

Borrego Water District Board of Directors
Special Meeting
June 23, 2026 @ 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 above. 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. San Diego Gas and Electric Powerline Project Update – B Butkiewicz, SDGE
- B. Air Quality Monitoring Update – E Amato, UCSD
- C. Borrego Springs Subbasin Watermaster
 - 1. Update on Board Activities – G Moran/T Baker
 - 2. Discuss Agenda Items from Upcoming Meeting – G Moran/T Baker
 - 3. Update on Technical Advisory Committee Activities – T Driscoll
- D. Resolutions: Various Tax Assessments FY 2026-27
 - 1. **RESOLUTION NO. 2026-06-01 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT RESTATING AND ADOPTING A STATEMENT OF INVESTMENT POLICY**

AGENDA: June 23, 2026: 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 BWD Office of the Board Secretary, located at 806 Palm Canyon Drive, Borrego Springs CA 92004.

2. **RESOLUTION NO. 2026-06-02** RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF OPERATIONS AND MAINTENANCE OF THE DISTRICT AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS ON LAND WITHIN THE DISTRICT FOR THE FISCAL YEAR 2026-2027.
3. **RESOLUTION NO. 2026-06-03** RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COSTS OF OPERATIONS AND MAINTENANCE OF THE DISTRICT, AND TO PAY COSTS OF OPERATIONS AND MAINTENANCE FOR IMPROVEMENT DISTRICT NO. 1 AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS ON CERTAIN LAND IN IMPROVEMENT DISTRICT NO. 1 FOR THE FISCAL YEAR 2026-2027
4. **RESOLUTION NO. 2026-06-04** RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF PROVIDING PEST CONTROL SERVICES BY THE DISTRICT AND REQUESTING LEVY AND COLLECTION OF SAID CHARGES AND/OR ACREAGE ASSESSMENTS FOR THE FISCAL YEAR 2026-2027
5. **RESOLUTION NO. 2026-06-05** RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF OPERATING AND MAINTAINING THE WATER FACILITIES WITHIN IMPROVEMENT DISTRICT NO. 3 OF THE DISTRICT AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS FOR THE FISCAL YEAR 2026-2027.
6. **RESOLUTION NO. 2026-06-06** RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2017-1 OF THE BORREGO WATER DISTRICT AUTHORIZING THE LEVY OF SPECIAL TAXES WITHIN COMMUNITY FACILITIES DISTRICT NO. 2017-1 FOR THE FISCAL YEAR 2026-2027
7. **RESOLUTION NO. 2026-06-07** RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2007-1 OF THE BORREGO WATER DISTRICT AUTHORIZING THE LEVY OF SPECIAL TAXES WITHIN COMMUNITY FACILITIES DISTRICT NO. 2007-1 FOR THE FISCAL YEAR 2026-2027.
8. **RESOLUTION NO. 2026-06-08** RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF OPERATIONS AND MAINTENANCE OF WATER AND SEWER FACILITIES WITHIN IMPROVEMENT DISTRICT NO. 5 OF THE DISTRICT AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS FOR THE FISCAL YEAR 2026-2027

E. Fiscal Year 2026-27 Budget and Capital Improvement Plan and Cash Flows - VERBAL

III. BOARD COMMITTEE REPORTS, IF NEEDED

STANDING:

- A. Operations and Infrastructure - Duncan/Baker
- B. Finance, Audit and Budget - Dice/Moran

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AD HOC:

- A. T2 Developers Agreement - Baker/Duncan
- B. Organizational Assessment – Duncan/Baker
- C. Proposition 4 Funding – Dice/Johnson

IV. STAFF REPORTS

- A. Waste Water: May 2026 Monthly Report – R Martinez
- B. Water: May 2026 Monthly Report – M Marin
- C. Finance: April 2026 Monthly Report – J Clabaugh
- D. Administration – D Del Bono, Verbal
- E. Legal Counsel – S Anderson, Verbal
- F. General Manager – G Poole, Verbal

V. CLOSED SESSION:

- A. CONFERENCE WITH LEGAL COUNSEL - Paragraph (1) of Government Code, section 54956.9 – Existing Litigation (Borrego Water District v. All Persons (Groundwater), Orange County Superior Court Case No. 37-2020-0000577)
- B. 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:

- A. The next Board Meeting is scheduled for 9:00 AM on July 14, 2026, to be available online and in person at 806 Palm Canyon Drive. See Board Agenda at BorregoWD.org for details, Agenda information available at least 24 hours before the meeting.

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BOARD OF DIRECTORS MEETING
JUNE 23, 2026
AGENDA ITEM II. A & B

June 18, 2026

TO: Board of Directors

FROM: Geoffrey Poole, General Manager

SUBJECT:

- A. San Diego Gas and Electric Powerline Project Update – B Butkiewicz, SDGE
- B. Air Quality Monitoring Update – E Amato, UCSD

RECOMMENDED ACTION:

Receive updates from SDGE and UCSD

ITEM EXPLANATION:

- A. Representatives from SDGE are scheduled to attend the Board Meeting and provide an update on the proposed power line thru ABDSP.
- B. Representatives from UCSD are scheduled to attend the Board Meeting and provide an update on the Air Quality Monitoring Program in and around Borrego Springs

NEXT STEPS

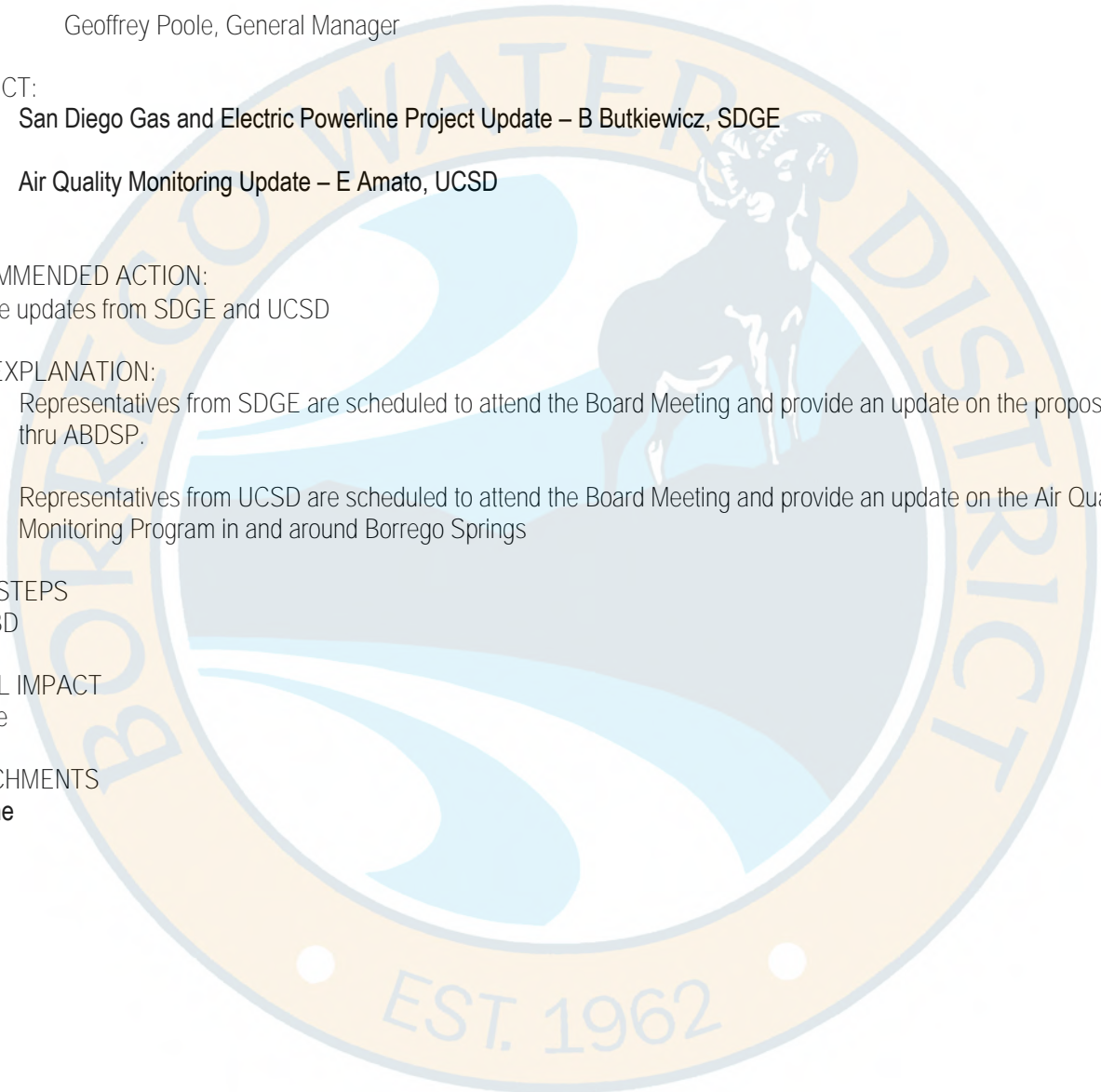
- 1. TBD

FISCAL IMPACT

- 1. None

ATTACHMENTS

- 1. **None**



BOARD OF DIRECTORS MEETING
JUNE 23, 2026
AGENDA ITEM II.C

June 18, 2026

TO: Board of Directors

FROM: Geoffrey Poole, General Manager

SUBJECT: Borrego Springs Subbasin Watermaster

1. Update on Board Activities – G Moran/T Baker
2. Discuss Agenda Items from Upcoming Meeting – G Moran/T Baker
3. Update on Technical Advisory Committee Activities – T Driscoll

RECOMMENDED ACTION:

Receive updates from WM Representatives and Consultants

ITEM EXPLANATION:

The BWD WM Representatives and related Consultants will update on WM issues and solicit input from the BWD Board

NEXT STEPS

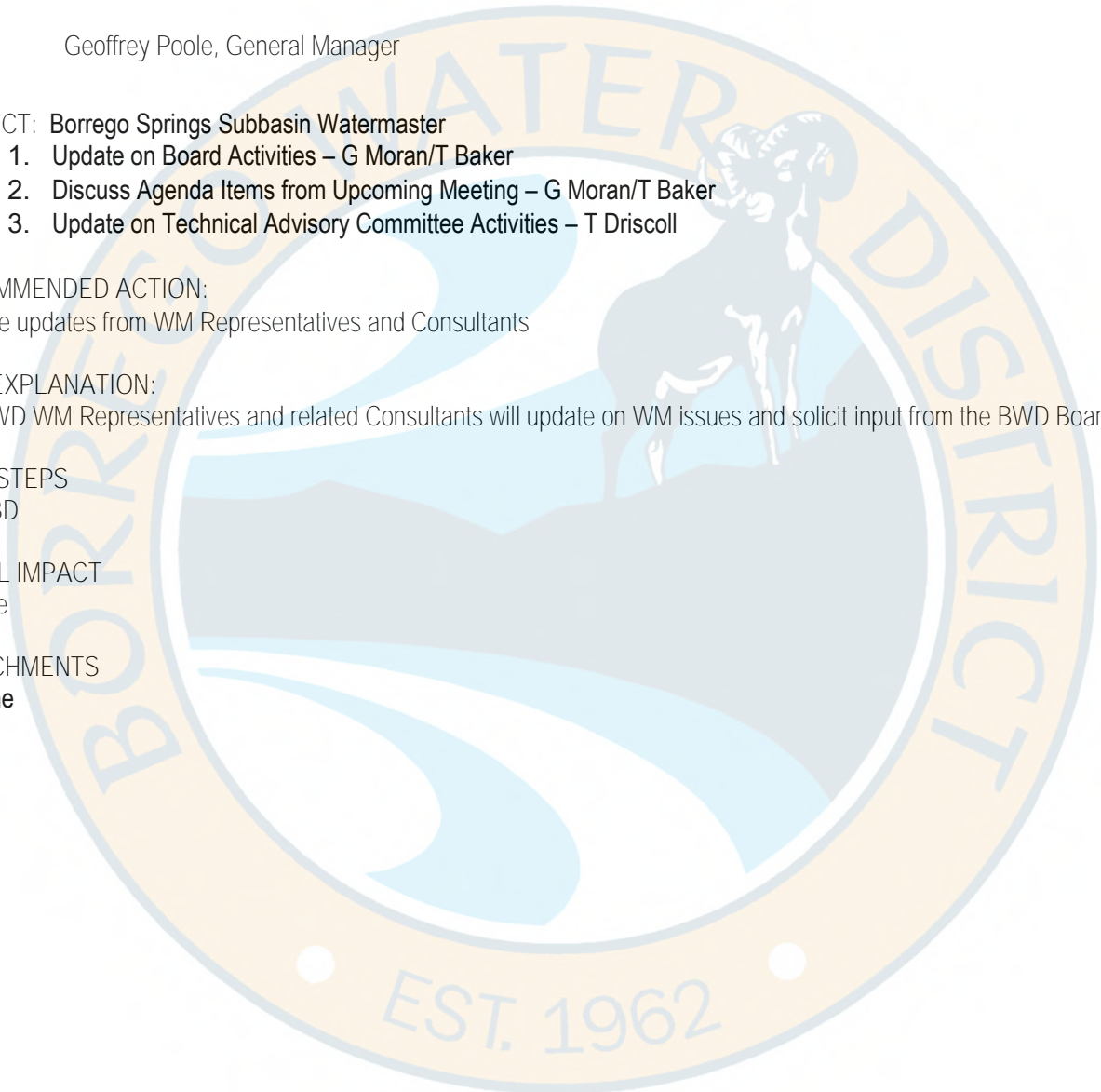
1. TBD

FISCAL IMPACT

1. None

ATTACHMENTS

1. **None**



BOARD OF DIRECTORS MEETING
JUNE 23, 2026
AGENDA ITEM II.D

June 18, 2026

TO: Board of Directors

FROM: Geoffrey Poole, General Manager

SUBJECT: Tax Assessments - DTA

RECOMMENDED ACTION:

Approve annual tax assessments

ITEM EXPLANATION:

Andrea from David Tausig and Assoc will be presenting the annual tax assessment lists for Board approval.

NEXT STEPS

1. File information with County of SD – E Garcia

FISCAL IMPACT

1. See attached

ATTACHMENTS

1. Borrego Water District Community Facilities District No. 2007-1
2. Borrego Water District Community Facilities District No. 2017-1
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FISCAL YEAR 2026-2027
ADMINISTRATION REPORT
BORREGO WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2007-1
June 3, 2026

Public Finance
Public-Private Partnerships
Development Economics
Clean Energy Bonds

Irvine / San Jose / San Francisco / Riverside
Dallas / Houston / Raleigh / Tampa

BORREGO WATER DISTRICT



FISCAL YEAR 2026-2027 ADMINISTRATION REPORT

Community Facilities District No. 2007-1

Prepared for:

Borrego Water District

PO Box 1870

806 Palm Canyon Drive

Borrego Springs, CA 92004

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INTRODUCTION

This report provides an analysis of the financial and administrative obligations of Community Facilities District No. 2007-1 ("CFD No. 2007-1") of the Borrego Water District (the "Water District"). The \$9,530,000 Series 2007 Special Tax Bonds (the "Series 2007 Bonds") were issued in June 2007. In 2017, CFD No. 2007-1 was restructured in which the Series 2007 Bonds were paid off early. In addition, as a part of the restructuring, the lien for CFD No. 2007-1 was cancelled for certain property owned by the bond owner and such property was included in a new CFD called CFD No. 2017-1. In May 2017, the Water District issued \$1,100,000 Series 2017A Special Tax Refunding Bonds (the "Series 2017A Bonds") for CFD No. 2007-1 and \$10,300,000 Series 2017B Special Tax Refunding Bonds (the "Series 2017B Bonds") for CFD No. 2017-1. The Series 2017A and 2017B Bonds were issued for the purpose of defeasing and refunding the outstanding CFD No. 2007-1 Bonds.

CFD No. 2007-1 is a legally constituted governmental entity established under the Mello-Roos Community Facilities Act of 1982, (the "Act") as amended. The Act provides an alternative method for the financing of certain public capital facilities and services. Specifically, CFD No. 2007-1 is authorized to issue up to \$11,000,000 in bonds and has sold \$9,530,000 in bonds for purposes of refunding prior bonds issued by CFD No. 95-1 of the Water District, as well as by CFD No. 2007-1. The current outstanding principal is equal to \$590,000 as of August 2, 2025. The Series 2017A Bonds are scheduled to be paid off in year 2032. Pursuant to the Amended and Restated Rate and Method of Apportionment for CFD No. 2007-1 ("RMA"), the special tax shall be levied for a period not to exceed 40 years commencing in Fiscal Year 2007-2008. The RMA is included in Appendix C.

The bonded indebtedness of CFD No. 2007-1 is both secured and repaid through the annual levy and collection of special taxes from all property subject to the tax within CFD No. 2007-1. In calculating the special tax liability for fiscal year 2026-2027, this report examines the financial obligations of the current fiscal year and analyzes the level of development within CFD No. 2007-1.

As part of the restructuring, a majority of the taxable property located within Community Facilities District 2007-1 was released from the obligation to pay its CFD No. 2007-1 special taxes and was included in Borrego Water District Community Facilities District No. 2017-1. A Notice of Cancellation was recorded for such property on July 20, 2017. Only 88 lots of Developed Property (and certain exempt property) remain in CFD No. 2007-1. All property expected to be developed in the future has been included in CFD No. 2017-1. A map showing the property remaining in CFD No. 2007-1 is included in Appendix A.

This report is organized into the following sections:

- **Section I:** Section I provides an update of the development status of property within CFD No. 2007-1;
- **Section II:** Section II analyzes the previous fiscal year's special tax levy and includes a discussion of delinquent special taxes;

- **Section III:** Section III determines the financial obligations of CFD No. 2007-1 for fiscal year 2026-2027; and
- **Section IV:** Section IV reviews the methodology used to apportion the special tax requirement between Developed Property and Undeveloped Property. A table of the 2026-2027 special taxes for each classification of property is included.

I SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

A Special Tax Classifications

The methodology employed to calculate and apportion the special tax is contained in a document entitled the Amended and Restated Rate and Method of Apportionment of the Special Tax. The Amended and Restated Rate and Method of Apportionment defines two primary categories of taxable property, namely "Developed Property" and "Undeveloped Property." The category of Developed Property is in turn divided into five separate special tax classifications based on the size of the lot or the use of the property. A table of the Developed Property special tax classifications is shown below.

Table 1: Developed Property Classifications

Land Use Class	Description
1	Residential Property (lot size >12,000 sq. ft.)
2	Residential Property (lot size <12,000 sq. ft.)
3	Commercial Property
4	Golf Course Property
5	Hotel/Motel Property

Developed Property is distinguished from Undeveloped Property by (i) the recordation of a final map for residential property, (ii) the issuance of a building permit for commercial property or hotel/motel property, and (iii) the determination of Golf Course Property. Specifically, property for which a final map was recorded or a building permit was issued as of January 1 will be classified as Developed Property in the following fiscal year.

B Development Update

Under the original boundaries, CFD No. 2007-1 encompassed approximately 3,140 gross acres of land in unincorporated San Diego County. After the cancellation of the lien for certain property in CFD No. 2007-1, CFD No. 2007-1 now encompasses approximately 997 gross acres. Of this amount, approximately 24 gross acres is considered Residential Property, while the remaining acreage consists of open space, streets, and other uses not subject to the special tax.

Property remaining in CFD No. 2007-1 includes a total of 88 residential lots that are within final subdivision maps and considered Residential Property. There is no property considered Golf Course Property, Commercial Property, or Hotel/Motel Property within CFD No. 2007-1. In addition, there are no parcels located in CFD No. 2007-1 that remain to be developed. The table below indicates the cumulative Developed Property, by class, within CFD No. 2007-1.

Table 2: Cumulative Developed Property

Class	Land Use	Number of Lots/SF/ Rooms/Acres
1	Residential Property (lot size >12,000 sq. ft.)	59 lots
2	Residential Property (lot size <12,000 sq. ft.)	29 lots
3	Commercial Property	0 square feet
4	Golf Course Property	0.00 acres
5	Hotel/Motel Property	0 rooms

II FISCAL YEAR 2025-2026 LEVY

The aggregate Special Tax levy for the property located within CFD No. 2007-1 for Fiscal Year 2025-2026 equaled \$105,624. As of June 3, 2026, \$102,032 in special taxes had been collected by the County resulting in a delinquency rate of approximately 3.40%.

III FISCAL YEAR 2026-2027 SPECIAL TAX REQUIREMENT

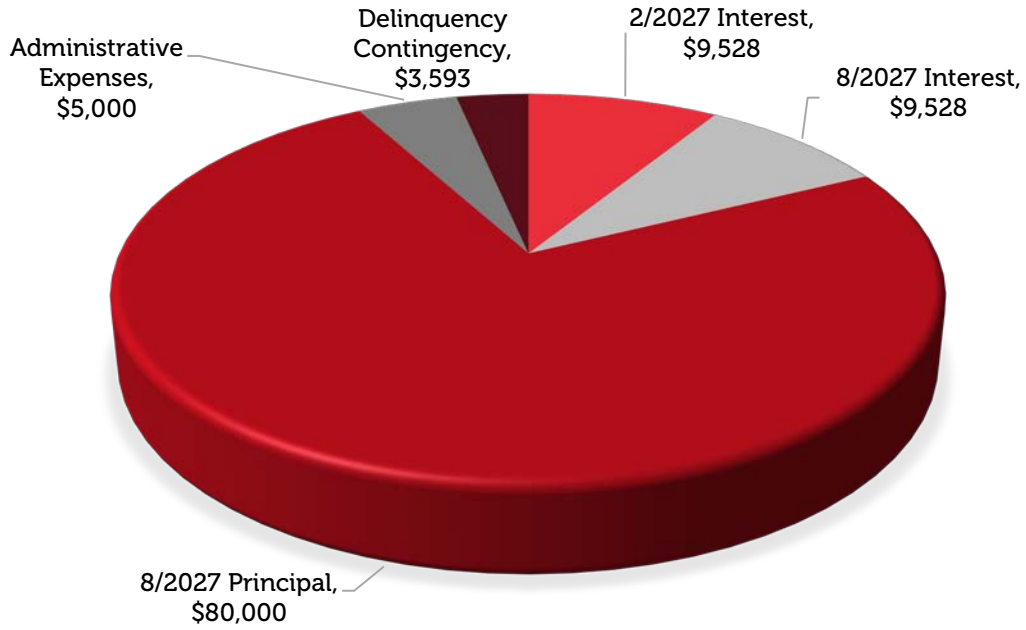
For fiscal year 2026-2027, the special tax requirement is equal to \$103,432 and is calculated as follows:

Table 3: Fiscal Year 2026-2027 Special Tax Requirement

	Subtotal	Total
Fiscal Year 2025-2026 Surplus		\$4,215
Fiscal Year 2026-2027 Obligations		(\$107,648)
Series 2017A Interest Due February 1, 2027	(\$9,528)	
Series 2017A Interest Due August 1, 2027	(\$9,528)	
Series 2017A Principal Due August 1, 2027	(\$80,000)	
Administration Expenses	(\$5,000)	
Delinquency Contingency	(\$3,593)	
Fiscal Year 2026-2027 Special Tax Requirement		(\$103,432)

The components of the fiscal year 2026-2027 gross special tax requirement are shown graphically below.

Figure 1: Fiscal Year 2026-2027 Gross Special Tax Requirement



Total Fiscal Year 2026-2027 Gross Special Tax Requirement: \$107,648

IV METHOD OF APPORTIONMENT

A Maximum Special Tax Rates

The amount of special taxes that CFD No. 2007-1 may levy is strictly limited by the maximum special taxes set forth in the Amended and Restated Rate and Method of Apportionment. The maximum special taxes for each classification of Developed Property, or the "Assigned Special Taxes," are specified in Table 1 of Section C of the Amended and Restated Rate and Method of Apportionment.¹

B Termination of Special Tax

The Special Tax shall be levied for a period not to exceed forty years commencing in fiscal year 2007-2008.

C Apportionment of Special Taxes

The special tax that is apportioned to each parcel is determined through the application of Section D of the Amended and Restated Rate and Method of Apportionment. Section D apportions the special tax requirement in five steps which prioritize the order in which Developed Property and Undeveloped Property are taxed.

The first step states that the special tax shall be levied against each parcel of Residential Property, Commercial Property, and Hotel/Motel Property at up to 100% of the assigned special tax. If the special taxes raised pursuant to the first step are less than the special tax requirement, then the second step is applied. The second step states that the special tax shall be levied against each parcel of Golf Course Property at up to 100% of the assigned special tax. If additional monies are needed, then the third step is applied. The third step states that the special tax shall be levied against all parcels of Undeveloped Property at up to 100% of the applicable maximum special tax per acre. Since there is no Golf Course or Undeveloped Property remaining in CFD No. 2007-1, the second and third steps are not necessary. The fourth and fifth steps are designed to accommodate changes in land use and are intended to be used only as a last resort.

Application of the maximum special taxes under the first step generates special tax revenues of \$115,689 from Residential Property, which is sufficient to meet all obligations for CFD No. 2007-1 for fiscal year 2026-2027 as outlined in Section III. Therefore, the fiscal year 2026-2027 special tax levied against each parcel of Developed Property is equal to approximately 89.41% of the applicable maximum special tax for such parcel. The fiscal year 2026-2027

¹Technically, Section C states that the maximum special tax for a parcel of Developed Property is equal to the greater of the rate set forth for the applicable Developed Property classification in Table 1 of Section C or "Backup Special Tax." The Backup Special Tax was established for the contingency of a shortfall in revenues resulting from significant changes in development densities. The contingency for which the Backup Special Tax was established does not exist and hence, all discussion of maximum tax rates focuses on the rates set forth for each classification of Developed Property in Section C of the Amended and Restated Rate and Method of Apportionment.

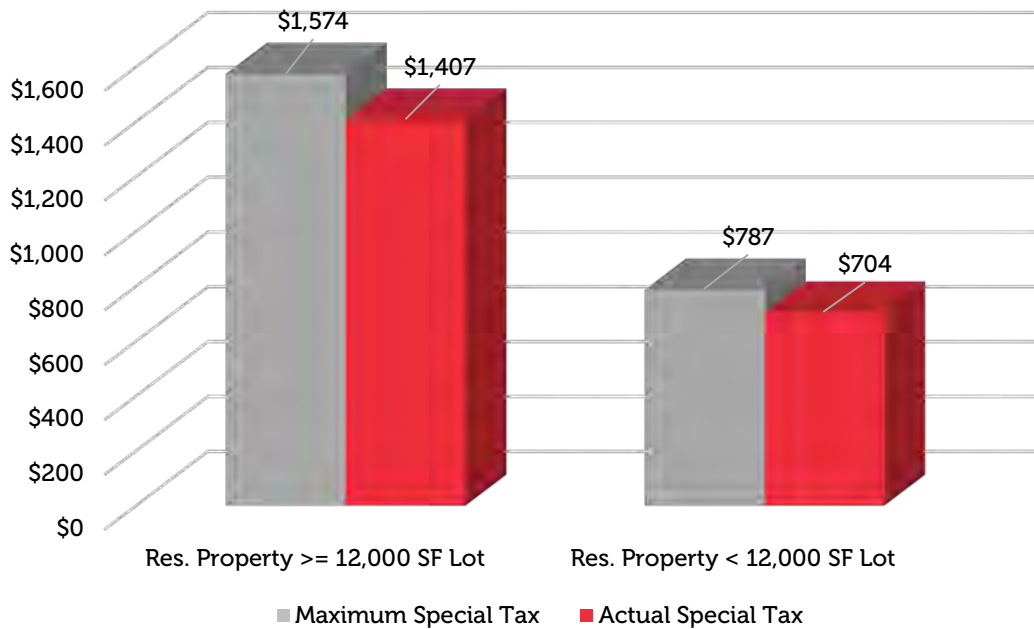
maximum and actual special taxes are shown for each classification of Developed Property and Undeveloped Property in the following table.

Table 4: Fiscal Year 2026-2027 Special Taxes for Developed Property and Undeveloped Property

Land Use Class	Description	FY 2026-2027 Maximum Special Tax	FY 2026-2027 Actual Special Tax
1	Residential Property (lot size >12,000 sq. ft.)	\$1,574.00/lot	\$1,407.24/lot
2	Residential Property (lot size <12,000 sq. ft.)	\$787.00/lot	\$703.62/lot
3	Commercial Property	\$1.38/s.f. of floor area	N/A
4	Golf Course Property	\$1,200.00/acre	N/A
5	Hotel/Motel Property	\$300.00/room	N/A
N/A	Undeveloped Property	\$20,058.00/acre	N/A

A list of the actual special tax levied against each parcel in CFD No. 2007-1 is included in Appendix D.

Figure 2: Fiscal Year 2026-2027 Special Tax Levy





APPENDIX A

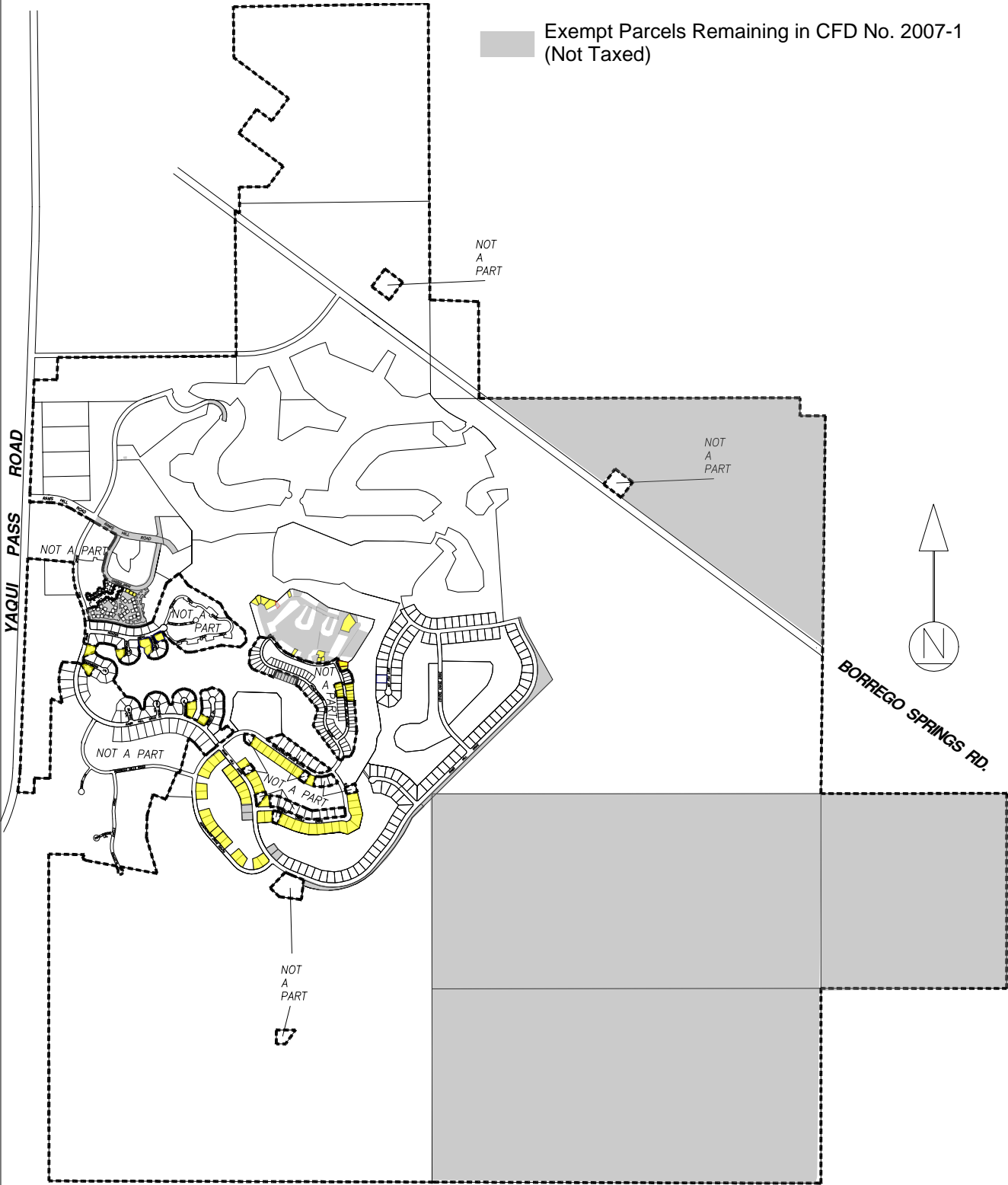
Borrego Water District
Community Facilities District No. 2007-1
Fiscal Year 2026-2027 Administration Report



BOUNDARY MAP

Borrego Water District CFD No. 2007-1
Parcels Removed from the CFD

-  Residential Parcels Remaining in CFD No. 2007-1
-  Exempt Parcels Remaining in CFD No. 2007-1 (Not Taxed)



APPENDIX B

Borrego Water District
Community Facilities District No. 2007-1
Fiscal Year 2026-2027 Administration Report



**AMENDED AND RESTATED
RATE AND METHOD OF
APPORTIONMENT**

**AMENDED AND RESTATED
RATE AND METHOD OF APPORTIONMENT FOR
BORREGO WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(MONTESORO)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Borrego Water District Community Facilities District No. 2007-1 ("CFD No. 2007-1") and collected each Fiscal Year commencing in Fiscal Year 2007-08, in an amount determined by the CFD Administrator of the Borrego Water District through the application of the Amended and Restated Rate and Method of Apportionment as described below. All of the real property in CFD No. 2007-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. Lot size equals Acreage multiplied by 43,560.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2007-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Water District or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Fiscal Agent Agreement; the costs to the Water District, CFD No. 2007-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the Water District, CFD No. 2007-1 or any designee thereof of complying with Water District, CFD No. 2007-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the Water District, CFD No. 2007-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from any escrow account; and the Water District's annual administration fees, and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the Water District or CFD No. 2007-1 for any other administrative purposes of CFD No. 2007-1, including attorney's fees and other costs related to commencing and pursuing any foreclosure or other resolution of delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's parcel number.

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"Board" means the Board of Directors of the Water District.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2007-1 under the Act.

"CFD Administrator" means an official of the Water District, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 2007-1" means Borrego Water District Community Facilities District No. 2007-1 (Montesoro).

"Commercial Floor Area" means for Commercial Property the total of the gross area of the floor surfaces within the exterior wall of the building, not including space devoted to residential dwelling units, stairwells, separate storage areas, required corridors, public restrooms, elevator shafts, light courts, vehicle parking and areas incident thereto, mechanical equipment incidental to the operation of such building, and covered public pedestrian circulation areas, including atriums, lobbies, plazas, patios, decks, arcades and similar areas, except such public circulation areas or portions thereof that are used solely for commercial purposes. The amount of floor area shall be determined by reference to the building permit(s) issued by the County, or if square footage is not available from this source, as otherwise determined by the CFD Administrator.

"Commercial Property" means all Assessor's Parcels of Developed Property, other than Residential Property, Hotel/Motel Property, and Golf Course Property, for which a building permit was issued for a non-residential use.

"County" means the County of San Diego.

"Developed Property" means, for each Fiscal Year, all Assessor's Parcels of Taxable Property, exclusive of Taxable Property Owner Association Property and Taxable Public Property which (i) are within a Residential Final Map, excluding Non-Buildable Residential Property, (ii) have been issued a building permit for commercial or hotel/motel uses, or (iii) are Golf Course Property; all as of January 1 of the prior Fiscal Year.

"Fiscal Agent" means the fiscal agent under the Fiscal Agent Agreement.

"Fiscal Agent Agreement" means the fiscal agent agreement, indenture, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Golf Course Property" means the area consisting of approximately 349 acres of the golf course property described and geographically identified in Attachment A to this Amended and Restated Rate and Method of Apportionment, as amended from time-to-time or modified pursuant to a precise site plan or other entitlement for such golf course property.

"Hotel/Motel Property" means all Assessor's Parcels of Developed Property for which a building permit was issued for a non-residential structure that constitutes a place of lodging providing sleeping accommodations and related facilities for travelers.

"Land Use Class" means any of the classes listed in Table 1 below.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Buildable Residential Property" means lots 68 through 73 of Tract Map No. 4430-1, lots 60 and 61 of Tract Map No. 4613-2, lots 85 and 86 of Tract Map No. 4613-4, and lots 2 through 10 of Tract Map No. 5135-1.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Fiscal Agent Agreement.

"Property Owner Association Property" means, for each Fiscal Year, any property, excluding Golf Course Property, within the boundaries of CFD No. 2007-1 that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property. For Taxable Public Property and Taxable Property Owner Association Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Taxable Public Property or Taxable Property Owner Association Property, as applicable.

"Public Property" means, for each Fiscal Year, any property within CFD No. 2007-1 that is owned by, irrevocably offered for dedication to, or dedicated to the federal government, the State, the County, the Water District or any other public agency as of June 30 of the prior Fiscal Year; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. To ensure that property is classified as Public Property in the first Fiscal Year after it is acquired by, irrevocably offered for dedication to, or dedicated to a

public agency, the property owner shall notify the CFD Administrator in writing of such acquisition, offer, or dedication not later than June 30 of the Fiscal Year in which the acquisition, offer, or dedication occurred.

"Residential Final Map" means (i) a final map, or portion thereof, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots or parcels for which building permits for residential dwelling units may be issued, or (ii) for condominiums, a final map approved by the County and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual residential lots or parcels. The term "Residential Final Map" shall not include any Assessor's Parcel Map or subdivision map or portion thereof, that does not create individual lots for which a building permit may be issued, including Assessor's Parcels that are designated as remainder parcels.

"Residential Property" means all Assessor's Parcels of Developed Property that are within a Residential Final Map, excluding Non-Buildable Residential Property.

"Special Tax(es)" means the special tax(es) to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2007-1 to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of facilities eligible to be financed by CFD No. 2007-1; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Fiscal Agent Agreement.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2007-1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Property Owner Association Property or Taxable Public Property.

"Water District" means the Borrego Water District.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, commencing Fiscal Year 2007-08, all Taxable Property within CFD No. 2007-1 shall be classified as Developed Property, Taxable Property Owner Association Property, Taxable Public Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below. Developed Property shall be further classified as Residential Property, Commercial Property, Golf Course Property, and Hotel/Motel Property. An Assessor's Parcel of Residential Property shall be assigned to Land Use Classes 1 or 2 based on its lot size.

C. MAXIMUM SPECIAL TAX

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class is shown below in Table 1.

TABLE 1
Assigned Special Taxes for Developed Property

Land Use Class	Description	Lot Size	Assigned Special Tax
1	Residential Property	≥ 12,000 sq. ft.	\$1,574 per lot
2	Residential Property	< 12,000 sq. ft.	\$787 per lot
3	Commercial Property	Not Applicable	\$1.38 per sq. ft. of Commercial Floor Area
4	Golf Course Property	Not Applicable	\$1,200 per Acre
5	Hotel/Motel Property	Not Applicable	\$300 per hotel room

c. Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum

Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains more than one type of land use, the Acreage of such Assessor's Parcel shall be allocated to each Land Use Class based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel.

d. Backup Special Tax

The Backup Special Tax for an Assessor's Parcel of Developed Property shall equal \$28,058 per Acre.

2. **Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property**

The Maximum Special Tax for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property in CFD No. 2007-1 shall equal \$28,058 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

For each Fiscal Year, commencing Fiscal Year 2007-08, the Board shall determine the Special Tax Requirement and shall levy the Special Tax as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Residential Property, Commercial Property, and Hotel/Motel Property at up to 100% of the applicable Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Golf Course Property at up to 100% of the Assigned Special Tax for Golf Course Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each

Assessor's Parcel of Taxable Property Owner Association Property or Taxable Public Property at up to the Maximum Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2007-1.

E. EXEMPTIONS

No Special Tax shall be levied on up to 2,125.11 Acres of Property Owner Association Property, Public Property, and Non-Buildable Residential Property. Tax-exempt status will be assigned by the CFD Administrator first to Non-Buildable Residential Property and second, in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

Property Owner Association Property or Public Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

F. APPEALS AND INTERPRETATIONS

Any property owner claiming that the amount or application of the Special Tax with respect to his or her Assessor's Parcel is not correct and requesting a refund may file a written notice of appeal and refund to that effect with the CFD Administrator not later than one calendar year after having paid the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the CFD Administrator's decision requires the Special Tax be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the next Special Tax levy. Any dispute over the decision of the CFD Administrator shall be referred to the Board and the decision of the Board shall be final. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

Interpretations may be made by the Board by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Amended and Restated Rate and Method of Apportionment.

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2007-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

The following definition applies to this Section H:

"Bond Redemption Date" means the redemption date pursuant to the Fiscal Agent Agreement for the Outstanding Bonds to be redeemed with the prepayment.

"CFD Public Facilities Cost" means either \$12.54 million in 2007 dollars, which shall increase by the Inflator on July 1, 2008, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 2007-1 under the authorized bonding program for CFD No. 2007-1, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Amended and Restated Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Fiscal Agent Agreement to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Inflator" means the greater of (i) the annual percentage change in the Construction Inflation Index, as calculated for the twelve (12) months ending December 31 of the prior calendar year or (ii) three percent (3.0%).

"Future Facilities Costs" means the CFD Public Facilities Cost minus (i) funds used to redeem bond issued by Community Facilities District No. 95-1, (ii) public facility costs previously paid from the Construction Fund, (iii) moneys currently on deposit in the Construction Fund, and (iv) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Fiscal Agent Agreement after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 2007-1 prior to the date of prepayment.

1. Prepayment in Full

The obligation of an Assessor's Parcel to pay the Special Tax may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or Undeveloped Property for which a building permit has been issued or that is within a Residential Final Map, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
<u>less</u>	<u>Reserve Fund Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Step No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property (for which a building permit has been issued or that is within a Residential Final Map) to be prepaid, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property.

3.
 - (a) Divide the Assigned Special Tax, computed pursuant to paragraph 2, by the total estimated Assigned Special Taxes for the entire CFD No. 2007-1 based on the Developed Property Assigned Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 2007-1, and
 - (b) Divide the Backup Special Tax for Developed Property, computed pursuant to paragraph 2, by the estimated Maximum Special Taxes from Developed Property at buildout of CFD No. 2007-1 plus the Maximum Special Tax for the Assessor's Parcel of Taxable Property Owner Association Property or Taxable Public Property being prepaid (if applicable), excluding any Assessor's Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, as set forth in the Fiscal Agent Agreement, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the Bond Redemption Date.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount (as defined below) less the Future Facilities Amount and the Administrative Fees and Expenses (as defined below) from the date of prepayment until the Bond Redemption Date.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 2007-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").

13. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Fiscal Agent Agreement) on the prepayment date, a reserve fund credit shall be calculated based on a reduction in the applicable reserve fund for the Outstanding Bonds, as set forth in the Fiscal Agent Agreement, to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
14. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amount computed pursuant to paragraph 13 (the "Prepayment Amount").
15. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11 and 13 shall be deposited into the appropriate fund as established under the Fiscal Agent Agreement and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2007-1.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Fiscal Agent Agreement to be used with the next prepayment of Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Assigned Special Taxes that may be levied on current and future Developed Property based on expected development at buildout, both prior to and after the proposed prepayment, less expected Administrative Expenses, is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued or that is within a Residential Final Map may be partially prepaid. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E - A) \times F + A$$

These terms have the following meaning:

- PP = the partial prepayment
- P_E = the Prepayment Amount calculated according to Section H.1
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.
- A = the Administration Fees and Expenses from Section H.1

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the Water District shall (i) distribute the funds remitted to it according to Section H.1, and (ii) indicate in the records of CFD No. 2007-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Assigned Special Taxes that may be levied on current and future Developed Property based on expected development at buildout, both prior to and after the proposed prepayment, less expected Administrative Expenses, is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for a period not to exceed forty years commencing in Fiscal Year 2007-08.

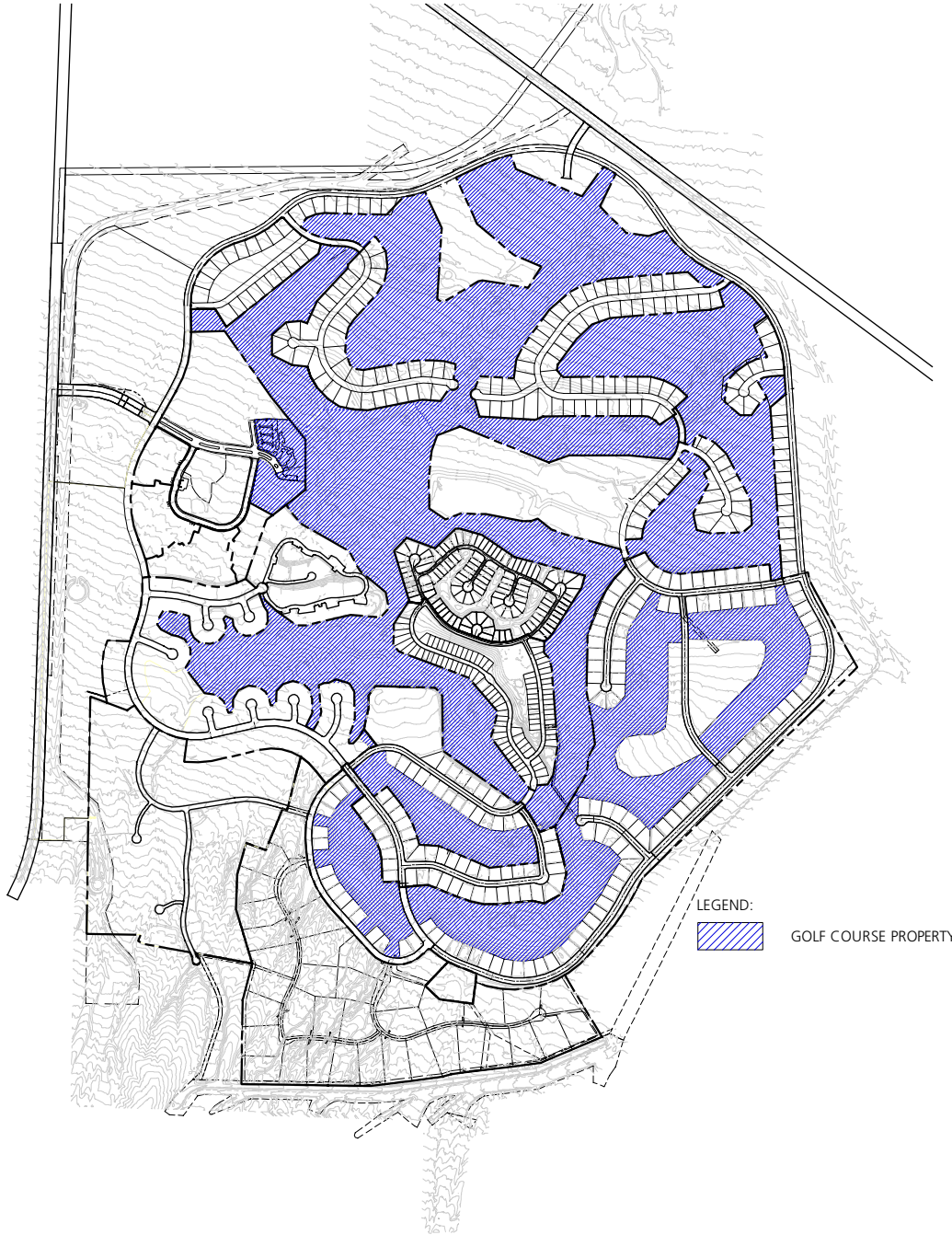
ATTACHMENT A


GOLF COURSE PROPERTY

MONTESORO

COUNTY OF SAN DIEGO

36 HOLE GOLF COURSE PER SPECIFIC PLAN 86-006



LEGEND:
 GOLF COURSE PROPERTY



NOT TO SCALE

APPENDIX C

Borrego Water District
Community Facilities District No. 2007-1
Fiscal Year 2026-2027 Administration Report



**SPECIAL TAX LEVY
FISCAL YEAR 2026-2027**

Appendix C

**Borrego Water District CFD No. 2007-1
FY 2026-27 Special Tax Levy**

APN	TAX CLASS	FY 2026-27 SPECIAL TAX
200-281-1000	RES1	\$1,407.24
200-281-1400	RES2	\$703.62
200-281-1500	RES1	\$1,407.24
200-281-2000	RES1	\$1,407.24
200-281-2600	RES1	\$1,407.24
200-281-3400	RES1	\$1,407.24
200-283-0600	RES1	\$1,407.24
200-283-0700	RES2	\$703.62
200-283-0800	RES1	\$1,407.24
200-311-3700	RES2	\$703.62
200-311-3800	RES2	\$703.62
200-311-4300	RES2	\$703.62
200-311-4400	RES2	\$703.62
200-311-4500	RES2	\$703.62
200-311-4600	RES2	\$703.62
200-312-3200	RES2	\$703.62
200-312-3300	RES2	\$703.62
200-312-3400	RES2	\$703.62
200-312-3500	RES2	\$703.62
200-312-3600	RES2	\$703.62
200-340-7600	RES2	\$703.62
200-340-7700	RES2	\$703.62
200-340-7800	RES2	\$703.62
200-350-1300	RES1	\$1,407.24
200-350-1500	RES1	\$1,407.24
200-350-1600	RES1	\$1,407.24
200-350-1700	RES1	\$1,407.24
200-350-1800	RES1	\$1,407.24
200-350-1900	RES1	\$1,407.24
200-350-2000	RES1	\$1,407.24
200-350-2100	RES1	\$1,407.24
200-350-2200	RES1	\$1,407.24
200-350-2500	RES1	\$1,407.24
200-350-2700	RES1	\$1,407.24
200-350-2800	RES1	\$1,407.24
200-350-2900	RES1	\$1,407.24
200-350-3100	RES1	\$1,407.24
200-350-4300	RES1	\$1,407.24
200-350-4400	RES1	\$1,407.24
200-350-4500	RES1	\$1,407.24
200-350-4600	RES1	\$1,407.24
200-350-4700	RES1	\$1,407.24
200-350-4800	RES1	\$1,407.24
200-350-4900	RES1	\$1,407.24

Appendix C

**Borrego Water District CFD No. 2007-1
FY 2026-27 Special Tax Levy**

APN	TAX CLASS	FY 2026-27 SPECIAL TAX
200-350-5000	RES1	\$1,407.24
200-350-5100	RES1	\$1,407.24
200-350-5200	RES1	\$1,407.24
200-350-5300	RES1	\$1,407.24
200-350-5400	RES1	\$1,407.24
200-350-5500	RES1	\$1,407.24
200-350-5600	RES1	\$1,407.24
200-350-5800	RES1	\$1,407.24
200-350-5900	RES1	\$1,407.24
200-350-6200	RES1	\$1,407.24
200-350-6300	RES1	\$1,407.24
200-350-6400	RES1	\$1,407.24
200-350-6500	RES1	\$1,407.24
200-350-6600	RES1	\$1,407.24
200-350-6700	RES1	\$1,407.24
200-360-0100	RES1	\$1,407.24
200-360-0200	RES1	\$1,407.24
200-360-0300	RES1	\$1,407.24
200-360-0400	RES1	\$1,407.24
200-360-0500	RES1	\$1,407.24
200-360-0600	RES1	\$1,407.24
200-360-0700	RES1	\$1,407.24
200-360-0800	RES1	\$1,407.24
200-360-0900	RES1	\$1,407.24
200-360-1000	RES1	\$1,407.24
200-360-1100	RES1	\$1,407.24
200-360-1200	RES1	\$1,407.24
200-360-1300	RES1	\$1,407.24
200-360-1400	RES1	\$1,407.24
200-360-1500	RES1	\$1,407.24
200-360-1600	RES1	\$1,407.24
200-400-1500	RES2	\$703.62
200-400-1600	RES2	\$703.62
200-400-2600	RES2	\$703.62
200-400-3000	RES2	\$703.62
200-400-3100	RES2	\$703.62
200-400-6000	RES2	\$703.62
200-400-6100	RES2	\$703.62
200-401-0300	RES2	\$703.62
200-401-4500	RES2	\$703.62
200-401-5500	RES2	\$703.62
200-401-6900	RES2	\$1,407.24
200-401-7000	RES2	\$703.62

Appendix C

**Borrego Water District CFD No. 2007-1
FY 2026-27 Special Tax Levy**

APN	TAX CLASS	FY 2026-27 SPECIAL TAX
Total Number of Parcels Taxed		87 [1]
Total FY 2026-27 Special Tax		\$103,432.14

[1] 88 total lots on 87 assessors parcels



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FISCAL YEAR 2026-2027
ADMINISTRATION REPORT
BORREGO WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2017-1
June 3, 2026

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BORREGO WATER DISTRICT



FISCAL YEAR 2026-2027 ADMINISTRATION REPORT

Community Facilities District No. 2017-1

Prepared for:

Borrego Water District

PO Box 1870

806 Palm Canyon Drive

Borrego Springs, CA 92004

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INTRODUCTION

This report provides an analysis of the financial and administrative obligations of Community Facilities District No. 2017-1 ("CFD No. 2017-1") of the Borrego Water District (the "Water District"). In May 2017, the Water District issued \$10,300,000 Series 2017B Special Tax Refunding Bonds (the "Bonds") for CFD No. 2017-1. The Bonds were issued for the purpose of defeasing and refunding a portion of the outstanding CFD No. 2007-1 Bonds which were previously in default.

CFD No. 2017-1 is a legally constituted governmental entity established under the Mello-Roos Community Facilities Act of 1982, (the "Act") as amended. The Act provides an alternative method for the financing of certain public capital facilities and services. Specifically, CFD No. 2017-1 is authorized to issue up to \$10,300,000 in bonds and has issued \$10,300,000 in bonds for the purpose of defeasing and discharging a portion of the CFD No. 2007-1 Series 2007 Bonds. The current outstanding principal is equal to \$8,670,000 as of August 2, 2025. The Bonds are scheduled to be paid off in year 2042. Pursuant to the Rate and Method of Apportionment for CFD No. 2017-1 ("RMA"), the special tax shall be levied for a period not to exceed 40 years commencing in Fiscal Year 2026-2027. The RMA is included in Appendix C.

The bonded indebtedness of CFD No. 2017-1 is both secured and repaid through the annual levy and collection of special taxes from all property subject to the tax within CFD No. 2017-1. In calculating the special tax liability for fiscal year 2026-2027, this report examines the financial obligations of the current fiscal year and analyzes the level of development within CFD No. 2017-1.

A map showing the property in CFD No. 2017-1 is included in Appendix A.

This report is organized into the following sections:

- **Section I:** Section I provides an update of the development status of property within CFD No. 2017-1;
- **Section II:** Section II analyzes the previous fiscal year's special tax levy and includes a discussion of delinquent special taxes;
- **Section III:** Section III determines the financial obligations of CFD No. 2017-1 for fiscal year 2026-2027; and
- **Section IV:** Section IV reviews the methodology used to apportion the special tax requirement between Developed Property and Undeveloped Property. A table of the 2026-2027 special taxes for each classification of property is included.

I SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

A Special Tax Classifications

The methodology employed to calculate and apportion the special tax is contained in a document entitled the Rate and Method of Apportionment of the Special Tax. The Rate and Method of Apportionment defines two primary categories of taxable property, namely "Developed Property" and "Undeveloped Property."

Developed Property is distinguished from Undeveloped Property by the issuance of a building permit by the County for purposes of constructing a new residential or non-residential development. Specifically, property for which a final map was recorded or a building permit was issued as of January 1 will be classified as Developed Property in the following fiscal year. For example, all property in CFD No. 2017-1 for which the above events had occurred as of January 1, 2026, will be classified as Developed Property in fiscal year 2026-2027.

B Development Update

CFD No. 2017-1 encompasses approximately 1,878 gross acres of land in unincorporated San Diego County. As of January 1, 2026, there was no property classified as Developed Property. Approximately 1,641 acres of Undeveloped Property are taxable and approximately 236 acres are Exempt Property.

Table 1: Cumulative Development

Property Classification	Number of Acres
Developed Property	0 acres
Undeveloped Property	1,641.38 acres



SECTION II FISCAL YEAR 2025-2026 LEVY

II FISCAL YEAR 2025-2026 LEVY

All Fiscal Year 2025-2026 special taxes for CFD No. 2017-1 were direct billed by the Water District. The aggregate Special Tax levy for the property located within CFD No. 2017-1 for Fiscal Year 2025-2026 equaled \$698,890. As of June 2, 2026, all Fiscal Year 2025-2026 special taxes have been paid in full.

III FISCAL YEAR 2026-2027 SPECIAL TAX REQUIREMENT

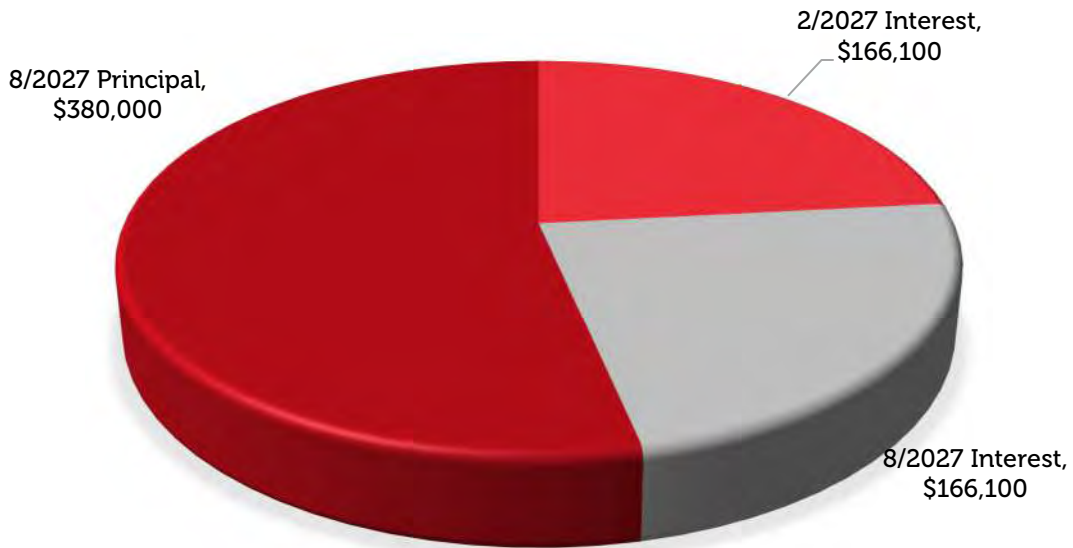
For fiscal year 2026-2027, the Special Tax Requirement for Bonds Held by Bond Owner is equal to \$703,165 and is calculated as follows:

Table 2: Fiscal Year 2026-2027 Special Tax Requirement

	Subtotal	Total
Fiscal Year 2025-2026 Surplus		\$9,035
Fiscal Year 2026-2027 Obligations		(\$712,200)
Interest Due February 1, 2027	(\$166,100)	
Interest Due August 1, 2027	(\$166,100)	
Principal Due August 1, 2027	(\$380,000)	
Fiscal Year 2026-2027 Special Tax Requirement		(\$703,165)

The fiscal year 2026-2027 special taxes will be direct billed by the Water District. The components of the fiscal year 2026-2027 gross special tax requirement are shown graphically on the following page.

Figure 1: Fiscal Year 2026-2027 Gross Special Tax Requirement



Total Fiscal Year 2026-2027 Gross Special Tax Requirement: \$712,200

IV METHOD OF APPORTIONMENT

A Maximum Special Tax Rates

The amount of special taxes that CFD No. 2017-1 may levy is strictly limited by the maximum special taxes set forth in the Rate and Method of Apportionment. The maximum special taxes for Developed Property, or the "Assigned Special Taxes," are specified in Section C of the Rate and Method of Apportionment.

B Termination of Special Tax

The Special Tax shall be levied for a period not to exceed 40 years commencing in fiscal year 2025-2026.

C Apportionment of Special Taxes

The special tax that is apportioned to each parcel is determined through the application of Section D of the Rate and Method of Apportionment. Section D apportions the special tax requirement in two steps which prioritize the order in which Developed Property and Undeveloped Property are taxed.

The first step states that the special tax shall be levied against each parcel of Developed Property at up to 100 percent of the applicable Maximum Special Tax. If the special taxes raised pursuant to the first step are less than the special tax requirement, then the second step is applied. The second step states that the special tax shall be levied against each parcel of Undeveloped Property at up to 100 percent of the Maximum Special Tax.

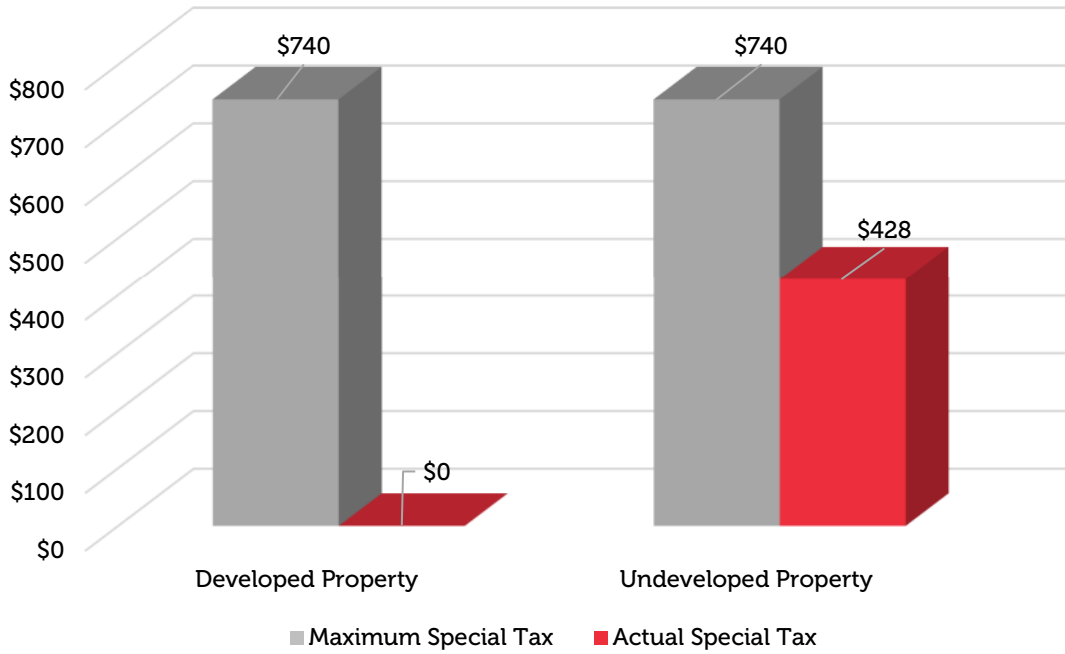
Application of the maximum special taxes under the first step generates special tax revenues of \$0 from Developed Property, leaving all \$698,890 to be levied against Undeveloped Property. Dividing this amount by the 1,641.37 acres of Undeveloped Property results in a tax of \$428.40 per acre of Undeveloped Property. The fiscal year 2026-2027 maximum and actual special taxes are shown for each classification of Developed Property and Undeveloped Property in the following table.

Table 3: Fiscal Year 2026-2027 Special Taxes for Developed Property and Undeveloped Property

Property Classification	FY 2026-2027 Maximum Special Tax	FY 2026-2027 Actual Special Tax
Developed Property	\$740.00/acre	N/A
Undeveloped Property	\$740.00/acre	\$428.40/acre

A list of the actual special tax levied against each parcel in CFD No. 2017-1 is included in Appendix D.

Figure 2: Fiscal Year 2026-2027 Special Tax Levy



APPENDIX A

Borrego Water District
Community Facilities District No. 2017-1
Fiscal Year 2026-2027 Administration Report



BOUNDARY MAP

PROPOSED BOUNDARIES OF
BORREGO WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2017-1
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA

(1) Filed in the office of the Secretary of the Board of the Borrego Water District this 14th day of March, 2017.

Joseph Tatusko
Secretary of the Board, Borrego Water District

(2) I hereby certify that the within map showing the proposed boundaries of Borrego Water District Community Facilities District No. 2017-1, San Diego County, State of California, was approved by the Board of Directors at a regular meeting thereof, held on this 14th day of March, 2017, by its Resolution No. 2017-03-03.

Joseph Tatusko
Secretary of the Board, Borrego Water District

(3) Filed this 22nd day of MARCH, 2017, at the hour of 1:50 o'clock Pm, in Book 46 of Maps of Assessment and Community Facilities Districts at page 35 and as Instrument No. 2017-7000091 in the office of the County Recorder of San Diego County, State of California.

Ernest J. Dronenburg, Jr.



Assessor/Recorder/County Clerk, County of San Diego

By [Signature]
Deputy

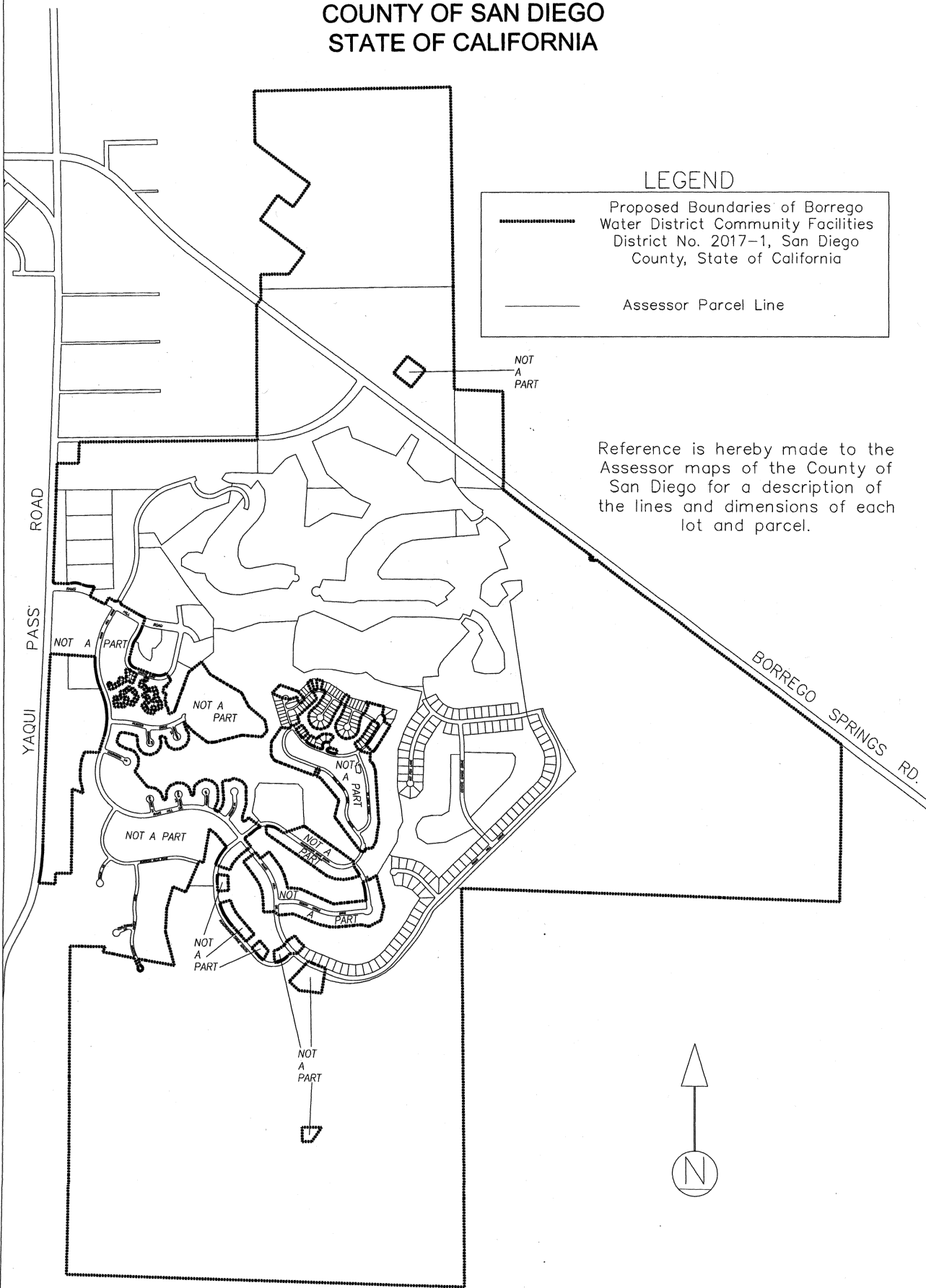
Fee \$14.00

PROPOSED BOUNDARIES OF
BORREGO WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2017-1
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA

LEGEND

	Proposed Boundaries of Borrego Water District Community Facilities District No. 2017-1, San Diego County, State of California
	Assessor Parcel Line

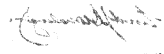
Reference is hereby made to the Assessor maps of the County of San Diego for a description of the lines and dimensions of each lot and parcel.



PROPOSED BOUNDARIES OF
BORREGO WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2017-1
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA

**Assessor Parcel Numbers within the
Boundaries of Community Facilities District No. 2017-1:**

- 200-120-39
- 200-120-41
- 200-120-48
- 200-120-51 through 200-120-53
- 200-140-12
- 200-160-30
- 200-210-22
- 200-271-03
- 200-271-04
- 200-271-06
- 200-271-07
- 200-271-15
- 200-271-16
- 200-271-21 through 200-271-24
- 200-271-29
- 200-271-34
- 200-271-37
- 200-272-08
- 200-273-02 through 200-273-04
- 200-273-06 through 200-273-08
- 200-274-02
- 200-275-08 through 200-275-11
- 200-311-18
- 200-330-23
- 200-330-24
- 200-330-27 through 200-330-29
- 200-330-33
- 200-330-34
- 200-330-51
- 200-330-76 through 200-330-81
- 200-340-01
- 200-340-04 through 200-340-07
- 200-340-23
- 200-340-53 through 200-340-75
- 200-340-79 through 200-340-90
- 200-350-01
- 200-350-24
- 200-360-17
- 200-360-18
- 200-370-03 through 200-370-36
- 200-370-38
- 200-380-01 through 200-380-28
- 200-390-01 through 200-390-46
- 200-400-01
- 200-400-11 through 200-400-13
- 200-400-17 through 200-400-24
- 200-400-29
- 200-400-32 through 200-400-49
- 200-400-51 through 200-400-56
- 200-401-01
- 200-401-02
- 200-401-04 through 200-401-06
- 200-401-08 through 200-401-34
- 200-401-36 through 200-401-42
- 200-401-44
- 200-401-46 through 200-401-48
- 200-401-50
- 200-401-51
- 200-401-56 through 200-401-64


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APPENDIX B

Borrego Water District
Community Facilities District No. 2017-1
Fiscal Year 2026-2027 Administration Report



RATE AND METHOD OF APPORTIONMENT

**RATE AND METHOD OF APPORTIONMENT FOR
BORREGO WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2017-1**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Borrego Water District Community Facilities District No. 2017-1 ("CFD No. 2017-1") and collected each Fiscal Year commencing in Fiscal Year 2017-18, in an amount determined by the CFD Administrator of the Borrego Water District through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2017-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. Lot size equals Acreage multiplied by 43,560.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2017-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Water District or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Fiscal Agent Agreement; the costs to the Water District, CFD No. 2017-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the Water District, CFD No. 2017-1 or any designee thereof of complying with Water District, CFD No. 2017-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the Water District, CFD No. 2017-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from any escrow account; and the Water District's annual administration fees, and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the Water District or CFD No. 2017-1 for any other administrative purposes of CFD No. 2017-1, including attorney's fees and other costs related to commencing and pursuing any foreclosure or other resolution of delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's parcel number.

"Board" means the Board of Directors of the Water District.

"Bond Owner" means (i) Considine Family Foundation, a Colorado nonprofit corporation, or (ii) a Related Party.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2017-1 under the Act.

"CFD Administrator" means an official of the Water District, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 2017-1" means Borrego Water District Community Facilities District No. 2017-1.

"County" means the County of San Diego.

"Developed Property" means, for each Fiscal Year, all Assessor's Parcels of Taxable Property for which a building permit for purposes of constructing a new residential or non-residential development has been issued by the County after January 1, 2017 and as of January 1 of the prior Fiscal Year.

"Exempt Property" means the geographic area identified as Exempt Property in Exhibit A herein.

"Fiscal Agent" means the fiscal agent under the Fiscal Agent Agreement.

"Fiscal Agent Agreement" means the fiscal agent agreement, indenture, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Fiscal Agent Agreement.

"Property Owner Association Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2017-1 that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property.

"Public Property" means, for each Fiscal Year, any property within CFD No. 2017-1 that is owned by, irrevocably offered for dedication to, or dedicated to the federal government, the State, the County, the Water District or any other public agency as of June 30 of the prior Fiscal Year; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. To ensure that property is classified as Public Property in the first Fiscal Year after it is acquired by, irrevocably offered for dedication to, or dedicated to a public agency, the property owner shall notify the CFD Administrator in writing of such acquisition, offer, or dedication not later than June 30 of the Fiscal Year in which the acquisition, offer, or dedication occurred.

"Related Party" means any person or entity in which Terry Considine and/or Betsy Considine has direct or indirect control over.

"Special Tax(es)" means the special tax(es) to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement following sale of Bonds to a Third Party" means that amount required in any Fiscal Year for CFD No. 2017-1 to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vi) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Fiscal Agent Agreement.

"Special Tax Requirement for Bonds held by Bond Owner" means that amount required in any Fiscal Year for CFD No. 2017-1 to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; less (iv) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Fiscal Agent Agreement.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2017-1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Third Party" means an entity other than the Bond Owner.

"**Undeveloped Property**" means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

"**Water District**" means the Borrego Water District.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, commencing Fiscal Year 2017-18, all Taxable Property within CFD No. 2017-1 shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

C. MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be equal to \$740 per Acre.

2. Undeveloped Property

The Maximum Special Tax for Undeveloped Property in CFD No. 2017-1 shall equal \$740 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

For each Fiscal Year, commencing Fiscal Year 2017-18, if Bonds have been sold to a Third Party, then the Board shall determine the Special Tax Requirement following sale of Bonds to a Third Party and shall levy the Special Tax as described below. If Bonds have not yet been sold to a Third Party, then the Board shall determine the Special Tax Requirement for Bonds held by Bond Owner and shall levy the Special Tax as described below.

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax; and

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year against any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2017-1. To the extent that the levy of the Special Tax on residential property is limited by the provision in the

previous sentence, the levy of the Special Tax on all other Assessor's Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

E. EXEMPTIONS

No Special Tax shall be levied on the Exempt Property identified in Exhibit A.

In addition, no Special Tax shall be levied on Property Owner Association Property and Public Property.

F. APPEALS AND INTERPRETATIONS

Any property owner claiming that the amount or application of the Special Tax with respect to his or her Assessor's Parcel is not correct and requesting a refund may file a written notice of appeal and refund to that effect with the CFD Administrator not later than one calendar year after having paid the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the CFD Administrator's decision requires the Special Tax be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the next Special Tax levy. Any dispute over the decision of the CFD Administrator shall be referred to the Board and the decision of the Board shall be final.

This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

Interpretations may be made by the Board by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2017-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

The following definition applies to this Section H:

"Bond Redemption Date" means the redemption date pursuant to the Fiscal Agent Agreement for the Outstanding Bonds to be redeemed with the prepayment.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Fiscal Agent Agreement after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 2017-1 prior to the date of prepayment.

1. Prepayment in Full

The obligation of an Assessor's Parcel of Developed Property or Undeveloped Property to pay the Special Tax may be prepaid and permanently satisfied as described herein; provided that (i) Bonds have been issued and (ii) there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Step No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. Compute the Maximum Special Tax applicable for the Assessor's Parcel to be prepaid.
3. Divide the Maximum Special Tax, computed pursuant to paragraph 2, by the total estimated Maximum Special Taxes for the entire CFD No. 2017-1 based on the Maximum Special Taxes which could be charged in the current Fiscal Year in CFD No. 2017-1.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").

5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, as set forth in the Fiscal Agent Agreement, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the Bond Redemption Date.
7. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
8. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount (as defined below) less the Administrative Fees and Expenses (as defined below) from the date of prepayment until the Bond Redemption Date.
9. Add the amounts computed pursuant to paragraphs 6 and 7 and subtract the amount computed pursuant to paragraph 8 (the "Defeasance Amount").
10. Verify the administrative fees and expenses of CFD No. 2017-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
11. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Fiscal Agent Agreement) on the prepayment date, a reserve fund credit shall be calculated based on a reduction in the applicable reserve fund for the Outstanding Bonds, as set forth in the Fiscal Agent Agreement, to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
12. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 9 and 10, less the amount computed pursuant to paragraph 11 (the "Prepayment Amount").
13. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 9 and 11 shall be deposited into the appropriate fund as established under the Fiscal Agent Agreement and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 10 shall be retained by CFD No. 2017-1.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Fiscal Agent Agreement to be used with the next prepayment of Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on all property in CFD No. 2017-1, both prior to and after the proposed prepayment, less expected Administrative Expenses, is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel located in CFD No. 2017-1 may be partially prepaid. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E - A) \times F + A$$

These terms have the following meaning:

- PP = the partial prepayment
- P_E = the Prepayment Amount calculated according to Section H.1
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.
- A = the Administration Fees and Expenses from Section H.1

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the Water District shall (i) distribute the funds remitted to it according to Section H.1, and (ii) indicate in the records of CFD No. 2017-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied all property in CFD No. 2017-1, both prior to and after the proposed prepayment, less expected Administrative Expenses, is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

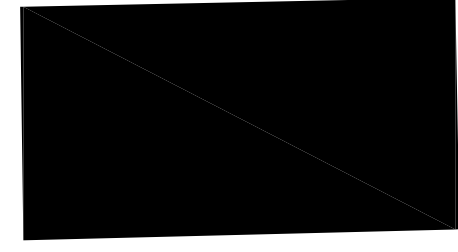
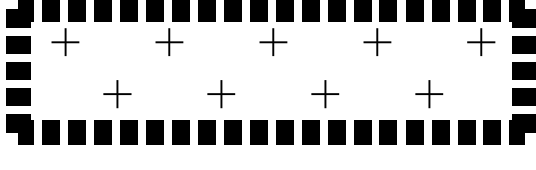
I. TERM OF SPECIAL TAX

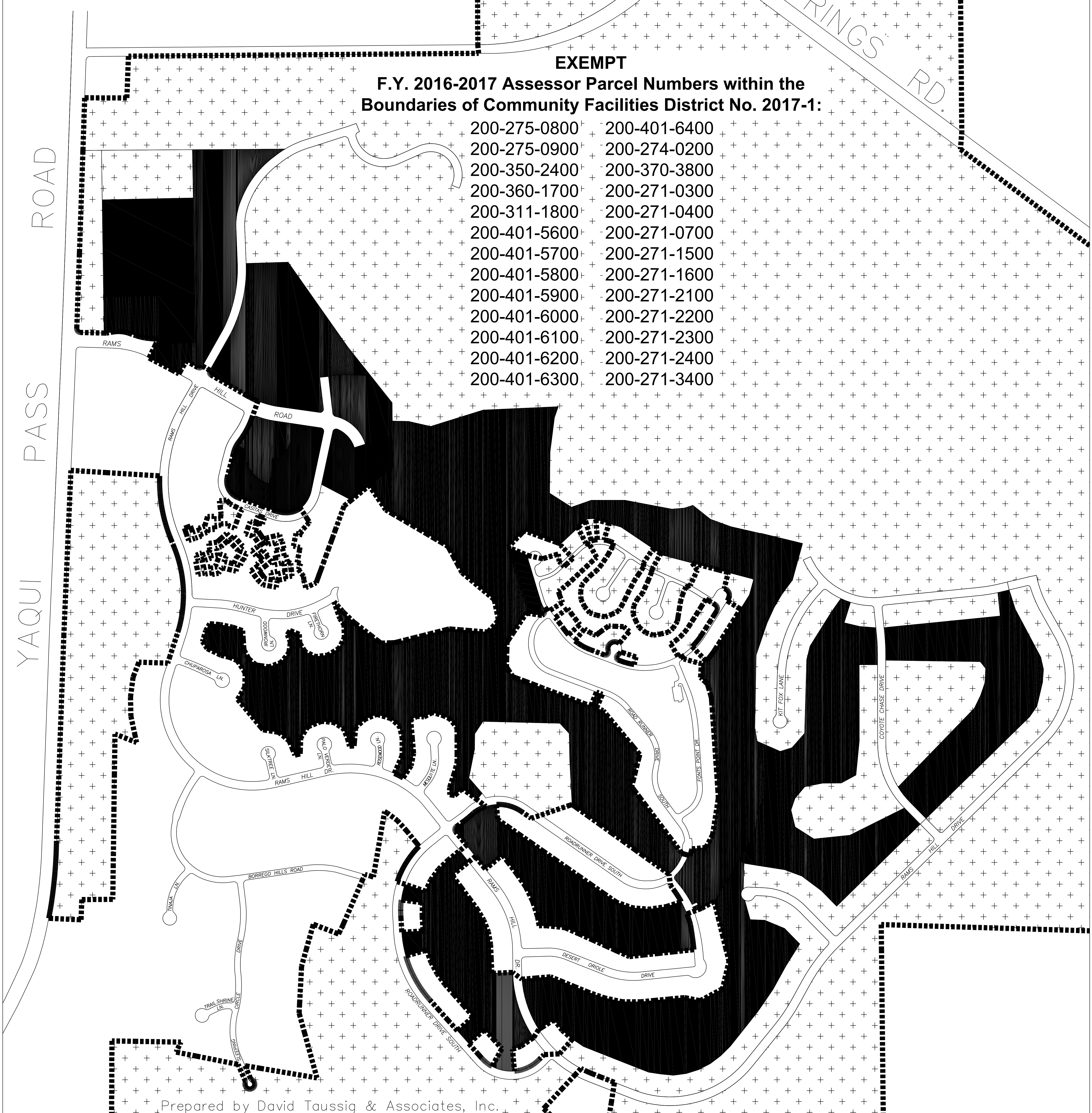
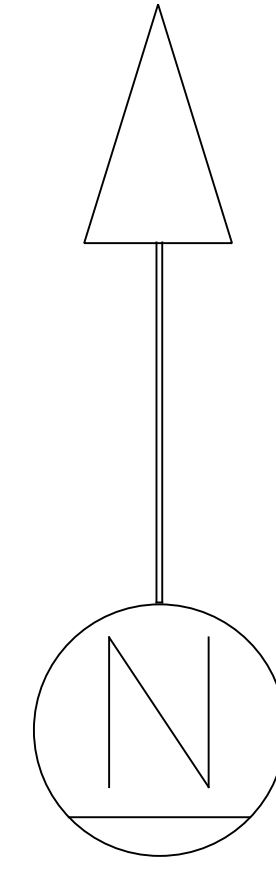
The Special Tax shall be levied for a period not to exceed forty years commencing in Fiscal Year 2017-18.

EXHIBIT A

EXEMPT LOTS WITHIN THE
 PROPOSED BOUNDARIES OF
 BORREGO WATER DISTRICT
 COMMUNITY FACILITIES DISTRICT NO. 2017-1
 COUNTY OF SAN DIEGO
 STATE OF CALIFORNIA

LEGEND

 Exempt Lots within the Proposed Boundaries of Borrego Water District Community Facilities District No. 2017-1, San Diego County, State of California
 Area within C.F.D. Boundary



**EXEMPT
 F.Y. 2016-2017 Assessor Parcel Numbers within the
 Boundaries of Community Facilities District No. 2017-1:**

- | | |
|--------------|--------------|
| 200-275-0800 | 200-401-6400 |
| 200-275-0900 | 200-274-0200 |
| 200-350-2400 | 200-370-3800 |
| 200-360-1700 | 200-271-0300 |
| 200-311-1800 | 200-271-0400 |
| 200-401-5600 | 200-271-0700 |
| 200-401-5700 | 200-271-1500 |
| 200-401-5800 | 200-271-1600 |
| 200-401-5900 | 200-271-2100 |
| 200-401-6000 | 200-271-2200 |
| 200-401-6100 | 200-271-2300 |
| 200-401-6200 | 200-271-2400 |
| 200-401-6300 | 200-271-3400 |

APPENDIX C

Borrego Water District
Community Facilities District No. 2017-1
Fiscal Year 2026-2027 Administration Report



SPECIAL TAX LEVY FISCAL YEAR 2026-2027

Appendix C

**Borrego Water District CFD No. 2017-1
FY 2026-27 Special Tax Levy**

APN	TAX CLASS	FY 2026-27 SPECIAL TAX
200-120-3900	U	\$14,094.30
200-120-4100	U	\$61,436.56
200-120-4800	U	\$25,489.68
200-120-5100	U	\$7,908.24
200-120-5200	U	\$15,649.38
200-120-5300	U	\$11,266.88
200-140-1200	U	\$2,142.00
200-160-3000	U	\$163,249.64
200-210-2200	U	\$231,424.88
200-271-0600	U	\$1,906.38
200-271-2900	U	\$1,246.64
200-271-3700	U	\$4,798.06
200-272-0800	U	\$15,079.62
200-273-0200	U	\$17,465.80
200-273-0300	U	\$11,900.90
200-273-0400	U	\$2,904.54
200-273-0600	U	\$9,210.56
200-273-0700	U	\$146.08
200-273-0800	U	\$71,114.08
200-275-1000	U	\$3,911.28
200-275-1100	U	\$3,328.66
200-330-2300	U	\$19.72
200-330-2400	U	\$19.72
200-330-2700	U	\$19.72
200-330-2800	U	\$19.72
200-330-2900	U	\$19.72
200-330-3300	U	\$19.72
200-330-3400	U	\$19.72
200-330-5100	U	\$19.72
200-330-7600	U	\$19.72
200-330-7700	U	\$19.72
200-330-7800	U	\$19.72
200-330-7900	U	\$19.72
200-330-8000	U	\$19.72
200-330-8100	U	\$19.72
200-340-0100	U	\$19.72
200-340-0400	U	\$19.72
200-340-0500	U	\$19.72
200-340-0600	U	\$19.72
200-340-0700	U	\$19.72
200-340-2300	U	\$19.72
200-340-5300	U	\$19.72
200-340-5400	U	\$19.72
200-340-5500	U	\$19.72
200-340-5600	U	\$19.72
200-340-5700	U	\$19.72
200-340-5800	U	\$19.72
200-340-5900	U	\$19.72
200-340-6000	U	\$19.72

Appendix C

**Borrego Water District CFD No. 2017-1
FY 2026-27 Special Tax Levy**

APN	TAX CLASS	FY 2026-27 SPECIAL TAX
200-340-6100	U	\$19.72
200-340-6200	U	\$19.72
200-340-6300	U	\$19.72
200-340-6400	U	\$19.72
200-340-6500	U	\$19.72
200-340-6600	U	\$19.72
200-340-6700	U	\$19.72
200-340-6800	U	\$19.72
200-340-6900	U	\$19.72
200-340-7000	U	\$19.72
200-340-7100	U	\$19.72
200-340-7200	U	\$19.72
200-340-7300	U	\$19.72
200-340-7400	U	\$19.72
200-340-7500	U	\$19.72
200-340-7900	U	\$19.72
200-340-8000	U	\$19.72
200-340-8100	U	\$19.72
200-340-8200	U	\$19.72
200-340-8300	U	\$19.72
200-340-8400	U	\$19.72
200-340-8500	U	\$19.72
200-340-8600	U	\$19.72
200-340-8700	U	\$19.72
200-340-8800	U	\$19.72
200-340-8900	U	\$19.72
200-340-9000	U	\$19.72
200-350-0100	U	\$3,577.12
200-360-1800	U	\$1,358.02
200-370-0300	U	\$137.52
200-370-0400	U	\$144.80
200-370-0500	U	\$149.08
200-370-0600	U	\$152.08
200-370-0700	U	\$151.66
200-370-0800	U	\$148.66
200-370-0900	U	\$143.52
200-370-1000	U	\$152.94
200-370-1100	U	\$150.80
200-370-1200	U	\$152.08
200-370-1300	U	\$152.08
200-370-1400	U	\$152.08
200-370-1500	U	\$152.52
200-370-1600	U	\$146.08
200-370-1700	U	\$146.94
200-370-1800	U	\$147.80
200-370-1900	U	\$142.66
200-370-2000	U	\$150.38
200-370-2100	U	\$144.38
200-370-2200	U	\$149.08
200-370-2300	U	\$161.52

Appendix C

**Borrego Water District CFD No. 2017-1
FY 2026-27 Special Tax Levy**

APN	TAX CLASS	FY 2026-27 SPECIAL TAX
200-370-2400	U	\$156.38
200-370-2500	U	\$179.50
200-370-2600	U	\$155.52
200-370-2700	U	\$167.50
200-370-2800	U	\$169.66
200-370-2900	U	\$197.06
200-370-3000	U	\$159.36
200-370-3100	U	\$151.66
200-370-3200	U	\$153.38
200-370-3300	U	\$159.80
200-370-3400	U	\$151.22
200-370-3500	U	\$143.08
200-370-3600	U	\$181.22
200-380-0100	U	\$182.08
200-380-0200	U	\$160.22
200-380-0300	U	\$157.22
200-380-0400	U	\$158.52
200-380-0500	U	\$155.94
200-380-0600	U	\$160.22
200-380-0700	U	\$149.94
200-380-0800	U	\$163.66
200-380-0900	U	\$149.08
200-380-1000	U	\$145.66
200-380-1100	U	\$146.94
200-380-1200	U	\$145.66
200-380-1300	U	\$146.94
200-380-1400	U	\$145.66
200-380-1500	U	\$145.66
200-380-1600	U	\$149.94
200-380-1700	U	\$145.66
200-380-1800	U	\$147.38
200-380-1900	U	\$148.66
200-380-2000	U	\$147.38
200-380-2100	U	\$162.36
200-380-2200	U	\$155.94
200-380-2300	U	\$145.66
200-380-2400	U	\$149.94
200-380-2500	U	\$148.66
200-380-2600	U	\$153.38
200-380-2700	U	\$145.24
200-380-2800	U	\$140.10
200-390-0100	U	\$145.66
200-390-0200	U	\$146.94
200-390-0300	U	\$147.80
200-390-0400	U	\$150.38
200-390-0500	U	\$145.24
200-390-0600	U	\$143.52
200-390-0700	U	\$142.66
200-390-0800	U	\$154.66
200-390-0900	U	\$134.52

Appendix C

**Borrego Water District CFD No. 2017-1
FY 2026-27 Special Tax Levy**

APN	TAX CLASS	FY 2026-27 SPECIAL TAX
200-390-1000	U	\$138.80
200-390-1100	U	\$145.24
200-390-1200	U	\$149.52
200-390-1300	U	\$133.24
200-390-1400	U	\$179.08
200-390-1500	U	\$160.66
200-390-1600	U	\$158.94
200-390-1700	U	\$153.38
200-390-1800	U	\$143.08
200-390-1900	U	\$146.08
200-390-2000	U	\$155.52
200-390-2100	U	\$155.08
200-390-2200	U	\$158.08
200-390-2300	U	\$142.24
200-390-2400	U	\$146.52
200-390-2500	U	\$152.94
200-390-2600	U	\$145.66
200-390-2700	U	\$131.52
200-390-2800	U	\$140.10
200-390-2900	U	\$155.94
200-390-3000	U	\$144.80
200-390-3100	U	\$147.80
200-390-3200	U	\$136.24
200-390-3300	U	\$139.66
200-390-3400	U	\$148.66
200-390-3500	U	\$149.08
200-390-3600	U	\$137.10
200-390-3700	U	\$141.80
200-390-3800	U	\$137.10
200-390-3900	U	\$151.66
200-390-4000	U	\$155.52
200-390-4100	U	\$153.80
200-390-4200	U	\$152.52
200-390-4300	U	\$153.80
200-390-4400	U	\$153.80
200-390-4500	U	\$153.80
200-390-4600	U	\$155.52
200-400-0100	U	\$72.84
200-400-1100	U	\$76.68
200-400-1200	U	\$141.38
200-400-1300	U	\$97.68
200-400-1700	U	\$67.70
200-400-1800	U	\$52.26
200-400-1900	U	\$52.26
200-400-2000	U	\$52.26
200-400-2100	U	\$53.12
200-400-2200	U	\$53.12
200-400-2300	U	\$53.12
200-400-2400	U	\$56.98
200-400-2900	U	\$70.26

Appendix C

**Borrego Water District CFD No. 2017-1
FY 2026-27 Special Tax Levy**

APN	TAX CLASS	FY 2026-27 SPECIAL TAX
200-400-3200	U	\$78.40
200-400-3300	U	\$78.40
200-400-3400	U	\$59.98
200-400-3500	U	\$65.12
200-400-3600	U	\$63.40
200-400-3700	U	\$52.70
200-400-3800	U	\$53.12
200-400-3900	U	\$58.70
200-400-4000	U	\$58.70
200-400-4100	U	\$75.40
200-400-4200	U	\$72.84
200-400-4300	U	\$74.12
200-400-4400	U	\$68.98
200-400-4500	U	\$70.26
200-400-4600	U	\$77.54
200-400-4700	U	\$59.98
200-400-4800	U	\$57.84
200-400-4900	U	\$71.54
200-400-5100	U	\$65.98
200-400-5200	U	\$63.40
200-400-5300	U	\$60.40
200-400-5400	U	\$57.42
200-400-5500	U	\$53.98
200-400-5600	U	\$57.84
200-401-0100	U	\$58.26
200-401-0200	U	\$55.26
200-401-0400	U	\$51.84
200-401-0500	U	\$46.28
200-401-0600	U	\$51.84
200-401-0800	U	\$62.56
200-401-0900	U	\$66.40
200-401-1000	U	\$87.40
200-401-1100	U	\$70.26
200-401-1200	U	\$47.12
200-401-1300	U	\$47.12
200-401-1400	U	\$47.12
200-401-1500	U	\$47.12
200-401-1600	U	\$47.12
200-401-1700	U	\$58.26
200-401-1800	U	\$73.26
200-401-1900	U	\$48.84
200-401-2000	U	\$48.84
200-401-2100	U	\$49.70
200-401-2200	U	\$53.98
200-401-2300	U	\$60.84
200-401-2400	U	\$63.84
200-401-2500	U	\$73.26
200-401-2600	U	\$74.54
200-401-2700	U	\$72.84
200-401-2800	U	\$67.26

Appendix C

**Borrego Water District CFD No. 2017-1
FY 2026-27 Special Tax Levy**

APN	TAX CLASS	FY 2026-27 SPECIAL TAX
200-401-2900	U	\$60.84
200-401-3000	U	\$64.26
200-401-3100	U	\$54.84
200-401-3200	U	\$52.70
200-401-3300	U	\$51.42
200-401-3400	U	\$74.12
200-401-3600	U	\$57.84
200-401-3700	U	\$51.84
200-401-3800	U	\$51.84
200-401-3900	U	\$51.84
200-401-4000	U	\$53.98
200-401-4100	U	\$60.84
200-401-4200	U	\$59.12
200-401-4400	U	\$84.40
200-401-4600	U	\$62.98
200-401-4700	U	\$46.70
200-401-4800	U	\$51.84
200-401-5000	U	\$97.26
200-401-5100	U	\$71.54
Total Number of Parcels Taxed		268
Total FY 2026-27 Special Tax		\$703,164.32



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**BORREGO WATER DISTRICT
POLICY STATEMENT**

SUBJECT: STATEMENT OF INVESTMENT POLICY

NO: 1994-03-01

ADOPTED: March 16, 1994	AMENDED: June 27, 2012
AMENDED: December 20, 1995	AMENDED: June 26, 2013
AMENDED: January 22, 1997	AMENDED: June 25, 2014
AMENDED: September 23, 1998	AMENDED: June 24, 2015
AMENDED: January 27, 1999	AMENDED: July 19, 2016
AMENDED: March 29, 2000	AMENDED: July 26, 2017
AMENDED: January 29, 2003	AMENDED: July 19, 2018
AMENDED: February 26, 2004	AMENDED: June 24, 2019
AMENDED: February 23, 2005	AMENDED: July 14, 2020
AMENDED: February 22, 2006	AMENDED: June 22, 2021
AMENDED: February 28, 2007	AMENDED: June 28, 2022
AMENDED: February 27, 2008	AMENDED: April 18, 2023
AMENDED: February 25, 2009	AMENDED: June 27, 2023
AMENDED: July 22, 2009	AMENDED: June 25, 2024
AMENDED: July 28, 2010	AMENDED: June 17, 2025
AMENDED: July 27, 2011	AMENDED: June 23, 2026

RESOLUTION NO. 2026-06-01

***RESOLUTION OF THE BOARD OF DIRECTORS OF THE
BORREGO WATER DISTRICT RESTATING AND
ADOPTING A STATEMENT OF INVESTMENT POLICY***

WHEREAS, the Board of Directors (“Board”) of the Borrego Water District (the “District”) desires to rescind Resolution No. 2012-6-3 dated June 27, 2012 and adopt an Annual Statement of Investment Policy;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Borrego Water District that the following is the investment policy of the Borrego Water District:

BORREGO WATER DISTRICT INVESTMENT POLICY

(Last Revised 4/18/23)



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SECTION 1. 1. Policy

The Borrego Water District shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of the Policy, in priority order of Safety, Liquidity and Return on investment. In accordance with the Municipal Code of the Borrego Water District and under authority granted by the Board of Directors, the Finance Officer is responsible for investing the unexpended cash in the District Treasury.

SECTION 2. 2. Scope

The investment policy applies to all investment activities and financial assets of the Borrego Water District as accounted for in the Annual Comprehensive Financial Report (ACFR). This policy is applicable, but not limited to, all funds listed below:

- General Fund
- Capital Funds
- Other Special Revenue Funds, Debt Service Funds, Internal Service Funds
- Any new fund created by the Board of Directors unless specifically exempted.

SECTION 3. 3. Prudence

The standard of prudence to be used by the designated representative shall be the “prudent investor” standard and shall be applied in the context of managing the overall portfolio. Persons authorized to make investment decisions on behalf of local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard which states, “When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency”.

The Finance Officer and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

SECTION 4. 4. Objectives

The District's primary investment objectives, in order of priority, shall be:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The District shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.
 - a. Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in issuers that carry the direct or implied backing of the U.S. Government (including, but not limited to, the U.S. Treasury, U.S. Government Agencies, and federally insured banks).

The portfolio will be diversified so that the failure of any one issuer does not unduly harm the District's capital base and cash flow.

- b. Market risk, (aka "interest rate risk") defined as market value fluctuations due to overall changes in the general level of interest rates shall be mitigated by limiting the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long-term securities for the sole purpose of short-term speculation. Moreover, it is the District's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. Limited exceptions will be granted for security swaps that would improve the portfolio's yield and/or credit quality.
2. Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the Borrego Water District to meet all operating requirements which might be reasonably anticipated.
 3. Return on Investments: The District's investment portfolio shall have the objective of attaining a comparative performance measurement or an acceptable rate of return throughout budgetary and economic cycles. These measurements should be commensurate with the District's investment risk constraints identified in this Investment Policy and the cash flow characteristics of the portfolio.

SECTION 5. 5. Delegation of Authority

The Municipal Code of the Borrego Water District and the authority granted by Board of Directors assign the responsibility of investing unexpended cash to the Finance Officer and/or the Senior Accountant/Accountant. Daily management responsibility of the investment program may be delegated to the Senior Accountant or Accountant, who shall establish procedures for the operation consistent with this investment policy.

SECTION 6. 6. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program or impairs their ability to make impartial investment decisions. Additionally, the Finance Officer and the Senior Accountant/Accountant are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC). Furthermore, Investment officials must refrain from undertaking personal investment transactions with the same individual(s) employed by the financial institution with whom business is conducted on behalf of the District.

SECTION 7. 7. Authorized Dealers and Institutions

The Finance Officer will maintain a list of approved financial institutions authorized to provide investment services to the public agency in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). Best practices include the following: 1) A determination that all approved broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy; 2) the broker/dealer firms should have the ability to meet all their financial obligations in dealing with the Public

Agency; 3) the firms, and individuals covering the agency, should be knowledgeable and experienced in Public Agency investing and the investment products involved; 4) no public deposit shall be made except in a qualified public depository as established by the established state laws; 4) all financial institutions and broker/dealers who desire to conduct investment transactions with the public agency may supply the Finance Officer with audited financial statements, proof of FINRA certification, trading resolution, proof of State of California registration, a completed broker/dealer questionnaire, certification of having read the Public Agency's investment policy and depository contracts.

The Finance Officer may conduct an annual review of the financial condition and registrations of qualified dealers & institutions.

SECTION 8. 8. Authorized and Suitable Investments

Investment of District funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.
2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
3. Local Agency Investment Fund (LAIF), which is a State of California managed investment pool, and San Diego County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when part of the list of authorized investments, with the knowledge that the pool/fund may include some investments allowed by statute but not explicitly identified in this investment policy.

Additionally, shares of beneficial interest issued by a joint powers authority organized pursuant to CA Code (Section 6509.7) that invests in the securities and obligations in compliance with CA Code 53601 (subsection 'a' to 'r', inclusive) are also authorized. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

- The adviser is registered or exempt from registration with the Securities and Exchange Commission.
 - The adviser has not less than five years of experience investing in the securities and obligations authorized in CA Code (subsection 'a' to 'r', inclusive).
 - The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
4. Negotiable Certificates of Deposit issued by nationally or state-chartered banks (FDIC insured institutions) or state or federal savings institutions. Purchases of

negotiable certificates of deposit may not exceed 30% of total portfolio. Principal and accrued interest on these investments must not exceed the \$250,000 FDIC insurance limit. A maturity limitation of five years is applicable.

5. Time deposits or placement service deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 50% of the investment portfolio may be invested in this investment type. A maturity limitation of five years is applicable. Effective January 1, 2020, no more than 50 percent of the agency’s money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.

6. Various daily money market funds administered for or by trustees, paying agents and custodian banks contracted by the Borrego Water District may be purchased as allowed under the State of California Government Code. Only funds holding U.S. Treasury or Government agency obligations can be used.

The following summary of maximum percentage limits, by instrument, are established for the District’s investment portfolio:

Authorized Investment Type	Government Code	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Treasury Obligations (bills, notes, & bonds)	53601(b)	5 Years	N/A	100%	N/A
US Government Agency and Federal Agency Securities	53601(f)	5 Years	N/A	100%	N/A
Local Agency Investment Fund (LAIF)	16429.1	Upon Demand	N/A	As permitted by LAIF (currently \$65 million per account)	N/A
San Diego County Investment Pool	53684	Upon Demand	N/A	As permitted by County Treasurer (currently no limit)	N/A
Joint Powers Authority Pool	53601(p)	N/A	See § 8.3 (above)	None	N/A
Negotiable Certificates of Deposit	53601(i)	5 Years	N/A	30%	N/A
Placement Service Deposits	53601.8 and 53635.8	5 Years	N/A	50%	N/A

SECTION 9. 9. Review of Investment Portfolio

The securities held by the Borrego Water District must be in compliance with Section 8.0 “Authorized and Suitable Investments” at the time of purchase. The Finance Officer

should review the portfolio (at least annually) to identify those securities that do not comply.

The Finance Officer should establish procedures to report any major and critical incidences of noncompliance identified through the review of the portfolio.

SECTION 10. **10. Investment Pools / Money Market Funds**

A thorough investigation of the investment pool/money market fund is required prior to investing, and on a continual basis. Best efforts will be made to acquire the following information:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

SECTION 11. **11. Collateralization**

Collateralization will be required on two types of investments: non-negotiable certificates of deposit and repurchase (and reverse repurchase) agreements. To anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for non-negotiable certificate of deposit and 102% for reverse repurchase agreements of principal and accrued interest.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The District may waive the collateralization requirements for any portion of the deposit that is covered by Federal Deposit Insurance.

SECTION 12. **12. Safekeeping and Custody**

All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts.

SECTION 13. **13. Diversification**

The District shall diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type,

excluding U.S. Treasuries, federal agencies, and pooled investments such as LAIF, money market funds, or local government investment pools.

SECTION 14. 14. Maximum Maturities

To the extent possible, the Borrego Water District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than 5 years from the date of purchase. Any investment longer than 5 years must be done with advance permission from Board of Directors.

SECTION 15. 15. Internal Controls

The Finance Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Borrego Water District are protected from loss, theft, fraud or misuse.

Separation of functions between the District's Finance Officer or Senior Accountant/Accountant is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Investment decisions are made by the Finance Officer, executed by the Accountant and confirmed by the Senior Accountant, if applicable. All wire transfers initiated by the Accountant/Senior Accountant must be reconfirmed by the appropriate financial institution to the Finance Officer. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Senior Accountant on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review and perform procedure testing on the District's cash and investments that have a material impact on the financial statements. The Finance Officer shall review and assure compliance with investment process and procedures.

SECTION 16. 16. Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The District intends to spread its investments relatively evenly between 0 and 5 years and hold those investments to maturity. The District is limiting its authorized investments to the safest end of the investment spectrum—debt issued by the U.S. Treasury, U.S. Government Agencies, and debt that is federally insured (see section 8.0 Authorized and Suitable Investments, above, for a complete list of authorized investments).

Therefore, an appropriate performance benchmark will be a Constant Treasury Maturity Rate consistent with the weighted average maturity of the portfolio. The District recognizes that benchmarks may change over time based on changes in market conditions or cash flow requirements.

SECTION 17. 17. Reporting

The Finance Officer shall review and render quarterly reports to the Board of Directors that include the following information:

- Investment type (e.g. U.S. Treasury Note, U.S. Government Agency Bond)
- Name of the issuer (e.g. Federal Farm Credit Bank, Federal Home Loan Bank)
- Maturity date

- Yield to maturity
- Current market value and source of market value
- Par and dollar amount for each security the District has invested in
- Par and dollar amount on any money held by the District (e.g. LAIF balance, Cash Balance).

The report shall also include a description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs.

The quarterly report shall state compliance of the portfolio to the investment policy, or manner in which the portfolio is not in compliance.

The quarterly report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months or provide an explanation as to why sufficient money shall (or may not) be available.

The quarterly reports shall be placed on the Board of Directors meeting agenda for its review and approval no later than 30 days after the quarter ends. If there are no Council meetings within the 30-day period, the quarterly report shall be presented to the Council at the soonest possible meeting thereafter.

SECTION 18. **18. Investment Policy Adoption**

The Borrego Water District investment policy shall be adopted by resolution of the Board of Directors. The policy shall be reviewed annually by the Board of Directors and any modifications made thereto must be approved by the Board of Directors.

The Finance Officer shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, master repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Borrego Water District.

SECTION 19. **19. Glossary of Terms in this Policy**

Accrued Interest: Interest earned but not yet received.

Annual Comprehensive Financial Report (ACFR): The official annual financial report for the District. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP).

Bond: A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Bond Swap: Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include tax-deductible losses, increased yields, and an improved quality portfolio.

Broker: In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading, accounting for the name registered representative.

Certificate of Deposit: A deposit insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) at a set rate for a specified period of time.

Collateral: Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Constant Maturity Treasury (CMT): An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.

Custody: A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement that also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Delivery vs. Payment (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

Diversification: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Federal Deposit Insurance Corporation (FDIC): Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently \$250,000) per account.

Interest Rate: The annual yield earned on an investment, expressed as a percentage.

Liquidity: Refers to the ability to rapidly convert an investment into cash.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Purchase Date: The date in which a security is purchased for settlement on that or a later date.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Risk: Degree of uncertainty of return on an asset. Safekeeping: See Custody.

Settlement Date: The date on which a trade is cleared by delivery of securities against funds.

Time Deposit: A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.

Treasury Obligations: Debt obligations of the U.S. Government that are sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

U.S. Government Agencies: Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

Yield: The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity: The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Active Deposits: Funds that are immediately required for disbursement.

Amortization: An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Asked Price: The price a broker dealer offers to sell securities. **Basis Point:** One basis point is one hundredth of one percent (.01). **Bid Price:** The price a broker / dealer offers to purchase securities.

Book Entry Securities: Securities, such stocks held in "street name," that are recorded in a customer's account, but are not accompanied by a certificate. The trend is toward a certificate-free society to cut down on paperwork and to diminish investors' concerns about the certificates themselves. All the large New York District banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with each other and with the Federal Reserve through the use of automated telecommunications and the "book-entry" custody system maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and agency securities holdings, including securities held for the accounts of their customers or in a fiduciary capacity for the District. Virtually all transfers for the account of the banks, as well as for the government securities dealers who are their clients, are now effected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds the completion of transactions.

Book Value: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Bullet Bond: See "*Non-callable Bond.*"

Callable Bond: A debit obligation where the bond issuer (i.e. borrower) has the option to *call the bond* or pay it off early (before the scheduled maturity date). For instance, a 5-year bond might be "callable quarterly"—meaning that, although the bond has a scheduled end date 5 years from now, it could end in 3 months (and every 3 months after that, until the scheduled maturity date).

Coupon: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis: A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield: The interest paid on an investment expressed as a percentage of the current price of the security.

Discount: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Duration: The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; the future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow time line.

Fannie Mae: Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System: The central bank of the U.S. that consists of a seven member Board of Governors, 12 regional banks and approximately 8,000 commercial banks that are members.

Fed Wire: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Investment Agreements: An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Nationally Recognized Statistical Rating Organizations (NRSRO): A U.S. Securities & Exchange Commission registered agency that assesses the creditworthiness of an entity or specific security. NRSRO typically refers to Standard and Poor's Ratings Services, Fitch Ratings, Inc. or Moody's Investors Services.

New Issue: Term used when a security is originally "brought" to market.

Non-callable Bond: Also known as, "*Bullet Bond.*" A non-callable bond is a debt obligation where the bond issuer does not have the option to "call the bond" i.e.-end the bond before the scheduled maturity date.

Perfect Delivery: Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Repurchase Agreement (REPO): A transaction where the seller (bank) agrees to buy back from the buyer (District) the securities at an agreed upon price after a stated period of time.

Reverse Repurchase Agreement (REVERSE REPO): A transaction where the seller (District) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Yield Curve: The yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.

ADOPTED, SIGNED AND APPROVED by the Board of Directors of the Borrego Water District this 23rd day of June, 2026.

Kathy Dice, President Board of Directors of Borrego Water District

ATTEST:

Diane Johnson, Secretary Board of Directors of Borrego Water District

STATE OF CALIFORNIA)

)

COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing Resolution No. 2026-06-01 was duly adopted by the Board of Directors of said District at the Regular Meeting of the Board of Directors held on June 23, 2026 and that it was so adopted by the following vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Diane Johnson, Secretary
Board of Directors Borrego Water District

(SEAL)

STATE OF CALIFORNIA)

) ss.

COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2026-06-01 of said Board, and that the same has not been amended or repealed.

Dated: June 23, 2026

Diane Johnson, Secretary
Board of Directors Borrego Water District

(SEAL)

RESOLUTION NO. 2026-06-02

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF OPERATIONS AND MAINTENANCE OF THE DISTRICT AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS ON LAND WITHIN THE DISTRICT FOR THE FISCAL YEAR 2026-2027.

WHEREAS, *Section 35470* of the Water Code of the State of California provides that a California Water District may in lieu, in whole, or in part, of raising funds for District purposes by ad valorem assessments, levy standby charges and/or acreage assessments on land to defray the cost of operations and maintenance and for any lawful district purpose; and

WHEREAS, the Board of Directors has determined that it is deemed advisable and necessary to fix and levy standby charges and/or acreage assessments for the purpose of defraying certain operations and maintenance costs for the Fiscal Year 2026-2027;

NOW, THEREFORE, the Board of Directors of Borrego Water District **DOES HEREBY RESOLVE, DETERMINE AND ORDER** as follows:

SECTION 1. There is hereby fixed standby charges and/or acreage assessments in the amounts on land within the District as shown on Exhibit A attached hereto and made a part hereof to defray the cost of operations and maintenance for the Fiscal Year 2026-2027. This Board of Directors hereby determines that said standby charges and/or acreage assessments in an amount not exceeding the assessments set forth in Exhibit A was existing prior to July 1, 1997 and that said assessments are exempt from the provisions of Article XIID of the Constitution of the State of California. After adoption of this Resolution, the General Manager, or designee, may make any necessary modifications to these charges to correct any errors, omissions or inconsistencies in the listing or in the amount to be charged based on changes from the final FY27 County of San Diego Assessor's Roll.

SECTION 2. Pursuant to *Section 35479* of the Water Code, the Board of Supervisors of the County of San Diego is hereby requested at the time and manner of levying other County taxes to make levies in the amounts on land within the District, as shown on Exhibit A, and cause to be collected the amounts specified therein.

SECTION 3. The Secretary of the District is hereby directed to submit to the Board of Supervisors and the Auditor/Controller of the County of San Diego a certified copy of this Resolution along with other documents as may be required.

ADOPTED, SIGNED AND APPROVED by the Board of Directors of the Borrego Water District this 23rd day of June, 2026.

Kathy Dice, President Board of Directors of Borrego Water District

ATTEST:

Diane Johnson, Secretary Board of Directors of Borrego Water District

STATE OF CALIFORNIA)

)

COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing Resolution No. 2026-06-02 was duly adopted by the Board of Directors of said District at the Regular Meeting of the Board of Directors held on June 23, 2026 and that it was so adopted by the following vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Diane Johnson, Secretary
Board of Directors Borrego Water District
(SEAL)

STATE OF CALIFORNIA)

) ss.

COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2026-06-02 of said Board, and that the same has not been amended or repealed.

Dated: June 23, 2026

Diane Johnson, Secretary
Board of Directors Borrego Water District

(SEAL)

RESOLUTION NO. 2026-06-03

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COSTS OF OPERATIONS AND MAINTENANCE OF THE DISTRICT, AND TO PAY COSTS OF OPERATIONS AND MAINTENANCE FOR IMPROVEMENT DISTRICT NO. 1 AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS ON CERTAIN LAND IN IMPROVEMENT DISTRICT NO. 1 FOR THE FISCAL YEAR 2026-2027

WHEREAS, Improvement District No. 1 of the Borrego Water District was formed for the purpose of providing water, sewer and flood control service to the lands and inhabitants of the Improvement District and for said purpose water, sewer and flood control systems have been constructed for the benefit of said Improvement District; and

WHEREAS, by reason of the construction of said water, sewer and flood control systems, water, sewer and flood control service is now and will be available to lands therein and said water, sewer and flood control systems are a benefit to the lands lying within said Improvement District; and

WHEREAS, *Section 35470* of the Water Code of the State of California provides that a California Water District may in lieu, in whole, or in part, of raising funds for District purposes by ad valorem assessments, levy standby charges and/or acreage assessments on land, to defray the cost of operations and maintenance and for any lawful district purpose; and

WHEREAS, matters have been presented to and considered by the Board of Directors relating to the financial requirements of said Improvement District; and

WHEREAS, the Board of Directors has determined that it is deemed advisable and necessary to fix and levy standby charges and/or acreage assessments within Improvement District No. 1 for the purpose of paying certain operations and maintenance costs and the payment of a portion of the debt service on bonds of Improvement District No. 1 for the Fiscal Year 2026-2027;

NOW, THEREFORE, the Board of Directors of the Borrego Water District hereby **RESOLVE, DETERMINE AND ORDER** as follows:

SECTION 1. There is hereby fixed standby charges and/or acreage assessments in the amounts on land within Improvement District No. 1 as shown on Exhibit A attached hereto and made a part hereof for the payment of the cost of operation and maintenance for said Improvement District No. 1 for the Fiscal Year 2026-2027. This Board of Directors hereby determines that said standby charges and/or acreage assessments in an amount not exceeding the assessments set forth in Exhibit A was existing prior to July 1, 1997 and that said assessments are exempt from the provisions of Article XIII D of the Constitution of the State of California. After adoption of this Resolution, the

General Manager, or designee, may make any necessary modifications to these charges to correct any errors, omissions or inconsistencies in the listing or in the amount to be charged based on changes from the final 2016 County of San Diego Assessor's Roll.

SECTION 2. Pursuant to *Section 35479* of the Water Code, the Board of Supervisors is requested at the time and manner of levying other County taxes to make levies in the amounts on said lots within Improvement District No. 1 as shown on Exhibit A and cause to be collected the amounts specified therein.

SECTION 3. The Secretary of the District is hereby directed to submit to the County Board of Supervisors and the County Auditor/Controller a certified copy of this Resolution along with other documents as may be required.

ADOPTED, SIGNED AND APPROVED by the Board of Directors of the Borrego Water District this 23rd day of June, 2026.

Kathy Dice, President Board of Directors of Borrego Water District

ATTEST:

Diane Johnson, Secretary Board of Directors of Borrego Water District

STATE OF CALIFORNIA)

)

COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing Resolution No. 2026-06-03 was duly adopted by the Board of Directors of said District at the Regular Meeting of the Board of Directors held on June 23, 2026 and that it was so adopted by the following vote:

AYES: DIRECTORS:
NOES: DIRECTORS:
ABSENT: DIRECTORS:
ABSTAIN: DIRECTORS:

Diane Johnson, Secretary
Board of Directors Borrego Water District
(SEAL)

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

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2026-06-03 of said Board, and that the same has not been amended or repealed.

Dated: June 23, 2026

Diane Johnson, Secretary
Board of Directors Borrego Water District

(SEAL)

RESOLUTION NO. 2026-06-04

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF PROVIDING PEST CONTROL SERVICES BY THE DISTRICT AND REQUESTING LEVY AND COLLECTION OF SAID CHARGES AND/OR ACREAGE ASSESSMENTS FOR THE FISCAL YEAR 2026-2027

WHEREAS, *Section 35565.5* of the Water Code of the State of California provides that a California Water District may, in the manner as provided in Section 35470 of the Water Code, in lieu, in whole or in part, of raising funds for District purposes by ad valorem assessments, levy charges and/or acreage assessments on land within the District to defray the cost of mosquito abatement and vector control services; and

WHEREAS, the Board of Directors has determined that it is deemed advisable and necessary to fix and levy charges and/or acreage assessments for the purpose of defraying the cost of providing mosquito abatement and vector control services for the Fiscal Year 2026-2027.

NOW, THEREFORE, the Board of Directors of Borrego Water District **DOES HEREBY RESOLVE, DETERMINE AND ORDER** as follows:

SECTION 1. There is hereby fixed charges and/or acreage assessments in the amounts on land within the District as shown on Exhibit A attached hereto and made a part hereof to provide pest control services for the Fiscal Year 2026-2027. This Board of Directors hereby determines that said standby charges and/or acreage assessments in an amount not exceeding the assessments set forth in Exhibit A was existing prior to July 1, 1997 and that said assessments are exempt from the provisions of Article XIII D of the Constitution of the State of California. After adoption of this Resolution, the General Manager, or designee, may make any necessary modifications to these charges to correct any errors, omissions or inconsistencies in the listing or in the amount to be charged based on changes from the final FY27 County of San Diego Assessor's Roll.

SECTION 2. Pursuant to Section 35479 of the Water Code, the Board of Supervisors of the County of San Diego is hereby requested at the time and manner of levying other County taxes to make levies in the amounts on land within the District, as shown on Exhibit A, and cause to be collected the amounts specified therein.

SECTION 3. The Secretary of the District is hereby directed to submit to the Board of Supervisors and the Auditor/Controller of the County of San Diego a certified copy of this Resolution.

ADOPTED, SIGNED AND APPROVED by the Board of Directors of the Borrego Water District this 23rd day of June, 2026.

RESOLUTION NO. 2026-06-05

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF OPERATING AND MAINTAINING THE WATER FACILITIES WITHIN IMPROVEMENT DISTRICT NO. 3 OF THE DISTRICT AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS FOR THE FISCAL YEAR 2026-2027.

WHEREAS, Improvement District No. 3 of the Borrego Water District was formed for the purpose of providing water service to the lands and inhabitants of the Improvement District; and

WHEREAS, by reason of the acquisition of the water system, water service is now and will be available to lands therein and said water system is a benefit to the lands lying within said Improvement District; and

WHEREAS, *Section 35470* of the Water Code of the State of California, provides that a California Water District may in lieu, in whole, or in part, of raising funds for District purposes by ad valorem assessments, levy standby charges and/or acreage assessments to defray the cost of operations and maintenance and for any lawful district purpose; and

WHEREAS, matters have been presented to and considered by the Board of Directors relating to the financial requirements of said Improvement District; and

WHEREAS, the Board of Directors has determined that it is deemed advisable and necessary to fix and levy standby charges and/or acreage assessments within Improvement District No. 3 of the District to defray the cost of operations and maintenance of the water facilities within Improvement District No. 3 for the Fiscal Year 2026-2027.

NOW, THEREFORE, the Board of Directors of Borrego Water District **DOES HEREBY RESOLVE, DETERMINE AND ORDER** as follows:

SECTION 1. There is hereby fixed standby charges and/or acreage assessments in the amounts on land within Improvement District No. 3 as more fully described in Exhibit A attached hereto and made a part hereof to defray the cost of operations and maintenance for Improvement District No. 3 for the Fiscal Year 2026-2027. This Board of Directors hereby determines that said standby charges and/or acreage assessments in an amount not exceeding the assessments set forth in Exhibit A was existing prior to July 1, 1997 and that said assessments are exempt from the provisions of Article XIID of the Constitution of the State of California. After adoption of this Resolution, the General Manager, or designee, may make any necessary modifications to these charges to correct any errors, omissions or inconsistencies in the listing or in the amount to be charged based on changes from the final 2018 County of San Diego Assessor's Roll.

SECTION 2. Pursuant to *Section 35479* of the Water Code, the Board of Supervisors of the County of San Diego is hereby requested at the time and manner of levying other County taxes to

make levies in the amounts on land within Improvement District No. 3, shown on Exhibit A, and cause to be collected the amounts specified therein.

SECTION 3. The Secretary of the District is hereby directed to submit to the Board of Supervisors and the Auditor/Controller of the County of San Diego a certified copy of this Resolution along with other documents as may be required.

ADOPTED, SIGNED AND APPROVED by the Board of Directors of the Borrego Water District this 23rd day of June, 2026.

Kathy Dice, President Board of Directors of Borrego Water District

ATTEST:

Diane Johnson, Secretary Board of Directors of Borrego Water District

STATE OF CALIFORNIA)

)

COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing Resolution No. 2026-06-05 was duly adopted by the Board of Directors of said District at the Regular Meeting of the Board of Directors held on June 23, 2026 and that it was so adopted by the following vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Diane Johnson, Secretary
Board of Directors Borrego Water District
(SEAL)

STATE OF CALIFORNIA)

) ss.

COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2026-06-05 of said Board, and that the same has not been amended or repealed.

Dated: June 23, 2026

Diane Johnson, Secretary
Board of Directors Borrego Water District

(SEAL)

RESOLUTION NO. 2026-06-06

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2017-1 OF THE BORREGO WATER DISTRICT AUTHORIZING THE LEVY OF SPECIAL TAXES WITHIN COMMUNITY FACILITIES DISTRICT NO. 2017-1 FOR THE FISCAL YEAR 2026-2027

WHEREAS, the Borrego Water District (the “District”) previously established Community Facilities District No. 2017-1 of the Borrego Water District (“CFD No. 2017-1”) pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended; and

WHEREAS, the Board of Directors of the District acting as the legislative body of CFD No. 2017-1 is authorized pursuant to Resolution No. 2017-04-08 adopted April 18, 2017 (the “Resolution of Formation”) and Ordinance No. 17-01 adopted by the Board of Directors of the District on 17-01 (the “Ordinance”), to levy a special tax sufficient to pay principal, interest, other periodic costs and administrative expenses with respect to bonds of CFD 2017-1 and any bonds and/or certificates of participation proposed to be issued to finance the Facilities (the “Bonds”) and to pay certain costs of the Facilities (as defined in the Resolutions of Formation); and

WHEREAS, it is now necessary and appropriate that this Board levy and collect the special taxes for the Fiscal Year 2026-2027 for the purpose specified in the Ordinance, by the adoption of a resolution as specified by the Act and the Ordinance; and

WHEREAS, the special taxes being levied hereunder are at the same rate or at a lower rate than provided by the Ordinance;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2017-1, DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The above recitals are true and correct. After adoption of this Resolution, the General Manager, or designee, may make any necessary modifications to these charges to correct any errors, omissions or inconsistencies in the listing or in the amount to be charged based on changes from the final 2018 County of San Diego Assessor’s Roll.

SECTION 2. The special tax (“Special Tax”) is imposed without regard to property valuation and is levied in compliance with the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Government Code Section 53311 (the “Act”) and the Ordinance.

SECTION 3. In accordance with the Act and the Ordinance, there is hereby levied upon the parcels within the District which are not otherwise exempt from taxation under the Act or the Ordinance the special taxes for the Fiscal Year 2026-2027 at the tax rates set forth in the report prepared by David Taussig and Associates for CFD No. 2017-1 entitled “Administration Report

Fiscal Year 2026-2027” (the “Report”) submitted herewith, which rates do not exceed the maximum rates set forth in the Ordinance. After adoption of this Resolution, the General Manager of the District, or his designee, may make any necessary modifications to these special taxes to correct any errors, omissions or inconsistencies in the listing or categorization of parcels to be taxed or in the amount to be charged to any category of parcels; provided, however, that any such modifications shall not result in an increase in the tax applicable to any category of parcels and can only be made prior to the submission of the tax rolls to the San Diego County Auditor or prior to delivery of direct billings, as applicable.

SECTION 4. All of the collections of the special tax shall be used only as provided for in the Act and the Resolutions of Formation. The special tax shall be levied only so long as needed to accomplish the purposes described in the Resolutions of Formation.

SECTION 5. The special tax shall be collected in the same manner as ordinary ad valorem taxes are collected, provided, however, that CFD No. 2017-1 may directly bill the special tax, may collect special taxes at a different time or in different manner if necessary to meet its financial obligations, and the special tax shall be subject to the same penalties and the same procedure and sale in cases of delinquency as provided for ad valorem taxes as such procedure may be modified by law or this Board from time to time.

SECTION 6. As a cumulative remedy, if any amount levied as a special tax for payment of bond interest or principal, together with any penalties and other charges accruing under this Resolution, are not paid when due, the Board of Directors may, not later than four years after the due date of the last installment of principal on the Bonds, order that the same be collected by an action brought in the superior court to foreclose the lien of such special tax.

SECTION 7. The General Manager is hereby authorized and directed to transmit a certified copy of this Resolution and the Report to the San Diego County Auditor, together with other supporting documentation as may be required to place said special taxes on the secured property tax roll for the Fiscal Year 2026-2027, and/or arrange for the direct billing of the special taxes, and to perform all other acts which are required by the Act, the Ordinance, or by law in order to accomplish the purpose of this Resolution.

ADOPTED, SIGNED AND APPROVED by the Board of Directors of the Borrego Water District this 23rd day of June, 2026.

Kathy Dice, President Board of Directors of Borrego Water District

ATTEST:

Diane Johnson, Secretary Board of Directors of Borrego Water District

STATE OF CALIFORNIA)

)
COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing Resolution No. 2026-06-06 was duly adopted by the Board of Directors of said District at the Regular Meeting of the Board of Directors held on June 23, 2026 and that it was so adopted by the following vote:

AYES: DIRECTORS:
NOES: DIRECTORS:
ABSENT: DIRECTORS:
ABSTAIN: DIRECTORS:

Diane Johnson, Secretary
Board of Directors Borrego Water District
(SEAL)

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

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2026-06-06 of said Board, and that the same has not been amended or repealed.

Dated: June 23, 2026

Diane Johnson, Secretary
Board of Directors Borrego Water District

(SEAL)

RESOLUTION NO. 2026-06-07

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2007-1 OF THE BORREGO WATER DISTRICT AUTHORIZING THE LEVY OF SPECIAL TAXES WITHIN COMMUNITY FACILITIES DISTRICT NO. 2007-1 FOR THE FISCAL YEAR 2026-2027.

WHEREAS, the Borrego Water District (the “District”) previously established Community Facilities District No. 2007-1 of the Borrego Water District (“CFD No. 2007-1”) pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended; and

WHEREAS, the Board of Directors of the District acting as the legislative body of CFD No. 2007-1 is authorized pursuant to Resolutions Nos. 2007-3-1 and 2007-3-2 adopted March 14, 2007 (the “Resolutions of Formation”) and Ordinance No. O2007-2 adopted by the Board of Directors of the District on May 9, 2007 (the “Ordinance”), to levy a special tax sufficient to pay principal, interest, other periodic costs and administrative expenses with respect to bonds of CFD 2007-1 and any bonds and/or certificates of participation proposed to be issued to finance the Facilities (the “Bonds”) and to pay certain costs of the Facilities (as defined in the Resolutions of Formation); and

WHEREAS, it is now necessary and appropriate that this Board levy and collect the special taxes for the Fiscal Year 2026-2027 for the purpose specified in the Ordinance, by the adoption of a resolution as specified by the Act and the Ordinance; and

WHEREAS, the special taxes being levied hereunder are at the same rate or at a lower rate than provided by the Ordinance;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2007-1, DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The above recitals are true and correct. After adoption of this Resolution, the General Manager, or designee, may make any necessary modifications to these charges to correct any errors, omissions or inconsistencies in the listing or in the amount to be charged based on changes from the final 2018 County of San Diego Assessor’s Roll.

SECTION 2. The special tax (“Special Tax”) is imposed without regard to property valuation and is levied in compliance with the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Government Code Section 53311 (the “Act”) and the Ordinance.

SECTION 3. In accordance with the Act and the Ordinance, there is hereby levied upon the parcels within the District which are not otherwise exempt from taxation under the Act or the

Ordinance the special taxes for the Fiscal Year 2026-2027 at the tax rates set forth in the report prepared by David Taussig and Associates for CFD No. 2007-1 entitled “Administration Report Fiscal Year 2026-2027” (the “Report”) submitted herewith, which rates do not exceed the maximum rates set forth in the Ordinance. After adoption of this Resolution, the General Manager of the District, or his designee, may make any necessary modifications to these special taxes to correct any errors, omissions or inconsistencies in the listing or categorization of parcels to be taxed or in the amount to be charged to any category of parcels; provided, however, that any such modifications shall not result in an increase in the tax applicable to any category of parcels and can only be made prior to the submission of the tax rolls to the San Diego County Auditor or prior to delivery of direct billings, as applicable.

SECTION 4. All of the collections of the special tax shall be used only as provided for in the Act and the Resolutions of Formation. The special tax shall be levied only so long as needed to accomplish the purposes described in the Resolutions of Formation.

SECTION 5. The special tax shall be collected in the same manner as ordinary ad valorem taxes are collected, provided, however, that CFD No. 2007-1 may directly bill the special tax, may collect special taxes at a different time or in different manner if necessary to meet its financial obligations, and the special tax shall be subject to the same penalties and the same procedure and sale in cases of delinquency as provided for ad valorem taxes as such procedure may be modified by law or this Board from time to time.

SECTION 6. As a cumulative remedy, if any amount levied as a special tax for payment of bond interest or principal, together with any penalties and other charges accruing under this Resolution, are not paid when due, the Board of Directors may, not later than four years after the due date of the last installment of principal on the Bonds, order that the same be collected by an action brought in the superior court to foreclose the lien of such special tax.

SECTION 7. The General Manager is hereby authorized and directed to transmit a certified copy of this Resolution and the Report to the San Diego County Auditor, together with other supporting documentation as may be required to place said special taxes on the secured property tax roll for the Fiscal Year 2026-2027, and/or arrange for the direct billing of the special taxes, and to perform all other acts which are required by the Act, the Ordinance, or by law in order to accomplish the purpose of this Resolution.

ADOPTED, SIGNED AND APPROVED by the Board of Directors of the Borrego Water District this 23rd day of June, 2026.

Kathy Dice, President Board of Directors of Borrego Water District

ATTEST:

Diane Johnson, Secretary Board of Directors of Borrego Water District

RESOLUTION NO. 2026-06-08

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF OPERATIONS AND MAINTENANCE OF WATER AND SEWER FACILITIES WITHIN IMPROVEMENT DISTRICT NO. 5 OF THE DISTRICT AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS FOR THE FISCAL YEAR 2026-2027

WHEREAS, *Section 35470* of the Water Code of the State of California provides that a California Water District may in lieu, in whole, or in part, of raising funds for District purposes by ad valorem assessments, levy standby charges and/or acreage assessments on land to defray the cost of operations and maintenance and for any lawful district purpose; and

WHEREAS, the Board of Directors has determined that it is deemed advisable and necessary to fix and levy standby charges and/or acreage assessments for the purpose of defraying certain operations and maintenance costs for the Fiscal Year 2026-2027;

NOW, THEREFORE, the Board of Directors of Borrego Water District **DOES HEREBY RESOLVE, DETERMINE AND ORDER** as follows:

SECTION 1. There is hereby fixed standby charges and/or acreage assessments in the amounts on land in Improvement District No. 5 within the District as shown on Exhibit A attached hereto and made a part hereof to defray the cost of operations and maintenance for the Fiscal Year 2026-2027. This Board of Directors hereby determines that said standby charges and/or acreage assessments in an amount not exceeding the assessments set forth in Exhibit A was existing prior to July 1, 1997 and that said assessments are exempt from the provisions of Article XIID of the Constitution of the State of California. After adoption of this Resolution, the General Manager, or designee, may make any necessary modifications to these charges to correct any errors, omissions or inconsistencies in the listing or in the amount to be charged based on changes from the final 2018 County of San Diego Assessor's Roll.

SECTION 2. Pursuant to *Section 35479* of the Water Code, the Board of Supervisors of the County of San Diego is hereby requested at the time and manner of levying other County taxes to make levies in the amounts on land within the District, as shown on Exhibit A, and cause to be collected the amounts specified therein.

SECTION 3. The Secretary of the District is hereby directed to submit to the Board of Supervisors and the Auditor/Controller of the County of San Diego a certified copy of this Resolution along with other documents as may be required.

ADOPTED, SIGNED AND APPROVED by the Board of Directors of the Borrego Water District this 23rd day of June, 2026.

Kathy Dice, President Board of Directors of Borrego Water District

ATTEST:

Diane Johnson, Secretary Board of Directors of Borrego Water District

STATE OF CALIFORNIA)

)

COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing Resolution No. 2026-06-08 was duly adopted by the Board of Directors of said District at the Regular Meeting of the Board of Directors held on June 23, 2026 and that it was so adopted by the following vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Diane Johnson, Secretary
Board of Directors Borrego Water District
(SEAL)

STATE OF CALIFORNIA)

) ss.

COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2026-06-08 of said Board, and that the same has not been amended or repealed.

Dated: June 23, 2026

Diane Johnson, Secretary
Board of Directors Borrego Water District

(SEAL)

BORREGO WATER DISTRICT
BOARD OF DIRECTORS MEETING
JUNE 23, 2026 AGENDA ITEM II.E

June 18, 2026

TO: Board of Directors

FROM: Geoffrey Poole, General Manager

SUBJECT: 2026-27 **BWD Budget and Capital Improvement Plan – J Clabaugh, BWD**

RECOMMENDED ACTION:

Receive Budget report, discuss and direct staff accordingly

ITEM EXPLANATION:

Staff and the FAB Committee have developed the attached Final Budget for Board review. Board comments/corrections have been incorporated into the Final Draft.

Adoption of the FY27 Budget Resolution will include adoption of a revised Cash Reserves policy. A redline of policy changes has been included for review.

NEXT STEPS

1. Implement budget starting July 1.

FISCAL IMPACT

1. TBD

ATTACHMENTS

1. Budget/CIP for 2026-27
2. Cash Reserves Policy Redline
3. Resolution No. 2026-06-09 Resolution Of The Board Of Directors Of The Borrego Water District Approving The Operations, Maintenance, Capital Improvements And Groundwater Management Budgets For Fiscal Year 2026-2027.

BORREGO WATER DISTRICT

**FISCAL YEAR 2026-2027
ANNUAL BUDGET
ADOPTED **JUNE 23, 2026****

SUBMITTED BY:

**GEOFF POOLE
GENERAL MANAGER**

TO:

BOARD OF DIRECTORS

**KATHY DICE
PRESIDENT**

**TAMMY BAKER
VICE-PRESIDENT**

**DIANE JOHNSON
TREASURER**

**DAVE DUNCAN
DIRECTOR**

**GINA MORAN
DIRECTOR**

**BORREGO WATER DISTRICT
 ANNUAL BUDGET
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 FISCAL YEAR 2026-2027
 ADOPTED **JUNE 23, 2026****

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RESOLUTION NO. 2026-06-xx 51



BORREGO WATER DISTRICT

June 17, 2026

TO: Ratepayers and Investors of the Borrego Water District
FROM: Geoff Poole, General Manager
SUBJECT: Strategic Objectives 2026-27

STRATEGIC GOALS AND OBJECTIVES 2026-27

GOAL: Minimize Potential Water and Sewer Rate Increases

OBJECTIVE: BWD Staff will continue to monitor revenues and expenses closely, report to the Board and public monthly and provide all information for the Board to make an informed decision on all future rate increases.

Due to a number of factors, the BWD Board has approved a rate structure for 2026-27 that includes a 9.5 % rate increase. The proposed increase is based on a worst-case scenario and under certain conditions, the Board may not need to raise rates this high in future years. The factors that will influence future rate increases include receiving a waiver on the 20% local agency match for EPA Round #2 funding (\$650 k). Receiving the waiver would have a big positive effect on BWD Reserve Funds levels and possibly lead to a reduction in future increases, due to a lessened need for rates and charges to fund the replenishment of reserves. Applying for and receiving the 20% waiver on EPA Round 2 is at the top of BWD priorities for FY 26-27.

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. In addition, the rate structure put into place also allowed for significant contribution to Reserve Funds, which resulted in the accumulation of \$5 M+ in reserves by 2026.

The BWD Board has put these reserve funds to excellent use with the acquisition of 420 acres of farmland and its water rights that are dedicated for use by BWDs existing customers to comply with the requirements of the California Sustainable Groundwater Management Act and the Borrego Springs Subbasin Judgment. Making the \$5.5 M in payments for the water rights acquisition and fallowing over the next 5 years will reduce total Reserve Funds to approximately \$3,500,000. The Board has taken a policy position that BWDs unrestricted reserves will not dip below \$1.6 M and the future rates approved by the Board will need to include revenues to ensure the minimum is not breached. In addition, non-essential capital expenses are being deferred to help preserve cash.

BWD is committed to maintain water and wastewater rates/charges and reserve fund balances that provide the required debt service coverage ratios and adopted Board policies. BWD staff and

Board will monitor water and wastewater Operations and Capital Planning to ensure all expenditures are prudent and necessary.

GOAL: Complete EPA Round #1 Waterline Projects

OBJECTIVE: Complete the bidding and construction of waterline replacement in the Sun Gold development as well as relocation of an old-line servicing properties on Borrego Springs Road between Walking H and Rango Way.

BWD received \$3.4 M in direct congressional funding from Congressman Issa for infrastructure replacement in FY 22-23 (aka EPA Round #1). BWD staff successfully applied for and received the 20% local agency match waiver, thus saving ratepayers \$650,000. Bid documents are nearing completion and the Projects are scheduled for construction in late 2026 and completion in mid-2027.

GOAL: Prepare for 2027 Waste Water Treatment Plant Discharge Permit

OBJECTIVE: The California Waterboards issued a 10-year Discharge Permit for BWDs Wastewater Treatment Plant in 2017 requiring the submittal of various analyses pertaining to Total Dissolved Solids and Nitrogen Control. BWD has retained the services of N2W Engineering to assist with the development and submittal of the required documents before the end of FY 2026-27 which was completed in FY 2025-26.

GOAL: Engage in Watermaster Processes

OBJECTIVE: The Borrego Springs Sub Basin Watermaster is responsible to manage the Basin and work with Orange County Superior Court Judge Mc Cormack on Basin management including implementation of the Groundwater Management Plan. The BWD appointed WM Representatives, and others often acting as individuals, monitor WM activities and comment as needed. BWD will continue to engage in WM activities and comment as needed. The BWD Board meeting schedule has also been altered to allow for BWD Board input on upcoming WM agenda items which allows for direction to be given to BWD representatives on the WM.

The BWD Board and Staff are committed to maintaining these priorities as well as handling any unforeseen events that occur in the upcoming fiscal year.



BORREGO WATER DISTRICT

TO: Ratepayers and Investors of the Borrego Water District
FROM: Geoff Poole, General Manager
SUBJECT: 2025-26 In Review

Transmitted herewith is the Proposed Final Fiscal Year 2026-27 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.

2025-26 IN REVIEW

CAPITAL PROJECT AND COMPLETIONS:

*Recoating and cathodic protection were completed on the Country Club Tank. The BWD crew was able to keep the system running without interruption while the tank was out of service. BWD Operations Manager sampled water from the completed tank and coordinated with the state Division of Drinking Water to certify re-introduction to the distribution system.

*Automated Metering Infrastructure (AMI) Leak Monitoring Implementation: All BWD potable water meters were replaced with AMI based smart meters in FY24-25. The meters and installation was almost fully funded (actual TBD) thru a CA Proposition 68 Grant. In FY25-26 staff rolled out a leak notification program where daily phone calls are made to warn customers of potential leaks at their service address.

OPERATIONS:

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.

SGMA COMPLIANCE:

*BWD continues to make the required payments as well as coordinate with David Bauer on his efforts to fallow various agricultural parcels prior to transferring the land and water rights to BWD. These water rights are required for SGMA compliance, designated for existing BWD customers and critical for the long-term sustainability and viability of Borrego Springs.

FINANCES:

*A waiver request for the 20% Local Agency Match on EPA #2 was submitted, hopefully saving BWD ratepayers \$650,000. The funding (sponsored by Congressman Issa) will be used to replace waterlines in the Deep Well and Lazy S area. Construction is expected to begin in late 2027 and conclude by mid-2028.

Grant Funding - \$13 M in CA and Fed funds has been approved/received by BWD since 2018.

*Water Supply for Small Development Program Continues: A Program to provide water for small development (less than one acre foot per year) continued in 25-26. Under the terms of the Program, water supply may be purchased from BWD as well as water service line and meter installation. During 2025-26, 13.15-acre feet were applied for with 8.05-acre feet purchased under the Program.

CYBER:

*Cyber Security Upgrades: During 2025-26 BWD continued to make cyber security a top priority and is utilizing the expertise of BWD Board Members, staff and IT experts. BWD has taken steps usually reserved for the larger agencies; specifically, BWD continues to hardened its network at the Wastewater Treatment Plant and Remote Water System Operations hardware and software.

WATERMASTER:

*The 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 66% on or before 2040. The BWD budget for 2026-27 includes expenditures for its proportional share of Watermaster expenses (approx. 10%).

Budget Components for FY 2026-27 – Revenues

The amount budgeted in each category represents Management’s best assumptions to successfully accomplish the District’s objectives. A summary of the FY 2026-27 budget is below:

- Water sales are projected to remain stable (FY 2025-26 = 1,200 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, 2026 in an amount to be determined by the BWD Board.
- Property tax revenues are expected to remain constant and within BWD’s legal authority to assess.

Budget Components for FY 2026-27 – Expenses

- In FY 2026-27, BWD has included projected expenses for Watermaster and general Groundwater Management projects/issues.
- All existing programs in BWD Operations, Maintenance and Administration Departments are fully funded through 2026-27. 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.
- In the Sewer Operations Department, BWD will fully operate the WWTP in compliance with the CA State Discharge Permit.

Included in this Budget Package are the proposed Board Resolution to adopt and approve the FY 2026-27 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.

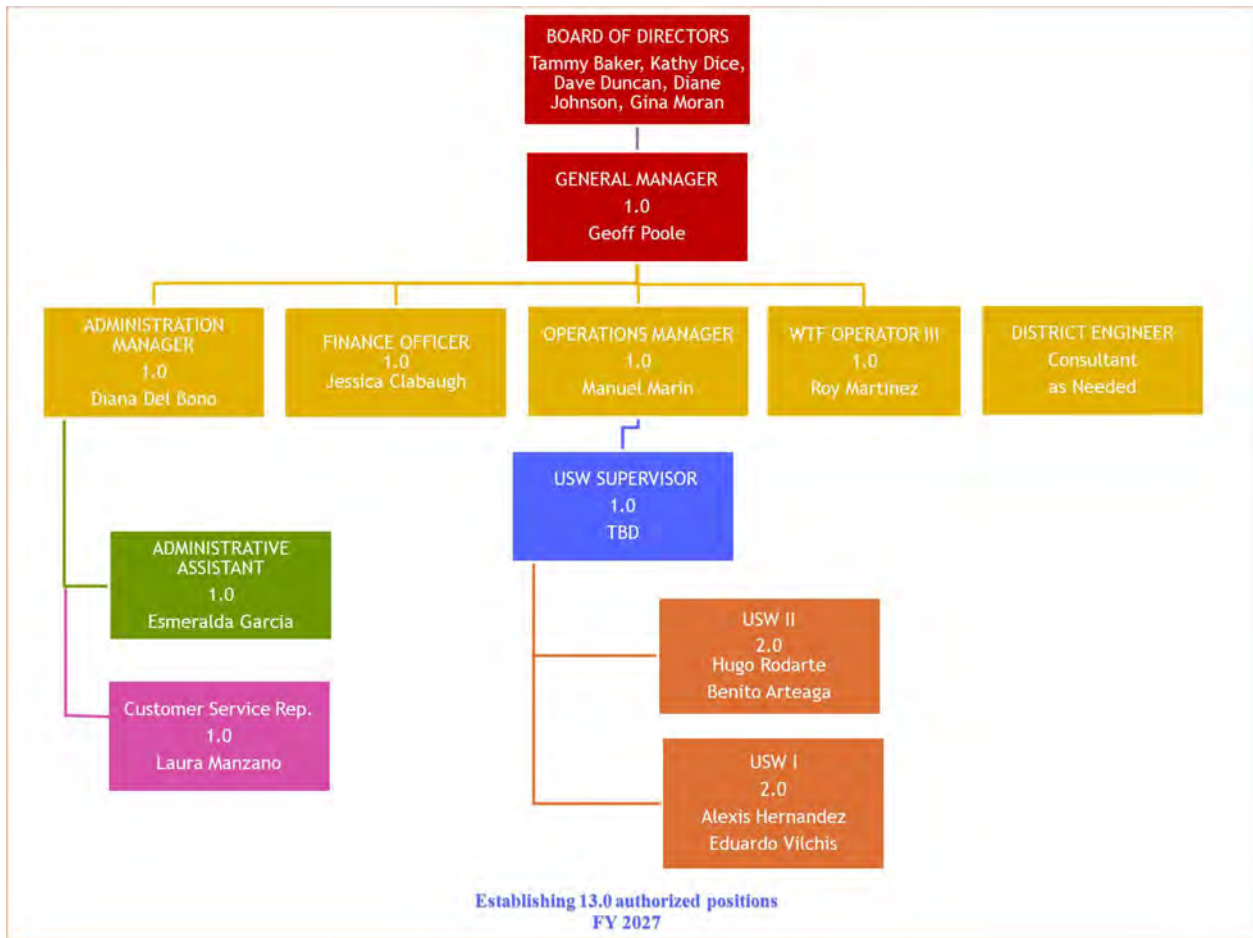
I would personally like to thank the BWD staff and Board for their hard work in preparing and reviewing this Proposed Budget for FY 2026-27.

Sincerely,

A handwritten signature in blue ink that reads "Geoff Poole". The signature is written in a cursive, slightly slanted style.

Geoff Poole
General Manager

**BORREGO WATER DISTRICT
ORGANIZATIONAL CHART
JULY 01, 2026**





**Borrego Water District
Water Enterprise Budget
07/01/2026 to 06/30/2027**

<i>Budgeted</i>	<i>Projected</i>	<i>Budgeted</i>
<i>FY2026</i>	<i>FY2026</i>	<i>FY2027</i>

INCOME

RATE REVENUE

Water Rates Revenues

Commodity Rates

Residential Tier 1 & 2 Revenues	1,015,987	900,000	1,116,000
Residential Tier 3 Revenues	676,568	600,000	604,800
Commercial	643,522	645,750	744,900
Irrigation	423,161	363,825	388,850

Total Commodity	<u>2,759,237</u>	<u>2,509,575</u>	<u>2,854,550</u>
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Non-Commodity Charges

Base Meter Charges	1,689,581	1,622,641	1,847,020
Meter Install/Repair	36,750	19,035	22,380
New Water Supply Connection Fee	26,124	20,774	14,340
Backflow Testing/Install	11,400	12,624	11,400
Bulk Water Sales	6,825	10,576	6,825

Total Non-Commodity	<u>1,770,680</u>	<u>1,685,650</u>	<u>1,901,965</u>
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Total Water Rate Revenues	4,529,916	4,195,225	4,756,515
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Availability Charges Collected thru Tax Roll

ID1 - Water Standby	34,965	34,965	34,965
ID3/ID4 - Water Standby	117,000	117,000	117,000

Total Availability (Tax Roll)	<u>151,965</u>	<u>151,965</u>	<u>151,965</u>
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<u>TOTAL WATER RATE REVENUE</u>	<u>4,681,881</u>	<u>4,347,190</u>	<u>4,908,480</u>
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Borrego Water District
Water Enterprise Budget (Continued)
07/01/2026 to 06/30/2027

	<i>Budgeted</i> FY2026	<i>Projected</i> FY2026	<i>Budgeted</i> FY2027
EXPENSES			
OPERATING EXPENSES			
Operations & Maintenance Expense			
R&M Water	286,926	130,000	294,100
Telemetry	15,000	4,226	15,375
Trash Removal	7,500	6,635	7,688
Vehicle Expense	30,000	32,283	30,750
Fuel & Oil	45,007	44,849	46,132
Lab/Testing	45,000	40,000	46,125
Permit Fees	29,541	29,541	30,279
Pumping Electricity	566,528	570,000	617,515
Total Operations & Maintenance Expense	1,025,502	857,534	1,087,963
Professional Services			
Accounting (Lockbox/Debt Filings)	9,680	7,177	9,922
Payroll Services	4,400	4,400	4,510
Audit Fees	28,034	28,000	28,735
IT & Cyber Security	39,360	39,360	44,744
Financial Consulting		18,000	3,000
Engineering Consultant	10,000	4,980	40,000
Legal Services - General	68,675	68,675	70,392
Federal & State Legislative Advocacy	64,944	63,360	66,568
Total Professional Services	225,093	233,952	267,871
Insurance Expense			
ACWA/JPIA Program Insurance	132,355	130,000	135,664
ACWA/JPIA Workers Comp	17,068	16,000	17,494
Total Insurance Expense	149,422	146,000	153,158
Personnel Expense			
Board Meeting Expense	13,939	14,000	20,000
Salaries & Wages	1,221,985	1,153,263	1,319,744
<i>Contra Account - Salaries & Wages</i>	(62,031)	(10,000)	(66,993)
Contract Labor/Consulting	10,175	2,500	10,429
Payroll Taxes	25,084	23,735	27,091
Benefits - Medical	200,383	200,000	210,403
Benefits - CalPERS	222,721	207,337	260,067
Trainings & Conferences	18,314	15,180	18,772
Uniforms	7,123	7,101	7,301
Safety Compliance & Emergency Prep	5,087	961	5,214
Total Personnel Expense	1,662,780	1,614,077	1,812,027



Borrego Water District
Water Enterprise Budget (Continued)
07/01/2026 to 06/30/2027

	<i>Budgeted</i> FY2026	<i>Projected</i> FY2026	<i>Budgeted</i> FY2027
Office Expense			
Office Supplies	22,659	22,650	23,225
Office Equipment	49,641	49,641	55,282
Postage & Freight	4,400	4,000	4,510
Property Tax	3,052	1,800	3,128
Telephone/Telematics Expense	28,034	22,106	38,239
Dues & Subscriptions	17,401	19,300	17,836
Statement Printing & Publication	25,087	23,000	25,714
Office/Shop utilities	18,897	17,454	20,597
Total Office Expense	169,170	159,951	188,532
TOTAL OPERATING EXPENSES	3,231,968	3,011,514	3,509,551
Debt Expense			
BBVA Bank Note 2018B - Principal	220,000	220,000	230,000
BBVA Bank Note 2018B - Interest	26,967	26,967	19,547
2021 Bond Cap One - Principal	393,063	393,063	431,883
2021 Bond Cap One - Interest	125,477	125,477	115,764
Total Debt Expense	765,507	765,507	797,194
GROUNDWATER MANAGEMENT EXPENSES			
Pumping Fees	103,000	69,572	106,090
GWM Expense	81,532	33,972	50,000
Legal Expense	103,000	98,890	150,000
Engineering/TAC Expense (Intera)	139,050	108,531	170,000
TOTAL GROUNDWATER MGMT EXPENSES	426,582	310,965	476,090
TOTAL WATER ENTERPRISE EXPENSES	4,424,057	4,087,986	4,782,835
Net Income Water Enterprise Fund	257,825	259,205	125,644



**Borrego Water District
Wastewater Enterprise Budget
07/01/2026 to 06/30/2027**

	<i>Budgeted FY2026</i>	<i>Projected FY2026</i>	<i>Budgeted FY2027</i>
<u>INCOME</u>			
RATE REVENUE			
Sewer Rates			
TCS Holder Fees (SA2)	187,159	190,971	210,790
TCS User Fees (SA2)	148,880	155,226	170,230
RH Sewer User Fees (SA1)	188,087	191,205	200,497
Sewer Standby/Capacity Fees	-	2,328	-
Sewer User Fees (SA5)	212,903	210,975	230,719
Total Sewer Rates	<u>737,028</u>	<u>750,705</u>	<u>812,236</u>
Availability Charges Collected thru Tax Roll			
ID1 - Sewer Standby	34,965	34,965	34,965
Total Availability (Tax Roll)	<u>34,965</u>	<u>34,965</u>	<u>34,965</u>
<u>TOTAL WASTEWATER RATE REVENUE</u>	<u>771,993</u>	<u>785,670</u>	<u>847,201</u>
<u>EXPENSES</u>			
OPERATING EXPENSES			
Operations & Maintenance Expense			
R&M WWTF	138,744	100,000	142,212
Telemetry	1,000	1,000	1,025
Trash Removal	2,400	1,702	2,460
Vehicle Expense	3,086	1,959	3,163
Fuel & Oil	8,533	4,783	8,746
Lab/Testing	20,437	18,431	20,948
Electricity	5,723	5,433	6,238
Permit Fees	15,000	14,682	15,375
Total Operations & Maintenance Expense	<u>194,922</u>	<u>147,991</u>	<u>200,167</u>
Professional Services			
Accounting (Lockbox/Debt Filings)	1,320	1,320	1,353
Payroll Services	600	600	615
Audit Fees	3,823	3,823	3,918
IT & Cyber Security	5,367	7,688	6,101
Financial Consulting		2,000	1,000
Engineering	6,371	6,371	50,000
Legal Services - General	9,365	9,365	9,599
Advocacy	8,325	8,325	8,533
Total Professional Services	<u>35,171</u>	<u>39,492</u>	<u>81,120</u>



Borrego Water District
Wastewater Enterprise Budget (Continued)
07/01/2026 to 06/30/2027

	<i>Budgeted</i> <i>FY2026</i>	<i>Projected</i> <i>FY2026</i>	<i>Budgeted</i> <i>FY2027</i>
Insurance Expense			
ACWA/JPIA Program Insurance	18,048	18,000	18,499
ACWA/JPIA Workers Comp	3,952	3,800	4,050
Total Insurance Expense	22,000	21,800	22,550
Personnel Expense			
Board Meeting Expense	2,000	2,000	2,050
Salaries & Wages	282,486	282,486	305,085
<i>Contra Account - Salaries & Wages</i>	(8,459)	(8,459)	(8,670)
Contract Labor/Consulting	10,000	-	10,250
Payroll Taxes	5,799	4,917	6,263
Benefits - Medical	47,646	46,873	51,458
Benefits - CalPERS	51,486	51,486	55,605
Trainings & Conferences	2,497	2,497	2,560
Uniforms	971	971	996
Safety Compliance & Emergency Prep	694	694	711
Total Personnel Expense	395,120	383,465	426,306
Office Expense			
Office Supplies	3,100	3,100	3,178
Office Equipment	6,769	6,769	6,938
Postage & Freight	600	600	615
Property Tax	416	416	427
Telephone Expense	3,823	2,733	3,918
Dues & Subscriptions	3,191	3,191	3,271
Statement Printing & Publication	694	1,787	711
Office/Shop utilities	2,129	2,129	2,320
Total Office Expense	20,722	20,724	21,378
Debt Expense			
2021 Bond Cap One - Principal	63,987	63,987	65,366
2021 Bond Cap One - Interest	5,228	5,228	4,824
Total Debt Expense	69,215	69,215	70,190
TOTAL EXPENSES WASTEWATER	741,527	626,326	821,710
<u>Net Income Wastewater Enterprise Fund</u>	<u>102,327</u>	<u>159,344</u>	<u>25,491</u>



**Borrego Water District
Pest Control Enterprise Budget
07/01/2026 to 06/30/2027**

	<i>Budgeted FY2026</i>	<i>Projected FY2026</i>	<i>Budgeted FY2027</i>
<u>INCOME</u>			
Pest Control Standby	<i>17,150</i>	<i>17,150</i>	<i>17,150</i>
<u>TOTAL PEST CONTROL FUND REVENUE</u>	<i>17,150</i>	<i>17,150</i>	<i>17,150</i>
<u>EXPENSES</u>			
Pest Control Plan Consultant	<i>15,600</i>		<i>31,120</i>
R&M Pest Control			
ACWA/JPIA Program Insurance	<i>550</i>	<i>550</i>	<i>605</i>
Salaries & Wages	<i>1,000</i>	<i>1,000</i>	<i>1,025</i>
Benefits - Medical			
Benefits - CalPERS			
ACWA/JPIA Workers Comp			
Payroll Taxes			
<u>TOTAL PEST CONTROL ENTERPRISE EXPENSES</u>	<i>17,150</i>	<i>1,550</i>	<i>32,750</i>
<u>Net Income Pest Control Enterprise Fund</u>	<i>-</i>	<i>15,600</i>	<i>(15,600)</i>



**Borrego Water District
Flood Control Enterprise Budget
07/01/2026 to 06/30/2027**

	<i>Budgeted FY2026</i>	<i>Projected FY2026</i>	<i>Budgeted FY2027</i>
INCOME			
ID1 - Flood Standby	34,965	34,965	34,965
<u>TOTAL FLOOD CONTROL FUND REVENUE</u>	<u>34,965</u>	<u>34,965</u>	<u>34,965</u>
EXPENSES			
ACWA/JPIA Program Insurance	605	300	666
Legal Services - General	5,125	600	5,253
Salaries & Wages	9,109	2,500	9,838
Benefits - Medical	1,494	500	1,568
Benefits - CalPERS	1,661	500	1,939
ACWA/JPIA Workers Comp	127	38	137
Payroll Taxes	187	58	202
<u>TOTAL FLOOD CONTROL ENTERPRISE EXPENSES</u>	<u>18,307</u>	<u>4,496</u>	<u>19,603</u>
<u>Net Income Flood Enterprise Fund</u>	<u>16,658</u>	<u>30,469</u>	<u>15,362</u>



Borrego Water District
Non-Rate Revenues & Expenses
07/01/2026 to 06/30/2027

	<i>Budgeted FY2026</i>	<i>Projected FY2026</i>	<i>Budgeted FY2027</i>
OTHER INCOME			
Penalties & Fees	50,000	245,000	80,000
BSUSD Well Agreement	35,000	30,000	35,000
1% Property Assessments	70,000	70,000	70,000
Interest Income	60,000	75,000	60,000
Other Income	-	-	-
WM Meter Reading Income	6,500	3,000	3,250
TOTAL OTHER INCOME	221,500	423,000	248,250
EXPENSES			
Air Quality Study	36,341	6,000	55,149
TOTAL NON-RATE REVENUE EXPENSES	36,341	6,000	55,149
TRANSFER TO WATER FUND TO COVER REVENUE SHORTFALL			
<u>Net Income Non-Rate Revenue</u>	<u>185,159</u>	<u>417,000</u>	<u>193,101</u>



Borrego Water District
Consolidated Enterprise Budget
07/01/2026 to 06/30/2027

	<i>Budgeted FY2026</i>	<i>Projected FY2026</i>	<i>Budgeted FY2027</i>
<u>INCOME</u>			
TOTAL WATER RATE REVENUE	4,681,881	4,347,190	4,908,480
TOTAL WASTEWATER RATE REVENUE	771,993	785,670	847,201
TOTAL PEST CONTROL FUND REVENUE	17,150	17,150	17,150
TOTAL FLOOD CONTROL FUND REVENUE	34,965	34,965	34,965
TOTAL OTHER INCOME	221,500	423,000	248,250
<u>GROSS INCOME</u>	<u>5,727,490</u>	<u>5,607,975</u>	<u>6,056,046</u>
<u>EXPENSES</u>			
TOTAL WATER ENTERPRISE EXPENSES	4,424,057	4,087,986	4,782,835
TOTAL WASTEWATER ENTERPRISE EXPENSES	739,876	682,688	799,657
TOTAL PEST CONTROL ENTERPRISE EXPENSES	17,150	1,550	32,750
TOTAL FLOOD CONTROL ENTERPRISE EXPENSES	18,307	4,496	19,603
TOTAL NON-RATE REVENUE EXPENSES	36,341	6,000	55,149
<u>TOTAL EXPENSES</u>	<u>5,235,732</u>	<u>4,782,719</u>	<u>5,689,994</u>
<u>CONSOLIDATED NET INCOME</u>	<u>491,758</u>	<u>825,256</u>	<u>366,052</u>



June 17, 2026

TO: Ratepayers and Investors of the Borrego Water District
FROM: Geoff Poole, General Manager
SUBJECT: Fiscal Year 2026-27 Budget and Capital Improvement Plan

Transmitted herein is the Proposed Final Fiscal Year 2026-27 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 2026-27 Revenues

Water sales are projected to be similar to the prior fiscal year. In 2025, The BWD Board adopted a Proposition 218 compliant water and sewer rate setting process that included 9.5% water and 9% sewer rates/charges increase for up to the next five years.

Budget Components for FY 2026-27 Expenses

All expenses for FY 2026-27 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 2026-27. The major programs in Water Operations Enterprise include system operations and maintenance, water quality monitoring, meter testing/replacement, valve exercising, fire hydrant testing, regulatory reporting and the inevitable emergency repair that happen each year plus the planned Capital projects. Existing operating expenses were adjusted by a cost of living/inflationary factor ranging from 3% to 9% depending upon the expense to estimate FY 26-27 costs.

All existing programs in BWD Wastewater Department are fully funded through 2026-27. The major programs in Wastewater Enterprise include collection system and treatment plant operations, wastewater quality monitoring and Regulatory reporting.

Included in this Budget Package are the proposed Board Resolution to adopt and approve the FY 2026-27 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,

Geoff Poole, General Manager

**BORREGO WATER DISTRICT
CAPITAL IMPROVEMENT PLAN
FISCAL YEARS ENDING 2027-2036**

PROJECTS FUNDED BY CASH RESERVES

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY2032-33	FY2033-34	FY2034-35	FY2035-36
WATER PROJECTS										
Water Supply Purchase: David Bauer (includes following, abandon well	\$ 442,669	\$ 442,669	\$ 486,956	\$ 486,956						
Grant Matching Requirement: EPA #2 (will seek waiver)	\$ 721,600									
Grant Matching Requirement: EPA #3 (will seek waiver)		\$ 150,000								
Grant Matching Requirement: EPA #4 (will seek waiver)			\$ 170,000							
Building Upgrades: Lugo Building & West Side of Admin Building	\$ 100,000									
Emergency System repairs	\$ 72,930	\$ 76,577	\$ 80,406	\$ 84,426	\$ 88,647	\$ 93,080	\$ 97,734	\$ 102,620	\$ 102,620	\$ 107,751
SUBTOTAL WATER CASH RESERVE PROJECTS	\$ 1,337,199	\$ 669,246	\$ 737,362	\$ 571,382	\$ 88,647	\$ 93,080	\$ 97,734	\$ 102,620	\$ 102,620	\$ 107,751
SEWER PROJECTS										
Sewer Cleaning/Inspection		\$ 131,250		\$ 137,813		\$ 144,703		\$ 151,938	\$ -	\$ -
WWTP Upgrades: Oxidation Ditch			\$ 650,000							
Manhole Replacements/Refurbishments				\$ 115,000		\$ 132,250				\$ 152,088
SUBTOTAL SEWER CASH RESERVE PROJECTS	\$ -	\$ 131,250	\$ 650,000	\$ 252,813	\$ -	\$ 276,953	\$ -	\$ 151,938	\$ -	\$ 152,088
SUBTOTAL SHORT-LIVED ASSETS (see Short-Lived Asset Plan)	\$ 295,050	\$ 232,888	\$ 292,413	\$ 271,933	\$ 325,723	\$ 220,500	\$ 483,831	\$ 259,831	\$ 259,831	\$ 255,256
TOTAL CASH CIP PROJECTS FY2026 THROUGH 2035	\$ 1,632,249	\$ 1,033,384	\$ 1,679,775	\$ 1,096,127	\$ 414,370	\$ 590,533	\$ 581,565	\$ 514,390	\$ 362,451	\$ 515,095

PROJECTS FUNDED BY GRANTS

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY2032-33	FY2033-34	FY2034-35	FY2035-36
Water Projects										
2023 APPROPRIATIONS BILL \$3,392,667 (aka EPA#1)										
Transmission Main: Borrego Springs Road	\$ 928,000									
Pipeline Replacements: Sun Gold	\$ 2,464,000									
2024 APPROPRIATIONS BILL 80% of \$3,608,800 (aka EPA#2)										
Pipeline Replacement: West & East Star	\$ 360,000									
Pipeline Replacement: Club Circle	\$ 1,828,800									
Pipeline Replacement: Palm Canyon/Ocotillo Circle/Lazy S	\$ 698,240									
2025 APPROPRIATIONS BILL 80% of \$750,000 (aka EPA#3)										
Pipeline Replacement: Flying H/Walking H/OO		\$ 410,000								
Pipeline Replacement: Club Circle		\$ 190,000								
2026 APPROPRIATIONS BILL 80% of \$850,000 (aka EPA#4)										
Pipeline Replacement: TBD		\$ 680,000								
POTENTIAL GRANT FUNDED CIP PROJECTS										
WWTP Upgrade: Equalization Basin		\$ 650,000								
New Production Well: TBD									\$ 3,500,000	
TOTAL WATER/SEWER GRANT CIP PROJECTS	\$ 6,279,040	\$ 1,250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,500,000	\$ -

PROJECTS FUNDED BY BONDS

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY2032-33	FY2033-34	FY2034-35	FY2035-36
Water Projects										
2034 PLANNED BOND PROJECTS										
Well 5 Transmission Main Project										\$ 1,215,000
Water Treatment Facility										\$ 2,000,000
TOTAL WATER/SEWER BOND CIP PROJECTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,215,000

Total Annual CIP Spend: \$ 7,911,289 \$ 2,283,384 \$ 1,679,775 \$ 1,096,127 \$ 414,370 \$ 590,533 \$ 581,565 \$ 514,390 \$ 3,862,451 \$ 3,730,095

**BORREGO WATER DISTRICT
SHORT-LIVED ASSET PLAN
FISCAL YEARS ENDING 2027-2036**

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY2032-33	FY2033-34	FY2034-35	FY2035-36
<u>WELLS</u>										
ID-1 16 - Inspection		\$ 199,238								
ID-1 Well 12 pump and casing/cleaning			\$ 181,913							
Booster Station Roof Replacement (RH)	\$ 10,000									
Other Well Rehabilitation				\$ 200,000	\$ 210,000	\$ 220,500	\$ 231,525	\$ 243,101	\$ 243,101	\$ 255,256
Chlorinator ID4-12	\$ 25,000									
SCADA Virtualization	\$ 17,500									
Tank Chlorine Residual Analyzers	\$ 60,000									
AMI for Production Wells	\$ 20,000	\$ 21,000	\$ 22,000	\$ 23,000	\$ 24,000					
<u>TANKS</u>										
Reservoir cleaning/video inspection (FY27 RH1, 900)	\$ 42,550			\$ 48,933			\$ 56,272			
<u>WASTEWATER TREATMENT FACILITY</u>										
Trash Pump			\$ 15,000				\$ 15,000			
Lift Station Pump		\$ 12,650			\$ 14,548			\$ 16,730		
Clarifier Rehab - Every 10 years							\$ 100,000			
FY27 Gravity Main Manhole Repairs	\$ 50,000									
<u>EQUIPMENT</u>										
Pickup - Every 1.5 to 2 years 3/4 ton	\$ 70,000		\$ 73,500		\$ 77,175		\$ 81,034		\$ 85,085	
TOTAL SHORT LIVED ASSETS REPLACEMENT PROGRAM	\$ 295,050	\$ 232,888	\$ 292,413	\$ 271,933	\$ 325,723	\$ 220,500	\$ 483,831	\$ 259,831	\$ 328,187	\$ 255,256

**BORREGO WATER DISTRICT
TEN YEAR CASH FLOW PROJECTIONS
WATER ENTERPRISE**

	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	FYE 2035	FYE 2036
Revenues										
Rate Revenues	\$679,696	\$674,223	\$674,223	\$674,223	\$674,223	\$674,223	\$674,223	\$674,223	\$674,223	\$674,223
Revenue Adjustments	\$132,541	\$197,210	\$262,947	\$328,684	\$394,420	\$460,157	\$525,894	\$591,631	\$657,367	\$657,367
Other Revenue	\$34,965	\$41,879	\$41,879	\$41,879	\$41,879	\$41,879	\$41,879	\$41,879	\$41,879	\$41,879
Interest Income	\$12,000	\$13,379	\$14,243	\$11,939	\$6,009	\$8,893	\$14,278	\$15,602	\$21,149	\$9,318
Total - Revenues	\$859,202	\$926,692	\$993,292	\$1,056,725	\$1,116,532	\$1,185,152	\$1,256,274	\$1,323,334	\$1,394,619	\$1,382,788
O&M Expenses										
Repairs & Maintenance	\$200,167	\$183,650	\$188,241	\$192,947	\$197,771	\$202,715	\$207,783	\$212,978	\$218,302	\$218,302
Professional Services	\$81,120	\$41,266	\$42,298	\$43,355	\$44,439	\$45,550	\$46,689	\$47,856	\$49,052	\$49,052
Insurance	\$22,550	\$21,609	\$22,150	\$22,703	\$23,271	\$23,853	\$24,449	\$25,060	\$25,687	\$25,687
Personnel Expense	\$426,986	\$438,119	\$469,985	\$504,242	\$541,076	\$580,684	\$623,278	\$669,091	\$718,368	\$718,368
Office Expense	\$24,773	\$22,867	\$23,445	\$24,038	\$24,647	\$25,270	\$25,910	\$26,565	\$27,237	\$27,237
Utilities	\$0	\$8,159	\$8,893	\$9,693	\$10,566	\$11,517	\$12,553	\$13,683	\$14,914	\$14,914
Total - O&M Expenses	\$755,596	\$715,670	\$755,011	\$796,980	\$841,769	\$889,588	\$940,662	\$995,233	\$1,053,561	\$1,053,561
	33.6%	-5.3%	5.5%	5.6%						
Net Operating Revenue	\$103,606	\$211,022	\$238,281	\$259,745	\$274,762	\$295,564	\$315,612	\$328,102	\$341,058	\$329,227
Debt and Capital										
Total Existing Debt	\$41,124	\$41,084	\$41,092	\$41,143	\$41,101	\$41,102	\$41,076	\$41,092	\$41,079	\$41,000
Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PAYGO CIP	\$137,500	\$12,650	\$146,250	\$650,000	\$267,813	\$276,953	\$115,000	\$168,938	\$0	\$167,088
Total - Debt & Capital	\$178,624	\$53,734	\$187,342	\$691,143	\$308,914	\$318,055	\$156,076	\$210,030	\$41,079	\$208,088
Net Cash Flow	(\$75,019)	\$157,288	\$50,939	(\$431,398)	(\$34,151)	(\$22,491)	\$159,536	\$118,072	\$299,979	\$121,139

**BORREGO WATER DISTRICT
TEN YEAR CASH FLOW PROJECTIONS
SEWER ENTERPRISE**

	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	FYE 2035	FYE 2036
Revenues										
Rate Revenues	\$679,696	\$674,223	\$674,223	\$674,223	\$674,223	\$674,223	\$674,223	\$674,223	\$674,223	\$674,223
Revenue Adjustments	\$132,541	\$197,210	\$262,947	\$328,684	\$394,420	\$460,157	\$525,894	\$591,631	\$657,367	\$657,367
Other Revenue	\$34,965	\$41,879	\$41,879	\$41,879	\$41,879	\$41,879	\$41,879	\$41,879	\$41,879	\$41,879
Interest Income	\$12,000	\$13,381	\$14,244	\$11,941	\$6,010	\$8,894	\$14,279	\$15,603	\$21,151	\$9,318
Total - Revenues	\$859,202	\$926,693	\$993,294	\$1,056,727	\$1,116,533	\$1,185,154	\$1,256,275	\$1,323,336	\$1,394,620	\$1,382,788
O&M Expenses										
Repairs & Maintenance	\$200,167	\$183,650	\$188,241	\$192,947	\$197,771	\$202,715	\$207,783	\$212,978	\$218,302	\$218,302
Professional Services	\$81,120	\$41,266	\$42,298	\$43,355	\$44,439	\$45,550	\$46,689	\$47,856	\$49,052	\$49,052
Insurance	\$22,550	\$21,609	\$22,150	\$22,703	\$23,271	\$23,853	\$24,449	\$25,060	\$25,687	\$25,687
Personnel Expense	\$426,986	\$438,119	\$469,985	\$504,242	\$541,076	\$580,684	\$623,278	\$669,091	\$718,368	\$718,368
Office Expense	\$24,773	\$22,867	\$23,445	\$24,038	\$24,647	\$25,270	\$25,910	\$26,565	\$27,237	\$27,237
Utilities	\$0	\$8,159	\$8,893	\$9,693	\$10,566	\$11,517	\$12,553	\$13,683	\$14,914	\$14,914
Total - O&M Expenses	\$755,596	\$715,670	\$755,011	\$796,980	\$841,769	\$889,588	\$940,662	\$995,233	\$1,053,561	\$1,053,561
	33.6%	-5.3%	5.5%	5.6%						
Net Operating Revenue	\$103,606	\$211,023	\$238,282	\$259,747	\$274,764	\$295,566	\$315,613	\$328,104	\$341,060	\$329,227
Debt and Capital										
Total Existing Debt	\$41,124	\$41,084	\$41,092	\$41,143	\$41,101	\$41,102	\$41,076	\$41,092	\$41,079	\$41,000
Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PAYGO CIP	\$130,000	\$12,650	\$146,250	\$650,000	\$267,813	\$276,953	\$115,000	\$168,938	\$0	\$167,088
Total - Debt & Capital	\$171,124	\$53,734	\$187,342	\$691,143	\$308,914	\$318,055	\$156,076	\$210,030	\$41,079	\$208,088
Net Cash Flow	(\$67,519)	\$157,289	\$50,940	(\$431,396)	(\$34,150)	(\$22,489)	\$159,537	\$118,074	\$299,980	\$121,139

GRANT SUMMARY
Awarded and Pending Applications

PROJECT	FUNDING ENTITY	VALUE	TIMING	STATUS
FY26 Appropriations Act – Aging Infrastructure Replacement	Federal/EPA	\$3.6M	Request pending to waive 20% cost share for SDAC. Awaiting final implementation guidance. Work expected to begin in FY29.	On Congressional Appropriations List awaiting approval.
FY25 Appropriations Act – Flying H/Walking H/OO, Club Circle	Federal/EPA	\$750,000	Request pending to waive 20% cost share for SDAC. Awaiting final implementation guidance. Work expected to begin in FY28.	Awarded.
FY24 Appropriations Act – Club Circle, Deep Well, East/West Star, Santiago Pipelines	Federal/EPA	\$3.6M	Request pending to waive 20% cost share for SDAC. Awaiting final implementation guidance. Work expected to begin in FY27.	Awarded.
FY23 Appropriations Act – Sun Gold Pipeline Replacement & Borrego Springs Road Transmission Main	Federal/EPA	\$3.39M	Work expected to begin in FY27.	Awarded. SDAC Waiver Approved.
Water Storage Tank Replacement (Twin, Rams Hill 2, Indian Head)	CA Drinking Water Grants	\$2,786,006 \$3,249,694	Construction completed in FY24. Awaiting land transfer approval from State Parks.	Awarded & Complete
Wilcox Well Diesel Engine Replacement	CA Drinking Water Grants	\$100,000	Construction completed in FY24.	Awarded & Complete
Prop 68 – WWTP Monitoring Wells	DWR	\$206,500	Construction completed FY24.	Awarded & Complete
Prop 68 – Advanced Metering Infrastructure (AMI)	DWR	\$1.3M \$1.4M	Installation and implementation completed in FY25.	Awarded & Complete
Prop 68 – Admin	DWR	\$250,000 \$150,000	Began in FY23, Administering closeout and final reimbursements in FY26	Awarded & Complete
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 2027-2036 projects. The CIP projects are described in detail on the following pages.

CASH FUNDED CIP	25
#1: Water Supply Acquisition	25
#2: Grant Matching Requirement: EPA #2 (see #11-13)	25
#3: Grant Matching Requirement: EPA #3 (see #14-15)	25
#4: Upgrades to Grounds & Lugo Building	26
#5: Emergency Pipeline Repairs	26
#6: Sewer Cleaning/Inspection	26
#7: WWTP Upgrades: Oxidation Ditch	27
#8: Manhole Replacements/Refurbishments	27
GRANT FUNDED CIP	28
#9: Transmission Main: Borrego Springs Road	28
#10: Pipeline Replacement: Sun Gold Area	28
#11: West & East Star Pipeline Replacement	29
#12: Club Circle Pipeline Replacements	29
#13 & #15: Palm Canyon/Ocotillo Circle/Lazy S Pipeline Replacements	29
#14: Pipeline Replacements: Flying H/Walking H/OO/El Tejon	30
#16: WWTP Equalization Basin	30
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CASH FUNDED CIP

#1: 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
Following	\$ -	\$ 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 followed prior to assigning the BPA to BWD's customer supply. BWD has entered into a multi-year Purchase and Sale Agreement 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

An initial purchase was completed in full in FY23 from William Bauer. In FY24 the District entered into a 7 year agreement with David Bauer. The District expects to have approximately 250 acres followed by the end of FY26.

COST DETAIL

To assist with cash flow, The District was able to get some following costs in FY24 included in the Prop 68 following project. The District is currently seeking additional ways to finance the remainder of the PSA. 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.

#2: Grant Matching Requirement: EPA #2 (see #11-13)

PROPOSED BUDGET: \$721,600 cash in FY27

DESCRIPTION

Award of the Fiscal Year 2024 Community Development Grant (Congressional Appropriations) requires 20% agency matching funds. The District will apply for a waiver of this requirement due to SDAC status. This waiver was granted on EPA #1.

#3: Grant Matching Requirement: EPA #3 (see #14-15)

PROPOSED BUDGET: \$150,000 cash in FY28

DESCRIPTION

Award of the Fiscal Year 2025 Community Development Grant (Congressional Appropriations) requires 20% agency matching funds. The District will apply for a waiver of this requirement due to SDAC status. This waiver was granted on EPA #1.

#4: Grant Matching Requirement: EPA #4 (pipelines TBD)

PROPOSED BUDGET: \$170,000 cash in FY29

DESCRIPTION

Award of the Fiscal Year 2026 Community Development Grant (Congressional Appropriations) requires 20% agency matching funds. The District will apply for a waiver of this requirement due to SDAC status. This waiver was granted on EPA #1.

#5: Upgrades to Grounds & Lugo Building

PROPOSED BUDGET: \$100,000 cash in FY27

DESCRIPTION

The District purchased 2473 Stirrup Rd aka The Lugo Building in November of 2009. Since that time, the District has heavily utilized the outdoor and warehouse areas while only using the main building for storage and intermittent uses. In order for the main building to be fully functional, it requires some finishing work to include flooring, electrical and other small items. Additionally, the roof in the covered outdoor area needs replacement.

PROJECT DESIGN/ADMINISTRATION

The District will conduct as much of this work “in-house” as possible. Contractors will be asked to bid on the roofing on the Back Building and the electrical wiring for the Lugo Building.

IMPACTS OF DEFERRAL

These improvements have already been delayed many years. Deferral would result in continued unsatisfactory storage conditions of large equipment due to the poor roof. Additionally, the building interior is not fully usable until these improvements are complete.

#6: Emergency Pipeline Repairs

PROPOSED BUDGET: \$72,930 in FY27

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: Sewer Cleaning/Inspection

PROPOSED BUDGET: \$131,250 cash in FY28

\$137,813 cash in FY30

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 FY31 – Estimate \$188,500
- Walking H/Double O Pipeline – Proposed Construction FY31 – Estimate \$250,000
- El Tejon Road Pipeline – Proposed Construction FY32 – Estimate \$190,000

IMPACTS OF DEFERRAL

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.

#8: WWTP Upgrades: Oxidation Ditch

PROPOSED BUDGET: \$650,000 Cash Funded in FY29

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.

#9: Manhole Replacements/Refurbishments

PROPOSED BUDGET: \$115,000 in FY30

DESCRIPTION

The District owns and maintains around 50 manholes to access the sewer system. Periodic replacement is necessary as they can begin to degrade and become a potential traffic hazard in the right of way.

PROJECT DESIGN/ADMINISTRATION

The Districts WWTP Operator regularly oversees a couple of replacements each year. Historically the District completes around 2 manholes each year for approximately \$50-60,000. The WWTP Operator would like to try to get more manholes done in the current year to be able to skip replacements every year. The largest project expense is mobilization and labor. The intent is to gain additional value by having more replacements done at once.

GRANT FUNDED CIP

#10: Transmission Main: Borrego Springs Road

PROPOSED BUDGET: a) \$928,000 Grant funded thru 2023 Appropriations Act in FY27

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.

#11: Pipeline Replacement: Sun Gold Area

PROPOSED BUDGET: a) \$2,464,000 Grant funded thru 2023 Appropriations Act in FY27

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.

#12: West & East Star Pipeline Replacement

PROPOSED BUDGET: a) \$360,000 Grant funded thru 2024 Appropriations Act in FY27
b) \$ 90,000 Cash Funded 20% Cost Share in FY27

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.

#13 & 16: Club Circle Pipeline Replacements

PROPOSED BUDGET: a) \$1,828,800 Grant funded thru 2024 Appropriations Act in FY27
b) \$ 457,225 Cash Funded 20% Cost Share in FY27

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

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.

#14: Palm Canyon/Ocotillo Circle/Lazy S Pipeline Replacements

PROPOSED BUDGET: a) \$698,240 Grant funded thru 2024 Appropriations Act in FY27
b) \$174,560 Cash Funded 20% Cost Share in FY27
c) \$190,000 Grant funded thru 2025 Appropriations Act in FY28
b) \$ 47,500 Cash Funded 20% Cost Share in FY28

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 oldest water lines along Palm Canyon, Lazy S and Ocotillo Circle. It will also include replacement of all valves and hydrants.

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.

#15: Pipeline Replacements: Flying H/Walking H/OO/El Tejon

PROPOSED BUDGET: a) \$410,000 Grant funded thru 2025 Appropriations Act in FY28
b) \$102,500 Cash Funded 20% Cost Share in FY28

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 FY31 – Estimate \$188,500
- Walking H/Double O Pipeline – Proposed Construction FY31 – Estimate \$250,000
- El Tejon Road Pipeline – Proposed Construction FY32 – 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.

#16: Pipeline Replacement (See #13)

#17: Pipeline Replacement TBD

PROPOSED BUDGET: a) \$680,000 Grant funded thru 2026 Appropriations Act in FY29
b) \$170,000 Cash Funded 20% Cost Share in FY29

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.

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.

#18: WWTP Equalization Basin

PROPOSED BUDGET: \$650,000 Grant Funded in FY28

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.

#19: New Production Well

PROPOSED BUDGET: \$3,500,000 Grant Funded in FY35

DESCRIPTION

A new production well may need to be installed in the next five to ten 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

#20: Well 5 Transmission Main Project

PROPOSED BUDGET: \$1,215,000 Bond Funded in FY36

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.

#21: Water Treatment Facility

PROPOSED BUDGET: \$2,000,000 Bond Funded in FY36

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: WATER SUPPLY PURCHASE

Description: Explanation and Description of current and future Water Supply Purchase

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 BPA from other Subbasin pumpers to meet the water demand needs of existing BWD customers. For this reason, BWD spent about \$760,000 in FY23 and began in FY24 a 7-year Installment purchase valued at \$3.75M to acquire a combined total of 2,490 BPA.

There is no imminent threat of the Borrego Water District being unable to deliver sufficient water to its rate payers after Rampdown. Existing customer consumption is approximately 1,200 Acre Feet per year. Upon completion of the 7-year Installment purchase, BWD will be allowed to pump approximately 1,665 Acre Feet per year after Rampdown. Any large development that will add more than 2 Acre Feet to existing annual demands, is required to secure and transfer to the District sufficient post-Rampdown water rights before the District will consider implementing water service.

APPENDIX C: CASH RESERVES POLICY

BORREGO WATER DISTRICT
POLICY STATEMENT

SUBJECT: CASH RESERVES POLICY

NO: 2011-05-01

ADOPTED: 2011-05-25	AMENDED: 2019-05-28
AMENDED: 2015-05-27	AMENDED: 2020-06-09
AMENDED: 2016-05-25	AMENDED: 2021-06-08
AMENDED: 2017-05-24	AMENDED: 2023-10-24
AMENDED: 2018-06-19	AMENDED: 2026-06-xx

I. BACKGROUND AND INTRODUCTION

Reserves are needed because of financial risk.¹ Water and sewer operations are inherently risky, given the potential costs associated with repairing and replacing infrastructure necessary for maintaining 24x7 operations for supplying potable water and sewer and wastewater treatment services to the homes and businesses of Borrego Springs. In addition, water operations have risk associated with the volatility of revenue due to weather conditions that alter expectations of the amount of water sold. Reserves also assist in reducing rate shocks. Without them a water utility is exposed to rate instability. Rate instability increases the cost of borrowing, which drives up rates. In addition, reserves help the District improve its credit rating, which translates into lower interest rates on debt and thus lower rates for the District’s customers. Also, bond or loan covenants often require a debt reserve or recommend a rate stabilization reserve.

Some utilities operate in a state of revenue deficiency, which means they either rely on existing reserves, skimp on funding reserves, or defer economically prudent repair and replacement (R&R) of capital infrastructure to the future where higher costs will be borne by future ratepayers to repair or replace infrastructure that may have failed catastrophically. Catastrophic failure is sometimes many times more expensive than prudent R&R before failure occurs. Becoming revenue sufficient means that a utility can count on receiving adequate revenues to fully fund utility operations, including debt service obligations, and some portion of capital improvements from rate revenues and reserves. Reserve accounts are a vital part of water and sewer and wastewater treatment system’s financial health that lead to lower rates for the District’s customers.

This Board believes that operating with revenue sufficiency is required, not only to remain creditworthy for future capital borrowing, but also to replace depleted reserves necessary to operate most economically. For these reasons, the District will maintain reserve funds so as to provide working capital for operations; funds required by law, ordinance and bond covenants; and necessary cash for the scheduled and unscheduled R&R of capital infrastructure; as well as funds set aside for meeting water supply requirements under the Sustainable Groundwater Management Act (SGMA) and the Borrego Springs Subbasin

¹ *Financial Risk* is defined as the sum(probability of an event occurring) x (the potential financial cost if that event occurs).

Adjudicated Judgement.

Reserves are also necessary for the District to stabilize rates due to normal revenue and cost uncertainties due to a variety of circumstances beyond the District's control, and to provide a prudent amount of insurance against economic downturns and a wide range of potential emergencies. The efficient and discrete management of these cash reserves, when combined with their appropriate replacement as they are drawn down from time-to-time add additional assurance that the current levels of service reliability and quality that the District's ratepayers have grown to expect will continue into the future.

This reserve policy is based on prudent financial management practices and those amounts required by legal, legislative, and contractual obligations that are critical to the financial health of the District. This policy defines required fund types for segregation purposes and funding levels that are based upon this District's unique operating, capital investment and financial plans. Both Restricted Reserves and Board designated Discretionary Reserves for the water enterprise and the sewer and wastewater enterprise will be funded by rates specific to those enterprises so as to meet California Proposition 218 requirements. That is, reserves specific to the needs of the District's water enterprise will be accumulated from water rates. Reserves specific to the needs of the District's sewer and wastewater enterprise will be funded from sewer and wastewater treatment rates.

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

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

System Growth Reserves. These reserves generated from development charges for new water and sewer service as specified by the District's Policy for Water and Sewer Service to New Developments in effect, as amended from time to time, are used to offset capital projects or debt service related to new development in the District so that new development pays for itself rather than requiring a subsidy from existing ratepayers.

III. BOARD DISCRETIONARY RESERVES

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

Rate Covenant Stabilization Funds. These reserves include the Sewer Enterprise Rate Covenant Stabilization Fund and the Water Enterprise Rate Covenant Stabilization Fund. The purpose of these reserves are used to stabilize water and sewer revenues in order to maintain adequate debt coverage ratios required by the District's lenders. These reserve funds shall be maintained at level of twenty-five (25%) of the current years' debt service payments.

Contingency Reserves. The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts or other economic events that may affect the District's enterprise operations, which could not have been reasonably anticipated at the time the budget was prepared. The target level for this reserve is a minimum of five percent (5%) and a maximum of ten percent (10%) of the District's total enterprise-wide operating expenses. Generally, the level will be increased as the level of economic uncertainty increases.

Capital Repair and Replacement Reserve (Capital Reserve). A Capital Repair and Replacement Reserve is used primarily to meet and ensure the timely construction of necessary capital improvements without any delays due to cash flow concerns. Capital expenses can fluctuate quite a bit from year-to-year and the Capital Reserve may be leveraged to smooth out significant changes in expenses and; thereby, avoiding any undue rate shocks to District customers. It may also serve as collateral and reassurance when awarding a construction contract. The Capital Reserve shall have a target equal to the greater of (i) \$1,000,000 and (ii) the budgeted pay-go needs in the following fiscal year for the water infrastructure repair and replacement (R&R) and sewer and wastewater infrastructure repair and replacement (R&R), with Water Supply purchases listed separately under the Water Supply Reserve.

Water Supply Purchase Reserve (Supply Reserve). The District will need to purchase Baseline Pumping Allocation (BPA) from Subbasin pumpers to meet its supply requirements established

under SGMA and the Borrego Springs Subbasin California Superior Court Adjudicated Judgment. The District hopes to use grants and/or bank debt to accomplish these purchases. However, BPA may become available in the market on the sellers' timeframe, not necessarily the District's. It would also potentially be financially imprudent for the District to wait until the last moment to purchase BPA before penalties are assessed by the Watermaster for exceeding the District's annual pumping allocation limit. For these reasons, the Board shall dictate the requirements of any Water Supply Purchase Reserve as it sees fit. In 2023, the Borrego Water District acquired 670 BPA thru the purchased the William Bauer Farm and entered into a multi-year agreement to accrue an additional 1,820 BPA thru the purchase of the David Bauer farm. The Water Supply Reserve shall include next years' contractually required Water Supply payments, plus additional amounts as dictated by the Board. Currently it is estimated that the existing Bauer Installment Purchase Agreement will maintain sufficient Water Supply thru the year 2035 when the District will need to rely on carryover amounts to meet existing demands.

Emergency Reserve – Catastrophic events may occur that require substantial investments to replace damaged assets. Some examples of catastrophic events include earthquakes, wind storms, floods, ransomware exploits or hacking that impacts the District's digital networks, health emergencies such as the current COVID-19 emergency, etc. Some of these catastrophic events may allow the utility to recover the cost of damages from FEMA or existing insurance policies. However, FEMA or insurance policy coverage reimbursements may take between 6 months to 2 or more years to recover. The utility should ensure adequate cash reserves exist to replace the assets in a timely fashion and to arrange short term financing options. The minimum reserve levels are sometimes combined with emergency funding from banks or bonding agencies. The percent of the minimum cash reserves are dependent on the replacement cost of capital assets in service and the level of risk of catastrophic type events. The Emergency Reserve policy target level will equal 2% of the replacement cost of the District's capital assets, which is approximately \$91,000,000 in 2026 dollars as developed by its District engineer.

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

V. EMERGENCY RESERVE LEVEL. Although individual reserve category levels may drop below the minimum ranges as described in the policy above, The District's Board has set an Emergency Reserve level at \$3,000,000. Should total available reserve funds fall to or below this level, it will trigger a re-budgeting by the Board of the current fiscal years' budget.

APPENDIX D: INVESTMENT POLICY

BORREGO WATER DISTRICT INVESTMENT POLICY (Last Revised 4/18/23)



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1. Policy

The Borrego Water District shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of the Policy, in priority order of Safety, Liquidity and Return on investment. In accordance with the Municipal Code of the Borrego Water

District and under authority granted by the Board of Directors, the Finance Officer is responsible for investing the unexpended cash in the District Treasury.

2. Scope

The investment policy applies to all investment activities and financial assets of the Borrego Water District as accounted for in the Annual Comprehensive Financial Report (ACFR). This policy is applicable, but not limited to, all funds listed below:

- General Fund
- Capital Funds
- Other Special Revenue Funds, Debt Service Funds, Internal Service Funds
- Any new fund created by the Board of Directors unless specifically exempted.

3. Prudence

The standard of prudence to be used by the designated representative shall be the “prudent investor” standard and shall be applied in the context of managing the overall portfolio. Persons authorized to make investment decisions on behalf of local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard which states, “When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency”.

The Finance Officer and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

4. Objectives

The District’s primary investment objectives, in order of priority, shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The District shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.
 - a. Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in issuers that carry the direct or implied backing of the U.S. Government (including, but not limited to, the U.S. Treasury, U.S. Government Agencies, and federally insured banks). The portfolio will be diversified so that the failure of any one issuer does not unduly harm the District’s capital base and cash flow.
 - b. Market risk, (aka “interest rate risk”) defined as market value fluctuations due to overall changes in the general level of interest rates shall be mitigated by limiting the maximum maturity of any one security to five years,

structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long-term securities for the sole purpose of short-term speculation. Moreover, it is the District's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. Limited exceptions will be granted for security swaps that would improve the portfolio's yield and/or credit quality.

2. Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the Borrego Water District to meet all operating requirements which might be reasonably anticipated.
3. Return on Investments: The District's investment portfolio shall have the objective of attaining a comparative performance measurement or an acceptable rate of return throughout budgetary and economic cycles. These measurements should be commensurate with the District's investment risk constraints identified in this Investment Policy and the cash flow characteristics of the portfolio.

5. Delegation of Authority

The Municipal Code of the Borrego Water District and the authority granted by Board of Directors assign the responsibility of investing unexpended cash to the Finance Officer and/or the Senior Accountant/Accountant. Daily management responsibility of the investment program may be delegated to the Senior Accountant or Accountant, who shall establish procedures for the operation consistent with this investment policy.

6. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program or impairs their ability to make impartial investment decisions. Additionally, the Finance Officer and the Senior Accountant/Accountant are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC). Furthermore, Investment officials must refrain from undertaking personal investment transactions with the same individual(s) employed by the financial institution with whom business is conducted on behalf of the District.

7. Authorized Dealers and Institutions

The Finance Officer will maintain a list of approved financial institutions authorized to provide investment services to the public agency in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). Best practices include the following: 1) A determination that all approved broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy; 2) the broker/dealer firms should have the ability to meet all their financial obligations in dealing with the Public Agency; 3) the firms, and individuals covering the agency, should be knowledgeable and experienced in Public Agency investing and the investment products involved; 4) no public deposit shall be made except in a qualified public depository as established by the established state laws; 4) all financial institutions and broker/dealers who desire to conduct investment transactions with the public agency may supply the Finance Officer with audited financial statements, proof of FINRA certification, trading resolution, proof of State of California

registration, a completed broker/dealer questionnaire, certification of having read the Public Agency's investment policy and depository contracts.

The Finance Officer may conduct an annual review of the financial condition and registrations of qualified dealers & institutions.

8. Authorized and Suitable Investments

Investment of District funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.
2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
3. Local Agency Investment Fund (LAIF), which is a State of California managed investment pool, and San Diego County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when part of the list of authorized investments, with the knowledge that the pool/fund may include some investments allowed by statute but not explicitly identified in this investment policy.

Additionally, shares of beneficial interest issued by a joint powers authority organized pursuant to CA Code (Section 6509.7) that invests in the securities and obligations in compliance with CA Code 53601 (subsection 'a' to 'r', inclusive) are also authorized. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

- The adviser is registered or exempt from registration with the Securities and Exchange Commission.
 - The adviser has not less than five years of experience investing in the securities and obligations authorized in CA Code (subsection 'a' to 'r', inclusive).
 - The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
4. Negotiable Certificates of Deposit issued by nationally or state-chartered banks (FDIC insured institutions) or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of total portfolio. Principal and accrued interest on these investments must not exceed the \$250,000 FDIC insurance limit. A maturity limitation of five years is applicable.

5. Time deposits or placement service deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 50% of the investment portfolio may be invested in this investment type. A maturity limitation of five years is applicable. Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.

6. Various daily money market funds administered for or by trustees, paying agents and custodian banks contracted by the Borrego Water District may be purchased as allowed under the State of California Government Code. Only funds holding U.S. Treasury or Government agency obligations can be used.

The following summary of maximum percentage limits, by instrument, are established for the District's investment portfolio:

Authorized Investment Type	Government Code	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Treasury Obligations (bills, notes, & bonds)	53601(b)	5 Years	N/A	100%	N/A
US Government Agency and Federal Agency Securities	53601(f)	5 Years	N/A	100%	N/A
Local Agency Investment Fund (LAIF)	16429.1	Upon Demand	N/A	As permitted by LAIF (currently \$65 million per account)	N/A
San Diego County Investment Pool	53684	Upon Demand	N/A	As permitted by County Treasurer (currently no limit)	N/A
Joint Powers Authority Pool	53601(p)	N/A	See § 8.3 (above)	None	N/A
Negotiable Certificates of Deposit	53601(i)	5 Years	N/A	30%	N/A
Placement Service Deposits	53601.8 and 53635.8	5 Years	N/A	50%	N/A

9. Review of Investment Portfolio

The securities held by the Borrego Water District must be in compliance with Section 8.0 "Authorized and Suitable Investments" at the time of purchase. The Finance Officer should review the portfolio (at least annually) to identify those securities that do not comply.

The Finance Officer should establish procedures to report any major and critical incidences of noncompliance identified through the review of the portfolio.

10. Investment Pools / Money Market Funds

A thorough investigation of the investment pool/money market fund is required prior to investing, and on a continual basis. Best efforts will be made to acquire the following information:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

11. Collateralization

Collateralization will be required on two types of investments: non-negotiable certificates of deposit and repurchase (and reverse repurchase) agreements. To anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for non-negotiable certificate of deposit and 102% for reverse repurchase agreements of principal and accrued interest.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The District may waive the collateralization requirements for any portion of the deposit that is covered by Federal Deposit Insurance.

12. Safekeeping and Custody

All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts.

13. Diversification

The District shall diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type, excluding U.S.

Treasuries, federal agencies, and pooled investments such as LAIF, money market funds, or local government investment pools.

14. Maximum Maturities

To the extent possible, the Borrego Water District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than 5 years from the date of purchase. Any investment longer than 5 years must be done with advance permission from Board of Directors.

15. Internal Controls

The Finance Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Borrego Water District are protected from loss, theft, fraud or misuse.

Separation of functions between the District's Finance Officer or Senior Accountant/Accountant is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Investment decisions are made by the Finance Officer, executed by the Accountant and confirmed by the Senior Accountant, if applicable. All wire transfers initiated by the Accountant/Senior Accountant must be reconfirmed by the appropriate financial institution to the Finance Officer. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Senior Accountant on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review and perform procedure testing on the District's cash and investments that have a material impact on the financial statements. The Finance Officer shall review and assure compliance with investment process and procedures.

16. Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The District intends to spread its investments relatively evenly between 0 and 5 years and hold those investments to maturity. The District is limiting its authorized investments to the safest end of the investment spectrum—debt issued by the U.S. Treasury, U.S. Government Agencies, and debt that is federally insured (see section 8.0 Authorized and Suitable Investments, above, for a complete list of authorized investments).

Therefore, an appropriate performance benchmark will be a Constant Treasury Maturity Rate consistent with the weighted average maturity of the portfolio. The District recognizes that benchmarks may change over time based on changes in market conditions or cash flow requirements.

17. Reporting

The Finance Officer shall review and render quarterly reports to the Board of Directors that include the following information:

- Investment type (e.g. U.S. Treasury Note, U.S. Government Agency Bond)
- Name of the issuer (e.g. Federal Farm Credit Bank, Federal Home Loan Bank)
- Maturity date

- Yield to maturity
- Current market value and source of market value
- Par and dollar amount for each security the District has invested in
- Par and dollar amount on any money held by the District (e.g. LAIF balance, Cash Balance).

The report shall also include a description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs.

The quarterly report shall state compliance of the portfolio to the investment policy, or manner in which the portfolio is not in compliance.

The quarterly report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months or provide an explanation as to why sufficient money shall (or may not) be available.

The quarterly reports shall be placed on the Board of Directors meeting agenda for its review and approval no later than 30 days after the quarter ends. If there are no Council meetings within the 30-day period, the quarterly report shall be presented to the Council at the soonest possible meeting thereafter.

18. Investment Policy Adoption

The Borrego Water District investment policy shall be adopted by resolution of the Board of Directors. The policy shall be reviewed annually by the Board of Directors and any modifications made thereto must be approved by the Board of Directors.

The Finance Officer shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, master repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Borrego Water District.

19. Glossary of Terms in this Policy

Accrued Interest: Interest earned but not yet received.

Annual Comprehensive Financial Report (ACFR): The official annual financial report for the District. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP).

Bond: A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Bond Swap: Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include tax-deductible losses, increased yields, and an improved quality portfolio.

Broker: In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading, accounting for the name registered representative.

Certificate of Deposit: A deposit insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) at a set rate for a specified period of time.

Collateral: Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Constant Maturity Treasury (CMT): An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.

Custody: A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement that also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Delivery vs. Payment (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

Diversification: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Federal Deposit Insurance Corporation (FDIC): Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently \$250,000) per account.

Interest Rate: The annual yield earned on an investment, expressed as a percentage.

Liquidity: Refers to the ability to rapidly convert an investment into cash.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Purchase Date: The date in which a security is purchased for settlement on that or a later date.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Risk: Degree of uncertainty of return on an asset. Safekeeping: See Custody.

Settlement Date: The date on which a trade is cleared by delivery of securities against funds.

Time Deposit: A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.

Treasury Obligations: Debt obligations of the U.S. Government that are sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

U.S. Government Agencies: Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

Yield: The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity: The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

20. Glossary of General Investment Terms

Active Deposits: Funds that are immediately required for disbursement.

Amortization: An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Asked Price: The price a broker dealer offers to sell securities. **Basis Point:** One basis point is one hundredth of one percent (.01). **Bid Price:** The price a broker / dealer offers to purchase securities.

Book Entry Securities: Securities, such stocks held in "street name," that are recorded in a customer's account, but are not accompanied by a certificate. The trend is toward a certificate-free society to cut down on paperwork and to diminish investors' concerns about the certificates themselves. All the large New York District banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with each other and with the Federal Reserve through the use of automated telecommunications and the "book-entry" custody system maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and agency securities holdings, including securities held for the accounts of their customers or in a fiduciary capacity for the District. Virtually all transfers for the account of the banks, as well as for the government securities dealers who are their clients, are now effected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds the completion of transactions.

Book Value: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Bullet Bond: See "*Non-callable Bond.*"

Callable Bond: A debit obligation where the bond issuer (i.e. borrower) has the option to *call the bond* or pay it off early (before the scheduled maturity date). For instance, a 5-year bond might be "callable quarterly"—meaning that, although the bond has a scheduled end date 5 years from now, it could end in 3 months (and every 3 months after that, until the scheduled maturity date).

Coupon: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis: A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield: The interest paid on an investment expressed as a percentage of the current price of the security.

Discount: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Duration: The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; the future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow time line.

Fannie Mae: Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System: The central bank of the U.S. that consists of a seven member Board of Governors, 12 regional banks and approximately 8,000 commercial banks that are members.

Fed Wire: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Investment Agreements: An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Nationally Recognized Statistical Rating Organizations (NRSRO): A U.S. Securities & Exchange Commission registered agency that assesses the creditworthiness of an entity or specific security. NRSRO typically refers to Standard and Poor's Ratings Services, Fitch Ratings, Inc. or Moody's Investors Services.

New Issue: Term used when a security is originally "brought" to market.

Non-callable Bond: Also known as, "*Bullet Bond.*" A non-callable bond is a debt obligation where the bond issuer does not have the option to "call the bond" i.e.-end the bond before the scheduled maturity date.

Perfected Delivery: Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Repurchase Agreement (REPO): A transaction where the seller (bank) agrees to buy back from the buyer (District) the securities at an agreed upon price after a stated period of time.

Reverse Repurchase Agreement (REVERSE REPO): A transaction where the seller (District) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Yield Curve: The yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.

BORREGO WATER DISTRICT
POLICY STATEMENT

SUBJECT: CASH RESERVES POLICY

NO: 2011-05-01

ADOPTED: 2011-05-25	AMENDED: 2019-05-28
AMENDED: 2015-05-27	AMENDED: 2020-06-09
AMENDED: 2016-05-25	AMENDED: 2021-06-08
AMENDED: 2017-05-24	AMENDED: 2023-10-24
AMENDED: 2018-06-19	<u>AMENDED: 2026-06-xx</u>

I. BACKGROUND AND INTRODUCTION

Reserves are needed because of financial risk.¹ Water and sewer operations are inherently risky, given the potential costs associated with repairing and replacing infrastructure necessary for maintaining 24x7 operations for supplying potable water and sewer and wastewater treatment services to the homes and businesses of Borrego Springs. In addition, water operations have risk associated with the volatility of revenue due to weather conditions that alter expectations of the amount of water sold. Reserves also assist in reducing rate shocks. Without them a water utility is exposed to rate instability. Rate instability increases the cost of borrowing, which drives up rates. In addition, reserves help the District improve its credit rating, which translates into lower interest rates on debt and thus lower rates for the District's customers. Also, bond or loan covenants often require a debt reserve or recommend a rate stabilization reserve.

Some utilities operate in a state of revenue deficiency, which means they either rely on existing reserves, skimp on funding reserves, or defer economically prudent repair and replacement (R&R) of capital infrastructure to the future where higher costs will be borne by future ratepayers to repair or replace infrastructure that may have failed catastrophically. Catastrophic failure is sometimes many times more expensive than prudent R&R before failure occurs. Becoming revenue sufficient means that a utility can count on receiving adequate revenues to fully fund utility operations, including debt service obligations, and some portion of capital improvements from rate revenues and reserves. Reserve accounts are a vital part of water and sewer and wastewater treatment system's financial health that lead to lower rates for the District's customers.

This Board believes that operating with revenue sufficiency is required, not only to remain creditworthy for future capital borrowing, but also to replace depleted reserves necessary to operate most economically. For these reasons, the District will maintain reserve funds so as to provide working capital for operations; funds required by law, ordinance and bond covenants; and necessary cash for the scheduled and

¹ *Financial Risk* is defined as the sum(probability of an event occurring) x (the potential financial cost if that event occurs).

unscheduled R&R of capital infrastructure; as well as funds set aside for meeting water supply requirements under the Sustainable Groundwater Management Act (SGMA) and the Borrego Springs Subbasin Adjudicated Judgement.

Reserves are also necessary for the District to stabilize rates due to normal revenue and cost uncertainties due to a variety of circumstances beyond the District's control, and to provide a prudent amount of insurance against economic downturns and a wide range of potential emergencies. The efficient and discrete management of these cash reserves, when combined with their appropriate replacement as they are drawn down from time-to-time add additional assurance that the current levels of service reliability and quality that the District's ratepayers have grown to expect will continue into the future.

This reserve policy is based on prudent financial management practices and those amounts required by legal, legislative, and contractual obligations that are critical to the financial health of the District. This policy defines required fund types for segregation purposes and funding levels that are based upon this District's unique operating, capital investment and financial plans. Both Restricted Reserves and Board designated Discretionary Reserves for the water enterprise and the sewer and wastewater enterprise will be funded by rates specific to those enterprises so as to meet California Proposition 218 requirements. That is, reserves specific to the needs of the District's water enterprise will be accumulated from water rates. Reserves specific to the needs of the District's sewer and wastewater enterprise will be funded from sewer and wastewater treatment rates.

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

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

System Growth Reserves. These reserves generated from development charges for new water and sewer service as specified by the District's Policy for Water and Sewer Service to New Developments in effect, as amended from time to time, are used to offset capital projects or debt service related to new development in the District so that new development pays for itself rather than requiring a subsidy from existing ratepayers.

III. BOARD DISCRETIONARY RESERVES

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

Rate Covenant Stabilization Funds. These reserves include the Sewer Enterprise Rate Covenant Stabilization Fund and the Water Enterprise Rate Covenant Stabilization Fund. The purpose of these reserves are used to stabilize water and sewer revenues in order to maintain adequate debt coverage ratios required by the District's lenders. These reserve funds shall be maintained at level of twenty-five (25%) of the current years' debt service payments.

Contingency Reserves. The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts or other economic events that may affect the District's enterprise operations, which could not have been reasonably anticipated at the time the budget was prepared. The target level for this reserve is a minimum of five percent (5%) and a maximum of ten percent (10%) of the District's total enterprise-wide operating expenses. Generally, the level will be increased as the level of economic uncertainty increases.

Capital Repair and Replacement Reserve (Capital Reserve). A Capital Repair and Replacement Reserve is used primarily to meet and ensure the timely construction of necessary capital improvements without any delays due to cash flow concerns. Capital expenses can fluctuate quite a bit from year-to-year and the Capital Reserve may be leveraged to smooth out significant changes in expenses and; thereby, avoiding any unduly rate shocks to District customers. It may also serve as collateral and reassurance when awarding a construction contract. The Capital Reserve shall have a target equal to the greater of (i) \$1,000,000 and (ii) the budgeted pay-go needs in the following fiscal year for the water infrastructure repair and replacement (R&R) and sewer and wastewater infrastructure repair and replacement (R&R), with Water Supply purchases listed separately under the Water Supply Reserve.

Water Supply Purchase Reserve (Supply Reserve). The District will need to purchase Baseline Pumping Allocation (BPA) from Subbasin pumpers to meet its supply requirements established under SGMA and the Borrego Springs Subbasin California Superior Court Adjudicated Judgment. The District hopes to use grants and/or bank debt to accomplish these purchases. However, BPA may become available in the market on the sellers' timeframe, not necessarily the District's. It would also potentially be financially imprudent for the District to wait until the last moment to purchase BPA before penalties are assessed by the Watermaster for exceeding the District's annual pumping allocation limit. For these reasons, the Board shall dictate the requirements of any Water Supply Purchase Reserve as it sees fit. In 2023, the Borrego Water District acquired 670 BPA thru the purchased the William Bauer Farm and entered into a multi-year agreement to accrue an additional 1,820 BPA thru the purchase of the David Bauer farm. ~~It is estimated that this purchase~~The Water Supply Reserve shall include next years' contractually required Water Supply payments, plus additional amounts as dictated by the Board. Currently it is estimated that the existing Bauer Installment Purchase Agreement will maintain sufficient Water Supply thru the year 2035 when the District will need to rely on carryover amounts to meet existing demands.

Emergency Reserve – Catastrophic events may occur that require substantial investments to replace damaged assets. Some examples of catastrophic events include earthquakes, wind storms, floods, ransomware exploits or hacking that impacts the District's digital networks, health emergencies such as the current COVID-19 emergency, etc. Some of these catastrophic events may allow the utility to recover the cost of damages from FEMA or existing insurance policies. However, FEMA or insurance policy coverage reimbursements may take between 6 months to 2 or more years to recover. The utility should ensure adequate cash reserves exist to replace the assets in a timely fashion and to arrange short term financing options. The minimum reserve levels are sometimes combined with emergency funding from banks or bonding agencies. The percent of the minimum cash reserves are dependent on the replacement cost of capital assets in service and the level of risk of catastrophic type events. The Emergency Reserve policy target level will equal 2% of the replacement cost of the District's capital assets, which is approximately ~~\$87,590~~91,000,000 in ~~2021~~2026 dollars as developed by its District engineer.

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

V. EMERGENCY RESERVE LEVEL. Although individual reserve category levels may drop below the minimum ranges as described in the policy above, The District's Board has set an Emergency Reserve level at \$3,000,000. Should total available reserve funds fall to or below this level, it will trigger a re-budgeting by the Board of the current fiscal years' budget.

RESOLUTION NO. 2027-06-09

RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT APPROVING THE OPERATIONS, MAINTENANCE, CAPITAL IMPROVEMENTS AND GROUNDWATER MANAGEMENT BUDGETS FOR FISCAL YEAR 2026-2027

WHEREAS, the Board of Directors has reviewed and considered the Budget as presented for Fiscal Year 2026-2027 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 2026-2027


PASSED, ADOPTED AND APPROVED at a regular meeting of the Board of Directors of the Borrego Water District held on June 23, 2026

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

ATTEST:

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

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



III A
WATER & WASTE
WATER
OPERATIONS
REPORT



BORREGO WATER DISTRICT

MAY 2026

WASTEWATER OPERATIONS REPORT

There's no know problems with wastewater system at the moment:

Rams Hill Wastewater Treatment Facility serving ID-1, ID-2 and ID-5 Total Cap. 0.25 MGD (million gallons per day):

Average flow: 66000 (gallons per day)

Peak flow: 87000 gpd Sunday, MAY 24- 2026



BORREGO WATER DISTRICT

RAMS HILL WASTEWATER TREATMENT FACILITY
4861 Borrego Springs Rd, BORREGO SPRINGS, CA 92004
(760) 767-5806 FAX (760) 767-5994

06/09/2026

CALIFORNIA REGIONAL WATER QUALITY
CONTROL BOARD – REGION 7
73-720 FRED WARING DR. SUITE 100
PALM DESERT, CA. 92260

Attn: Andrea Varela/WRCE

RE: MAY 2026 Borrego Springs WWTP

Dear Andrea,

Please find attached the May 2026 monthly monitoring reports and Lab results for Borrego springs district WWTP.

We are pleased to inform you that there's no known violations for this month.

If you have any questions please contact ROGELIO MARTINEZ/WT-III. (760)419-2764.

Respectfully,

Rogelio Martinez/ water plant operator III

CC: Geoff Poole/GM

MONTHLY REPORT: R.H.W.T.F

MONTH: MAY

YEAR: 2026

BORREGO WATER DISTRICT,
RAMS HILL WASTEWATER TREATMENT FACILITY,
4861 BORREGO SPRINGS ROAD,
BORREGO SPRINGS, CA 92004
760-767-5806; phone
760-767-5994; fax

COMMENTS: THERE ARE NO SPILLS TO REPORT FOR MAY 2026; THE FLOW REPORT IS ATTACHED.

Submitted by: ROGELIO MARTINEZ/BWD TO: GEOFF POOLE/BWD;

06/09/2026

MAY 2026	INFLUENT DAILY FLOW GAL.	TOTAL FLOW GAL.
1	66000 GAL	56702000 GAL
2	73000 GAL	56775000 GAL
3	77000 GAL	56852000 GAL
4	83000 GAL	56936000 GAL
5	74000 GAL	57011000 GAL
6	65000 GAL	57076000 GAL
7	61000 GAL	57137000 GAL
8	64000 GAL	57201000 GAL
9	69000 GAL	57270000 GAL
10	70000 GAL	57340000 GAL
11	56000 GAL	57396000 GAL
12	58000 GAL	57454000 GAL
13	62000 GAL	57516000 GAL
14	55000 GAL	57571000 GAL
15	61000 GAL	57632000 GAL
16	73000 GAL	57705000 GAL
17	74000 GAL	57779000 GAL
18	63000 GAL	57842000 GAL
19	59000 GAL	57901000 GAL
20	60000 GAL	57961000 GAL
21	59000 GAL	58020000 GAL
22	64000 GAL	58084000 GAL
23	73000 GAL	58157000 GAL
24	87000 GAL	58244000 GAL
25	76000 GAL	58320000 GAL
26	56000 GAL	58377000 GAL
27	64000 GAL	58441000 GAL
28	59000 GAL	58500000 GAL
29	56000 GAL	58556000 GAL
30	62000 GAL	58619000 GAL
31	66000 GAL	58685000 GAL

P.H. / D.O. LOG ; R.H.W.T.F., BORREGO WATER DISTRICT

Year,2026

MAY

<u>DATE</u>	<u>LOCATION</u>	<u>P.H.</u>	<u>D.O</u>	<u>Alkalinity</u>	<u>Freeboard</u>
5/1/2026	EFFLUENT	7.19	6.15mg/l	160ppm	
5/1/2026	POND	7.51	4.37mg/l	160ppm	3.5ft
5/14/2026	EFFLUENT	7.30	5.41mg/l	140ppm	
5/14/2026	POND	7.41	6.76mg/l	140ppm	3.5ft

Berm Condition: Good and no Odors around the pond

**CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
COLORADO RIVER BASIN REGION**

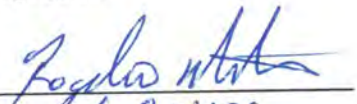
WDID NO.: 7A 37 0125 001
ORDER NO.: R7-2007-0053

**MONITORING AND REPORTING
BORREGO WATER DISTRICT - RAMS HILL WWTF**
Month MAY
YEAR 2026

REPORTING FREQUENCY: **Monthly (October-March)**

TYPE OF SAMPLE:	INFLUENT			PONDS		
	Flow	BOD	TSS	DO	pH	Freeboard
CONSTITUENTS:	Flow	BOD	TSS	DO	pH	Freeboard
FREQUENCY:	Daily	2/month	2/month	2/month	2/month	Monthly
DESCRIPTION:	Measurement	Grab	Grab	Grab	Grab	Measurement
UNITS:	gpd	mg/L	mg/L	mg/L	s.u.	ft
REQUIREMENTS						
30-DAY MEAN:	250,000					
MAXIMUM:						
MINIMUM:						
DATE OF SAMPLE	MAY					
1	66000	42	34	4.73	7.51	3.5
2	73000					
3	77000					
4	83000					
5	74000					
6	65000					
7	61000					
8	64000					
9	69000					
10	70000					
11	56000					
12	58000					
13	62000					
14	55000			6.76	7.41	3.50
15	61000					
16	73000					
17	74000					
18	63000					
19	59000					
20	60000					
21	59000					
22	64000					
23	73000					
24	87000					
25	76000					
26	56000					
27	64000					
28	59000					
29	56000					
30	62000					
31	66000					
30-DAY MEAN	65968	42.00	34	5.75	7.46	3.50
MAXIMUM	87000	42.00	34	6.76	7.51	3.50
MINIMUM	55000	42.00	34	4.73	7.41	3.50

I declare under the penalty of law that I personally examined and am familiar with the information submitted in this document, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

Signature: 
Date: 6-8-2026

**CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
COLORADO RIVER BASIN REGION**

WDID NO.: 7A 37 0125 001
ORDER NO.: R7-2007-0053

**MONITORING AND REPORTING
BORREGO WATER DISTRICT - RAMS HILL WWTF**


Month MAY
YEAR 2026

REPORTING FREQUENCY: Monthly (October-March)

TYPE OF SAMPLE:	EFFLUENT					
	BOD	TSS	SS	T. Nitrogen	TDS	pH
CONSTITUENTS:	BOD	TSS	SS	T. Nitrogen	TDS	pH
FREQUENCY:	2/month	2/month	2/month	2/month	2/month	Monthly
DESCRIPTION:	Grab	Grab	Grab	Grab	Grab	Grab
UNITS:	mg/L	mg/L	ml/L	mg/L	ml/L	mg/L
REQUIREMENTS						
30-DAY MEAN:	30	30	0.3			9.0
MAXIMUM:						6.0
MINIMUM:						
DATE OF SAMPLE						
1	6.8	3.0	0.0	6.4	510	7.19
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14	6.5	9.0	0.0	4.7	630	7.30
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
30-DAY MEAN	6.7	6.0	0.0	5.6	570	7.25
MAXIMUM	6.8	9.0	0.0	6.4	630	7.30
MINIMUM	6.5	3.0	0.0	4.7	510	7.19

I declare under the penalty of law that I personally examined and am familiar with the information submitted in this document, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

Signature: *Rogelio Avila*
Date: 10-20-2026

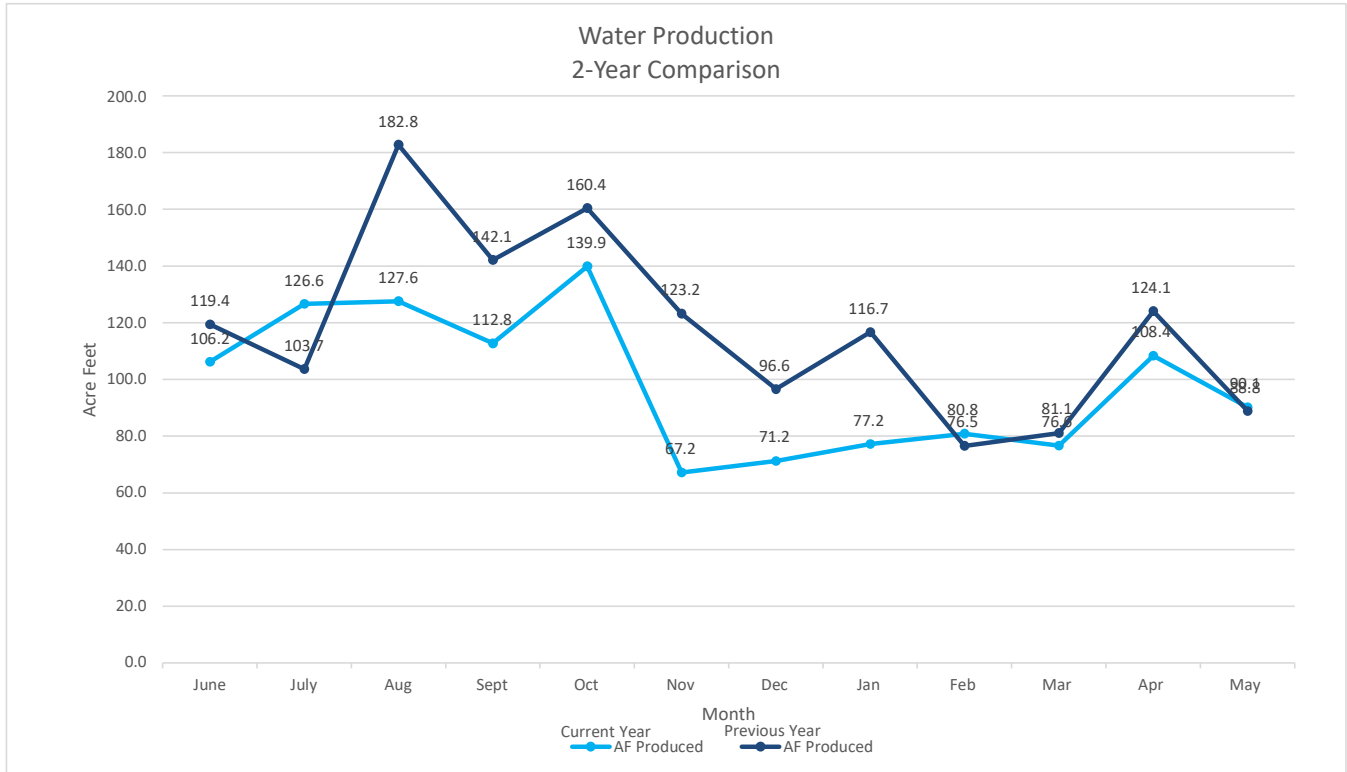
The background features a circular logo for Oregon Water District. The logo is light blue and yellow. It contains a central figure of a person holding a staff, with a large blue letter 'W' behind them. The text 'OREGON WATER DISTRICT' is written around the top inner edge of the circle, and 'EST. 1962' is at the bottom. The main title is overlaid on this logo.

III B
WATER
**PRODUCTION/
USE RECORDS**



BORREGO WATER DISTRICT

WATER PRODUCTION SUMMARY May 2026



Past 12 months Production vs. Sales

	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Past 12 Mo. TOT
AF Used	109.2	117.4	117.7	106.0	96.4	93.4	68.5	64.0	73.4	78.3	95.9	91.4	1111.6
AF Produced	106.2	126.6	127.6	112.8	139.9	67.2	71.2	77.2	80.8	76.6	108.4	90.1	1184.5
% Non Rev.	-2.8%	7.3%	7.7%	6.0%	31.1%	-39.1%	3.8%	17.2%	9.2%	-2.2%	11.5%	-1.4%	6.2%

Previous 12 Months Production vs. Sales

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Prior 12 Mo. TOT
AF Used	104.6	113.4	142.0	121.6	133.3	108.0	83.6	100.2	81.6	75.1	93.5	100.6	1257.4
AF Produced	119.4	103.7	182.8	142.1	160.4	123.2	96.6	116.7	76.5	81.1	124.1	88.8	1415.4
% Non Rev.	12.4%	-9.4%	22.3%	14.4%	16.9%	12.3%	13.5%	14.2%	-6.6%	7.4%	24.7%	-13.3%	11.2%

Non Revenue Water Summary

May-26	-1.4%
Avg. Past 12 Mos.	4.0%
Avg. Past 24 Mos.	6.5%



III C FINANCIAL REPORT



TREASURER'S REPORT APRIL 26

	Bank Balance	Carrying Value	Fair Value	<u>% of Portfolio</u> Current Actual	Rate of Interest	Maturity	Valuation Source
Cash and Cash Equivalents:							
Demand Accounts at CVB/LAIF							
General Account/Petty Cash	\$ 1,819,717	\$ 1,729,324	\$ 1,729,324	29.67%	0.60%	N/A	CVB/WF
Payroll Account	\$ 69,799	\$ 69,799	\$ 69,799	1.20%	0.60%	N/A	WF
Grant Fund Account	\$ 121,453	\$ 121,453	\$ 121,453	2.08%	0.00%	N/A	WF
LAIF	\$ 3,908,801	\$ 3,908,801	\$ 3,908,801	67.05%	3.98%	N/A	LAIF
Total Cash and Cash Equivalents	<u>\$ 5,919,771</u>	<u>\$ 5,829,377</u>	<u>\$ 5,829,377</u>	<u>100.00%</u>			

Cash and investments conform to the District's Investment Policy statement filed with the Board of Directors on June 2024

Cash, investments and future cash flows are sufficient to meet the needs of the District for the next six months.

Sources of valuations are CVB Bank, LAIF and Wells Fargo.

Jessica Clabaugh, Finance Officer

Borrego Water District
Water Enterprise Operating Budget Analysis
04/01/2026 to 04/30/2026



	<i>Budgeted FY2026</i>	<i>Actual April FY2026</i>	<i>Projected April FY2026</i>	<i>% of Months Budget</i>	<i>Year to Date FY2026</i>
<u>INCOME</u>					
RATE REVENUE					
Water Rates Revenues					
Commodity Rates					
Residential T1 & T2 Reven	1,015,987	88,891	75,793	117%	839,311
Residential T3 Revenues	676,567	47,285	50,472	94%	461,194
Commercial	643,522	62,704	48,007	131%	565,429
Irrigation	423,161	25,387	31,568	80%	314,148
Total Commodity	<u>2,759,237</u>	<u>224,267</u>	<u>205,849</u>	109%	<u>2,180,081</u>
Non-Commodity Charges					
Base Meter Charges	1,689,581	136,323	140,798	97%	1,370,276
Meter Install/Repair	36,750	7,460	3,063	244%	26,895
New Water Supply Connec	26,124	5,000	2,177	230%	20,774
Backflow Testing/Install	11,400	207	950	22%	7,571
Bulk Water Sales	6,825	750	569	132%	8,682
Total Non-Commodity	<u>1,770,680</u>	<u>149,740</u>	<u>147,557</u>	101%	<u>1,434,197</u>
					-
Total Water Rate Revenues	4,529,917	374,007	353,406	106%	3,614,278
Availability Charges Collected thru Tax Roll					
			0		
ID1 - Water	34,965	2,392	2,400	100%	21,109
ID3/ID4 - Water Standby	117,000	27,311	27,300	100%	105,921
Total Availability (Tax Roll)	<u>151,965</u>	<u>29,703</u>	<u>29,700</u>	100%	<u>127,030</u>
TOTAL WATER REVENUE	4,681,882	403,710	383,106	105.38%	3,741,308



Borrego Water District
Water Enterprise Operating Budget Analysis
04/01/2026 to 04/30/2026

	<i>Budgeted FY2026</i>	Actual April FY2026	Projected April FY2026	% of Months Budget	Year to Date FY2026
EXPENSES					
OPERATING EXPENSES					
Operations & Maintenance Expense					
R&M Water	286,926	16,550	23,911	69.22%	101,699
Telemetry	15,000	-	1,250	0.00%	3,169
Trash Removal	7,500	440	625	70.40%	5,417
Vehicle Expense	30,000	3,546	3,500	101.31%	30,000
Fuel & Oil	45,007	7,700	7,750	99.35%	36,498
Lab/Testing	45,000	2,119	3,750	56.51%	31,550
Permit Fees	29,541	-	0	0.00%	25,763
Pumping Electricity	566,528	44,413	47,211	94.07%	472,268
Total Operations & Maintenance Ex	1,025,502	74,768	87,996	84.97%	706,364
Professional Services					
Accounting (Lockbox/Debt Filir	9,680	660	800	82.50%	6,702
Payroll Services	4,400	387	367	105.55%	3,814
Audit Fees	28,034	-	0	0.00%	16,640
IT & Cyber Security	39,360	7,312	7,300	100.16%	35,495
Financial Consulting	-	-	-		12,498
Engineering Consultant	10,000	-	833	0.00%	2,905
Legal Services - General	68,675	2,302	5,723	40.22%	43,625
<i>Legal Services - Reimbursit</i>	-	-	-		
Federal & State Legislative Adv	64,944	5,280	5,412	97.56%	52,800
Total Professional Services	225,093	15,941	20,435	78.01%	174,480
Insurance Expense					
ACWA/JPIA Program Insurance	132,355	18,514	18,500		116,749
ACWA/JPIA Workers Comp	17,068	4,195	4,267		13,003
Total Insurance Expense	149,423	22,709	22,767		129,752
Personnel Expense					
Board Meeting Expense	13,939	2,235	1,000 <i>extra meetings</i>	223.50%	12,332
Salaries & Wages	1,221,985	88,834	101,832	87.24%	966,151
<i>Contra Account - Salaries &</i>	<i>(62,031)</i>	<i>(2,744)</i>	<i>(5,169)</i>	53.08%	(9,700)
Contract Labor/Consulting	10,175	-	848	0.00%	-
Payroll Taxes	25,084	603	2,090	28.85%	18,153
Benefits - Medical	200,383	16,080	16,699	96.30%	179,004
Benefits - CalPERS	222,721	9,453	9,980	94.72%	189,791
Trainings & Conferences	18,314	4,055	1,526	265.70%	14,313
Uniforms	7,123	473	594	79.69%	5,544
Safety Compliance & Emergenc	5,087	-	424	0.00%	721
Total Personnel Expense	1,662,780	118,989	129,823	91.65%	1,376,309



Borrego Water District
Water Enterprise Operating Budget Analysis
04/01/2026 to 04/30/2026

	<i>Budgeted FY2026</i>	Actual April FY2026	Projected April FY2026	% of Months Budget	Year to Date FY2026
OPERATING EXPENSES (Con't)					
Office Expense					
Office Supplies	22,659	1,247	1,888	66.04%	22,659
Office Equipment	49,641	2,282	3,017	75.64%	41,281
Postage & Freight	4,400	111	367	30.27%	3,100
Property Tax	3,052	-	254		1,429
Telephone Expense	28,034	1,927	2,160	89.21%	16,308
Dues & Subscriptions (ACWA/A	17,401	458	449	102.12%	20,959
Statement Printing & Mailing	25,087	1,090	2,091	52.14%	13,316
Office/Shop utilities	18,897	958	1,575	60.84%	12,191
Total Office Expense	169,171	8,073	11,800	68.41%	131,242
TOTAL OPERATING EXPENSES	3,231,969	240,480	272,822	88.15%	2,518,147
Debt Expense					
BBVA Bank Note 2018A/B - Prii	220,000	-			220,000
BBVA Bank Note 2018A/B - Inti	26,967	11,477	13,484		26,804
2021 Bond Cap One - Principal	393,063	-			393,063
2021 Bond Cap One - Interest	125,477	55,311	62,739		113,321
Total Debt Expense	765,507	66,788	76,222		753,188
GROUNDWATER MANAGEMENT EXPENSES					
Pumping Fees	103,000	-			34,786
GWM Expense	81,532	-	6,794	0.00%	-
Legal Expense	103,000	5,659	8,583	65.93%	78,782
Engineering/TAC Expense (Inte	139,050	9,706	11,588	83.76%	79,413
TOTAL GROUNDWATER MGMT EXPENSES	426,582	15,365	26,965	56.98%	192,981
TOTAL EXPENSES	4,424,058	322,633	376,009	85.80%	3,464,316
NET INCOME	257,824	81,077	7,097	#####	276,993



Borrego Water District
Sewer Enterprise Operating Budget Analysis
04/01/2026 TO 04/30/2026

	<i>Budgeted FY2026</i>	<i>Actual Apr FY2026</i>	<i>Projected Apr FY2026</i>	<i>% of Months Budget</i>	<i>Year to Date FY2026</i>
<u>INCOME</u>					
RATE REVENUE					
Sewer Rates					
TCS Holder Fees (SA2)	192,073	16,097	16,006	101%	159,325
TCS User Fees (SA2)	155,060	13,038	12,922	101%	129,458
RH Sewer User Fees (ID1)	182,674	15,885	15,223	104%	159,289
Sewer Standby/Capacity Fees	-	214			(304)
Sewer User Fees (ID5)	<u>210,192</u>	<u>17,572</u>	<u>17,516</u>	100%	<u>175,803</u>
Total Sewer Rates	739,999	62,806	61,667	102%	623,571
Availability Charges Collected thru Tax Roll					
ID1 - Sewer Standby	<u>34,965</u>	<u>2,392</u>	<u>2,995</u>	80%	<u>21,779</u>
Total Availability (Tax Roll)	34,965	2,392	2,995	80%	21,779
TOTAL SEWER REVENUE	774,964	65,198	64,662	101%	645,350



Borrego Water District
Sewer Enterprise Operating Budget Analysis
04/01/2026 TO 04/30/2026

	<i>Budgeted FY2026</i>	<i>Actual Apr FY2026</i>	<i>Projected Apr FY2026</i>	<i>% of Months Budget</i>	<i>Year to Date FY2026</i>
EXPENSES					
OPERATING EXPENSES					
Operations & Maintenance Expense					
R&M WWTF	138,744	3,092	11,562	27%	34,845
Telemetry	1,000	-	83	0%	-
Trash Removal	2,400	104	200	52%	1,305
Vehicle Expense	3,086	150	257	58%	1,619
Fuel & Oil	8,533	1,050	711	148%	4,774
Lab/Testing	20,437	1,046	1,703	61%	15,186
Electricity	5,723	578	477	121%	5,028
Permit Fees	15,000	-	400	0%	14,682
Total Operations & Maintenance Expense	194,923	6,020	15,394	39%	77,439
Professional Services					
Accounting (Lockbox/Debt Filings)	1,320	90	110		1,024
Payroll Services	600	53	50	106%	520
Audit Fees	3,823	-	-	-	1,860
IT & Cyber Security	7,688	940	641	147%	4,783
Financial Consulting	-	362	-	0%	2,066
Engineering (Dudek)	6,371	-	531	0%	40,570
Legal Services - General	9,365	314	780	40%	3,975
Advocacy	8,325	720	694	104%	7,200
Total Professional Services	37,492	2,479	2,806	88%	61,998
Insurance Expense					
ACWA/JPIA Program Insurance	18,048	2,740			16,201
ACWA/JPIA Workers Comp	3,952	572			2,516
Total Insurance Expense	22,000	3,312	-		18,717
Personnel Expense					
Board Meeting Expense	2,000	305	167	183%	1,682
Salaries & Wages	282,486	21,381	23,541	91%	227,916
<i>Contra Account - Salaries & Wages</i>	<i>(8,459)</i>	-	<i>(705)</i>	0%	649
Contract Labor/Consulting	10,000	-	833	0%	-
Payroll Taxes	5,799	141	600	24%	3,688
Benefits - Medical	47,646	3,793	3,971	96%	39,055
Benefits - CalPERS	51,486	2,276	3,214	71%	43,582
Trainings & Conferences	2,497	394	208	189%	2,068
Uniforms	971	64	81	80%	756
Safety Compliance & Emergency Prep	694	-	58	0%	-
Total Personnel Expense	395,120	28,355	31,967	89%	319,397



Borrego Water District
Sewer Enterprise Operating Budget Analysis
04/01/2026 TO 04/30/2026

	<i>Budgeted FY2026</i>	<i>Actual Apr FY2026</i>	<i>Projected Apr FY2026</i>	<i>% of Months Budget</i>	<i>Year to Date FY2026</i>
OPERATING EXPENSES (Con't)					
Office Expense					
Office Supplies	3,100	373	258	144%	2,963
Office Equipment	6,769	218	400	55%	6,893
Postage & Freight	600	15	50	30%	560
Property Tax	416	-	-		-
Telephone Expense	3,823	201	300	67%	2,669
Dues & Subscriptions (ACWA/AWWA)	3,191	-			2,806
Printing & Publication	694	149	58	257%	1,662
Office/Shop utilities	2,129	131	177	74%	1,662
Total Office Expense	<u>20,722</u>	<u>1,087</u>	<u>1,244</u>	87%	<u>19,215</u>
TOTAL OPERATING EXPENSES	670,257	41,252	51,410	80%	496,766
Debt Expense					
2021 Bond Cap One - Principal	31,994	-			31,994
2021 Bond Cap One - Interest	9,149	528	4,575		7,103
Total Debt Expense	<u>41,143</u>	<u>528</u>	<u>4,575</u>		<u>39,097</u>
TOTAL EXPENSES	<u>711,400</u>	<u>41,780</u>	<u>55,984</u>	75%	<u>535,863</u>
<u>NET INCOME</u>	<u>63,564</u>	<u>23,417</u>	<u>8,678</u>	270%	<u>109,487</u>



Borrego Water District
Pest Control Operating Budget Analysis
04/01/2026 to 04/30/2026

	<i>Budgeted FY2025</i>	<i>Actual April FY2026</i>	<i>Projected April FY2026</i>	<i>Year to Date FY2026</i>
<u>INCOME</u>				
Charges Collected thru Tax Roll				
Pest Control Standby	17,150	2,756	1,750	15,707
<u>TOTAL PEST CONTROL FUND REVENUE</u>	<u>17,150</u>	<u>2,756</u>	<u>1,750</u>	<u>15,707</u>
<u>EXPENSES</u>				
Pest Control Plan Consultant	15,600			
R&M Pest Control	-	-		350
ACWA/JPIA Program Insurance	500	63		222
Salaries & Wages	1,000	-		-
Benefits - Medical		-		-
Benefits - CalPERS		-		-
ACWA/JPIA Workers Comp		-		-
Payroll Taxes		-		-
<u>TOTAL PEST CONTROL FUND REVENUE</u>	<u>17,100</u>	<u>63</u>	<u> </u>	<u>572</u>
<u>Net Income Pest Control Enterprise Fund</u>	<u>50</u>	2,693	1,750	15,134



Borrego Water District
Flood Enterprise Operating Budget Analysis
04/01/2026 to 04/30/2026

	<i>Budgeted FY2026</i>	<i>Actual Apr FY2026</i>	<i>Projected Apr FY2026</i>	<i>Year to Date FY2026</i>
<u>INCOME</u>				
ID1 - Flood Standby	<u>34,965</u>	<u>2,392</u>	<u>12,250</u>	<u>20,010</u>
<u>TOTAL FLOOD CONTROL FUND REVENUE</u>	<u>34,965</u>	<u>2,392</u>	<u>12,250</u>	<u>20,010</u>
<u>EXPENSES</u>				
ACWA/JPIA Program Insurance	605	126		762
Legal Services - General	5,125	-	625	-
Salaries & Wages	9,109	-	1,054	-
Benefits - Medical	1,494	-	178	-
Benefits - CalPERS	1,661	-	175	-
ACWA/JPIA Workers Comp	127	-	15	-
Payroll Taxes	187	-	22	-
<u>TOTAL FLOOD CONTROL FUND EXPENSES</u>	<u>18,308</u>	<u>126</u>	<u>2,047</u>	<u>762</u>
<u>Net Income Flood Enterprise Fund</u>	<u>16,657</u>	<u>2,266</u>	<u>10,203</u>	19,247



Borrego Water District
Non-Rate Revenue Budget Analysis
04/01/2026 to 04/30/2026

	<i>Budgeted FY2026</i>	<i>Actual April FY2026</i>	<i>Projected April FY2026</i>	<i>Year to Date FY2026</i>
<u>INCOME</u>				
OTHER INCOME				
Penalties & Fees	50,000	20,873	5,000	163,046
BSUSD Well Agreement	35,000	-	8,750	16,170
1% Property Assessments	70,000	27,665	16,848	78,058
Interest Income	60,000	-	2,917	62,652
Sale of Parcels		-		-
WM Meter Reading Income	6,500	-	550	4,357
TOTAL OTHER INCOME	<u>221,500</u>	<u>48,538</u>	<u>20,217</u>	<u>324,282</u>
<u>EXPENSES</u>				
Air Quality Study	36,341	-	3,028	4,291
TOTAL NON-RATE REVENUE EXPENSES	<u>36,341</u>	<u>-</u>	<u>3,028</u>	<u>4,291</u>
<u>Net Income Non-Rate Revenue</u>	<u>185,159</u>	48,538	17,188	319,992



**Borrego Water District
Consolidated Enterprise Budget Analysis
04/01/2026 to 04/30/2026**

	<i>Budgeted FY2026</i>	<i>Actual April FY2026</i>	<i>Projected April FY2026</i>	<i>YTD FY2026</i>
<u>INCOME</u>				
TOTAL WATER RATE REVENUE	4,615,007	403,710	383,106	3,741,308
TOTAL WASTEWATER RATE REVENUE	774,965	65,198	64,662	645,350
TOTAL PEST CONTROL FUND REVENUE	17,150	2,756	1,750	15,707
TOTAL FLOOD CONTROL FUND REVENUE	34,965	2,392	12,250	20,010
TOTAL OTHER INCOME	221,500	48,538	20,217	324,282
GROSS INCOME	<u>5,663,588</u>	<u>522,594</u>	<u>481,985</u>	<u>4,746,657</u>
<u>EXPENSES</u>				
TOTAL WATER ENTERPRISE EXPENSES	4,449,129	322,633	376,009	3,464,316
TOTAL WASTEWATER ENTERPRISE EXPENSES	711,398	41,780	55,984	535,863
TOTAL PEST CONTROL ENTERPRISE EXPENSES	17,150	63	-	572
TOTAL FLOOD CONTROL ENTERPRISE EXPENSES	18,307	126	2,047	762
TOTAL NON-RATE REVENUE EXPENSES	36,341	-	3,028	4,291
TOTAL EXPENSES	<u>5,232,325</u>	<u>364,602</u>	<u>437,069</u>	<u>4,005,804</u>
CONSOLIDATED NET INCOME	<u>431,262</u>	<u>157,992</u>	<u>44,916</u>	<u>740,853</u>



**Borrego Water District
BPA Purchase & Capital Improvements Budget
04/01/2026 to 04/30/2026**

	<i>Budgeted FY2026</i>	<i>Actual April FY2026</i>	<i>Year to Date FY2026</i>
<u>BPA Purchase Expense</u>			
Land - Installment Agreement Payment	361,956	8,814	395,235
Following Expense	195,668	-	-
BPA Purchase Expense	<u>557,624</u>	<u>8,814</u>	<u>395,234</u>
<u>CAPITAL IMPROVEMENT PROJECTS (CIP)</u>			
Water Enterprise CIP			
Water Projects			
Tank Repair/Recoating: Country Club Tank	350,000	-	348,121
New Production Well Evaluation: DB20	100,000	-	-
Office Propane Generator	75,000	-	-
ID1-8 Convert to Monitoring	11,000	-	10,646
Well/Tank Site Security Upgrades	60,000	5,330	33,691
Discharge Pond Fencing	30,000	-	3,657
Chlorinator ID4-11	-	-	39,603
Emergency System Repairs	69,458	-	40,600
Total Water Projects	<u>695,458</u>	<u>5,330</u>	<u>476,318</u>
Sewer Projects			
Manhole Refurbishments	100,000	-	6,310
Sewer Cleaning/Inspection	125,000	-	-
Total Sewer Projects	<u>225,000</u>	<u>-</u>	<u>6,310</u>
CASH FUNDED BPA PURCHASE & CIP TOTAL	<u>1,478,082</u>	<u>14,144</u>	<u>883,330</u>



**Borrego Water District
Grant Funded CIP Budget Analysis**

04/01/2026 to 04/30/2026

	<i>Budgeted FY2026</i>	<i>Actual April FY2026</i>	<i>Year to Date FY2026</i>
GRANT FUNDED CIP			
2023 Appropriations Bill			
BSR Pipeline	928,000	-	-
BSR Pipeline ALT/Country Club Connections		-	24,650
Sungold Pipeline	<u>2,464,000</u>	-	-
2023 Appropriations Bill Total	<u>3,392,000</u>	-	<u>24,650</u>
TOTAL GRANT FUNDED CIP	3,392,000	-	24,650



Borrego Water District
Cash Flow Analysis
04/01/2026 to 04/30/2026

	<u>Actual April FY26</u>	
Cash and Reserves at Beginning of Period		5,724,285
Cash Flows from Operating Activities		
<i>Income Provided by Operating Activities</i>	109,454	
<i>Increase in Accounts Receivable</i>	(7,495)	
<i>Decrease in Accounts Payable</i>	(31,366)	
<i>Decrease in Inventory</i>	105	
<i>Customer Deposits Returned</i>	-	
Net Cash Provided by Operating Activities	\$	70,698
Cash Flows from Non-Operating Activities		
Other Income Received	48,538	
Debt Service Disbursement	-	
Net Cash Provided by Other Income	\$	48,538
Cash Flows from Capital Improvement Activities		
<i>All CIP/BPA Purchase Activities (Cash + Grant)</i>	(14,144)	
<i>Grant Monies Received</i>	-	
Net Cash Paid for Capital Improvements	\$	(14,144)
Net Change in Cash	\$	105,092
Cash and Reserves at End of Period		\$ 5,829,377
Restricted Reserves at End of Period	\$	1,306,291
Unrestricted Reserves at End of Period	\$	4,523,086
Water Reserves Portion	\$5,098,870	
Sewer Reserves Portion	\$730,493	
Non-218 Reserves Portion	\$880,105	
Fiscal Year Reserves Target	\$	6,853,714
Fiscal Year Reserves Surplus/Shortfall to Date	\$	(1,024,337)

To: BWD Board of Directors
 From: Jessica Clabaugh
 Subject: Consideration of the Disbursements and Claims Paid
 Month Ending April 30, 2026



Vendor disbursements paid during this period: \$ 420,651.66

Significant items:

ACWA-JPIA	Workers' Comp 2026 Q1	\$ 4,767.57
ACWA-JPIA	Property Program Renewal thru March 2027	\$ 43,276.59
ACWA-JPIA	FY26/27 Difference in Conditions	\$ 41,737.28
Babcock	Lab Services	\$ 3,271.24
CalPERS	Employee Retirement Benefits	\$ 11,728.73
Employee Health Benefits	Medical JPIA & AFLAC	\$ 19,874.38
Ramona Disposal	Garbage Collection	\$ 5,557.49
SC Fuels	Fuel For District Vehicles	\$ 4,955.42
SDGE	Payment on Mar Use	\$ 46,079.76
UC Regents	Air Quality Monitoring	\$ 10,054.00

Capital Projects/Fixed Asset Outlays:

Bay City Equipment	Generator PM - WWTP, Liftstation & Wilcox	\$ 3,705.28
Brax Company	Well 11 Chlorinator Installation	\$ 18,690.33
Western Pump	APCD Vapor Recovery Testing	\$ 3,983.16

Total Professional Services for this Period:

BBK	General Feb	\$ 5,499.90
BBK	Water Right Acquisition	\$ 1,440.80
BBK	Watermaster Feb	\$ 7,574.60
BBK	Advocacy	\$ 6,000.00
BBK	General Mar	\$ 5,288.34
BBK	Water Right Acquisition	\$ 296.80
BBK	Watermaster Mar	\$ 6,900.60
BBK	Advocacy	\$ 6,000.00
The Data Center	Statement Printing & Mailing Mar	\$ 1,194.17
Interra Inc.	GWM Technical Support Mar	\$ 15,442.50
Interra Inc.	BWD Modeling Support	\$ 2,737.00
Raftelis	Financial Consuting - Capacity Fee Study	\$ 5,540.00
Syrus Devers	IT Support Mar	\$ 568.54
Travis Parker	Security Camera Project	\$ 5,330.08
Travis Parker	IT Support April	\$ 1,307.83

Payroll for this Period:

Gross Payroll	\$ 110,214.49
Employer Payroll Taxes and ADP Fee	\$ 1,184.30
Total	<u>\$ 111,398.79</u>



APRIL 2026

42516	1032	A-1 IRRIGATION, INC.	05/15/2026	141.25
42473	3035	ACWA / JPIA Finance Dept.	04/14/2026	43,276.59
42481	3035	ACWA / JPIA Finance Dept.	04/22/2026	4,767.57
42492	3035	ACWA / JPIA Finance Dept.	04/28/2026	41,737.28
42482	1266	AFLAC	04/22/2026	1,050.32
42500	1001	AMERICAN LINEN INC.	05/06/2026	537.07
42517	61	AT&T MOBILITY	05/15/2026	259.91
42493	9529	AT&T-CALNET 3	04/28/2026	401.84
42518	9255	BABCOCK LABORATORIES	05/15/2026	3,115.87
42501	11195	BANK UP CORPORATION	05/06/2026	750.00
42519	10884	BEST BEST & KRIEGER ATTORNEYS AT LAW	05/15/2026	15,017.30
42520	10900	BORREGO AUTO PARTS & SUPPLY CO	05/15/2026	199.71
42502	11205	BORREGO NEWS	05/06/2026	100.00
42521	11140	BORREGO SPRINGS HARDWARE	05/15/2026	169.91
42434	11122	CAPITAL ONE PUBLIC FUNDING, LLC	03/20/2026	62,850.26
42486	1222	DEBBIE MORETTI	04/22/2026	140.00
42474	96	DISH	04/14/2026	103.81
42522	96	DISH	05/15/2026	60.82
42504	11209	EVAN GARCIA	05/06/2026	225.00
42483	3024	FED EX	04/22/2026	45.57
42494	3024	FED EX	04/28/2026	39.49
42503	3024	FED EX	05/06/2026	39.65
42475	11206	HERITAGE POOL SUPPLY GROUP	04/14/2026	785.04
42523	1136	HOME DEPOT CREDIT SERVICES	05/15/2026	1,663.52
42505	11212	HUNTER CONSULTING, INC	05/06/2026	8,169.81
42484	9385	JOHNSON CONTROLS SECURITY SOLUTIONS	04/22/2026	455.82
42510	10910	LORETO MOLINA TITO'S AUTO CARE	05/06/2026	1,445.09
42485	11090	LUPE'S GARDENING MAINTENANCE INC.	04/22/2026	585.00
42524	11090	LUPE'S GARDENING MAINTENANCE INC.	05/15/2026	585.00
42433	1000	MEDICAL ACWA-JPIA	03/20/2026	21,658.80
42495	11175	NEW YORK LIFE INSURANCE COMPANY	04/28/2026	211.22
42506	11114	OCEANUS BOTTLED WATER, INC	05/06/2026	98.00
42435	11126	PNC BANK, N.A.	03/20/2026	11,477.47
42525	9546	RAFTELIS FINANCIAL CONSULTANTS, INC.	05/15/2026	3,015.00
42526	9633	RAMONA DISPOSAL SERVICE	05/15/2026	5,557.49
42496	1065	SAN DIEGO GAS & ELECTRIC	04/28/2026	46,079.76
42476	11067	SC FUELS	04/14/2026	2,707.05
42487	11067	SC FUELS	04/22/2026	316.17
42507	11067	SC FUELS	05/06/2026	1,743.88
42508	11086	SPRINGBROOK HOLDING COMPANY LLC	05/06/2026	836.00
42509	11193	THE DATA CENTER LLC	05/06/2026	1,138.34
42497	9666	THE REGENTS, UCI IRVINE	04/28/2026	10,054.00
42488	9581	TRAVIS PARKER	04/22/2026	5,898.62
42511	9581	TRAVIS PARKER	05/06/2026	1,139.66
42527	9581	TRAVIS PARKER	05/15/2026	6,543.67
42528	3000	U.S.BANK CORPORATE PAYMENT SYS	05/15/2026	7,966.53
42512	1023	UNDERGROUND SERVICE ALERT	05/06/2026	20.75
42513	1100	VERIZON WIRELESS	05/06/2026	1,046.32
42529	1100	VERIZON WIRELESS	05/15/2026	420.28
42489	11211	WELLS FARGO BANKS	04/22/2026	88.31
42490	74	WESTERN PUMP, INC	04/22/2026	3,983.16
42498	11168	WESTFLEX, INC.	04/28/2026	948.38
42514	92	XEROX FINANCIAL SERVICES	05/06/2026	433.08
42530	11050	ZITO MEDIA	05/15/2026	267.83
Report Total (54 checks):				322,368.27