

**Borrego Water District Board of Directors
Audit & Budget Standing Committee
Wednesday, April 5, 2023 @ 1:00 p.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004**

THIS MEETING WILL BE HELD IN PERSON ATTENDANCE AT THE ADDRESS ABOVE.

- I. OPENING PROCEDURES**
 - A. Call to Order
 - B. Committee Members Roll Call: President Dice, Director Moran

- II. ITEM FOR AUDIT & BUDGET COMMITTEE CONSIDERATION AND POSSIBLE ACTION**
 - A. Reserves Review - J. Clabaugh
 - B. Cash Flow Review – J. Clabaugh
 - C. 2nd Draft Review – J. Clabaugh

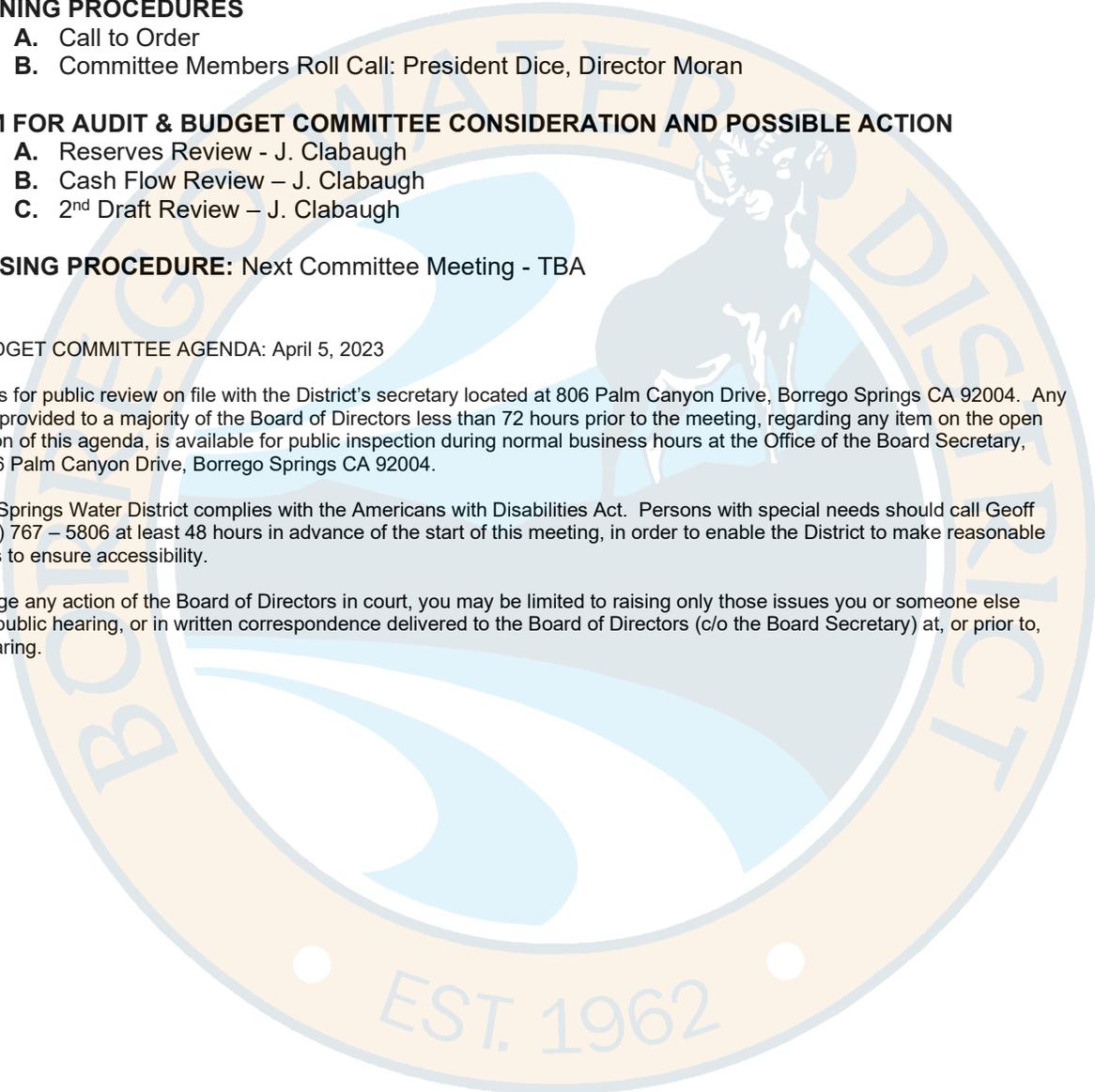
- III. CLOSING PROCEDURE: Next Committee Meeting - TBA**

AUDIT & BUDGET COMMITTEE AGENDA: April 5, 2023

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

The Borrego Springs Water District complies with the Americans with Disabilities Act. Persons with special needs should call Geoff Poole 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.



**Borrego Water District Board of Directors
Audit & Budget Standing Committee
April 5, 2023 @ 1:00p.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004**

ITEM II. A.

April 3, 2023

To: Audit & Budget Committee

From: Jessica Clabaugh, Finance Officer

Subject: Reserves Funds Review

RECOMMENDED ACTION

None.

ITEM EXPLANATION

The Borrego Water District operates under a robust reserve policy. This sets aside savings for both expected and unexpected future costs. We will review the difference between restricted, unrestricted, non-rate and general reserves categories and view a snapshot of their current balances.

FISCAL IMPACT

None.

ATTACHMENTS

Attachment 1: Current Reserves Policy

Attachment 2: Current Reserves Funds Detail

Item II. A. Attachment 1 – Current
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: 2021-02-05**
AMENDED: 2017-05-24
AMENDED: 2018-06-19

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 thirty (30%) percent of the revenue generated from the commodity revenues for water services and thirty (30%) percent of the total revenues from sewer services.

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).

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 District shall establish a Supply Reserve of approximately \$1,500,000.

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 \$87,590,000 in 2021 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.

Item II. A. Attachment 2 – Current
Reserves Detail

Borrego Water District
Reserves Fund Detail @ 03/31/2023

CURRENT BALANCE	RESERVE TYPE	RESERVE DESCRIPTION	% OF UNFIXED	CALCULATED FY23 TARGET
\$643,841	Non-218 Reserve	Reserves from Non-Rate Revenue		
\$977,719	Debt Reserve	Principal and Interest for respective debt obligations. Current Sewer Debt obligations are estimated to be 7% of 2018 PWB bonds attributed to Sewer.	FIXED	\$977,719
\$525,000	Water Supply Purchase Reserves	\$1.5M FY22 to FY27. 100% allocated to water. FY23 is year 2	FIXED	\$600,000
\$0	System Growth Reserves	Development charges for new meters. Used to offset capital projects and new development related debt expenses	FIXED	\$0
\$53,959	<i>TCS Expansion Reserve</i>	A System Growth Reserve. Accumulated EDU Sales and Expansion Fees since 2015. EDU Sales(\$24,320); Expansion Fees(\$53,959)	FIXED	\$53,959
\$930,541	Operating/Working Capital Reserve	120 days O&M.	19.7%	\$1,105,076
\$812,294	Rate Stabilization Funds	30% of Water Commodity Rates and 30% of Sewer Rates. FY23 Budgeted Water Commodity Rates(\$2,594,614); Sewer(\$620,887).	17.2%	\$964,650
\$139,581	Contingency Reserves	For unexpected operational/legislative expenses 5-10% of O&M. Using 5% for FY2023.	2.9%	\$165,761
\$1,800,490	Capital R&R Reserve	Greater of \$1M or budgeted next years' cash CIP. FY24 CIP = \$2,138,195	38.0%	\$2,138,195
\$1,052,576	Risk Management (Emergency) Reserves	\$1.25M. 15% allocated to sewer.	22.2%	\$1,250,000
\$0	Other Reserves	None at the present time.	0.0%	\$0
Total FY23 Reserves Target				\$7,255,361
% of Target Reserves at 03/31/2023				96%

Total Rate Reserves at 03/31/2023 \$6,936,000	% of Target Reserves at 03/31/2023 95.6%
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Unrestricted at 03/31/2023 \$ 5,904,322
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**Borrego Water District Board of Directors
Audit & Budget Standing Committee
April 05, 2023 @ 1:00 p.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004**

ITEM II. B.

April 3, 2023

To: Audit & Budget Committee

From: Jessica Clabaugh, Finance Officer

Subject: Cash Flow Review

RECOMMENDED ACTION

None.

ITEM EXPLANATION

Review of the Districts cash flow pro-forma and future outlook.

FISCAL IMPACT

None.

ATTACHMENTS

Attachment 1 – BWD Cash Flow Model

Item II. B. Attachment 1 – BWD Cash Flow
Model

Borrego Water District - Financial Model

Projected Operating Results	Projected										
Fiscal Year Ended June 30	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating Revenue											
Water Revenue - commodity	2,594,610	2,724,341	2,860,558	3,003,586	3,123,729	3,248,678	3,378,626	3,479,984	3,584,384	3,691,915	3,802,673
Water Revenue - base	1,546,745	1,613,713	1,678,261	1,745,392	1,815,207	1,887,816	1,963,328	2,022,228	2,082,895	2,145,382	2,209,743
Sewer service charges	620,887	645,722	671,551	698,413	719,366	740,947	763,175	786,070	809,653	833,942	858,960
Availability charges	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000
Property taxes and other	148,500	86,453	88,182	89,946	91,745	91,745	91,745	91,745	91,745	91,745	91,745
Interest Income	5,000	35,000	35,875	36,772	19,087	29,767	25,231	20,847	30,614	28,348	13,759
Total Operating Revenues	\$5,153,742	\$5,343,229	\$5,572,428	\$5,812,109	\$6,007,135	\$6,236,952	\$6,460,105	\$6,638,875	\$6,837,290	\$7,029,333	\$7,214,881
O&M Expenses											
Water operations	1,893,847	2,083,595	2,146,103	2,210,486	2,276,801	2,345,105	2,415,458	2,487,922	2,562,560	2,639,436	2,718,619
Sewer operations	423,602	486,200	500,786	515,810	531,284	547,222	563,639	580,548	597,965	615,904	634,381
Pumping / Treatment	415,000	511,000	526,330	542,120	558,383	575,135	592,389	610,161	628,466	647,320	666,739
Subbasin Pumping Fees	100,000	100,000	105,000	110,250	115,763	121,551	127,628	134,010	140,710	147,746	155,133
Subbasin Management Cost	272,561	397,277	409,195	421,471	434,115	447,139	460,553	474,370	488,601	503,259	518,356
General and administrative	564,803	542,156	558,421	575,173	592,429	610,201	628,507	647,363	666,784	686,787	707,391
Total O&M Expenses	\$3,669,813	\$4,120,229	\$4,245,835	\$4,375,310	\$4,508,775	\$4,646,353	\$4,788,175	\$4,934,373	\$5,085,084	\$5,240,451	\$5,400,619
Total CIP Costs (not included in formula; see line 38)	\$6,213,391	\$6,068,861	\$1,537,767	\$797,293	\$3,007,424	\$1,294,643	\$3,627,281	\$1,850,490	\$1,017,295	\$4,286,351	\$1,734,975
Net Revenues	\$1,483,929	\$1,223,001	\$1,326,592	\$1,436,798	\$1,498,360	\$1,590,599	\$1,671,930	\$1,704,502	\$1,752,206	\$1,788,882	\$1,814,261
Debt Service Obligations											
2008 IPA / Compass Loan 2018A	249,244	250,255	246,204	246,968	242,547	241,960	246,054	-	-	-	-
2015 note / Compass Loan 2018B	140,755	140,755	140,755	-	-	-	-	-	-	-	-
2018 Bonds / 2021 Refunding	\$587,719	\$587,719	\$587,706	\$587,755	\$587,488	\$586,916	\$587,030	\$587,762	\$587,152	\$587,165	\$586,802
FY27 Bond	-	-	-	-	-	\$374,293	\$374,293	\$374,293	\$374,293	\$374,293	\$374,293
FY32 Bond	-	-	-	-	-	-	-	-	-	\$0	\$134,520
Total Debt Service	\$977,718	\$978,729	\$974,664	\$834,723	\$830,035	\$1,203,168	\$1,207,377	\$962,054	\$961,445	\$961,458	\$961,095
Debt Service Coverage Ratio	1.52	1.25	1.36	1.72	1.81	1.32	1.38	1.77	1.82	1.86	1.89
Net Revenue Available for Reserves or CIP	\$506,211	\$244,271	\$351,928	\$602,075	\$668,324	\$387,431	\$464,553	\$742,448	\$790,761	\$827,424	\$853,166
Total CIP Annual Requirements	\$6,213,391	\$6,068,861	\$1,537,767	\$797,293	\$3,007,424	\$1,294,643	\$3,627,281	\$1,850,490	\$1,017,295	\$4,286,351	\$1,734,975
Bond Proceeds											
Fixed-Rate Bond Issue #1	\$0	\$0	\$0	\$0	\$5,000,000	\$0	\$0	\$0	\$0	\$0	\$0
Fixed-Rate Bond Issue #2	-	-	-	-	-	-	-	-	-	2,000,000	-
Fixed-Rate Bond Issue #3	-	-	-	-	-	-	-	-	-	-	-
Fixed-Rate Bond Issue #4	-	-	-	-	-	-	-	-	-	-	-
SRF Financing	-	-	-	-	-	-	-	-	-	-	-
Total Bond Proceeds Available for CIP	\$0	\$0	\$0	\$0	\$5,000,000	\$0	\$0	\$0	\$0	\$2,000,000	\$0
Remaining Bond Proceeds	\$0	\$0	\$0	\$0	\$1,992,576	\$697,933	\$0	\$0	\$0	\$0	\$0
Funding Sources											
New Bond Proceeds	1,574,539	-	-	-	4,475,000	-	-	-	-	2,000,000	-
Outside Funding Sources (Grants + Proceeds)	3,526,333	3,930,666	530,000	-	-	-	2,286,000	-	-	-	-
Pay-as-you-go Funding	1,112,519	2,138,195	1,007,767	797,293	(1,467,576)	1,294,643	1,341,281	1,850,490	1,017,295	2,286,351	1,734,975
Total Funding Sources	\$6,213,391	\$6,068,861	\$1,537,767	\$797,293	\$3,007,424	\$1,294,643	\$3,627,281	\$1,850,490	\$1,017,295	\$4,286,351	\$1,734,975
Beginning Reserve Balances (after CIP)	\$7,168,751	\$6,562,443	\$4,668,520	\$4,012,681	\$3,817,463	\$5,953,364	\$5,046,151	\$4,169,423	\$3,061,381	\$2,834,847	\$1,375,920
Ending Reserve Balances (after CIP)	\$6,562,443	\$4,668,520	\$4,012,681	\$3,817,463	\$5,953,364	\$5,046,151	\$4,169,423	\$3,061,381	\$2,834,847	\$1,375,920	\$494,111
Days Cash Ratio	653	414	345	318	482	396	318	226	203	96	33

**Borrego Water District Board of Directors
Audit & Budget Standing Committee
April 5, 2023 @ 1:00 p.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004**

ITEM II. C.

April 3, 2023

To: Audit & Budget Committee

From: Jessica Clabaugh, Finance Officer

Subject: Draft #2 of Budget and CIP Review

RECOMMENDED ACTION

None.

ITEM EXPLANATION

Category amounts have been updated since last meeting. There are a few unknowns that require board direction.

- Fuel Cost Projection. FY22 saw a 46% increase in gas prices per gallon. In FY23 the PPG has decreased 22% since FY22 and increased 13% since FY21. Assumptoins can be based on FY23 Proposed Actual with inflator or something else.
- Electrical/Pumping. SDGE publised rates show a .3% decrease beginning in 2023. Assumptions can be based on FY23 Proposed Actual with inflator or something else.

FISCAL IMPACT

None.

ATTACHMENTS

Attachment 1 – Main Budget Doc Draft 2

Attachment 2 – CIP Draft 2

Item II.C. Attachment 1 – Main Budget
Doc Draft 2



Borrego Water District Draft Budget for Fiscal Year 2024

Revenues

	Actual FY2021	Actual FY2022	Budget FY2023	Projected FY2023	Proposed FY2024	<i>Budg 23 vs Prop 24 \$ Change</i>	<i>Budg 23 vs Prop 24 % Change</i>
INCOME							
RATE REVENUE							
Water Rates Revenues							
Commodity Rates							
Residential	1,403,327	1,467,839	1,516,320	1,516,320	1,592,136	75,816	5.00%
Commercial	646,294	644,685	740,154	683,962	777,162	37,008	5.00%
Irrigation	314,987	317,025	338,140	355,639	355,047	16,907	5.00%
Total Commodity	<u>2,364,608</u>	<u>2,429,549</u>	<u>2,594,614</u>	<u>2,555,921</u>	<u>2,724,345</u>	<u>129,731</u>	<u>5.00%</u>
Non-Commodity Charges							
Base Meter Charges	1,262,966	1,315,110	1,398,665	1,376,040	1,468,598	69,933	5.00%
Meter Install/Repair	2,765	12,258	35,000	150	35,000	-	0.00%
New Connection BPA Fee	-	24,813	24,880	95,000	24,880	-	0.00%
Backflow Testing/Install	5,643	7,815	5,700	5,700	5,700	-	0.00%
Bulk Water Sales	6,327	105,285	82,500	58,000	6,500	(76,000)	-92.12%
Total Non-Commodity	<u>1,277,701</u>	<u>1,465,281</u>	<u>1,546,745</u>	<u>1,534,890</u>	<u>1,540,678</u>	<u>(6,067)</u>	<u>-0.39%</u>
Total Water Rate Revenues	3,642,309	3,894,830	4,141,359	4,090,811	4,265,023	123,664	2.99%
Sewer Rates							
TCS Holder Fees (SA2)	246,151	212,820	157,666	158,132	163,973	6,307	4.00%
TCS User Fees (SA2)	101,349	115,115	125,419	129,374	130,436	5,017	4.00%
RH Sewer User Fees (ID1)	-	137,158	158,448	158,104	164,786	6,338	4.00%
Sewer Capacity Fees	-	5,994	-	34,718	-	-	0.00%
Sewer User Fees (ID5)	304,047	183,128	179,354	178,526	186,528	7,174	4.00%
Total Sewer Rates	<u>651,547</u>	<u>654,215</u>	<u>620,887</u>	<u>658,854</u>	<u>645,722</u>	<u>24,835</u>	<u>4.00%</u>
Availability Charges Collected thru Tax Roll							
ID1 - Water/Sewer/Flood Standby	106,256	106,786	105,000	105,652	105,000	-	0.00%
ID3/ID4 - Water Standby	119,280	116,477	117,000	117,000	117,000	-	0.00%
Pest Control Standby	16,429	16,353	16,000	17,150	17,150	1,150	7.19%
Total Availability (Tax Roll)	<u>241,965</u>	<u>239,616</u>	<u>238,000</u>	<u>239,802</u>	<u>239,150</u>	<u>1,150</u>	<u>0.48%</u>
TOTAL RATE REVENUE	4,535,821	4,788,660	5,000,246	4,989,467	5,149,895	149,649	2.99%
Non-Rate Revenue							
Penalties & Fees	1,580	61,860	40,000	56,809	50,000	10,000	25.00%
BSUSD Agreement	15,478	46,053	35,000	45,000	35,000	-	0.00%
1% Property Assessments	71,486	72,848	70,000	71,000	70,000	-	0.00%
Interest Income	28,442	8,290	5,000	35,000	35,000	30,000	600.00%
Groundwater Mgmt Income(FY23-Meter Reading)	104,351	106,855	3,500	5,000	3,333	(167)	-4.76%
TOTAL NON-RATE REVENUE	<u>221,337</u>	<u>295,906</u>	<u>153,500</u>	<u>212,809</u>	<u>193,333</u>	<u>39,833</u>	<u>25.95%</u>
GROSS INCOME	4,757,158	5,084,567	5,153,746	5,202,276	5,343,229	189,483	3.68%



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

Operating Expenses

	Actual FY2021	Actual FY2022	Budget FY2023	Projected FY2023	Proposed FY2024	<i>Budg 23 vs Prop 24 \$ Change</i>	<i>Budg 23 vs Prop 24 % Change</i>
EXPENSES							
OPERATING EXPENSES							
Operations & Maintenance Expense							
R&M Water	133,704	223,070	258,500	245,000	275,303	16,803	6.50%
R&M WWTF	49,335	37,445	124,080	100,000	132,145	8,065	6.50%
Telemetry	3,914	7,061	5,170	9,414	5,506	336	6.50%
Trash Removal (includes CSD)	6,297	6,767	6,204	6,720	6,607	403	6.50%
Vehicle Expense	29,690	35,835	23,000	23,000	24,495	1,495	6.50%
Fuel & Oil	33,585	46,327	51,000	51,000	54,315	3,315	6.50%
Lab/Testing	26,519	36,017	31,020	35,000	38,036	7,016	22.62%
Permit Fees	29,997	34,979	37,741	36,500	40,194	2,453	6.50%
Pumping Electricity	330,936	422,335	440,000	479,400	500,000	60,000	13.64%
Total Operations & Maintenance Expense	643,977	849,836	976,715	986,034	1,076,601	99,886	10.23%
Professional Services							
Accounting (Tax & Debt Filings)	1,595	1,973	4,446	4,446	4,735	289	6.50%
Air Quality Study	42,154	13,690	21,077	21,077	36,341	15,264	72.42%
<i>Contra - Air Quality Study (BVEF Cont.)</i>	(10,888)	(21,766)	-	-	-	-	0.00%
Payroll Services	3,864	3,866	3,205	3,205	3,413	208	6.50%
Audit Fees	21,645	21,480	20,163	26,000	30,000	9,837	48.79%
IT & Cyber Security	39,644	45,915	40,000	40,000	42,600	2,600	6.50%
Financial Consulting	89,119	16,621	82,720	20,100	88,097	5,377	6.50%
Engineering	20,935	83,184	23,265	45,000	50,000	26,735	114.92%
Legal Services - General	83,000	70,922	74,540	74,540	79,385	4,845	6.50%
Advocacy	15,000	60,000	62,040	60,000	66,073	4,033	6.50%
Total Professional Services	306,067	295,885	331,456	294,368	400,644	69,188	20.87%
Insurance Expense							
ACWA/JPIA Program Insurance	71,809	69,690	75,900	85,636	91,080	15,180	20.00%
ACWA/JPIA Workers Comp	15,023	16,344	20,700	20,700	24,840	4,140	20.00%
Total Insurance Expense	86,832	86,034	96,600	106,336	115,920	19,320	20.00%



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

Operating Expenses

OPERATING EXPENSES (Con't)	Actual FY2021	Actual FY2022	Budget FY2023	Projected FY2023	Proposed FY2024	Budg 23 vs Prop 24 \$ Change	Budg 23 vs Prop 24 % Change
Personnel Expense							
Board Meeting Expense	22,995	24,701	23,782	23,782	25,328	1,546	6.50%
Salaries & Wages	1,009,263	1,069,451	1,212,281	1,212,218	1,338,612	126,331	10.42%
<i>Contra Account - Salaries & Wages</i>	(106,948)	(83,395)	(60,000)	(75,000)	(60,000)	-	0.00%
Contract Labor/Consulting	1,625	-	10,340	2,200	11,012	672	6.50%
Payroll Taxes	25,607	28,451	32,328	30,034	36,603	4,275	13.22%
Benefits - Medical	234,007	266,394	263,670	263,670	298,535	34,865	13.22%
Benefits - CalPERS	150,891	168,234	242,456	242,456	274,516	32,060	13.22%
Trainings & Conferences	7,703	10,555	18,612	18,612	19,822	1,210	6.50%
Uniforms	6,605	7,352	7,238	7,238	7,708	470	6.50%
Safety Compliance & Emergency Prep	1,919	3,896	5,170	5,170	5,506	336	6.50%
Total Personnel Expense	1,353,667	1,495,639	1,755,877	1,730,380	1,957,641	201,764	11.49%
Office Expense							
Office Supplies	14,507	18,481	24,816	24,816	26,429	1,613	6.50%
Office Equipment	20,359	45,002	51,700	38,000	55,061	3,361	6.50%
Postage & Freight	14,137	13,141	15,510	15,510	16,518	1,008	6.50%
Property Tax	2,610	2,618	3,102	3,102	3,304	202	6.50%
Telephone Expense	20,234	24,297	23,000	23,300	30,000	7,000	30.43%
Dues & Subscriptions (ACWA/AWWA)	15,211	18,689	23,782	23,782	25,328	1,546	6.50%
Printing & Publication	3,260	1,996	5,170	5,170	5,506	336	6.50%
Office/Shop utilities	5,046	6,807	7,500	10,000	10,000	2,500	33.33%
Total Office Expense	95,364	131,031	154,580	143,680	172,145	17,565	11.36%
TOTAL OPERATING EXPENSES	2,485,907	2,858,425	3,315,228	3,260,798	3,722,951	407,723	12.30%



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

	Actual FY2021	Actual FY2022	Budget FY2023	Projected FY2023	Proposed FY2024	<i>Budg 23 vs Prop 24 \$ Change</i>	<i>Budg 23 vs Prop 24 % Change</i>
DEBT SERVICE							
Compass Bank Note 2018A/B - Principal	306,538	314,537	305,000	322,751	341,189	36,189	11.87%
Compass Bank Note 2018A/B - Interest	85,000	73,644	85,000	33,994	49,821	(35,179)	-41.39%
Pacific Western 2018 IPA - Principal	317,000	104,070	427,960	-	-		
Pacific Western 2018 IPA - Interest	184,850	89,540	159,759	-	-		
Capital One Public Funding 2021 - Principal	-	-	-	427,960	427,960	427,960	-
Capital One Public Funding 2021 - Interest	-	82,223	-	82,223	159,759	159,759	-
TOTAL DEBT SERVICE	893,387	664,014	977,719	866,928	978,729	588,729	60.21%
GROUNDWATER MANAGEMENT EXPENSES							
Pumping Fees	123,888	49,776	100,000	75,000	100,000	-	0.00%
GWM Expense	61,438	861	72,561	2,000	77,277	4,716	6.50%
Legal Expense	355,389	10,310	150,000	60,000	100,000	(50,000)	-33.33%
Engineering/TAC Expense	48,339	58,601	50,000	128,740	100,000	50,000	100.00%
Water Quality Study	-	-	-	-	20,000	20,000	#DIV/0!
TOTAL GROUNDWATER MGMT EXPENSES	589,054	119,548	372,561	265,740	397,277	24,716	6.63%
TOTAL EXPENSES	3,968,349	3,641,987	4,665,508	4,393,466	5,098,958	1,021,169	21.89%
NET INCOME	788,809	1,442,580	488,238	808,810	244,271	(831,686)	-170.34%



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

	Actual FY2021	Actual FY2022	Budget FY2023	Projected FY2023	Proposed FY2024
<u>CAPITAL IMPROVEMENT PROJECTS (CIP)</u>					
CASH FUNDED CIP					
Water Projects					
Office Imp. (FY22 Cameras, FY23 Paint, Lighting)	-	13,700	50,000	-	50,000
ID5-5 Replacement VFD	-	-			200,000
BPA Acquisition	-	-	-	601,250	521,250
Congressional Appropriations Cash Funded Poriton	-	-	-	-	850,167
Total Water Projects	-	13,700	50,000	601,250	1,621,417
Sewer Projects					
Manhole Refurbishments			47,408	14,000	49,778
Palm Canyon Sewer Line Inspection					150,000
LCDZ Gravity Main Completion	-	102,623	-	11,000	-
Oxygen Injection Station	-	6,293	-	4,000	-
Total Sewer Projects	-	108,916	47,408	29,000	199,778
Short Lived Asset Replacements					
Backup Generator Office & Shop	-	-	-	-	100,000
ID1-8 Our of Service Life	-	-	-	-	60,000
ID4-18 Inspection	-	-	-	-	10,000
Reservoir Cleaning/Video Inspection	-	-	-	-	37,000
Clarifier Rehab	-	-	-	-	50,000
ID5-5 Electrical Upgrades	-	29,853	-	-	-
Booster Station 3 Upgrades	-	17,387	-	30,000	-
Paddock Well - Convert to Monitoring	-	10,323	7,779	10,211	-
10-15 kw Backup Diesel Generator	-	-	15,000	15,000	-
Main Server Replacement	-	7,924	-	-	-
Well ID4-11 Rehab	-	194,113	-	-	-
ID4-9 Motor Rebuild & Shaft Repair	-	-	-	120,000	-
Trailer Mounted Vacuum Unit	-	90,630	-	-	-
Track Skid Steer	-	103,948	-	-	-
Pickup Truck	29,000	-	60,000	64,856	-
Emergency Repairs	-	-	60,000	-	60,000
Total Short Lived Assets	29,000	454,178	142,779	240,067	317,000
CASH FUNDED CIP	29,000	576,794	240,187	870,317	2,138,195



Draft Budget for Fiscal Year 2024 (Con't)

Contributed Capital and Bond Funded Capital Improvement Projects

	Actual FY2021	Budget FY2022	Budget FY2023	Projected FY2023	Proposed FY2024
CONTRIBUTED CAPITAL PROJECTS					
Ocotillo Solar					
ID 4-10 Filling Station		9,151		-	
Ocotillo Solar Reimbursements		(1,883)		-	
Ocotillo Solar Net Expenses For FY		7,268			
SDGE Pipeline					
BVR Pipeline n/o Palm Canyon		154,230		185,000	
SDGE Reimbursement Income		(175,875)		(163,355)	
SDGE Pipeline Net Income for FY		(21,645)			
CONTRIBUTED CAPITAL NET INCOME		(14,377)	-	-	-
2021 BOND FUNDED CIP					
Bond Funded Water Projects					
ID 5-15 Completion		560,135	300,000		
ID 4-10 Inspection and Repairs			225,621		
BPA Acquisition	-		1,300,000		
Pipeline Replacements		357,750	615,500		
2021 BOND FUNDED CIP TOTAL	-	917,885	2,441,121	-	



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

	Actual FY2021	Actual FY2022	Budget FY2023	Projected FY2023	Proposed FY2024
GRANT FUNDED CIP					
Water Projects- DWR Grant Net \$2,048,362					
Twin Tanks	2,836	20,353	891,165	891,165	9,647
Wilcox Diesel Motor	-	-	83,333	83,333	-
Indian Head Reservoir Replacement	-	-	474,000	474,000	450,000
Rebulid Rams Hill Tank #2	-	21,516	474,000	474,000	450,000
Total Water Projects - Water Reservoirs Grant	<u>2,836</u>	<u>41,869</u>	<u>1,922,498</u>	<u>1,922,498</u>	<u>909,647</u>
Sewer Projects - DWR Grant - \$788,912					
WWTP Upgrade/Rehabilitation	32,338	468,843	288,912	228,912	-
WWTP Grant Reimbursement Received	-	(479,672)	-	-	-
WWTP Upgrade Grant Net Income	<u>32,338</u>	<u>(10,829)</u>	<u>288,912</u>	<u>228,912</u>	<u>-</u>
Prop 68 Grant					
AMI	-	-	455,000	20,000	455,000
WWTP Monitoring Wells	-	5,002	141,000	80,000	60,000
Admin/Acquisition Costs	-	93,465	75,000	20,000	75,000
Total - Prop 68 Grant	<u>-</u>	<u>98,467</u>	<u>671,000</u>	<u>120,000</u>	<u>590,000</u>
2022 Appropriations Bill					
BSR Pipeline	-	584	912,406	-	912,406
Sungold Pipeline	-	334	2,488,260	-	2,488,260
2022 Appropriations Bill Total	<u>-</u>	<u>918</u>	<u>3,400,666</u>	<u>-</u>	<u>3,400,666</u>
NET GRANT FUNDED CIP	35,173	- 130,425	6,283,076	2,271,410	4,900,313

Item II.C. Attachment 2 – CIP Draft 2

CAPITAL IMPROVEMENT PROJECTS	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY2032-33	FY2033-34	FY23-FY34
CASH RESERVE FUNDED WATER PROJECTS													
<u>Water Projects</u>													
1 Pipeline Replacements													\$ -
2 ID-5 Well VFD		\$ 200,000											\$ 200,000
3 Replace and upgrade Booster Pump Station 5			\$ 125,000										\$ 125,000
4 Facilities Maint - Office	\$ 50,000												\$ 50,000
5 Water Treatment Facility (phase 2)							\$ 250,000						\$ 250,000
16 Borrego Springs Road Pipeline Replacement (Cash Portion)		\$ 228,102											
17 Sun Gold Pipeline Replacement (Cash Portion)		\$ 622,065											
FY23+ Water Supply Acquisition \$3,800,000	\$ 601,250	\$ 521,250	\$ 521,250	\$ 432,250	\$ 432,250	\$ 512,250	\$ 512,250	\$ 636,250					
8 FY23 Water Supply Acquisition \$1,320,000	\$ 271,082												
7 Emergency System repairs	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 720,000
SUBTOTAL WATER CASH RESERVE PROJECTS	\$ 982,332	\$ 1,631,417	\$ 706,250	\$ 492,250	\$ 492,250	\$ 572,250	\$ 822,250	\$ 696,250	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 7,050,249
<u>Sewer Projects</u>													
8 Palm Canyon Sewer Line Inspection	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000
8 Manhole Replacements/Refurbishment (2/year)	\$ 47,408	\$ 49,778	\$ 52,267	\$ 54,880	\$ 57,624	\$ 60,505	\$ 63,531	\$ 66,707	\$ 70,042	\$ 73,545	\$ 77,222	\$ 81,083	\$ 754,591
SUBTOTAL SEWER CASH RESERVE PROJECTS	\$ 47,408	\$ 199,778	\$ 52,267	\$ 54,880	\$ 57,624	\$ 60,505	\$ 63,531	\$ 66,707	\$ 70,042	\$ 73,545	\$ 77,222	\$ 81,083	\$ 904,591
TOTAL CASH WATER/SEWER CIP PROJECTS 2021 THROUGH 2029	\$ 1,029,740	\$ 1,831,194	\$ 758,517	\$ 547,130	\$ 549,874	\$ 632,755	\$ 885,781	\$ 762,957	\$ 130,042	\$ 133,545	\$ 137,222	\$ 141,083	\$ 7,539,840
<u>FACILITIES MAINTENANCE DETAIL</u>													
Stucco Building and Replace Failing Solar Cells	\$ 20,000	\$ 20,000											
Carpet/Paint Office and Install Energy Efficient Lighting	\$ 30,000	\$ 30,000											
TOTAL CASH RESERVES CAPITAL IMPROVEMENTS PROGRAM	\$ 1,029,740	\$ 1,831,194	\$ 758,517	\$ 547,130	\$ 549,874	\$ 632,755	\$ 885,781	\$ 762,957	\$ 130,042	\$ 133,545	\$ 137,222	\$ 141,083	\$ 7,539,840
TOTAL CASH RESERVES SHORT LIVED ASSETS	\$ 82,779	\$ 297,000	\$ 249,250	\$ 250,163	\$ 232,550	\$ 211,888	\$ 205,500	\$ 187,533	\$ 237,253	\$ 152,807	\$ 397,753	\$ -	\$ -
TOTAL CASH RESERVES CIP AND SHORT LIVED ASSETS ANNUAL BL	\$ 1,112,519	\$ 2,138,194	\$ 1,007,767	\$ 797,293	\$ 782,424	\$ 844,643	\$ 1,091,281	\$ 950,490	\$ 367,295	\$ 286,351	\$ 534,975	\$ 141,083	\$ 10,054,313
GRANT FUNDED CIP PROJECTS													
<u>Water Projects</u>													
DWR Grant Net \$2,855,333													\$ -
9 Replace Twin Tanks	\$ 924,000.00												\$ 924,000
10 Replace Wilcox Diesel Motor	\$ 83,333.00												\$ 83,333
11 Replace Indianhead Reservoir	\$ 924,000.00												\$ 924,000
12 Rams Hill #2, 1980 galv. 0.44 MG recoating	\$ 924,000.00												\$ 924,000
<u>Groundwater Management P68 Grant</u>													
DWR Grant Net \$1,731,000													\$ -
13 AMI	\$ 455,000.00	\$ 455,000.00	\$ 455,000.00										\$ 1,365,000
14 Monitoring Wells	\$ 141,000.00												\$ 141,000
15 Administration	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,000
<u>2022 Appropriations Bill</u>													
16 Borrego Spring Road Pipeline Replacement	\$ -	\$ 912,406.40	\$ -										
17 Sun Gold Pipeline Replacement	\$ -	\$ 2,488,280.00	\$ -										
<u>Potential Pipeline Grants</u>													
18 Club Circle Water and Sewer Pipeline Replacement Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,286,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL WATER/SEWER GRANT CIP PROJECTS	\$ 3,526,333	\$ 3,930,666	\$ 530,000	\$ -	\$ -	\$ -	\$ 2,286,000	\$ -	\$ 10,272,999				
<u>2021 BOND FUNDED CIP PROJECTS</u>													
19 Well ID5-15 Completion	\$ 300,000												
20 Well ID4-10 Inspection and Repairs	\$ 225,621												
21 FY23 Water Supply Acquisition \$1,320,000	\$ 1,048,918												
TOTAL 2021 BOND FUNDED CIP PROJECTS	\$ 1,574,539												\$ 1,574,539
<u>POTENTIAL BOND FUNDED CIP PROJECTS</u>													
<u>Wells, Booster Stations, Reservoirs & Associated Transmission Mains</u>													
22 Deep Well Pipeline Replacement				\$ 2,225,000									\$ 2,225,000
23 West and East Star Road Pipeline Replacement					\$ 450,000								\$ 450,000
24 Country Club Tank Recoating, 1999 1.0 MG						\$ 250,000							\$ 250,000
25 Water Treatment Facility (phase 1)							\$ 900,000						\$ 900,000
26 Water Treatment Facility (phase 2)								\$ 650,000					\$ 650,000
27 New production well									\$ 2,000,000				\$ 2,000,000
28 Solar - Updated to convert approximately 85% of BWD Wells to Solar										\$ 1,200,000			\$ 1,200,000
29 Well 5 Transmission Main Project											\$ 1,215,000		\$ 1,215,000
30 Projected Water Supply Costs											\$ 2,000,000		\$ 2,000,000
TOTAL FUTURE BOND CIP PROJECTS	\$ -	\$ -	\$ -	\$ -	\$ 2,225,000	\$ 450,000	\$ 250,000	\$ 900,000	\$ 650,000	\$ 4,000,000	\$ 1,200,000	\$ 1,215,000	\$ 10,890,000
Total Annual CIP Spend:	\$ 6,213,391	\$ 6,068,861	\$ 1,537,767	\$ 797,293	\$ 3,007,424	\$ 1,294,643	\$ 3,627,281	\$ 1,850,490	\$ 1,017,295	\$ 4,286,351	\$ 1,734,975	\$ 1,356,083	\$ 31,217,313

CIP-SHORT LIVED ASSETS	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
<u>Facility Components</u>							
Backup Generator Office and Shop		\$ 100,000					
<u>WELLS</u>							
Paddock Well - Convert to Monitoring	\$ 7,779						
ID1-8, 125 Hp - Well out of service life		\$ 60,000					
ID-1 Well 12 pump and casing/cleaning				\$ 181,913			
ID-1 16 - Inspection			\$ 173,250			\$ 199,238	
ID4-11, 200 Hp					\$ 120,000		
ID4-18 - Inspect to make a monitoring well		\$ 10,000					
Other Well Rehabilitation							\$ 132,000
<u>TANKS</u>							
Reservoir cleaning/video inspection		\$ 37,000			\$ 42,550		
<u>BOOSTER/PRESSURE REDUCING STATIONS</u>							
<u>WASTEWATER TREATMENT FACILITY</u>							
Clarifier Rehab - Every 10 years		\$ 50,000					
RAS pumps							
Trash Pump							
Lift Station Pump			\$ 11,000			\$ 12,650	
<u>EQUIPMENT</u>							
10-15kw Backup Diesel Generator	\$ 15,000						
Pickup - Every 1.5 to 2 years 3/4 ton	\$ 60,000		\$ 65,000	\$ 68,250	\$ 70,000		\$ 73,500
TOTAL SHORT LIVED ASSETS REPLACEMENT PROGRAM	\$ 82,779	\$ 257,000	\$ 249,250	\$ 250,163	\$ 232,550	\$ 211,888	\$ 205,500