

BORREGO WATER DISTRICT

FISCAL YEAR 2017-2018

ANNUAL BUDGET

ADOPTED

May 24, 2017

SUBMITTED BY:

**GEOFF POOLE
GENERAL MANAGER**

TO:

BOARD OF DIRECTORS

**BETH HART
PRESIDENT**

**LYLE BRECHT
VICE-PRESIDENT**

**JOE TATUSKO
SECRETARY/TREASURER**

**RAYMOND DELAHAY
DIRECTOR**

**HARRY EHRLICH
DIRECTOR**

**FISCAL YEAR 2017-2018
ANNUAL BUDGET
ADOPTED
MAY 24, 2017**

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BORREGO WATER DISTRICT

May 24, 2017

Board of Directors:

This Fiscal Year 2017-2018 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 2018 consolidated budget package represent management's best assessment of a budget to successfully accomplish the District's goals and priorities for FY 2018. This budget document will be used as a guideline to address the dynamics of the District's operations and the economic challenges of maintaining the District's financial stability and enabling the District to supply dependable potable water and sewer and wastewater treatment to its customers.

The budget shows total revenues for FY 2018 projected to be approximately \$4,114,047. This represents a slight decrease from FY 2017 projected revenues.

The FY 2018 projected revenues assumes that monthly base service rates will increase approximately 6% (all meter sizes); residential water rates for Tier 1 (< 7 units/mo) will increase from \$3.16 to \$3.35/unit in FY 2018; Tier 2 (> 7 units/mo) = \$3.69/unit in FY 2018; Non-Residential water rates will increase from \$3.35 to \$3.55/unit in FY 2018; and revenue from sewer rates will increase 4,4,4,4% between FY 2018-FY 2021.

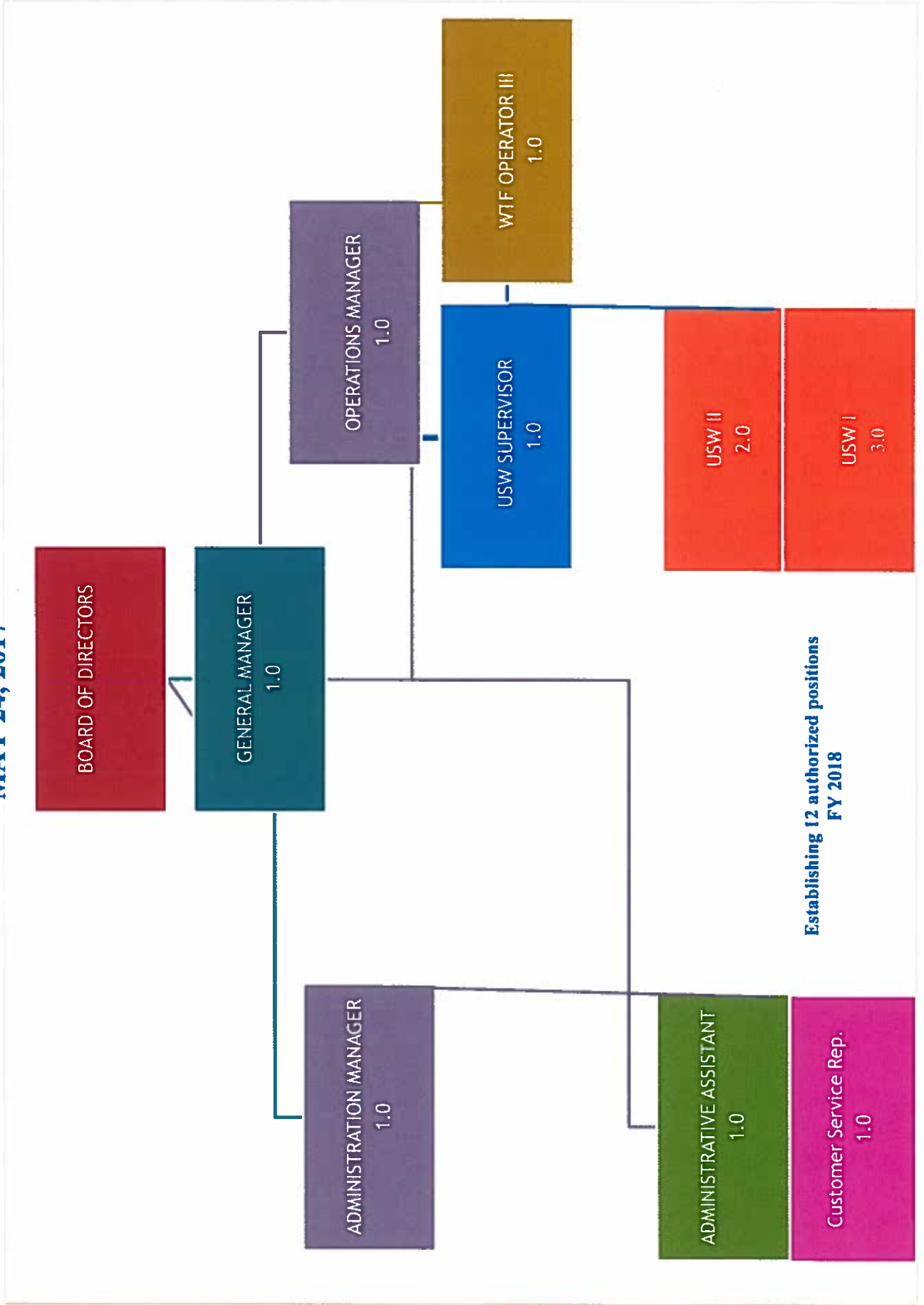
Included in this budget package is the proposed Board Resolution to adopt and approve the FY 2018 budget; an Organizational Chart establishing 12 authorized positions for FY 2017-2018; a detailed revenue and operations and maintenance expenses budget; CIP budget with associated justification from the District's consulting engineer, non-CIP budget items; an updated District's Reserves Policy; a proposed Board Resolution Establishing Water & Sewer Rates for FY 2017-2018 and a projected cash flow analysis for the next eight fiscal years which includes the proposed rate increases.

Thank you for your consideration.

Sincerely,

Geoff Poole
General Manager

**BORREGO WATER DISTRICT
ORGANIZATIONAL CHART
MAY 24, 2017**



**Establishing 12 authorized positions
FY 2018**

	C	CQ
1	BWD	5/24/2017
2	ADOPTED BUDGET	ADOPTED
3	2017-2018	BUDGET
4		<u>2017-2018</u>
5	<u>REVENUE</u>	
6	<u>WATER REVENUE</u>	
7	Residential Water Sales	949,885
8	Commercial Water Sales	302,856
9	Irrigation Water Sales	210,597
10	GWM Surcharge	160,274
11	Water Sales Power Portion	457,206
12	TOTAL WATER COMMODITY REVENUE:	<u>2,080,818</u>
13		
14	Readiness Water Charge	1,114,240
17	Meter Install/Reconnect Fees	1,360
18	Backflow Testing/installation	7,000
19	Bulk Water Sales	600
20	Penalty & Interest Water Collection	19,000
21	TOTAL WATER REVENUE:	<u>3,223,018</u>
22		
23	<u>PROPERTY ASSESSMENTS/AVAILABILITY CHARGES</u>	
24	641500 1% Property Assessments	62,303
25	641502 Property Assess wtr/swr/fld	106,212
27	641501 Water avail Standby	82,445
29	641504 ID 3 Water Standby (La Casa)	33,722
30	641503 Pest standby	17,882
31	TOTAL PROPERTY ASSES/AVAIL CHARGES:	<u>302,563</u>
32		
33	<u>SEWER SERVICE CHARGES</u>	
34	Town Center Sewer Holder fees	226,391
35	Town Center Sewer User Fees	85,015
36	Sewer user Fees	267,460
38	Penalty Interest-Sewer	3,000
40	TOTAL SEWER SERVICE CHARGES:	<u>581,866</u>
41		
42	<u>OTHER INCOME</u>	
47	Water Credits income/Gain on Asset Sold	0
51	Interest Income	6,600
52	TOTAL OTHER INCOME:	6,600
53		
54	TOTAL INCOME:	<u>4,114,047</u>

	C	CQ
1	BWD	5/24/2017
2	ADOPTED BUDGET	ADOPTED
3	2017-2018	BUDGET
4		<u>2017-2018</u>
65	EXPENSES	
66		
67	MAINTENANCE EXPENSE	
68	R & M Buildings & Equipment	185,000
69	R & M - WWTP	185,000
70	Telemetry	8,000
71	Trash Removal	4,200
72	Vehicle Expense	18,000
73	Fuel & Oil	23,000
74	TOTAL MAINTENANCE EXPENSE:	<u>423,200</u>
75		
76	PROFESSIONAL SERVICES EXPENSE	
77	Tax Accounting (Taussig)	3,000
78	Administrative Services (ADP/Bank Fees)	3,000
79	Audit Fees (Squamliner)	15,995
80	Computer billing (Accela/Parker)	13,500
81	Financial/Technical Consulting (Raftelis) (Municipal Advisor)	41,000
82	Engineering (Dale/Dudek)	50,000
83	District Legal Services (Downey Brand/McDougal)	20,000
84	Testing/lab work (Babcock Lab)	8,400
85	Regulatory Permit Fees (SWRB/DEH/Dig alerts/APCD)	27,160
86	TOTAL PROFESSIONAL SERVICES EXPENSE:	<u>182,055</u>
87		
88	INSURANCE EXPENSE	
89	ACWA/JPIA Program Insurance	57,000
90	ACWA/JPIA Workers Comp	16,000
91	TOTAL INSURANCE EXPENSE:	<u>73,000</u>
92		
93	DEBT EXPENSE	
94	Citizens Bank-COP 2008 Debt Payment	251,475
95	BBVA-Viking Ranch Debt Payment	143,312
96	TOTAL DEBT EXPENSE:	<u>394,787</u>
97		
98	PERSONNEL EXPENSE	
99	Board Meeting Expense (board stipend/board secretary)	22,000
100	Salaries & Wages (gross)	826,000
101	Salaries & Wages offset account (board stipends/staff project salaries)	(55,000)
102	Consulting services/Contract Labor	24,000
103	Taxes on Payroll	22,000
104	Medical Insurance Benefits	220,100
105	Calpers Retirement Benefits	179,200
106	Conference/Conventions/Training/Seminars	8,000
107	TOTAL PERSONNEL EXPENSE:	<u>1,246,300</u>
108		
109	OFFICE EXPENSE	
110	Office Supplies	18,000
111	Office Equipment/ Rental/Maintenance Agreements	35,000
112	Postage & Freight	15,000
113	Taxes on Property	2,331
114	Telephone/Answering Service/Cell	19,000
115	Dues & Subscriptions (ACWA/CSDA)	21,526
116	Printing, Publications & Notices	3,000
117	Uniforms	5,400
118	OSHA Requirements/Emergency preparedness	4,000
119	TOTAL OFFICE EXPENSE:	<u>123,257</u>
120		
121	UTILITIES EXPENSE	
122	Pumping-Electricity	300,000
123	Office/Shop Utilities	20,000
125	TOTAL UTILITIES EXPENSE:	<u>320,000</u>
126		
127	GROUNDWATER MANAGEMENT EXPENSE	
128	GWM -legal/Misc -prop 1 grant/USGS	120,000
129	Conservation incentive program	30,000
130	District portion of GSP	120,000
131	TOTAL GWM EXPENSE:	<u>270,000</u>
132		
133	TOTAL EXPENSES:	<u>3,032,600</u>
142		
143	NET CASH FLOW (O&M)	<u>1,081,447</u>

	C	CQ
1	BWD	5/24/2017
2	ADOPTED BUDGET	ADOPTED
3	2017-2018	BUDGET
4		2017-2018
145	<u>CIP PROJECTS</u>	
146	<u>WATER</u>	
147	Pickup (O&M)	50,000
151	New 900 Reservoir (O&M)	525,000
155	Replace Twin Tanks-(prop 1 grant)	579,000
156	Replace Wilcox Diesel Motor-(Prop 1 grant)	59,000
157	Replace Indianhead Reservoir-(Prop 1 grant)	294,000
158	Rams Hill#2, 1980 balv. 0.44 MG recoating-(Prop 1 grant)	161,000
159	Emergency water pipeline repairs (O&M)	25,000
160	10" Bypass at ID 1 Booster Station 2 (O&M)	15,000
161	Transmission line to convey Well 5 water to C.C. Reservoir (2) (O&M)	83,000
162	T Anchor Dr., Frying Pan Rd. to Double O Rd. (6) (O&M)	34,000
163	Weathervane Dr., Frying Pan Road to Double O Road (7) (O&M)	34,000
168	ID 5-5, 200 HP (O&M)	80,000
169	Well 12 pump and casing cleaning (O&M)	50,000
171	Emergency Generator Mobile Trailer (O&M)	12,000
173		
174	TOTAL WATER CIP:	<u>2,001,000</u>
175	<u>SEWER</u>	
183	Plant-Grit removal at the headworks-(Prop 1 grant)	100,000
191	WTF-Rehab Clarifier (Prop 1 grant)	118,500
197	TOTAL SEWER CIP:	<u>218,500</u>
214	<u>OTHER</u>	
228		<u>0</u>
229	TOTAL CIP EXPENSES:	<u>2,219,500</u>
230		
231	<u>CASH RECAP</u>	
232	Cash beginning of period	4,589,663
233	Net Cash Flow (O&M)	1,081,447
234	Total Non O&M Expenses	(2,219,500)
235	CASH AT END OF PERIOD	3,451,611
236		
237	<u>RESERVES</u>	
239	Working Capital-Water (4 months)	(1,000,000)
243	R & R Reserves	(532,000)
244	Contingency Reserves (8.% O&M)	(240,000)
245	Rate Stabilization Reserves	(800,000)
246	Available for Emergency Reserves	1,411,611
247	Target Emergency Reserves	<u>2,000,000</u>
248	Emergency Reserves Deficit	(588,389)

	B	C	D	E	F
5					
6	BWD				
7	INCOME/EXPENSE				
8	CONDENSED BUDGET				
9	2017-2018				
10					
11					
12					
13					
14		TOTAL			
15		BUDGET	WATER	ID4-WATER	SEWER
16	REVENUE				
17					
18	Water Sales	3,062,744.23	1,225,098	1,837,647	
19	GWM Surcharge	160,274	64,109	96,164	
21	1% Property Assessment	62,303	24,921	37,382	
22	Water Availability Standby	240,260.00	96,104	144,156	
23	Sewer Revenue	581,866			581,866
26	Interest Income	6,600	2,244	3,300	1,056
31	TOTAL PROPOSED INCOME FY 2017:	<u>4,114,047</u>	<u>1,412,476</u>	<u>2,118,649</u>	<u>582,922</u>
33					
34					
35	EXPENSE				
36					
37	Repairs & Maintenance	423,200	93,152	139,728	190,320
38	Professional Services	182,057	62,506	93,755	25,796
39	Insurance	73,000	25,063	37,593	10,343
40	Personnel Expense	839,000	288,054	432,067	118,878
41	Employee Benefits	407,300	139,838	209,751	57,711
42	Office expense	123,257	42,318	63,475	17,464
43	Utilities	320,000	109,866	164,794	45,341
44	Debt Expense-Citizens Bank COP 2008	251,475	-	251,475	-
45	Debt Expense-BBVA Compass Bank	143,312	57,324.90	85,987.36	
46	GWM	270,000	108,000.00	162,000.00	
47	TOTAL PROPOSED EXPENSE FY 2017:	<u>3,032,600</u>	<u>926,121</u>	<u>1,640,626</u>	<u>465,854</u>
48					
49	NET INCOME (EXPENSE):	<u>1,081,447</u>	<u>486,355</u>	<u>478,023</u>	<u>117,069</u>
50					
51	TOTAL NON O & M EXPENSE:	<u>2,219,500</u>	<u>\$ 800,400</u>	<u>\$ 1,200,600</u>	<u>\$ 218,500</u>
52					
53	TOTAL NET CASH FLOW FY 2017:	<u>(1,138,053)</u>	<u>(314,045)</u>	<u>(722,577)</u>	<u>(101,431)</u>
54					
55			Page] 8		



BORREGO WATER DISTRICT

May 18, 2017

TO: Board of Directors, Borrego Water District
FROM: Geoff Poole, General Manager
SUBJECT: Fiscal Year 2017-18 Budget and Capital Improvement Plan

Transmitted herewith is the Proposed Final Fiscal Year 2017-18 Budget and Capital Improvement Plan for the Borrego Water District. The consolidated budget was prepared in compliance with the laws of the State of California and reflects the Board of Directors' (Board) goals/priorities and the District's strategic plans by which to achieve them.

The amount budgeted in each category represents Management's best assumptions to successfully accomplish the District's objectives. A summary of the FY 2017-18 budget is below:

Budget Components for FY 2017-18 - Revenues

Water sales are projected to remain stable (FY 2016-17 = 1,600 afy). The previously approved Prop 218 rate and fee increases of 6% for FY 17-18 has been included and will increase revenues by an estimated \$80,000.

Monthly Meter stand by fees are also proposed to be increased by 6% in compliance with the Boards most recent Prop 218 process. The increase is projected to increase Meter Fee revenues by approximately \$63,000 in FY 17-18.

The past Prop 218 process undertaken by BWD also included rate increases for sewer customers in an amount of a maximum of 4% which will increase annual sewer revenues by \$22,000.

Property tax revenues are expected to remain constant and within BWD's legal authority to assess.

Non-budgeted revenue: BWD is also aggressively pursuing a number of State grants and although the revenue is technically not included in the Budget, once received, the additional revenue will have a positive effect on the Districts financial positon and reserve fund levels.

Budget Components for FY 2017-18 – Expenses

1. In FY 2017-18, BWD and the County of San Diego will be working on the development of the Borrego Basin Groundwater Sustainability Plan (GSP). The GSP is being conducted to comply with the 2014 Sustainable Groundwater Management Act. In March of 2017, the County of San Diego entered into a contract with Dudek as the Prime Consultant for completion of the Plan. Certain BWD expenses are planned to be incurred that are outside the scope of the GSP, so an estimated \$280,000 has been included in FY 2017-18 budget for this purpose.
2. All existing programs in BWD Operations, Maintenance and Administration Departments are fully funded through 2017-18. The major programs in the Water Operations Department include system operations and maintenance, water quality monitoring, meter testing/replacement, pipeline replacement, reporting and the inevitable emergency pipeline repairs that happen each year. When possible, BWD staff (including temporary help) will be used to perform all pipeline repairs in FY 2017-18, emergency and planned. Capital projects planned for the year include the aforementioned pipeline repairs as well as construction of a new Reservoir (900 Tank) and the repair and replacement of 3 existing BWD storage tanks. The 900 tank (\$500,000 bid awarded) will be fully funded through BWD reserves and the 3 reservoir repair/replacement projects are part of a State Grant application. During the development of the FY 2017-18 Budget/CIP process, BWD Operations Manager Greg Holloway conducted a comprehensive evaluation of the previous CIP on a project by project basis. Evaluating the overall need, basic design and priority of each project has resulted in a CIP that much more accurately reflects the future needs of BWD compared to last Fiscal Year.
3. In the Sewer Operations Department, BWD is planning to construct a series of improvements at the Wastewater Treatment Facility to replace equipment/components that has passed its useful life. These projects are planned to be funded by State Grants. Engineering assessments are underway to evaluate the feasibility of enhancing wastewater treatment levels to tertiary which would allow for use on local irrigation demands. Other planned improvements include adding infrastructure to improve the ability to adequately maintain portions of the sewer collection system. BWD currently relies on an outside Consultant to provide the necessary Grade 3 Wastewater Treatment Facility Operator. In the 2017-18 budget, BWD is planning on permanently addressing the need for a Grade 3 Operator at the WTF by re-assigning existing employees and then using the Consultant on as as-needed basis.
4. In the Administration Department, all programs are fully funded. In FY 2016-17 transition to a new Accounting/Billing software package was performed and Staff is now trained and fully functional on the new system. It is anticipated that BWD will have a need to issue debt for GSP and other expenses in the future and the Administration Department will be working with a Board Committee and a Municipal Advisor (Fieldman, Rolapp and Associates) to help prepare the agency for a potential bond issuance. The goal is to take the steps necessary that results in the lowest possible cost/interest rate on a future bond issuance.

Included in this Budget Package are the proposed Board Resolution to adopt and approve the FY 2017-18 Budget, detailed revenue and expenses, Capital Improvement Plan with project explanations/justifications from the District's Consulting Engineer, Non CIP expenses, updated Reserve Policy and a projected Cash Flow that includes proposed future rate increases.

I would personally like to thank the BWD staff and Board for their hard work in preparing and reviewing this Proposed Budget for FY 2017-18.

Sincerely

Geoff Poole

General Manager

5/18/17

Geoff Poole
General Manager
Borrego Water District
806 Palm Canyon Drive
Borrego Springs, CA 92004

Mr. Poole:

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 2017 dollars) of these improvements are reasonable for planning purposes.

If you have any questions please contact me.

Regards,

A handwritten signature in black ink that reads "David Dale". The signature is written in a cursive, flowing style.

David Dale, PE, PLS
Contract Engineer

A		L	M	N	O	P	Q	R	S	T	U
CAPITAL IMPROVEMENT PROJECTS		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1											
2											
3											
4	WELLS, BOOSTER STATIONS, RESERVOIRS & ASSOCIATED TRANSMISSION MAINS										
5	Water Treatment Facility (phase 1)						\$ 835,000	\$ 650,000	\$ 250,000	\$ 250,000	
6	Water Treatment Facility (phase 2)										
7	New well assessments (Exploration Phase for 3 sites), and acquire land		\$ 50,000	\$ 500,000							
8	3 New wells drilled over 5 years										
9	Country Club Tank Recoating, 1999 1.0 MG					\$ 1,000,000		\$ 1,000,000	\$ 250,000	\$ 1,000,000	
10	New 900 Reservoir	\$ 525,000									
11	Transmission line to convey well 16 water directly to ID1 900 Reservoir (Pipeline 1)		\$ 112,000								
12	Transmission line to convey Well 5 water directly to C.C. Reservoir (Pipeline 2)	\$ 83,000		\$ 120,000	\$ 151,000	\$ 120,000	\$ 151,000				
13	Transmission line to convey Well 12 water directly to Tittling T-Di Giorgio (Pipeline 3)						\$ 666,000				
14	Transmission pipeline Slash M Rd. west to Country Club Tank (Pipeline 4)			\$ 175,700							
15	Replace Twin Tanks (Prop 1 grant)	\$ 579,000									
16	Replace Wilcox Diesel Motor (Prop 1 grant)	\$ 59,000									
17	Replace Indianhead Reservoir (Prop 1 grant)	\$ 294,000									
18	Rams Hill #2, 1980 galv. 0.44 MG recoating (Prop 1 grant)	\$ 161,000									
19											
20	WASTEWATER TREATMENT FACILITIES										
21	Force main replacement at La Casa del Zorro; Cleanouts on existing force main		\$ 150,000								
22	Sewer main replacement Club Circle			\$ 200,000		\$ 100,000		\$ 100,000			
23	Conversion to Tertiary Treatment - Study needed to determine cost										
24	Lift station-Aeration and odor removal system	\$ 100,000		\$ 500,000							
25	Plant-Grit removal at the headworks (Prop 1 grant)	\$ 100,000									
26	Clarifier Rehab-Prop 1 Grant	\$ 118,500									
27											
28											
29	PIPELINE REPLACEMENT IMPROVEMENT PROGRAM										
30	Emergency water pipeline repairs	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 35,000	\$ 35,000	\$ 35,000
31	10" Bypass at ID1 Booster Station 2	\$ 15,000				\$ 205,000					
32	Borrogo Springs Road, Walking H Drive to Country Club Road Phase 1 (Pipeline 5)										
33	Borrogo Springs Road, Walking H Drive to Country Club Road Phase 2 (Pipeline 5)					\$ 205,000					
34	T Anchor Drive, Frying Pan Road to Double O Road (Pipeline 6)	\$ 34,000									
35	Weather Vane Drive, Frying Pan Road to Double O Road (Pipeline 7)	\$ 34,000									
36	Frying Pan Road, north and south from T Anchor Drive (Pipeline 8)		\$ 165,000	\$ 83,000							
37	Double O Road, north and south from T Anchor Drive (Pipeline 9)					\$ 313,600					
38	Borrogo Springs Road, Weather Vane Drive to Barrel Drive (Pipeline 10)		\$ 110,000	\$ 104,000		\$ 105,000					
39	Pipeline for Santiago and ID5 (Pipeline 11)			\$ 50,000							
40	De Anza Dr. 1600 block west from Yaqui Road (Pipeline 12)					\$ 252,000					
41	Club Circle Pipeline Evaluation										
42											
43											
44	TOTAL - CAPITAL IMPROVEMENTS PROGRAM	\$ 2,027,500	\$ 1,112,000	\$ 1,257,700	\$ 1,051,600	\$ 1,455,000	\$ 1,504,000	\$ 1,680,000	\$ 1,135,000	\$ 1,285,000	\$ 35,000
45	POSSIBLE PROP 1 GRANT FUNDS	\$ 1,311,500									
46	TOTAL - SHORT LIVED ASSETS (FROM SHEET 2)	\$ 192,000	\$ 260,000	\$ 177,000	\$ 189,400	\$ 80,000	\$ 48,000	\$ 35,000	\$ 175,000	\$ 60,000	\$ 40,000
47											
48	TOTAL CIP AND SHORT LIVED ASSETS ANNUAL BUDGET	\$ 2,219,500	\$ 1,372,000	\$ 1,434,700	\$ 1,241,000	\$ 1,535,000	\$ 1,552,000	\$ 1,715,000	\$ 1,310,000	\$ 1,345,000	\$ 75,000
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	A	E	F	G	H	I	J	K	L	M	N
	CIP-SHORT LIVED ASSETS	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2026-26	FY 2026-27
2											
3											
4											
5	WELLS										
6	ID1-8, 125 Hp	\$ 40,000	\$ 40,000	\$ 20,000	\$ 15,000				\$ 50,000		
7	ID1-10, 150 Hp										
8	ID-1 Well 12 pump and casing/cleaning	\$ 50,000		\$ 80,000	\$ 74,400		\$ 23,000			\$ 40,000	
9	ID-1 16										
10	ID4-11, 200 Hp		\$ 20,000	\$ -	\$ 80,000			\$ 20,000			
11	ID4-16										
12	ID5-5, 200 Hp	\$ 80,000	\$ -	\$ -	\$ 20,000				\$ 80,000	\$ 20,000	
13											
14	TANKS										
15	Rams Hill #1-cleaning		\$ 15,000					\$ 15,000			\$ 15,000
16											
17	BOOSTER/PRESSURE REDUCING STATIONS										
18											
19	WASTEWATER TREATMENT FACILITY										
20	Clarifier Rehab						\$ 25,000				\$ 25,000
21											
22	EQUIPMENT										
23	Emergency Generator Mobile Trailer	\$ 12,000	\$ 25,000	\$ -							
24	Backhoe	\$ -	\$ 200,000								
25	Pickup	\$ 50,000	\$ 37,000			\$ 40,000			\$ 45,000		
26											
27	TOTAL SHORT LIVED ASSETS REPLACEMENT PROGRAM	\$ 192,000	\$ 260,000	\$ 177,000	\$ 189,400	\$ 80,000	\$ 48,000	\$ 35,000	\$ 175,000	\$ 60,000	\$ 40,000
28											
29											
30											

BORREGO WATER DISTRICT
POLICY STATEMENT

SUBJECT: CASH RESERVES POLICY

NO: 2011-05-01

ADOPTED: 2011-05-25

AMENDED: 2015-05-27

AMENDED: 2016-05-25

AMENDED: 2017-05-24

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 potable water and sewer and wastewater treatment services to the homes and businesses of Borrego Springs. 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, which drives up rates. 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. Also, sometimes bond or loan covenants require a debt reserve or recommend 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 capital infrastructure to the future where 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, and some portion of capital improvements from rate revenues and reserves. Reserve accounts are a vital part of water and sewer and wastewater treatment system's financial health.

This Board believes that operating with revenue sufficiency is required, not only to remain creditworthy for future capital borrowing, but also 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 covenants; 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 are based upon this District's unique

operating, capital investment and financial plans. Both restricted reserves and Board discretionary reserves for the water enterprise and the sewer and wastewater enterprise will be funded by rates specific to those enterprises so as to meet California Proposition 218 requirements. That is, reserves specific to the needs of the District's water enterprise will be accumulated from water rates. Reserves specific to the needs of the District's sewer and wastewater enterprise will be funded from sewer and wastewater treatment rates.

II. RESTRICTED RESERVES. Restricted Reserves are established and utilized for narrowly defined purposes and are protected by law or covenant. The District's Restricted Reserves for its water and sewer and wastewater treatment enterprises are the following:

Debt Reserves. Reserves equal to the annual principle and interest (P&I) for debt obligations of the District shall be formally transferred and restricted in accordance with all legal requirements.

System Growth Reserves. These reserves generated from development charges for new meters as specified by the District's New Development policy in effect are used to offset capital projects or debt service related to new development in the District so that new development pays for itself rather than requiring a subsidy from existing ratepayers.

III. BOARD DISCRETIONARY RESERVES

Operating or Working Capital Reserves. The purpose of an operating reserve is to have liquid cash on hand for the continued day-to-day operations of the utility. The Operating Reserve may be used for cash flow purposes to fund necessary expenses without the need to wait for billed revenue to come in as well as any unexpected increases in operating expenses. The amount of the Operating Reserve is commonly pegged to a certain percentage of the utility's total operating expenses. The set percentage is usually dictated by the utility's bill frequency; if customers are billed on a monthly basis, then revenue continuously comes in and the need to have a significant amount of funds within the Operating Reserve is not necessary. Based on industry standards, The Operating Reserve, in the case of monthly billing, should equal around 90 days of expenses (3 months). As the bill frequency is less frequent, the Operating Minimum Reserve should be increased to account for the time delay of receiving cash on hand. The operating or working capital reserve shall be a minimum reserve of no less than 90 days of Operating and Maintenance annual expenses (O&M), with an ideal operating reserve target of 120-days of annual O&M expenses.

Rate Stabilization Reserves. These reserves are used to stabilize water and sewer and wastewater treatment 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.

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 enterprise operations, which could not

have been reasonably anticipated at the time the budget was prepared. The target level for this reserve is a minimum of five percent (5%) and a maximum of ten percent (10%) of the District's total enterprise-wide operating expenses. Generally, the level will be increased as the level of economic uncertainty increases.

Capital Repair and Replacement Reserve (Capital Reserve). A Capital Repair and Replacement Reserve is used primarily to meet and ensure the timely construction of necessary capital improvements without any delays due to cash flow concerns. Capital expenses can fluctuate quite a bit from year-to-year and the Capital Reserve may be leveraged to smooth out significant changes in expenses and; thereby, avoiding any undue rate shock to District customers. It may also serve as collateral and reassurance when awarding a construction contract. A sound target for a Capital Reserve is to have an average years' worth of capital expenses based on the District's adopted Capital Improvement Plan (CIP). At a minimum, the Capital Reserve should be funded to at least an amount equivalent to the total annual depreciation value of the system and these funds can be used as a reasonable reinvestment amount into the system. The Capital Reserve target is a reserve equal to the inflated value of a rolling average of the subsequent 5 years of the District's Capital Improvements Plan for water infrastructure repair and replacement (R&R) and sewer and wastewater R&R.

Emergency Reserves. The purpose of the emergency reserve is to protect the District and its customers against the impacts from unanticipated emergencies that would severely impact the District's ability to deliver the water and/or sewer and wastewater treatment services to its customers. This reserve provides funding for emergency repairs or failure of essential equipment that must be immediately replaced and are unanticipated by the Capital Improvements Plan (CIP). The emergency reserve target is \$2,000,000, that should be sufficient to finance the required cash flow and liquidity 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	H	I	J	K	L	M	N	O
1	BORREGO WATER DISTRICT								
2	EIGHT YEAR NET INCOME/ WORKING CAPITAL PROJECTION	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
3		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
4	Prop 218 Approved Water/Sewer Revenue Increases	6%	6%	6%	6%	0	0	0	0
5	Projected Water Revenue Increase-commodity	6%	6%	6%	6%	0%	0%	0%	0%
6	Expected Water Revenue Increase-commodity	4%	4%	4%	4%	0%	0%	0%	0%
7	Prop 18 approved Water Revenue Increase-base	6%	6%	6%	6%	0%	0%	0%	0%
8	Expected Water Revenue Increase - base	6%	6%	6%	6%	0%	0%	0%	0%
9	Projected/Expected Sewer Revenue Increase	4%	4%	4%	4%	0%	0%	0%	0%
10	Existing Water Rate Revenue -commodity	\$ 2,006,389	\$ 2,086,645	\$ 2,170,110	\$ 2,256,915	\$ 2,347,191	\$ 2,347,191	\$ 2,347,191	\$ 2,347,191
11	Existing Water Rate Revenue -base	\$ 1,054,146	\$ 1,117,395	\$ 1,184,438	\$ 1,255,505	\$ 1,330,835	\$ 1,330,835	\$ 1,330,835	\$ 1,330,835
12	Additional Water Revenue-commodity	\$ 80,256	\$ 83,466	\$ 86,804	\$ 90,277	\$ -	\$ -	\$ -	\$ -
13	Additional Water Revenue-base	\$ 63,249	\$ 67,044	\$ 71,066	\$ 75,330	\$ -	\$ -	\$ -	\$ -
14	Existing Sewer Rate Revenue	\$ 558,392	\$ 580,728	\$ 603,957	\$ 628,115	\$ 653,240	\$ 653,240	\$ 653,240	\$ 653,240
15	Additional Sewer Revenue	\$ 22,336	\$ 23,229	\$ 24,158	\$ 25,125	\$ -	\$ -	\$ -	\$ -
16	Other non variable Income	\$ 329,280	\$ 329,280	\$ 329,280	\$ 329,280	\$ 329,280	\$ 329,280	\$ 329,280	\$ 329,280
17	Total Revenue (w/ Other Rev.)	\$ 4,114,047	\$ 4,287,786	\$ 4,469,815	\$ 4,660,546	\$ 4,660,546	\$ 4,660,546	\$ 4,660,546	\$ 4,660,546
18									
19	O&M Expenses	\$ 3,032,600	\$ 3,032,600	\$ 3,032,600	\$ 3,032,600	\$ 3,032,600	\$ 3,032,600	\$ 3,032,600	\$ 3,032,600
20									
21	Net Revenue	\$ 1,081,447	\$ 1,255,186	\$ 1,437,215	\$ 1,627,946	\$ 1,627,946	\$ 1,627,946	\$ 1,627,946	\$ 1,627,946
22									
27	CIP Financing								
28	Cash CIP	\$ 2,219,500	\$ 1,372,000	\$ 1,434,700	\$ 1,241,000	\$ 1,535,000	\$ 1,552,000	\$ 1,715,000	\$ 1,310,000
29	Debt CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30	GSP Implementation Capital Costs (District Financed Share)	\$ -	\$ -	\$ -	\$ 1,500,000				
31									
32	Existing Debt Service								
33	ID 4 Bonds	\$ 251,475	\$ 254,500	\$ 252,188	\$ 254,538	\$ 251,550	\$ 248,338	\$ 254,675	\$ 254,675
35	Viking Ranch Refinance	\$ 143,312	\$ 143,408	\$ 143,408	\$ 143,408	\$ 143,408	\$ 143,408	\$ 143,408	\$ 143,408
36	New Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37									
38	Total Debt Service	\$ 394,787	\$ 397,908	\$ 395,596	\$ 397,946	\$ 394,958	\$ 391,746	\$ 398,083	\$ 398,083
39									
40	GSP Development Costs (District Cash Share)	\$ 300,000	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41									
42	Net Annual Cash Flow	\$ (1,438,053)	\$ (416,814)	\$ 2,515	\$ 386,946	\$ 92,946	\$ 75,946	\$ (87,054)	\$ 317,946
43									
44	Beginning Reserves Level	\$ 4,089,663	\$ 2,651,610	\$ 2,234,796	\$ 2,237,310	\$ 2,624,256	\$ 2,717,202	\$ 2,793,148	\$ 2,706,094
45	Ending Reserves Level without any revenue adjustment	\$ 2,651,610	\$ 2,234,796	\$ 2,237,310	\$ 2,624,256	\$ 2,717,202	\$ 2,793,148	\$ 2,706,094	\$ 3,024,040
46									

**BORREGO WATER DISTRICT
PROPOSED RATES FOR
FISCAL YEARS 2018-2021
Adopted May 24, 2017**

Sewer Rates

The District provides sewer service to areas 1, 2 and 5. Changes are being proposed for all Areas. 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. Non-Residential projected EDU requirements are determined on a case-by-case basis. Sewer customers in area 2 (TCS) are charged a fixed monthly holder fee, and a monthly user fee based on number of EDU's

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

	Current Rates FY 2017	FY 2018 Adopted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Sewer Area 1	\$38.78	\$40.33	\$41.94	\$43.62	\$45.37
Sewer Area 5	\$45.10	\$46.90	\$48.78	\$50.73	\$52.76
TCS User	\$45.10	\$46.90	\$48.78	\$50.73	\$52.76
TCS Holder	\$24.76	\$25.75	\$26.78	\$27.85	\$28.97
BSR	\$24.76	\$25.75	\$26.78	\$27.85	\$28.97
BSR Usage	\$1.82	\$1.89	\$1.97	\$2.05	\$2.13

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. It is proposed that the fixed charges, applicable to all customers account for 33% of the District's ongoing expenses, and 67% of such expenses should be funded on a consumption basis. It is further proposed that both charges increase at the rate of 6% per year for four years, in order to meet future increases in expenses, provide reserves, and provide sufficient reserves to meet any future debt obligations, and to allow for additional annual increases to pass through inflation. The proposed rates would consider two tiers, calculated to address the costs incurred by the District to deliver water, the difference based on basic domestic (i.e., indoor) water usage, and outdoor irrigation.

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

Meter size	Current Rates FY 2017	FY 2018 Adopted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
¾ "	\$34.89	\$36.99	\$39.21	\$41.57	\$44.07
1"	\$45.27	\$47.99	\$50.87	\$53.93	\$57.17
1 ½"	\$71.20	\$75.48	\$80.01	\$84.82	\$89.91
2"	\$102.32	\$108.46	\$114.97	\$121.87	\$129.19
3"	\$185.31	\$196.43	\$208.22	\$220.72	\$233.97
4"	\$278.68	\$295.41	\$313.14	\$331.93	\$351.85
6"	\$538.03	\$570.32	\$604.54	\$640.82	\$679.27

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

Residential	Current Rates FY 2017	FY 2018 Adopted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Tier 1 1-7	\$3.16	\$3.35	\$3.56	\$3.78	\$4.01
Tier 2 >7	\$3.48	\$3.69	\$3.92	\$4.16	\$4.41

Non-Residential	Current Rates	FY 2018 Adopted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Tier1	\$3.35	\$3.55	\$3.77	\$4.00	\$4.24

Other Rates and Fees

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

Pass Through Costs

Pursuant to AB 3030, the District Board will also authorize the pass-through of future rate and charge increases by San Diego Gas & Electric for electricity rates associated with storing, treating, pumping, and delivering water. This authorization will be in effect for five years, until June 30, 2021. The Board will hold a public hearing to review the proposed increases prior to enacting any such changes.

RESOLUTION NO. 2017-05-01

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 2017-2018

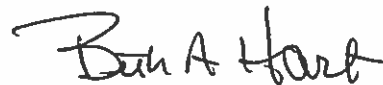
WHEREAS, the Board of Directors has reviewed and considered the Budget as presented for Fiscal Year 2017-2018 hereinafter referred to as the "Budget" which is attached hereto as Exhibit A and incorporated by reference, and

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 2017-2018.

PASSED, ADOPTED AND APPROVED at a regular meeting of the Board of Directors of the Borrego Water District held on May 24, 2017.



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

ATTEST:



Joseph Tatusko
 Secretary/Treasurer of the Board of Directors
 Of Borrego Water District

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

RESOLUTION NO. 2017-05-02

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
BORREGO WATER DISTRICT ESTABLISHING WATER AND
SEWER SERVICE RATES FOR FY 2017-2018**

WHEREAS, the Borrego Water District is a California Water District established pursuant to Section 34000 et seq. of the California Water Code; and

WHEREAS, the Board has determined that the District is facing increasing costs for the administration, operation, maintenance and improvements of the water and sewer systems and services, the District's water and sewer rates need to be increased in order for the District to pay for its costs of providing service; and

WHEREAS, on June 9, 2016, the Board held a duly noticed public hearing in accordance with the provisions of Article XIID of the California Constitution (Proposition 218), received oral and written testimony, and having determined that there was no majority protest, approved a schedule of water and sewer rates for a five year period beginning with FY 2017 and ending with FY 2021; and

WHEREAS, the Board held a public meeting to discuss the budget and rate increase for FY 2017-2018 on May 16, 2017.

WHEREAS, the Board approved the budget and rate increase at the May 24, 2017 Board Meeting.

WHEREAS, On May 31, 2017, a notice regarding the rate increase will be mailed to all of the District's affected ratepayers.

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

The Board finds that the adoption of the rates and charges set forth herein is necessary and reasonable to fund the administration, operation, maintenance and improvements of the District water and sewer system. Based on this finding, the Board determines that the adoption of the rates and charges established by this Resolution are exempt from the requirements of the California Environmental Quality Act pursuant to section 21080(b)(8) of the Public Resource Code and section 15273(a) of the State CEQA Guidelines.

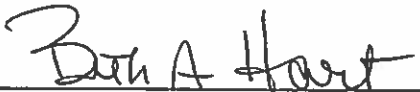
The Board hereby adopts the rates and charges for each separate rate classification for each separate service area as set forth in Exhibit A attached to this Resolution. These increases will be effective July 1, 2017 and beginning with the August 2017 billing.

All resolutions or administrative actions by the Board, or parts thereof, which are inconsistent with any provision of this Resolution, are hereby superseded, to the extent of such inconsistency. Any rates or fees associated with water or sewer service that are not addressed in this Resolution or Exhibit A shall remain in full force and effect as previously adopted by the Board.

In any section, subsection, clause or phrase in this Resolution or the attached Exhibits is for any reason held to be invalid; the validity of the remainder of the Resolution or Exhibits shall not be affected thereby.

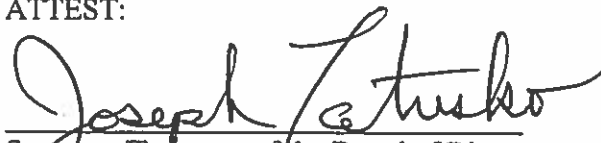
The increased rates and charges set forth herein shall become effective July 1, 2017 and beginning with the August, 2017 billing.

PASSED, ADOPTED AND APPROVED at a special meeting of the Board of Directors of the Borrego Water District held on 24th day of May, 2017.



President of the Board of Directors
Of Borrego Water District

ATTEST:



Secretary/Treasurer of the Board of Directors
Of Borrego Water District

