

**BORREGO WATER DISTRICT**

**FISCAL YEAR 2015-2016**

**ANNUAL BUDGET**

**ADOPTED**

**MAY 27, 2015**

**SUBMITTED BY:**

**JERRY ROLWING  
GENERAL MANAGER**

**TO:**

**BOARD OF DIRECTORS**

**BETH HART  
PRESIDENT**

**LYLE BRECHT  
VICE-PRESIDENT**

**JOE TATUSKO  
SECRETARY/TREASURER**

**LEE ESTEP  
DIRECTOR**

**RAYMOND DELAHAY  
DIRECTOR**

**FISCAL YEAR 2015-2016  
ANNUAL BUDGET  
ADOPTED  
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# BORREGO WATER DISTRICT

May 27, 2015

Board of Directors:

This Fiscal Year 2015-2016 consolidated budget was prepared in compliance with the laws of the State of California and reflects the Board of Directors' (Board) goals and priorities and the District's strategic plans by which to achieve these goals and priorities.

The Operations and Management (O&M) and Capital Improvements Projects (CIP) and non-O&M expenses budgets contained in this FY 2016 consolidated budget package represent management's best assessment of a "bare-bones" budget to successfully accomplish the District's goals and priorities for FY 2016. This budget document will be used as a guideline to address the dynamics of the District's operations and the economic challenges of returning the District's present finances to a sustainable state.

The budget shows total revenues for FY 2016 projected to be approximately \$3,802,713. This represents a projected revenues decrease of less than 1% from FY 2015 projected actual revenues. The FY 2016 projected revenues assumes an approximate increase in the water commodity rate of 5%, base water rate of 19%, and 5% for sewer rates from FY 2015. O&M expenses are projected to be approximately \$2,672,956. Non O&M expenses (including CIP costs) for FY 2016 are projected to be approximately \$1,202,678. The FY 2016 budget includes an increase in both O&M and CIP costs for infrastructure repairs to the 35 year old waste water treatment plant. In addition, the electrical budget has been increased to address rising electrical costs and increased lift costs for the water production wells due to the lowering of the water table. The FY 2016 budget also addresses the aging rolling stock of our maintenance fleet. The two existing backhoes are over ten years old and are the primary pieces of equipment utilized by the water maintenance staff. Also, the San Diego Air Pollution Control District has contacted us in regards to California regulations requiring more stringent emissions packages. It was determined by the O&M Committee that we need to begin the rotating out of the older diesel equipment.

FY 2016 non O&M expenses include funds for a Proposition 218 process that will affect FY 2017-FY 2021 rates. This FY 2016 218 process is to (a) adjust water and sewer rates based on cost of service; (b) develop water rate tiers based on cost of service to low vs. high use water-users; (c) to add an electricity charges pass-through; (d) to update development charges and fees, and (e) to evaluate other requirements for a sound plan to improve the District's financial health.

Included in this budget package are the proposed Board Resolution to adopt and approve the FY 2016 budget; a detailed revenue and expense budget; CIP budget with associated justification from the District's consulting engineer; the District's reserves policy; and a cash flow analysis of the proposed rate increases.

Thank you for your consideration.

Sincerely,  
Jerry Rolwing  
General Manager

**RESOLUTION NO. 2015-05-02**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT APPROVING THE OPERATIONS, MAINTENANCE, CAPITAL IMPROVEMENTS AND GROUNDWATER MANAGEMENT BUDGETS AND BOARD DESIGNATED RESERVES FUND POLICY FOR FISCAL YEAR 2015-2016**

**WHEREAS**, the Board of Directors has reviewed and considered the Budget as presented for Fiscal Year 2015-2016 hereinafter referred to as the “Budget” which is attached hereto as Exhibit A and incorporated by reference, and

**WHEREAS**, the Budget provides a comprehensive plan of financial operations for the District including an estimate of revenues and the anticipated requirements for expenditures, appropriations, and reserves for the forthcoming fiscal year, and

**WHEREAS**, the Budget establishes the basis for incurring liability and making expenditures on behalf of the District.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Borrego Water District, that the Budget and each and every part thereof, is hereby approved and adopted for the Fiscal Year 2015-2016.

**PASSED, ADOPTED AND APPROVED** at a regular meeting of the Board of Directors of the Borrego Water District held on May 27, 2015.

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

ATTEST:

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

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



	C	AV	BK	BN	BO	BP
1	<b>BWD</b>			5/19/2015	<b>5% increase</b>	5/27/2015
2	<b>PROPOSED BUDGET</b>	ADOPTED	YTD + PROJ MONTHS>>	PROPOSED	<b>3%</b>	ADOPTED
3	<b>2015-2016</b>	<b>BUDGET</b>	<b>PROJECTED</b>	<b>BUDGET</b>	<b>Net Water</b>	<b>BUDGET</b>
4		<b>2014-2015</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>Increase</b>	<b>2015-2016</b>
5	<b>REVENUE</b>					
6	<b>WATER REVENUE</b>					
7	Residential Water Sales	899,221	973,193	905,000	27,150	932,150
8	Commercial Water Sales	120,570	125,677	125,000	3,750	128,750
9	Irrigation Water Sales	142,918	161,370	139,000	4,170	143,170
10	GWM Surcharge	114,930	114,013	114,000	3,420	117,420
11	Water Sales Power Portion	364,158	365,285	363,000	10,890	373,890
12	Drought Penalty-1%			(9,045)		(9,045)
13	Drought Rates-5.5%			(40,781)		(40,781)
14	<b>TOTAL WATER COMMODITY REVENUE:</b>	<b>1,641,799</b>		<b>1,596,174</b>	<b>49,380</b>	<b>1,645,554</b>
15					<b>METER FEE INCREASE</b>	
16					<b>19%</b>	
17	Readiness Water Charge	1,080,000	1,131,938	1,122,000	213,180	1,335,180
22	Reconnect Fees	4,080	2,380	1,700		1,700
23	Backflow Testing/installation	4,600	6,708	6,500		6,500
25	Penalty & Interest Water Collection	6,000	12,474	9,600		9,600
26	<b>TOTAL WATER REVENUE:</b>	<b>2,773,387</b>	<b>3,087,352</b>	<b>2,735,974</b>	<b>262,560</b>	<b>2,998,534</b>
27						
28	<b>PROPERTY ASSESSMENTS/AVAILABILITY CHARGES</b>					
29	641500 1% Property Assessments	64,625	74,261	64,000		64,000
30	641502 Property Assess wtr/swr/fld	1,650	106,179	60,000		60,000
32	641501 Water avail Standby	82,559	86,102	84,000		84,000
34	641504 ID 3 Water Standby (La Casa)	33,722	34,649	34,000		34,000
35	641503 Pest standby	17,938	17,268	17,000		17,000
36	<b>TOTAL PROPERTY ASSES/AVAIL CHARGES:</b>	<b>200,493</b>	<b>318,459</b>	<b>259,000</b>		<b>259,000</b>
37						
38	<b>SEWER SERVICE CHARGES</b>				<b>5% INCREASE</b>	
39	Town Center Holder Fees	170,190	171,277	171,240	<b>SEWER</b>	171,240
40	Town Center Sewer User Fees	38,040	36,560	39,960		39,960
41	Sewer user Fees	345,125	321,091	318,000	15,900	333,900
45	<b>TOTAL SEWER SERVICE CHARGES:</b>	<b>555,515</b>	<b>528,948</b>	<b>529,200</b>	<b>15,900</b>	<b>545,100</b>
46						
47	<b>OTHER INCOME</b>					
51	Miscellaneous Income (net csd fee/JPIA rebate/check free)	15,880	33,912			
52	Water Credits income-Administrative fee	8,250	5,250			
56	Interest Income	80	79	80		80
57	<b>TOTAL OTHER INCOME:</b>	<b>24,210</b>	<b>39,240</b>	<b>80</b>		<b>80</b>
58						
59	<b>TOTAL INCOME:</b>	<b>3,553,605</b>	<b>3,973,999</b>	<b>3,524,253</b>	<b>278,460</b>	<b>3,802,713</b>

	C	AV	BK	BN	BO	BP
1	<b>BWD</b>			5/19/2015	<b>5% increase</b>	5/27/2015
2	<b>PROPOSED BUDGET</b>	ADOPTED	YTD + PROJ MONTHS>>	PROPOSED	<b>3%</b>	ADOPTED
3	<b>2015-2016</b>	<b>BUDGET</b>	<b>PROJECTED</b>	<b>BUDGET</b>	<b>Net Water</b>	<b>BUDGET</b>
4		<b>2014-2015</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>Increase</b>	<b>2015-2016</b>
68	<b>EXPENSES</b>					
69						
70	<b>MAINTENANCE EXPENSE</b>					
71	R & M Buildings & Equipment	142,000	210,552	185,000		185,000
72	R & M - WWTP	60,000	65,114	132,000		132,000
73	Telemetry	20,000	7,232	10,000		10,000
74	Trash Removal	3,600	3,357	4,000		4,000
75	Vehicle Expense	18,000	20,759	18,000		18,000
76	Fuel & Oil	33,000	23,686	25,000		25,000
77	<b>TOTAL MAINTENANCE EXPENSE:</b>	<b>276,600</b>	<b>330,699</b>	<b>374,000</b>		<b>374,000</b>
78						
79	<b>PROFESSIONAL SERVICES EXPENSE</b>					
80	Tax Accounting (Tausig)	3,000	2,017	3,000		3,000
81	Administrative Services (ADP/Bank Fees)	6,000	5,509	6,000		6,000
82	Audit Fees	14,439	14,439	14,439		14,439
83	Computer billing-TBD	18,250	5,846	9,900		9,900
84	Consulting/Technical/Contract Labor	1,200	200	1,200		1,200
85	Engineering	35,000	20,690	35,000		35,000
86	District Legal Services	20,000	20,900	30,000		30,000
87	Testing/lab work	18,000	14,651	12,000		12,000
88	Regulatory Permit Fees	38,000	30,494	33,000		33,000
89	<b>TOTAL PROFESSIONAL SERVICES EXPENSE:</b>	<b>153,889</b>	<b>114,746</b>	<b>144,539</b>		<b>144,539</b>
90						
91	<b>INSURANCE/DEBT EXPENSE</b>					
92	ACWA Insurance	74,000	57,725	59,000		59,000
93	Workers Comp	14,400	15,384	16,000		16,000
94	COP 2008 Installment	255,713	255,713	254,525		254,525
95	Viking Ranch Refinance closing costs/Debt repayment		202,592	143,312		143,312
96	<b>TOTAL INSURANCE/DEBT EXPENSE:</b>	<b>344,113</b>	<b>531,414</b>	<b>472,837</b>		<b>472,837</b>
97						
98	<b>PERSONNEL EXPENSE</b>					
99	Board Meeting Expense (board stipend/board secretary)	12,870	12,490	16,500		16,500
100	Salaries & Wages (gross)	730,000	725,085	761,000		761,000
101	Taxes on Payroll	15,500	17,311	20,000		20,000
102	Medical Insurance Benefits	180,000	178,336	185,000		185,000
103	Calpers Retirement Benefits	162,000	158,194	169,200		169,200
104	Salaries & Wages contra account	(12,195)	(11,250)	(14,520)		(14,520)
105	Conference/Conventions/Training/Seminars	7,000	6,563	7,000		7,000
106	<b>TOTAL PERSONNEL EXPENSE:</b>	<b>1,095,175</b>	<b>1,086,728</b>	<b>1,144,180</b>		<b>1,144,180</b>
107						
108	<b>OFFICE EXPENSE</b>					
109	Office Supplies	18,000	22,296	18,000		18,000
110	Office Equipment/ Rental/Maintenance Agreements	25,000	30,526	25,000		25,000
111	Postage & Freight	13,000	14,465	13,000		13,000
112	Taxes on Property	2,366	2,375	2,500		2,500
113	Telephone/Answering Service	7,674	8,610	8,400		8,400
114	Dues & Subscriptions	3,970	3,594	3,600		3,600
115	Printing, Publications & Notices	838	977	1,000		1,000
116	Uniforms	6,000	4,790	5,400		5,400
117	OSHA Requirements/Emergency preparedness	4,500	2,135	4,000		4,000
118	<b>TOTAL OFFICE EXPENSE:</b>	<b>81,347</b>	<b>89,767</b>	<b>80,900</b>		<b>80,900</b>
119						
120	<b>UTILITIES EXPENSE</b>					
121	Pumping-Electricity	360,000	453,907	430,000		430,000
122	Office/Shop Utilities	17,319	19,367	19,000		19,000
123	Cellular Phone	8,000	7,938	7,500		7,500
124	<b>TOTAL UTILITIES EXPENSE:</b>	<b>385,319</b>	<b>481,212</b>	<b>456,500</b>		<b>456,500</b>
125						
126	<b>TOTAL EXPENSES:</b>	<b>2,336,442</b>	<b>2,634,566</b>	<b>2,672,956</b>		<b>2,672,956</b>
135						
136	<b>NET CASH FLOW (O&amp;M)</b>	<b>1,219,433</b>	<b>1,258,286</b>	<b>851,298</b>	<b>278,460</b>	<b>1,129,758</b>

	C	AV	BK	BN	BO	BP
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3	<b>2015-2016</b>	<b>BUDGET</b>	<b>PROJECTED</b>	<b>BUDGET</b>	<b>Net Water</b>	<b>BUDGET</b>
4		<b>2014-2015</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>Increase</b>	<b>2015-2016</b>
137	<b><u>NON O &amp; M EXPENSES</u></b>					
138	<b>Water</b>					
139	Twin Tanks, 1970's-inside coating (rescheduled into 2015-2016)		-	125,000		125,000
140	Pickup		-	30,000		30,000
141	Backhoe		-	150,000		150,000
142	ID 5-5, 200 HP	10,000	-	10,000		10,000
143	Pipeline-Bending Elbow Road-Second Half		-	55,590		55,590
144	Rewind motors-ID1-12/ID5-5	30,000	15,000			
145	Pump and Cleaning Well ID4-4	60,000	-	70,000		70,000
146	Booster Station Motors-Country Club & ID1 station 1 #2 30 hp	16,000	8,000	8,000		8,000
147	Circle J Pipeline project	57,000	-			
148	Air Quality Compliance-Wilcox Well	40,000	-	37,000		37,000
151	<b>Sewer</b>					
152	WWTP-Skid Steer	65,000	64,587			
153	WWTP-Portable engine driven trash pump/Backup generator	10,000	6,448	92,000		92,000
154	WWTP-Rehab grit chamber & sludge holding tank diffuser system	30,000	38,862			
155	WWTP-Rehab grit chamber		-	6,000		6,000
156	WWTP-Jetting & Vactor Truck Service	10,000	10,000			
157	WWTP-Rehab Clarifier/pump/bearings	40,000	40,000	66,500		66,500
158	WWTP-Video Collection Lines	25,000	25,000			
159	WWTP-Solar Project		51,272	205,088		205,088
160	Collection system repairs \$25,000/manhole replacement \$50,000	75,000	75,000			
162	<b>GWM</b>					
164	GWM -legal/Misc.	15,000	110,689	60,000		60,000
165	District portion of GSP		-	80,000		80,000
172	218 Process	110,000	-	110,000		110,000
177	<b>OTHER</b>					
178	Lugo building repairs	5,000	1,400			
179	Trailer to haul pipe	10,000	10,000			
181	GPS Locating System		-	12,000		12,000
183	New Computer for server and new Software system	10,000	10,000	85,500		85,500
191	<b>TOTAL NON O&amp;M EXPENSES</b>	<b>688,000</b>	<b>615,891</b>	<b>1,202,678</b>		<b>1,202,678</b>
192						
193	<b><u>CASH RECAP</u></b>					
194	Cash beginning of period	1,688,382	1,969,053	2,611,448		2,611,448
195	Net Cash Flow (O&M)	1,219,433	1,258,286	851,298		1,129,758
196	Total Non O&M Expenses	(688,000)	(615,891)	(1,202,678)		(1,202,678)
197	<b>CASH AT END OF PERIOD</b>	<b>2,219,815</b>	<b>2,611,448</b>	<b>2,260,068</b>		<b>2,538,528</b>
198						
199	<b><u>RESERVES</u></b>					
200	Debt Reserves			(400,000)		(400,000)
201	Working Capital (4 months)	(750,000)	(750,000)	(900,000)		(900,000)
203	Contingency Reserves (10% O&M)			(270,000)		(270,000)
204	Rate Stabilization Reserves			(480,000)		(480,000)
205	Available for Emergency Reserves	1,169,815	1,861,448	210,068		488,528
206	<b>Target Emergency Reserves</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>		<b>2,000,000</b>
207	<b>Emergency Reserves Deficit</b>	<b>(830,185)</b>	<b>(138,552)</b>	<b>(1,789,932)</b>		<b>(1,511,472)</b>



	B	C	D	E	F
4					
5					
6	<b>BWD</b>				
7	<b>INCOME/EXPENSE</b>				
8	<b>CONDENSED BUDGET</b>				
9	<b>2015-2016</b>				
10	<b>Adopted 05/27/15</b>				
11					
12					
13					
14		<b>TOTAL</b>			
15		<b>BUDGET</b>	<b>WATER</b>	<b>ID4-WATER</b>	<b>SEWER</b>
16	<b>REVENUE</b>				
17					
18	Water Sales	2,863,313.31	1,145,325	1,717,988	
19	GWM Surcharge	117,420	46,968	70,452	
21	1% Property Assessment	64,000	25,600	38,400	
22	Water Availability Standby	194,999.81	78,000	117,000	
23	Sewer Revenue	545,100			545,100
26	Interest Income	80	27	40	13
31	Other Income	17,800	7,120	10,680	
32	<b>TOTAL PROPOSED INCOME FY 2016:</b>	<b>3,802,713</b>	<b>1,303,041</b>	<b>1,954,560</b>	<b>545,113</b>
34					
35					
36	<b>EXPENSE</b>				
37					
38	Repairs & Maintenance	374,000	96,800	145,200	132,000
39	Professional Services	144,539	49,528	74,291	20,719
40	Insurance	75,000	25,700	38,549	10,751
41	Personnel Expense	789,980	270,695	406,042	113,242
42	Employee Benefits	354,200	121,371	182,056	50,774
43	Office expense	80,900	27,721	41,582	11,597
44	Utilities	456,500	156,425	234,637	65,439
45	Debt Expense-COP 2008	254,525	-	254,525	-
46	Viking Ranch Refinance	143,312	49,107.49	73,661.21	20,543.58
47	<b>TOTAL PROPOSED EXPENSE FY 2016:</b>	<b>2,672,956</b>	<b>797,346</b>	<b>1,450,544</b>	<b>425,066</b>
48					
49	<b>NET INCOME (EXPENSE):</b>	<b>1,129,758</b>	<b>505,694</b>	<b>504,016</b>	<b>120,047</b>
50					
51	<b>TOTAL NON O &amp; M EXPENSE:</b>	<b>1,202,678</b>	<b>\$ 285,467</b>	<b>\$ 428,201</b>	<b>\$ 489,010</b>
52					
53	<b>TOTAL NET CASH FLOW FY 2016:</b>	<b>(72,920)</b>	<b>220,227</b>	<b>75,816</b>	<b>(368,963)</b>

## MEMORANDUM

**DATE:** May 27, 2015  
**TO:** Borrego Water District Board of Directors  
**FROM:** Jerry Rolwing, General Manager and David Dale, Dynamic Consulting Engineers, Inc.  
**Re:** Borrego Water District, 5-10 Year Capital Improvement Program (CIP) Justification

This memorandum is to provide detailed information and justification for the proposed CIP for the next ten years. Through a regular maintenance schedule, the infrastructure of the Borrego Water District is in overall good condition. The District is proactive in planning for replacement of known short lived assets and necessary capital improvement projects to increase the useful life and reliability of the system, and reduce the District's risk and overall maintenance costs. This is done through the dedication and experience of the system operators and staff. The District's consulting engineer participated in the preparation of this CIP and Short Lived Assets replacement program.

A CIP will provide many benefits to the District. The CIP will:

- Allow for a systematic evaluation of all potential projects at the same time.
- Provide the ability to stabilize debt and consolidate projects to reduce borrowing costs.
- Serve as a public relations and economic development tool.
- Preserve the District's infrastructure while ensuring the efficient use of public funds.
- Be a tool used for applications for Federal and State grant and loan programs.

Projects included in the CIP were prioritized based on many years of experience and firsthand knowledge of the system and its deficiencies. The anticipated costs for each project were developed based on trends in the market and historical costs to the District. Normal operating expenses (such as office equipment and minor repairs) are not included in the short lived assets program. The CIP includes projects with a value of \$5,000.00 or more.

Justification for the expected expenses in the CIP and Short Lived Assets are as follows:

### **Short Lived Assets**

#### **Wells**

This data was compiled from historical repairs to the pumps over a 10 year period. The trends for repairs and replacements of motors and well casing have also been reviewed over the period. The wells are the essential component of the water production operation. When a well fails, the entire distribution system is disrupted. The goal is to properly maintain the equipment on a proactive basis and work for timely, cost effective repairs before failure. Based on historical trends, the numbers provided in the Short Lived Assets are realistic. Staff strives to keep the equipment adequately maintained; however some unexpected failures will undoubtedly arise.

## **Tanks**

The California Department of Health Services requires the District to physically inspect the inside of the domestic water reservoirs every three years. This service is performed by a consultant that utilizes divers and provides a written report as well as a video. There is one steel reservoir that is equipped with cathodic protection that was resurfaced last year. One of our five bolted steel (galvanized) tanks will need inside coating in this year. As internal inspections warrant, tanks will be coated in future years. We have two (one domestic and one irrigation) reservoirs that are fitted with a hyperlon bladder. The bladder in the 800 Reservoir was replaced last year and the Reclaim Reservoir #2 has failed and is no longer utilized. The remaining six reservoirs were constructed with galvanized metal which historically has proven to be compatible with the constituents in our local groundwater. We will be investigating methods of rehabilitation for these tanks over the next year.

## **Booster Stations**

This data was compiled from historical repairs and anticipated replacement costs.

## **Wastewater Plant**

The costs associated with the wastewater operations are based on historical records and anticipated repairs by the wastewater treatment plant operator and District engineering consultants. In order to maintain infrastructure integrity, a ten year program is included to re-build the concrete facilities that are showing sign of deterioration from the harsh desert climate over the past 25 years. We have also included a project to video the sewer collection mains in years three and five. There are no provisions for reclaiming water (tertiary treatment) in this plan since that is based solely on population expansion to justify the change in operation.

## **Equipment**

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

## **Capital Improvement Program (CIP)**

### **Capital Improvement Projects include Wells, Booster Stations, Reservoirs and Associated Transmission Mains**

These are expected major capital improvement items that are anticipated to be required in the next ten year period. These costs do not account for unanticipated population growth or decline.

### **Wastewater Plant**

These costs are associated with the upgrading of existing infrastructure while following the provisions of the Regional Water Quality Control Board Order.

### **Pressure Reducing Stations**

These are estimated expenditures based on past and future studies regarding the distribution system.

### **Pipelines**

The distribution system requires continual upgrades to avoid pipeline breaks and associated damages from negligence. The list of future projects was compiled with staff and engineering assistance and represents the anticipated pipeline improvements to alleviate any future problems with high pressures currently experienced within the distribution system.

### **Other Infrastructure**

Over time, fire hydrants fail and require replacement. Some of the older hydrants in the system are constructed with inferior material as compared to today's standards and a regular replacement program is needed.

### **Groundwater Management**

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

	A	C	D	E	F	G	H	I	J	K	L
1	<b>Wells</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>
2	ID1-8, 125 Hp				\$ 40,000		\$ 15,000				\$ 50,000
3	ID1-10, 150 Hp		\$ 50,000			\$ 11,800		\$ 59,000			
4	ID1-12, 200 Hp		\$ 60,000				\$ 17,700		\$ 70,800		
5	ID1-16, 300 Hp			\$ 20,000			\$ 74,400		\$ 23,000		
6	Wilcox, Diesel drive						\$ 20,000				
7	ID4-4, 150 Hp	\$ 70,000	\$ 10,000			\$ 69,000		\$ 11,500		\$ 75,000	
8	ID4-10, 30 Hp						\$ 11,500				\$ 15,000
9	ID4-11, 200 Hp				\$ 17,250	\$ 60,000					
10	ID4-18				\$ 11,500				\$ 13,225		
11	ID5-5, 200 Hp	\$ 10,000		\$ 60,000		\$ 17,250			\$ 69,000		\$ 20,000
12	Air Quality Compliance	\$ 37,000	\$ 50,000	\$ 50,000		\$ 50,000	\$ 50,000				
13											
14	<b>Tanks</b>										
15	Rams Hill #1, 1980 steel, needs inside coating, 1.25 MG*								200,000		
16	Rams Hill #2, 1980 galv. 0.44 MG, repairs - engineering study				\$ 125,000						
17	800 Tank, Hyperlon .75 MG									150,000	
18	Reclaim #1, 1985, galv repaired 2010 0.4 MG										
19	Reclaim #2, Hyperlon 2007, 1 MG, reconfigure plumbing										
20	Indianhead, 1970's 1- 0.22MG, inside coating			\$ 125,000							
21	Twin Tanks, 1970's 2- 0.22 MG, inside coating (two tanks, one per year)	\$ 125,000	\$ 125,000								\$ 150,000
22	Country Club, 1999 1.0 MG							\$ 150,000			
23											
24	<b>Booster/Pressure Reducing Sta.</b>										
25	ID1, Booster Sta. 1, #1, 30 Hp					\$ 9,200					
26	ID1, Booster Sta. 1, #2, 30 Hp	\$ 8,000					\$ 9,200				
27	ID1, Booster Sta. 1, #3, 50 Hp		\$ 15,000					\$ 17,250			
28	ID1, Booster Sta. 2, #4, 30 Hp					\$ 9,200					
29	ID1, Booster Sta. 2, #5, 30 Hp									\$ 10,400	
30	ID1, Booster Sta. 2, #6, 50 Hp		\$ 15,000								\$ 18,600
31	ID4, Booster Sta. 3, #7, 25 Hp										
32											
33	<b>Wastewater Plant</b>										
34	Shredder Cutters		\$ 4,000			\$ 4,120			\$ 4,244		
35	Motor and Gear Reducers for Brushes			\$ 17,920				\$ 20,070			
36	Wastewater Return Pump			\$ 6,720				\$ 7,526			
37	Video Collection Lines		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
38	Backup Generator and portable pump for Lift Station	\$ 92,000									
39	<b>Equipment</b>										
40	Sewer Tractor/loader										
41	Tractor repair/roadwork blade						\$ 25,000				
42	Backhoe	\$ 150,000			\$ 163,500					\$ 188,025	
43	Pickups	\$ 30,000		\$ 31,800		\$ 33,708		\$ 35,730			\$ 38,946
44	Big Truck		\$ 50,000				\$ 56,000				\$ 61,040
45	Computers/Office Equipment-New billing/accounting software	\$ 85,500	\$ 10,600		\$ 11,236		\$ 11,872		\$ 12,584		\$ 13,297
46	GPS Locating System	\$ 12,000									
47	<b>SHORT LIVED ASSETS REPLACEMENT PROGRAM</b>	<b>\$ 619,500</b>	<b>\$ 389,600</b>	<b>\$ 311,440</b>	<b>\$ 368,486</b>	<b>\$ 264,278</b>	<b>\$ 290,672</b>	<b>\$ 301,077</b>	<b>\$ 392,853</b>	<b>\$ 423,425</b>	<b>\$ 366,883</b>



5/29/15

Jerry Rolwing  
General Manager  
Borrego Water District  
806 Palm Canyon Drive  
Borrego Springs, CA 92004

Mr. Rolwing:

I have reviewed the proposed Capital Improvement Program for the next ten years and concur that the projects identified in the schedule are the most pressing physical infrastructure needs of the District at this time. The estimated costs (in 2015 dollars) of these improvements are reasonable for planning purposes.

If you have any questions please contact me.

Regards,



David Dale, PE, PLS  
Contract Engineer

**BORREGO WATER DISTRICT  
POLICY STATEMENT**

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**SUBJECT: CASH RESERVES POLICY**

**NO: 2011-05-01**

**ADOPTED: 2011-05-25**

**AMENDED: 2015-05-27**

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**I. BACKGROUND AND INTRODUCTION**

Reserves are needed because of risk. Water and sewer operations are inherently risky, given the potential liability associated with repairing and replacing infrastructure necessary for maintaining 24x7 operations for supplying water and sewer services to the homes and businesses of Borrego. In addition, water operations have risk associated with the volatility of revenue due to weather conditions. Reserves also assist in reducing rate shocks. Without them a water utility is exposed to rate instability. Rate instability increases the cost of borrowing. Reserves allow the District to smooth out rate increases. 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. Sometimes bond covenants require or recommend a rate stabilization reserve.

Many utilities operate in a state of revenue deficiency, which means they either rely on existing reserves, skimp on funding reserves, or defer economically prudent repair and replacement of infrastructure to the distant future where much higher costs will be borne by ratepayers to repair or replace infrastructure that has failed catastrophically. Becoming revenue sufficient means that a utility can count on receiving adequate revenues to fully fund utility operations, including debt service obligations, and some portion of capital improvements from rate revenues, and reserves. Reserve accounts are a vital part of every water and sewer system's financial health.

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

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

This reserve policy is based upon prudent financial management practices and those amounts required by legal, legislative and contractual obligations that are critical to the financial health of the District. This policy defines required fund types for segregation purposes and their funding levels that are based upon this District's unique operating, capital investment and financial plans.



**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 are the following:

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

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

### **III. BOARD DISCRETIONARY RESERVES**

**Operating or Working Capital Reserves.** The purpose of this reserve is to cover temporary cash flow deficiencies caused by timing differences between revenues and expenditures. O&M reserves shall be targeted at an amount equal to four (4) months of the District's budgeted annual operating expenses beginning in FY 2015.

**Rate Stabilization Reserves.** These reserves are used to stabilize rates to the extent possible. This reserve, when fully funded, shall be maintained at level of thirty (30%) percent of the revenue generated from the commodity rate for water services and thirty (30%) percent of the total revenues from sewer services. This reserve is to defray any temporary unforeseen and extraordinary increases in the operating costs of the District.

**Contingency Reserves.** The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts or other economic events that may affect the District's operations which could not have been reasonably anticipated at the time the budget was prepared. For FY 2012 and beyond, the target level for this reserve is a minimum of one percent (1%) and a maximum of ten percent (10%) of the District's total operating expenses. Generally, the level will be increased as the level of economic uncertainty increases.

**Asset Replacement Reserves.** The purpose of the asset replacement reserve is to provide a cushion for unscheduled and scheduled repair and replacement of existing infrastructure. The target value of this reserve is twenty-five percent (25%) percent of the three (3) year average of the capital improvement program (CIP) beginning in FY 2012.

**Emergency Reserves.** The purpose of the emergency reserve is to protect the District and its customers against the impacts from unanticipated emergencies. It provides funding for emergency repairs or failure of essential equipment that must be immediately replaced. The emergency reserve target established for FY 2015 is \$2,000,000 that should be sufficient to finance the required cash flow until such time that adequate emergency financing can be secured from conventional outside resources.

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

	A	F	G	H	I
1	<b>BORREGO WATER DISTRICT</b>				
2	<b>FOUR YEAR NET INCOME/</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
3	<b>WORKING CAPITAL PROJECTION</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>
4	Prop 218 Approved Revenue Increases	5%	0%	0%	0%
5	Projected Water Revenue Increase-commodity	5%	0%	0%	0%
6	Expected Water Revenue Increase-commodity	3%	0%	0%	0%
7	Prop 18 approved Water Revenue Increase-base	20%	0%	0%	0%
8	Expected Water Revenue Increase - base	19%	0%	0%	0%
9	Projected/Expected Sewer Revenue Increase	5%	0%	0%	0%
10	Existing Water Rate Revenue -commodity	\$ 1,646,000	\$ 1,695,380	\$ 1,695,380	\$ 1,695,380
11	Existing Water Rate Revenue -base	\$ 1,122,000	\$ 1,335,180	\$ 1,335,180	\$ 1,335,180
12	Additional Water Revenue-commodity	\$ 49,380	\$ -	\$ -	\$ -
13	Additional Water Revenue-base	\$ 213,180	\$ -	\$ -	\$ -
14	Existing Sewer Rate Revenue	\$ 318,000	\$ 333,900	\$ 333,900	\$ 333,900
15	Additional Sewer Revenue	\$ 15,900	\$ -	\$ -	\$ -
16	Less drought penalty 1%/Drought Rates 5.5%	\$ (49,826)			
17	Other non variable Income	\$ 488,080	\$ 488,080	\$ 488,080	\$ 488,080
18	<b>Total Revenue (/w Other Rev.)</b>	<b>\$ 3,802,714</b>	<b>\$ 3,852,540</b>	<b>\$ 3,852,540</b>	<b>\$ 3,852,540</b>
19					
20	<b>O&amp;M Expenses</b>	<b>\$ 2,275,119</b>	<b>\$ 1,878,694</b>	<b>\$ 2,084,966</b>	<b>\$ 2,081,942</b>
21					
22	<b>Net Revenue</b>	<b>\$ 1,527,595</b>	<b>\$ 1,973,846</b>	<b>\$ 1,767,574</b>	<b>\$ 1,770,598</b>
23					
28	<b>CIP Financing</b>				
29	Cash CIP	\$ 1,202,678	\$ 707,153	\$ -	\$ 573,193
30	Debt CIP	\$ -	\$ -	\$ 4,748,316	\$ -
31	<b>**Existing Debt Service</b>				
32	ID 4 Bonds	\$ 254,525	\$ 253,113	\$ 251,476	\$ 254,500
34	Viking Ranch Refinance	\$ 143,312	\$ 143,312	\$ 143,312	\$ 143,312
35					
36	<b>Total Debt Service</b>	<b>\$ 397,837</b>	<b>\$ 396,425</b>	<b>\$ 394,788</b>	<b>\$ 397,812</b>
37					
38	<b>Net Annual Cash Flow</b>	<b>\$ (72,920)</b>	<b>\$ 870,268</b>	<b>\$ 1,372,786</b>	<b>\$ 799,593</b>
39					
40	Beginning Reserves Level	\$ 2,611,448	\$ 2,538,528	\$ 3,408,796	\$ 4,781,582
41	<b>Ending Reserves Level</b>	<b>\$ 2,538,528</b>	<b>\$ 3,408,796</b>	<b>\$ 4,781,582</b>	<b>\$ 5,581,175</b>
42					
43					

**BORREGO WATER DISTRICT  
PROPOSED RATES FOR  
FISCAL YEAR 2015-2016**

**Sewer Rates**

The District provides sewer service to areas 1, 2 and 5. Rate increases could possibly take place in areas 1 & 5 through FY 2016. The District's monthly sewer charges are based on one equivalent dwelling unit (EDU) usage of 250 gallons per day, for a typical single family residence. Commercial projected EDU requirements are determined on a case-by-case basis. Sewer customers are charged a fixed monthly holder fee and a monthly user fee based on number of EDU's. It is proposed that this current structure for sewer charges remain unchanged. The Board of Directors may consider changes to this basic rate structure at a later date.

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

	Current Rates FY 2015	FY 2016 Projected
Sewer Area 1	\$ 31.96	\$ 33.56
Sewer Area 5	\$ 59.63	\$ 62.62

**Water Rates**

The District's water rates have two components: 1) a **Fixed Meter Charge** based on the customer's meter size, to recover a portion of the District's fixed costs of operating, maintaining and delivering water, and 2) a **Commodity Charge**, determined by the amount of water used. It is proposed that this basic rate structure for water rates remain unchanged, however the Board of Directors may consider changes to the rate structure at a later date.

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

Meter size	Current Rates FY 2015	FY 2016 Projected
¾ "	\$ 35.12	\$ 42.04
1"	\$ 51.36	\$ 61.45
1 ½"	\$ 86.58	\$103.62
2"	\$131.07	\$156.85
3"	\$238.02	\$284.86
4"	\$379.43	\$454.12
6"	\$757.07	\$906.10

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

	Current Rates FY 2015	FY 2016 Projected
All areas	\$ 2.30	\$ 2.42

**Other Rates and Fees**

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