BORREGO WATER DISTRICT

FISCAL YEAR 2013-2014

ANNUAL BUDGET

May 13, 2013

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 2013-2014
ANNUAL BUDGET
MAY 13, 2013

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BORREGO WATER DISTRICT

May 13, 2013

Board of Directors:

This Fiscal Year 2013-2014 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 2014 consolidated budget package represent management's best assessment of a "bare-bones" budget to successfully accomplish the District's goals and priorities for FY 2014. 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 2014 projected to be approximately $3,428,611. This represents a projected revenues increase of 2% from FY 2013 projected actual revenues. The FY 2014 projected revenues assumes approximate increases in the base water rate of 15%, water commodity rate of 19% and 13.75% for sewer rates from FY 2013. FY 2014 O&M expenses are projected to be approximately $2,259,946. Non O&M expenses (including CIP costs) for FY 2014 are projected to be approximately $741,060.

Included in this budget package is the proposed Board Resolution to adopt and approve the FY 2014 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

P.O. BOX 1870 / 806 PALM CANYON DRIVE, BORREGO SPRINGS, CA 92004 (760) 767-5806 FAX (760) 767-5994 www.borregowd.org

RESOLUTION NO. 2013-05-01

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 2013-2014

WHEREAS, the Board of Directors has reviewed and considered the Budget as presented for Fiscal Year 2013-2014 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 2013-2014.

PASSED, ADOPTED AND APPROVED at a special meeting of the Board of Directors of the Borrego Water District held on May 13, 2013.

_____
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)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing resolution was duly adopted by the Board of Directors of said District at a special meeting held on the 13th day of May, 2013, 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. 2013-05-01, of said Board, and that the same has not been amended or repealed.

Dated: May 13, 2013

_____

Secretary of the Board of Directors of
Borrego Water District

BWD BUDGET CASH FLOW
2013-2014

	C	E	AC	AG	AK	AL	AM
1							
2							
3							
4	BWD BUDGET CASH FLOW				4/24/2013	14%	5/13/2013
5	2013-2014	ADOPTED	ADOPTED	YTD + PROJ MONTHS>>	PROPOSED	Water	ADOPTED
6		BUDGET	BUDGET	PROJECTED	BUDGET	(Net)	BUDGET
7		2011-2012	2012-2013	2012-2013	2013-2014	Increase	2013-2014
8	REVENUE						
9	WATER REVENUE						
10	Residential Water Sales (Assume no water use on Montesoro GC)	424,312	797,310	734,178	721,798	101,052	822,850
11	Commercial Water Sales	98,000	112,548	103,660	100,354	14,050	114,404
12	Irrigation Water Sales	99,000	134,297	130,766	127,750	17,885	145,635
13	GWM Surcharge	94,000	103,204	92,697	90,096	12,613	102,709
14	Water Sales Power Portion	277,000	331,621	305,230	295,533	41,375	336,908
15	Readiness Water Charge -15% increase	635,000	986,046	947,427	941,263	141,189	1,082,452
16	Readiness Water Charge - Liened properties		0	32,180	35,652	5,348	41,000
17	Meter Installation	40,000	0	4,040	0	0	0
18	Water hook-up charge	0	0	-	0	0	0
19	Reconnect Fees	6,500	11,000	9,180	6,800	0	6,800
20	Backflow Testing/installation	3,300	5,000	4,550	4,575	0	4,575
21	Bulk Water Sales	1,200	3,570	6,535	6,235	0	6,235
22	Penalty & Interest Water Collection	24,000	32,252	13,350	12,197	0	12,197
23	TOTAL WATER REVENUE:	1,702,312	2,516,848	2,383,794	2,342,253	333,512	2,675,765
24							
25	PROPERTY ASSESSMENTS/AVAILABILITY CHARGES						
26	641500 1% Property Assessments	69,080	68,174	64,388	63,179		64,388
27	641502 Property Assess wtr/swr/fld (679 parcels $66 ea(44,814))	45,000	24,985	24,795	26,821		25,369
28	641502/641503 Prop Assess.(Allowance for bad debt ($458,909))	0	0	-	0		0
29	641501 Water avail Standby	82,673	78,918	89,025	89,641		89,038
30	641504 ID 3 Water Standby (361 parcels $37.70 parcel (13,609.7))	13,609	13,609	-	0		0
31	641504 ID 3 Water Standby-(La Casa-2 parcels= $20,150)	20,150	19,495	35,055	45,821		35,165
32	641503 Pest standby	17,953	14,183	15,444	17,025		15,474
33	TOTAL PROPERTY ASSES/AVAIL CHARGES:	248,465	219,364	228,706	242,487	13.75%	229,434
34						Sewer	
35	SEWER SERVICE CHARGES					Budget	
36	Town Center Sewer Holder's Fees	180,140	180,144	173,351	168,000	Increase	168,000
37	Town Center Sewer User Fees			15,800	37,920		37,920
38	Sewer user Fees	221,400	309,790	278,159	264,000	36,300	300,300
39	Sewer-liened		0	804	3,216		3,216
40	Penalty Interest-Sewer	1,800	1,200	1,090	1,200		1,200
41	Sewer Capacity Fees	12,138	0	-	0		0
42	TOTAL SEWER SERVICE CHARGES:	415,478	491,134	469,204	474,336	36,300	510,636
43							
44	OTHER INCOME						
45	Rent Income-Antilles wireless	7,715	7,715	6,822	4,800		0
46	Annexation Fees	0	0	-	0		0
47	Fire Hydrant Installation	5,000	0	-	0		0
48	Miscellaneous Income (net csd fee/JPIA rebate)	5,000	13,000	8,223	10,320		10,320
49	Administrative Fee-Water Credits	5,000	1,000	-	0		0
50	Gain on asset sold -Sale of Package Plant	1,500	0	36,000	0		0
51	Sale of Clark Dry Lake Property/Communication tower			217,335	0		0
52	Stag Grant	125,000	0	-	0		0
53	Interest Income	1,550	200	146	187		187
54	TOTAL OTHER INCOME:	150,765	21,915	268,525	15,307		10,507
55							
56	TOTAL INCOME:	2,517,020	3,249,262	3,350,229	3,074,383	369,812	3,426,341
57							
58	CASH BASIS ADJUSTMENTS						
59	Decrease (Increase) in Accounts Receivable		0	(31,078)			
60	CC Golf Equipment receivable		2,268	2,269	2,270		2,270
61	Other Cash Basis Adjustments-Coljen LMTD deposit			27,283	0		
62	TOTAL CASH BASIS ADJUSTMENTS:	0	2,268	(1,526)	2,270		2,270
63							
64	TOTAL INCOME RECEIVED:	2,517,020	3,251,530	3,348,703	3,076,653	369,812	3,428,611

BWD BUDGET CASH FLOW
2013-2014

	C	E	AC	AG	AK	AL	AM
4	BWD BUDGET CASH FLOW				4/24/2013	14%	5/13/2013
5	2013-2014	ADOPTED	ADOPTED	YTD + PROJ MONTHS>>	PROPOSED	Water	ADOPTED
6		BUDGET	BUDGET	PROJECTED	BUDGET	(Net)	BUDGET
7		2011-2012	2012-2013	2012-2013	2013-2014	Increase	2013-2014
65	EXPENSES						
66							
67	MAINTENANCE EXPENSE						
68	R & M Buildings & Equipment	110,000	130,000	112,459	130,000		130,000
69	R & M - WWTP	35,000	60,000	35,534	40,000		40,000
70	Telemetry	20,000	15,000	11,904	10,000		10,000
71	Trash Removal	7,500	3,600	3,712	3,655		3,655
72	Vehicle Expense	17,000	12,000	22,083	18,000		18,000
73	Fuel & Oil	38,000	35,000	29,482	33,000		33,000
74	TOTAL MAINTENANCE EXPENSE:	227,500	255,600	215,173	234,655		234,655
75							
76	PROFESSIONAL SERVICES EXPENSE						
77	Accounting (Taussig)	8,000	4,000	1,916	1,500		1,500
78	Administrative Services (ADP/Bank Fees)	4,000	5,000	5,501	6,000		6,000
79	Audit Fees	26,000	26,000	25,963	14,439		14,439
80	Computer billing	12,000	9,000	8,606	9,000		9,000
81	Consulting/Technical	25,000	1,500	166	200		200
82	Engineering	25,000	10,000	4,933	25,200		25,200
83	Legal Services	60,000	10,000	16,165	15,000		15,000
84	Testing/lab work	25,000	28,000	22,006	18,000		18,000
85	Regulatory Permit Fees	45,000	45,000	39,051	42,000		42,000
86	TOTAL PROFESSIONAL SERVICES EXPENSE:	230,000	138,500	124,307	131,339		131,339
87							
88	INSURANCE/INTEREST EXPENSE						
89	ACWA Insurance	102,774	72,000	74,050	73,650		73,650
90	Workers Comp	20,000	19,200	19,005	18,800		18,800
91	Interest-COP 2008/Well 12 Purchase Agreement	194,875	225,072	225,071	219,313		219,313
92	TOTAL INSURANCE/INTEREST EXPENSE:	317,649	316,272	318,126	311,763		311,763
93							
94	PERSONNEL EXPENSE						
95	Board Meeting Expense (board stipend/board secretary)	22,000	9,130	10,225	12,870		12,870
96	Salaries & Wages (gross)	826,918	825,000	878,604	831,000		750,000
97	Taxes on Payroll	32,930	19,251	20,803	19,645		16,000
98	Medical Insurance Benefits	232,733	223,000	219,187	232,839		181,000
99	Calpers Retirement Benefits	178,000	177,240	172,526	193,500		157,200
100	Salaries & Wages contra account	(18,000)	(24,000)	(14,568)	(12,870)		(12,870)
101	Conference/Conventions/Training/Seminars	10,500	7,500	9,358	7,500		7,500
102	TOTAL PERSONNEL EXPENSE:	1,285,081	1,237,121	1,296,134	1,284,484		1,111,700
103							
104	OFFICE EXPENSE						
105	Office Supplies	20,000	18,000	22,913	18,000		18,000
106	Office Equipment/ Rental/Maintenance Agreements	32,500	26,000	30,350	25,400		25,400
107	Postage & Freight	11,000	11,000	12,166	13,000		13,000
108	Taxes on Property	2,291	2,300	2,150	2,150		2,150
109	Telephone/Answering Service	10,700	8,500	7,971	8,400		8,400
110	Bad Debt Collection	4,000	1,000	7,418	720		720
111	Dues & Subscriptions	8,000	5,000	2,455	4,400		4,400
112	Printing, Publications & Notices	5,000	1,500	2,190	747		747
113	Uniforms	7,000	6,500	6,283	7,177		7,177
114	Osha Requirements/Emergency preparedness	7,500	5,000	1,495	4,842		4,842
115	TOTAL OFFICE EXPENSE:	107,991	84,800	95,391	84,836		84,838
116							
117	UTILITIES EXPENSE						
118	Pumping-Electricity	320,000	330,000	319,882	310,393		360,000
119	Office/Shop Utilities	15,000	16,000	16,895	16,875		16,875
120	Cellular Phone	10,000	9,000	9,007	8,777		8,777
121	TOTAL UTILITIES EXPENSE:	345,000	355,000	345,784	336,045		385,652
122				345,784			
123	TOTAL EXPENSES:	2,513,221	2,387,292	2,394,915	2,383,122	2,383,122	2,259,946
124							
125	CASH BASIS ADJUSTMENTS						
126	Decrease (Increase) in Accounts Payable		0	(16,416)			
127	Increase (Decrease) in Inventory		0	22,104			
128	Other Cash Basis Adjustments-Mesquite trails deposit expense			543			
129	TOTAL CASH BASIS ADJUSTMENTS:		0	6,230			
130							
131	TOTAL EXPENSES PAID:	2,513,221	2,387,292	2,401,145	2,383,122	2,383,122	2,259,946
132							
133	NET CASH FLOW (O&M)	3,799	864,237	947,558	693,532		1,168,665

BWD BUDGET CASH FLOW
2013-2014

	C	E	AC	AG	AK	AL	AM
4	BWD BUDGET CASH FLOW				4/24/2013	14%	5/13/2013
5	2013-2014	ADOPTED	ADOPTED	YTD + PROJ MONTHS>>	PROPOSED	Water	ADOPTED
6		BUDGET	BUDGET	PROJECTED	BUDGET	(Net)	BUDGET
7		2011-2012	2012-2013	2012-2013	2013-2014	Increase	2013-2014
134	NON O & M EXPENSES						
135	USGS Basin study ($69,795 balance)	131,500	131,035	121,169	7,700		7,700
136	GWM Planning Costs - legal	14,000	25,000	14,571	30,000		30,000
137	Integrated Regional Water Management Plan/Staff time	53,000	0	2,695	0		0
138	STAG/LGA Grant/Staff time	40,000	0	923	0		0
139	Viking Ranch Purchase	69,000	0	-	0		69,000
140	Viking Ranch Purchase RESERVE		100,000	-	100,000		100,000
141	GWM/ABD-IRWM Legal Expenses	10,000	0	2,287	0		0
142	Contingency for possible well pump/motor failure	60,000	62,000	133,040	0		0
143	Rams Hill #1 1980 steel needs inside coating, 1.25mg	150,000	200,000	104,590	100,000		100,000
144	800 Tank		0	126,000	0		0
145	Twin Tanks, 1970's-inside coating (rescheduled into 2013-2014)	40,000	0	-	40,000		40,000
146	Pickup	0	15,000	15,500	0		0
147	ID4, Reducing Station design and installation	0	25,000	-	20,000		20,000
148	Fairway Lane pipeline (excludes BWD labor)	0	60,000	60,000	0		0
151	Concrete replacement/Repairs-WWTP		10,000	-	10,000		70,000
152	Rework drying bed material-WWTP		43,000	43,830	0		0
153	Roof replacement for Lugo building/repairs		10,000	10,000	5,000		5,000
154	Pipeline-Country Club Road Booster Sta #3 south to Slash M			-	154,000		154,000
155	Fire Hydrant Replacements			-	12,000		12,360
156	Rewind motors-ID 4-11/ID4-18/ID1-10			-	35,000		35,000
157	ID 1-16 pump and casing cleaning			-	60,000		60,000
158	WWTP-Shredder Cutters/Motor & Gear reducers/return pump			-	28,000		28,000
159	WWTP-Video Collection Lines			-	10,000		10,000
160	WWTP-Sewer vacuum trailer				25,000		0
161	TOTAL NON O&M EXPENSES	596,581	681,035	634,605	636,700	636,700	741,060
162							
163	CASH RECAP						
164	Cash beginning of period	779,356	899,435	899,435	1,120,780	1,212,388	1,212,388
165	Net Cash Flow (O&M)	3,799	864,237	947,558	693,531	1,168,665	1,168,665
166	Total Non O&M Expenses	(596,581)	(681,035)	(634,605)	(636,700)	(741,060)	(741,060)
167	Transfer To/From Reserves	0		0			
168	CASH AT END OF PERIOD	186,574	1,082,637	1,212,388	1,177,611	1,639,993	1,639,993
169	Cash allocated for Viking reserves			(100,000)	(200,000)	(200,000)	(200,000)
170	Coljen LMTD deposit net expenditures			(27,283)			
171	CASH AFTER ALLOCATION FOR RESERVES/DEPOSIT			1,085,105	977,611	1,439,993	1,439,993
172							
173							
174	RESERVES	TARGET	TARGET		TARGET		TARGET
175	Working Capital (3 months)	629,555	600,000		600,000		600,000
176	Contingency (3%)	75,546	72,000		80,000		80,000
177	Asset replacement	114,791	115,000		160,000		160,000
178	Emergency	2,500,000	2,500,000		2,500,000		2,500,000
179	Viking Ranch		100,000		200,000		200,000
180	TOTAL RESERVES	3,319,892	3,387,000		3,540,000		3,540,000

	B	C	D	E	F
4		**BWD**			
5		**INCOME/EXPENSE**			
6		**CONDENSED BUDGET**			
7		**2013-2014**			
8		**Adopted 05/13/13**			
9					
10					
11					
12					
13					
14		**TOTAL**			
15		**BUDGET**	**WATER**	**ID4-WATER**	**SEWER**
16	**REVENUE**				
17					
18	Water Sales	2,573,055	1,029,222	1,543,833	
19	GWM Surcharge	102,709	41,084	61,626	
21	1% Property Assessments/641502	64,388	25,755	38,633	
22	Water Availability Standby-Admin-6415-01	165,045	66,018	82,523	16,505
23	Sewer Revenue	510,636			510,636
26	Interest Income	187	64	94	30
31	Other Income	12,590	4,281	6,295	2,014
32	**TOTAL PROPOSED INCOME FY 2013:**	3,428,611	1,166,424	1,733,003	529,185
34					
35					
36	**EXPENSE**				
37					
38	Repairs & Maintenance	234,655	79,830	118,607	36,218
39	Professional Services	131,339	44,682	66,386	20,271
40	Insurance	92,450	31,452	46,729	14,269
41	Personnel Expense	766,000	260,595	387,177	118,227
42	Employee Benefits	345,700	117,608	174,735	53,357
43	Office expense	84,838	28,862	42,881	13,094
44	Utilities	385,652	131,200	194,929	59,523
45	Interest Expense-COP 2008	219,313	70,000	149,313	-
46	**TOTAL PROPOSED EXPENSE FY 2013:**	2,259,946	764,230	1,180,758	314,959
47					
48	**NET INCOME (EXPENSE):**	1,168,665	402,194	552,245	214,226
49					
50	**TOTAL NON O & M EXPENSE:**	741,060	$ 252,111	$ 374,571	$ 114,378
51					
52	**TOTAL NET CASH FLOW FY 2013:**	427,605	150,083	177,674	99,848

MEMORANDUM

DATE: May 13, 2013
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 previsions 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 fallowing project. The payment plan calls for payments of $270,750 in fiscal year 2015-2016, $224,936 in fiscal year 2016-2017, and quarterly payments of $20,228.82 over the following 25 years.

Dynamic CONSULTING ENGINEERS
CIVIL ENGINEERING - LAND SURVEYING - CONSTRUCTION MANAGEMENT

4/9/13

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 2013 dollars) of these improvements are reasonable for planning purposes.

If you have any questions please contact me.

Regards,

[redacted]

David Dale, PE, PLS
Contract Engineer

2415 Imperial Business Park Dr., Suite B, Imperial, CA 92251 Tel. (760) 545-0162 Fax (760) 545-0163

Wells, Booster Stations, Reservoirs and Associated Tranmission Mains	Priority			Reason	2013 COST	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
Wilcox Reservoir, 2.0 MG	1a			1	$ 1,300,000					$ 1,495,000					
Wilcox Related Transmission Mains	1b			1	$ 2,000,000					$ 2,300,000					
Wilcox Booster Station/Forebay	1c			1	$ 400,000					$ 460,000					
New well north end of Valley	2a			2	$ 400,000							$ 484,000			
Transmission mains for new well	2b			2	$ 375,000							$ 453,750			
Indianhead Reservoir, 0.5 MG	3a			3	$ 800,000								$ 992,000		
Indianhead Transmission Mains	3b			3	$ 500,000								$ 620,000		
Water Treatment Facility (phase 1)				4	$ 500,000									$ 635,000	
Water Treatment Facility (phase 2)				4	$ 500,000										$ 650,000
Wastewater Plant	Priority			Reason	2013 COST	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
Re-build concrete structures/plant upgrades	1			5	$ 40,000	$ 70,000	$ 72,100	$ 74,263	$ 76,491	$ 78,786	$ 81,149	$ 83,584	$ 86,091	$ 88,674	$ 91,334
Dispose of Sludge Stockpile	1			6	$ 10,000				$ 14,000					$ 19,000	
Pressure Reducing Stations	Priority			Reason	2013 COST	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	1			7	$ 20,000	$ 20,000								$ 25,400	
ID4, Reducing Sta. design and installation	2			7	$ 25,000				$ 28,000						
ID5, Reducing Sta. design and installation, Borrego Valley Rd.	3			8	$ 25,000						$ 29,500				
Pipelines	Priority	length	size	Reason	2013 COST	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
Borrego Springs Rd, Weathervane Dr. to Barrel Dr.	1a	1500	10"	9	$ 56,250		$ 59,625								
Borrego Springs Rd, Walking H Dr. to Tilting T Dr.	1b	2170	10"	9	$ 81,375			$ 88,699							
Borrego Springs Rd, Tilting T Dr. to Country Club Rd. First half	1c	1900	10"	9	$ 71,250				$ 79,800						
Borrego Springs Rd, Tilting T Dr. to Country Club Rd. Second half	1d	1800	10"	9	$ 67,500					$ 77,625					
Borrego Springs Rd, Christmas Circle to Diamond Bar Dr.	1e	1040	10"	9	$ 39,000						$ 46,020				
Borrego Springs Rd, Diamond Bar Dr. to T Anchor Dr.	1f	1580	10"	9	$ 59,250							$ 71,693			
Borrego Springs Rd, Christmas Circle loop	1g	822	10"	9	$ 30,825								$ 38,223		
Borrego Springs Rd, Upgrade 6" to 10" Country Club Rd. to San Pablo Rd.	1h	2200	10"	10	$ 82,500									$ 104,775	
Borrego Springs Rd, Upgrade 8" to 10" 660' north of Weathervane Dr.	1i	660	10"	10	$ 24,750										$ 32,175
Country Club Road from Booster Sta #3 south to Slash M Rd.	2	2200	6"x2	11	$ 77,000	$ 154,000									
Borrego Valley Rd. South of Tilting T - Hold for engineering study	3	2000	12"	12											
Circle J Dr.	4	1800	6"	11	$ 54,000		$ 57,240								
Bending Elbow Rd. Second half	5	1700	6"	11	$ 51,000			$ 55,590							
Double O	6	3000	6"	13	$ 90,000				$ 100,800						
Club Circle East	7	1400	8"	14	$ 42,000					$ 48,300					
Club Circle West	8	1400	8"	14	$ 42,000						$ 49,560				
De Anza Dr. 1600 block	9	1250	6"	14	$ 37,500							$ 45,375			
Pointing Rock Dr/Montezuma Rd Loop First half	10	1563	8"	14	$ 46,890								$ 58,144		
Pointing Rock Dr/Montezuma Rd Loop Second half	11	1564	8"	14	$ 46,920									$ 59,588	
Country Club Road from Tilting T Dr. south to Booster Sta #3	12	2800	6"	14	$ 84,000										$ 109,200
Other Infrastructure	Priority	length	size	Reason	2013 COST	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
Fire Hydrant Replacements (three hydrants per year)					$ 12,000	$ 12,360	$ 12,731	$ 13,113	$ 13,506	$ 13,911	$ 14,329	$ 14,758	$ 15,201	$ 15,657	$ 16,127
Repairs to Stirrup Road commercial property						$ 5,000	$ 5,000		$ 5,000						
Groundwater Management															
Viking Ranch Fallowing						$ 69,000		$ 150,000	$ 80,915	$ 80,915	$ 80,915	$ 80,915	$ 80,915	$ 80,915	
Viking Ranch Purchase Reserve						$ 100,000									
GWM Legal						$ 30,000									
USGS Water Quality Upgrade to Model						$ 7,700									
TOTAL - CAPITAL IMPROVEMENTS PROGRAM						**$ 468,060**	**$ 206,696**	**$ 381,664**	**$ 398,512**	**$ 4,554,537**	**$ 301,473**	**$ 1,234,075**	**$ 1,890,574**	**$ 1,029,010**	**$ 898,836**
TOTAL - SHORT LIVED ASSETS (FROM SHEET 2)						**$ 273,000**	**$ 179,180**	**$ 240,465**	**$ 185,756**	**$ 189,129**	**$ 157,906**	**$ 199,714**	**$ 259,746**	**$ 289,322**	**$ 205,353**
Total CIP and Short Lived Assets						**$ 741,060**	**$ 385,876**	**$ 622,130**	**$ 584,269**	**$ 4,743,666**	**$ 459,379**	**$ 1,433,789**	**$ 2,150,321**	**$ 1,318,332**	**$ 1,104,189**

REASON EXPLANATION						
1	District-wide Storage	6	Permit Requirement	11	Weakest existing pipeline
2	Additional Water Supply	7	Study and resolve pressure issues	12	Loop ID1-ID5 east side
3	Additional Water Storage	8	Connection to ID-1 system	13	3" main, limited fire flow cap.
4	District-wide Water Treatment	9	No pipeline, reduce system pressure	14	Replace old mains
5	Infrastructure Replacement	10	Undersized pipeline		

NOTE

3% per year inflation factor added except to sludge removal where 10% was added

BORREGO WATER DISTRICT

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

5/9/2013

	A	B	C	D	E	F	G	H	I	J
1	Wells	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr
2	ID1-1, replace 40 Hp submersible pump, clean casing									
3	ID1-2, replace 40 Hp submersible pump									
4	ID1-8, 125 Hp, rewind motor in yr 2,8 pump and casing cleaning in yr 6			$ 10,000			$ 40,000			
5	ID1-10, 150 Hp, rewind motor in yr 1,7 pump and casing cleaning in yr 3,9	$ 10,000		$ 50,000				$ 11,800		$ 59,000
6	ID1-12, 200 Hp, rewind motor in yr 2,8 pump and casing cleaning in yr 4,10		$ 15,000		$ 60,000				$ 17,700	
7	ID1-16, 300 Hp, pump and casing cleaning in yr 1,8 rewind motor in yr 5,10	$ 60,000				$ 20,000			$ 74,400	
8	Wilcox, Diesel drive								$ 20,000	
9	ID4-4, 150 Hp, rewind motor in yr 2,7 pump and casing cleaning in yr 6,9		$ 10,000		$ 50,000			$ 11,500		$ 57,500
10	ID4-10, replace 30 Hp submersible yr 3 and yr 8			$ 10,000					$ 11,500	
11	ID4-11, 200 Hp, rewind motor	$ 15,000					$ 17,250	$ 60,000		
12	ID4-18, 100 Hp, rewind motor in yr 1,6 pump and casing cleaning in yr 2,7	$ 10,000	$ 40,000				$ 11,500	$ 46,000		
13	ID5-5, 200 Hp, rewind motor in yr 2,7 pump and casing cleaning in yr 5,10		$ 15,000			$ 60,000		$ 17,250		
14										
15	Tanks	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr
16	Rams Hill #1, 1980 steel, needs inside coating, 1.25 MG*	$ 100,000								
17	Rams Hill #2, 1980 galv. 0.44 MG, repairs					$ 40,000				
18	800 Tank, Hyperlon .75 MG									
19	Reclaim #1, 1985, galv repaired 2010 0.4 MG									
20	Reclaim #2, Hyperlon 2007, 1 MG, reconfigure plumbing									
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 1, #2 in yr 4	$ 40,000			$ 43,600					
23	Country Club, 1999 1.0 MG									$ 100,000
24										
25	Booster/Pressure Reducing Sta.	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr
26	ID1, Booster Sta. 1, #1, 30 Hp, motor yr 2, pump yr 6		$ 4,000				$ 6,000			
27	ID1, Booster Sta. 1, #2, 30 Hp, motor yr 3, pump yr 7			$ 4,000				$ 6,000		
28	ID1, Booster Sta. 1, #3, 50 Hp, motor yr 4 pump yr 8				$ 15,000				$ 15,000	
29	ID1, Booster Sta. 2, #4, 30 Hp, motor yr 2, pump yr 5									
30	ID1, Booster Sta. 2, #5, 30 Hp, pump yr 3, motor yr 4									
31	ID1, Booster Sta. 2, #6, 50 Hp, motor yr 2, pump yr 8									
32	ID4, Booster Sta. 3, #7, 25 Hp, motor yr 2, 8 pump yr 6,10		$ 4,000				$ 9,000		$ 4,720	
33										
34	Wastewater Plant	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr
35	Shredder Cutters	$ 6,000	$ 6,180	$ 6,365	$ 6,556	$ 6,753	$ 6,956	$ 7,164	$ 7,379	$ 7,601
36	Motor and Gear Reducers for Brushes	$ 16,000				$ 17,920				$ 20,070
37	Wastewater Return Pump	$ 6,000				$ 6,720				$ 7,526
38	Surface Aerator Motor			$ 4,500					$ 5,175	
39	Video Collection Lines	$ 10,000		$ 10,600		$ 11,236		$ 11,910		$ 12,625
40										
41	Equipment	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr
42	Sewer Vacuum Trailer		25,000							
43	Tractor repair/roadwork blade									$ 25,000
44	Backhoe			$ 80,000					$ 92,000	
45	Pickups			$ 25,000		$ 26,500		$ 28,090		
46	Big Truck		$ 50,000				$ 56,000			
47	Misc. Equipment		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
48	Computers/Office Equipment		$ 10,000		$ 10,600		$ 11,200		$ 11,872	
49										
50	**SHORT LIVED ASSETS REPLACEMENT PROGRAM**	**$ 273,000**	**$ 179,180**	**$ 240,465**	**$ 185,756**	**$ 189,129**	**$ 157,906**	**$ 199,714**	**$ 259,746**	**$ 289,322**

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	E	F	G	H
1	**BORREGO WATER DISTRICT**				
2	**FOUR YEAR NET INCOME/**	**Projected**	**Projected**	**Projected**	**Projected**
3	**WORKING CAPITAL PROJECTION**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
4	**Prop 218 Approved Revenue Increases**	**20%**	**10%**	**5%**	**0%**
5	**Projected Water Revenue Increase-commodity**	**19%**	**10%**	**5%**	**0%**
6	**Expected Water Revenue Increase-commodity**	**14%**	**8%**	**4%**	**0%**
7	**Projected/Expected Water Revenue Increase-base**	**15%**	**0%**	**0%**	**0%**
8	**Projected/Expected Sewer Revenue Increase**	**13.75%**	**5%**	**5%**	**0%**
9	Existing Water Rate Revenue -commodity	$ 1,335,531	$ 1,522,505	$ 1,644,306	$ 1,710,078
10	Existing Water Rate Revenue -base	$ 976,915	$ 1,123,452	$ 1,123,452	$ 1,123,452
11	Additional Water Revenue-commodity	$ 186,974	$ 121,800	$ 65,772	$ -
12	Additional Water Revenue-base	$ 146,537	$ -	$ -	$ -
13	Existing Sewer Rate Revenue	$ 264,000	$ 300,300	$ 315,315	$ 331,081
14	Additional Sewer Revenue	$ 36,300	$ 15,015	$ 15,766	$ -
15	Other non variable Income	$ 482,353	$ 482,353	$ 482,353	$ 482,353
16	**Total Revenue (/w Other Rev.)**	**$ 3,428,611**	**$ 3,565,426**	**$ 3,646,964**	**$ 3,646,964**
17					
18	**O&M Expenses**	**$ 2,040,633**	**$ 2,040,633**	**$ 2,040,633**	**$ 2,040,633**
19					
20	**Net Revenue**	**$ 1,387,978**	**$ 1,524,793**	**$ 1,606,331**	**$ 1,606,331**
21					
26	**CIP Financing**				
27	Cash CIP (without Viking reserve)	**$ 741,060**	**$ 385,876**	**$ 622,130**	**$ 584,269**
28	Debt CIP	$ -	$ -	$ -	$ -
29	****Existing Debt Service**				
30	ID 4 Bonds	$ 149,313	$ 255,713	$ 254,525	$ 253,113
31	Well 12	$ 70,000	$ 70,000	$ 70,000	$ 70,000
32	Viking Ranch	$ -		$ 270,750	$ 224,936
33					
34	**Total Debt Service**	**$ 219,313**	**$ 325,713**	**$ 595,275**	**$ 548,049**
35					
36	**Net Annual Cash Flow**	**$ 427,605**	**$ 813,204**	**$ 388,926**	**$ 474,013**
37					
38	Beginning Reserves Level	$ 1,212,388	$ 1,639,993	$ 2,453,197	$ 2,842,123
39	**Ending Reserves Level**	**$ 1,639,993**	**$ 2,453,197**	**$ 2,842,123**	**$ 3,316,136**
40					
41					
42	****EXISTING DEBT SERVICE**	**PRE-PAYMENT**	**ANNUAL**	**PRE-PAYMENT**	
43		**PENALTY ON BAL**	**PAYMENT**	**DISCOUNT**	
44	**ID 4 COP BONDS**	**2% to 4/1/2018**	**AVG $260,000**		
45		**1% to 4/1/2019**			
46	**WELL 12 NOTE**	**NONE**	**$ 70,000**		
47	**VIKING RANCH**	**NONE**	**$ 80,915.28**	**$ 300,000**	pay off before 07/08/16

BORREGO WATER DISTRICT
RATES FOR
FISCAL YEARS 2014-2016

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 2013	FY 2014 19% Adopted	FY 2015 Projected	FY 2016 Projected
Sewer Area 1	$ 26.75	$ 30.43	$ 31.96	$ 33.56
Sewer Area 5	$ 49.92	$ 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 2013	FY 2014 15% Adopted	FY 2015 Projected	FY 2016 Projected
¾"	$ 30.54	$ 35.12	$ 40.04	$ 42.04
1"	$ 44.66	$ 51.36	$ 58.53	$ 61.45
1 ½"	$ 75.29	$ 86.58	$ 98.69	$103.62
2"	$113.97	$131.07	$149.38	$156.85
3"	$206.97	$238.02	$271.30	$284.86
4"	$329.94	$379.43	$432.50	$454.12
6"	$658.32	$757.07	$862.95	$906.10

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

Winter	Current Rates FY 2013	FY 2014 Adopted	FY 2015 Projected	FY 2016 Projected
Tier1 < 45	$ 1.76	$ 2.09	$ 2.30	$ 2.42
Tier 2 >45	$ 2.63	$ 3.14	$ 3.46	$ 3.64

Summer	Current Rates FY 2013	FY 2014 Adopted	FY 2015 Projected	FY 2016 Projected
Tier1 < 55	$ 1.76	$ 2.09	$ 2.30	$ 2.42
Tier 2 >55	$ 2.63	$ 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.

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.