Stations, Reservoirs and Associated Transmission Mains</b>													
Wilcox Reservoir, 2.0 MG	1a	1	\$ 1,300,000										
Wilcox Related Transmission Mains	1b	1	\$ 2,000,000				\$ 1,495,000						
Wilcox Booster Station/Forebay	1c	1	\$ 400,000				\$ 2,300,000						
New well north end of Valley	2a	2	\$ 400,000				\$ 460,000						
Transmission mains for new well	2b	2	\$ 375,000					\$ 484,000					
Indianhead Reservoir, 0.5 MG	3a	3	\$ 800,000					\$ 453,750					
Indianhead Transmission Mains	3a	3	\$ 800,000						\$ 992,000				
Water Treatment Facility (phase 1)	3b	4	\$ 500,000						\$ 620,000				
Water Treatment Facility (phase 2)	4	4	\$ 500,000							\$ 635,000			\$ 50,000
<b>Wastewater Plant</b>			<b>2013 COST</b>										
Wastewater plant upgrades	1	5	\$ 40,000	\$ 90,000	\$ 41,200	\$ 42,436	\$ 43,709	\$ 45,020	\$ 46,371	\$ 47,762	\$ 49,195	\$ 50,671	\$ 52,191
Manhole replacement at La Casa del Zorro, collection system repairs				75,000									
Conversion to Tertiary Treatment - Study needed to determine cost													
<b>Pressure Reducing Stations</b>													
ID4, Reducing Sta. design and installation	1	7	\$ 20,000								\$ 25,400		
ID5, Reducing Sta. design and installation	2	7	\$ 25,000	\$ 10,000		\$ 28,000							
ID5, Reducing Sta. design and installation, Borrego Valley Rd.	3	8	\$ 25,000					\$ 29,500					
<b>Pipelines</b>													
Borrego Springs Rd, Weatheravne Dr. to Barrel Dr.	1a	9	\$ 56,250		\$ 61,313								
Borrego Springs Rd, Walking H Dr. to Tilting T Dr.	1b	10	\$ 81,375			\$ 9,765							
Borrego Springs Rd, Tilting T Dr. to Country Club Rd. First half	1c	9	\$ 71,250				\$ 81,938						
Borrego Springs Rd, Tilting T Dr. to Country Club Rd. Second half	1d	9	\$ 67,500					\$ 79,650					
Borrego Springs Rd, Christmas Circle to Diamond Bar Dr.	1e	10	\$ 39,000						\$ 47,190				
Borrego Springs Rd, Diamond Bar Dr. to T Anchor Dr.	1f	9	\$ 59,250							\$ 73,470			
Borrego Springs Rd, Christmas Circle loop	1g	9	\$ 30,825								\$ 39,148		
Borrego Springs Rd, Upgrade 6" to 10" Country Club Rd. to San Pablo Rd.	1h	10	\$ 82,500									\$ 107,250	\$ 32,918
Borrego Springs Rd, Upgrade 8" to 10" 660' north of Weatheravne Dr.	1i	10	\$ 24,750										
Country Club Road from Booster Sta #3 south to Sash W/ Rd.	2	11	\$ 77,000										
Borrego Valley Rd. South of Tilting T - Hold for engineering study	3	12											
Circle J Dr.	4	11	\$ 54,000	\$ 57,000									
Bending Elbow Rd. Second half	5	11	\$ 51,000		\$ 55,590								
Double O	6	13	\$ 90,000			\$ 100,800							
Club Circle East	7	14	\$ 42,000				\$ 48,300						
Club Circle West	8	14	\$ 42,000					\$ 49,560					
De Anza Dr. 1600 block	9	14	\$ 37,500						\$ 45,375				
Pointing Rock Dr/Montezuma Rd Loop First half	10	14	\$ 46,890							\$ 58,144			
Pointing Rock Dr/Montezuma Rd Loop Second half	11	14	\$ 46,920								\$ 59,588		
Country Club Road from Tilting T Dr. south to Booster Sta #3	12	14	\$ 84,000								\$ 109,200		
<b>Other Infrastructure</b>													
Repairs to Stirrup Road commercial property				\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000					
<b>Groundwater Management</b>													
Viking Ranch Following				\$ 150,000	\$ 80,915	\$ 80,915	\$ 80,915	\$ 80,915	\$ 80,915	\$ 80,915	\$ 80,915	\$ 80,915	\$ 80,915
Viking Ranch Purchase Reserve													
GWM Plan Completion			\$ 15,000										
Prop 218 Process			\$ 110,000										
GWMP Conversion to IRWMP			\$ 35,000										
Application for IRWM Round 3 Implementation			\$ 35,000										
<b>TOTAL - CAPITAL IMPROVEMENTS PROGRAM</b>				\$ 432,000	\$ 313,103	\$ 266,916	\$ 4,514,862	\$ 289,646	\$ 1,157,601	\$ 1,872,291	\$ 889,246	\$ 998,036	\$ 266,024
<b>TOTAL SHORT LIVED ASSETS (FROM SHEET 2)</b>				\$ 256,000	\$ 384,300	\$ 363,299	\$ 429,843	\$ 479,267	\$ 241,308	\$ 259,051	\$ 322,986	\$ 465,827	\$ 513,977
<b>Total and Short Lived Assets</b>				\$ 688,000	\$ 697,403	\$ 630,215	\$ 4,944,705	\$ 768,913	\$ 1,398,910	\$ 2,131,341	\$ 1,212,233	\$ 1,463,863	\$ 780,001
<b>REASON EXPLANATION</b>													
1	District-wide Storage	6	Permit Requirement										
2	Additional Water Supply	7	Study and resolve pressure issues										
3	Additional Water Storage	8	Connection to ID-1 system										
4	District-wide Water Treatment	9	No pipeline, reduce system pressure										
5	Infrastructure Replacement	10	Undersized pipeline										
			Weakest existing pipeline										
			Loop ID1-ID5 east side										
			3" main, limited fire flow cap.										
			Replace old mains										

BORREGO WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM - SHORT LIVED ASSETS FISCAL YEAR ENDING 2014 THROUGH 2024

A	C	D	E	F	G	H	I	J	K	L
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<b>Wells</b>										
1 ID1-8, 125 Hp		\$ 10,000			\$ 40,000				\$ 12,100	
2 ID1-10, 150 Hp		\$ 50,000						\$ 59,000		
3 ID1-12, 200 Hp	\$ 15,000	\$ 60,000	\$ 20,000			\$ 11,800	\$ 17,700		\$ 70,800	
4 ID1-16, 300 Hp							\$ 74,400		\$ 23,000	
5 Wilcox Diesel drive							\$ 20,000			
6 ID4-4, 150 Hp	\$ 60,000	\$ 10,000				\$ 69,000		\$ 11,500		
7 ID4-10, 30 Hp										
8 ID4-11, 200 Hp					\$ 17,250	\$ 60,000				
9 ID5-5, 200 Hp	\$ 15,000	\$ 60,000	\$ 60,000		\$ 11,500				\$ 13,225	
10 Air Quality Compliance	\$ 40,000	\$ 50,000			\$ 17,250				\$ 69,000	
11										
12										
13										
14										
<b>Tanks</b>										
15 Rams Hill #1, 1980 steel, needs inside coating, 1.25 MG*									200,000	
16 Rams Hill #2, 1980 galv. 0.44 MG, repairs - engineering study				\$ 125,000						
17 800 Tank, Hyperlon. 75 MG										
18 Reclaim #1, 1985, galv repaired 2010 0.4 MG										\$ 150,000
19 Reclaim #2, Hyperlon 2007, 1 MG, reconfigure plumbing				\$ 125,000						
20 Indianhead, 1970's 1-0.22MG, inside coating										
21 Twin Tanks, 1970's 2-0.22 MG, inside coating			\$ 125,000		\$ 125,000					
22 Country Club, 1999 1.0 MG								\$ 150,000		
23										
<b>Booster/Pressure Reducing Sta.</b>										
24 ID1, Booster Sta. 1, #1, 30 Hp	\$ 8,000	\$ 8,000			\$ 6,000					
25 ID1, Booster Sta. 1, #2, 30 Hp						\$ 6,000				
26 ID1, Booster Sta. 1, #3, 50 Hp			\$ 15,000				\$ 15,000			
27 ID1, Booster Sta. 2, #4, 30 Hp										
28 ID1, Booster Sta. 2, #5, 30 Hp				\$ 8,000						
29 ID1, Booster Sta. 2, #6, 50 Hp										
30 ID4, Booster Sta. 3, #7, 25 Hp					\$ 7,500				\$ 8,400	\$ 10,000
31										
32										
<b>Wastewater Plant</b>										
33 Shredder Cutters			\$ 4,000			\$ 4,120			\$ 4,244	
34 Motor and Gear Reducers for Brushes			\$ 17,920					\$ 20,070		
35 Wastewater Return Pump			\$ 6,720					\$ 7,526		
36 Surface Aerator Motor		\$ 4,500					\$ 5,175			
37 Video Collection Lines	\$ 25,000	\$ 26,500	\$ 28,090	\$ 29,775	\$ 31,562	\$ 33,456	\$ 35,463	\$ 37,591	\$ 39,846	\$ 42,237
38										
39										
<b>Equipment</b>										
40 Sewer Tractor/loader		65,000								
41 Tractor repair/roadwork blade								\$ 25,000		
42 Backhoe		\$ 200,000			\$ 218,000	\$ 28,090			\$ 250,700	
43 Pickups		\$ 25,000		\$ 26,500						
44 Big Truck		\$ 10,000	\$ 10,300	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 61,040
45 Misc. Equipment		\$ 10,000	\$ 10,600	\$ 11,200	\$ 11,872				\$ 12,544	
46 Computers/Office Equipment										
47										
48										
<b>SHORT LIVED ASSETS REPLACEMENT PROGRAM</b>	\$ 256,000	\$ 384,300	\$ 363,299	\$ 429,843	\$ 479,267	\$ 241,308	\$ 259,051	\$ 322,986	\$ 465,827	\$ 513,977

**BORREGO WATER DISTRICT  
POLICY STATEMENT**

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**SUBJECT: CASH RESERVES POLICY**

**NO: 2011-05-01**

**ADOPTED: 2011-05-25**

**AMENDED: 2014-05-20**

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**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 2015:

**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.

### **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 four (4) months of the District's budgeted annual operating expenses beginning in FY 2015.

**Emergency Reserves.** 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 2015 is \$2,000,000 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	F	G	H	I
1	<b>BORREGO WATER DISTRICT</b>				
2	<b>FOUR YEAR NET INCOME/</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
3	<b>WORKING CAPITAL PROJECTION</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
4	<b>Prop 218 Approved Revenue Increases</b>	<b>10%</b>	<b>5%</b>	<b>0%</b>	<b>0%</b>
5	<b>Projected Water Revenue Increase-commodity</b>	<b>10%</b>	<b>5%</b>	<b>0%</b>	<b>0%</b>
6	<b>Expected Water Revenue Increase-commodity</b>	<b>7%</b>	<b>4%</b>	<b>0%</b>	<b>0%</b>
7	<b>Prop 18 approved Water Revenue Increase-base</b>	<b>0%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>
8	<b>Expected Water Revenue Increase - base</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
9	<b>Projected/Expected Sewer Revenue Increase</b>	<b>5%</b>	<b>5%</b>	<b>0%</b>	<b>0%</b>
10	Existing Water Rate Revenue -commodity	\$ 1,542,800	\$ 1,641,796	\$ 1,707,468	\$ 1,707,468
11	Existing Water Rate Revenue -base	\$ 1,107,600	\$ 1,107,600	\$ 1,329,120	\$ 1,329,120
12	Additional Water Revenue-commodity	\$ 98,996	\$ 65,672	\$ -	\$ -
13	Additional Water Revenue-base	\$ -	\$ 221,520	\$ -	\$ -
14	Existing Sewer Rate Revenue	\$ 330,000	\$ 345,125	\$ 362,381	\$ 362,381
15	Additional Sewer Revenue	\$ 15,125	\$ 17,256	\$ -	\$ -
16	Other non variable Income	\$ 461,353	\$ 461,353	\$ 461,353	\$ 461,353
17	<b>Total Revenue (/w Other Rev.)</b>	<b>\$ 3,555,874</b>	<b>\$ 3,860,322</b>	<b>\$ 3,860,322</b>	<b>\$ 3,860,322</b>
18					
19	<b>O&amp;M Expenses</b>	<b>\$ 2,080,729</b>	<b>\$ 2,081,917</b>	<b>\$ 2,083,330</b>	<b>\$ 2,084,967</b>
20					
21	<b>Net Revenue</b>	<b>\$ 1,475,145</b>	<b>\$ 1,778,405</b>	<b>\$ 1,776,993</b>	<b>\$ 1,775,356</b>
22					
27	<b>CIP Financing</b>				
28	Cash CIP	\$ 688,000	\$ 697,403	\$ 630,215	\$ 4,944,705
29	Debt CIP	\$ -	\$ -	\$ -	\$ -
30	<b>**Existing Debt Service</b>				
31	ID 4 Bonds	\$ 255,713	\$ 254,525	\$ 253,113	\$ 251,476
33	Viking Ranch			\$ -	\$ 270,750
34					
35	<b>Total Debt Service</b>	<b>\$ 255,713</b>	<b>\$ 254,525</b>	<b>\$ 253,113</b>	<b>\$ 522,226</b>
36					
37	<b>Net Annual Cash Flow</b>	<b>\$ 531,432</b>	<b>\$ 826,477</b>	<b>\$ 893,665</b>	<b>\$ (3,691,575)</b>
38					
39	Beginning Reserves Level	\$ 1,688,382	\$ 2,219,814	\$ 3,046,291	\$ 3,939,956
40	<b>Ending Reserves Level</b>	<b>\$ 2,219,814</b>	<b>\$ 3,046,291</b>	<b>\$ 3,939,956</b>	<b>\$ 248,381</b>
41					
42					

**BORREGO WATER DISTRICT  
PROPOSED RATES FOR  
FISCAL YEARS 2015-2016**

**Sewer Rates**

The District provides sewer service to areas 1, 2 and 5. Rate increases could possibly take place in areas 1 & 5 through FY 2016. 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 2015	FY 2016
	FY 2014	Projected	Projected
Sewer Area 1	\$ 30.43	\$ 31.96	\$ 33.56
Sewer Area 5	\$ 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 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 2015	FY 2016
	FY 2014	Projected	Projected
3/4"	\$ 35.12	\$ 35.12	\$ 42.04
1"	\$ 51.36	\$ 51.36	\$ 61.45
1 1/2"	\$ 86.58	\$ 86.58	\$103.62
2"	\$131.07	\$131.07	\$156.85
3"	\$238.02	\$238.02	\$284.86
4"	\$379.43	\$379.43	\$454.12
6"	\$757.07	\$757.07	\$906.10

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

Winter	Current Rates FY 2014	FY 2015 Projected	FY 2016 Projected
Tier1 < 45	\$ 2.09	\$ 2.30	\$ 2.42
Tier 2 >45	\$ 3.14	\$ 3.46	\$ 3.64

Summer	Current Rates FY 2014	FY 2015 Projected	FY 2016 Projected
Tier1 < 55	\$ 2.09	\$ 2.30	\$ 2.42
Tier 2 >55	\$ 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 the notice shall remain in full force and effect as previously adopted by the Board of Directors.