

AGENDA
Borrego Water District Board of Directors
Special Meeting
June 9, 2016 9:00 a.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004

I. OPENING PROCEDURES

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

II. CURRENT BUSINESS MATTERS

- A. Public Hearing to hear testimony regarding the proposed water and sewer rate changes and consider adoption of Resolution 2016-06-02 (2-9)
- B. Discussion and possible approval of FY 2017 Budget (10-34)
- C. Discussion and possible approval regarding the Memorandum of Understanding between the Borrego Water District and the County with such changes as may be approved by the President upon the advice of the District's General Counsel.
- D. Discussion and Consideration of Recommendation of Personnel Committee for General Manager selection; approval of appointment of General Manager.
- E. Discussion of possible approval of interim personnel contract with Dudek Engineering (35-39)
- F. Discussion of potential agenda items for June 22nd board meeting

III. CLOSED SESSION

Conference with Legal Counsel – Anticipated Litigation

- A. Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code section 54956.9. One potential case.

- B. PUBLIC EMPLOYEE APPOINTMENT – (Government Code Section 54957):
Title: General Manager

IV. CLOSING PROCEDURE

The next Regular Meeting of the Board of Directors is scheduled for June 22, 2016 at the Borrego Water District



Notice of Public Hearing - Water and Sewer Rates¹
June 9, 2016 at 9:00 a.m.

Borrego Water District
806 Palm Canyon Drive, Borrego Springs, CA 92004

Notice of Public Hearing on Proposed Water and Sewer Rates

In compliance with Article XIID of the California Constitution and the Proposition 218 Omnibus Implementation Act, notice is hereby given that the Borrego Water District Board of Directors will conduct a public hearing on Wednesday, June 9, 2016 at 9:00 a.m. at the District Office, 806 Palm Canyon Drive, Borrego Springs, CA, 92004, to consider adopting proposed changes to water and sewer rates.

The rate adjustments being considered will become effective July 1, 2016. The District bills monthly for water and sewer service used in the month prior to the billing date.

¹ Para recibir una copia de este Aviso o informacion adicional en Espanol acerca de las propuestas tarifas de agua y alcantarilla, por favor llame al numero (760) 767-5806 o informes en el sitio Web del Distrito www.borregowd.org.

Purpose of Proposed Rate Increases

The purpose of the proposed rate increases is to allow the District to collect sufficient revenue to enable it to continue providing water and sewer service to its customers in the face of increasing operating costs; to enable the District to afford capital improvements that are essential for operating the water and sewer system in a safe and financially prudent manner; and to establish a revenue stream capable of meeting future obligations to repay debt incurred to finance necessary capital improvements. Without the proposed water rate increases, the District’s water revenues could cover operating expenses, but not its necessary capital expenses to continue to meet customer expectations for dependable service and future drinking water quality standards. The sewer rates are inadequate to sufficiently recover both operating and capital expenses of the District beginning in FYE 2016.

Revenues derived from the District’s water and sewer service charges are used solely for the actual and necessary expenses of providing water and sewer service to its customers. The District is prohibited by law from making a profit on water and sewer service.

The proposed rate increases are based on a rate study conducted by the California office of Raftelis Financial Consultants, Inc. (RFC), a well respected national water and wastewater financial consulting firm, which took into consideration all of the factors described above in conducting the study. The rate study and its methodology will be discussed in more detail at the public hearing. Copies of the rate study are available at the District’s offices [and posted online on the District’s website].

Sewer Rates

The District provides sewer service to Improvement Districts 1, 2 and 5. Changes are being proposed for all Districts. 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.

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

Sewer Rates							
		Current Rates	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
ID-1		\$ 33.56	\$ 38.78	\$ 40.33	\$ 41.94	\$ 43.62	\$ 45.37
ID-5		\$ 62.62	\$ 45.10	\$ 46.90	\$ 48.78	\$ 50.73	\$ 52.76
ID-2	User	\$ 29.42	\$ 45.10	\$ 46.90	\$ 48.78	\$ 50.73	\$ 52.76
ID-2	Holder	\$ 19.42	\$ 24.76	\$ 25.75	\$ 26.78	\$ 27.85	\$ 28.97
BSR		\$ 62.62	\$ 24.76	\$ 25.75	\$ 26.78	\$ 27.85	\$ 28.97
BSR	Usage	\$ 1.30	\$ 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 5% per year for five years, in order to meet future increases in expenses, provide reserves, and provide sufficient reserves to any meet future debt obligations, and to allow for additional annual increases to pass through inflation as described in the section titled “Pass Through Costs,” below. The proposed rates would consider two tiers, calculated to address the costs incurred by the District to delivery water, the difference based on basic domestic (i.e., indoor) water usage, and outdoor irrigation.

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

Water Rates for All ID’s						
Fixed Charge	Current Rates		Proposed		Rates	
Meter Size	\$/Mo.	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
3/4"	\$ 42.04	\$ 34.89	\$ 36.99	\$ 39.21	\$ 41.57	\$ 44.07
1"	\$ 61.45	\$ 45.27	\$ 47.99	\$ 50.87	\$ 53.93	\$ 57.17
1 1/2"	\$ 103.62	\$ 71.20	\$ 75.48	\$ 80.01	\$ 84.82	\$ 89.91
2"	\$ 156.85	\$ 102.32	\$ 108.46	\$ 114.97	\$ 121.87	\$ 129.19
3"	\$ 284.86	\$ 185.31	\$ 196.43	\$ 208.22	\$ 220.72	\$ 233.97
4"	\$ 454.12	\$ 278.68	\$ 295.41	\$ 313.14	\$ 331.93	\$ 351.85
6"	\$ 906.10	\$ 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 (All ID’s)			Proposed Rates (All ID’s)		
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Tier 1 1 - 7	\$ 2.42	\$ 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						
Tier 1	\$ 2.42	\$ 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 consider authorizing the pass-through of future increases in operations based on inflation, in excess of the approved 5-year schedule set forth above. The Board will hold a public hearing to review the proposed increases prior to enacting any such charges.

Protests

The District Board of Directors will hear and consider all written and oral comments regarding the proposed changes to the water and sewer rates at the public hearing. The Board of Directors will then consider, and may adopt the rates described in this notice. However, if written protests are received that represent a majority of the affected parcels, the proposed rate adjustments will not be approved.

Oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest. Only one written protest will be counted per identified parcel which receives water and/or sewer service. The Board of Directors will receive a final tabulation of all written protests received by the District at the hearing. Written protests must be received by the District prior to the close of the public hearing, which can be delivered to the District by U.S. Mail or in person at the hearing.

Written protests must contain a description of the property such as the address or assessor's parcel number, and include the name and original signature of the customer submitting the protest. Please send written protests to: Borrego Water District, 806 Palm Canyon Drive, Borrego Springs, CA, 92004. **Protests sent by email or fax will not be accepted as a qualified written protest.**

If you have any questions about this Notice or the proposed water and sewer rates, please call the District office at (760) 767-5806, or visit the District's website at www.borregowd.org.

RESOLUTION NO. 2016-06-02

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
BORREGO WATER DISTRICT ESTABLISHING WATER AND
SEWER SERVICE RATES**

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 of Directors of the Borrego Water District (“Board”) previously adopted Resolution No. 2011-6-1 on June 22, 2011 establishing rates and charges for water and sewer service; 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, the Board hired a consultant, Raftelis Financial Consultants, Inc., to perform a study of the District’s water and sewer rates, and the rate study that was performed by that consultant substantiates the need for, and amount of, water and sewer rate increases being proposed; and

WHEREAS, on April 8, 2016 and April 25, 2016 in accordance with the provisions of Article XIID of the California Constitution (Proposition 218) the District mailed out notices of proposed increases in the District’s water and sewer service rates. Such notices were provided to the affected property owners or customers not less than forty-five (45) days prior to the public hearing on the proposed rates; and

WHEREAS, it is deemed to be in the best interests of the District to adopt the water service rate increases and sewer service rate increases for the reasons stated above; and

WHEREAS, the Board desires to adjust and increase certain water and sewer rates as set forth in Exhibit A.

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

Section 1. All of the foregoing recitals are true and correct, and the Board so finds and determines. The recitals set forth above are incorporated herein and made an operative part of this Resolution.

Section 2. The Board conducted a public hearing on May 25, 2016 at 9:00 a.m., and again on June 9, 2016, at 9:00 a.m., in both cases at 806 Palm Canyon Drive, Borrego Springs, CA, 92004, in order to receive oral and written testimony regarding this Resolution. Said date and time were not less than forty-five (45) days after the mailing of the notice as set forth above.

Section 3. The Board hereby finds that written protests against the rates set forth herein were not presented in a number representing a majority of the affected parcels upon which the rates are to

be imposed and therefore, the Board is authorized to impose the increased rates and charges as set forth herein.

Section 4. 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.

Section 5. 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, to be effective July 1, 2016.

Section 6. 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.

Section 7. 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.

Section 8. The increased rates and charges set forth herein shall become effective July 1, 2016.

PASSED, ADOPTED AND APPROVED at a special meeting of the Board of Directors of the Borrego Water District held on the 9th day of June, 2016.

President of the Board of Directors
Of Borrego Water District

ATTEST:

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

STATE OF CALIFORNIA)

) ss.

COUNTY OF SAN DIEGO)

I, Joe Tatusko, 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 regular meeting held on the 9th day of June, 2016, 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, Joe Tatusko, 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. 2016-06-02, of said Board, and that the same has not been amended or repealed.

Dated:

Secretary of the Board of Directors of
Borrego Water District

Sewer service charges

Sewer Rates							
		Current Rates	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
ID-1		\$ 33.56	\$ 38.78	\$ 40.33	\$ 41.94	\$ 43.62	\$ 45.37
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Fixed Meter Charges

Water Rates for All ID's						
Fixed Charge	Current Rates	Proposed Rates				
Meter Size	\$/Mo.	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
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1"	\$ 61.45	\$ 45.27	\$ 47.99	\$ 50.87	\$ 53.93	\$ 57.17
1 1/2"	\$ 103.62	\$ 71.20	\$ 75.48	\$ 80.01	\$ 84.82	\$ 89.91
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3"	\$ 284.86	\$ 185.31	\$ 196.43	\$ 208.22	\$ 220.72	\$ 233.97
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6"	\$ 906.10	\$ 538.03	\$ 570.32	\$ 604.54	\$ 640.82	\$ 679.27

Commodity Rates

		Current Rates (All ID's)			Proposed Rates (All ID's)		
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Tier 1	1 - 7	\$ 2.42	\$ 3.16	\$ 3.35	\$ 3.56	\$ 3.78	\$ 4.01
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Non-Residential							
Tier 1		\$ 2.42	\$ 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.

Exhibit A

June 9, 2016

To: Board of Directors

From: Kim Pitman, Administration Manager

RE: O & M and CIP Budget Analysis Explanation

Below is an explanation of the significant changes from the FY 2016 budget to the proposed Budget for FY 2017.

WATER REVENUE

Water Revenue Scenarios for FY 2017:

- Without any increases in water rates and allowing for continued water conservation measures, our Water Revenue Budget for FY 2017 is estimated to be approximately (\$37,000) less than FY 2016 budget.
- With the water rate increases suggested through the Raftelis Rate Study, raising water rates approximately 30% with the meter fee decreasing approximately 25%, we would net approximately 5%, which would increase water revenue approximately \$114,000 from FY 2016 budget.

PROPERTY ASSESSMENTS/AVAILABILITY CHARGES

Property Assessments and Availability Fees are back on track and for the most part we are receiving the total charges that have been levied. Revenues are expected to increase by approximately \$46,000 over FY 2016 Budget.

SEWER SERVICE CHARGES

Sewer Service Charge Scenarios for FY 2017:

- Without any increases in sewer fees for FY 2017, the budget would be approximately the same as FY 2016 budget.
- With the sewer rate increases/decreases suggested through the Raftelis Rate Study:
 - Raising TCS Holder Fees by approximately 27.5% for FY 2017
 - Raising TCS User Fees by approximately 53.3% for FY 2017
 - Decreasing Borrego Springs Resort/Club Circle area sewer fees by approximately 23% for FY 2017

It would increase the sewer revenue budget for FY 2017 by approximately \$367,000 over FY 2016 budget.

OTHER INCOME:

Nothing substantial to budget for.

MAINTENANCE EXPENSE

Proposed budget increase in:

- R&M WWTP - \$18,000
 - Due to ongoing repairs of aging infrastructure/equipment and reclassifying misc. CIP sewer items to O & M

Total Maintenance Expense Budget increase for FY 2017 - \$18,000

PROFESSIONAL SERVICES EXPENSE

Proposed budget increase in:

- Computer Billing - \$2,100
 - Due to possible 5% increase
- Regulatory Permit Fees - \$13,000
 - Due to regulatory changes
- Audit Fees - \$556
 - New three year contract

Decrease in:

- Administrative Services - \$2,500
 - Due to transferring bank accounts from Wells Fargo to Umpqua Bank

Total Professional Services Expense Budget increase for FY 2017 – \$13,156

INSURANCE/DEBT EXPENSE

Proposed budget increase in:

- ACWA Insurance & Workers Comp - \$1,800
 - Just the way it added up.....

Decrease in:

- COP 2008 Installment – \$1,412
 - Due to change in debt payment

Total Insurance/Debt Expense Budget increase for FY 2017 - \$388

PERSONNEL EXPENSE

Proposed budget increase in:

- Board Meeting Expense - \$2,000
 - Due to writing and submitting articles covering BWD to the Sun
- Salaries & Wages - \$30,000
 - Due to possible merit increases incorporated into the Rate Study
- Taxes on Payroll/CalPERS - \$3,100
 - Due to increased salaries

- Medical Insurance Benefits - \$25,400
 - Estimated 3% increase and increase of coverage needs (family vs employee)
- Salary Wages Contra Account – (\$3,980)
 - Due to increased projects performed by staff

Total Personnel Expense Budget increase for FY 2017 - \$56,520

OFFICE EXPENSE

Proposed increase in:

- Office Equipment/Rental/Maintenance Agreements - \$15,000
 - Due to possible rental of tractor for pipeline projects
- Postage & Freight - \$2,000
 - Due to possible increase of mailings
- Telephone/Answering Service - \$200
 - Cost of service increase
- Printing/Publications & Notices - \$2,000
 - Increased publications

Proposed decrease in:

- Taxes on Property - \$100

Total Office Expense Budget increase for FY 2017 - \$19,100

UTILITIES EXPENSE

Proposed budget increase in:

- Office/Shop Utilities - \$6,000
 - Due to increase in rates

Decrease in:

- Pumping-Electricity - \$80,000
 - Primarily due to completion of Solar Project

Total Utilities Expense Budget decrease FY 2017 - \$74,000

Overall Expense Budget Increase from FY 2016 to FY 2017 = \$33,163

NON O & M EXPENSES

- **WATER PROJECTS**

- Inside coating of the Twin Tanks - \$125,000
- Crew Truck - \$35,000
- Pipeline replacements - \$30,000
- Pump/Cleaning Wells - \$150,000
- Booster Station 1 Rehab - \$40,000
- New 800 reservoir- \$500,000
- Transmission mains for new 800 reservoir - \$100,000
- Environmental review for water storage infrastructure - \$50,000
- Engineering review for water storage infrastructure - \$75,000

Total Non O&M Water Projects FY 2017– \$1,105,000

- **SEWER PROJECTS**

- Portable engine driven trash pump - \$26,000
- Transfer switch WWTP - \$20,000
- Return pump - \$8,500
- Fence at ponds WWTP - \$15,000

Total Non O&M Sewer Projects FY 2017 – \$69,500

- **NON-CIP PROJECTS**

- GWM – legal/Misc./Grant/USGS/Conservation - \$60,000
- District portion of GSP/Interim GM - \$204,000

Total Non-CIP Projects FY 2017 – \$264,000

- **OTHER PROJECTS**

- Air Photo Imagery - \$10,000

Total Non O&M Other Projects - \$10,000

Total Non O & M Expenses FY 2017 - \$1,448,500

BORREGO WATER DISTRICT

FISCAL YEAR 2016-2017

ANNUAL BUDGET

ADOPTED

June 9, 2016

SUBMITTED BY:

**JERRY ROLWING
GENERAL MANAGER**

TO:

BOARD OF DIRECTORS

**BETH HART
PRESIDENT**

**LYLE BRECHT
VICE-PRESIDENT**

**JOE TATUSKO
SECRETARY/TREASURER**

**LEE ESTEP
DIRECTOR**

**RAYMOND DELAHAY
DIRECTOR**

**FISCAL YEAR 2016-2017
ANNUAL BUDGET
ADOPTED
JUNE 9, 2016**

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BORREGO WATER DISTRICT

June 9, 2016

Board of Directors:

This Fiscal Year 2016-2017 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 2017 consolidated budget package represent management's best assessment of a budget to successfully accomplish the District's goals and priorities for FY 2017. 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 2017 projected to be approximately \$4,170,507. This represents a projected revenues increase of 10% from FY 2016 projected revenues.

The FY 2017 projected revenues assumes that monthly base service rates will decrease approximately 20% (all meter sizes); residential water rates for Tier 1 (< 7 units/mo) will increase from \$2.42 to \$3.16/unit in FY 2017; Tier 2 (> 7 units/mo) = \$3.48/unit in FY 2017; commercial water rates will increase from \$2.42 to \$3.35/unit in FY 2017; and revenue from sewer rates will increase 9,4,4,4,4% between FY 2017-FY 2021

Included in this budget package are the proposed Board Resolution to adopt and approve the FY 2017 budget; 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; and a projected cash flow analysis for the next eight fiscal years that includes the proposed rate increases.

Thank you for your consideration.

Sincerely,

Jerry Rolwing
General Manager

RESOLUTION NO. 2016-06-01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT APPROVING THE OPERATIONS, MAINTENANCE, CAPITAL IMPROVEMENTS AND GROUNDWATER MANAGEMENT BUDGETS AND BOARD DESIGNATED RESERVES FUND POLICY FOR FISCAL YEAR 2016-2017

WHEREAS, the Board of Directors has reviewed and considered the Budget as presented for Fiscal Year 2016-2017 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 2016-2017.

PASSED, ADOPTED AND APPROVED at a regular meeting of the Board of Directors of the Borrego Water District held on June 9, 2016.

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)

I, Joseph Tatusko, 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 regular meeting held on the 9th day of June, 2016, 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, Joseph Tatusko, 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. 2016-06-01, of said Board, and that the same has not been amended or repealed.

Dated: June 9, 2016

Secretary of the Board of Directors of
Borrego Water District

	C	BS	BW	BZ	CA	CB
1	BWD	5/27/2015	CASH FLOW			
2	BUDGET CASH FLOW	ADOPTED	YTD + PROJ MONTHS	Rate Adjustment	PROPOSED	PROJECTED
3	FY 2016-2017	BUDGET	PROJECTED	FY 2017	BUDGET	BUDGET
4		2015-2016	2015-2016		2016-2017	2016-2017
5	REVENUE					
6	WATER REVENUE					
7	Residential Water Sales	932,150	860,494	265,253		884,178
8	Commercial Water Sales	128,750	121,690	37,144		123,812
9	Irrigation Water Sales	143,170	131,919	40,666		135,553
10	GWM Surcharge	117,420	109,504	33,683		112,276
11	Water Sales Power Portion	373,890	348,826	106,860		356,199
14	TOTAL WATER COMMODITY REVENUE:	1,645,554	1,520,770	483,606	30% increase	1,612,019
15						
16	Readiness Water Charge	1,335,180	1,329,121	(332,606)		1,330,424
18	RH Golf Course surplus capacity lease	0	9,630			0
19	Meter Installation	0	8,627			0
21	Reconnect Fees	1,700	3,310			2,380
22	Backflow Testing/installation	6,500	5,600			6,500
23	Bulk Water Sales	0	257			0
24	Penalty & Interest Water Collection	9,600	14,050			10,000
25	TOTAL WATER REVENUE:	2,998,534	2,872,851	(332,606)	25% decrease	2,961,323
26						
27	PROPERTY ASSESSMENTS/AVAILABILITY CHARGES					
28	641500 1% Property Assessments	64,000	63,081			65,000
29	641502 Property Assess wtr/swr/flid	60,000	106,654			106,212
31	641501 Water avail Standby	84,000	81,830			82,467
33	641504 ID 3 Water Standby (La Casa)	34,000	33,328			33,722
34	641503 Pest standby	17,000	17,619			17,885
35	TOTAL PROPERTY ASSES/AVAIL CHARGES:	259,000	302,513			305,286
36						
37	SEWER SERVICE CHARGES					
38	Town Center Sewer Holder fees	171,240	172,351	220,476	27.5% increase	172,922
39	Town Center Sewer User Fees	39,960	40,276	62,432	53.3% increase	40,726
40	Sewer user Fees	333,900	332,772	(76,445)	23% decrease	332,370
44	TOTAL SEWER SERVICE CHARGES:	545,100	545,767	206,463		546,387
45						
46	OTHER INCOME					
50	Miscellaneous Income (net csd fee/JPIA rebate/check free)		1,429			0
51	Water Credits income/Gain on Asset Sold		8,000			0
55	Interest Income	80	66			49
56	TOTAL OTHER INCOME:	80	9,495			49
57						
58	TOTAL INCOME BUDGET:	3,802,713	3,784,815	357,463	4,170,507	3,813,045
59						

	C	BS	BW	BZ	CA	CB
1	BWD	5/27/2015	CASH FLOW			
2	BUDGET CASH FLOW	ADOPTED	YTD + PROJ MONTHS	Rate Adjustment	PROPOSED	PROJECTED
3	FY 2016-2017	BUDGET	PROJECTED	FY 2017	BUDGET	BUDGET
4		2015-2016	2015-2016		2016-2017	2016-2017
60	EXPENSES					
61						
62	MAINTENANCE EXPENSE					
63	R & M Buildings & Equipment	185,000	139,236			185,000
64	R & M - WWTP	132,000	52,006			150,000
65	Telemetry	10,000	12,645			10,000
66	Trash Removal	4,000	3,642			4,000
67	Vehicle Expense	18,000	21,368			18,000
68	Fuel & Oil	25,000	22,301			25,000
69	TOTAL MAINTENANCE EXPENSE:	374,000	251,197			392,000
70						
71	PROFESSIONAL SERVICES EXPENSE					
72	Tax Accounting (Tausig)	3,000	2,555			3,000
73	Administrative Services (ADP/Bank Fees)	6,000	5,231			3,500
74	Audit Fees	14,439	14,439			14,995
75	Computer billing	9,900	6,835			12,000
76	Consulting/Technical/Contract Labor	1,200	450			1,200
77	Engineering	35,000	58,439			35,000
78	District Legal Services	30,000	14,400			30,000
79	Testing/lab work	12,000	16,761			12,000
80	Regulatory Permit Fees	33,000	43,958			46,000
81	TOTAL PROFESSIONAL SERVICES EXPENSE:	144,539	163,068			157,695
82						
83	INSURANCE/DEBT EXPENSE					
84	ACWA Insurance	59,000	56,648			60,000
85	Workers Comp	16,000	16,398			16,800
86	COP 2008 Installment	254,525	254,525			253,113
87	Viking Ranch Debt Payment	143,312	143,422			143,312
88	TOTAL INSURANCE/DEBT EXPENSE:	472,837	470,993			473,225
89						
90	PERSONNEL EXPENSE					
91	Board Meeting Expense (board stipend/board secretary)	16,500	14,886			18,500
92	Salaries & Wages (gross)	761,000	762,800			791,000
93	Taxes on Payroll	20,000	21,966			21,300
94	Medical Insurance Benefits	185,000	203,766			210,400
95	Calpers Retirement Benefits	169,200	157,733			171,000
96	Salaries & Wages contra account	(14,520)	(35,824)			(18,500)
97	Conference/Conventions/Training/Seminars	7,000	7,780			7,000
98	TOTAL PERSONNEL EXPENSE:	1,144,180	1,133,107			1,200,700
99						
100	OFFICE EXPENSE					
101	Office Supplies	18,000	20,811			18,000
102	Office Equipment/ Rental/Maintenance Agreements	25,000	26,944			40,000
103	Postage & Freight	13,000	14,387			15,000
104	Taxes on Property	2,500	2,394			2,400
105	Telephone/Answering Service	8,400	8,619			8,600
106	Dues & Subscriptions	3,600	947			3,600
107	Printing, Publications & Notices	1,000	2,894			3,000
108	Uniforms	5,400	5,421			5,400
109	OSHA Requirements/Emergency preparedness	4,000	2,839			4,000
110	TOTAL OFFICE EXPENSE:	80,900	85,255			100,000
111						
112	UTILITIES EXPENSE					
113	Pumping-Electricity	430,000	341,426			350,000
114	Office/Shop Utilities	19,000	23,412			25,000
115	Cellular Phone	7,500	8,750			7,500
116	TOTAL UTILITIES EXPENSE:	456,500	373,589			382,500
117						
118	TOTAL EXPENSE BUDGET:	2,672,956	2,477,210	2,706,119	2,706,119	2,706,119
119						
120	NET CASH FLOW (O&M)	1,129,758	1,454,398			1,106,925

	C	BS	BW	BZ	CA	CB
1	BWD	5/27/2015	CASH FLOW			
2	BUDGET CASH FLOW	ADOPTED	YTD + PROJ MONTHS	Rate Adjustment	PROPOSED	PROJECTED
3	FY 2016-2017	BUDGET	PROJECTED	FY 2017	BUDGET	BUDGET
4		2015-2016	2015-2016		2016-2017	2016-2017
121	NON O & M EXPENSES					
122	Water					
123	Twin Tanks, 1970's-inside coating	125,000	125,000			125,000
124	Pickup	30,000	28,784			35,000
125	Pipeline replacements	55,590	64,925			30,000
126	Pump and Cleaning Well ID4-4-Wells-ID1-12/ID4-4	70,000	35,000			150,000
127	Booster Station 1 Rehab	8,000	14,054			40,000
131	New 800 Reservoir					500,000
132	Transmission mains for new 800 Reservoir					100,000
133	Environmental review for water storage infrastructure					50,000
134	Engineering review for water storage infrastructure					75,000
135	TOTAL WATER NON O&M					1,105,000
136	Sewer					
138	Portable engine driven trash pump	92,000	47,954			26,000
143	Transfer Switch					20,000
144	Return Pump					8,500
145	Fence at ponds WWTP					15,000
146	TOTAL SEWER NON O&M					69,500
147	NON-CIP					
149	GWM -legal/Misc.-prop 1 grant/USGS/Conservation	60,000	72,001			60,000
150	District portion of GSP/Interim General Manager support	80,000	97,991			204,000
161	TOTAL GWM NON O&M					264,000
162	OTHER					
166	Air Photo Imagery					10,000
167	TOTAL OTHER NON O&M					10,000
168	TOTAL NON O&M EXPENSES	1,202,678	485,710		1,448,500	1,448,500
169						
170	CASH RECAP					
171	Cash beginning of period	2,611,448	2,852,387		2,366,677	2,366,677
172	Net Cash Flow (O&M)	1,129,758	0		1,464,388	1,106,925
173	Total Non O&M Expenses	(1,202,678)	(485,710)		(1,448,500)	(1,448,500)
174	CASH AT END OF PERIOD	2,538,528	2,366,677		2,382,565	2,025,103
175						
176	RESERVES					
177	Debt Reserves	(400,000)	(400,000)		(400,000)	(400,000)
178	Working Capital-Water (4 months)	(900,000)	(900,000)		(600,000)	(600,000)
180	Working Capital-Sewer (4 months)				(165,000)	(165,000)
181	Working Capital-CIP (4 months)				(430,000)	(430,000)
182	Contingency Reserves (10% O&M)	(270,000)	(270,000)		(270,000)	(270,000)
183	Rate Stabilization Reserves	(480,000)	(480,000)		(480,000)	(480,000)
184	Available for Emergency Reserves	488,528	316,677		37,565	(319,897)
185	Target Emergency Reserves	<u>2,000,000</u>	<u>2,000,000</u>		<u>2,000,000</u>	<u>2,000,000</u>
186	Emergency Reserves Deficit	(1,511,472)	(1,683,323)		(1,962,435)	(2,319,897)

	B	C	D	E	F
6	BWD				
7	INCOME/EXPENSE				
8	CONDENSED BUDGET				
9	2016-2017				
10					
11		TOTAL			
12		BUDGET	WATER	ID4-WATER	SEWER
13	REVENUE				
14					
15	Water Sales	2,932,680.37	1,173,072	1,759,608	
16	GWM Surcharge	179,642	71,857	107,785	
18	1% Property Assessment	65,000	26,000	39,000	
19	Water Availability Standby	240,286.01	96,114	144,172	
20	Sewer Revenue	752,850			752,850
23	Interest Income	49	17	25	8
28	TOTAL PROPOSED INCOME FY 2017:	<u>4,170,507</u>	<u>1,367,060</u>	<u>2,050,590</u>	<u>752,858</u>
30					
31	EXPENSE				
32					
33	Repairs & Maintenance	392,000	96,800	145,200	150,000
34	Professional Services	157,695	51,691	77,537	28,467
35	Insurance	76,800	25,174	37,762	13,864
36	Personnel Expense	812,300	266,266	399,398	146,636
37	Employee Benefits	388,400	127,315	190,972	70,114
38	Office expense	100,000	32,779	49,169	18,052
39	Utilities	382,500	125,380	188,071	69,049
40	Debt Expense-COP 2008	253,113	-	253,113	-
41	Viking Ranch Refinance	143,312	46,977	70,465	25,871
42	TOTAL PROPOSED EXPENSE FY 2017:	<u>2,706,119</u>	<u>772,382</u>	<u>1,411,685</u>	<u>522,052</u>
43					
44	NET INCOME (EXPENSE) FY 2017:	<u>1,464,388</u>	<u>594,678</u>	<u>638,904</u>	<u>230,806</u>
45					
46	Sewer Non-O&M Expense	69,500			\$ 69,500
47	Water Non-O&M Expense	1,105,000	\$ 442,000	\$ 663,000	
48	Other/Non-CIP Expense	274,000	\$ 89,815	\$ 134,723	\$ 49,462
49	TOTAL NON O&M EXPENSE FY 2017:	<u>1,448,500</u>	<u>531,815</u>	<u>797,723</u>	<u>118,962</u>
50					
51	TOTAL NET CASH FLOW FY 2017:	<u>15,888</u>	<u>62,863</u>	<u>(158,818)</u>	<u>111,844</u>

	A	K	L	M	N	O	P	Q	R	S	T
	FY 2016-17	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	
1	WELLS, BOOSTER STATIONS, RESERVOIRS & ASSOCIATED TRANSMISSION MAINS										
2	Environmental review for Wilcox Reservoir, forebay and transmission lines										
3	Wilcox Reservoir, 2.0 MG		200,000								
4	Wilcox Related Transmission Mains				2,300,000						
5	Wilcox Booster Station/Forebay				460,000						
6	New wells north end of Valley										800,000
7	Transmission mains										
8	Indianhead Reservoir, 0.5 MG					992,000					
9	Indianhead Transmission Mains					620,000					
10	Water Treatment Facility (phase 1)							250,000			
11	Water Treatment Facility (phase 2)										
12	New Reservoir ID-4										
13	Transmission mains for new 800 reservoir	100,000									
14	New 800 Reservoir, 0.44 MG	500,000									
15	WASTEWATER PLANT										
16	Force main replacement at La Casa del Zorro, collection system repairs		150,000								
17	Sewer main replacement/upgrades		200,000								
18	Conversion to Tertiary Treatment - Study needed to determine cost										
20											
21	PRESSURE REDUCING STATIONS										
22	ID4, Reducing Sta. design and installation		25,000								
23	ID5, Reducing Sta. design and installation		20,000								50,000
24											
25	PIPELINES										
26	Environmental review for Borrego Springs Pipeline										
27	Borrego Springs Rd, Weatherhane Dr. to Barrel Dr.		63,000								
28	Borrego Springs Rd, Walking H Dr. to Tilting T Dr.			91,140							
29	Borrego Springs Rd, Tilting T Dr. to Country Club Rd. First half				84,075						
30	Borrego Springs Rd, Tilting T Dr. to Country Club Rd. Second half										
31	Borrego Springs Rd, Christmas Circle to Diamond Bar Dr.										
32	Borrego Springs Rd, Diamond Bar Dr. to T Anchor Dr.										
33	Borrego Springs Rd, Christmas Circle loop										
34	Borrego Springs Rd, Upgrade 6" to 10" Country Club Rd. to San Pablo Rd.										
35	Borrego Springs Rd, Upgrade 8" to 10" 660' north of Weatherhane Dr.										
36	Slash M Rd. to Tank		20,000								
37	Double O		30,000								
38	Club Circle East										
39	Club Circle West										
40	De Anza Dr. 1600 block										
41	Pointing Rock Dr/Montezuma Rd Loop First half										
42	Pointing Rock Dr/Montezuma Rd Loop Second half										
43	Country Club Road from Tilting T Dr. south to Booster Sta #3		20,000								
44	Conveyance pipeline down Borrego Valley Rd. from Palm Cyn to well ID-12										
45	Pipeline installation to convey well water directly to reservoirs ID-1		100,000								
46	Pipeline installation to convey well water directly to reservoirs ID-4		100,000								
47	Relocate alley water mains to streets in southern ID-4		100,000								
48	Environmental review for water storage infrastructure		50,000								
49	Engineering review for water storage infrastructure		75,000								
50											
51	NON-CIP										
52	Viking Ranch Following										
53	Viking Ranch Purchase Reserve										
54	Groundwater Management-Legal		60,000								
55	Prop 218 Process										
56	GSP basin wide development costs										
57	Debit portion of GSP/Interium General Manager cost		204,000								
58											
59	TOTAL - CAPITAL IMPROVEMENTS PROGRAM		1,019,000		430,700		1,871,819		1,794,948		1,434,073
60											
61	TOTAL - SHORT LIVED ASSETS (FROM SHEET 2)		429,500		365,000		304,400		219,070		210,000
62											
63	Total CIP and Short Lived Assets		1,448,500		795,700		2,176,219		2,012,270		1,659,725
64											
65											

A		D	E	F	G	H	I	J	K	L	M
		FY 2016-17	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
1	WELLS										
2	ID1-8, 125 Hp			\$ 40,000	\$ 20,000	\$ 15,000				\$ 50,000	
3	ID1-10, 150 Hp										
4	ID1-12, 200 Hp	\$ 75,000	\$ 20,000			\$ 20,000		\$ -			\$ 80,000
5	ID1-16, 300 Hp					\$ 74,400		\$ 23,000			\$ 40,000
6	Wilcox, Diesel drive					\$ 20,000				50000	
7	ID4-4, 150 Hp	\$ 75,000					\$ 20,000		\$ -		\$ 20,000
8	ID4-11, 200 Hp		\$ 12,000	\$ 20,000		\$ 80,000			20,000		
9	ID4-18		\$ 80,000			\$ 20,000	\$ 40,000	\$ -		\$ 80,000	\$ 20,000
10	ID5-5, 200 Hp		\$ 50,000			\$ 50,000		\$ 50,000			\$ 50,000
11	Air Quality Compliance										
12	Emergency Generator Connections		15,000	15,000							
13	TANKS										
14	Rams Hill #1, 1980 steel, needs inside coating, 1.25 MG							200,000			
15	Rams Hill #2, 1980 galv. 0.44 MG, repairs - engineering study			\$ 125,000							
16	Indianhead, 1970's 1 - 0.22MG, inside coating		\$ 125,000								
17	Twin Tanks, 1970's 2 - 0.22 MG, inside coating (two tanks, one per year)	\$ 125,000			\$ 125,000		\$ 150,000				
18	Country Club, 1999 1.0 MG										
19											
20	BOOSTER/PRESSURE REDUCING STATIONS										
21	ID1, Booster Sta. 1, #1 & 2 30 Hp, #3 50hp	\$ 40,000			\$ 10,000	\$ 20,000			\$ 20,000		\$ 15,000
22	ID4, Booster Sta. 3, #7, 25 Hp										
23	ID4, Booster Sta. 4, 5hp					5,000				\$ 5,000	
24	WASTEWATER PLANT										
25	Motor and Gear Reducers for Brushes		\$ 17,920				\$ 20,070				\$ 21,000
26	Wastewater Return Pump	\$ 8,500					\$ 9,000				\$ 10,000
28	Portable engine driven pump	\$ 26,000									
29	Fence at ponds & WWTP	\$ 15,000									
30	Transfer Switch	\$ 20,000									
31	Clarifier Rehab		\$ 20,000								
32	EQUIPMENT										
33	Tractor repair/roadwork blade					\$ 25,000					
34	Backhoe			\$ 165,000					\$ 190,000		
35	Pickups	\$ 35,000			\$ 37,000		\$ 40,000			\$ 45,000	
36	Big Truck		\$ 50,000								
37	Air Photo Imagery	\$ 10,000	\$ 10,000								
38											
39	TOTAL SHORT LIVED ASSETS REPLACEMENT PROGRAM	\$ 429,500	\$ 399,920	\$ 365,000	\$ 217,000	\$ 304,400	\$ 279,070	\$ 273,000	\$ 210,000	\$ 250,000	\$ 256,000

MEMORANDUM

DATE: June 9, 2016

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. We have applied for Proposition 1 grant funding to recoat the three galvanized tanks in Improvement District #4, but in case the grant request is unsuccessful, we included the coating for one tank in this year's budget. As internal inspections warrant, tanks will be coated in future years. The bladder in the 800 Reservoir has failed and steps are presently underway to construct a new tank in its place. This has also been added to the budget. The remaining 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. Proposition 1 grant applications have also been submitted to rebuild the deteriorating concrete at the plant, video inspect the sewer mains at Club Circle and perform a feasibility for plant conversion to from secondary to tertiary treatment.

Equipment

These costs are based on normal wear and tear on District vehicles and equipment. Other considerations include State engine emissions requirements as they become more stringent.

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

In September 2014, the State enacted the Sustainable Groundwater Management Act (SGMA). This requires all groundwater basins that are deemed "medium or high" level of overdraft to create a Groundwater Sustainability Plan (GSP) by January 2020. The GSP must bring the groundwater basin into balance (natural recharge equals extractions) in 20 years from Plan adoption. The Borrego Water District is working on the planning process and developing costs associated with creating the GSP. It is the intention of the District to spread these costs over all groundwater pumpers in the valley, with ratepayers responsible for their share.

6/09/16

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 2016 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

BORREGO WATER DISTRICT
POLICY STATEMENT

SUBJECT: CASH RESERVES POLICY

NO: 2011-05-01

ADOPTED: 2011-05-25

AMENDED: 2015-05-27

AMENDED: 2016-06-09

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. 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 one percent (1%) 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 unduly rate shock to District customers. It may also serve as collateral and reassurance when awarding a construction contract. A sound target for the 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.

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 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 until such time that adequate emergency financing can be secured from conventional outside resources.

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

**BORREGO WATER DISTRICT
PROPOSED RATES FOR
FISCAL YEARS 2017-2021
Adopted June 9, 2016**

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. Commercial 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 2016	FY 2017 Adopted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Sewer Area 1	\$33.56	\$38.78	\$40.33	\$41.94	\$43.62	\$45.37
Sewer Area 5	\$62.62	\$45.10	\$46.90	\$48.78	\$50.73	\$52.76
TCS User	\$29.42	\$45.10	\$46.90	\$48.78	\$50.73	\$52.76
TCS Holder	\$19.42	\$24.76	\$25.75	\$26.78	\$27.85	\$28.97
BSR	\$62.62	\$24.76	\$25.75	\$26.78	\$27.85	\$28.97
BSR Usage	\$1.30	\$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 5% per year for five 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 2016	FY 2017 Adopted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
¾ "	\$42.04	\$34.89	\$36.99	\$39.21	\$41.57	\$44.07
1"	\$61.45	\$45.27	\$47.99	\$50.87	\$53.93	\$57.17
1 ½"	\$103.62	\$71.20	\$75.48	\$80.01	\$84.82	\$89.91
2"	\$156.85	\$102.32	\$108.46	\$114.97	\$121.87	\$129.19
3"	\$284.86	\$185.31	\$196.43	\$208.22	\$220.72	\$233.97
4"	\$454.12	\$278.68	\$295.41	\$313.14	\$331.93	\$351.85
6"	\$906.10	\$538.03	4570.32	\$604.54	4640.82	\$679.27

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

Residential	Current Rates FY 2016	FY 2017 Adopted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Tier 1 1-7	\$2.42	\$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 2017 Adopted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Tier1	\$2.42	\$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 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, 2021. The Board will hold a public hearing to review the proposed increases prior to enacting any such changes.

DUDEK

MAIN OFFICE
605 THIRD STREET
ENCINITAS, CALIFORNIA 92024
T 760.942.5147 T 800.450.1818 F 760.632.0164

May 20, 2016

Beth Hart, Board President
Borrego Water District
806 Palm Canyon Road
PO Box 1870
Borrego Springs, CA 92004

Subject: Proposal to Provide District Management Support Services

Dear Ms. Hart:

Attached is a draft proposal for Dudek to provide District Management support services to the Borrego Water District (BWD) on an interim basis. Dudek will provide staff on an as needed basis to support the operations of the District for the remainder of the 2016 calendar year. Trey Driscoll, Principal Hydrogeologist, will be the lead for providing District Management support services. It is currently anticipated this will require up to 20 hours per week inclusive of 16 hours of on-site support during normal office hours from 8:00 AM to 3:00 PM. Dudek proposes to establish two tracking phases to segregate hours spent on groundwater sustainability planning from business strictly for the District. This will allow the District to cost share groundwater sustainability planning among all basin groundwater users.

Mr. Driscoll will report directly to the Board of Directors and will be responsible for coordinating District activities with the Administration Manager, Operations Manager and District Engineer. Typical District management support services provided are listed in Exhibit A. The proposed fee and expenses structure is provided in Exhibit B.

We look forward to continuing to provide the BWD exceptional service. Please contact me at 760.415.1425, tdriscoll@dudek.com with any questions or communications.

Sincerely,



Trey Driscoll, PG No. 8511, CHG No. 936
Principal Hydrogeologist



Peter T. Quinlan
Vice President, Manger Hydrogeology Div.

Att: Exhibits A and B, 2015 Standard Schedule of Charges
cc: Joe Tatusko, BWD Board Secretary/Treasurer

EXHIBIT A

Typical Support Services

May 20, 2016

1. Coordinate, prepare, and post agendas (In consultation with Administrative Manager)
2. Attend all regular and special District meetings (Inclusive of 16 hour per week on-site support)
3. Review and edit meeting minutes; records of all proceedings (In consultation with District Staff)
4. Write staff reports and prepare recommendations to go before the Board as appropriate and necessary (In consultation with District Staff)
5. Publish, post, and mail public and legal notices (In consultation with District Staff)
6. Maintain communication and working relationships among/between Administrative Staff, Contract Staff, and Board Members
7. Work with Board members to establish District policy
8. Ensure implementation of District Ordinances, Resolutions, Bylaws, and policies and procedures
9. Assist with the preparation of annual District budget (In consultation with District Staff)
10. Review and edit final audit reports (In consultation with District Staff)
11. Conduct research and prepare data for special projects
12. Prepare Requests for Proposal as directed
13. Establish and maintain effective relationships with the County, other public agencies, the general public, parcel owners, developers, contractors, architects, and real estate agents
14. Assist customers, and as necessary respond to email (In consultation with District Staff)
15. Review incoming correspondence when necessary
16. Respond to written correspondence when necessary
17. Organize and maintain District records (In consultation with District Staff)
18. Review invoices, reimbursements, Board member meeting attendance verifications, and staff payroll for accounts payable as appropriate (In consultation with District Staff)
19. Review sewer and water service charge invoices
20. Review bank account deposit slips and monthly reports
21. Analyze monthly bank account statements to maintain adequate balances (In consultation with District Staff)
22. Periodic review of investment earnings (In consultation with District Staff)
23. Periodic review of general ledger for accuracy (In consultation with District Staff)
24. Review District office purchasing (In consultation with District Staff)
25. Initiate and review lease agreements (In consultation with District Staff)
26. Training of new District employees (In consultation with District Staff)
27. Analyze and perform Assessment of District related administrative procedures (In consultation with District Staff)
28. Periodically review Assessment District investment statements to verify transactions (In consultation with District Staff)
29. Review accounts payable/receivable (In consultation with District Staff)
30. Record legal documents with the County (In consultation with District Staff)
31. Review, process, and issue water and sewer permits per District policy (In consultation with District Staff)

Exhibit A (Continued)

32. Coordinate and follow-up on District engineering related issues and projects
33. Review parcel site and hook up inspections (In consultation with District Staff)
34. Develop and revise written procedures and information handouts for the public
35. Provide information and respond to public concerns regarding capital improvement projects

Note: The list of typical support services can be expanded or contracted depending on the specific needs of the District. Financials listed in items 20, 23, 28 and 29 would be reviewed in consultation with the District staff, Board and District financial auditor. The District would ultimately be responsible for reconciliation of all financials. Item 30 would be in consultation with District Staff, the Board and District attorney.

EXHIBIT B
Proposed Fee and Expenses

May 20, 2016

Services will be provided at will on a time and materials basis up to a maximum of 420 hours (average of 60 hours per month) for the remainder of the 2016 calendar year. The District can authorize additional budget as needed. There is no fee to add or subtract services from the list. The Mr. Driscoll's billing rate is \$200/hour (2015 billing rate to District or his current negotiated billing rate with the District). The total cost for labor is for the remainder if the 2016 calendar year is up to a maximum not to exceed of \$84,000. Services provided by other Dudek staff members will be billed according to the Dudek 2015 Standard Schedule of Charges (attached).

Expenses will include mileage from Dudek's Encinitas office to the District office and housing/hotel on average one night per week. Mr. Driscoll is amenable to accepting housing options provided by the community that would save the District the expense of a hotel.

DUDEK

BORREGO SPECIFIC STANDARD SCHEDULE OF CHARGES

ENGINEERING SERVICES

Project Director.....	\$255.00/hr
Principal Engineer III.....	\$225.00/hr
Principal Engineer II.....	\$215.00/hr
Principal Engineer I.....	\$205.00/hr
Program Manager.....	\$205.00/hr
Senior Project Manager.....	\$195.00/hr
Project Manager.....	\$190.00/hr
Senior Engineer III.....	\$185.00/hr
Senior Engineer II.....	\$175.00/hr
Senior Engineer I.....	\$165.00/hr
Project Engineer IV/Technician IV.....	\$155.00/hr
Project Engineer III/Technician III.....	\$140.00/hr
Project Engineer II/Technician II.....	\$125.00/hr
Project Engineer I/Technician I.....	\$110.00/hr
Project Coordinator.....	\$85.00/hr
Engineering Assistant.....	\$75.00/hr

ENVIRONMENTAL SERVICES

Principal.....	\$235.00/hr
Senior Project Manager/Specialist II.....	\$220.00/hr
Senior Project Manager/Specialist I.....	\$210.00/hr
Environmental Specialist/Planner VI.....	\$190.00/hr
Environmental Specialist/Planner V.....	\$170.00/hr
Environmental Specialist/Planner IV.....	\$160.00/hr
Environmental Specialist/Planner III.....	\$150.00/hr
Environmental Specialist/Planner II.....	\$130.00/hr
Environmental Specialist/Planner I.....	\$120.00/hr
Analyst III.....	\$110.00/hr
Analyst II.....	\$100.00/hr
Analyst I.....	\$90.00/hr
Planning Assistant II.....	\$80.00/hr
Planning Assistant I.....	\$70.00/hr

COASTAL PLANNING/POLICY SERVICES

Senior Project Manager/Coastal Planner II.....	\$215.00/hr
Senior Project Manager/Coastal Planner I.....	\$205.00/hr
Environmental Specialist/Coastal Planner VI.....	\$195.00/hr
Environmental Specialist/Coastal Planner V.....	\$175.00/hr
Environmental Specialist/Coastal Planner IV.....	\$165.00/hr
Environmental Specialist/Coastal Planner III.....	\$155.00/hr
Environmental Specialist/Coastal Planner II.....	\$145.00/hr
Environmental Specialist/Coastal Planner I.....	\$135.00/hr

ARCHAEOLOGICAL SERVICES

Senior Project Manager/Archaeologist II.....	\$210.00/hr
Senior Project Manager/Archaeologist I.....	\$200.00/hr
Environmental Specialist/Archaeologist VI.....	\$180.00/hr
Environmental Specialist/Archaeologist V.....	\$160.00/hr
Environmental Specialist/Archaeologist IV.....	\$150.00/hr
Environmental Specialist/Archaeologist III.....	\$140.00/hr
Environmental Specialist/Archaeologist II.....	\$130.00/hr
Environmental Specialist/Archaeologist I.....	\$120.00/hr
Environmental Specialist/Paleontologist III.....	\$160.00/hr
Environmental Specialist/Paleontologist II.....	\$140.00/hr
Environmental Specialist/Paleontologist I.....	\$120.00/hr
Paleontological Technician III.....	\$80.00/hr
Paleontological Technician II.....	\$70.00/hr
Paleontological Technician I.....	\$50.00/hr
Archaeologist Technician II.....	\$70.00/hr
Archaeologist Technician I.....	\$50.00/hr

CONSTRUCTION MANAGEMENT SERVICES

Principal/Manager.....	\$195.00/hr
Senior Construction Manager.....	\$180.00/hr
Senior Project Manager.....	\$160.00/hr
Construction Manager.....	\$150.00/hr
Project Manager.....	\$140.00/hr
Resident Engineer.....	\$140.00/hr
Construction Engineer.....	\$135.00/hr
On-site Owner's Representative.....	\$130.00/hr
Construction Inspector III.....	\$125.00/hr
Construction Inspector II.....	\$115.00/hr
Construction Inspector I.....	\$105.00/hr
Prevailing Wage Inspector.....	\$135.00/hr

COMPLIANCE SERVICES

Compliance Director.....	\$200.00/hr
Compliance Manager.....	\$140.00/hr
Compliance Project Coordinator.....	\$100.00/hr
Compliance Monitor.....	\$90.00/hr

HYDROGEOLOGICAL SERVICES

Principal.....	\$235.00/hr
Sr. Hydrogeologist IV/Engineer IV.....	\$215.00/hr
Sr. Hydrogeologist III/Engineer III.....	\$200.00/hr
Sr. Hydrogeologist II/Engineer II.....	\$180.00/hr
Sr. Hydrogeologist I/Engineer I.....	\$165.00/hr
Hydrogeologist VI/Engineer VI.....	\$150.00/hr
Hydrogeologist V/Engineer V.....	\$140.00/hr
Hydrogeologist IV/Engineer IV.....	\$130.00/hr
Hydrogeologist III/Engineer III.....	\$120.00/hr
Hydrogeologist II/Engineer II.....	\$110.00/hr
Hydrogeologist I/Engineer I.....	\$100.00/hr
Technician.....	\$95.00/hr

DISTRICT MANAGEMENT & OPERATIONS

District General Manager.....	\$200.00/hr
District Engineer.....	\$160.00/hr
Operations Manager.....	\$150.00/hr
District Secretary/Accountant.....	\$85.00/hr
Collections System Manager.....	\$95.00/hr
Grade V Operator.....	\$100.00/hr
Grade IV Operator.....	\$85.00/hr
Grade III Operator.....	\$80.00/hr
Grade II Operator.....	\$63.00/hr
Grade I Operator.....	\$55.00/hr
Operator in Training.....	\$40.00/hr
Collection Maintenance Worker II.....	\$55.00/hr
Collection Maintenance Worker I.....	\$40.00/hr

OFFICE SERVICES

Technical/Drafting/CADD Services

3D Graphic Artist.....	\$150.00/hr
Senior Designer.....	\$140.00/hr
Designer.....	\$130.00/hr
Assistant Designer.....	\$125.00/hr
GIS Specialist IV.....	\$150.00/hr
GIS Specialist III.....	\$140.00/hr
GIS Specialist II.....	\$130.00/hr
GIS Specialist I.....	\$120.00/hr
CADD Operator III.....	\$120.00/hr
CADD Operator II.....	\$115.00/hr
CADD Operator I.....	\$100.00/hr
CADD Drafter.....	\$90.00/hr
CADD Technician.....	\$80.00/hr

SUPPORT SERVICES

Technical Editor III.....	\$140.00/hr
Technical Editor II.....	\$125.00/hr
Technical Editor I.....	\$110.00/hr
Publications Specialist III.....	\$100.00/hr
Publications Specialist II.....	\$90.00/hr
Publications Specialist I.....	\$80.00/hr
Clerical Administration II.....	\$80.00/hr
Clerical Administration I.....	\$75.00/hr

Forensic Engineering – Court appearances, depositions, and interrogatories as expert witness will be billed at 2.00 times normal rates.

Emergency and Holidays – Minimum charge of two hours will be billed at 1.75 times the normal rate.

Material and Outside Services – Subcontractors, rental of special equipment, special reproductions and blueprinting, outside data processing and computer services, etc., are charged at 1.15 times the direct cost.

Travel Expenses – Mileage at current IRS allowable rates. Per diem where overnight stay is involved is charged at cost.

Invoices, Late Charges. – All fees will be billed to Client monthly and shall be due and payable upon receipt. Invoices are delinquent if not paid within thirty (30) days from the date of the invoice. Client agrees to pay a monthly late charge equal to one percent (1%) per month of the outstanding balance until paid in full.

Annual Increases – Unless identified otherwise, these standard rates will increase 3% annually.