

## **Borrego Water District Board of Directors**

### **Special Meeting**

**June 13, 2023 @ 9:00 a.m.**

**806 Palm Canyon Drive**

**Borrego Springs, CA 92004**

The Borrego Water District Board of Directors meeting as scheduled will be conducted in person and in an electronic format please note BWD is providing remote attendance options solely as a matter of convenience to the public. BWD will not stop or suspend its in-person public meeting should a technological interruption occur with respect to the GoTo meeting or call-in line listed on the agenda. We encourage members of the public to attend BWD meetings in-person at the address printed on page 1 of this agenda. Anyone who wants to listen to or participate in the meeting remotely is encouraged to observe the GO TO MEETING at:

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#### **I. OPENING PROCEDURES -**

- A. Call to Order
- B. Pledge of Allegiance
- C. Directors' Roll Call: President Dice, Vice President Baker, Directors Duncan, Johnson & Moran
- D. Approval of Agenda
- E. Comments from the Public & Requests for Future Agenda Items (may be limited to 3 min)
- F. Comments from Directors
- G. Correspondence Received from the Public - None

#### **II. ITEMS FOR BOARD CONSIDERATION AND POSSIBLE ACTION -**

- A. PUBLIC FORUM: Selection of Watermaster Community Representative Alternate – K Dice/G Poole
- B. 2023-24 Budget, Capital Improvement Plan and Cash Flow – G Poole/J Clabaugh
- C. 2022-23 Audited Financial Statements – J Clabaugh
- D. Approve the determination that the Prop. 68 Subrantee Agreement, Project Component No. 2 is categorically exempt from the California Environmental Quality Act (“CEQA”) Pursuant to the Class 2 Exemption (Replacement of Existing Structures); Project Component No. 5 is categorically exempt from the CEQA pursuant to the Class 6 Exemption (Information Collection); Project Component No. 6 is categorically exempt from CEQA pursuant to the Class 6 Exemption (Information Collection) and statutorily exempt from CEQA pursuant to Section 15262 (Feasibility and Planning Studies); and Project Component No. 7 is categorically exempt from CEQA pursuant to the Class 6 Exemption (Information Collection) and Class 3 Exemption (New Construction or Conversion of Small Structures) – S Anderson
- E. Purchase and Sale Agreement with UCI - Disposal of Surplus Property next to Steele Burnand APN #198-100-2100

AGENDA: June 13, 2023: The Borrego Springs Water District complies with the Americans with Disabilities Act. Persons with special needs should call Geoff Poole, General Manager – at (760) 767 – 5806 at least 48 hours in advance of the start of this meeting, in order to enable the District to make reasonable arrangements to ensure accessibility. If you challenge any action of the Board of Directors in court, you may be limited to raising only those issues you or someone else raised at the public hearing, or in written correspondence delivered to the Board of Directors (c/o the Board Secretary) at, or prior to, the public hearing.

All Documents for public review on file with the District's secretary located at 806 Palm Canyon Drive, Borrego Springs CA 92004. Any public record provided to a majority of the Board of Directors less than 72 hours prior to the meeting, regarding any item on the open session portion of this agenda, is available for public inspection during normal business hours at the Office of the Board Secretary, located at 806 Palm Canyon Drive, Borrego Springs CA 92004.

- F. Letter from Director Johnson regarding need for Watermaster to begin testing for PFAS in the North Management Area
- G. Borrego Springs Subbasin Watermaster Board – VERBAL D Duncan/K Dice/T Driscoll
  - 1. Update on Board Activities
  - 2. Update on Technical Advisory Committee Activities

### III. BOARD COMMITTEE REPORTS, IF NEEDED

#### STANDING:

- A. Operations and Infrastructure: Duncan/Baker
- B. Budget and Audit: Dice/Moran
- C. ACWA/JPIA Insurance: Dice/Johnson

#### AD HOC:

- A. Prop 68 Implementation: Baker/Johnson
- B. Public Outreach: Dice/Johnson
- C. Grants: Dice/Johnson
- D. Cyber Security/Risk Management: Baker
- E. Developer's Agreement: Baker/Duncan
- F. Finance: Baker/Moran
- H. Borrego Springs Basin Water Quality: Moran/Johnson

### IV. STAFF REPORTS – VERBAL

- A. Monthly Financial & Operations Reports
  - 1. Water and Sewer Revenue and Expenses Report – J Clabaugh
- B. General Manager
  - 1. David Bauer Land Purchase Update

### V. CLOSED SESSION:

- A. Conference with Legal Counsel - Potential Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9: (Two (2) potential case)
- B. Conference with Legal Counsel – Existing Litigation (Borrego Water District v. All Persons (Groundwater), Orange County Superior Court Case No. 37-2020-00005776
- C. GM Performance Review – Performance Evaluation of General Manager: GM Performance Review – Conference for Public Employee Performance Evaluation - Title: General Manager Employee Performance Review- pursuant to subdivision (d) (4) of Government Code Section (Government Code §54957)

**VI. CLOSING PROCEDURE:** The next Board Meeting is scheduled for 9:00 AM June 27, 2023, to be available online and in person at 806 Palm Canyon Drive. See Board Agenda at [BorregoWD.org](http://BorregoWD.org) for details, Agenda information available at least 72 hours before the meeting.

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**BORREGO WATER DISTRICT  
BOARD OF DIRECTORS MEETING  
June 13, 2023  
AGENDA ITEM II.A**

June 9, 2023

**TO:** Board of Directors  
**FROM:** Geoffrey Poole, General Manager  
**Subject:** PUBLIC FORUM: Selection of Watermaster Community Representative Alternate – K Dice/G Poole

**RECOMMENDED ACTION:**

Conduct Public Forum, deliberate and select Community Representative Alternate to the Watermaster Board

**ITEM EXPLANATION:**

Martha Deichler has tendered her resignation from the Watermaster Board. The Judgment includes language for selection and replacement of the Community member which requires the BWD Board to:

- \*request 2 nominees from Stewardship, Sponsor Group and State Parks and 1 from School
- \*hold Public Forum and allow for Watermaster Board and public to ask questions
- \*deliberate and select

Immediately upon receiving Martha's resignation, BWD staff contacted the 4 local organizations and requested nominees and the results were: Jim Dax, Gary Haldeman and Jim Wermers. BWD staff followed up with each candidate and both Jims wished to participate and Gary declined due to lack of available time. Therefore, at the June 13<sup>th</sup> meeting, the Public Forum will be conducted with Jim Dax and Jim Wermers. Both candidates have confirmed they are available and the Watermaster Board has been informed. The plan for the Public Forum is:

1. 3 to 5 min Introduction by Candidate. After introductions, one candidate will be excused from the meeting to allow for equitable question/answer period.
2. Questions from BWD Board, Watermaster Board and Public. Suggested 3 minute response. Following random selection, Jim Wermers will go first and Jim Dax second.
3. BWD Board deliberations
4. BWD Board selection and authorization to notify Watermaster immediately with intent for Alternate to be able to participate, if needed, in Board meeting and Open House on June 14.

**Next Steps**

1. Notify Watermaster of results

**Fiscal Impact**

1. None

**Attachments**

1. None

**BORREGO WATER DISTRICT  
BOARD OF DIRECTORS MEETING  
June 13, 2023  
AGENDA ITEM II.B**

June 9, 2023

**TO:** Board of Directors

**FROM:** Geoffrey Poole, General Manager

**SUBJECT:** 2023-24 Budget, Capital Improvement Plan and Cash Flow – G Poole/J Clabaugh

**RECOMMENDED ACTION:**

Review and approve the 2023-24 Budget, Capital Improvement Plan and Cash Flow.

**ITEM EXPLANATION:**

Jessica will present the Proposed Budget and CIP for 2023-2024 for Board consideration and approval

**NEXT STEPS:**

1. Implement Budget starting 7/1/2023

**FISCAL IMPACT**

TBD

**ATTACHMENTS**

1. Budget/CIP Package
2. Resolution 2023-06-01

**BORREGO WATER DISTRICT**

**FISCAL YEAR 2023-2024  
ANNUAL BUDGET  
ADOPTED **TBD****

**SUBMITTED BY:**

**GEOFF POOLE  
GENERAL MANAGER**

**TO:**

**BOARD OF DIRECTORS**

**KATHY DICE  
PRESIDENT**

**TAMMY BAKER  
VICE-PRESIDENT**

**DAVE DUNCAN  
TREASURER**

**DIANE JOHNSON  
DIRECTOR**

**GINA MORAN  
DIRECTOR**

**BORREGO WATER DISTRICT  
 ANNUAL BUDGET  
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 FISCAL YEAR 2023-2024  
 ADOPTED JUNE X, 2023**

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# **BORREGO WATER DISTRICT**

June 8, 2023

TO: Ratepayers and Investors of the Borrego Water District  
FROM: Geoff Poole, General Manager  
SUBJECT: Strategic Objectives 2023-24

## **STRATEGIC GOALS AND OBJECTIVES 2023-24**

### **Maintain/Enhance District Financial Condition:**

GOAL: Operate BWD Finances to enhance the Financial Position/Creditworthiness and allow for possible future BWD debt issuances.

OBJECTIVE: The BWD Board/Staff have taken extraordinary steps over the past decade or so to first stabilize and then improve BWD Financial Condition. The effects of this hard work were realized when BWD successfully issued \$5.6 M in Bonds to fund various water and sewer improvements in 2018 and \$3M in additional debt in 2021. At the same time, the foundation was also being set to improve upon BWD Reserve Funds, which has resulted in the current position of \$7 M+ in reserves. BWD is committed to maintain water and wastewater rates/charges and reserve fund balances that provide the required debt service coverage ratios and other economic factors. BWD staff and Board will monitor water and wastewater Operations and Capital Planning to ensure all expenditures are prudent and necessary.

Recent purchases of water rights that are needed for existing BWD customers in the future, will put a strain on cash reserves during the next 7 to 10 years. Reserves are expected to dip to approximately \$4 M which is approximately ½ of current levels. Non-essential capital expenses are being deferred to help preserve cash and the BWD Board will have an opportunity to adjust rates in three years during the next Prop 218 cycle if needed to address the low cash flow. Even at 50% of current reserve levels, BWD is still in a position to cover all expenses and debt service requirements, and maintain levels in specific reserve funds that are still well above the minimum limits.

### **Replace/Upgrade Water and Sewer Infrastructure:**

GOAL: Commit the necessary resources to fund replacement of aging water and sewer infrastructure before failure.

OBJECTIVE: Out of BWDs 88 mile water system, an estimated 45 miles is in need of replacement as soon as possible. The Board and Staff will be focusing on completing these vital projects including considering the use of non-traditional design/bidding/construction processes. Beginning in 2018, a systematic pipeline replacement process begun and to date, De Anza, Flying J, Country Club, Bending Elbow, Double O Rd. and Frying Pan Rd. have been replaced and design is underway for the Sun Gold development plus a new transmission main in Borrego Springs Road. Next on the list would be Deep Well and Lazy S if funding is available, see below. Pipeline replacement projects will continue into the future as funding is available.

**Pursue Grant Funding:**

GOAL: Maximize the use of Federal and State Grant and other funding sources to offset future rate increases and/or maintain cash reserves.

OBJECTIVE: Utilize Legislative Advocates to strategize and pursue Federal/State and other funding opportunities. Use in house staff to complete the Applications on selected opportunities. In the last 18 months, BWD has received over \$9 M in State Grants and Direct Federal Congressional Appropriations funding to replace pipelines mentioned previously as well as replacement of 4 water storage tanks: Twin Tanks (2), Indian Head and Rams Hill #2. BWD continues to pursue other opportunities.

**Protect BWD Interests in Watermaster:**

GOAL: A major accomplishment in 2019-20 was realized with the signing of The Settlement Agreement and Stipulated Judgment by over 92% of Basin pumpers. With the Judgment came the creation of the Borrego Spring Basin Watermaster. BWD and its Representatives will engage in the Watermaster process with the best interest of BWD ratepayers, community and environment in mind.

OBJECTIVE: Various potential future Watermaster actions could have a significant impact upon BWD ratepayers, community and environment including water quality degradation and other factors. BWD and its representatives on the Watermaster will continue to focus on ensuring actions taken by the Watermaster do not adversely and unfairly impact BWD and the community or the surrounding environments.





# **BORREGO WATER DISTRICT**

June 8, 2023

TO: Ratepayers and Investors of the Borrego Water District  
FROM: Geoff Poole, General Manager  
SUBJECT: 2022-23 In Review

Transmitted herewith is the Proposed Final Fiscal Year 2023-24 Budget and Capital Improvement Plan with Cash Flow analysis 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.

## **2022-23 IN REVIEW**

**Workplace:** BWD employees and the Board emerged from the COVID crisis and had successfully completed all water and wastewater duties and responsibilities under the sometimes difficult circumstances. The economic impact to BWD in terms of water sales and payment revenue reductions did not create significant economic or operational impacts, and in many ways the overall popularity and desirability of Borrego increased during COVID. For 22-23, water sales and meter charges were \$4M and collections \$3.8M. Sewer revenues are primarily fixed at \$625,000 there has been little change and one significant delinquency was resolved.

**Finances:** In the past decade plus, BWD has taken significant steps to become "credit worthy" which was taken advantage of thru the issuance of \$5.3 M in bonds in 2018. In 2021, BWD and its Consultants determined interest rate decreases since 2018 created a situation where a refinance would be possible to reduce future bond payments by approximately \$500,000 during the life of the loan. Bids were requested and Capital One Bank responded with a rate of 2.36% on refinance of the 2018 bonds as well as new debt of \$3 M which will be used for capital and other asset acquisition.

**Rate Setting:** Following almost two years of analysis, BWD completed the Proposition 218 Rate Setting process for water and sewer rates and charges in 2021. As required by Law, a comprehensive financial model was created to project revenue and expenses for the next 5 years and rates set to provide the revenues needed to fund operations and capital. Annual increases of 5% per year were approved for water and 4% on sewer for years 2 thru 5 (0% in year one).

**Cyber Security Upgrades:** During 2022-23 BWD continued to make cyber security a top priority and is utilizing the expertise of BWD Board Members, staff and IT experts, and has taken steps usually reserved for the larger agencies. Specifically, BWD has hardened its network to ensure security in times of remote work and BWD has enlisted the Department of Homeland Security's

Cybersecurity and Infrastructure Security Agency(CISA) to perform cyber risk and vulnerability assessments both on and off-site in 2022.

Water Supply for Small Development: A Program to provide water for small development (less than one acre foot per year) continued during 2022-23. Under the terms of the Program, water supply may be purchased from BWD as well as water service line and meter installation.

Aging Infrastructure Replacement: Water pipelines in the Bending Elbow/Country Club/Walking H areas were replaced. Sun Gold and BS Road Transmission Main are under design. The sewerline in front of La Casa Del Zorro on Borrego Springs Rd was replaced to address sewer odor related issues and a complete renovation of the Waste Water Treatment Plant in 2022.

Grant Funding: Obtaining Federal or State Grant funding provides a significant economic benefit to BWD ratepayers. BWD received approximately \$800,000 in reimbursements from the State for a complete renovation of all equipment and exposed finishes at the Waste Water Treatment Plant, which will be completed before the end of the year. In addition, the Final Agreement was also signed in 2021-22 for replacement of 4 water reservoirs and one diesel motor with an estimated cost of \$2.8 M. Legislative advocacy services have been retained to assist BWD to identify and pursue future Grant opportunities in 2022-23. BWD coordinated the effort with the Watermaster, UCI, School District, ABNHA and Borrego Valley Stewardship Council in receiving \$6.1 M for a series of local projects supporting groundwater sustainability. BWD also hired Best, Best and Krieger as its Legislative Advocate to evaluate and pursue future Grant opportunities.

Watermaster: The newly formed Borrego Springs Watermaster has taken steps to ensure all non de minimus (less than 2 acre feet per year) pumpers are metered and annual pumping restrictions imposed to reduce pumping by an estimated 74.6% on or before 2040. The BWD budget for 2023-24 includes expenditures for its proportional share of Watermaster expenses (approx. 10%).

No Major Service Disruptions: No extensive, unplanned water or sewer service outages were experienced during the year and the water delivered met all State Quality Requirements.

No Loss Time Injuries: No loss time employee injuries were encountered during the year.

Election of Board Members: Directors Dice and Duncan ran unopposed in 2022 and ex CA State Park Superintendent Gina Moran was appointed to a four year term.

### **Budget Components for FY 2023-24 – Revenues**

The amount budgeted in each category represents Management’s best assumptions to successfully accomplish the District’s objectives. A summary of the FY 2023-24 budget is below:

- Water sales are projected to remain stable (FY 2022-23 = 1,500 afy). Staff is continuously monitoring changes to consumption and payments and potential impacts to BWD and customers.
- BWD will proceed with the Prop 218 approved increases on July 1, 2023 of 5% for water and 4% for sewer.

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

**Budget Components for FY 2023-24 – Expenses**

- In FY 2023-24, BWD has included projected expenses for Watermaster and general Groundwater Management.
- All existing programs in BWD Operations, Maintenance and Administration Departments are fully funded through 2023-24. 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. Capital projects planned for the year include the aforementioned tank replacements, completion and implementation of new production well ID 5-15, pipeline and manhole upgrades, monitoring well installation and implementation of an Advanced Metering Infrastructure (AMI) system.
- In the Sewer Operations Department, BWD will fully operate the “renovated” WWTP and assist in analyses to calculate gallons per day per equivalent dwelling unit and inventory and analysis of current EDUs assigned to each account.
- In the Administration Department, all programs are fully funded.

Included in this Budget Package are the proposed Board Resolution to adopt and approve the FY 2023-24 Budget, detailed revenue and expenses, Capital Improvement Plan with project explanations and justifications, non-CIP expenses and a projected Cash Flow that includes proposed future rate increases.

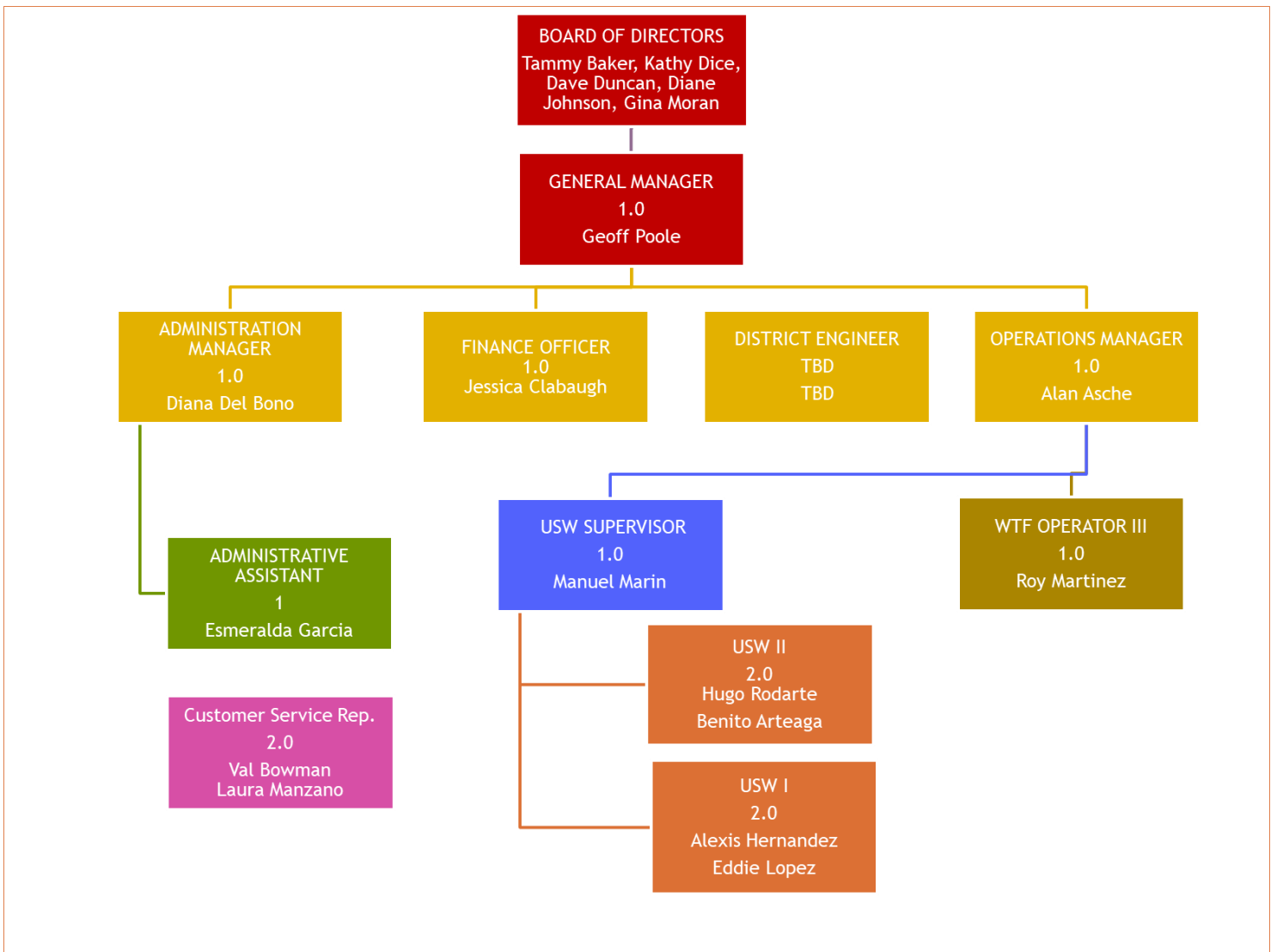
I would personally like to thank the BWD staff and Board for their hard work in preparing and reviewing this Proposed Budget for FY 2023-24.

Sincerely,



Geoff Poole  
General Manager

**BORREGO WATER DISTRICT  
ORGANIZATIONAL CHART  
JULY 01, 2023**





## Borrego Water District Draft Budget for Fiscal Year 2024

### Revenues

	Budget FY2023	Projected FY2023	Proposed FY2024
<b>INCOME</b>			
<b>RATE REVENUE</b>			
<b>Water Rates Revenues</b>			
Commodity Rates			
Residential	1,516,320	1,516,320	1,592,136
Commercial	740,154	683,962	777,162
Irrigation	338,140	355,639	355,047
<b>Total Commodity</b>	<b>2,594,614</b>	<b>2,555,921</b>	<b>2,724,345</b>
Non-Commodity Charges			
Base Meter Charges	1,398,665	1,376,040	1,468,598
Meter Install/Repair	35,000	150	35,000
New Connection BPA Fee	24,880	95,000	24,880
Backflow Testing/Install	5,700	5,700	5,700
Bulk Water Sales	82,500	58,000	6,500
<b>Total Non-Commodity</b>	<b>1,546,745</b>	<b>1,534,890</b>	<b>1,540,678</b>
<b>Total Water Rate Revenues</b>	<b>4,141,359</b>	<b>4,090,811</b>	<b>4,265,023</b>
<b>Sewer Rates</b>			
TCS Holder Fees (SA2)	157,666	158,132	163,973
TCS User Fees (SA2)	125,419	129,374	130,436
RH Sewer User Fees (ID1)	158,448	158,104	164,786
Sewer Capacity Fees		34,718	-
Sewer User Fees (ID5)	179,354	178,526	186,528
<b>Total Sewer Rates</b>	<b>620,887</b>	<b>658,854</b>	<b>645,722</b>
<b>Availability Charges Collected thru Tax Roll</b>			
ID1 - Water/Sewer/Flood Standby	105,000	105,652	105,000
ID3/ID4 - Water Standby	117,000	117,000	117,000
Pest Control Standby	16,000	17,150	17,150
<b>Total Availability (Tax Roll)</b>	<b>238,000</b>	<b>239,802</b>	<b>239,150</b>
<b>TOTAL RATE REVENUE</b>	<b>5,000,246</b>	<b>4,989,467</b>	<b>5,149,895</b>
<b>Non-Rate Revenue</b>			
Penalties & Fees	40,000	56,809	50,000
BSUSD Agreement	35,000	45,000	35,000
1% Property Assessments	70,000	71,000	70,000
Interest Income	5,000	35,000	35,000
Groundwater Mgmt Income (FY23-Meter Reading)	3,500	5,000	3,333
<b>TOTAL NON-RATE REVENUE</b>	<b>153,500</b>	<b>212,809</b>	<b>193,333</b>
<b>GROSS INCOME</b>	<b>5,153,746</b>	<b>5,202,276</b>	<b>5,343,229</b>



## Borrego Water District Draft Budget for Fiscal Year 2024 (Con't) Operating Expenses

<b>EXPENSES</b>	<b>Budget FY2023</b>	<b>Projected FY2023</b>	<b>Proposed FY2024</b>
<b>OPERATING EXPENSES</b>			
<b>Operations &amp; Maintenance Expense</b>			
R&M Water	258,500	245,000	272,201
R&M WWTF	124,080	100,000	130,656
Telemetry	5,170	9,414	5,444
Trash Removal (includes CSD)	6,204	6,720	6,533
Vehicle Expense	23,000	23,000	24,219
Fuel & Oil	51,000	51,000	53,703
Lab/Testing	31,020	35,000	37,664
Permit Fees	37,741	36,500	39,741
Pumping Electricity	440,000	479,400	500,000
<b>Total Operations &amp; Maintenance Expense</b>	<b>976,715</b>	<b>986,034</b>	<b>1,070,161</b>
<b>Professional Services</b>			
Accounting (Tax & Debt Filings)	4,446	4,446	4,682
Air Quality Study	21,077	21,077	36,341
<i>Contra - Air Quality Study (BVEF Cont.)</i>	-	-	-
Payroll Services	3,205	3,205	3,375
Audit Fees	20,163	26,000	30,000
IT & Cyber Security	40,000	40,000	42,120
Financial Consulting	82,720	20,100	87,104
Engineering	23,265	45,000	50,000
Legal Services - General	74,540	74,540	78,491
Advocacy	62,040	60,000	65,328
<b>Total Professional Services</b>	<b>331,456</b>	<b>294,368</b>	<b>397,440</b>
<b>Insurance Expense</b>			
ACWA/JPIA Program Insurance	75,900	85,636	83,490
ACWA/JPIA Workers Comp	20,700	20,700	23,437
<b>Total Insurance Expense</b>	<b>96,600</b>	<b>106,336</b>	<b>106,927</b>



## Borrego Water District Draft Budget for Fiscal Year 2024 (Con't) Operating Expenses

	Budget FY2023	Projected FY2023	Proposed FY2024
<b>OPERATING EXPENSES (Con't)</b>			
<b>Personnel Expense</b>			
Board Meeting Expense	23,782	23,782	25,042
Salaries & Wages	1,212,281	1,212,218	1,323,529
<i>Contra Account - Salaries &amp; Wages</i>	(60,000)	(75,000)	(60,000)
Contract Labor/Consulting	10,340	2,200	10,888
Payroll Taxes	32,328	30,034	36,190
Benefits - Medical	263,670	263,670	295,171
Benefits - CalPERS	242,456	242,456	271,422
Trainings & Conferences	18,612	18,612	19,598
Uniforms	7,238	7,238	7,622
Safety Compliance & Emergency Prep	5,170	5,170	5,444
<b>Total Personnel Expense</b>	1,755,877	1,730,380	1,934,907
<b>Office Expense</b>			
Office Supplies	24,816	24,816	26,131
Office Equipment	51,700	38,000	54,440
Postage & Freight	15,510	15,510	16,332
Property Tax	3,102	3,102	3,266
Telephone Expense	23,000	23,300	30,000
Dues & Subscriptions (ACWA/AWWA)	23,782	23,782	25,042
Printing & Publication	5,170	5,170	5,444
Office/Shop utilities	7,500	10,000	10,000
<b>Total Office Expense</b>	154,580	143,680	170,656
<b>TOTAL OPERATING EXPENSES</b>	<b>3,315,228</b>	<b>3,260,798</b>	<b>3,680,091</b>



**Borrego Water District**  
**Draft Budget for Fiscal Year 2024 (Con't)**  
**Debt Service & GWM Expenses (Con't)**

	Budget FY2023	Projected FY2023	Proposed FY2024
<b>DEBT SERVICE</b>			
Compass Bank Note 2018A/B - Principal	305,000	322,751	341,189
Compass Bank Note 2018A/B - Interest	85,000	33,994	49,821
Pacific Western 2018 IPA - Principal	427,960	-	-
Pacific Western 2018 IPA - Interest	159,759	-	-
Capital One Public Funding 2021 - Principal	-	427,960	427,960
Capital One Public Funding 2021 - Interest	-	82,223	159,759
<b>TOTAL DEBT SERVICE</b>	977,719	866,928	978,729
<b>GROUNDWATER MANAGEMENT EXPENSES</b>			
Pumping Fees	100,000	75,000	100,000
GWM Expense	72,561	2,000	76,407
Legal Expense	150,000	60,000	100,000
Engineering/TAC Expense	50,000	128,740	135,000
Water Quality Study	-	-	28,430
<b>TOTAL GROUNDWATER MGMT EXPENSES</b>	372,561	265,740	439,837
<b><u>TOTAL EXPENSES</u></b>	4,665,508	4,393,466	5,098,657
<b><u>NET INCOME</u></b>	488,238	808,810	244,572





## Borrego Water District

### Draft Budget for Fiscal Year 2024 (Con't)

#### Cash Funded Capital Improvement Projects

	Budget FY2023	Projected FY2023	Proposed FY2024
<b>CAPITAL IMPROVEMENT PROJECTS (CIP)</b>			
<b>CASH FUNDED CIP</b>			
<b>Water Projects</b>			
Office Imp. (FY22 Cameras, FY23 Paint, Lighting)	50,000	-	50,000
BPA Acquisition	-	756,818	851,125
Congressional Appropriations Cash Funded Por	-	-	850,167
<b>Total Water Projects</b>	-	756,818	1,751,292
<b>Sewer Projects</b>			
Manhole Refurbishments	47,408	14,000	49,778
Palm Canyon Sewer Line Inspection			150,000
LCDZ Gravity Main Completion	-	11,000	-
Oxygen Injection Station	-	4,000	-
<b>Total Sewer Projects</b>	47,408	29,000	199,778
<b>Short Lived Asset Replacements</b>			
Backup Generator Office & Shop	-	-	100,000
ID1-8 Our of Service Life	-	-	60,000
ID4-18 Inspection	-	-	10,000
Reservoir Cleaning/Video Inspection	-	-	37,000
Clarifier Rehab	-	-	50,000
ID5-5 Electrical Upgrades	-	-	-
Booster Station 3 Upgrades	-	30,000	-
Paddock Well - Convert to Monitoring	7,779	10,211	-
10-15 kw Backup Diesel Generator	15,000	15,000	-
Main Server Replacement	-	-	-
Well ID4-11 Rehab	-	-	-
ID4-9 Motor Rebuild & Shaft Repair	-	120,000	-
Trailer Mounted Vacuum Unit	-	-	-
Track Skid Steer	-	-	-
Pickup Truck	60,000	64,856	-
Emergency Repairs	60,000	-	63,000
<b>Total Short Lived Assets</b>	142,779	240,067	320,000
<b>CASH FUNDED CIP</b>	<b>190,187</b>	<b>1,025,885</b>	<b>2,271,070</b>



**Borrego Water District**  
**Draft Budget for Fiscal Year 2024 (Con't)**  
**Grant Funded Capital Improvement Projects**

	Budget FY2023	Projected FY2023	Proposed FY2024
<b>GRANT FUNDED CIP</b>			
<b>Water Projects- DWR Grant Net \$2,048,362</b>			
Twin Tanks	891,165	891,165	32,835
Wilcox Diesel Motor	83,333	83,333	-
Indian Head Reservoir Replacement	474,000	474,000	450,000
Rebulid Rams Hill Tank #2	474,000	474,000	450,000
<b>Total Water Projects - Water Reservoirs Grant</b>	1,922,498	1,922,498	932,835
<b>Prop 68 Grant</b>			
AMI	455,000	20,000	455,000
WWTP Monitoring Wells	141,000	81,000	60,000
Admin/Acquisition Costs	75,000	75,000	100,000
<b>Total - Prop 68 Grant</b>	671,000	176,000	615,000
<b>2023 Appropriations Bill</b>			
BSR Pipeline			912,406
Sungold Pipeline			2,488,260
<b>2023 Appropriations Bill Total</b>			3,400,666
<b>NET GRANT FUNDED CIP</b>	<b>2,882,410</b>	<b>2,327,410</b>	<b>4,948,501</b>



**Borrego Water District  
Budget for Fiscal Year 2024 (Con't)  
Proposed Cash Flow**

	<b>Proposed FY2024</b>
<b>Cash Flows from Operating Activities</b>	
Net Cash Provided by Operating Activities	1,541,146
<b>Cash Flows from Groundwater Management Activities</b>	
Net Cash Paid for Groundwater Management Activities	(436,503)
<b>Cash Flows from Non-Operating Activities</b>	
Net Cash Provided by Other Income	(860,070)
<b>Cash Flows from Capital Improvement Activities</b>	
Net Cash Paid for Capital Improvements	(2,271,070)
<b>Net Change in Cash</b>	<b>(2,026,498)</b>
<b>Cash and Reserves at Beginning of Period 07-01-23</b>	<b>7,506,876</b>
<b>Cash and Reserves at End of Period 06-30-24</b>	<b>5,480,378</b>
<b>Fiscal Year Reserves Target</b>	<b>6,340,325</b>
<b>Fiscal Year Reserves Shortfall</b>	<b>(859,947)</b>



**Borrego Water District**  
**Draft Budget for Fiscal Year 2024**  
**Condensed Budget by Fund**

	ALL	Water ID3	Water ID4	Sewer SA5	Sewer SA2	Pest	Flood	Sewer SA1
<b>INCOME</b>								
<b>RATE REVENUE</b>								
Water Rates Revenues	4,265,023	1,183,869	3,081,154	-	-	-	-	-
Sewer Rates	645,723	-	-	186,528	294,409	-	-	164,786
Availability Charges Collected thru Tax Roll	239,150	67,176	84,474	-	11,900	29,050	34,650	11,900
<b>TOTAL RATE REVENUE</b>	<b>5,149,896</b>	<b>1,251,045</b>	<b>3,165,628</b>	<b>186,528</b>	<b>306,309</b>	<b>29,050</b>	<b>34,650</b>	<b>176,686</b>
<b>TOTAL OTHER INCOME</b>	<b>193,333</b>	<b>49,752</b>	<b>133,381</b>	<b>2,720</b>	<b>4,760</b>	<b>-</b>	<b>-</b>	<b>2,720</b>
<b>GROSS INCOME</b>	<b>5,343,229</b>	<b>1,300,797</b>	<b>3,299,009</b>	<b>189,248</b>	<b>311,069</b>	<b>29,050</b>	<b>34,650</b>	<b>179,406</b>
<b>EXPENSES</b>								
<b>OPERATING EXPENSES</b>								
Operations & Maintenance Expense	1,070,161	237,920	617,182	56,239	98,255	1,442	2,885	56,239
Professional Services	397,441	97,695	253,782	11,555	20,222	877	1,754	11,555
Insurance Expense	106,927	25,876	67,257	3,422	5,988	321	642	3,422
Personnel Expense	1,934,906	468,198	1,216,957	61,917	108,355	5,854	11,708	61,917
Office Expense	170,655	41,917	108,857	5,036	8,814	332	663	5,036
<b>TOTAL OPERATING EXPENSES</b>	<b>3,680,090</b>	<b>871,606</b>	<b>2,264,035</b>	<b>138,169</b>	<b>241,633</b>	<b>8,826</b>	<b>17,652</b>	<b>138,169</b>
<b>TOTAL DEBT SERVICE</b>	<b>978,729</b>	<b>253,041</b>	<b>657,177</b>	<b>18,292</b>	<b>31,926</b>	<b>-</b>	<b>-</b>	<b>18,292</b>
<b>TOTAL GROUNDWATER MGMT EXPENSES</b>	<b>439,837</b>	<b>122,275</b>	<b>317,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENSES</b>	<b>5,098,656</b>	<b>1,246,921</b>	<b>3,238,775</b>	<b>156,462</b>	<b>273,559</b>	<b>8,826</b>	<b>17,652</b>	<b>156,462</b>
<b>NET INCOME</b>	<b>244,573</b>	<b>53,876</b>	<b>60,234</b>	<b>32,786</b>	<b>37,510</b>	<b>20,224</b>	<b>16,998</b>	<b>22,944</b>



# **BORREGO WATER DISTRICT**

June 9, 2023

TO: Ratepayers and Investors of the Borrego Water District  
FROM: Geoff Poole, General Manager  
SUBJECT: Fiscal Year 2023-24 Budget and Capital Improvement Plan

Transmitted herein is the Proposed Final Fiscal Year 2023-24 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.

### Budget Comparison for FY 2023-24 Revenues

Water sales are projected to be similar to the prior fiscal year. In 2021, The BWD Board adopted a water and sewer rate schedule that included 5% water and 4% sewer rates/charges increase for the next four years.

Non-Budgeted Revenue is being aggressively pursued on a number of State grants and Federal funding opportunities for water right acquisition, additional pipeline replacement and solar for BWD wells.

### Budget Components for FY 2023-24 Expenses

All expenses for FY 2022-23 have been re-evaluated in an effort to ensure expenses are considering current inflation, supply shortage and other factors.

All existing programs in BWD Operations, Maintenance and Administration Departments are fully funded through 2023-24. The major programs in Water Operations Enterprise include system operations and maintenance, water quality monitoring, meter testing/replacement, Regulatory Reporting and the inevitable emergency repair that happen each year and Capital projects. Labor costs include cost of living adjustments based on the CIP-U for San Diego of 5.3%.

All existing programs in BWD Wastewater Department are fully funded through 2023-24. The major programs in Wastewater Enterprise include collection system and treatment plant operations, wastewater quality monitoring and Regulatory reporting. Capital projects planned include metering of the Rams Hill inflows and in depth analysis of EDU situation as described previously.

In the Administrative Department, all programs are fully funded.

Included in this Budget Package are the proposed Board Resolution to adopt and approve the FY 2023-24 Budget, detailed revenue and expenses, Capital Improvement Plan with Project explanations and justifications, Non CIP expenses and projected Cash Flow that includes proposed future rate increases. I would personally like to thank the BWD staff and Board for their hard work and dedication displayed throughout the current Fiscal Year.

Sincerely,

A handwritten signature in blue ink that reads "Geoff Poole". The signature is written in a cursive style with a large initial "G".

Geoff Poole

**CAPITAL IMPROVEMENT PROJECTS**

FY 2023-24 FY 2024-25 FY 2025-26 FY 2026-27 FY 2027-28 FY 2028-29 FY 2029-30 FY 2030-31 FY 2031-32 FY2032-33 FY2033-34 FY2034-35

**CASH RESERVE FUNDED WATER PROJEC**

**WATER PROJECTS**

1 Facilities Maint - Office	\$ 50,000														
18b Borrego Springs Road Pipeline Replacement (Cash Portion)	\$ 228,102														
19b Sun Gold Pipeline Replacement (Cash Portion)	\$ 622,065														
2 Replace and upgrade Booster Pump Station 5		\$ 125,000													
3 Country Club Tank Recoating, 1999 1.0 MG						\$ 250,000									
4 Pipeline Replacements							\$ 438,500	\$ 190,000							
5 FY23+ Water Supply Acquisition w/Following & Well Abandonment	\$ 851,125	\$ 486,694	\$ 557,624	\$ 442,669	\$ 442,669	\$ 486,956	\$ 486,956								
6 Emergency System repairs	\$ 63,000	\$ 66,150	\$ 69,458	\$ 72,930	\$ 76,577	\$ 80,406	\$ 84,426	\$ 88,647	\$ 93,080	\$ 97,734	\$ 102,620	\$ 107,751			
<b>SUBTOTAL WATER CASH RESERVE PROJECTS</b>	<b>\$1,814,292</b>	<b>\$ 677,844</b>	<b>\$ 627,082</b>	<b>\$ 515,599</b>	<b>\$ 519,246</b>	<b>\$ 817,362</b>	<b>\$ 571,382</b>	<b>\$ 527,147</b>	<b>\$ 283,080</b>	<b>\$ 97,734</b>	<b>\$ 102,620</b>	<b>\$ 107,751</b>			

**SEWER PROJECTS**

7 Palm Canyon Sewer Line Inspection	\$ 150,000		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8 Manhole Replacements/Refurbishment (2/year)	\$ 49,778	\$ 52,267	\$ 54,880	\$ 57,624	\$ 60,505	\$ 63,531	\$ 66,707	\$ 70,042	\$ 73,545	\$ 77,222	\$ 81,083	\$ 85,137			
<b>SUBTOTAL SEWER CASH RESERVE PROJECTS</b>	<b>\$ 199,778</b>	<b>\$ 52,267</b>	<b>\$ 54,880</b>	<b>\$ 57,624</b>	<b>\$ 60,505</b>	<b>\$ 63,531</b>	<b>\$ 66,707</b>	<b>\$ 70,042</b>	<b>\$ 73,545</b>	<b>\$ 77,222</b>	<b>\$ 81,083</b>	<b>\$ 85,137</b>			

**TOTAL CASH WATER/SEWER CIP PROJECTS 2023 THROUGH 2035** **\$2,014,069** **\$ 730,111** **\$ 681,962** **\$ 573,223** **\$ 579,751** **\$ 880,892** **\$ 638,089** **\$ 597,190** **\$ 356,624** **\$ 174,955** **\$ 183,703** **\$ 192,888**

**FACILITIES MAINTENANCE DETAIL**

Stucco Building and Replace Failing Solar Cells	\$ 20,000
Carpet/Paint Office and Install Energy Efficient Lighting	\$ 30,000

TOTAL CASH RESERVES CAPITAL IMPROVEMENTS PROGRAM	\$2,014,069	\$ 730,111	\$ 681,962	\$ 573,223	\$ 579,751	\$ 880,892	\$ 638,089	\$ 597,190	\$ 356,624	\$ 174,955	\$ 183,703	\$ 192,888
TOTAL CASH RESERVES SHORT LIVED ASSETS	\$ 257,000	\$ 249,250	\$ 250,163	\$ 232,550	\$ 211,888	\$ 205,500	\$ 187,533	\$ 237,253	\$ 152,807	\$ 397,753	\$ 185,199	\$ 261,978
TOTAL CASH RESERVES CIP, SHORT LIVED ASSETS BUDGET	\$2,271,069	\$ 979,361	\$ 932,124	\$ 805,773	\$ 791,639	\$ 1,086,392	\$ 825,622	\$ 834,442	\$ 509,431	\$ 572,708	\$ 368,902	\$ 454,867

**GRANT FUNDED CIP PROJECTS**

FY 2023-24 FY 2024-25 FY 2025-26 FY 2026-27 FY 2027-28 FY 2028-29 FY 2029-30 FY 2030-31 FY 2031-32 FY2032-33 FY2033-34 FY2034-35

**WATER GRANT PROJECTS**

DWR Grant Net \$2,855,333	
9 Replace Twin Tanks	\$ 32,835
10 Replace Wilcox Diesel Motor	
11 Replace Indianhead Reservoir	\$ 450,000
12 Rams Hill #2, 1980 galv. 0.44 MG recoating	\$ 450,000

**GROUNDWATER MANAGEMENT PROP 68 GRANT**

DWR Grant Net \$1,731,000		
13 AMI	\$ 455,000	\$ 455,000
14 Monitoring Wells	\$ 60,000	
15 Administration	\$ 100,000	\$ 75,000

**2022 APPROPRIATIONS BILL**

16a Borrego Spring Road Pipeline Replacement	\$ 912,406
17a Sun Gold Pipeline Replacement	\$ 2,468,260

**POTENTIAL GRANT FUNDED CIP PROJECTS**

18 WWTP Oxidation Ditch	\$ 650,000														
19 WWTP Equalization Basin	\$ 650,000														
20 Deep Well Pipeline Replacement	\$ 2,225,000														
21 West and East Star Road Pipeline Replacement		\$ 450,000													
22 Club Circle Water and Sewer Pipeline Replacement Project		\$ 2,286,000													
23 New Production Well															\$ 2,500,000
<b>TOTAL WATER/SEWER GRANT CIP PROJECTS</b>	<b>\$4,948,501</b>	<b>\$3,266,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,500,000</b>

**POTENTIAL BOND FUNDED CIP PROJECTS**

24 Projected Water Supply Costs															\$ 2,000,000
25 Well 5 Transmission Main Project															\$ 1,215,000
26 Water Treatment Facility															\$ 2,000,000
<b>TOTAL FUTURE BOND CIP PROJECTS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,215,000</b>

**Total Annual CIP Spend:** **\$7,219,571** **\$4,245,361** **\$ 932,124** **\$ 805,773** **\$ 791,639** **\$ 1,086,392** **\$ 825,622** **\$ 834,442** **\$ 509,431** **\$ 572,708** **\$ 368,902** **\$ 8,169,867**

**CIP-SHORT LIVED ASSETS**

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY2032-33	FY2033-34	FY2034-35
<b><u>FACILITY COMPONENTS</u></b>												
Backup Generator Office and Shop	\$ 100,000											
<b><u>WELLS</u></b>												
ID1-8, 125 Hp - Well out of service life	\$ 60,000											
ID-1 Well 12 pump and casing/cleaning			\$ 181,913									
ID-1 16 - Inspection		\$ 173,250			\$ 199,238							
ID4-11, 200 Hp				\$ 120,000								
ID4-18 - Inspect to make a monitoring well	\$ 10,000											
Other Well Rehabilitation						\$ 132,000	\$ 138,600	\$ 145,530	\$ 152,807	\$ 160,447	\$ 168,469	\$ 176,893
<b><u>TANKS</u></b>												
Reservoir cleaning/video inspection	\$ 37,000			\$ 42,550			\$ 48,933			\$ 56,272		
<b><u>WASTEWATER TREATMENT FACILITY</u></b>												
Clarifier Rehab - Every 10 years	\$ 50,000									\$ 100,000		
Lift Station Pump		\$ 11,000			\$ 12,650			\$ 14,548			\$ 16,730	
<b><u>EQUIPMENT</u></b>												
Pickup - Every 1.5 to 2 years 3/4 ton		\$ 65,000	\$ 68,250	\$ 70,000		\$ 73,500		\$ 77,175		\$ 81,034		\$ 85,085
<b>TOTAL SHORT LIVED ASSETS REPLACEMENT PROGRAM</b>	<b>\$ 257,000</b>	<b>\$ 249,250</b>	<b>\$ 250,163</b>	<b>\$ 232,550</b>	<b>\$ 211,888</b>	<b>\$ 205,500</b>	<b>\$ 187,533</b>	<b>\$ 237,253</b>	<b>\$ 152,807</b>	<b>\$ 397,753</b>	<b>\$ 185,199</b>	<b>\$ 261,978</b>



**Borrego Water District - Financial Model**

<b>Projected Operating Results</b>	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
<b>Fiscal Year Ended June 30</b>	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Operating Revenue</b>										
Water Revenue - commodity	2,724,341	2,860,558	3,003,586	3,123,729	3,248,678	3,378,626	3,479,984	3,584,384	3,691,915	3,802,673
Water Revenue - base	1,613,713	1,678,261	1,745,392	1,815,207	1,887,816	1,963,328	2,022,228	2,082,895	2,145,382	2,209,743
Sewer service charges	645,722	671,551	698,413	719,366	740,947	763,175	786,070	809,653	833,942	858,960
Availability charges	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000
Property taxes and other	86,453	88,182	89,946	91,745	91,745	91,745	91,745	91,745	91,745	91,745
Interest Income	35,000	35,875	36,772	22,618	21,950	21,763	20,509	43,930	47,373	54,490
<b>Total Operating Revenues</b>	<b>\$5,343,229</b>	<b>\$5,572,428</b>	<b>\$5,812,109</b>	<b>\$6,010,665</b>	<b>\$6,229,135</b>	<b>\$6,456,637</b>	<b>\$6,638,537</b>	<b>\$6,850,606</b>	<b>\$7,048,357</b>	<b>\$7,255,611</b>
<b>O&amp;M Expenses</b>										
Water operations	2,077,988	2,140,328	2,204,537	2,270,673	2,338,794	2,408,957	2,481,226	2,555,663	2,632,333	2,711,303
Sewer operations	507,366	522,587	538,264	554,412	571,045	588,176	605,821	623,996	642,716	661,997
Pumping / Treatment	500,000	515,000	530,450	546,364	562,754	579,637	597,026	614,937	633,385	652,387
Subbasin Pumping Fees	100,000	105,000	110,250	115,763	121,551	127,628	134,010	140,710	147,746	155,133
Subbasin Management Cost	339,837	350,032	360,533	371,349	382,490	393,964	405,783	417,957	430,495	443,410
General and administrative	594,738	612,580	630,957	649,886	669,382	689,464	710,148	731,452	753,396	775,998
<b>Total O&amp;M Expenses</b>	<b>\$4,119,928</b>	<b>\$4,245,526</b>	<b>\$4,374,992</b>	<b>\$4,508,447</b>	<b>\$4,646,015</b>	<b>\$4,787,827</b>	<b>\$4,934,014</b>	<b>\$5,084,715</b>	<b>\$5,240,071</b>	<b>\$5,400,228</b>
<b>Total CIP Costs (not included in formula; see line 38)</b>	<b>\$7,219,571</b>	<b>\$4,245,361</b>	<b>\$932,124</b>	<b>\$805,773</b>	<b>\$791,639</b>	<b>\$1,086,392</b>	<b>\$825,622</b>	<b>\$834,442</b>	<b>\$509,431</b>	<b>\$572,708</b>
<b>Net Revenues</b>	<b>\$1,223,301</b>	<b>\$1,326,902</b>	<b>\$1,437,117</b>	<b>\$1,502,218</b>	<b>\$1,583,120</b>	<b>\$1,668,810</b>	<b>\$1,704,523</b>	<b>\$1,765,891</b>	<b>\$1,808,287</b>	<b>\$1,855,384</b>
<b>Debt Service Obligations</b>										
2008 IPA / Compass Loan 2018A	250,255	246,204	246,968	242,547	241,960	246,054	-	-	-	-
2015 note / Compass Loan 2018B	140,755	140,755	-	-	-	-	-	-	-	-
2018 Bonds / 2021 Refunding	\$587,719	\$587,706	\$587,755	\$587,488	\$586,916	\$587,030	\$587,762	\$587,152	\$587,165	\$586,802
Future Bond			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Debt Service</b>	<b>\$978,729</b>	<b>\$974,664</b>	<b>\$834,723</b>	<b>\$830,035</b>	<b>\$828,875</b>	<b>\$833,084</b>	<b>\$587,762</b>	<b>\$587,152</b>	<b>\$587,165</b>	<b>\$586,802</b>
<b>Debt Service Coverage Ratio</b>	<b>1.25</b>	<b>1.36</b>	<b>1.72</b>	<b>1.81</b>	<b>1.91</b>	<b>2.00</b>	<b>2.90</b>	<b>3.01</b>	<b>3.08</b>	<b>3.16</b>
<b>Net Revenue Available for Reserves or CIP</b>	<b>\$244,571</b>	<b>\$352,237</b>	<b>\$602,394</b>	<b>\$672,183</b>	<b>\$754,244</b>	<b>\$835,726</b>	<b>\$1,116,761</b>	<b>\$1,178,739</b>	<b>\$1,221,122</b>	<b>\$1,268,581</b>
<b>Total CIP Annual Requirements</b>	<b>\$7,219,571</b>	<b>\$4,245,361</b>	<b>\$932,124</b>	<b>\$805,773</b>	<b>\$791,639</b>	<b>\$1,086,392</b>	<b>\$825,622</b>	<b>\$834,442</b>	<b>\$509,431</b>	<b>\$572,708</b>
	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>Funding Sources</b>										
New Bond Proceeds										
Outside Funding Sources (Grants + Proceeds)	4,948,501	3,266,000								
Pay-as-you-go Funding	2,271,070	979,361	932,124	805,773	791,639	1,086,392	825,622	834,442	509,431	572,708
<b>Total Funding Sources</b>	<b>\$7,219,571</b>	<b>\$4,245,361</b>	<b>\$932,124</b>	<b>\$805,773</b>	<b>\$791,639</b>	<b>\$1,086,392</b>	<b>\$825,622</b>	<b>\$834,442</b>	<b>\$509,431</b>	<b>\$572,708</b>
<b>Beginning Reserve Balances (after CIP)</b>	<b>\$7,506,876</b>	<b>\$5,480,377</b>	<b>\$4,853,253</b>	<b>\$4,523,523</b>	<b>\$4,389,933</b>	<b>\$4,352,539</b>	<b>\$4,101,872</b>	<b>\$4,393,012</b>	<b>\$4,737,309</b>	<b>\$5,448,999</b>
<b>Ending Reserve Balances (after CIP)</b>	<b>\$5,480,377</b>	<b>\$4,853,253</b>	<b>\$4,523,523</b>	<b>\$4,389,933</b>	<b>\$4,352,539</b>	<b>\$4,101,872</b>	<b>\$4,393,012</b>	<b>\$4,737,309</b>	<b>\$5,448,999</b>	<b>\$6,144,873</b>
<b>Days Cash Ratio</b>	<b>486</b>	<b>417</b>	<b>377</b>	<b>355</b>	<b>342</b>	<b>313</b>	<b>325</b>	<b>340</b>	<b>380</b>	<b>415</b>
<b>Reserve Policy Target Levels</b>	<b>\$6,340,325</b>	<b>\$6,437,085</b>	<b>\$6,537,680</b>	<b>\$6,631,166</b>	<b>\$6,814,252</b>	<b>\$6,827,874</b>	<b>\$6,921,189</b>	<b>\$7,017,352</b>	<b>\$7,116,451</b>	<b>\$7,218,577</b>

**GRANT SUMMARY**  
**Awarded and Pending Applications**

<b>PROJECT</b>	<b>FUNDING ENTITY</b>	<b>VALUE</b>	<b>TIMING</b>	<b>STATUS</b>
FY24 Appropriations Act – Club Circle, Deep Well, East/West Star, Santiago Pipelines	Federal/EPA	\$4.511M	Awards to be announced ~Dec 2024	Projects on initial congressional list.
FY23 Appropriations Act – Sun Gold Pipeline Replacement & Borrego Springs Road Transmission Main	Federal/EPA	\$3.39M	Request pending to waive 20% cost share for SDAC. Awaiting final implementation guidance. Work expected to begin in FY24.	Awarded.
Water Storage Tank Replacement (Twin, Rams Hill 2, Indian Head)	CA Drinking Water Grants	<del>\$2,786,006</del> \$3,249,694	Work in progress. Bids higher than expected. Budget adjustment pending. Reimbursement Grant. First Disbursement Expected FY24	Approved/ Increase Pending
Wilcox Well Diesel Engine Replacement	CA Drinking Water Grants	\$100,000	Concurrent with Water Tank Replacement	Approved/ Increase Pending
Prop 68 – WWTP Monitoring Wells	DWR	\$206,500	Reimbursement Grant. Disbursements expected to begin in FY24.	Awarded/In Progress
Prop 68 – Advanced Metering Infrastructure (AMI)	DWR	\$1.3M	Reimbursement Grant. Disbursements expected to begin in FY24.	Awarded/In Progress
Prop 68 – Admin	DWR	\$250,000	Reimbursement Grant. Disbursements expected to begin in FY24.	Awarded/In Progress
COVID-19 Wastewater Arrears Grant	DDW/ Waterboards	\$64,333	Received & Applied to Customer Accounts FY23	Awarded & Complete
COVID-19 Water Arrears Grant	DDW/ Waterboards	\$43,756	Received & Applied to Customer Accounts FY22	Awarded & Complete
WWTP Upgrade	CA Clean Water Grants	\$788,912	Reimbursement Grant received FY22 & FY23	Awarded & Complete
Air Quality Study	Borrego Valley Endowment Fund	\$21,766	Received in FY22	Contributed to share cost in FY22
Prop 1 SDAC Grant	DWR	\$232,398	Support for Well ID4-9. Reimbursement Grant Received FY2021	Awarded & Complete

## APPENDIX A: CIP PROJECT SUMMARIES

The following table shows the summary of the 2023-2035 projects. The CIP projects are described in detail on the following pages.

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## CASH FUNDED CIP

### **#1: Facilities Maintenance**

PROPOSED BUDGET: \$50,000 cash in FY24

#### DESCRIPTION

The office carpet, paint and window coverings are beyond their useful life and should be replaced. In addition, the exterior stucco requires repairs. If sufficient funds remain, lighting will be upgraded to energy efficient fixtures. This is scheduled for FY24/25.

### **#2: Upgrades to Booster Station #5**

PROPOSED BUDGET: \$125,000 cash in FY25

#### DESCRIPTION

Booster Pump Station 5 pumps water to the Indian Head Tank. If Well 18 is inoperative, Booster Pump Station is used. It will need to be upgraded for capacity in the future.

### **#3: Country Club Tank Recoating**

PROPOSED BUDGET: \$250,000 in FY29

#### DESCRIPTION

The Country Club Tank is located approximately 1-½ mile west of the intersection of Title T and Borrego Springs Road (S3). The tank has a capacity of 1.0 million gallons and is composed of coated steel. 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. The tank was constructed approximately 17 years ago. The tank is in good condition currently, but it is anticipated that it will need to be recoated.

#### PROJECT DESIGN/ADMINISTRATION

After the inspection report is delivered and the tank needs recoating, the District Engineer will prepare engineering documents and the project will be sent out for public bidding with Board approval.

Based on experience, it is estimated that a recoating will be needed in 2029. The actual date of recoating will be determined following the periodic video inspections. Following is the estimated schedule based on this timeline:

Dive Inspection:	February 2029
Receive Dive Inspection Report:	March 2029
Engineering/design completion:	March 2029 – April 2029
Project Bidding:	April 2029 – May 2029
Repair Recoat Tank:	June 2029 – July 2029

#### COST DETAIL

Without a recent dive inspection, an accurate cost estimate is difficult because the number of metal repairs necessary is unknown. Experience with past projects gives an approximate cost estimate of \$250,000 to recoat and repair the tank.

#### IMPACTS OF DEFFERAL

Following completion of planned inspections, the magnitude of the corrosion will be known and a plan to repair developed. Deferral of the necessary maintenance could lead to increased repair costs or the need for replacement of the Reservoir completely before the end of its useful life.

Item	Quan	Unit	Description	Unit Cost	Amount
1	1	LS	Mobilization/ Demobilization, Temporary Facilities, Construction Sign, Insurance, Payment Bond, Taxes, Permits, Fees and Similar Expenses	\$22,500	\$ 22,500
2	18,800	SF	Sandblast Complete Interior Including Columns, Rafters, Appurtenances, Exterior Roof Coatings to SSPC-SP 10. Remove and Legally Dispose of Spent Blast Material.	\$ 3.75	\$ 70,500
3	1	LS	Remove and replace metal components as necessary	\$ 3,500	\$ 3,500
3	18,800	SF	Recoat Interior Surfaces. This Item to be Considered Lump Sum Unless the Area is Shown to be Materially Different than shown.	\$ 5.10	\$ 95,880
4	1	LS	Coating Inspection and Testing	\$ 3,500	\$ 3,500
5	1	EA	Replace Manway Gasket	\$ 750	\$ 750
6	1	LS	Hydrostatic Testing, VOC Testing, Disinfection of Tank, Bacteriological Testing	\$ 3,800	\$ 3,800

Construction Subtotal: \$200,430  
 Contingency (10%): \$ 20,043  
 Subtotal Construction: \$220,473

Engineering/Contract Document Preparation \$ 20,000  
 Construction Inspection: \$ 9,527  
 Total Project Estimate: \$250,000



*Country Club Tank Location*

#### **#4: Pipeline Replacement Projects**

PROPOSED BUDGET: \$438,500 cash in FY31  
 \$190,000 cash in FY32

#### **DESCRIPTION**

The District's water distribution system is aging. Some parts of the distribution system were installed in the 1960's and are starting to reach their life expectancy. The pressure in the system is over 100psi in many areas. Each year there are water pipe breaks that the District repairs. The CIP has included these costs as routine repairs each year. The District's water distribution system was piecemealed together over time as the District took over smaller Districts in the area. The smaller pipelines were interconnected in partial measures. The District has identified three pipeline replacement projects that should be implemented for a more dependable system. The water pipe lines have service laterals that would be replaced to the property lines.

#### **PROJECT DESIGN/ADMINISTRATION**

These projects will be designed by a professional engineer in the State of California. After design is complete, the projects will be put out to bid. The lowest responsible bidder will be awarded the project. These pipelines are in need of replacement within the next three years.

#### **COST DETAIL**

Estimates were derived using pipeline lengths and cost per unit length. Not enough information is available to do a detailed analysis at this time.

- Flying H Road Pipeline – Proposed Construction FY25 – Estimate \$188,500
- Walking H/Double O Pipeline – Proposed Construction FY25 – Estimate \$250,000
- El Tejon Road Pipeline – Proposed Construction FY26 – Estimate \$190,000

#### **IMPACTS OF DEFFERAL**

Potential devastating water pipeline breaks; disruption in water service for prolonged periods; unreliable water service. The projects should be completed as shown in the above timeline due to the frequency of water pipeline breaks which cause lack of service to the District’s customers.

## #5: Water Supply Acquisition

PROPOSED BUDGET: \$4,356,600 FROM CASH FY23 to FY30

Fiscal Year	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
BPA Purchase	\$ 721,188	\$ 344,916	\$ 344,916	\$ 344,916	\$ 344,916	\$ 344,916	\$ 344,916	\$ 344,916
Fallowing	\$ -	\$ 489,169	\$ 124,738	\$ 195,668	\$ 80,713	\$ 80,713	\$ -	\$ -
Well Conversions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,000	\$ 125,000
Total Annual Cost	\$ 721,188	\$ 834,085	\$ 469,654	\$ 540,584	\$ 425,629	\$ 425,629	\$ 469,916	\$ 469,916

### DESCRIPTION

The District has been strategically planning to purchase Water Supply (BPA) in order to be able to serve its customers thru the end of the rampdown period ordered under the basin adjudication. Under the Judgement, purchased lands must be fallowed prior to assigning the BPA to BWD’s customer supply. Negotiations are currently underway to acquire land with water rights that total: 1,826 + 670 = 2,496 AF BPA. Included with this purchase are nine wells that will either need to be abandoned or converted to monitoring wells at a cumulative estimated cost of \$250,000.

### PROJECT DESIGN/ADMINISTRATION

The initial contract is in progress and an escrow account will need to be opened annually to administer the ongoing payments and acquisitions.

### COST DETAIL

To assist with cash flow, The District is currently exploring options for potential grants to aid in the fallowing costs. In addition, since some parcels are along the State Park and Coyote Creek, the District is also searching for land restoration grants.

### IMPACTS OF DEFFERAL

The District had originally planned it’s BPA purchases to being in FY27. However, it is prudent for the District to commence these transactions ASAP to maintain costs and to take advantage of market availability.

## #6: Emergency Pipeline Repairs

PROPOSED BUDGET: \$63,000 cash in FY24

### DESCRIPTION

Each year there are a number of breaks and leaks on District pipelines. This budget sets aside sufficient cash each year for operations staff to respond and repair.

## #7: Palm Canyon Drive Sewer Line Inspection

PROPOSED BUDGET: \$150,000 cash in FY24

### DESCRIPTION

Every few years a video inspection is conducted on sewer lines to assess the condition and possible need to repair.

## **#8: Manhole Replacements/Refurbishments**

PROPOSED BUDGET: \$49,778 cash in FY24

### DESCRIPTION

The District acquired Improvement District 5 (ID-5) in 2008. Club Circle is part of ID-5, and the infrastructure therein was installed in 1960's. Manholes have deteriorated in this area and should be rehabilitated or replaced as necessary.

## **GRANT FUNDED CIP**

## **#9: Twin Tanks Replacement**

PROPOSED BUDGET: \$941,963 grant in FY23-24

### DESCRIPTION

The District contracted a dive inspection on February 2, 2017 to determine the condition of the interior of the tanks which identified that the tank may be at the end of its useful life and requires replacement. In addition to the Twin Tanks, BWD also received a State Grant in 2022 for replacement of the Wilcox Diesel Motor, Indian Head Tank and Rams Hill #2 Tank.

### PROJECT DESIGN/ADMINISTRATION

Work has already begun under a reimbursement grant thru CA Drinking Water. A budget adjustment is pending as contractor bids came in over the Engineers Estimate.

The Twin (2) Tanks with 220,000 gallons each (440,000 total) are being replaced with (1) bolted steel tank with 500,000 gallons nominal storage capacity. It has the least cost and the shorter tank would have less aesthetic impact to the local desert park. A new altitude valve will be installed to prevent water from spilling over the tank overflow, as the tank would be located at a lower elevation (approximately 860 feet). The benefit of having the tanks at the higher elevations is that gravity supply into the distribution system provides constant pressures without the need for a Variable Frequency Drive (VFD) or emergency backup power at the tank locations.





Figure 1 - Location of the Twin Tanks



Figure 2 – Construction Progress as of May 2, 2023

## **#10: Wilcox Diesel Motor Replacement**

PROPOSED BUDGET: \$140,000 grant in FY23-24

### DESCRIPTION

The District was notified by the Air Pollution Control District (APCD) in 2015 that the Wilcox Diesel Engine was no longer compliant with emissions standards and must be removed or replaced. The Wilcox Well is considered an emergency source of water when the electric power is out of service, so it is a critical component of the water distribution system and must be kept online. The alternative to replace the engine is the most cost effective and environmentally friendly option.

The project includes replacing the existing 80hp diesel engine with a Tier 4 emissions compliant for standby diesel engines. This is considered a green component due to the enhanced energy efficiency of the engine and near-zero emissions. Replacement was granted as part of the award for the Tank & Motor grant which also includes replacement of the Twin Tanks, Indian Head Tank and Rams Hill #2 Tank.

### PROJECT DESIGN/ADMINISTRATION

Work has already begun under a reimbursement grant thru CA Drinking Water. A budget adjustment is pending as contractor bids came in over the Engineers Estimate and a Change Order was submitted to include a new control panel and clutch and drive shaft to make the new motor compatible with the existing well mechanics.

## **#11: Indian Head Reservoir Replacement**

PROPOSED BUDGET: \$1.1M grant in FY23-24

### DESCRIPTION

The inspection of the Indian Head Tank identified that the tank may be at the end of its useful life and requires replacement. Replacement was granted as part of the award for the Tank & Motor grant which also includes replacement of the Twin Tanks, Rams Hill #2 Tank and Wilcox Diesel Motor.

### PROJECT DESIGN/ADMINISTRATION

The tank will be replaced with a single 700,000-gallon bolted steel tank. The tank will be installed at the same location as the existing tank. The coating will be fusion or powder coated steel.

The estimated life of the tank is approximately 30 years if it is properly maintained. After completion of the tank, it will be filled with water. The water will be tested for Volatile Organic Compounds (VOC) and bacteria prior to putting the tank into service. No change in capacity is proposed.



*Indian Head Tank Location*

## **#12: Rams Hill Tank #2**

PROPOSED BUDGET: \$1.1M grant in FY23-24

### DESCRIPTION

The District contracted a dive inspection on October 19, 2016 to determine the condition of the interior of the tank. High levels of corrosion were found. Replacement was granted as part of the award for the Tank & Motor grant which also includes replacement of the Twin Tanks, Indian Head Tank and Wilcox Diesel Motor.

### PROJECT DESIGN/ADMINISTRATION

The tank will be replaced with a single 700,000-gallon powder coated bolted steel tank. The tank will be installed at the same location as the existing tank. The coating will be fusion or powder coated steel.

The estimated life of the tank is approximately 30 years if it is properly maintained.

After completion of the tank, it will be filled with water. The water will be tested for Volatile Organic Compounds (VOC) and bacteria prior to putting the tank into service. No change in capacity is proposed.

## **#13: Advanced Metering Infrastructure (AMI)**

PROPOSED BUDGET: \$1.3M Prop 68 grant in FY23-25

### DESCRIPTION

The Borrego Water District serves just over 2,000 residential water customers whose water meters are manually read on a monthly basis. A grant has been awarded to upgrade all meters

to “smart” meters that will provide remote, real-time reads. In addition to reducing meter reading labor hours, AMI will be valuable tool to aid in leak detection and water conservation efforts.

#### PROJECT DESIGN/ADMINISTRATION

The project is currently in the RFQ/bidding process and work is expected to begin in Summer or Fall of 2023. The grant eligible period runs thru March 30<sup>th</sup>, 2025.

This is a unique project for the District as it includes creation of an AMI network in addition to endpoint (smart meter) installation. The project will include a pilot phase of about 100 meters to test the product and communication capabilities.

#### **#14: WWTP Monitoring Wells**

PROPOSED BUDGET: \$140,000 Prop 68 grant in FY23-24

#### DESCRIPTION

Historically, elevated levels of nitrates have occurred in the one existing monitoring well located adjacent to the Rams Hill Waste Water Treatment Plant (WWTP) Percolation Ponds. In addition, in 2019, the Regional Water Quality Control Board issued Order R7-2019-0015 which requires the District to expand its monitoring well network at the Rams Hill WWTP. This project was included in the Prop 68 Grant award.

#### PROJECT DESIGN/ADMINISTRATION

Working with Dudek, the District has already submitted and received approval on a workplan from DWR. The project was sent to bid in early 2023 with only one responsive bid submitted for \$30,000 over budget. The District has allowed Gregg Drilling to proceed with the work. During drilling in April 2023, it was discovered that the workplan requires modification due to the shallow boreholes being dry. BWD is currently exploring the next steps with Dudek, Gregg Drilling and the RWQCB. In addition, BWD is considering a requesting a budget adjustment request under the DWR Prop 68 grant to accommodate the additional \$30,000.



*Gregg Drilling preparing to begin work on April 27, 2023*

## **#15: DWR Prop 68 Grant Administration**

PROPOSED BUDGET: \$250,000 Prop 68 grant in FY23-25

### DESCRIPTION

DWR has awarded a total of \$6.3M to the Borrego Water District and a number of sub-grantees to complete projects basin wide to aid in meeting the objectives of the Groundwater Management Plan. Due to BWD being the eligible applicant on the grant, the District is responsible to administer all projects and to be the point of contact between DWR and the subgrantees.

### PROJECT DESIGN/ADMINISTRATION

Grant administration includes working with subgrantees to ensure they comply with the terms of the grant and to compile and submit to DWR all progress reports, reimbursement requests and deliverables due under the grant. BWD has chosen to do this work in-house utilizing existing finance and administration staff.

## **#16 a) & b): Borrego Springs Road Pipeline Replacement**

PROPOSED BUDGET: a) \$912,406 Grant funded thru 2023 Appropriations Act  
b) \$228,102 Cash Funded 20% Cost Share

### DESCRIPTION

Aging infrastructure leads to costly emergency repairs and threatens continuity of service to BWD customers. The District has prioritized pipeline replacements according to age and propensity to leaks. This project is to replace the 10” transmission main on Borrego Springs Road. It will also include replacement of all valves, service laterals and hydrants along the line.

### PROJECT DESIGN/ADMINISTRATION

Working with BBK’s advocacy team, BWD was able to submit this project request for congressional funding thru Representative Darrell Issa and Senator Alex Padilla. This project was awarded thru the 2023 Appropriations Act to be administered thru the EPA. BWD is currently awaiting next steps from the EPA. By default, Appropriation projects require 20% fund matching from the agency. BWD has submitted a request for a waiver of the 20% self-funding requirement due to the District’s SDAC status.

## **#17 a) & b): Sungold Pipeline Replacement**

PROPOSED BUDGET: a) \$2,488,260 Grant funded thru 2023 Appropriations Act  
b) \$ 622,065 Cash Funded 20% Cost Share

### DESCRIPTION

Aging infrastructure leads to costly emergency repairs and threatens continuity of service to BWD customers. The District has prioritized pipeline replacements according to age and propensity to leaks. This project is to replace approximately 11,400 LF of 6” C900 Pipe in the Sungold neighborhood. It will also include replacement of all valves, hydrants and about 86 service laterals along the lines.

## PROJECT DESIGN/ADMINISTRATION

Working with BBK's advocacy team, BWD was able to submit this project request for congressional funding thru Representative Darrell Issa and Senator Alex Padilla. This project was awarded thru the 2023 Appropriations Act to be administered thru the EPA. BWD is currently awaiting next steps from the EPA. By default, Appropriation projects require 20% fund matching from the agency. BWD has submitted a request for a waiver of the 20% self-funding requirement due to the District's SDAC status.

### **#18: WWTP Oxidation Ditch**

PROPOSED BUDGET: \$650,000 Grant Funded in FY25

#### DESCRIPTION

In 2021, Dudek prepared for the District a Technical Memorandum titled Rams Hill WWTF Capacity Analysis and Cost Estimates for Facility Replacement and Expansion Alternatives. The memo indicates "bottlenecks" in the design that are hindering the plant's ability to operate at the design capacity of 250 MGD. One of these bottlenecks is the Oxidation Ditch which was found to have a current, in use TKN treatment capacity of 55lb per day where design criteria was assumed to be 63lb per day. Under this constraint, the District can only connect an additional 104 EDUs to the plant. Replacement of the Oxidation Ditch will result in the ability to add additional EDU's and aid in bringing the plant to design capacity.

#### PROJECT DESIGN/ADMINISTRATION

The planning for this project is very preliminary and additional studies will need to be done to finalize a more accurate cost and scope of work. DWR has indicated that there is most likely grant funding available for this type of project. Collaborating with Dudek, BWD intends to determine a final scope of work and cost estimate to begin work in FY25.

### **#19: WWTP Equalization Basin**

PROPOSED BUDGET: \$650,000 Grant Funded in FY25

#### DESCRIPTION

In 2021, Dudek prepared for the District a Technical Memorandum titled Rams Hill WWTF Capacity Analysis and Cost Estimates for Facility Replacement and Expansion Alternatives. The memo indicates "bottlenecks" in the design that are hindering the plant's ability to operate at the design capacity of 250 MGD. One of these bottlenecks is the Equalization Basin which was found to have a current, in use capacity of 58,150 GPD where design criteria was assumed to be 121,500 GPD. Expansion of the Equalization Basin will result in the ability to add additional EDU's and aid in bringing the plant to design capacity.

#### PROJECT DESIGN/ADMINISTRATION

The planning for this project is very preliminary and additional studies will need to be done to finalize a more accurate cost and scope of work. DWR has indicated that there is most likely grant funding available for this type of project. Collaborating with Dudek, BWD intends to determine a final scope of work and cost estimate to begin work in FY26.

## **#20: Deep Well Pipeline Replacement**

PROPOSED BUDGET: \$2,250,000 Grant Funded in FY24

### DESCRIPTION

Aging infrastructure leads to costly emergency repairs and threatens continuity of service to BWD customers. The District has prioritized pipeline replacements according to age and propensity to leaks. This project is to replace approximately 13,6000 LF of 6” C900 Pipe in the Deep Well neighborhood. It will also include replacement of all valves, hydrants and about 74 service laterals along the lines.

### PROJECT DESIGN/ADMINISTRATION

Working with BBK’s advocacy team, BWD has submitted this project request for congressional funding thru Representative Darrell Issa and Senator Alex Padilla. The intent is to receive funding thru the 2024 Appropriations Act to be administered thru the EPA.

## **#21: West & East Star Pipeline Replacement**

PROPOSED BUDGET: \$450,000 Grant Funded in FY25

### DESCRIPTION

Aging infrastructure leads to costly emergency repairs and threatens continuity of service to BWD customers. The District has prioritized pipeline replacements according to age and propensity to leaks. This project is to replace approximately 4,500 LF of 6” C900 Pipe on West Star Road & East Star Road. It will also include replacement of all valves, hydrants and about 26 service laterals along the lines.

### PROJECT DESIGN/ADMINISTRATION

Working with BBK’s advocacy team, BWD has submitted this project request for congressional funding thru Representative Darrell Issa and Senator Alex Padilla. The intent is to receive funding thru the 2024 Appropriations Act to be administered thru the EPA.

## **#22: Club Circle Water & Sewerline Replacement**

PROPOSED BUDGET: \$2,286,000 Grant Funded in FY25

### DESCRIPTION

Aging infrastructure leads to costly emergency repairs and threatens continuity of service to BWD customers. The District has prioritized pipeline replacements according to age and propensity to leaks. This project is to replace all water and sewer lines in the Club Circle neighborhood. It will also include replacement of all valves, hydrants and about 26 service laterals along the lines.

### PROJECT DESIGN/ADMINISTRATION

The District is currently exploring grant opportunities for future funding.

### **#23: New Production Well**

PROPOSED BUDGET: \$2,500,000 Grant Funded in FY35

#### DESCRIPTION

A new production well may need to be installed in the next five years. Wells ID1-8, and ID1-10 cannot be rehabilitated again and falling groundwater levels are contributing to the problem.

#### PROJECT DESIGN/ADMINISTRATION

Dudek prepared a report “Draft Working Technical Memorandum” dated June 16, 2017 that describes three separate Subbasin within the BWD service boundary. The report identifies that the Central Management Basin has the best chance for water that meets the requirements of California Code of Regulations (CCR) Title 17 and Title 22.

The BWD has already initiated preliminary review of potential new sources of supply in the Borrego Springs Subbasin and will further identify strategic sources of supply that meet Title 22 potable drinking water quality requirements.

Once a site has been selected, an exploration phase will commence. If the water quality and depth is acceptable, the land will be acquired for the wellsite and the well will be constructed to municipal standards.

Due to the fact that certain BWD wells have reached the end of their useful life, it is imperative to investigate and construct the replacement well before any existing well fails. BWD is confident that it will be able to obtain future grant funding for this project.

### **BOND FUNDED PROJECTS**

### **#24: Future Water Supply Acquisition**

PROPOSED BUDGET: \$2,000,000 Bond Funded in FY35

#### DESCRIPTION

The District has been strategically planning to purchase Water Supply (BPA) in order to be able to serve its customers thru the end of the rampdown period ordered under the basin adjudication. Upon commencement of Water Supply Acquisitions listed in CIP Items NO. 6 & 27, the District will still be about 1,000 AF of BPA short to supply its customer base with overproduction estimated to being around 2049. The District will need to be on the lookout for additional opportunities to purchase BPA.

### **#25: Well 5 Transmission Main Project**

PROPOSED BUDGET: \$1,215,000 Bond Funded in FY35

#### DESCRIPTION

Well ID5-5 is expected to require a new, dedicated transmission main in the future. Planning for this project does not need to commence for about 8-10 years, but the District has put it on the CIP as a placeholder for a future project.



## **#26: Water Treatment Facility**

PROPOSED BUDGET: \$2,000,000 Bond Funded in FY35

### DESCRIPTION

Due to increasing levels of nitrates and TDS in a few wells in the valley, BWD anticipates it will need to conduct some level of water treatment in the future. The District is in the early stages of a Water Quality Study by Intera. This study is intended to assess current level and trends of COCs and to implement thresholds to determine when and what types of treatment will be necessary.

Due to the likeliness that some level of water treatment will be required, BWD has included this project as a future Bond Funded CIP item in FY35. Project costs are highly speculative and since there is no immediate risk of water contamination in BWD Production wells, it is yet to be determined when and where future treatment will be necessary based on the factors outlined above.

## APPENDIX B: FUTURE WATER SUPPLY PURCHASE

**Description:** Explanation and Description of \$1.9M Water Supply Purchase in FY2027

On January 30, 2020, pursuant to California Water Code (CWC) Sections 10733.6 and 10737.4, BWD submitted to the California Department of Water Resources (DWR) a proposed Stipulated Judgment (Judgement) for the Borrego Springs Groundwater Subbasin (Subbasin) including a Groundwater Management Plan (GMP), constituting a *Physical Solution* for DWR's review and approval to serve as an alternative to a Groundwater Sustainability Plan (GSP) for the Subbasin in compliance with the California 2014 Sustainable Groundwater Management Act (SGMA).

The pumpers of the Subbasin representing approximately 92% of annual Subbasin extractions agreed to a Settlement of water rights also applied to the California Superior Court (Court) for a Judgement. Until the Court approves the Judgement, the Subbasin pumpers have agreed to implement the *Physical Solution* under an interim Watermaster Board.

The objective of the Judgement is to assign Baseline Pumping Allocations (BPAs) to Subbasin pumpers that will be reduced on an annual basis to collectively not exceed the sustainable yield of the Subbasin by no later than 2040. The result of this means of achieving SGMA requirements is that BWD will be required to purchase BPAs from other Subbasin pumpers to meet the water demand needs of existing BWD customers. For this reason, BWD has budgeted approximately \$1,900,000 in FY 2027 to purchase additional permanent water supply and included this amount in its CIP capital need projections.

**RESOLUTION NO. 2023-06-01**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT APPROVING THE OPERATIONS, MAINTENANCE, CAPITAL IMPROVEMENTS AND GROUNDWATER MANAGEMENT BUDGETS FOR FISCAL YEAR 2023-2024**

**WHEREAS**, the Board of Directors has reviewed and considered the Budget as presented for Fiscal Year 2023-2024 hereinafter referred to as the “Budget” which is attached hereto 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 2023-2024

**PASSED, ADOPTED AND APPROVED** at a regular meeting of the Board of Directors of the Borrego Water District held on **TBD**

---

Kathy Dice  
President of the Board of Directors  
Of Borrego Water District

ATTEST:

---

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

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







**BORREGO WATER DISTRICT  
BOARD OF DIRECTORS MEETING  
June 13, 2023  
AGENDA ITEM II.C**

June 9, 2023

**TO:** Board of Directors

**FROM:** Geoffrey Poole, General Manager

**SUBJECT:** 2021-2022 Audited Financial Statements – J Clabaugh

**RECOMMENDED ACTION**

Receive report from Staff for 2021-2022 Audit

**ITEM EXPLANATION:** See Attachments

**NEXT STEPS**

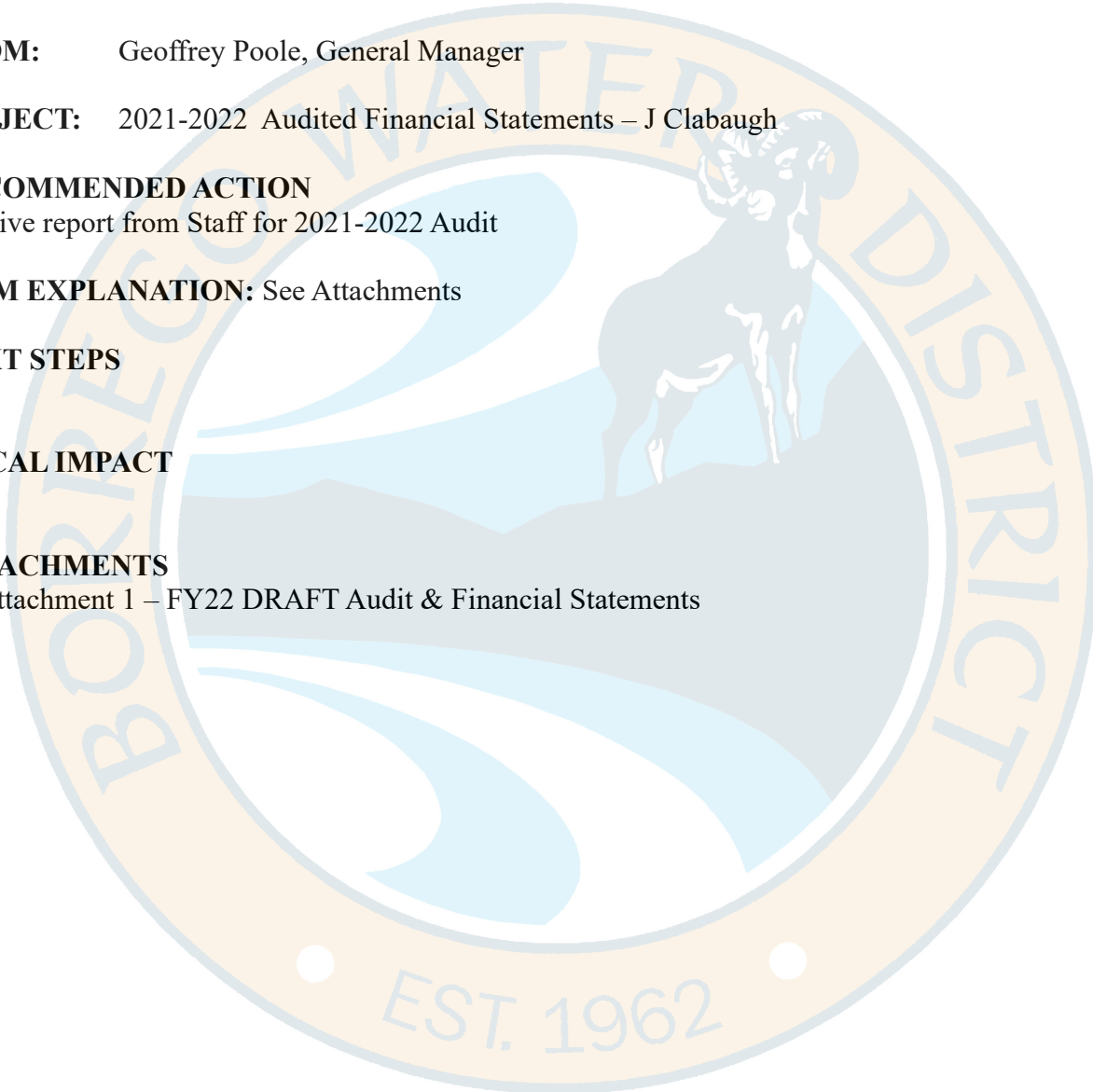
TBD

**FISCAL IMPACT**

TBD

**ATTACHMENTS**

1. Attachment 1 – FY22 DRAFT Audit & Financial Statements



**BORREGO WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

DRAFT



Leaf & Cole, LLP  
*Certified Public Accountants*



**BORREGO WATER DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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May \_\_\_\_, 2023

To the Honorable President and Members of the Board of Directors and Customers of the Borrego Water District:

State law requires that all general-purpose local governments and special districts publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Annual Financial Report of the Borrego Water District (BWD; District) for fiscal year ended June 30, 2022 is hereby submitted as required by Leaf and Cole, LLP., a firm of licensed certified public accountants, who has audited the District's financial statements.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditors' Report.

Management assumes full responsibility for the completeness and reliability of the information contained in this Transmittal Letter, the MD&A, the accompanying financial statements, and the Supplemental Schedules, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2022 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2022 are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this year's audit report.

## **PROFILE OF THE DISTRICT**

The District was established in 1962 as a State of California special district (Water Code § 35565) to provide water and sewer services and flood risk management and gnat abatement for areas in the Borrego Springs community. The District acquired neighboring Borrego Springs Water Company in 1997 and in 2009 acquired Borrego Springs Park Community Services District. The present size of the District's service area is approximately 50 square miles. Borrego Springs is an unincorporated destination community of approximately 3,500 full-time and approximately 8,000 winter residents, located in a remote northeast corner of San Diego County, approximately 90 miles drive from San Diego and 87 miles drive from Palm Springs.

Borrego Springs is surrounded on all sides by the Anza-Borrego Desert State Park (the Park). The Park, which encompasses over 248,880 hectares (615,000 acres) in and around the Borrego Valley, was established in 1933 to protect this unique desert environment. The military presence of both the Army and Navy during World War II brought the first paved roads and electricity to Borrego Springs. After the war, developers subdivided the area, attempting to create a resort community by capitalizing on the tourism generated by the Park. The Park is the largest state park in California. It was designated as a National Natural Landmark in 1974 and a Biosphere Reserve in the 1980's by the United Nations.

The Park contains approximately 85% of State designated wilderness area within California and is approximately the size of Rhode Island. The Park attracts more than 500,000 visitors to the region on an average year. Borrego Springs can welcome more than a million visitors to its community on a super bloom year, as in the springs of 2017 and 2019. An economic study developed for the Anza-Borrego Foundation (ABF) estimates the revenue to the region generated by visitation to the Park during an average year is approximately \$40 million annually (BBC Consulting, 2012).

### ***Infrastructure***

The District has 9 production wells with a replacement cost of approximately \$1,500,000 each. These production wells are located primarily in the Central Management Area of the groundwater basin and are connected to approximately 100 miles of distribution lines. The District's water system serves approximately 2,059 residential, commercial, institutional, and irrigation customers. The District currently delivers approximately 1,600 acre-feet (521 million gallons) annually to its customers. The District also provides sewer and wastewater treatment services to approximately 830 customers located primarily in the Town Center, Club Circle and Rams Hill developments. The District's flood control authority is presently exercised only at Rams Hill. The estimated present replacement cost value of the District's water, sewer and wastewater treatment facilities infrastructure is approximately \$95,000,000 in 2022 dollars.

### ***Governance***

A five-member board of directors work as a team to govern the affairs of the District. The board is elected at large by the registered voters residing within the District's boundaries, with vacant positions that occur between elections appointed by the existing board and during election years by the San Diego County Board of Supervisors if there is no competition for a seat on the board. The directors, who are elected or appointed, are residents and have similar concerns as their constituents.

The board members, who serve four-year staggered terms, are responsible for establishing the direction of the District through adopting policies and ordinances for the smooth running of the District; ensuring that sound fiscal policy exists; that management practices and controls are in place for accountability; adopting the annual budget; approving personnel policies and organizational structure; hiring the District's General Manager; and hiring other advisors to the board, such as the District's legal counsel, financial and other advisors, as may be required. The General Manager is responsible for carrying out the policies and ordinances approved by the District's board, for overseeing the day-to-day operations of the District, and for meeting the customer service and financial objectives set forth in the annual operating and capital improvements projects (CIP) budget approved by the board.

### ***Groundwater Supply, Usage & Availability***

The Borrego Springs Subbasin (Subbasin) of the Borrego Valley Groundwater Basin is located at the western-most extent of the Sonoran Desert. The Borrego Springs community overlying the Subbasin relies on local groundwater resources from the Subbasin as the sole source of municipal drinking water, domestic supply, and agricultural irrigation.

The California Department of Water Resources (DWR) has designated the 98-square-mile Subbasin as high priority and critically over drafted. Chronic lowering of groundwater levels in the Subbasin's three aquifers has historically occurred and is ongoing. The critical overdraft annually exceeds the long-term sustainable yield of the Subbasin. Presently, there are no economically viable alternative sources of imported water supply.

The primary source of water to the Subbasin is surface water (storm water and ephemeral stream flow) that flows into the valley from adjacent mountain watersheds and infiltrates within the valley. The contributory watersheds are approximately 400 square miles (sq. mi) and much larger in area than the approximately 98 sq. mi (62,776 acres) Subbasin. Direct recharge by rainfall within the valley is very low compared to surface water inflows as the annual rainfall averages 5.8 inches per year (in/yr). Stream and flood flows from the adjacent watersheds provide the bulk of the water that enters the Subbasin.

The current hydrologic conceptual model for the aquifer system is that it consists of three unconfined aquifers; the upper, middle and lower aquifers. The upper and middle aquifers are the primary sources of groundwater currently and are typically comprised of unconsolidated sediments. However, with time, the upper aquifer has already become or is expected to become dewatered and the lower aquifer will become a more important source of water as overdraft continues. These three aquifers, Pleistocene (2.5 million years ago) to Holocene (11,700 years ago) era fossil water deposits, are the community's sole source of water. In modern times, the upper and middle aquifers have been the principle sources for groundwater pumping in Borrego Valley.

Since 1945, when large scale pumping began in the Borrego Springs area following World War II, the cumulative volume loss within the Subbasin (which accounts for both annual inflows and outflows) has been approximately 520,000 acre-feet (AF), equivalent to about one-third of the groundwater volume originally present.

At this time there are no plans to import water from outside the Borrego Valley due to the economic cost of a pipeline and the uncertainty of available and affordable imported supply from the Colorado River. Readers may consult the *Southeast California Regional Basin Study Evaluates Water Supply and Demand in Borrego, Coachella and Imperial Valleys* by the U.S. Bureau of Reclamation for more information. Importation of new supply from nearby groundwater basins has also been ruled out due to availability of potential adequate supply and cost. Readers may consult the *Borrego Spring Pipeline Feasibility Study: Final Report* by the U.S. Environmental Protection Agency – Region 9 (2012).

The net replenishment (natural recharge less outflows) of the basin of approximately 5,700 acre-feet per year (AFY) annually is based on historical data (1945-2015). During this period the actual annual natural net recharge was highly variable, fluctuating from less than 1,000 AFY during long dry periods to more than 25,000 AFY in exceptionally wet years.

The current rate of groundwater pumping produces an average annual basin storage change (overdraft) of approximately 13,000 AF of water per year based on estimated current withdrawal rates using evapotranspiration rates by crop type for agricultural and recreational withdrawals and municipal metered usage and the US Geological Survey's (USGS) calculated average annual net replenishment rate. Based on the historical data from 66 years, groundwater levels have declined as much as 126 feet (average of nearly 2 feet per year) in the northern part of the Subbasin and about 87 feet (average of 1.3 feet per year) in the west-central part. In the southeastern part of the Subbasin where less groundwater has been pumped, groundwater levels have remained relatively stable during the same time period. At the current rate of use, the groundwater supply from the Subbasin is not sustainable.

Presently, the Subbasin is usefully divided into three Basin Management Areas (South, Central, North) based on differences in transmissivity (how fast groundwater flows from one area to the next) and water quality. Depending on the Management Area location, wells are often screened primarily in the three different aquifers of the basin and exhibit different water quality characteristics. Readers should review the USGS, *Hydrogeology, Hydrologic Effects of Development, and Simulation of Groundwater Flow in the Borrego Valley, San Diego County* (2015) for more complete information.

Sustaining groundwater use requires considering both water quantity and quality. As water levels continue to drop in the basin, water quality may also decline, which may require expensive additional advanced treatment for municipal uses. Thus, the cost of municipal water supply for municipal uses will likely continue to increase over time.

The District is not a member of the San Diego County Water Authority (SDCWA), the regional member of the Metropolitan Water District of Southern California (MWD) that imports supplemental water to San Diego County.

### ***Sustainable Groundwater Management Act of 2014 (SGMA)***

The overarching aim of SGMA is to establish and achieve a *sustainability goal* for the Subbasin through the development and implementation of a Groundwater Sustainability Plan (GSP) by the Groundwater Sustainability Agency (GSA) for the Subbasin or alternatively by a Watermaster implementing a *Physical Solution* under a court Stipulated Judgment. Both are valid options under SGMA. In enacting SGMA, the Legislature also set forth more specific purposes underlying the legislation, which include providing for sustainable management of groundwater, avoiding six designated *undesirable results* to groundwater resources that could occur without proper management, enhancing the ability of local agencies to take action to protect groundwater resources, and preserving the security of water rights to the greatest extent possible consistent with sustainable management of groundwater.

As defined by SGMA: “A basin is subject to critical overdraft when continuation of present water management practices would probably result in significant adverse overdraft-related environmental, social, or economic impacts.” Thus, the intent of the GSP is to achieve long-term groundwater sustainability by restoring balance to (i.e., reaching *sustainability*) in the Subbasin no later than January 2040, as mandated by SGMA.

The County of San Diego and BWD entered into a Memorandum of Understanding (MOU) for forming a multi-agency Borrego Valley Groundwater Sustainability Agency (GSA) to develop a GSP for the Subbasin. The intent of this GSP was to meet the requirements of SGMA. To this end, the GSP includes the scientific and other background information about the Subbasin required by SGMA and its implementing regulations. The GSP was also intended to provide a roadmap for how sustainability is to be reached in the Subbasin by January 2040. Information regarding the GSP including stakeholder process is available from the County’s website: <https://www.sandiegocounty.gov/content/sdc/pds/SGMA/borrego-valley.html>.

In October 2019, the County informed DWR of its decision to decline further participation as a GSA for the implementation phase of SGMA effective December 31, 2019. On January 30, 2020, pursuant to California Water Code (CWC) Sections 10733.6 and 10737.4, BWD submitted to DWR a proposed Stipulated Judgment including a groundwater management plan (GMP), constituting a *Physical Solution* for DWR’s review and approval to serve as an alternative to a GSP for the Subbasin in compliance with SGMA. The pumpers of the Subbasin representing approximately 92% of annual extractions agreed to a Settlement of water rights also applied to the California Superior Court (Court) for a Stipulated Judgement (Judgement). This Stipulated Judgement was approved by the Court on April 8, 2021 under which the Subbasin pumpers have agreed to implement the *Physical Solution* under management of the newly formed Borrego Springs Watermaster.

Under the Stipulated Judgement, Annual Reports for the Borrego Springs Groundwater Subbasin have been prepared for submittal to the California State Department of Water Resources (DWR) as of April 1, 2020 per Article 7, Section 356.2—Annual Reports, of the California Code of Regulations.<sup>1</sup> These reports has been prepared on behalf of the stipulating parties to the groundwater rights adjudication for the Borrego Springs Groundwater Subbasin (Subbasin) (DWR Basin No. 7.024.01) of the Borrego Valley Groundwater Basin. GSA reports are available on the Watermaster website at [www.borregospringswatermaster.com](http://www.borregospringswatermaster.com).

### ***California's Ongoing Drought***

Because the Borrego Valley relies solely on the Subbasin for its municipal, recreational, and farming irrigation uses, the California drought has produced no physical impairment of water supply for BWD and is not expected to do so in the near future. Although in 2017, the California drought was officially declared over, Borrego water users continue to make investments to use water more efficiently and to engage in water conservation programs. The desert environment provides an ongoing impetus to use water wisely.

### ***Capital Improvements Program (CIP)***

BWD updates its 10-year CIP project costs annually in consultation with its district engineer. Detail of the projects and costs incurred are included in BWD's annual budget.

### ***Cyber Security Risk Management***

BWD has a robust cybersecurity policy and engages in ongoing and periodic intrusion detection services performed by a the US Department of Homeland Security's Cyber Security and Infrastructure Agency(CISA). In addition, the District conducts regular staff trainings on various hacking schemes and has secured a robust Cyber Security Insurance Policy thru ACWA-JPIA.

### ***Flood Risk Management***

BWD has a flood risk reduction assessment policy and engages a professional engineering firm to periodically assess that BWD's flood risk reduction facilities at Rams Hill are maintained to meet the specific flood risk objectives for such facilities.

### ***Groundwater Water Levels and Water Quality Changes Risk Management***

There is a robust monitoring well network in Borrego Springs that includes over 50 wells for monitoring production, water quality and water levels. Manual groundwater level measurements are collected in the spring and fall of each year to track seasonal groundwater trends. Groundwater quality monitoring includes sampling, on average, 30 wells on a semi-annual basis to determine and track groundwater quality trends. Wells are monitored for potential contaminants of concern (COCs). The COCs include arsenic, fluoride, nitrate, sulfate and total dissolved solids (TDS). During recent years, BWD's well ID4-18 in the North Management area has shown an increasing trend in nitrate levels. Although still below drinking water standards, BWD continues to closely monitor water quality and is currently exploring avenues for future mitigation.

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<sup>1</sup> Title 23, Division 2, Chapter 1.5, Subchapter 2 of the California Code of Regulations, which is commonly referred to as the Groundwater Sustainability Plan Regulations (GSP Regulations).

## ***COVID-19 Risk Management Policies***

The national COVID-19 public health emergency presents a range of challenges, including ensuring level of service, assisting low-income customers, and assuring responsible financial management of the District. The BWD Board shares its customers' concerns about the coronavirus. What the District's primary public health responsibility is to continue providing safe water to drink and use, right from the tap. The District's treatment process effectively removes viruses, including COVID-19. BWD is testing the water it provides its municipal customers daily, weekly and monthly to assure it continues to meet federal and state drinking water standards. During the COVID period, BWD was subjected to Governor Gavin Newsom's shut-off moratorium (Executive Order N-42-20) and suspended all turn-offs for nonpayment, to ensure continued access to water for washing hands and cleaning. This moratorium expired in January of 2022 which allowed BWD to resume collection action thru shut-offs. As a consequence of the shut-off moratorium, BWD's customer receivables grew significantly during the COVID emergency period. The State was able to offer some relief to customers thru their COVID-19 Water Arrearages Grant program in which grant funds were applied as bill credits to water customers who were delinquent during the COVID-19 period. These funds were applied prior to the end of the fiscal year. Subsequently, the State issued BWD a Wastewater Arrearages Grant to provide credits for delinquent sewer accounts to be credited in Fiscal Year 2023.

BWD has cancelled all meetings or gatherings for non-essential purposes during this emergency, holding public meetings via the internet. BWD has implemented COVID protocols and protections in our lobby to protect the public and office staff, and implemented social distancing for our field staff. Additionally, all our staff have paid sick leave and if they have been exposed to the virus or are symptomatic are told to stay home from work.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

### ***Local Economy***

Located in an arid desert climate, Borrego's present economy has been made possible by the overuse of groundwater supplies that have been depleted far faster than those supplies can be replenished. This is true of the agricultural, recreational and municipal water use sectors that bring on average 500,000 visitors to the Borrego Valley annually. Thus, uncertainty over the costs of long-term water supply, potential future costs for treating groundwater to meet safe drinking water quality standards due to the critical overdraft resulting in degraded water quality, and the economic impacts of meeting SGMA objectives for the Subbasin may be slowing investments for new development in the Valley.

Under the Stipulated Judgement, a court order effective April 8, 2021, the Borrego Springs Watermaster was formed and is required to collect fees from all major pumpers of the basin according to their BPA (Baseline Pumping Allocation). For Water Year 2021 this amount was \$48/Acre Foot and \$20.30/Acre Foot for Water Year 2022. BWD's BPA is 2,581 Acre Feet per Year and restrictions are in place to limit the Districts pumping to only 645 Acre Feet by 2040. This means that the District will be required to purchase additional BPA, generally in the form of land with water rights, to meet existing demands of approximately 1,300 Acre Feet per year. The District has revised its revenue requirements to build reserves for BPA acquisition.

Borrego Springs is considered a Severely Disadvantaged Community (SDAC). A SDAC is defined as a community with a median household income (MHI) of less than 60% of the California statewide MHI. The Valley is also considered an Economically Distressed Area (EDA). An EDA is defined as a geographic area with a population of 20,000 or less with an annual MHI that is less than 85% of the California statewide MHI, and with at least one of the following conditions, as determined by the Department of Water Resources (DWR): a) financial hardship; b) unemployment rate at least 2% higher than the statewide average; or c) low population density.

In addition, the Borrego Water District has not been immune to the financial effects of the recent COVID-19 pandemic. In Fiscal Year 2021, customer receivables increased by about \$144,000 over pre-pandemic levels. Staff has been working with individual customers and obtained grant funding from the State Water Resources Control Board, responsible to distribute about \$1 Billion for accounts in arrears under the American Rescue Plan Act of 2021.

### ***Previous Fiscal Years Spending by the District***

The District has largely addressed the financial situation that was inherited from the 2007-2010 Board and general manager's decisions that between FY 2008 – FY 2011 spent more than \$6.3 million of the District's \$6.5 million cash reserves and potentially obligated the District to spend another \$7.0 million for unfunded projects. These spending and future obligations resulted in the District no longer having the financial stability to obtain new debt to pay for necessary long-term capital improvement projects (CIP). With the cancellation of many of the future obligations incurred by the 2007 board, reduction of annual operating and maintenance (O&M) expenses by more than \$1.2 million, careful cash flow management, and Proposition 218 approved rate increases during the period FY 2012-2021, the District then had sufficient annual cash flow and cash reserves by FY 2018 for necessary borrowing to issue \$5.5 million in bonds to fund needed CIP for FY 2019-2021.

Due to historically low interest rates, in October of 2022, BWD was able to refinance the remaining principal of the \$5.5 million Pacific Western Bond and issued an additional \$3 million with Capitol One Public Financing. About \$1.5 million is allocated to complete construction of new production well ID5-15 and to perform necessary rehab and repairs on various existing production wells. The remaining \$1.5 million is held as cash on hand should an opportunity arise where the District can purchase additional BPA.

The District's Board believes timely investments in CIP are necessary to produce the lowest economic cost provision of municipal water, sewer and wastewater treatment services over the long term for the District's customers.

### ***Environmental and Climate Changes***

Decisions concerning land use, application to the land of substances that may contaminate groundwater, and the use of inadequate sureties for County grading permits in order to restore development-disturbed desert lands are some of the environmental changes that may cause additional costs for the District to provide potable municipal water to its customers. Additionally, with the advent of Anthropogenic Climate Disruption (climate change), the current scientifically accepted prognosis is for potentially greater future climate variability. Such variability may result in higher frequency of floods and longer periods of lower precipitation in the Park's watersheds that provide recharge to the Subbasin, and increased risk for wildfires due to longer, drier conditions. Thus, climate changes may introduce additional costs for the District to provide potable municipal water to its customers.



## ***Long-Term Financial Planning***

Through a coordinated strategic process, the Board has established a series of policies and plans to effectively meet the District's anticipated future revenue needs. The principles the District has adopted for maintaining revenue sufficiency and good credit include: (a) the active management and projection of monthly cash flow during the year; (b) holding operating and maintenance (O&M) expenditures to the annual budget; (c) minimal increases in salaries and benefits for employees; (d) refinancing of existing debt obligations where such refinancing would produce reductions in future long term cash obligations; (e) minimizing its reliance of operating cash flow to fund CIP; (f) the active development of state and federal grant opportunities for funding CIP and SGMA-related costs; (g) implementing annual water and sewer rate increases to increase cash flow and to accumulate cash reserves; (h) the maintenance of sufficient cash reserves to address emergency and environmental and climate change risk factors; and (i) pursuing regular proactive Proposition 218 5-year rate increase approvals.

The primary driver for the long-term financial viability of the District, as well as the economy of the Valley is the critical overdraft's potential impact on water quality (see section on Groundwater Supply, Usage & Availability above) and the need to relocate existing wells and add new wells as well production is impacted by water table declines due to the overdraft. Thus, to minimize its financial risk, the District plans to maintain financial stability and a good credit standing with the debt markets in order to accommodate raising future new debt for its municipal operations.

## **RELEVANT FINANCIAL POLICIES**

### ***Reserve Policy***

The District has established a Reserve Funds Policy to anticipate and to prepare for future funding requirements as well as for unforeseen events. The Reserve Funds Policy establishes restricted and unrestricted reserves and describes the flow of funds to and from the various reserves. A copy of the District's updated and approved Reserve Funds Policy, along with the projected reserve funds targets, is available on the District's website as a component of the most recent fiscal year budget document.

### ***Risk Management***

The District is a member of the California Joint Powers Insurance Authority (JPIA). The JPIA pools for the first \$500,000 of general, auto & public officials liability coverage and has purchased excess coverage up to \$60 million. The JPIA provides coverage on repair or replacement against loss of District property caused by earthquake or flood of \$20 million. The District also has a risk management policy that describes the policies, practices, and procedures for some of the District's more salient financial risks identified by staff and the Board.

### ***Pension and Other Post-Employment Benefits***

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employees defined benefit pension plan for its personnel. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Additional information about the District's pension arrangements and post-employment benefits can be found in the notes to the financial statements.

### ***Investment Policy***

The Investment Policy establishes guidelines for the investment of available funds. The Investment Policy incorporates the Prudent Investor Standards. The primary objectives, in priority order, of the District's investment activities are the following: 1) safety, 2) liquidity, and 3) yield. The District's funds are invested in a variety of investments, in accordance with California government code, as described in the notes to the financial statements. The District minimizes interest rate risk by investing a greater portion of its funds in short term investments and minimizes credit risk by investing a majority of its funds diversified investment pools.

### ***Internal Controls***

The District is responsible for establishing and maintaining an internal controls structure designed to ensure that the District's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled for the preparation of financial statements in conformity with GAAP. The internal structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that; 1) the cost of control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

Respectfully submitted,



Geoffrey Poole, General Manager

DRAFT



Leaf & Cole, LLP  
*Certified Public Accountants  
A Partnership of Professional Corporations*

## **Independent Auditor's Report**

To the Board of Directors  
Borrego Water District  
806 Palm Canyon Drive  
Borrego Springs, California 92004

### **Opinion**

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Borrego Water District, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Borrego Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of Borrego Water District as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Borrego Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Borrego Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Borrego Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, we well as evaluating the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Borrego Water District 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 42 - 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and schedules of assessed valuation but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

San Diego, California  
May \_\_, 2023

DRAFT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of Borrego Water District (District) provides an overview of the District's financial activities for the years ended June 30, 2022 and 2021. Please read it in conjunction with the District's financial statements which begin on page 11.

### **Financial Statements**

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The Borrego Water District operates as a public utility and maintains its accounting records in accordance with generally accepted accounting principles for a proprietary fund as prescribed by the Government Accounting Standards Board (GASB). The financial statements of the District report information about the District using accounting methods similar to those used by companies in the private sector. These statements offer short and long-term financial information about its activities. The District's financial statements include five components.

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements
- Other Information

The statements of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. Net position may be displayed in three categories:

- Net Investment in Capital Assets
- Restricted Net Position
- Unrestricted

The statements of net position provide the basis for computing rate of return, evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statements of revenues, expense and changes in net position present information which shows how the District's net position changed during the year. The financial statements, except for the cash flow statements are prepared using the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts or payments. The statements of revenues, expenses, and changes in net position measure the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

The statements of cash flows provide information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Noncapital financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Financial Statements (Continued)**

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

### **Other Information**

In addition to the financial statements and accompanying notes, the financial statements also present certain required supplementary information, which follows the notes to the financial statements. This other information includes pension funding schedules.

### **Financial Highlights**

During the fiscal years ended June 30, 2022 and 2021, the following events impacted, or have the potential to impact, the finances of the District.

- Capital assets increased \$1,122,965 at June 30, 2022 from June 30, 2021, which included improvements to Production Well #2 (ID5 - 15), Wastewater Treatment Plant, Bending Elbow Pipeline and Well 11 electric upgrade.
- During fiscal year 2022, the District earned grant revenue of \$479,672 through funding provided in full or in part by the Clean Water State Revolving Fund through an agreement with the State Water Resource Control Board. The funding under the agreement is being used to rehabilitate and upgrade critical components of the District's wastewater treatment plant to comply with discharge requirements.
- Total operating revenues increased \$385,356 principally in water sales and other income.
- Total operating expenses decreased \$498,235 as a result of reduced administrative costs related to the groundwater basin under the stipulated agreement including consulting, pumping, and an air quality study.
- Nonoperating revenues exceeded non-operating expenses as grant income, property taxes and investment income exceeded interest expense and loss on disposal of capital assets.
- Cash and cash equivalents increased to \$8,640,739 at June 30, 2022 from \$6,336,015 at June 30, 2021. Proceeds from the new Installment Sale agreement were received as needed to fund capital projects. Restricted bond proceeds to fund future capital projects totaled \$-0- and \$63,620 at June 30, 2022 and 2021, respectively.

More information about the overall analysis of the District's financial position and results of operations is provided in the following sections.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the District

#### Net Position

The following is a summary of the District's statements of net position at June 30:

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Assets:</u>				
Cash and cash equivalents	\$ 8,640,739	\$ 6,336,015	\$ 2,304,724	36.37%
Capital assets	20,749,604	19,626,639	1,122,965	5.72%
Other assets	1,441,749	974,609	467,140	47.93%
Total Assets	<u>30,832,092</u>	<u>26,937,263</u>	<u>3,894,829</u>	14.46%
<u>Deferred Outflows of Resources</u>	<u>246,556</u>	<u>321,550</u>	<u>(74,994)</u>	(23.32)%
<u>Liabilities:</u>				
Current liabilities	1,424,249	1,254,216	170,033	13.56%
Noncurrent liabilities	9,062,791	7,352,849	1,709,942	23.26%
Total Liabilities	<u>10,487,040</u>	<u>8,607,065</u>	<u>1,879,975</u>	21.84%
<u>Deferred Inflows of Resources</u>	<u>281,931</u>	<u>18,973</u>	<u>262,958</u>	1,385.96%
<u>Net Position:</u>				
Net investment in capital assets	11,647,277	12,899,306	(1,252,029)	(9.71)%
Unrestricted	8,662,400	5,733,469	2,928,931	51.08%
Total Net Position	<u>\$ 20,309,677</u>	<u>\$ 18,632,775</u>	<u>\$ 1,676,902</u>	9.00%

From the table above, net position increased by \$1,676,902 from fiscal year 2021 to 2022. Net investment in capital assets decreased \$1,252,029. As construction funds are spent, more of the long-term debt is allocated to net investment in capital assets. In addition, depreciation expense was exceeded by the amount spent on capital assets.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Revenues, Expenses and Change in Net Position

The following is a summary of the District's change in net position for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b><u>Operating Revenues:</u></b>				
Water sales	\$ 3,957,289	\$ 3,640,508	\$ 316,781	8.70%
Sewer service charges	654,215	657,641	(3,426)	(.52)%
Availability charges	239,702	241,965	(2,263)	(.94)%
Watermaster reimbursements	102,499	101,313	1,186	1.17%
Other income	100,620	27,542	73,078	265.33%
Total Operating Revenues	<u>5,054,325</u>	<u>4,668,969</u>	<u>385,356</u>	8.25%
<b><u>Operating Expenses:</u></b>				
Water operations	1,468,224	1,602,132	(133,908)	(8.36)%
Depreciation	927,725	781,094	146,631	18.77%
Sewer operations	454,292	389,934	64,358	16.50%
Pumping	422,335	330,936	91,399	27.62%
General and administrative	416,005	1,092,178	(676,173)	(61.91)%
Treatment	36,017	26,559	9,458	35.61%
Total Operating Expenses	<u>3,724,598</u>	<u>4,222,833</u>	<u>(498,235)</u>	(11.80)%
Operating Income	<u>1,329,727</u>	<u>446,136</u>	<u>883,591</u>	198.05%
<b><u>Nonoperating Revenues (Expenses):</u></b>				
Nonoperating revenues	560,811	90,752	470,059	517.96%
Nonoperating expenses	(391,394)	(284,071)	(107,323)	(37.78)%
Nonoperating Revenues (Expenses), Net	<u>169,417</u>	<u>(193,319)</u>	<u>362,736</u>	187.64%
Income Before Contributions	1,499,144	252,817	1,246,327	492.98%
Capital Contributions	<u>177,758</u>	<u>234,716</u>	<u>(56,958)</u>	(24.27)%
Change in Net Position	1,676,902	487,533	1,189,369	243.96%
Net Position at Beginning of Year	<u>18,632,775</u>	<u>18,145,242</u>	<u>487,533</u>	2.69%
Net Position at End of Year	<u>\$ 20,309,677</u>	<u>\$ 18,632,775</u>	<u>\$ 1,676,902</u>	9.00%

A closer examination of the source of changes in net position reveals that the District's operating revenues increased by \$385,356 in fiscal year 2022. Watermaster reimbursements received were offset by increases in water sales, sewer service charges and other income. Nonoperating expenses, increased \$107,323 due to a increase in interest expense. Operating expenses, exclusive of depreciation decreased \$644,866 in fiscal year 2022 due to administrative costs under the Stipulated Agreement, including consulting, pumping and an air quality study.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets

Capital assets consist of the following at June 30:

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Land	\$ 693,702	\$ 833,702	\$ (140,000)	(16.79)%
Flood control facilities	4,287,340	4,287,340	-	-
Sewer facilities	6,497,895	6,497,895	-	-
Water facilities	16,778,661	15,375,760	1,402,901	9.12%
General facilities	1,006,881	1,006,881	-	-
Telemetry system	46,459	46,459	-	-
Equipment and furniture	994,406	778,200	216,206	27.78%
Vehicles	687,297	687,297	-	-
Construction in progress	3,471,988	2,900,405	571,583	19.71%
Fallowed water credits	932,050	932,050	-	-
Water rights - ID #4	185,000	185,000	-	-
Total Assets	<u>35,581,679</u>	<u>33,530,989</u>	<u>2,050,690</u>	6.12%
Less: Accumulated depreciation	<u>(14,832,075)</u>	<u>(13,904,350)</u>	<u>(927,725)</u>	6.67%
Net Capital Assets	<u>\$ 20,749,604</u>	<u>\$ 19,626,639</u>	<u>\$ 1,122,965</u>	5.72%

The net additions to capital assets for fiscal year 2022 totaled \$1,122,965. Significant capital asset additions include improvements to Well #2, Wastewater Treatment Plant, Bending Elbow Pipeline and Well 11 electric upgrade.

### Long-Term Debt

The following is a summary of long-term debt at June 30:

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
2018 Installment Purchase Agreement	\$ -	\$ 4,613,000	\$ (4,613,000)	(100.00)%
2021 Installment Purchase Agreement	7,508,930	-	7,508,930	-
Promissory Note 2018A	1,532,000	1,725,000	(193,000)	(11.19)%
Promissory Note 2018B	396,800	518,337	(121,537)	(2.45)%
Total Long-Term Debt	<u>\$ 9,437,730</u>	<u>\$ 6,856,337</u>	<u>\$ 2,581,393</u>	37.65%

The District increased its debt outstanding by \$2,581,393 for fiscal year 2022 by refinancing the 2018 Installment Purchase Agreement and entering into the 2021 Installment Purchase Agreement.

## MANAGEMENT’S DISCUSSION AND ANALYSIS

### Economic Factors and Future Year’s Budget and Rates

The District’s Board of Directors and management considered many factors when setting the fiscal year 2022 - 2023 budget, user fees and charges. The District attempts to balance revenues with operating expenses that have increased due to inflationary factors, such as cost of living, cost to provide water, and insurance coverage.

These indicators were taken into consideration when adopting the District’s budget for the fiscal year 2022 - 2023. The budget has been structured to contain costs, but at the same time, continue the District’s philosophy of providing the highest levels of service and continue efforts towards securing a sustainable water supply for the community.

On July 27, 2021, the District’s Board of Directors approved Proposition 218 compliant rate increases for FY 2022 - 2026 that include a change in rate structure resulting in a 5% increase in water revenues and no increase for sewer revenues for fiscal year 2022, followed by a 5% increase in water revenues and a 4% increase in sewer revenues annually on July 1, through fiscal year 2026. The changes in water rate structure shifted a greater financial burden to high water users while resulting in lower rates for single family homes using a conservative amount of water. While the District previously charged commodity rates for two tiers, the recent changes have created three tiers where tier one is intended to include enough water for domestic use of a single family (0 to 7 units), tier two reflects single family usage plus average desert irrigation (8 to 22 units) and tier three reflects usage outside of what is considered necessary and conservative to a residential dwelling (more than 22 units). Tier three rates are intended to fund the future purchase of supplemental water supply to meet municipal needs.

The initial rate change was effective October 1, 2021 and was reflected on November 2021 billings. Subsequent increases are annually on July 1<sup>st</sup>, reflected in the August billings.

On June 22, 2021, the District’s Board of Directors approved the FY 2022 budget that anticipates Capital Improvement Program (CIP) project’s spending of approximately \$22,000,000 through FY 2029-30. The Board has engaged the District’s financial advisors to develop a financing plan and the District’s municipal advisors to conduct a Cost of Service study to determine the feasibility and funding plan for these necessary CIP projects. Borrego Water District does not budget for depreciation, but prefers to budget for actual capital assets using the internally generated 10 year Capital Improvement Budget.

### **Fiscal Year 2022 Actual vs. Fiscal Year 2023 Budget**

	<u>2023 Budget</u>	<u>2022 Actual</u>	<u>Variance</u>	
			<u>Dollar</u>	<u>Percentage</u>
<b><u>Revenues:</u></b>				
Operating revenue	\$ 5,078,745	\$ 5,054,325	\$ 24,420	.48%
Nonoperating revenue	75,000	560,811	(485,811)	(86.63)%
Capital contributions	-	177,758	(177,758)	(100.00)%
Total Revenue	<u>5,153,745</u>	<u>5,792,894</u>	<u>(639,149)</u>	<u>(11.03)%</u>
<b><u>Expenses:</u></b>				
Operating expenses	4,420,750	3,724,598	696,152	18.69%
Non-operating expenses	244,759	391,394	(146,635)	37.46%
Total Expenses	<u>4,665,509</u>	<u>4,115,992</u>	<u>549,517</u>	<u>13.35%</u>
<b>Change in Net Position</b>	<u>\$ 488,236</u>	<u>\$ 1,676,902</u>	<u>\$ (1,188,666)</u>	<u>(70.88)%</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Economic Factors and Future Year's Budget and Rates (Continued)**

On April 8, 2021, the Superior Court approved the Stipulated Judgment which defines Basin water rights for each pumper producing two acre feet or more in the Basin and imposes a “physical solution” regarding Basin management including use of Basin storage space, overseen by the Superior Court. Under the Sustainable Groundwater Management Act (SGMA), a Stipulated Judgment can serve as an “alternative” to a Groundwater Sustainability Plan (GSP) mandated by SGMA. The judgment allows the District to recover approximately \$300,000 in GSP development costs, and includes an obligation to pay along with other pumpers approximately \$30/acre-foot annually for extractions from the Basin, and the District will likely be required to obtain some amount of supplemental water supply to meet municipal needs beginning in five years or sooner, if available.

### **Contacting the District's Financial Manager**

This financial report is designed to give ratepayers, customers, investors, and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact Geoff Poole, General Manager, or Jessica Clabaugh, Fiscal Officer at the Borrego Water District, 806 Palm Canyon Drive, Borrego Springs, California, 92004 or by telephone at (760) 767-5806.

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**BORREGO WATER DISTRICT  
STATEMENTS OF NET POSITION  
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets:</u></b> (Notes 1 and 2)		
Cash and cash equivalents	\$ 8,350,601	\$ 6,231,095
Accounts receivable - Water and sewer, net	713,444	696,827
Accounts receivable - Watermaster reimbursements	121,847	113,275
Accounts receivable - Wastewater treatment plant upgrade grant	405,746	-
Accrued interest receivable	3,873	1,685
Property tax receivable	2,752	2,604
Inventory	159,525	129,396
Prepaid expenses	34,562	30,822
Total Current Assets	9,792,350	7,205,704
<b><u>Noncurrent Assets:</u></b> (Notes 1, 2, 3 and 4)		
<b>Restricted Assets:</b>		
Cash and cash equivalents	290,138	104,920
Total Restricted Assets	290,138	104,920
<b>Capital Assets:</b>		
Nondepreciable capital assets	5,282,740	4,851,157
Depreciable capital assets, net	15,466,864	14,775,482
Total Capital Assets	20,749,604	19,626,639
<b>TOTAL ASSETS</b>	30,832,092	26,937,263
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b> (Notes 1 and 6)		
Deferred outflows related to refunding	45,266	65,384
Deferred outflows related to pensions	43,396	114,071
Deferred outflows related to pension contributions	157,894	142,095
Total Deferred Outflows of Resources	246,556	321,550

The accompanying notes are an integral part of the financial statements.

**BORREGO WATER DISTRICT  
STATEMENTS OF NET POSITION (CONTINUED)  
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities:</u></b> (Notes 1 and 5)		
Accounts payable	\$ 152,597	\$ 564,989
Accrued interest payable	58,108	64,742
Deferred revenue	64,332	-
Customer deposits	290,138	41,300
Current portion of noncurrent liabilities	859,074	583,185
Total Current Liabilities	<u>1,424,249</u>	<u>1,254,216</u>
<b><u>Noncurrent Liabilities:</u></b> (Notes 1, 5 and 6)		
Notes payable, net of current portion	8,687,019	6,359,800
Compensated absences	72,241	57,765
Net pension liability	303,531	935,284
Total Noncurrent Liabilities	<u>9,062,791</u>	<u>7,352,849</u>
Total Liabilities	<u>10,487,040</u>	<u>8,607,065</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b> (Notes 1 and 6)		
Deferred inflows related to pensions	<u>281,931</u>	<u>18,973</u>
<b><u>Commitments and Contingencies</u></b> (Notes 6 and 7)		
<b><u>NET POSITION:</u></b>		
Net investment in capital assets	11,647,277	12,899,306
Unrestricted	8,662,400	5,733,469
Total Net Position	<u>\$ 20,309,677</u>	<u>\$ 18,632,775</u>

The accompanying notes are an integral part of the financial statements.

**BORREGO WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>Operating Revenues:</u></b>		
Water sales	\$ 3,957,289	\$ 3,640,508
Sewer service charges	654,215	657,641
Availability charges	239,702	241,965
Watermaster reimbursements	102,499	101,313
Other income	100,620	27,542
Total Operating Revenues	<u>5,054,325</u>	<u>4,668,969</u>
<b><u>Operating Expenses:</u></b>		
Water operations	1,468,224	1,602,132
Pumping	422,335	330,936
Water treatment	36,017	26,559
Sewer operations	454,292	389,934
General and administrative	416,005	1,092,178
Depreciation	927,725	781,094
Total Operating Expenses	<u>3,724,598</u>	<u>4,222,833</u>
Operating Income	<u>1,329,727</u>	<u>446,136</u>
<b><u>Nonoperating Revenues (Expenses):</u></b>		
Grant revenue	479,672	-
Property taxes	72,848	71,486
Investment income	8,291	18,766
(Loss) Gain on disposal of capital assets	(54,437)	500
Interest expense	(336,957)	(284,071)
Total Nonoperating Revenues (Expenses)	<u>169,417</u>	<u>(193,319)</u>
Income Before Contributions	1,499,144	252,817
Capital Contributions	<u>177,758</u>	<u>234,716</u>
Change in Net Position	1,676,902	487,533
Net Position at Beginning of Year	<u>18,632,775</u>	<u>18,145,242</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 20,309,677</u>	<u>\$ 18,632,775</u>

The accompanying notes are an integral part of the financial statements.

**BORREGO WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>Cash Flow From Operating Activities:</u></b>		
Cash received from customers	\$ 4,899,943	\$ 4,450,140
Cash received from watermaster reimbursements	102,499	101,313
Cash payments to suppliers for goods and services	(1,573,835)	(2,260,736)
Cash payments to employees for services and benefits	(1,511,939)	(1,045,595)
Customer deposits	248,838	-
Other operating cash receipts	164,952	27,542
Net Cash Provided by Operating Activities	<u>2,330,458</u>	<u>1,272,664</u>
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>		
Receipts from property taxes	<u>72,700</u>	<u>72,451</u>
Net Cash Provided by Noncapital financing Activities	<u>72,700</u>	<u>72,451</u>
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>		
Acquisition and construction of capital assets	(2,625,778)	(2,257,930)
Proceeds from sale of capital assets	85,563	500
Proceeds from long term debt	7,508,930	-
Principal paid on long-term debt	(4,927,537)	(623,538)
Interest paid on long-term debt	(323,473)	(269,850)
Capital contributions	177,758	234,716
Net Cash Used in Capital and Related Financing Activities	<u>(104,537)</u>	<u>(2,916,102)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment income	<u>6,103</u>	<u>24,546</u>
Net Cash Provided by Investing Activities	<u>6,103</u>	<u>24,546</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,304,724	(1,546,441)
Cash and Cash Equivalents at Beginning of Year	<u>6,336,015</u>	<u>7,882,456</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 8,640,739</u></b>	<b><u>\$ 6,336,015</u></b>

(Continued)

The accompanying notes are an integral part of the financial statements.



**BORREGO WATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>Reconciliation of Operating Income to Net</u></b>		
<b><u>Cash Provided by Operating Activities:</u></b>		
Operating income	\$ 1,329,727	\$ 446,136
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	927,725	781,094
<b>Change in assets and liabilities:</b>		
Accounts receivable - Water and sewer, net	(16,617)	(87,899)
Accounts receivable - Watermaster reimbursements	(8,572)	(2,075)
Inventory	(30,129)	(9,815)
Prepaid expenses	(3,740)	(1,962)
Deferred outflows related to pension	70,675	11,139
Deferred outflows related to pension contributions	(15,799)	47,240
Accounts payable	22,696	32,626
Deferred revenue	64,332	-
Customer deposits	248,838	-
Compensated absences	36,191	31,223
Net pension liability	(631,753)	44,152
Deferred inflows related to pensions	262,958	(19,195)
Grant revenue	73,926	-
Net Cash Provided by Operating Activities	<u>\$ 2,330,458</u>	<u>\$ 1,272,664</u>
<b><u>Cash and Cash Equivalents:</u></b>		
<b><u>Financial Statement Classification</u></b>		
Cash and cash equivalents	\$ 8,350,601	\$ 6,231,095
Restricted cash and cash equivalents	290,138	104,920
Total Cash and Cash Equivalents	<u>\$ 8,640,739</u>	<u>\$ 6,336,015</u>
<b><u>Supplemental Disclosure of Cash Flow Information</u></b>		
Capital assets included in increase in accounts payable	<u>\$ (435,088)</u>	<u>\$ 435,088</u>
Amortization of deferred outflows related to refunding	<u>\$ 20,118</u>	<u>\$ 20,118</u>

The accompanying notes are an integral part of the financial statements.

**BORREGO WATER DISTRICT  
STATEMENTS OF FIDUCIARY NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash	\$ 713,929	\$ 678,426
Total Assets	<u>713,929</u>	<u>678,426</u>
 <b>NET POSITION</b>		
Held in trust for the benefit of residents of Community Facilities District 2017-01	\$ <u>713,929</u>	\$ <u>678,426</u>

The accompanying notes are an integral part of the financial statements.

DRAFT

**BORREGO WATER DISTRICT**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ADDITIONS</b>		
Property taxes and assessments	\$ 855,614	\$ 848,219
Interest	196	19
Total Additions	<u>855,810</u>	<u>848,238</u>
<b>DEDUCTIONS</b>		
Debt service	804,023	507,335
Outside professional services	11,884	14,927
Trust fees	4,400	4,400
Total Deductions	<u>820,307</u>	<u>526,662</u>
Change in Net Position	<u>35,503</u>	<u>321,576</u>
Net Position at Beginning of Year	<u>678,426</u>	<u>356,850</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 713,929</u></u>	<u><u>\$ 678,426</u></u>

The accompanying notes are an integral part of the financial statements.

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**BORREGO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**Note 1 - Organization and Significant Accounting Policies:**

**Organization**

Borrego Water District (the “District”) was established in 1962 pursuant to section 35565 of the California Water Code to provide water, sewer, flood control and gnat abatement services to properties in the District. The District is governed by a five member board of directors that are elected at-large by the registered voters residing in the boundaries of the District. The District has nine active wells and approximately 90 miles of distribution lines. In addition, the District provides sewer and wastewater services primarily in the Town Center, Club Circle, and Rams Hill Development.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100 “Defining the Financial Reporting Entity”. The District is the primary government unit. Component units are those entities, which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit’s board, or because the component unit will provide a financial benefit or impose a financial burden on the District.

The Borrego Water District Public Facilities Corporation (the Corporation) was organized in May 1996 under the nonprofit Public Benefit Corporation Law of the State of California to render assistance to the Borrego Water District and any Special Districts which are governed by the Board of Directors of the Borrego Water District with respect to providing various public facilities or services to or for the benefit of the District. The District has accounted for the Corporation as a blended component unit. Despite being legally separate, the Corporation is so intertwined with the District that the Corporation is in substance part of the District’s operations. Accordingly, the Corporation is included within the financial statements of the District.

**Significant Accounting Policies**

A summary of the District’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Method of Accounting**

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the statements of net position and the statements of revenues, expenses and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The District uses a fiduciary fund to account for amounts that it collects and distributes on behalf of Community Facility District 2017-01.

Capital assets may be constructed by private developers and then dedicated to the District, which is then responsible for their future maintenance. These facilities are recorded as capital contributions when they pass inspection by the District and the estimated costs are capitalized.

The District has not elected to apply the option allowed in GASB Cod. Sec. P80.103, “Proprietary Fund Accounting and Financial Reporting” and as a consequence will continue to apply GASB statements and interpretations.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

The District recognizes revenues from water sales, sewer service charges, availability charges, and other income when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the District considers fees received from water sales, sewer services and availability charges to be operating revenues. Taxes and assessments are recognized as revenues based upon amounts reported to the District by the County of San Diego.

**Accounts Receivable - Watermaster Reimbursement**

Pursuant to the State of California adopting the Sustainable Groundwater Management Act (SGMA) in 2014, all parties who pump groundwater from the Borrego Springs Groundwater Subbasin, entered into an agreement (Settlement Agreement) that establishes a physical solution to bring sustainability to the Critically Over-drafted Subbasin. In accordance with the Settlement Agreement, the signing parties agreed to share costs associated with preparation of a Groundwater Sustainability Plan (GSP). The majority of the costs associated with the Settlement Agreement are reimbursed thru the signing parties. The District recognized watermaster reimbursement revenue totaling \$102,499 and \$101,313 for the years ended June 30, 2022 and 2021, respectively. Accounts receivable - watermaster reimbursement totaled \$121,847 and \$113,275 at June 30, 2022 and 2021, respectively.

**Allowance for Doubtful Accounts**

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. The allowance for doubtful accounts receivable totaled \$131,641 and \$195,638 at June 30, 2022 and 2021, respectively.

**Taxes and Assessments**

Property taxes and assessments are billed by the County of San Diego to property owners. The District's property tax calendar for the fiscal year ended June 30, 2022 and 2021 was as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 10 Second Installment - April 10

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Taxes and Assessments - (Continued)**

The County collects the taxes from the property owners and remits the funds to the District periodically during the year. The District has an arrangement with the County whereby the County remits taxes which are delinquent as of each June 30 to the District in exchange for the right to retain the delinquent taxes, penalties, and interest when these amounts are subsequently collected.

**Inventory**

Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued using the FIFO costing method

**Capital Assets**

Capital assets purchased or acquired with a cost exceeding \$5,000 and an estimated useful life more than one year are reported at historical cost. Donated capital assets, donated works of art, and similar items, and capital assets received in service concession agreements are reported at acquisition value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Flood control facilities	100 years
Sewer facilities	5 - 75 years
Water facilities	10 - 50 years
General facilities	20 - 50 years
Telemetry system	6 years
Equipment and furniture	5 - 20 years
Vehicles	5 - 40 years

Depreciation aggregated \$927,725 and \$781,094 for the years ended June 30, 2022 and 2021, respectively.

**Amortization**

The deferred amount on refunding is being amortized on the straight-line method over the remaining life of the related debt. Amortization of the deferred amount on refunding totaled \$20,118 for each of the years ended June 30, 2022 and 2021, and is included in interest expense.

**Compensated Absences**

Accumulated and unpaid vacation and sick leave totaling \$180,604 and \$144,413 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2022 and 2021, respectively.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to future periods and so will not be recognized as an outflows of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability, differences between actual and expected experience, and adjustment due to differences in proportions.

In addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following that qualify for reporting in this category:

- Deferred inflows related to pensions resulting from the net difference between projected and actual earnings on pension plan investments, and differences between actual and required contributions.

**Risk Management**

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Authority). The Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2022, the District participated in the self-insurance programs of the Authority as follows:

Property Loss - Provides for full value replacement of real and personal property owned by the District in the event of a loss. Actual cash value on licensed vehicles, mobile equipment and Hypalon reservoir covers. The JPIA pools for the first \$100,000 and has purchased excess coverage.

General and Auto Liability - Insured up to \$55 million per occurrence; the Authority is self-insured up to \$500,000 and excess insurance coverage has been purchased. The general and auto liability program has no deductible.

Public Officials' Liability - Insured up to \$55 million per occurrence; the Authority is self-insured up to \$500,000 and excess insurance coverage has been purchased.

Fidelity Bond - Insured up to \$1,000,000 per occurrence with a \$100,000 deductible.

**BORREGO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Risk Management (Continued)**

Workers' Compensation - Insured up to the statutory limits; the Authority is self-insured up to \$2 million and excess insurance coverage has been purchased. Employer's liability is insured up to \$4 million.

Difference in Conditions - Provides coverage on a repair or replacement basis against loss of District property caused by earthquake or flood, up to \$25 million with a \$25,000 deductible.

The District pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The District's insurance expense totaled \$69,670 and \$71,809 for the years ended June 30, 2022 and 2021 . There were no instances in the past three years where a settlement exceeded the District's coverage.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website under Forms and Publications.

Generally Accepted Accounting Principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	June 30, 2020 to June 30, 2021

**Fair Value Measurements**

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.



**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Fair Value Measurements (Continued)**

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The District's statements of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided LAIF.

**Economic Dependency**

The District pumps 100% of its water from the Borrego Springs Sub-Basin of the Borrego Valley groundwater basin. Interruption of this source would impact the District negatively.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all investment instruments purchased with a maturity of three months or less to be cash.

**Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through May \_\_\_\_, 2023, the date the financial statements were available to be issued.

**Reclassification**

The District has reclassified certain prior year information to conform with the current year presentation.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 2 - Cash and Investments:**

**Investment Authorized by the California Government Code and the District's Investment Policy**

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District rather than the general provision of the California Government Code or the District's investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investment Funds	N/A	None	None

The District's investment policy is more restrictive than the California Government Code. The District limits the percentage of its portfolio that can be invested in LAIF, certificates of deposit and savings accounts and U.S. Government bills, notes, bonds and overnight money market funds.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 2 - Cash and Investments: (Continued)**

Cash and investments held by the District were comprised of the following at June 30:

	<u>2022</u>	<u>2021</u>
	<u>Maturity in Years</u>	<u>Maturity in Years</u>
	<u>One Year or Less</u>	<u>One Year or Less</u>
Cash on hand	\$ 223	\$ 350
California Local Agency Investment Fund (LAIF)	2,069,053	2,063,292
Deposits with financial institutions	7,285,392	4,950,799
Total Cash and Investments	<u>\$ 9,354,668</u>	<u>\$ 7,014,441</u>
Financial Statement Classification:		
Cash and cash equivalents	\$ 8,350,601	\$ 6,231,095
Cash and cash equivalents - Restricted	290,138	104,920
Fiduciary fund - Cash	713,929	678,426
Total Cash and Investments	<u>\$ 9,354,668</u>	<u>\$ 7,014,441</u>

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The district manages its exposure to interest rate risk by purchasing shorter term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2022 and 2021.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year for each investment type.

	<u>Rating as of Year End Standard &amp; Poor's</u>
California Local Agency Investment Fund (LAIF)	Not Rated

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 2 - Cash and Investments: (Continued)**

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude to the District's investment in a single issue.

The investment policy of the District contains limits on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code as described below. The District holds no investments in any one issuer (other than U.S. Treasury obligations, mutual funds, and external investment pools) that represent 5% or more of total District investments at June 30, 2022.

<u>Investment Type</u>	<u>Maximum Percentage of Portfolio</u>
California Local Agency Investment Fund	98%
FDIC Insured Institutions (C.D.'s and Savings Accounts)	95%
U.S. Government Bills, Notes, Bonds, and Overnight Money Markets Funds	20%
Certificates of Deposit, Account Registry Services	95%

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2022, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 2 - Cash and Investments: (Continued)**

**Investment in State Investment Pool**

The District is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The statements of cash flows have been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail at June 30:

	<u>2022</u>	<u>2021</u>
Deposits with financial institutions	\$ 6,571,463	\$ 4,272,373
California Local Agency Investment Fund (LAIF)	2,069,053	2,063,292
Cash on hand	223	350
Total	\$ 8,640,739	\$ 6,336,015

**Note 3 - Restricted Assets:**

Restricted assets were provided by, and are to be used for the following at June 30:

<u>Funding Source</u>	<u>Use</u>	<u>2022</u>	<u>2021</u>
Bond proceeds and interest earnings	Capital facilities	\$ -	\$ 63,620
Deposits	Deposits	290,138	41,300
		\$ 290,138	\$ 104,920

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as necessary.

**BORREGO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**Note 4 - Capital Assets:**

Capital assets consist of the following at June 30:

	2022			
	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 833,702	\$ -	\$ (140,000)	\$ 693,702
Construction in progress	2,900,405	1,974,484	(1,402,901)	3,471,988
Fallowed water credits	932,050	-	-	932,050
Water rights - ID No. 4	185,000	-	-	185,000
Total Capital Assets Not Being Depreciated	<u>\$ 4,851,157</u>	<u>\$ 1,974,484</u>	<u>\$ (1,542,901)</u>	<u>\$ 5,282,740</u>
<b>Capital Assets Being Depreciated:</b>				
Flood control facilities	\$ 4,287,340	\$ -	\$ -	\$ 4,287,340
Sewer facilities	6,497,895	-	-	6,497,895
Water facilities	15,375,760	1,402,901	-	16,778,661
General facilities	1,006,881	-	-	1,006,881
Telemetry system	46,459	-	-	46,459
Equipment and furniture	778,200	216,206	-	994,406
Vehicles	687,297	-	-	687,297
Total Capital Assets Being Depreciated	28,679,832	1,619,107	-	30,298,939
Less: Accumulated depreciation	<u>(13,904,350)</u>	<u>(927,725)</u>	<u>-</u>	<u>(14,832,075)</u>
Net Capital Assets Being Depreciated	<u>14,775,482</u>	<u>691,382</u>	<u>-</u>	<u>15,466,864</u>
<b>Net Capital Assets</b>	<u>\$ 19,626,639</u>	<u>\$ 2,665,866</u>	<u>\$ (1,542,901)</u>	<u>\$ 20,749,604</u>
	2021			
	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 753,650	\$ 80,052	\$ -	\$ 833,702
Construction in progress	1,770,555	2,574,357	(1,444,507)	2,900,405
Fallowed water credits	942,850	-	(10,800)	932,050
Water rights - ID No. 4	185,000	-	-	185,000
Total Capital Assets Not Being Depreciated	<u>\$ 3,652,055</u>	<u>\$ 2,654,409</u>	<u>\$ (1,455,307)</u>	<u>\$ 4,851,157</u>
<b>Capital Assets Being Depreciated:</b>				
Flood control facilities	\$ 4,287,340	\$ -	\$ -	\$ 4,287,340
Sewer facilities	6,440,828	57,067	-	6,497,895
Water facilities	14,171,850	1,203,910	-	15,375,760
General facilities	1,006,881	-	-	1,006,881
Telemetry system	46,459	-	-	46,459
Equipment and furniture	763,413	14,787	-	778,200
Vehicles	675,446	61,816	(49,965)	687,297
Total Capital Assets Being Depreciated	27,392,217	1,337,580	(49,965)	28,679,832
Less: Accumulated depreciation	<u>(13,140,495)</u>	<u>(781,094)</u>	<u>17,239</u>	<u>(13,904,350)</u>
Net Capital Assets Being Depreciated	<u>14,251,722</u>	<u>556,486</u>	<u>(32,726)</u>	<u>14,775,482</u>
<b>Net Capital Assets</b>	<u>\$ 17,903,777</u>	<u>\$ 3,210,895</u>	<u>\$ (1,488,033)</u>	<u>\$ 19,626,639</u>

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 5 - Noncurrent Liabilities:**

Noncurrent liabilities consist of the following at June 30:

	2022				
	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022	Current Portion
<b><u>Notes Payable:</u></b>					
2018 Installment Purchase Agreement	\$ 4,613,000	\$ -	\$ (4,613,000)	\$ -	\$ -
2021 Installment Purchase Agreement	-	7,508,930	-	7,508,930	427,960
Promissory Note 2018A	1,725,000	-	(193,000)	1,532,000	196,000
Promissory Note 2018B	518,337	-	(121,537)	396,800	126,751
Total Notes Payable	<u>\$ 6,856,337</u>	<u>\$ 7,508,930</u>	<u>\$ (4,927,537)</u>	<u>\$ 9,437,730</u>	<u>\$ 750,711</u>
<b><u>Other Noncurrent Liabilities:</u></b>					
Accrued Compensated Absences	\$ 144,413	\$ 180,604	\$ (144,413)	\$ 180,604	\$ 108,363
Net Pension Liability	935,284	-	(631,753)	303,531	-
Total Other Long-Term Liabilities	<u>\$ 1,079,697</u>	<u>\$ 180,604</u>	<u>\$ (776,166)</u>	<u>\$ 484,135</u>	<u>\$ 108,363</u>
2021					
	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Current Portion
<b><u>Notes Payable:</u></b>					
2018 Installment Purchase Agreement	\$ 4,930,000	\$ -	\$ (317,000)	\$ 4,613,000	\$ 182,000
Promissory Note 2018A	1,915,000	-	(190,000)	1,725,000	193,000
Promissory Note 2018B	634,875	-	(116,538)	518,337	121,537
Total Notes Payable	<u>\$ 7,479,875</u>	<u>\$ -</u>	<u>\$ (623,538)</u>	<u>\$ 6,856,337</u>	<u>\$ 496,537</u>
<b><u>Other Noncurrent Liabilities:</u></b>					
Accrued Compensated Absences	\$ 113,190	\$ 144,413	\$ (113,190)	\$ 144,413	\$ 86,648
Net Pension Liability	891,132	233,487	(189,335)	935,284	-
Total Other Long-Term Liabilities	<u>\$ 1,004,322</u>	<u>\$ 377,900</u>	<u>\$ (302,525)</u>	<u>\$ 1,079,697</u>	<u>\$ 86,648</u>

**Refinanced Installment Purchase Agreement**

In July 2018, the District entered into the 2018 Installment Purchase Agreement with the Borrego Water District Public Facilities Corporation (“Corporation”). The Corporation provided \$5,586,000 for the purpose of financing costs of the District’s project as defined in the Agreement. In October 2021, the 2018 Installment Purchase Agreement was refinanced with the proceeds received from the 2021 Installment Purchase Agreement of \$7,508,930. The 2018 Installment Purchase Agreement was payable in semi-annual installments of principal plus interest of 3.825% on or before April 1 and October 1 each year commencing October 1, 2018 through and including October 1, 2038. Payments under the 2018 Installment Purchase Agreement were secured by a lien on and pledge of net revenues. The District had covenanted to fix, prescribe, revise, and collect rates, fees, and charges for services and facilities sufficient to yield estimated net revenues equal to 125% of the aggregate amount of debt service on all parity obligations payable from net revenues coming due and payable during such fiscal year. The District had a debt service ratio of 1.74:1 for the year ended June 30, 2021. The 2021 Installment Purchase Agreement had an outstanding principal balance of \$-0- and \$4,613,000 and accrued interest payable of \$-0- and \$44,853 at June 30, 2022 and 2021, respectively.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 5 - Noncurrent Liabilities: (Continued)**

**Installment Purchase Agreement**

In October 2021, the District entered into the 2021 Installment Purchase Agreement with the Borrego Water District Public Facilities Corporation (“Corporation”). The Corporation provided \$7,508,930 for the purpose of financing costs of the District for certain improvements in the water and sewer enterprises and to prepay the installment payments due under the 2018 Installment Purchase Agreement. The 2021 Installment Purchase Agreement is payable in semi-annual installments of principal plus interest of 2.190% on or before April 1 and October 1 each year commencing April 1, 2022 through and including October 1, 2036. Payments under the 2021 Installment Purchase Agreement are secured by a lien on and pledge of net revenues. The District has covenanted to fix, prescribe, revise, and collect rates, fees, and charges for services and facilities sufficient to yield estimated net revenues equal to 125% of the aggregate amount of debt service on all parity obligations payable from net revenues coming due and payable during such fiscal year. The District had a debt service ratio of 3.96:1 for the year ended June 30, 2022. The 2021 Installment Purchase Agreement had an outstanding principal balance of \$7,508,980 and accrued interest payable of \$41,111 at June 30, 2022.

**Promissory Note 2018A**

In July 2018, the District entered into a promissory note with Compass Bank in the amount of \$2,294,000 for the purpose of defeasing and prepaying the Borrego Water District Refunding Installment Purchase Agreement. The promissory note is payable in semi-annual payments of principal and interest at 3.35% commencing October 1, 2018 through and including October 1, 2028. Payments under the promissory note are secured by a lien on and pledge of net revenues. The District has covenanted to fix, prescribe, revise, and collect rates, fees, and charges for services and facilities sufficient to yield estimated net revenues equal to 125% of the aggregate amount of debt service on all parity obligations payable from net revenues coming due and payable during such fiscal year. The District had a debt service ratio of 3.96:1 and 1.74:1 for the years ended June 30, 2022 and 2021, respectively. The Promissory Note 2018A had an outstanding principal balance of \$1,532,000 and \$1,725,000 and accrued interest payable of \$12,831 and \$14,447 at June 30, 2022 and 2021, respectively.

**Promissory Note 2018B**

In July 2018, the District entered into a promissory note with Compass Bank in the amount of \$863,535 for the purpose of defeasing and prepaying the 2015 Compass Bank Note. The promissory note is payable in semi-annual payments of principal and interest at 4.20% commencing October 1, 2018 through and including October 1, 2024. Payments under the promissory note are secured by a lien on and pledge of net revenues. The District has covenanted to fix, prescribe, revise, and collect rates, fees, and charges for services and facilities sufficient to yield estimated net revenues equal to 125% of the aggregate amount of debt service on all parity obligations payable from net revenues coming due and payable during such fiscal year. The District had a debt service ratio of 3.96:1 and 1.74:1 for the years ended June 30, 2022 and 2021, respectively. The Promissory Note 2018B had an outstanding principal balance of \$396,800 and \$518,337 and accrued interest payable of \$4,166 and \$5,442 at June 30, 2022 and 2021, respectively.



**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 5 - Noncurrent Liabilities: (Continued)**

**Promissory Note 2018B (Continued)**

Debt service requirements on notes payable are as follows:

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 750,711	\$ 221,802
2024	778,259	200,109
2025	796,960	177,704
2026	677,050	157,673
2027	689,900	140,135
2028-2032	2,964,720	459,318
2033-2037	2,780,130	154,897
Total	<u>\$ 9,437,730</u>	<u>\$ 1,511,638</u>

**Note 6 - Defined Benefit Pension Plan:**

**General Information About the Pension Plan**

**Plan Description** - All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the Borrego Water District, (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. The Plan consists of the miscellaneous plan and the PEPRM Miscellaneous Plan.

**Benefits Provided** - The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Miscellaneous plan members with 5 years of service are eligible to retire at age 50 with statutory reduced benefits. PEPRM Miscellaneous members with 5 years of service are eligible to retire at age 52 with statutory reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement Law per contract. The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Prior to January 1, 2013 Miscellaneous	<u>On or After January 1, 2013</u>	
		With Prior Service 2 <sup>nd</sup> Tier	Without Prior Service PEPRM
Benefit formula	3.0% @ 60	2% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.80%	6.92%	7.59%
Required employer contribution rates	14.54%	8.65%	7.59%

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 6 - Defined Benefit Pension Plan: (Continued)**

**General Information About the Pension Plan (Continued)**

In addition to the contribution rates above, the District was also required to make payments of \$67,353 and \$58,494 toward its unfunded actuarial liability during the years ended June 30, 2022 and 2021, respectively .

The miscellaneous plan is closed to new members that are not already CalPERS eligible participants.

**Contribution Description** – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

The District reported the following net pension liability for its proportionate share of net position liability of the risk pool at June 30:

	Proportionate Share of Net Pension Liability 2022	Proportionate Share of Net Pension Liability 2021
Miscellaneous Risk Pool	\$ 303,531	\$ 935,284

The District’s net pension liability for each risk pool is measured as the proportionate share of each risk pool’s net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer’s proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer’s proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer’s rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The District’s proportionate share of the net pension liability as of June 30, 2020, the valuation date, was calculated as follows:

- In determining an employer’s proportionate share, the employer rate plans included in the Plan were assigned to the miscellaneous risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans as of the valuation date June 30, 2020.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 6 - Defined Benefit Pension Plan: (Continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions  
(Continued)**

- Each employer rate plan’s fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District’s proportionate share percentage at the valuation date was calculated by dividing the District’s net pension liability for each of its employer rate plans by the net pension liability of the risk pool as of the valuation date.

The District’s proportionate share of the net pension liability as of June 30, 2021, the measurement date, was calculated as follows:

- The risk pool’s total pension liability was computed at the measurement date, June 30, 2021, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for the risk pool at the measurement date was determined by CalPERS’ Financial Office. The net pension liability for the risk pool at June 30, 2021, was computed by subtracting the respective risk pool’s fiduciary net position from its total pension liability.
- The individual employer risk pool’s proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2021, was calculated by applying the District’s proportionate share percentage as of the valuation date (described above) to the total pension liability and fiduciary net position as of June 30, 2021, to obtain the total pension liability and fiduciary net position as of June 30, 2021. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The District’s proportionate share percentage of the net pension liability as of June 30, 2020 and June 30, 2021 was as follows:

	Miscellaneous Risk Pool
Proportion at measurement date - June 30, 2020	0.022173%
Proportion at measurement date - June 30, 2021	0.015985%
Change - Increase (Decrease)	(0.006188)%

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 6 - Defined Benefit Pension Plan: (Continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

For the years ended June 30, 2022 and 2021, the District recognized a pension expense of \$(156,025) and \$225,431, respectively for the Plan. As of June 30, 2022 and 2021, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 157,894	\$ -	\$ 142,095	\$ -
Differences between actual contributions made and proportionate share of contributions		(16,964)	38,089	-
Differences between expected and actual experience	34,038		48,198	-
Changes of assumptions	-	-	-	(6,671)
Net difference between projected and actual earnings on pension plan investments	-	(264,967)	27,784	-
Adjustment due to difference in proportions	9,358	-	-	(12,302)
Total	<u>\$ 201,290</u>	<u>\$ (281,931)</u>	<u>\$ 256,166</u>	<u>\$ (18,973)</u>

**Allocation of Net Pension Liability and Pension Expense to Individual Employers**

The \$157,894 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	\$ (46,602)
2024	(54,535)
2025	(64,173)
2026	(73,225)
Total	<u>\$ (238,535)</u>

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 6 - Defined Benefit Pension Plan: (Continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Age and Length of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2020 based on June 30, 2019 Valuations*, that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 6 - Defined Benefit Pension Plan: (Continued)**

**Discount Rate (Continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumption applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Public Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	-	.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)
	<u>100.00%</u>		

(a) An expected inflation of 2.0% used for this period

(b) An expected inflation of 2.92% used for this period

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability of the risk pool as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	<u>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
Plan's Net Pension Liability	\$ <u>980,705</u>	\$ <u>303,531</u>	\$ <u>256,279</u>

**Note 7 - Commitments and Contingencies:**

**Contracts**

The Borrego Water District has entered into various contracts for the purchase of material and construction of capital assets. The amounts contracted are based on the contractor's estimated cost of construction. At June 30, 2022 and 2021, the total unpaid amount on these contracts is approximately \$388,488 and \$1,155,696, respectively.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 7 - Commitments and Contingencies: (Continued)**

**Litigation**

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on Borrego Water District’s financial position.

**Operating Leases**

The District has two operating leases for office equipment. The noncancelable lease terms exceeds 12 months and include a purchase option. Rent expense under these leases totaled \$5,169 and \$1,286 for the years ended June 30, 2022 and 2021, respectively. The lease is not considered material and as such was not capitalized under GASB 87.

Future minimum lease payments are as follows:

Years Ended June 30		
2023	\$	4,368
2024		4,143
2025		4,068
2026		2,712
2027		-
Total	\$	15,291

**Community Facilities District No. 2017-01 2017 Special Tax Bonds**

The Borrego Water District is the lead Agency of the Borrego Water District Community Facilities District No. 2007-1 (CFD 2007-1) and the Borrego Water District Community Facilities District CFD No. 2017-1 (CDF 2017-1). In April 2017, CFD 2017-1 was formed and an election held to authorize bonded indebtedness up to \$11,600,000 to refinance the outstanding balances of CFD 2007-1 special tax bonds. In May 2017, CFD 2017-1 issued Borrego Spring Water District Special Tax Refunding Bonds, Series 2017A (Series 2017A Bonds) and Borrego Water District Special Tax Refunding Bonds, Series 2017B (Series 2017B Bonds). The CFD 2007-1 special tax bonds are considered defeased.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 7 - Commitments and Contingencies: (Continued)**

**Community Facilities District No. 2017-01 2017 Special Tax Bonds (Continued)**

These financings were accomplished through the authorization of special tax bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 adopted by the Board of Directors of the Borrego Water District acting as the legislative body of the Community Facilities Districts. The bonds are only payable from certain proceeds of an annual special tax to be levied and collected from property located within the Community Facilities Districts and from certain bond proceeds pledged in the issuances. If the special taxes are not paid when due, the only source of funds to repay the bonds are cash deposits or letters of credit provided by property owners, amounts held in the bond reserve funds, or proceeds, if any, from foreclosure sales of land within the Community Facilities Districts following a delinquency in a special tax payment. Neither the faith nor credit nor the taxing power of the Borrego Water District, the State of California, or any other political subdivision thereof is pledged to the payment of these bonds. Therefore, the Community Facilities Districts are considered separate reporting entities. The District reports as a fiduciary fund the cash it holds on behalf of Community Facilities District No. 2017-01. The following special tax bonds were outstanding at June 30:

	<u>2022</u>	<u>2021</u>
Series 2017A	\$ <u>860,000</u>	\$ <u>925,000</u>
Series 2017B	\$ <u>9,685,000</u>	\$ <u>10,300,000</u>

**Coronavirus Pandemic**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The District is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the District's customers, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the District's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**Note 8 - New Governmental Accounting Standards:**

**GASB No. 91**

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91 "Conduit Debt Obligations". The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.



**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 8 - New Governmental Accounting Standards: (Continued)**

**GASB No. 92**

In January 2020, the Governmental Accounting Standards Board issued Statement No. 92 “Omnibus 2020”. The requirements of this statement are effective at various dates up to and including fiscal years and reporting periods beginning after June 15, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement did not and is not expected to have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 93**

In March 2020, the Governmental Accounting Standards Board issued Statement No. 93 “Replacement of Interbank Offered Rates”. The requirements of this statement are effective at various dates up to and including reporting periods ending after December 31, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement is not expected to have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 94**

In March 2020, the Governmental Accounting Standards Board issued Statement No. 94 “Public - Private and Public - Public Partnerships and Availability Payment Arrangements”. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. As used in this pronouncements these Partnerships are an arrangement in which the government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset such as infrastructure or other capital assets for a period of time in an exchange or an exchange-like transaction. The statement also provides guidance on accounting and financial reporting for availability payment arrangements in which the government compensates the operator for services that may include the designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The District has not yet determined the effects of this pronouncement on the financial statements in the year of implementation.

**GASB No. 95**

In May 2020, the Governmental Accounting Standards Board issued Statement No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing for one year the effective dates of GASB Statements 83, 84, 88 – 93 as well as implementation guides 2018-1, 2019-1 and 2019-2. In addition, the effective dates of GASB Statement 87 and Implementation Guide 2019-3 have been postponed by 18 months.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 8 - New Governmental Accounting Standards: (Continued)**

**GASB No. 96**

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96 “Subscription-Based Information Technology Arrangements (SBITA’s). This Statement (1) defines SBITA’s (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including the implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. Earlier application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 97**

In June 2020, the Governmental Accounting Standards issued Statement No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84 and Supersession of GASB Statement No. 32”. This statement requires that for purposes of determining whether a primary government is financial accountable for a potential component unit, the absence of a governing board should be treated the same as the appointment of a voting majority. The statement requires that a Section 457 plan be classified as either pension or other employee benefit plan depending on whether the plan meets the definition of a pension plan. This statement supersedes the remaining provisions of GASB Statement No. 32.

**GASB No. 98**

In October 2021, the Governmental Accounting Standards Board issued Statement No. 98 “The Annual Comprehensive Financial Report”. This statement establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replaces instances of Comprehensive Annual Financial Report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for fiscal years ending after December 15, 2021. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 99**

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99 “Omnibus 2022”. This statement enhances the comparability in accounting and financial reporting and improves consistency in authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GAB Statements and (2) accounting and financial reporting for financial guarantees. The requirement of this pronouncement are effective on various dates ranging from upon issuance through fiscal years beginning after June 2023. This pronouncement did not and is not expected to have a material effect on the financial statements of the District in the year of implementation.

**BORREGO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**Note 8 - New Governmental Accounting Standards: (Continued)**

**GASB No. 100**

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100 “Accounting Changes and Error Corrections an amendment of GASB Statement No. 62”. This statement defined accounting changes. This statement also addresses corrections of errors in previously issued financial statements. The requirements of this statement are effective for fiscal years ending after June 15, 2023. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 101**

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101 “Compensated Absences”. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences. In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this statement effective for fiscal years ending after December 15, 2023. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

DRAFT

**BORREGO WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022**

**SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST TEN YEARS \***

	<u>Measurement Date</u> June 30, 2021	<u>Measurement Date</u> June 30, 2020	<u>Measurement Date</u> June 30, 2019	<u>Measurement Date</u> June 30, 2018	<u>Measurement Date</u> June 30, 2017
Proportion of the Net Pension Liability	.015985 %	0.022713 %	0.022253 %	0.022558 %	0.023133 %
Proportionate Share of the Net Pension Liability	\$ 303,531	\$ 935,284	\$ 891,132	\$ 850,153	\$ 911,898
Covered - Payroll - Measurement Period	\$ 858,482	\$ 850,749	\$ 740,131	\$ 698,023	\$ 675,819
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	35.36 %	109.94 %	120.40 %	121.79 %	134.93 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.08 %	79.54 %	78.92 %	77.34 %	74.72 %
	<u>Measurement Date</u> June 30, 2016	<u>Measurement Date</u> June 30, 2015	<u>Measurement Date</u> June 30, 2014	<u>Measurement Date</u> June 30, 2013	<u>Measurement Date</u> June 30, 2012
Proportion of the Net Pension Liability	0.009466 %	0.01010 %	0.01123 %	N/A %	N/A %
Proportionate Share of the Net Pension Liability	\$ 819,059	\$ 693,352	\$ 699,055	N/A	N/A
Covered - Payroll - Measurement Period	\$ 658,514	\$ 671,180	\$ 595,422	N/A	N/A
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	124.38 %	103.30 %	117.41 %	N/A %	N/A %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.72 %	77.21 %	73.72 %	N/A %	N/A %

**BORREGO WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022**

**SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)  
LAST TEN YEARS \***

**Notes to Schedule:**

**Change in Benefit Terms** - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

**Changes in Assumptions** - The discount rate of 7.15% has not changed from the prior year.

**Omitted Years** - GASB Statement No 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

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**BORREGO WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022**

**SCHEDULES OF CONTRIBUIONS TO THE PENSION PLAN  
LAST TEN YEARS \***

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually Required Contribution (Actuarially determined)	\$ 157,894	\$ 142,096	\$ 189,335	\$ 162,515	\$ 142,789
Contributions in Relation to the Actuarially determined Contribution	<u>(157,894)</u>	<u>(142,095)</u>	<u>(189,355)</u>	<u>(162,515)</u>	<u>(142,789)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll - Fiscal Year	\$ 955,752	\$ 858,442	\$ 850,749	\$ 740,131	\$ 698,023
Contributions as a Percentage of Covered Payroll	16.62 %	16.55 %	22.26 %	21.96 %	20.46 %
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Contractually Required Contribution (Actuarially determined)	\$ 137,737	\$ 138,613	\$ 129,138	\$ N/A	\$ N/A
Contributions in Relation to the Actuarially determined Contribution	<u>(137,737)</u>	<u>(138,613)</u>	<u>(129,138)</u>	<u>N/A</u>	<u>N/A</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered Payroll - Fiscal Year	\$ 723,125	\$ 671,180	\$ 595,422	\$ N/A	\$ N/A
Contributions as a Percentage of Covered Payroll	10.05 %	20.65 %	21.69 %	N/A %	N/A %

**BORREGO WATER DISTRICT  
SCHEDULES OF ASSESSED VALUATION  
FOR THE YEAR ENDED JUNE 30, 2022**

The assessed valuation of the District at June 30, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
<b>Assessed Valuation:</b>		
Secured property	\$ 380,766,218	\$ 373,580,756
Total Assessed Valuation	<u>\$ 380,766,218</u>	<u>\$ 373,580,756</u>

DRAFT

BORREGO WATER DISTRICT  
BOARD OF DIRECTORS MEETING  
June 13, 2023  
AGENDA ITEM II.D

June 9, 2023

**TO:** Board of Directors

**FROM:** Geoffrey Poole, General Manager

**Subject:** Approve the determination that the Prop. 68 Subrantee Agreement, Project Component No. 2 is categorically exempt from the California Environmental Quality Act (“CEQA”) Pursuant to the Class 2 Exemption (Replacement of Existing Structures); Project Component No. 5 is categorically exempt from the CEQA pursuant to the Class 6 Exemption (Information Collection); Project Component No. 6 is categorically exempt from CEQA pursuant to the Class 6 Exemption (Information Collection) and statutorily exempt from CEQA pursuant to Section 15262 (Feasibility and Planning Studies); and Project Component No. 7 is categorically exempt from CEQA pursuant to the Class 6 Exemption (Information Collection) and Class 3 Exemption (New Construction or Conversion of Small Structures) – S Anderson

**RECOMMENDED ACTION:**

Approve Notice of Exemptions for BWD and all Proposition 68 Sub Grantee Projects

**ITEM EXPLANATION:**

BWD acted as the lead agency pursuant to the California Environmental Quality Act (“CEQA”) for Project Proponents No. 2, 5, 6, and & 7. Below, BWD determined that these project proponents were categorically exempt from CEQA.

***Project Proponent No. 2***

Project Proponent No. 2 is categorically exempt from the California Environmental Quality Act (“CEQA”) under the Class 2 exemption in State CEQA Guidelines section 15302. Project Component No. 2 under the Agreement consists of replacement of all BWD’s manual water meters with an advanced system.

Project Proponent No. 2 is categorically exempt from environmental review under CEQA pursuant to State CEQA Guidelines section 15302 (Class 2 – Replacement or Reconstruction), which exempts projects from further CEQA review for the replacement or reconstruction of existing utility systems involving negligible or no expansion of capacity, where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced. Here, Project Proponent No. 2 involves the replacement of existing meters with more advanced meters, which involve no expansion of capacity, will be located on the same site as the existing meters, and will have the same purpose and capacity as the existing meters.

None of the exceptions to the categorical exemptions set forth in State CEQA Guidelines section 15300.2 have any applicability here. Project Proponent No. 2 will not impact any environmental resource of hazardous or critical concern, will not result in significant cumulative impacts, is not



subject to any unusual circumstances that could result in a significant environmental impact, would not damage any scenic resources within a scenic highway, is not located on a hazardous waste site identified on any list compiled pursuant to Government Code section 65962.5, and would not impact any historical resource.

For all of the foregoing reasons, the entirety of Project Proponent No. 2 is categorically exempt from CEQA

### ***Project Proponent No. 5***

Project Proponent No. 5 is categorically exempt from CEQA under the Class 6 exemption in State CEQA Guidelines section 15306. Project Proponent No. 5 under the Agreement between BWD and Civicwell (“Project”) aims to improve community understanding of socio-ecological systems that impact Borrego Springs through various studies.

Project Proponent No. 5 meets the criteria for a Class 6 Categorical Exemption (15306) of the State CEQA Guidelines. Class 6 exemptions consist of “basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded.”

Here, Project Proponent No. 5 is a multi-faceted study regarding the socio-ecological systems that impact Borrego Springs, which would consist of data collection that would not result in serious or major disturbance to an environmental resource. The data collected from these studies would strictly be used for information gathering purposes to assist in an increase in the community’s ability to engage in basin-wide planning and decision-making, and ensure disadvantaged community member concerns are addressed during the Groundwater Management Plan (GMP) implementation process.

None of the exceptions to the categorical exemptions set forth in State CEQA Guidelines section 15300.2 have any applicability here. Project Proponent No. 5 will not impact any environmental resource of hazardous or critical concern, will not result in significant cumulative impacts, is not subject to any unusual circumstances that could result in a significant environmental impact, would not damage any scenic resources within a scenic highway, is not located on a hazardous waste site identified on any list compiled pursuant to Government Code section 65962.5, and would not impact any historical resource.

For all of the foregoing reasons, the entirety of Project Proponent No. 5 is categorically exempt from CEQA.

### ***Project Proponent No. 6***

Project Proponent No. 6 is exempt from CEQA review as it has been determined to have no potential to cause significant adverse effects on the environment. Specifically, Project Proponent No. 6 qualifies under the requirements for a CEQA Statutory Exemption (15262) and a Class 6 Categorical Exemption (15306).

Project Proponent No. 6 meets the criteria for a the Feasibility and Planning Studies Statutory Exemption (identified in CEQA Section 15262), which consists of “A Project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted, or funded does not require the preparation of an EIR or Negative Declaration but does require consideration of environmental factors. This section does not apply to the adoption of a plan that will have a legally binding effect on later activities.” Project Proponent No. 6 involves a three-year feasibility and planning program, involving a future action that has not yet been approved by the Watermaster Board (the full implementation of Biological Restoration at site specific locations within the Basin). Project Proponent No. 6 would inform future actions for which Environmental Documentation for the implementation of the Restoration Program as a whole would be required. Thus, based on the above, Project Proponent No. 6 qualifies for the Feasibility and Planning Studies Statutory Exemption (identified in Section 15262).

Additionally, Project Proponent No. 6 meets the criteria for a Class 6 Categorical Exemption (15306). Class 6 consists of “Information Collection,” outlined under Section 15306 of the State CEQA Guidelines. Class 6 exemptions consist of “basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded.” Project Proponent No. 6 would collect and develop data, information, and criteria to guide the use of biological restoration as a technique to mitigate the potential adverse impacts associated with the fallowing of lands that is expected to occur within the Subbasin. Project Proponent No. 6 will achieve these goals through analyses of existing data and information, field reconnaissance, and test cases of biological restoration techniques at existing fallowed lands within the Subbasin. A final technical report will describe and document the results, conclusions, and recommendations of the Project. The final report will describe and document the biological restoration strategies that are expected to be most effective within the Subbasin and a prioritization of land parcels for biological restoration. Thus, the data collected from the Project would be used as part of a study leading to an action which a public agency has not yet approved, adopted, or funded. Therefore, Project Proponent No. 6 is not forecast to cause any potential for significant adverse environmental impacts and qualifies with the requirements for a Statutory Exemption (15262) and a Class 6 Categorical Exemption (15306).

None of the exceptions to the categorical exemptions set forth in State CEQA Guidelines section 15300.2 have any applicability here. Project Proponent No. 6 will not impact any environmental resource of hazardous or critical concern, will not result in significant cumulative impacts, is not subject to any unusual circumstances that could result in a significant environmental impact, would not damage any scenic resources within a scenic highway, is not located on a hazardous waste site identified on any list compiled pursuant to Government Code section 65962.5, and would not impact any historical resource.

For all of the foregoing reasons, the entirety of Project Proponent No. 6 is categorically exempt from CEQA.

### ***Project Proponent 7***

Project Proponent No. 7 is exempt from substantive CEQA review as it has been determined to have no potential to cause significant adverse effects on the environment. Specifically, Project Proponent 7 meets the criteria for a both a Class 6 Categorical Exemption (15306) and a Class 3 Categorical Exemption (15303).

Class 6 consists of “Information Collection,” outlined under Section 15306 of the State CEQA Guidelines. Class 6 exemptions consist of “basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study

leading to an action which a public agency has not yet approved, adopted, or funded.” Project Proponent No. 7 includes monitoring, reporting, and report updates that would consist of data collection, research, experimental management, and resource evaluation activities that would not result in serious or major disturbance to an environmental resource, and the data collected from Project Proponent No. 7 would be used as part of a study leading to an action which a public agency has not yet approved, adopted, or funded.

Class 3 exemptions consist of “construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure...(e) Accessory (appurtenant) structures including garages, carports, patios, swimming pools, and fences.” Project Proponent No. 7 is a monitoring, reporting, reporting update program that includes a component that would include well abandonment or converting existing wells to monitoring wells. This would consist of conversion of existing small appurtenances (wells) to either inactive status through abandonment or to monitoring wells thereby constituting a change from one use to another where only minor modifications are made to the structure. Project Proponent No. 7 is set to occur as part of the overall information collection for the Project, as discussed above.

Project Proponent 7 has been evaluated against the Categorical Exemption exceptions (CEQA Guidelines Section 15300.2), and does not fall under any exception based on the lack of historical, archaeological, and scenic resources within the Project area of potential effects, and that no hazardous waste sites are located in the vicinity of the Project, and no cumulative or significant effects are anticipated to occur as a result of Project implementation. Project Proponent No. 7 activities have been determined not to have a potential to cause significant adverse environmental effects.

For all of the foregoing reasons, the entirety of Project Proponent No. 7 is categorically exempt from CEQA.

#### **NEXT STEPS**

1. File NoEs

#### **FISCAL IMPACT**

1. CEQA required for Grant reimbursement of \$6 M basin wide

#### **ATTACHMENT**

1. Notice of Exemptions

**NOTICE OF EXEMPTION**

<p>TO:</p> <p><input checked="" type="checkbox"/> Office of Planning and Research P. O. Box 3044, Room 113 Sacramento, CA 95812-3044</p>	<p>FROM: Borrego Water District (Public Agency) 806 Palm Canyon Drive Borrego Springs, CA 92004 Telephone: (760) 767-5806</p>
<p><input checked="" type="checkbox"/> San Diego County Clerk 1600 Pacific Highway, Room 260 San Diego, CA 92101</p>	

Project Title:	Project Component No. 2 Under the Grant Agreement Between California’s Department of Water Resources (“DWR”) and Borrego Water District, Agreement No. 4600014652
Project Applicant:	Borrego Water District
Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15’ or 7 1/2’ topographical map identified by quadrangle name):	Borrego Water District Service Area
a) Project Location – City and County:	Borrego Springs Subbasin of the Borrego Valley Groundwater Basin (“Basin”), which is located in San Diego County.
Description of nature, purpose, and beneficiaries of Project:	<p>On December 13, 2022, the Board of Directors for the Borrego Water District (“District”) entered into a \$6,115,833 million dollar grant agreement with DWR for Proposition 68 funding awarded to the District (“Agreement”). The Agreement will assist in financing projects associated with the SGM Grant Program on a reimbursable basis.</p> <p>Project Component No. 2 (“Project”) under the Agreement consists of replacement of all the District’s manual water meters with an advanced system. This Project will replace over 2,000 manual water meters to address demand-side reductions to basin pumping. Development in the District’s service area is geographically dispersed on relatively large lots in sandy soil. This scenario creates situations where water leaks in the customers plumbing or irrigation system can run for extended periods of time unrecognized. The new infrastructure will increase water use efficiency and improve leak detection and create an immediate response in the Basin’s commercial and residential sectors. Based on historic trends, this Project will save 20-acre feet annually.</p>
Name of Public Agency approving project:	Borrego Water District
Name of Person or Agency undertaking the project:	Borrego Water District
Exempt status: (check one)	

<input type="checkbox"/>	Ministerial project.	
<input type="checkbox"/>	Not a project.	
<input type="checkbox"/>	Emergency Project.	
<input checked="" type="checkbox"/>	Categorical Exemption. State type and section number:	CEQA Guidelines § 15302
<input type="checkbox"/>	Declared Emergency	
<input type="checkbox"/>	Statutory Exemption. State Code section number:	
<input type="checkbox"/>	Other. Explanation:	
Reason why project was exempt:		<p>The Project is categorically exempt from environmental review under CEQA pursuant to State CEQA Guidelines section 15302 (Class 2 – Replacement or Reconstruction), which exempts projects from further CEQA review for the replacement or reconstruction of existing utility systems involving negligible or no expansion of capacity, where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced. Here, the Project involves the replacement of existing meters with more advanced meters, which involve no expansion of capacity, will be located on the same site as the existing meters, and will have the same purpose and capacity as the existing meters.</p> <p>None of the exceptions to the categorical exemptions set forth in State CEQA Guidelines section 15300.2 have any applicability here. The Project will not impact any environmental resource of hazardous or critical concern, will not result in significant cumulative impacts, is not subject to any unusual circumstances that could result in a significant environmental impact, would not damage any scenic resources within a scenic highway, is not located on a hazardous waste site identified on any list compiled pursuant to Government Code section 65962.5, and would not impact any historical resource.</p> <p>For all of the foregoing reasons, the entirety of the Project is categorically exempt from CEQA.</p>
Lead Agency Contact Person:		Geoff Poole, General Manager
Telephone:		(760) 767-5806
Was a public meeting held by the Lead Agency to consider the exemption? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
If yes, the date of the public hearing was: <u>  DISTRICT PLEASE FILL IN  </u>		

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Title: \_\_\_\_\_

Name:

Signed by Lead Agency        Signed by Applicant

Date Received for Filing: \_\_\_\_\_

(Clerk Stamp Here)

## NOTICE OF EXEMPTION

**To:** County Clerk  
County of San Diego  
1600 Pacific Highway, Room 260  
San Diego, CA 92101

**From:** Borrego Water District  
806 Palm Canyon Drive  
Borrego Springs, CA 92004

Office of Planning and Research  
P.O. Box 3044, Room 113  
Sacramento, CA 95812-3044

**Project Title:** Borrego Springs Watermaster Monitoring, Reporting, and GMP Update for Sustainable Management in the Borrego Springs Subbasin

**Project Location:** The Project is located at various locations throughout the Borrego Springs Subbasin of the Borrego Valley Groundwater Basin, for which a central point is generally within the unincorporated community of Borrego Springs in San Diego County. The generalized central point of the Borrego Springs Subbasin is located within Section 3, Township 11 South and Range 6 East of the Clark Lake USGS Quadrangle Map, San Bernardino Meridian at Longitude 33.245163N, and Latitude 116.337139W. The Borrego Springs Subbasin is mapped within the USGS – Clark Lake, Borrego Sink, Borrego Palm Canyon, and Tubb Canyon Quadrangles, 7.5 Minute Series topographic maps.

**Project Location - City:** Borrego Springs (Unincorporated San Diego County)

**Project Location - County:** San Diego

**Description of Nature, Purpose, and Beneficiaries of the Project:** On [INSERT DATE], the Board of Directors of the Borrego Water District (“District”) approved the Agreement for the Sustainable Groundwater Management Grant Program Between Borrego Water District and Borrego Springs Watermaster (“Watermaster”), Project Component No. 7 (“Agreement”).

On December 13, 2022, the District entered into a \$6,115,833 million dollar grant agreement with DWR for Proposition 68 funding awarded to the District. The grant will assist in financing projects associated with the SGM Grant Program on a reimbursable basis.

The District and Watermaster entered into the Agreement to assist in reimbursing Watermaster’s Project Component No. 7 with funds provided on a reimbursement basis to the District by DWR for SGM Grant Program Implementation. Component No. 7, also known as the Monitoring, Reporting, and Groundwater Management Plan (GMP) Update for Sustainable Management in the Borrego Springs Subbasin (Basin) Project (“Project”), is a comprehensive monitoring, analysis, data management and reporting program that will ensure the effective implementation of the pumping rampdown, including filling data gaps identified in the Judgment (Stipulated Judgment adjudicating all groundwater rights in the Borrego Springs Subbasin of the Borrego Valley Groundwater Basin) and GMP, and performing the required redetermination of the Sustainable Yield and GMP update due in 2025. This Project is made up of the following components:

- Task 1 - Groundwater Pumping Monitoring: The objective of this task to collect, compile, and manage all Basin pumping data to ensure successful compliance with the pumping rampdown.
- Task 2 - Groundwater Level Monitoring: The objective of this task is to implement a comprehensive groundwater-level monitoring program to track changes in Basin conditions (e.g., groundwater levels, storage, and flow directions) and the effectiveness of the Physical Solution.
- Task 3 - Groundwater Quality Monitoring: The objective of this task to implement a comprehensive groundwater-quality monitoring program to track changes in Basin conditions and evaluate the need for water quality optimization programs to achieve sustainability.
- Task 6 - Identify and address improperly Abandoned Wells: The GMP identified abandoned wells as a potential Project and Management Action (PMA). The objective of this task to identify improperly abandoned

wells, and if accessible through an easement or other access agreement, the wells will either be properly abandoned or converted to a monitoring well.

• Task 7 - Maintain and enhance the Basin Data Management System: The objective of this task to maintain and improve the Watermaster's Data Management System for efficient reporting in compliance with the Judgment and Grant requirements.

• Task 8 - Annual Reporting to Department of Water Resources (DWR) and the Court: The objective of this task is to prepare the combined annual report of Basin conditions and the Physical Solution implementation progress.

• Task 9 - Redetermination of the Sustainable Yield by 2025.

• Task 10 - Prepare the 2025 GMP Update.

• Task 11 - Stakeholder Outreach: The objectives of this task are to facilitate public outreach and communications of Watermaster planned actions and provide a venue to receive public input prior to making Watermaster decisions.

• Task 12 - Project Management and Grant Reporting.

**Name of Public Agency Approving Project:** Borrego Water District

**Name of Person or Agency Carrying Out Project:** Borrego Springs Watermaster

**Exempt Status:** (Check One)

Categorical Exemption (Section 15306 and 15303)

**Reasons why Project is exempt:** The proposed Monitoring, Reporting, and GMP Update for Sustainable Management in the Borrego Springs Subbasin Project meets the criteria for a both a Class 6 Categorical Exemption (15306) and a Class 3 Categorical Exemption (15303). Class 6 consists of "Information Collection," outlined under Section 15306 of the State CEQA Guidelines. Class 6 exemptions consist of *"basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded."* The Project includes monitoring, reporting, and report updates that would consist of data collection, research, experimental management, and resource evaluation activities that would not result in serious or major disturbance to an environmental resource, and the data collected from the Project would be used as part of a study leading to an action which a public agency has not yet approved, adopted, or funded. Class 3 exemptions consist of "construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure...(e) Accessory (appurtenant) structures including garages, carports, patios, swimming pools, and fences." The proposed Project is a monitoring, reporting, reporting update program that includes a component that would include well abandonment or converting existing wells to monitoring wells. This would consist of conversion of existing small appurtenances (wells) to either inactive status through abandonment or to monitoring wells thereby constituting a change from one use to another where only minor modifications are made to the structure. This activity is set to occur as part of the overall information collection for the Project, as discussed above. The Project has been evaluated against the Categorical Exemption exceptions (CEQA Guidelines Section 15300.2), and does not fall under any exception based on the lack of historical, archaeological, and scenic resources within the Project area of potential effects, and that no hazardous waste sites are located in the vicinity of the Project, and no cumulative or significant effects are anticipated to occur as a result of Project implementation. The Project activities have been determined **not** to have a potential to cause significant adverse environmental effects. Therefore, this proposed Project is not forecast to cause any potential for significant adverse environmental impacts and qualifies with the requirements for a both a Class 6 Categorical Exemption (15306) and a Class 3 Categorical Exemption (15303).



**Lead Agency**

**Contact Person:** Geoff Poole

**Telephone:** 760-767-5806

**Signature:** \_\_\_\_\_

**Title:** General Manager

**Date:** \_\_\_\_\_

## NOTICE OF EXEMPTION

**To:** County Clerk  
County of San Diego  
1600 Pacific Highway, Room 260  
San Diego, CA 92101

**From:** Borrego Water District  
806 Palm Canyon Drive  
Borrego Springs, CA 92004

Office of Planning and Research  
P.O. Box 3044, Room 113  
Sacramento, CA 95812-3044

**Project Title:** Environmental Working Group of the Borrego Springs Watermaster Biological Restoration of Fallowed Lands

**Project Location:** The Project location will be focused within the agricultural land uses in the northern portion of the Borrego Springs Subbasin of the Borrego Valley Groundwater Basin, for which a central point is generally within the unincorporated community of Borrego Springs in San Diego County. The generalized central point of the Borrego Springs Subbasin is located within Section 3, Township 11 South and Range 6 East of the Clark Lake USGS Quadrangle Map, San Bernardino Meridian at Longitude 33.245163N, and Latitude 116.337139W. The Borrego Springs Subbasin is mapped within the USGS – Clark Lake, Borrego Sink, Borrego Palm Canyon, and Tubb Canyon Quadrangles, 7.5 Minute Series topographic maps.

**Project Location - City:** Borrego Springs (Unincorporated San Diego County)

**Project Location - County:** San Diego

**Description of Nature, Purpose, and Beneficiaries of the Project:** On [INSERT DATE], the Board of Directors of the Borrego Water District (“District”) approved the Agreement for the Sustainable Groundwater Management Grant Program Between Borrego Water District and Borrego Springs Watermaster (“Watermaster”), Project Component No. 6 (“Agreement”).

On December 13, 2022, the District entered into a \$6,115,833 million dollar grant agreement with DWR for Proposition 68 funding awarded to the District. The grant will assist in financing projects associated with the SGM Grant Program on a reimbursable basis.

The District and Watermaster entered into the Agreement to assist in reimbursing Watermaster’s Project Component No. 6 with funds provided on a reimbursement basis to the District by DWR for SGM Grant Program Implementation. The proposed Project would facilitate the implementation of one of the Projects/management actions proposed under the Borrego Springs Subbasin (“Basin”), the Watermaster’s Groundwater Management Plan (“GMP”). To maintain a viable water supply for current and future beneficial uses and users of groundwater in the Basin, the Watermaster’s GMP defines a sustainability goal of operating the Basin within its sustainable yield in a manner that does not exhibit undesirable results by 2040.

The Watermaster’s Environmental Working Group (“EWG”) contends that biological restoration of current and future fallowed lands could be a solution for addressing the potential adverse impacts associated with land fallowing, and could be helpful in protecting human health, the environment, and the socioeconomic wellbeing of the Borrego Springs community during GMP implementation. However, the land use changes that have occurred in the past have created various barriers to the establishment of native habitat on fallowed lands, and not all land parcels will have equal habitat value.

The Biological Restoration of Fallowed Lands Project (“Project”) proposed herein describes a three-year program to: characterize historical and current conditions; explore the feasibility of various biological restoration/rehabilitation techniques; and develop guidance for future biological restoration Projects on

current and future fallowed lands within the Subbasin. The goals of restoration/rehabilitation are: reduce water consumption; manage airborne dust emissions; increase natural biodiversity and habitat value; and maintain or enhance values pertinent to the Anza Borrego State Park and the residents of Borrego Springs.

The Project scope-of-work will produce spatially explicit strategies for fallowing retired citrus orchards based upon the potential for rehabilitation given known environmental constraints. The Project will start with gathering and synthesizing existing information resources. The Project also proposes a citrus tree removal strategy that is conducive to both dust management and increasing natural habitat value, while minimizing visual blight in the short term. A case study will be executed to inform the development of best practices and will involve sample "Brush Pile Wildlife Sand Fences" with cut citrus tree material placed strategically to manage wind/dust patterns. The Project will be implemented in a phased approach over a three-year period under the guidance of the EWG and the approval of the Watermaster Board.

**Name of Public Agency Approving Project:** Borrego Water District

**Name of Person or Agency Carrying Out Project:** Borrego Springs Watermaster

**Exempt Status:** (Check One)

- Statutory Exemption (Section 15262)
- Categorical Exemption (Section 15306)

**Reasons why Project is exempt:** The proposed Biological Restoration of Fallowed Lands Project is statutorily exempt from substantive CEQA review as it has been determined to have no potential to cause significant adverse effects on the environment. The proposed Project meets the criteria for a the Feasibility and Planning Studies Statutory Exemption (identified in CEQA Section 15262), which consists of "A Project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted, or funded does not require the preparation of an EIR or Negative Declaration but does require consideration of environmental factors. This section does not apply to the adoption of a plan that will have a legally binding effect on later activities." The proposed Project involves a three-year feasibility and planning program, involving a future action that has not yet been approved by the Watermaster Board (the full implementation of Biological Restoration at site specific locations within the Basin). The Project would inform future actions for which Environmental Documentation for the implementation of the Restoration Program as a whole would be required. Thus, based on the above, the Project qualifies for the Feasibility and Planning Studies Statutory Exemption (identified in Section 15262). Additionally, the Biological Restoration of Fallowed Lands Project meets the criteria for a Class 6 Categorical Exemption (15306). Class 6 consists of "Information Collection," outlined under Section 15306 of the State CEQA Guidelines. Class 6 exemptions consist of "basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded." The Project would collect and develop data, information, and criteria to guide the use of biological restoration as a technique to mitigate the potential adverse impacts associated with the fallowing of lands that is expected to occur within the Subbasin. The Project will achieve these goals through analyses of existing data and information, field reconnaissance, and test cases of biological restoration techniques at existing fallowed lands within the Subbasin. A final technical report will describe and document the results, conclusions, and recommendations of the Project. The final report will describe and document the biological restoration strategies that are expected to be most effective within the Subbasin and a prioritization of land parcels for biological restoration. Thus, the data collected from the Project would be used as part of a study leading to an action which a public agency has not yet approved, adopted, or funded. Therefore, this proposed Project is not forecast to cause any potential for significant adverse environmental impacts and qualifies with the requirements for a Statutory Exemption (15262) and a Class 6 Categorical Exemption (15306). None of the exceptions to the categorical exemptions set forth in State CEQA Guidelines section 15300.2 have any applicability here. The Project will not impact any environmental resource of hazardous or critical concern, will not result in significant cumulative impacts, is not subject to any unusual circumstances that could result in a significant environmental impact, would not damage any scenic

resources within a scenic highway, is not located on a hazardous waste site identified on any list compiled pursuant to Government Code section 65962.5, and would not impact any historical resource. For all of the foregoing reasons, the entirety of the Project is categorically exempt from CEQA.

**Lead Agency**

**Contact Person:** Geoff Poole Telephone: 760-767-5806

Signature: \_\_\_\_\_ Title: General Manager Date: \_\_\_\_\_

BORREGO WATER DISTRICT  
BOARD OF DIRECTORS MEETING  
June 13, 2023  
AGENDA ITEM II.E

June 9, 2023

TO: Board of Directors

FROM: Geoffrey Poole, General Manager

Subject: Purchase and Sale Agreement with UCI - Disposal of Surplus Property next to Steele Burnand APN #198-100-2100

RECOMMENDED ACTION

Approve Purchase and Sale Agreement with UCI for sale of surplus property

ITEM EXPLANATION

2 or 3 years ago, UCI expressed interest in a 10 acre piece of property owned by BWD that is located directly west of the Steele Burnand Research Center. BWD declared the property surplus in 2022 and discussions began. The end result is the attached Purchase and Sale Agreement which has been approved by BWD Legal. The value of the property is \$4,820.00.

NEXT STEPS:

1. Complete land sale

FISCAL IMPACT

1. \$4,820.00 into cash reserves

ATTACHMENTS

1. Proposed Purchase and Sale Agreement

**Agreement for Purchase and Sale of Real Property  
with Escrow Instructions**

THIS AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY WITH ESCROW INSTRUCTIONS (“Agreement”) is entered into as of \_\_\_\_\_, 2023 (the “Effective Date”) between The Regents of the University of California, a California public corporation (referred to herein as “Purchaser”), and BORREGO WATER DISTRICT (referred to herein as “Seller”).

**Recitals**

A. Seller is the owner of approximately 9.64 acres of real property located in County of San Diego, State of California adjacent to Anza-Borrego Desert State Park, known as Assessor’s Parcel Number 198-100-2100 (“Real Property”), more particularly described in the Legal Description attached as Exhibit A.

B. Purchaser desires to purchase the Property to augment the wildlife and plant habitat conservation region in the same geographic area, and Seller desires to sell the Property, on the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the above Recitals, which are incorporated into this Agreement, in consideration of the mutual promises set forth herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Seller and Purchaser hereby agree as follows:

1. Definitions. As used in this Agreement the following terms shall have the following definitions:

“Agreement” is defined in the preamble.

“Approved Exceptions” is defined in Section 9(c).

“Assignment” is defined in Section 15.

“Close of Escrow” is defined in Section 10(d).

“Closing Date” is defined in Section 10(d).

“Deed” is defined in Section 10(b)(i).

“Disapproved Exception” is defined in Section 9(d)

“Effective Date” is defined in the preamble.

“Environmental Laws” means all federal, state, local, or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, or requirements of any government authority regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Substance (as defined subsequently in this Agreement), or pertaining to occupational

health or industrial hygiene (and only to the extent that the occupational health or industrial hygiene laws, ordinances, or regulations relate to Hazardous Substances on, under, or about the Property), occupational or environmental conditions on, under, or about the Property, as now in effect, including without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) and the Superfund Amendments and Reauthorization Act of 1986 (SARA) [42 U.S.C.A. §§ 9601 et seq.]; the Resource Conservation and Recovery Act of 1976 (RCRA) and the Solid Waste Disposal Act [42 U.S.C.A. §§ 6901 et seq.]; the Clean Water Act, also known as the Federal Water Pollution Control Act (FWPCA) [33 U.S.C.A. §§ 1251 et seq.]; the Toxic Substances Control Act (TSCA) [15 U.S.C.A. §§ 2601 et seq.]; the Hazardous Materials Transportation Act (HMTA) [49 U.S.C.A. §§ 5101 et seq.]; the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) [7 U.S.C.A. §§ 136 et seq.]; the Clean Air Act (CAA) [42 U.S.C.A. §§ 7401 et seq.]; the Safe Drinking Water Act (SDWA) [42 U.S.C.A. §§ 300f et seq.]; the Surface Mining Control and Reclamation Act of 1977 (SMCRA) [30 U.S.C.A. §§ 1201 et seq.]; the Emergency Planning and Community Right-to-Know Act of 1986 (EPCRA or EPCRTKA) [42 U.S.C.A. §§ 11001 et seq.]; the Occupational Safety and Health Act of 1970 (OSHA) [29 U.S.C.A. §§ 651 et seq.]; the California laws regarding the underground storage of hazardous substances [H & S C §§ 25280 et seq.]; the Hazardous Substance Account Act [H & S C §§ 25300 et seq.]; the California laws regarding hazardous waste control [H & S C §§ 25100 et seq.]; the Safe Drinking Water and Toxic Enforcement Act of 1986 [H & S C §§ 25249.5 et seq.]; the Porter-Cologne Water Quality Control Act [Wat C §§ 13000 et seq.], and any amendments of or regulations promulgated under the statutes cited above and any other federal, state, or local law, statute, ordinance, or regulation now in effect that pertains to occupational health or industrial hygiene, and only to the extent that the occupational health or industrial hygiene laws, ordinances, or regulations relate to Hazardous Substances on, under, or about the Property, or the regulation or protection of the environment, including ambient air, soil, soil vapor, groundwater, surface water, or land use.

“EPA” is defined in Section (b) in the definition for “Hazardous Substances.”

“Escrow” is defined in Section 4.

“Escrow Agent” is defined in Section 4.

“Exception” is defined in Section 9(c).

“Existing Adverse Condition” is defined in Section 8(a).

“Feasibility Period” is defined in Section 5(a).

“FIRPTA Affidavit” is defined in Section 10(b)(ii).

“Hazardous Substances” includes without limitation:

(a) Those substances included within the definitions of “hazardous substance,” “hazardous waste,” “hazardous material,” “toxic substance,” “solid waste,” or “pollutant or contaminant” in CERCLA, RCRA, TSCA, HMTA, or under any other Environmental Law;

(b) Those substances listed in the United States Department of Transportation (DOT) Table [49 CFR 172.101], or by the Environmental Protection Agency (EPA), or any successor agency, as hazardous substances [40 CFR Part 302];

(c) Other substances, materials, and wastes that are or become regulated or classified as hazardous or toxic under federal, state, or local laws or regulations; and

(d) Any material, waste, or substance that is:

(i) a petroleum or refined petroleum product,

(ii) asbestos,

(iii) polychlorinated biphenyl,

(iv) designated as a hazardous substance pursuant to 33 U.S.C.A. § 1321 or listed pursuant to 33 U.S.C.A. § 1317,

(v) a flammable explosive, or

(vi) a radioactive material.

“Laws” shall mean all federal, state and local laws, codes, ordinances and regulations, excluding Environmental Laws.

“Monetary Liens” is defined in Section 9(c).

“Preliminary Report” is defined in Section 9(a).

“Prevailing Party” is defined in Section 16.

“Property” means collectively the Real Property, all improvements presently or hereafter existing on the Real Property, all water rights, all mineral rights, all plans and specifications relating to the present or planned construction of improvements on the Real Property, including all governmental permits or licenses, utility contracts, service contracts, maintenance contracts, operating contracts, or other intangible property (if any) now or in the future owned by Seller in connection with the development, operation, or ownership of the Property or other rights relating to the ownership, use, or operation of the Property, including all materials purchased by Seller for use on the Property or in the construction of improvements on the Property, and all of Seller’s rights in and to any fees paid to any governmental agency or utility.

“Purchase Price” is defined in Section 3.

“Purchaser” is defined in the preamble.

“Seller” is defined in the preamble.

“Title Policy” is defined in Section 10(a).



“Withholding Affidavit” is defined in Section 10(b)(iii).

2. Purchase and Sale. Seller agrees to sell and Purchaser agrees to purchase the Property subject to the terms and conditions in this Agreement.

3. Purchase Price. The purchase price for the Property shall be Four Thousand Eight-Hundred Twenty (9.64 acres @ \$500.00 ea = \$4,820.00) (“Purchase Price”). On or before the Closing Date, Purchaser shall deposit with Escrow Agent the full amount of the Purchase Price in cash or in immediately available funds.

4. Escrow. By this Agreement, Purchaser and Seller establish an escrow (“Escrow”) with Chicago Title Company t as chosen by Purchaser (the “Escrow Agent”), subject to the provisions of the standard conditions for acceptance of escrow and the terms and conditions in this Agreement, with a signed counterpart of this document to be delivered as escrow instructions to Escrow Agent. In the event of any conflict between the terms of this Agreement and the standard conditions for acceptance of escrow, the terms of this Agreement shall control. Purchaser’s agent for matters related to the Closing of Escrow shall either be Purchaser’s staff or Best Best & Krieger, Purchaser’s General Counsel.

5. Feasibility Period.

(a) During the period commencing on the date of this Agreement and terminating on a date which is thirty (30) days from the date of this Agreement (“Feasibility Period”), Purchaser may undertake at Purchaser’s expense an inspection of the Property. Said inspection may include: (i) a review of the physical condition of the Property, including but not limited to, inspection and examination of soils, environmental factors, Hazardous Substances, if any, and archeological information relating to the Property; and (ii) a review and investigation of the effect of any zoning, maps, permits, reports, engineering data, regulations, ordinances, and laws affecting the Property. Within ten (10) days following the full execution of this Agreement by both parties, Seller shall deliver to Purchaser copies of all surveys and other documents pertaining to the physical or environmental condition of the Property that are owned by or in the possession of Seller.

(b) If Purchaser’s environmental consultant requires additional time to determine the existence and extent of any Hazardous Substances on the Property, Purchaser shall have the right, exercisable by delivering written notice to Seller prior to the expiration of the Feasibility Period, to extend the Feasibility Period for up to an additional sixty (60) days to complete the testing.

(c) If Purchaser disapproves of the results of the inspection and review or the results of any Phase I Environmental Report, Purchaser may elect, prior to the last day of the Feasibility Period (or any extension thereof), to terminate this Agreement by giving Seller written notification prior to the last day of the Feasibility Period (or any extension thereof). If Purchaser fails to properly notify Seller of the intent to terminate this Agreement, Purchaser shall be deemed to be satisfied with the results of the inspection and shall be deemed to have waived the right to terminate this Agreement pursuant to this provision.

6. Conditions to Purchaser's Performance. Purchaser's obligation to perform under this Agreement is subject to the following conditions:

(a) Purchaser's approval of the condition of the Property as provided in Section 5.

(b) Seller's representations and warranties in this Agreement being correct as of the date of this Agreement and as of the Close of Escrow;

(c) No adverse material change shall have occurred with respect to the condition of the Property from the end of the Feasibility Period through the Closing Date;

(d) Seller's performance of all obligations under this Agreement;

(e) Escrow Agent being prepared to issue the Title Policy on the Close of Escrow, subject only to the Approved Exceptions; and

(f) Approval of the purchase of the Property by The Regents of the University of California, or its delegated authority.

7. Conditions to Seller's Performance. Seller's obligation to perform under this Agreement is subject to Purchaser's performance of all of the obligations which it is required to perform pursuant to this Agreement.

8. Access.

(a) Access to the Property during the Feasibility Period shall be given to Purchaser, its agents, employees, or contractors during normal business hours upon at least one (1) business day's notice to Seller, at Purchaser's own cost and risk, for any purposes, including, but not limited to, inspecting the Property, taking samples of the soil, and conducting an environmental audit (including an investigation of past and current uses of the Property). Purchaser shall indemnify and defend Seller against and hold Seller harmless from all losses, costs, damages, liabilities, and expenses, including, without limitation, reasonable attorney fees arising out of Purchaser's entry onto the Property or any inspection activity thereon by Purchaser or its agents, or employees, prior to the Close of Escrow except to the extent any such losses, costs, damages, liabilities, and expenses arise out of the negligence or willful acts of Seller. Any entry onto the Property by Purchaser or its agents, or employees shall be at reasonable times. The provisions of this Section shall survive the Close of Escrow. Notwithstanding anything herein to the contrary, Purchaser and Seller agree that Purchaser shall not incur any liability hereunder merely by the discovery of an "Existing Adverse Condition" (as defined below) regardless of whether such Existing Adverse Condition, once revealed, negatively impacts the value of the Property or otherwise causes Seller to incur liabilities, costs or expenses. The term "Existing Adverse Condition" shall mean an adverse condition existing on or with respect to the Property that is discovered or revealed by Purchaser in the course of its Property inspection hereunder.

(b) In addition to the provisions of Section 8(a), Purchaser and its agents or employees shall have the right, from the date of this Agreement until the Closing Date, to contact any federal, state, or local governmental authority or agency to investigate any matters relating to

the Property. Seller agrees to cooperate reasonably with Purchaser and its agents, employees, or contractors in the inspection of the Property and agrees to deliver to Purchaser all information in Seller's possession or control pertaining to the condition of the Property, including engineering and environmental reports, studies, tests, monitoring results, and related documentation.

9. Title.

(a) Upon the execution of this Agreement by both parties, Purchaser shall cause Escrow Agent to issue to Purchaser (with a copy to Seller) a preliminary report for an ALTA Standard Policy of Title Insurance for the Property, setting forth all liens, encumbrances, easements, restrictions, conditions, pending litigation, judgments, administrative proceedings, and other matters of record affecting Seller's title to the Property ("Preliminary Report"), together with copies of all documents relating to title exceptions referred to in the Preliminary Report.

(b) Seller agrees to deliver to Purchaser, promptly following the full execution and delivery of this Agreement, copies of any survey of the Property in the possession of Seller.

(c) Purchaser shall approve or disapprove, in writing to Seller with a copy to Escrow Agent, each exception shown on the Preliminary Report and each encroachment, overlap, or boundary line dispute, or any other matter that materially and adversely affects title to the Property or that violates any law, rule, or regulation (each an "Exception") within 10 (10) business days following the receipt of the Preliminary Report or the execution of this Agreement, whichever is later ("Review Period"). Purchaser's failure to approve or disapprove within the Review Period shall be deemed to be a disapproval of the Exceptions. The Exceptions approved by Purchaser hereunder shall be referred to as the "Approved Exceptions." All monetary liens or monetary encumbrances on the Property except for liens for general and special taxes and assessments not yet due and payable (collectively, "Monetary Liens") are disapproved and Seller shall eliminate the same prior to or upon the Closing Date.

(d) If any Exception is disapproved or deemed disapproved (each a "Disapproved Exception"), Seller shall have the right, but not the obligation, within five (5) business days following expiration of the Review Period, to cause each Disapproved Exception to be discharged, satisfied, released, or terminated, as the case may be, of record, and in a form that is reasonably satisfactory to Purchaser and Escrow Agent, all at Seller's sole cost and expense. Seller authorizes Escrow Agent to disburse from the cash portion of the Purchase Price and proceeds otherwise disburseable to Seller upon Closing the sum sufficient to discharge any Disapproved Exception that may be discharged only by the payment of money. If Seller is unable or unwilling to obtain a discharge, satisfaction, release, or termination of any Disapproved Exception within the period specified above, then this Agreement shall automatically terminate five (5) business days after expiration of the five day period for curing the Disapproved Exceptions or after Seller advises Purchaser in writing that Seller is unable or unwilling to cause such discharge, satisfaction, release, or termination, whichever occurs first, unless within such ten business day period, Purchaser waives in writing such Disapproved Exception, in which event such Disapproved Exception shall be deemed an Approved Exception under this Agreement. If this Agreement terminates pursuant to the foregoing sentence, then Seller shall pay all charges of the Escrow Agent in connection with this transaction, including the charges of the surveyor and environmental engineering company, the parties shall be relieved of all further obligations and

liabilities to each other under this Agreement except as otherwise provided herein, and all funds and documents deposited with Escrow Agent shall be promptly refunded or returned, as the case may be, by Escrow Agent to the depositing party. Anything above to the contrary notwithstanding, it is understood and agreed that Purchaser's indemnity obligations under Section 8 shall not terminate upon termination of this Agreement pursuant to this or any other provision hereof.

10. Close of Escrow.

(a) Title. Simultaneously with the Close of Escrow, Escrow Agent shall issue an ALTA Standard Policy of Title Insurance ("Title Policy") in the amount of the Purchase Price, subject only to Approved Exceptions.

(b) Seller's Deposits into Escrow. Seller shall deposit with Escrow Agent on or prior to the Close of Escrow the following documents:

(i) a grant deed in the form attached hereto as Exhibit "B" executed and acknowledged by Seller, conveying to Purchaser good and marketable fee simple title to the Property, subject only to the Approved Exceptions ("Deed");

(ii) Seller's affidavit of nonforeign status as contemplated by Section 1445 of the Internal Revenue Code of 1986, as amended ("FIRPTA Affidavit");

(iii) California Franchise Tax Board Form 593-C regarding the withholding of California taxes on the sale of California real estate ("Withholding Affidavit");

(iv) Seller's approval of the draft of Escrow Agent's closing statement.

(c) Purchaser's Deposits into Escrow. Purchaser shall deposit with Escrow Agent, on or prior to the Close of Escrow, the balance of the Purchase Price in accordance with Section 3, the Certificate of Acceptance for the Grant Deed, and Purchaser's approval of the draft of Escrow Agent's closing settlement statement.

(d) Closing Date. The conveyance of the Property to Purchaser and the closing of this transaction ("Close of Escrow") shall take place within five (5) business days of the satisfaction of the conditions set forth in Section 6 and Section 7, provided, however, that in no event shall the Close of Escrow occur later than one hundred twenty (120) days following the execution of this Agreement ("Closing Date"), except as otherwise agreed by Purchaser and Seller in writing or unless the Feasibility Period shall have been extended, in which case the Closing Date shall be similarly extended. Either Purchaser or Seller shall have the right to terminate Escrow and this Agreement if the conditions set forth in Section 6 (for Purchaser) or Section 7 (for Seller) have not been satisfied as of the Closing Date.

(e) Closing Statement. No more than two days prior to the Closing Date, Escrow Agent shall deliver to Purchaser and to Seller, for their respective approvals, drafts of Escrow Agent's closing settlement statement showing all receipts and disbursements of the Escrow.

(f) Closing Instructions. On the Closing Date (or any extension thereof), Escrow Agent shall close Escrow as follows:

(i) record the Deed (marked for return to Purchaser) with the San Diego County Recorder;

(ii) issue the Title Policy;

(iii) prorate taxes, assessments, rents, and other charges as provided in Section 10(g);

(iv) disburse to Seller the Purchase Price less prorated amounts and charges to be paid by, retained for, or on behalf of Seller;

(v) charge Purchaser for those costs and expenses to be paid by Purchaser pursuant to this Agreement and disburse any net funds remaining after the preceding disbursements to Purchaser;

(vi) prepare and deliver to both Purchaser and Seller one signed copy of Escrow Agent's closing settlement statement showing all receipts and disbursements of the Escrow;

(vii) deliver to Purchaser an Assignment (if any), the FIRPTA Affidavit, and the Withholding Affidavit and withhold from the Purchase Price a sufficient amount necessary to comply with any federal or State withholding requirements.

If Escrow Agent is unable to simultaneously perform all of the instructions set forth above, Escrow Agent shall notify Purchaser and Seller and retain all funds and documents pending receipt of further instructions jointly issued by Purchaser and Seller. It is mutually further agreed by and between Purchaser and Seller that if all, and each and every one, of the terms and conditions of this Purchase Agreement are not met within their respective specified time periods, then the Purchaser's deposit, if any, shall be immediately returned to Purchaser, this Purchase Agreement and the Escrow shall terminate and neither party shall have any further rights or obligations to the other party, and the Escrow shall be cancelled, unless extended in writing by both Purchaser and Seller.

(g) Cost Allocations. Escrow Agent shall allocate the following costs at the Close of Escrow:

(i) Purchaser shall pay:

(A) the recording charges in connection with recordation of the Deed; provided, however, that this Deed is entitled to be recorded without a fee pursuant to Government Code Section 27383 because the Deed is for the benefit of a public agency;

(B) all governmental conveyancing fees and taxes due upon transfer of the Property, provided, however, that no documentary transfer tax will be payable with respect to this transaction, pursuant to Revenue and Taxation Code Section 11922;

(C) all charges in connection with issuance of a ALTA Standard Policy of Title Insurance in the amount of the Purchase Price; and

(D) the escrow fee charged by Escrow Agent.

(h) Possession. Possession of the Property shall be delivered to Purchaser at the Close of Escrow.

11. Seller's Representations and Warranties. To Seller's actual knowledge, Seller represents and warrants to Purchaser that as of the date of this Agreement and as of the Close of Escrow:

(a) Hazardous Substances. The Property: (i) is free from Hazardous Substances; (ii) contains no buried or partially buried storage tanks located on the Property; (iii) has not been used for the generation, storage or disposal of any Hazardous Substance and no Hazardous Substance has been spilled, disposed of, or stored on, under, or at the Property; and (iv) has never been used as a dump or landfill;

(b) Compliance with Law. The Property is in material compliance with all applicable Laws and Environmental Laws;

(c) Leases. No recorded or unrecorded leases, licenses, or other agreements allowing any third party rights to use or rights of possession in the Property are or will be in force as of the Closing;

(d) Litigation and Investigations. There is no pending or threatened litigation, administrative proceeding, or other legal or governmental action with respect to the Property, and Seller has received no notice, warning, administrative complaint, judicial complaint, or other formal or informal notice alleging that conditions on the Property are or have been in violation of any Laws or Environmental Laws, or informing Seller that the Property is subject to investigation or inquiry regarding the violation of any Laws or Environmental Laws.

(e) Condition of Property. There are no natural or artificial conditions upon the Property or any part of the Property that could result in a material and adverse change in the condition of the Property;

(f) Access to the Property. There is vehicular access to the Property either directly through a public right of way or through a recorded easement; and

(g) No Insolvency Proceedings. Seller has not (i) made a general assignment for the benefit of creditors; (ii) filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition by its creditors; (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets; (iv) suffered the attachment or other judicial seizure of substantially all of its assets; or (v) admitted in writing its inability to pay its debts as they come due.

(h) No Other Agreements, Undertakings or Tenancies. Seller will not enter into any agreements or undertake any new obligations prior to Close of Escrow which will in any way burden, encumber or otherwise affect the Property without the prior written consent of Purchaser.

(i) Disclosure. Seller has disclosed to Purchaser all information, records, and studies in Seller's possession in connection with the Property, including any reports or studies concerning Hazardous Substances. All information that Seller has delivered to Purchaser, either directly or through Seller's agents, is accurate and Seller has disclosed all material facts concerning the operation, development, or condition of the Property.

Seller shall promptly notify Purchaser of any facts that would cause any of the representations contained in this Agreement to be untrue as of the Close of Escrow. If Purchaser reasonably concludes that a fact materially and adversely affects the Property, Purchaser shall have the option to terminate this Agreement by delivering written notice to Seller and Escrow Agent. If Purchaser terminates this Agreement pursuant to this Section, Escrow Agent shall cancel the Escrow and Seller shall be responsible for all costs of escrow. For the purposes of this Section 11, "Seller's actual knowledge" means Geoff Poole's actual, current knowledge without any representation or warranty regarding investigation or inquiry completed by Geoff Poole.

12. Seller's Covenants. Commencing with the full execution of this Agreement by both parties and until the Close of Escrow:

(a) Seller shall not permit any liens, encumbrances, or easements to be placed on the Property, other than the Approved Exceptions, nor shall Seller enter into any agreement regarding the lease, sale, rental, management, repair, improvement, or any other matter affecting the Property that would be binding on Purchaser or the Property after the Close of Escrow without the prior written consent of Purchaser.

(b) Seller shall not permit any act of waste or act that would tend to diminish the value of the Property for any reason, except that caused by ordinary wear and tear.

13. Authority of Parties.

(a) Seller warrants that this Agreement and all other documents delivered prior to or at the Close of Escrow have been authorized, executed, and delivered by Seller; (i) are binding obligations of Seller; and (ii) are collectively sufficient to transfer all of Seller's rights to the Property and do not violate the provisions of any agreement to which Seller is a party or which affects the Property. If Seller is a corporation, partnership, limited partnership, limited liability company, trust or other legal entity, then Seller further represents that Seller is duly formed and validly existing and in good standing under the laws of the jurisdiction set forth in the first paragraph of this Agreement. If said jurisdiction is other than California, then Seller warrants that to the extent required by applicable law, Seller is registered to do business and is in good standing in the state of California.

(b) Purchaser warrants that this Agreement and all other documents delivered prior to or on the Close of Escrow have been or will be authorized, executed, and delivered by Purchaser; and are binding obligations of Purchaser.

(c) The parties warrant that the persons executing this Agreement on their behalf are authorized to do so, and on execution of this Agreement, this Agreement shall be valid and enforceable against Purchaser or Seller in accordance with this Agreement.

14. Brokers. Each party shall be solely responsible for the fees or commissions of any broker that has been retained or consulted by such party in connection with this transaction. Each party agrees to defend, indemnify, and hold harmless the other party from any claims, expenses, costs, or liabilities arising in connection with a claim by a broker for any such fees or commissions.

15. Assignment. Purchaser shall have the right to assign all rights and liabilities under this Agreement to any party or governmental agency.

16. Attorney Fees. In any action to enforce the terms of this Agreement, the Prevailing Party shall be entitled to recover from the non-prevailing party all reasonable attorneys' fees and costs. "Prevailing Party" shall include without limitation a party who dismisses an action in exchange for sums allegedly due; the party who receives performance from the other party for an alleged breach of contract or a desired remedy where the performance is substantially equal to the relief sought in an action; or the party determined to be the prevailing party by a court of law.

17. Notices. As used in this Agreement, notice includes but is not limited to, the communication of any notice, request, demand, approval, statement, report, acceptance, consent, waiver and appointment. All notices must be in writing. Notice is given either (i) when delivered in person to the person or company intended named below, or (ii) when sent via reputable overnight courier (such as Federal Express), addressed by name and addressed to the party or persons intended, as follows:

To University Of California Irvine:	University Of California Irvine Attention: Executive Director 4199 Campus Dr., Suite 380 Irvine, CA 92697
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With copy to:	Best Best & Krieger LLP 3390 University Avenue, 5th Floor Riverside, CA 92501 Phone: (951) 826-8279 Attention: Steve Anderson
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To Seller:	Borrego Water District 806 Palm Canyon Drive Borrego Springs, CA 92004 Attention: General Manager
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until such time as a party gives notice of the change of address in accordance with the terms of this section.



18. Entire Agreement. This Agreement and the documents referenced herein contain the entire agreement between the parties to this Agreement and shall not be modified in any manner except by an instrument in writing executed by the parties or their respective successors in interest.

19. Severability. If any term or provision of this Agreement shall, to any extent, be held invalid or unenforceable, the remainder of this Agreement shall not be affected.

20. Waivers. A waiver or breach of covenant or provision in this Agreement shall not be deemed a waiver of any other covenant or provision in this Agreement, and no waiver shall be valid unless in writing and executed by the waiving party. An extension of time for performance of any obligation or act shall not be deemed an extension of the time for performance of any other obligation or act.

21. Construction. The Section headings and captions of this Agreement are, and the arrangement of this instrument is, for the sole convenience of the parties to this Agreement. The Section headings, captions, and arrangement of this instrument do not in any way affect, limit, amplify, or modify the terms and provisions of this Agreement. The singular form shall include plural, and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties have prepared it. Unless otherwise indicated, all references to Sections are to this Agreement. All exhibits referred to in this Agreement are attached to it and incorporated in it by this reference.

22. Merger. All of the terms, provisions, representations, warranties, and covenants of the parties under this Agreement shall survive the Close of Escrow and shall not be merged in the Deed or other documents.

23. Counterparts. This Agreement may be executed in one or more counterparts. Each shall be deemed an original and all, taken together, shall constitute one and the same instrument.

24. No Obligations to Third Parties. Except as otherwise expressly provided herein, the execution and delivery of this Agreement shall not be deemed to confer any rights upon, nor obligate any of the parties hereto, to any person or entity other than the parties hereto.

25. Amendment to this Agreement. The terms of this Agreement may not be modified or amended except by an instrument in writing executed by each of the parties hereto.

26. Time of the Essence. Time is of the essence in this Agreement.

27. Successors. This Agreement shall inure to the benefit of and shall be binding upon the parties to this Agreement and their respective heirs, successors, and assigns.

28. Governing Law and Venue. This Agreement and any dispute arising hereunder shall be governed by California law. Each party hereby consents to the exclusive jurisdiction of the state and federal courts sitting in the County of San Diego, State of California, in any action on a claim arising out of, under or in connection with this Agreement or the transactions contemplated by this Agreement. SELLER HEREBY ACKNOWLEDGES THAT THE FOREGOING VENUE PROVISIONS HAVE BEEN CHOSEN AS THE APPROPRIATE AND CONVENIENT FORUM FOR ANY SUCH ACTION AND WAIVES ANY RIGHT TO OBJECT

TO JURISDICTION ON THE BASIS OF LACK OF PERSONAL JURISDICTION OR FORUM NON CONVENIENS. The Parties hereby consent to service of process via mail or overnight courier to the address specified in Section 17 or by any other method permitted under California law.

29. Survival. All representations, warranties, covenants and indemnity obligations of the parties shall survive the Closing of this Agreement.

30. Cooperation. Seller understands that Purchaser may seek from third party governmental agencies funding to reimburse Purchaser in whole or in part for the Purchase Price of the Property. Seller agrees to reasonably cooperate to assist Purchaser during the process to seek such funding and to provide such documentation as reasonably necessary to assist Purchaser in applying for such funding.

IN WITNESS WHEREOF, Purchaser and Seller have executed this Agreement to be effective on and as of the Effective Date set forth in the preamble to this Agreement.

<p>PURCHASER:</p> <p>THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California public corporation</p> <p>By: _____ David Phillips Associate Vice President – Capital Programs, Energy &amp; Sustainability</p>	<p>SELLER:</p> <p>BORREGO WATER DISTRICT, a California special district</p> <p>_____ Kathy Lee Dice, President Board of Directors</p>
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**EXHIBIT A**  
**LEGAL DESCRIPTION**

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

PARCEL 1:

THAT PORTION OF THE NORTH ONE HALF OF SECTION 7, TOWNSHIP 11 SOUTH, RANGE 6 EAST, SAN BERNARDINO BASE AND MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTH LINE OF SAID SECTION 7 DISTANT THEREON NORTH 89° 58' 12" WEST 2675.00 FEET FROM THE NORTHEAST CORNER OF SAID SECTION 7; THENCE CONTINUING ALONG THE NORTH LINE OF SAID SECTION 7 NORTH 89° 58' 12" WEST 700.00 FEET; THENCE SOUTH 600.00 FEET; THENCE PARALLEL WITH THE SAID NORTH LINE SOUTH 89° 58' 12" EAST 700.00 FEET TO A POINT WHICH IS SOUTH 600.00 FEET FROM THE POINT OF BEGINNING; THENCE NORTH 600.00 FEET TO THE POINT OF BEGINNING.

PARCEL 2:

AN 60.00 FEET EASEMENT FOR INGRESS, EGRESS, UTILITIES, DRAINAGE AND ALL PURPOSES INCIDENTAL THERETO OVER, UNDER, ALONG, ACROSS, UPON AND THROUGH A PORTION OF THE NORTH ONE HALF OF SECTION 7, TOWNSHIP 11 SOUTH, RANGE 6 EAST, SAN BERNARDINO BASE AND MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT THE CENTER LINE OF TILTING T DRIVE, SAID POINT BEING SOUTH 56° 40' 53" WEST 20.00 FEET FROM THE MOST WESTERLY CORNER OF LOT 1 OF DE ANZA MANOR, ACCORDING TO [MAP NO. 2517](#), RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY ON OCTOBER 15, 1948; THENCE NORTH 25° 43' 09" WEST 557.65 FEET TO THE BEGINNING OF A TANGENT 75.00 FEET RADIUS CURVE, CONCAVE SOUTHWESTERLY; THENCE NORTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 45° 34' 21" AN ARC DISTANCE 59.65 FEET; THENCE TANGENT TO SAID CURVE NORTH 71° 17' 29" WEST 143.86 FEET TO THE BEGINNING OF A TANGENT 46.00 FEET RADIUS CURVE, CONCAVE SOUTHEASTERLY, SAID POINT BEING HEREIN DESIGNATED POINT "A"; THENCE WESTERLY AND SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 100° 38' 24" AN ARC DISTANCE OF 80.80 FEET TO THE BEGINNING OF A 75.00 FEET RADIUS REVERSE CURVE; THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 56° 38' 46" AN ARC DISTANCE OF 74.15 FEET TO THE BEGINNING OF A 46.00 FEET RADIUS REVERSE CURVE; THENCE SOUTHWESTERLY AND SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 83° 53' 21" AN ARC DISTANCE OF 67.35 FEET; THENCE TANGENT TO SAID CURVE SOUTH 19° 10' 28" EAST 47.65 FEET TO THE BEGINNING OF A TANGENT 50.00 FEET RADIUS CURVE, CONCAVE NORTHWESTERLY; THENCE SOUTHERLY AND WESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 105° 43' 30" AN ARC DISTANCE OF 92.26 FEET TO THE BEGINNING OF A 400.00 FEET RADIUS COMPOUND CURVE; THENCE WESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 15° 35' 03" AN ARC DISTANCE OF 108.80 FEET TO THE BEGINNING OF A 100.00 FEET RADIUS COMPOUND CURVE; THENCE NORTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 66° 46' 40" AN ARC DISTANCE OF 116.55 FEET; THENCE TANGENT TO SAID CURVE NORTH 11° 05' 15" WEST 72.93 FEET TO THE BEGINNING OF A TANGENT 170.00 FEET RADIUS CURVE, CONCAVE SOUTHWESTERLY; THENCE NORTHWESTERLY AND WESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 79° 06' 56" AN ARC DISTANCE OF 234.74 FEET, SAID POINT HEREIN DESIGNATED POINT "B"; THENCE TANGENT TO SAID CURVE SOUTH 89° 47' 49" WEST 255.50 FEET TO THE EAST BOUNDARY OF

THE ABOVE HEREIN DESCRIBED PARCEL 1. SAID EASEMENT IS TO BE EXTENDED OR SHORTENED SO AS TO TERMINATE IN THE NORTHERLY END OF TILTING T DRIVE AND THE EAST BOUNDARY OF HEREIN DESCRIBED PARCEL 1.

PARCEL 3:

AN EASEMENT FOR INGRESS, EGRESS, UTILITIES, DRAINAGE AND ALL PURPOSES INCIDENTAL THERETO OVER, UNDER, ALONG, ACROSS, UPON AND THROUGH A PORTION OF THE NORTH ONE HALF OF SECTION 7, TOWNSHIP 11 SOUTH, RANGE 6 EAST, SAN BERNARDINO BASE AND MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT POINT "A" HEREIN ABOVE DESCRIBED IN PARCEL 2, SAID POINT BEING ON A 46.00 FEET RADIUS CURVE, THE CENTER OF WHICH BEARS SOUTH 18° 42' 31" WEST; THENCE WESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 15° 12' 24" AN ARC DISTANCE OF 12.21 FEET, SAID POINT BEING THE TRUE POINT OF BEGINNING; THENCE RADIALLY TO SAID CURVE NORTH 03° 30' 06" EAST 30.00 FEET; THENCE PERPENDICULAR TO SAID RADIAL LINE NORTH 86° 29' 54" WEST 499.61 FEET TO THE BEGINNING OF A TANGENT 200.00 FEET RADIUS CURVE, CONCAVE SOUTHERLY; THENCE WESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 03° 42' 18" AN ARC DISTANCE OF 12.93 FEET TO A POINT WHICH IS NORTH 00° 12' 12" WEST 30.00 FEET FROM POINT "B" HEREIN DESCRIBED ABOVE IN PARCEL 2, SAID BEARING NORTH 00° 12' 12" WEST IS A RADIAL BEARING TO SAID 200.00 FEET RADIUS CURVE; THENCE SOUTH 00° 12' 12" EAST 30.00 FEET TO POINT "B"; THENCE RETRACING ALONG THE CENTER LINE OF THE EASEMENT DESCRIBED IN PARCEL 2 TO THE TRUE POINT OF BEGINNING.

PARCEL 4:

AN EASEMENT FOR INGRESS, EGRESS, UTILITIES, DRAINAGE AND ALL PURPOSES INCIDENTAL THERETO OVER, UNDER, ALONG, ACROSS, UPON AND THROUGH A PORTION OF THE NORTH ONE HALF OF SECTION 7, TOWNSHIP 11 SOUTH, RANGE 6 EAST, SAN BERNARDINO BASE AND MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT THE MOST WESTERLY CORNER OF LOT 1 OF DE ANZA MANOR, ACCORDING TO [MAP NO. 2517](#), RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY ON OCTOBER 15, 1948; THENCE NORTH 28° 32' 03" EAST ALONG THE NORTHWESTERLY LINE OF SAID LOT 1, 12.54 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING ALONG THE SAID NORTHWESTERLY LINE NORTH 28° 32' 03" EAST 20.50 FEET; THENCE LEAVING SAID NORTHWESTERLY LINE NORTH 36° 41' 35" WEST 87.41 FEET; THENCE SOUTH 25° 43' 09" EAST 97.79 FEET TO THE TRUE POINT OF BEGINNING.

Assessor's Parcel Number: **198-100-21-00**

**EXHIBIT B  
(GRANT DEED)**

RECORDED AT REQUEST OF AND  
RETURN TO:

The University of California,  
Office of the President  
1111 Franklin Street, 7<sup>th</sup> Floor  
Oakland, CA 94607  
Attn: Real Estate Services & Strategies

**FREE RECORDING**

This instrument is for the benefit of the  
Borrego Water District, and is entitled to be  
recorded without fee. (Govt. Code 27383)

(Space above this line reserved for Recorder's use)

**GRANT DEED**

APN: 198-100-2100

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,  
BORREGO WATER DISTRICT, herein called "Grantor", hereby GRANTS to THE REGENTS  
OF THE UNIVERSITY OF CALIFORNIA, a California public corporation ("Grantee"), the real  
property in the County of San Diego, State of California, described as:

See Exhibit "A" attached hereto and made a part hereof

IN WITNESS WHEREOF, Grantor has executed this Grant Deed as of the \_\_th day of  
\_\_\_\_\_, 2023.

BORREGO WATER DISTRICT, a  
California special district

\_\_\_\_\_  
Kathy Lee Dice, President  
Board of Directors

ATTACH NOTARY ACKNOWLEDGEMENT

**BORREGO WATER DISTRICT  
BOARD OF DIRECTORS MEETING  
June 13, 2023  
AGENDA ITEM IL.F**

June 9, 2023

**TO:** Board of Directors

**FROM:** Geoffrey Poole, General Manager

**Subject:** Letter from Director Johnson regarding need for Watermaster to begin testing for PFAS in the North Management Area

**RECOMMENDED ACTION**

Review attached letter from Director Johnson and direct staff as deemed appropriate.

**ITEM EXPLANATION**

Director Johnson has submitted the attached letter for Board discussion and consideration.

**NEXT STEPS**

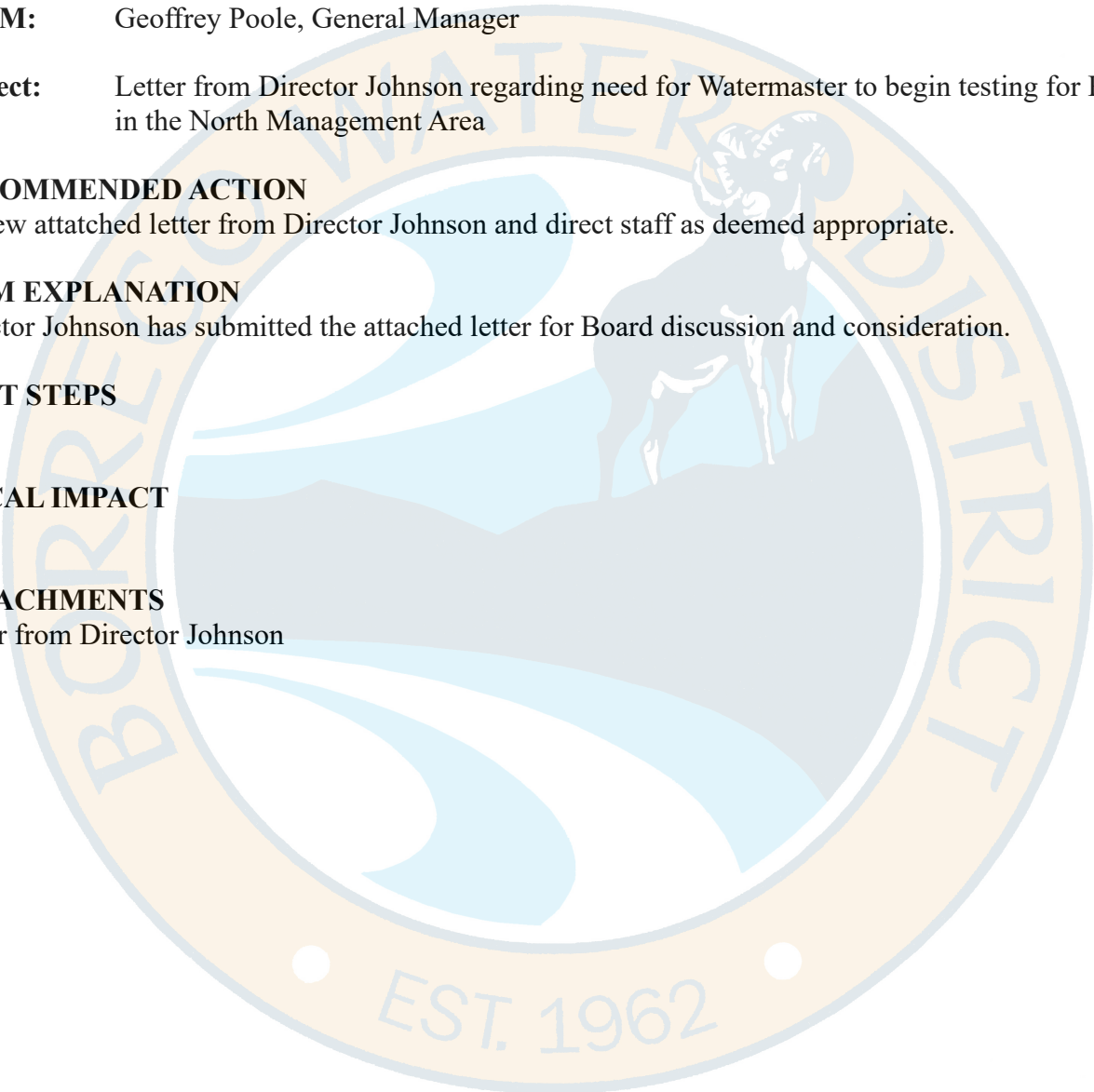
TBD

**FISCAL IMPACT**

TBD

**ATTACHMENTS**

Letter from Director Johnson



9 June 2023

To: BWD Board of Directors

From: Diane Johnson, Board Director

I am writing to recommend that the Borrego Water District Board ask the Watermaster to monitor the groundwater in the North Management Area for PFAS contamination. This is not a formal Ad Hoc Committee on Water Quality request, as summer schedules have made it difficult to confer with Gina Moran, the other member of that committee. My reasons, in rough form, are listed below.

#### REASONS FOR CONCERN OVER PFAS:

- PFAS are a large group of human-made, environmentally persistent organic compounds. They have properties that make many of them toxic even at extremely low concentrations.
- PFAS can seep through the soil and migrate into groundwater that is a source of drinking water. This can happen for decades, making PFAS in groundwater difficult and expensive to remediate.
- PFAS may enter the environment at sites such as agricultural fields where pesticides are applied. PFAS can be used as adjuvant ingredients in pesticides, enabling better dispersal; and can be used in the containers in which those pesticides are stored.
- PFAS in groundwater can migrate long distances and pose a long-term public-health concern, as some PFAS are known or suspected to be associated with adverse human-health effects, such as cancer, liver damage, immune disorders, and developmental problems.

Monitoring the groundwater for PFAS contamination can help identify the sources, extent, and trends of potential PFAS pollution, and inform the best scientific management practices and treatment options to protect the groundwater quality and public health.

#### REASONS WHY THE WATERMASTER SHOULD PERFORM PFAS MONITORING AND REPORT RESULTS:

- The legislative language in SGMA itself gives great weight to protecting water quality. Lowering of groundwater quality is one of the Undesirable Results listed in the law. [Water Code § 10721(w)].
- Since the Judgment, including the GMP, constitutes the Physical Solution for groundwater management in the Valley, and the Watermaster is charged with implementing the Judgment, the Watermaster is responsible for water quality monitoring and management. Section VI of the Judgment covers some aspect of water quality monitoring

- In creating programs, regulations, best practice guidelines, etc. under SGMA, the Department of Water Resources has given heavy emphasis to protecting the quality of drinking water. This is seen very clearly in the recently released document **Guidance for Sustainable Groundwater Management Act Implementation: Considerations for Identifying and Addressing Drinking Water Well Impacts**, March 2023 [[https://water.ca.gov/-/media/DWR-Website/Web-Pages/Programs/Groundwater-Management/Files/Considerations-for-Identifying-and-Addressing-Drinking-Water-Well-Impacts\\_FINAL.pdf](https://water.ca.gov/-/media/DWR-Website/Web-Pages/Programs/Groundwater-Management/Files/Considerations-for-Identifying-and-Addressing-Drinking-Water-Well-Impacts_FINAL.pdf)]