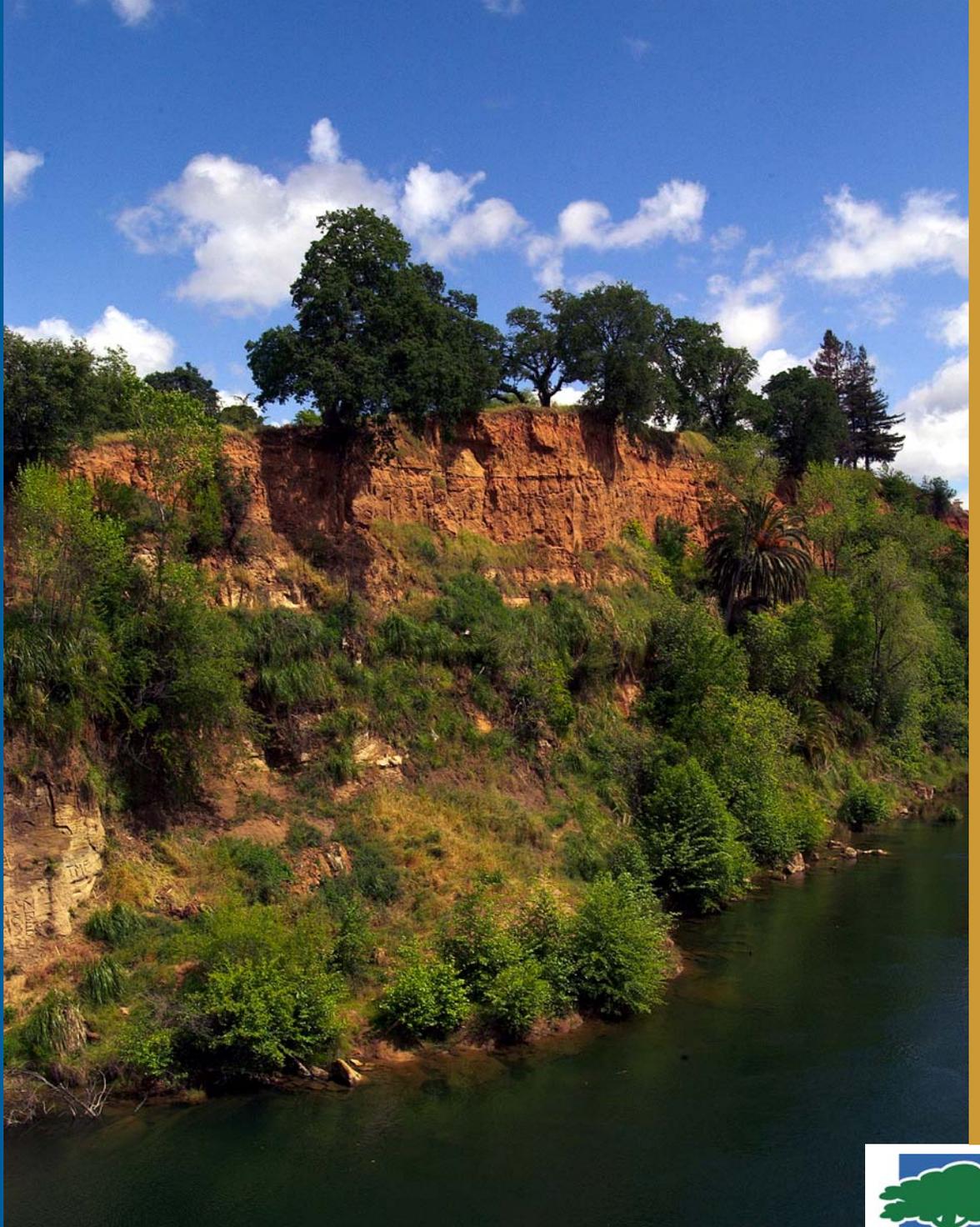


2004-2005 BUDGET AND RATE PACKAGE

FAIR OAKS WATER DISTRICT — Fair Oaks, California



**FAIR OAKS WATER DISTRICT
2004-2005 Budget and Rate Package
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TRANSMITTAL LETTER

November 19, 2003

Honorable board members,

It is with great pleasure and pride that I present to you the 2004 and 2005 Budget and Rate Package.

As in years past, this effort is the combined work of District staff and ad-hoc committee members of your board. The progressive multi-year analyses coupled with an outstanding community outreach effort resulted in a budget and rate package that clearly charts the future for our District.

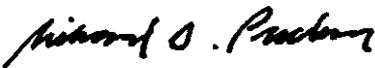
While we have grappled with numerous programs and requirements over the last several years, 2004 and 2005 will be pivotal years for the District. For example, the District will need to:

- Triple the rate of residential meter installations to nearly 1200 per year
- Continue the programmatic replacement of pipelines, hydrants and services
- Continue to meet our obligations under the *Water Forum Agreement*
- Continue water supply planning efforts in the regional context
- Plan for the replacement of our administrative headquarters

We have diligently planned for these activities over the last several years and have successfully endured several years of double digit rate increases to fund programs and improvements on a pay as you go basis. Our continued ability to raise rates will be challenging in a struggling economy with huge state deficits. Also, we will continue struggling to keep pace with market competition for resources, increasing insurance fees and a host of other unavoidable cost increase. It will be incumbent upon the District to continue providing outstanding service in an efficient friendly manner while we meet the challenges ahead.

Meeting the needs of our community, now and in the future will require the highest effort and best thinking from all people in our organization—a challenge that we can meet!

Respectfully submitted,



Richard D. Plecker
General Manager

INTRODUCTION

The Fair Oaks Water District (District) was organized on March 26, 1917 under the provisions of Division 11 of the California Water Code. Originally, the District was known as the Fair Oaks Irrigation District. In 1979, the District formally changed its name to the Fair Oaks Water District in recognition of the diminished role of agriculture within its boundaries.

A five-member board of directors governs the District. The board members are publicly elected for four-year staggered terms representing geographic divisions. The board members delegate day-to-day operational authority to an appointed general manager and staff.

The District encompasses approximately 6,053 acres in the northeast portion of Sacramento County and is bordered on the south by the Folsom Lake State Recreation Area and the American River Parkway. The District currently delivers treated water to residential, commercial and multi-family customers. Ninety percent of the District's water is supplied by San Juan Water District through a long-term wholesale contract. The water purchased from San Juan is delivered through two major transmission mains and is metered at three locations within the District.

The District currently employs seven office personnel to handle customer service, administration, finance and accounting for nearly 13,500 water service connections representing approximately 42,000 residents. The District also employs twenty-seven people to operate, maintain and upgrade 180 miles of pipelines, six wells, a storage and pumping facility, manage water conservation, plan system replacements and upgrades, inspect new construction, provide safety management, and provide other support services. During the summer months, temporary personnel are hired as necessary to assist in construction and conservation efforts.

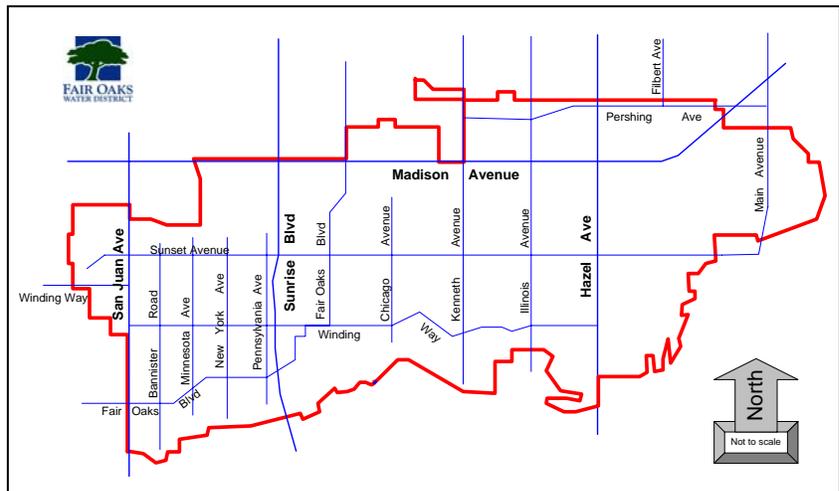


Exhibit 1; District Boundary Map

BUDGET OVERVIEW & HIGHLIGHTS

The budget and rate package is a comprehensive financial plan for the Fair Oaks Water District. The primary purpose of the budget is to provide the board of directors and the District's customers with an accurate picture of total available resources, to set spending and program priorities, and to account for and allocate cash flows of the District. In order to manage and estimate cash resources, the budget is developed on a cash flow basis. The District maintains its monthly financial records on a cash flow basis and adjusts the ending results to conform to generally accepted accounting principles (GAAP) for annual reporting purposes set by the Government Accounting Standards Board (GASB).

The budgeting process involves a detailed review of the District's business objectives, standards of service, funding needs, and the various relationships over a five-year forecast period. The process identifies trends, which affect revenues and expenses, and incorporates these trends into future projections. To more accurately predict current and future needs and projections, an interactive budget model is used for 'what if' analyses and interactively displays critical information between program objectives, revenue requirements, and customer rates. From start to finish, the budget process involves over 1000 hours of District personnel time.

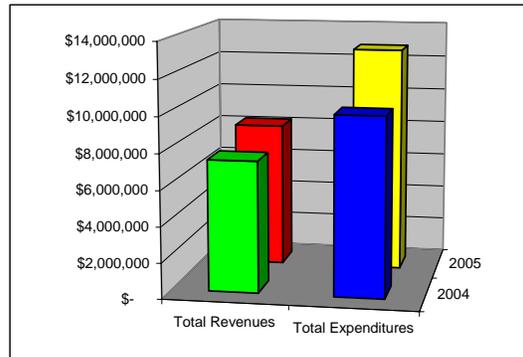


Exhibit 2; Total District Budget

An important result of the budget is to inform our customers about the District's financial and programmatic activities. For the 2004-2005 budgets, Fair Oaks Water District invited all customers to attend the public information sessions on November 5 and November 12 to learn more about the budget and rate setting process. The public hearing took place on November 19, 2003 where the board of directors considered all comments made public and approved the budget and rate package. Finally, the budget has become a long-range planning tool allowing customers to quickly see the trends affecting the District in future years.

The District's budget is comprehensive with many line items and programs. While most budgetary decisions are made on a category-by-category basis, a summary of the District's finances is helpful to provide an overview of activities and the magnitude of the costs involved in providing them.

Revenues

The current proposed budget reflects an assumed 10% rate increase each year for 2004 and 2005. As shown in Exhibit 3, the total revenues expected by the District in 2004 and 2005 are approximately \$7.4 million dollars and \$8.2 million dollars, respectively. The principal sources of these revenues are current water sales, fees for delinquent accounts, fees for service, and interest income. As previously forecasted in 1999, the District continues to face a series of rate increases to meet internal and external service and program objectives in 2004 and 2005, and for several years to come. These objectives will be discussed in more detail later

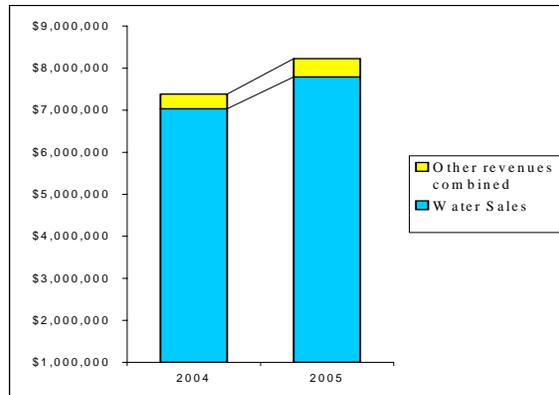


Exhibit 3; 2004 & 2005 Revenues by type, Total = \$7,383,200 and \$8,226,200, respectively.

in this document.

Expenses

The costs associated with running the District fall into seven operating functions in Exhibit 4. Projected total expenses in 2004 are \$10.0 million dollars; exceeding projected revenues by approximately \$2,652,300 (see Exhibit 2). This deficit will be funded using the District's Fixed Asset Reserve, Metering Reserve, Connection Fee Reserve and Rate Stabilization Reserves. These reserves function as the District's savings account. In 2004, projected revenues fund projected expenses of \$12.8 million.

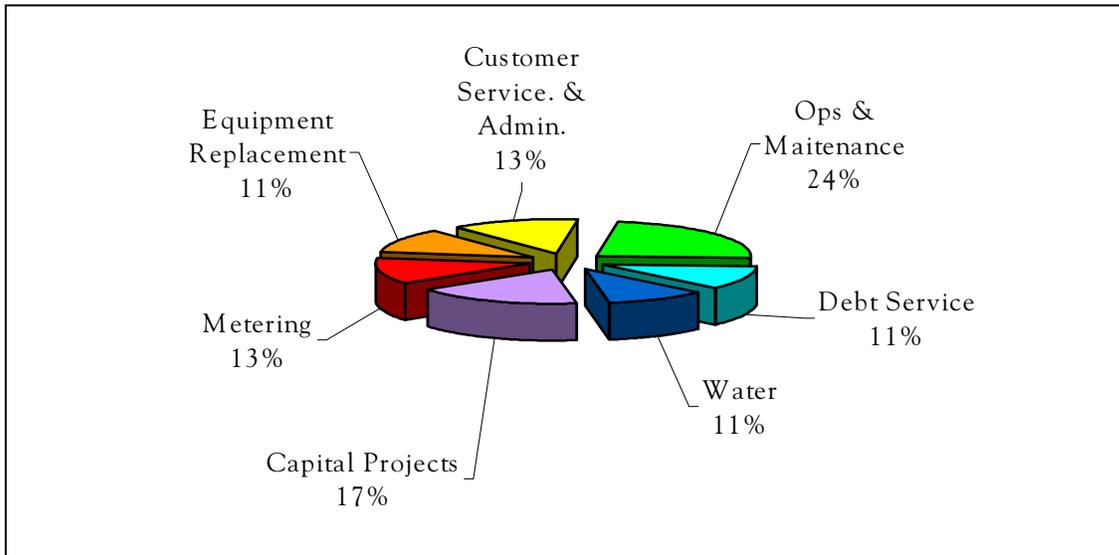


Exhibit 4; Total District expenses by category, Total = \$10,035,500 in 2004 and \$12,815,300 in 2005.

BUDGET PRINCIPLES AND PROCESS OVERVIEW

Budget planning begins bi-annually at mid-calendar year, following completion of the audit for the fiscal year ending the prior December 31, and a review of the first six months of actual revenues and expenses for the current fiscal year. In July, the District's senior staff provide updated information for the timing and costs of anticipated activities over the next several years. The impact on operations of capital projects, legislation and economic factors are reviewed and communicated to the General Manager.

The financial model is updated to determine whether adequate funds exist to meet requests, while maintaining adequate reserves over the budget period. All unfunded needs are documented, if necessary. The budget and forecast is then prepared by the staff and General Manager to ensure consistency with District policies. An Ad-hoc Budget Committee of the board of directors then reviews the documentation and assists in the preparation of the discussion draft document for the public information sessions, public hearing, and Board adoption.

The discussion draft of the budget document will typically be reviewed by the Board in August. Customers are typically notified 45 days in advance about upcoming proposed rate increases and the information sessions and public hearing. One or more public workshop sessions is held in October and November, to allow extended discussion on major issues. The budget process culminates in its adoption at a public meeting in mid November.

Budget Control

The approved budget is then be entered in the District's accounting system, which provides on line access for up to date financial information.

The Board of Directors, on the recommendation of the General Manager, establishes overall budgets and policy programs. The approved budget is then managed and controlled by the respective department managers.

The General Manager controls the budget at the operating level. While line item expenses are in some cases shown in the budget worksheets, the intent of this information is to provide internal budget monitoring controls for staff, and are not intended to be explicit appropriations by the Board of Directors. Upon request of the Staff, the Board may transfer appropriations from reserves to departments during the fiscal year, if the need arises. This bottom line approach to budget management is intended to prioritize overall District spending, while making senior staff accountable for internal operations and expenses.

Capital projects and program budgets are adopted for specific non-operational projects or programs. These budgets often span multiple budget years. For each project or program, subsequent Board approval is sometimes required for approving bids and contracts.

The financial sections of the budget are prepared on a cash basis, and include expenses for capital outlay and the principal and interest portions of debt service, while non-cash expenses such as depreciation and bad debt write-off are excluded. Generally, revenues are recognized in the accounting period in which they become measurable and available, and expenses are recognized in the period in which the liability is incurred.

District Financial and Budgeting Model

The District is focusing on accomplishing more and higher quality tasks, more competitively, while accommodating increasing service demands. With this focus, it became obvious that the District must develop a means of not only projecting financial requirements for the current year, but anticipate future resources and demands as well. Cost estimates will continue to improve as the quality of the information continues to improve.

In 1996, the staff developed the first financial and budget model for the District. The initial model was less sophisticated, using spreadsheets with manual input of accounting information and allowed staff to test different assumptions without lengthy recalculation efforts. This model tracked line item expenses by operation, analyzed and summarized revenues and expenses for any number of multiple scenarios.

In 1998, staff improved the model significantly. The budget model was capable of predicting operating results for the current fiscal year, along with five future years, while tracking line item expenses and budget categories. The model had a module for interactive decision-making where key budget variables can be altered while viewing current and future operating results.

During 1999, as part of the Meter Implantation Plan, the model was refined once again. The forecast period has been extended fifteen years, and more detailed modules on project costing/scheduling and future debt/scheduling were added. Additionally, a more detailed analysis of designated reserve balances was added so users could follow the sources and uses of designated reserves.

In 2001, the model was improved to include the proposed flat rate structure changes. Also, the metered rates were broken out to reflect revenues generated by non-residential versus residential customers. Additionally, water shortage rates are now included as part of the rate structure.

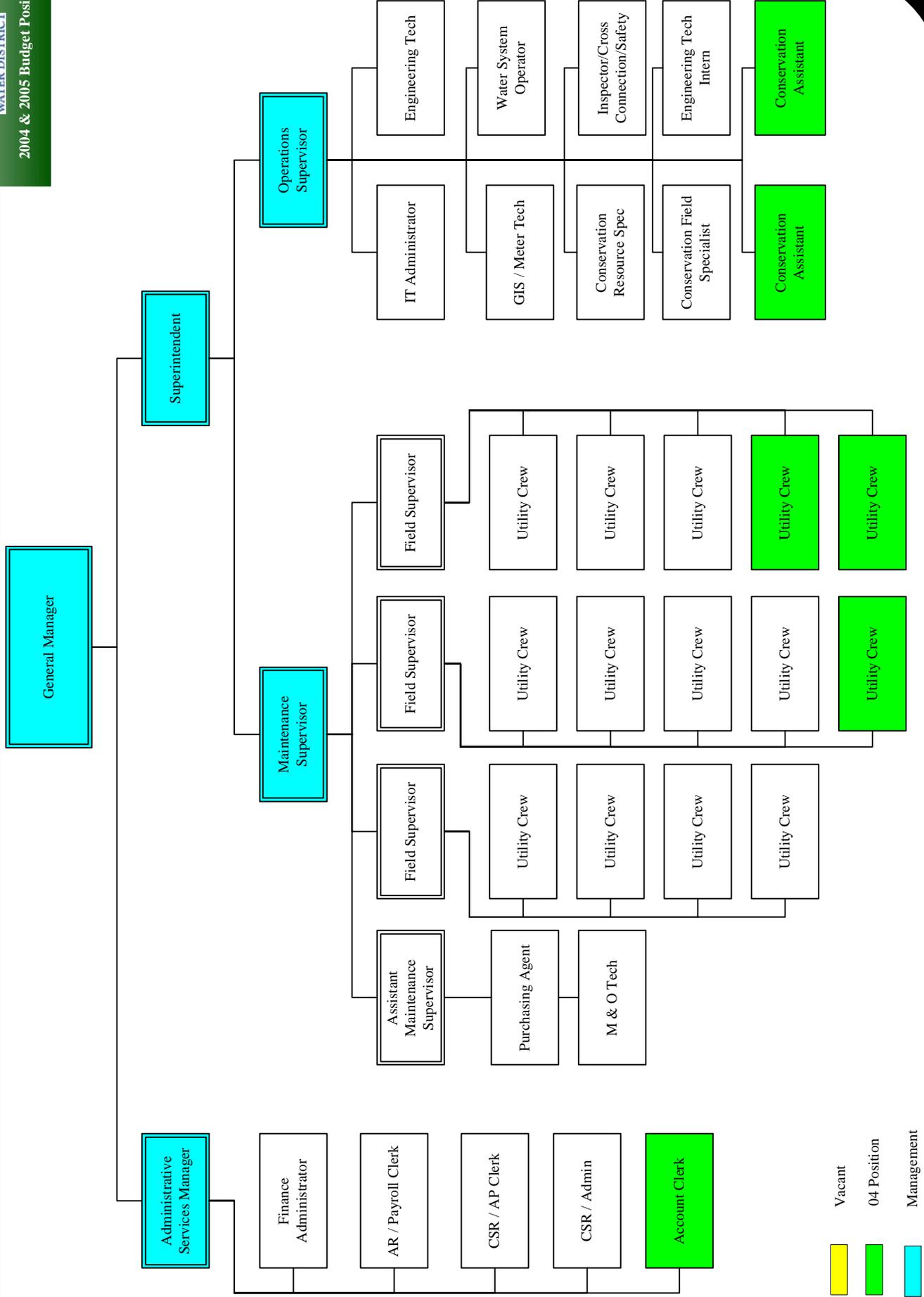
During 2003, the budget module was modified to include billing fees and charges. The flat rate structure was once again modified specifically for the duplex properties to more accurately reflect estimated water use for these properties. Additionally, several expense categories were reclassified to more accurately reflect the expenses category as it relates to its department. Lastly, the reserves and designations were reformatted in order to improve it's readability for the users.

The model is a valuable decision making tool. In fact, that District Staff has been asked by other agencies for the rights to use the model in their organizations.

ORGANIZATIONAL SUMMARY: Organization Chart



2004 & 2005 Budget Positions



Vacant
 04 Position
 Management

District Principles, Goals and Objectives

The purpose of the District's Financial Plan is to demonstrate fiscal solvency and a balanced budget over the long-term, to provide early warning signs of adverse trends, and to improve financial planning and policy making for the allocation of budget resources. The Financial Plan utilizes detailed assumptions, such as population, new connections, infrastructure age, parcel area, and historical and projected operating trends while maintaining consistency with District-wide goals and objectives as well as Board approved fiscal and operational policies.

Growth projections are prepared based on past experience and are reviewed for consistency with the Sacramento County General Plan and economic development forecasts. A financial model (discussed previously) then generates revenue forecasts and inflates or deflates future year operating and project costs on a consistent basis for all operating activities. The Financial Plan's projections may or may not occur as predicted, depending upon changes in the economy, future service level changes, and the mandates from other government agencies. In order to keep the District Board and management up to date, District staff updates the budget model based on actual experience with the latest available information.

District Principles

Customer and Community Service

The District is dedicated to excellence in customer service, to representing the community's interest and to serving as a role model for integrity, dependability, enthusiasm and professionalism. These objectives are translated into functional level objectives for the District's customer service staff, maintenance and construction operations, water quality and delivery operations, conservation staff and financial team. To fulfill these goals, the District continues to develop problem solving policies that benefit the District's community of customers.

Planning and Preparedness

The District believes that proper programmatic and fiscal planning allows the organization to provide the utmost service benefit to its customers. Strategically planning District activities results in a structured and supportable allocation of resources and reduces cost, down time, and customer inconvenience.

Quality

The District is dedicated to providing quality service and long-term value to the community and its customers. Long-term value is not always synonymous with lowest price or cost. Our customers deserve quality, and expect to pay fairly for it. We want to build a utility that generates community pride.

Team work

Delivering high quality water and reliable service and maintaining excellence in customer service requires a diverse set of knowledge and disciplines. The District believes teams of people can accomplish more than similar numbers of people acting alone. Through collaborative efforts, the District is stronger, more competent, more sensitive, more considerate, and provides more consistent service.

Setting priorities

The District believes in putting first things first. In matters of priority, the District's customers, both internal and external, will always come first. We believe we must take care of our customers or someone else will. In prioritizing our activities, we will place matters of safety and public health protection first, matters of system and property value retention second, and matters of aesthetics third.

Continuous improvement

The District believes in continuous improvement. Whether learning and improvement comes from formal training programs, informal communications, participation in professional groups or societies, the effect will create an environment where the status quo will be challenged. We will ask questions, execute, and learn. In the process of improving, we will take reasonable risks and make mistakes. We do not want to fail because we did not try.

District Goals and Objectives

In addition to these overriding principles, the fiscal and operational functions of the organization are guided by the District's long term goals and objectives.

Conversion to Residential Metering

After several years of negotiation with the US Bureau of Reclamation (USBR) and several independent legal opinions regarding the Central Valley Improvement Act of 1992 (CVPIA), it was the USBR's opinion that Fair Oaks Water District would have to initiate and fund a residential meter retrofit program as a condition of receiving federal project water. The District received confirmation of this opinion from the USBR in a letter to the District, dated June 27, 2000.

In 1998, the District had made a good faith commitment to retrofit all District water services with meters by the year 2005. While the District has been diligently following its meter implementation plan, completion of this plan most likely will extend beyond 2005. The District has been in communication with USBR in regards to its meter implementation plan. In order to continue with this program while balancing the needs of the community and its customers, the District has defined the following specific objectives:

- ✓ Install approximately 1,100 to 1,200 residential meters per year.
- ✓ Refine meter reading processes and data analysis processes, including test piloting radio read meters.
- ✓ Analyze residential accounts in preparation for metered rate billing.
- ✓ In conjunction with regional water Districts, pursue water use efficiency grants and project funding.
- ✓ Continue the public education and outreach program.
- ✓ Continue water use efficiency programs designed to educate customers about water use.

Enhance Reliability of Water Supply and Delivery

As its core mission, the District is dedicated to providing a reliable source of water supply and its delivery to the community. As part of this goal, the District has outlined the following specific objectives:

- ✓ Continue to provide leadership in the Regional Water Authority (RWA) for regional conjunctive use, and drought planning opportunities.
- ✓ Continue in a leadership role in the Sacramento Groundwater Authority (SGA).
- ✓ Continue developing a new Master Plan Update, incorporating the vulnerability and emergency response plan, meter implementation plan, and regional water master plan into a comprehensive update of the District's existing master plan.
- ✓ Create an additional pressure-reducing zone to maximize current well efficiency.
- ✓ Continue with fire hydrant testing and flushing best management practices.
- ✓ Construct two new wells for conjunctive use and drought preparedness.
- ✓ Continue promoting and educating customers in water use efficiency techniques and practices.

Support Employee Development and Professionalism

The District believes that the power of the organization and its ability to meet its goals and objectives lies in its human resources. As such, the District is keenly aware of the necessity of supporting its employees in their professional development, in providing sufficient human resources to meet work demands and to provide employees with a productive work environment. To that end, the District has defined the following specific objectives:

- ✓ Continue to promote education, formal, and informal training in matters of communication and public relations, finance, management, leadership, and computer science.
- ✓ Recruit additional crew members for meter installations.
- ✓ Upgrade or replace the District's current office facility to meet current building standards.

Promote Multi-District Resource Sharing Opportunities

Given the constant economic pressures and the mission to provide the most cost effective service to the community, the District is committed to identifying and promoting resource sharing opportunities. In so doing, the District strives to balance cost savings, efficiency and customer benefit with minimal service disruption. As part of this goal, the District has defined the following specific objectives:

- ✓ Continue to participate in RWA's collaborative activities.
- ✓ Continue to work with San Juan and Citrus Heights Water Districts on mutually compatible activities and services, including grant applications.

District Financial Policies

The District Board of Directors has established a number of financial policies to guide the organization in its budgeting and operating activities. The significant financial policies are summarized (discussed) below.

Budget Preparation

A bi-annual budget on a calendar year basis shall be prepared by the General Manager and approved by the Board of Directors. This budget shall be reviewed by a finance committee, then reviewed at a special meeting by the full Board. The amended proposed budget will then be reviewed and discussed at a public meeting in November.

Investment of District Funds

The General Manager or other persons designated by the Board shall invest idle funds not immediately needed by the District within the limitations of the California Government Code.

1. As authorized by resolution(s) of the Board of Directors, the General Manager of the District or other persons designated by the Board, shall invest within the limitations of the California Government Code and this Investment Policy, idle funds not immediately needed by the District for the purpose of earning interest income.
2. The District's general policy is to invest idle funds in the Local Agency Investment Fund (LAIF) of the State of California. However, the District may invest in other instruments from time-to-time, subject to the following goals, objectives, and policies.
3. Goal 1, Portfolio Safety and Diversification: District funds will be managed to insure the safety of the portfolio by investing in high quality securities and by maintaining a mix of securities that will provide reasonable assurance that no single investment or class of investments will have a disproportionate impact on the total portfolio.
 - 3.1. Objective: In addition to the safety provided by investing in high quality securities, the safety of the portfolio is enhanced three ways by maintaining a prudent mix (i.e., diversity) of investments:
 - 3.1.1. Spreading investments over different investment types minimizes the impact any one industry/investment class can have on the portfolio;
 - 3.1.2. Spreading investments over multiple credits/issuers within an investment type minimizes the credit exposure of the portfolio to any single firm/institution; and
 - 3.1.3. Spreading investments over various maturity periods minimizes the risk of portfolio depreciation due to a rise in interest rates
4. Policy: The District's portfolio shall contain a sufficient number and diversity of marketable securities so that a reasonable portion of the portfolio can be readily converted to cash without causing a material change in the value of the portfolio.
5. Goal 2, Liquidity: The pool will be managed to ensure that normal cash needs, as well as scheduled extraordinary cash needs can be met. Further, adequate liquidity shall be maintained to ensure the unforeseen cash needs, whether ordinary or extraordinary.

- 5.1. Objective: The District will maintain a cash-flow-generated portfolio balance, sufficient to cover a one-month operating period. In addition, investments will be made based a six month forecasted cash flow. Further, sufficient marketable treasuries will be maintained to cover unforeseen withdrawals or delayed deposits.
- 5.2. Policy: First priority is given to maintaining specific calendar liquidity, as dictated by the most recent cash forecast. Second priority is the maintenance of Treasury Bill positions adequate to meet unscheduled needs and domiciled in the San Francisco Depository to facilitate cash needs. Final consideration would be given to other investments deemed appropriate to portfolio maintenance, enhancement, or restructuring.
6. Goal 3, Rate of Return: District investments and deposits shall be made in such a way as to realize the maximum return consistent with safe and prudent treasury management.
 - 6.1. Objective: The rate of return will be maintained on a consistent level representative of current market yield direction.
 - 6.2. Policy: Sales gains/losses will not be incurred to the point of significantly altering the final quarterly apportionment rate. Significant sales gains will be offset for restructuring purposes to maintain consistent current return, as well as maximizing future portfolio performance. Significant sales losses shall be incurred only by consent of the Board, or when sufficient profits negate the alteration of the apportionment rate. Range bonds and inverse yielding securities are examples of the types of investments, which are precluded by the above stated objective.
7. Reporting and Conformance: This policy shall be reviewed and updated annually by the Board of Directors. The General Manager or his designee shall prepare a report no later than 30 days after the end of each calendar quarter, listing all investments and activities of the District, in accordance with State Law.

Authorization of Expenses

Expense authority is generally delegated to the General Manager by the Board of Directors through the adopted annual operating budget and through board policy. Individual purchases under \$10,000 require approval by one of the District's senior managers (General Manager, Administrative Manager or Superintendent) and be in general conformance with previously approved operating budgets. Purchases greater than \$10,000 shall be pre-authorized by the General Manager using a purchase order. Any individual purchase that is greater than \$25,000 and not part of the approved operating budget shall require approval by the Board of Directors.

Fixed Asset Accounting Control

An accounting and inventory of all fixed assets shall be maintained to ensure proper accounting control resulting in the maintenance of accurate financial reports of fixed assets. Asset acquisitions or construction greater than \$1,000 shall be recorded as a fixed asset for financial recording purposes.

District Reserve Funds and Designations

Reserve and designations are established to minimize adverse annual and multi-year budgetary impacts from anticipated and unanticipated District expenses. The District's long-term goal is to finance major asset acquisitions on a pay as you go plan, as opposed to issuing new debt. The reserves and designations are designed to assist in this goal. The District has the following designations and reserves, each with its own purpose and minimum and maximum targets:

- ✓ Emergency Designation
- ✓ Rate stabilization Designation
- ✓ Fixed Asset Designation
- ✓ Administrative Facilities Designation
- ✓ Residential Metering Designation
- ✓ Operating Fund Designation
- ✓ Connection Fee Reserve
- ✓ Certificate of Participation Reserve

1. *Emergency Designation:*

- 1.1. Purpose: To fund unanticipated District fixed asset, operating and maintenance expenses.
- 1.2. Target Balance: The reserve fund balance will approximate one year of annual fixed asset amortization (approximately \$1.0 million dollars in 2000).
- 1.3. Methodology: Historical data records do not provide the information required to accurately assess risk and related costs. A small repair cost can be as little as \$20,000, but a large pipe failure could cost in excess of \$1,000,000. The District plans to update its Master Plan in 2000/2001 that will help identify and quantify potential risks. Until the District can better identify and quantify its exposure, it will set aside at least one year's worth of weighted average depreciated fixed assets.
- 1.4. Use of Funds: The funds can only be used with specific Board approval. The use of these funds will be for significant fixed asset acquisitions, repairs or improvements.
- 1.5. Contributions: Annual contributions will be designated in the budget process and could range from 1% to 5% of rate revenues to achieve the target balance.

2. *Rate Stabilization Designation:*

- 2.1. Purpose: To offset the estimated impact of revenue fluctuation and lag effects in converting to meter based billing.
- 2.2. Target Balance: The target fund balance is \$2.7 million in 2011. Beyond 2011, the target fund balance is estimated at 5% of gross water revenues.
- 2.3. Methodology: Since the District will experience a six month cash flow lag affect from receiving revenues in arrears from meter based billing versus the current pre-paid flat rate billing, 50% of flat rate revenue is required in the projected conversion

year of 2011. After the year of conversion, an ongoing reserve is necessary to offset revenue fluctuations resulting from metered billing.

- 2.4. Use of Funds: These funds will be used to offset cash lags experienced when flat rate water customers convert to metered billing. Additionally, these funds will be used to supplement differences in revenue projections resulting from consumption based water sales.
- 2.5. Contributions: Annual contributions will range from 5% to 6% of rate revenues to achieve the target balance.

3. *Fixed Asset Designation:*

- 3.1. Purpose: To fund the improvement, acquisition, and replacement of the water distribution system, well sites, tank site(s), vehicles and equipment.
- 3.2. Target Balance: The target reserve balance is approximately \$1.0 to \$1.5 million.
- 3.3. Methodology: The planned target reserve balance is an average of forecasted acquisitions for the next ten years.
- 3.4. Use of Funds: The funds will be used to improve, acquire, and replace the water distribution system, well and tank sites, vehicles and equipment as identified in the annual budget and rate process. For water capacity enhancement projects, a combination of the Connection Fee Reserve and the Fixed Asset Reserve may be used depending upon available resources.
- 3.5. Contributions: Annual contributions will range from 12% to 20% of water sales revenues.

4. *Administrative Facilities Designation:*

- 4.1. Purpose: To help fund future upgrades, improvements, or replacements to the administrative facilities for ergonomic requirements, staffing space, security enhancements, and customer access.
- 4.2. Target Balance: The target reserve balance will approximate a building replacement, or approximately \$1,000,000 in 2000 dollars.
- 4.3. Methodology: The actual cost of this project is unknown at this time, but was estimated at approximately \$300,000 in 1998. The planned reserve balance will provide the starting funds to improve and possibly replace the building or to move to a new facility.
- 4.4. Use of Funds: The funds will be used to improve, acquire, or replace the administrative facilities, including office furniture.
- 4.5. Contributions: Annual contributions will approximate average annual depreciation of the building and building improvements, or approximately 1% of water sales revenues.

5. *Operating Fund Designation:*

- 5.1. Purpose: To ensure cash resources are available to fund daily administration, operations and maintenance of providing water delivery and customer service.
 - 5.2. Target Balance: A minimum of six months of cash to fund District expenses.
 - 5.3. Methodology: The District is required to have sufficient cash flow to meet the next six months of budgeted District expenses (Government Code Section 53646(b)(3)). The next six months of projected cash revenues can be included as a source of cash flow to satisfy this requirement. Revenues in excess of reserve contributions and expenses resulting from expense savings or timing differences are also reflected in this fund.
 - 5.4. Use of Funds: These funds will be used to pay for expenses according to budget and expense authority.
 - 5.5. Contributions: Annual contributions will vary, depending upon other reserve requirements and current year expense requirements.
6. *Connection Fee Reserve:*
- 6.1. Purpose: To segregate fees charged to new development and direct those proceeds to capacity enhancement projects in compliance with AB1600.
 - 6.2. Target Balance: AB1600 does not designate a target reserve balance. If funds are not used for planned capacity expansion or applied to previous capacity expansion, these fees may be subject to refund.
 - 6.3. Methodology: Connection and pressure mitigation fees generated from new development will be segregated in this reserve. Significant prior capacity expansion absorbed all of the District's connection fee contributions. The District can apply future connection fees to previous year's plant capacity construction.
 - 6.4. Use of Funds: The funds will be used to acquire and enhance system water capacity and delivery. To the extent these reserves do not fund these projects, Fixed Asset Reserves may be used to supplement the difference.
 - 6.5. Contributions: Annual contributions will depend upon new construction within the District. Additionally, interest earnings will be imputed on this balance on a monthly basis, using the District's earnings rate on investments.
7. *Residential Metering Designation:*
- 7.1. Purpose: To segregate budgeted expense funds for the residential meter installation program.
 - 7.2. Target Balance: There currently is no target reserve balance.
 - 7.3. Methodology: The metering program funding is currently projected using a pay as you go methodology, with a potential certificate of participation issuance in 2004. If the metering implementation follows the plan exactly, there will be no metering reserve available. If in any year metering installations do not meet budgeted expenses, the excess funds, if any, will be set-aside for subsequent year installations.

- 7.4. Use of Funds: The funds will be used to install residential meters.
- 7.5. Contributions: Annual contributions are currently based upon annual projected meter installations in conjunction with the overall budget and rate plan.
8. *Certificate of Participation (COP) Reserve*:
- 8.1. Purpose: To segregate certificate of participation (COP) reserves according to governing documents.
- 8.2. Target Balance: The proceeds of a COP issue establish the maximum COP reserve available for use.
- 8.3. Methodology: COP reserve balances are created upon issuance of debt. These balances are used according to the COP's installment purchase agreement.
- 8.4. Use of Funds: Use of the COP reserves will be accounted for on a monthly basis, according to the C.O.P's installment purchase agreement.
- 8.5. Contributions: Contributions will occur upon issuance of COP's. Additionally, interest earnings will be imputed on this balance on a monthly basis, using the District's earnings rate on investments.

FINANCIAL SUMMARIES

2004 Economic Forecast

Federal Economic Forecast

The U.S. economic recovery has been a steady but slow pace during 2003, despite low borrowing rates for business and consumers. The U.S. Stock markets have steadily recovered from their post September 11, 2001 effect. While, consumer confidence has risen since September 11, it has again declined. Consumers now are especially less confident about economic conditions over the next six months. "The job market will be the dominant force driving consumer confidence and spending going forward," said Lynn Reaser, chief economist at Banc of America Capital Management. The unemployment rate has been steadily declining for the last four months of 2003 and was down to 5.7 percent at the end of 2003. Economists are looking for the gradual resumption of more hiring to push the jobless rate slowly lower as we move through 2004. Some economists think hiring really is occurring in the economy, but it is not being reflected in the Labor Department's monthly survey of business payrolls as this survey does not include self-employed workers and contract workers. This group of workers is a growing and fundamental aspect of the American corporate scene.

The cost of borrowing has been at a 40 year low, but is most likely poised to increase sometime during 2004. Monetary policymakers likely want to see continued signs of strong economic growth, an improving job market and evidence that the underlying rate of inflation is moving above 1.0% and closer to 1.5%. The looming increase most likely affects consumer confidence. The economy grew at a healthy 4 percent annual rate in the final quarter of 2003, a slowdown from the scorching 8.2 percent pace as the stimulative impact of the tax cuts faded. Economists believe the economy will continue this growth rate at least through the first quarter of 2004.

Reaser and other economists predict consumers - the lifeblood of the economy - will keep their pocketbooks and wallets sufficiently open in the months ahead to help keep the economic recovery moving ahead. "Actual consumer behavior at this point - in terms of retail sales and other spending - seems relatively positive," she said.

On balance, economic projections are that GDP growth should launch 2004 with an annualized gain of around 4.7% for the first quarter. Expect support from a pickup in consumer spending with the receipt of tax refunds, together with gains in capital expenditures, homebuilding, inventory building and government outlays.

Economic indicators seem to point to a continuing slow-paced recovery of the U.S. economy.

State Economic Forecast

The California economy strengthened in the second half of 2003. Increased business investment and job growth appeared to be in place by year end. It is expected that the labor market will improve during 2004 and 2005. However, California's state economy is affected by a significant state government budget crisis which will impact individuals and businesses. This budget crisis is forcing budget cuts which results in reduced government spending and job loss. The states unemployment rate is higher than the nation's rate, reflecting the lag affect California often experiences in economic slow downs and recoveries. The average unemployment rate during 2003 was 6.7% and is projected to be 6.8% in 2004. The high-technology-dependent San Francisco Bay area contributes significantly to the overall California unemployment rates, although the job hemorrhaging has slowed considerably.

California's brighter spot includes its residential real estate markets. Housing markets continue to be healthy with surprising strong price appreciation. Some of the appreciation is fueled by low cost mortgages and lower available inventory. This continued price appreciation resulted in a median price of \$400,000 during 2003. This price appreciation is anticipated to slow down in 2004 due to rising interest costs reducing affordability of home ownership.

State personal income is increasing, helping to contribute to consumer spending and improved statewide taxable sales. These two measures help fuel the economy and will add to the state's revenues.

The cost of doing business in California is significantly greater than in other states. The contributing factors include health insurance and workers' compensation insurance. Governor Schwarzenegger has pledged to work towards reforming workers' comp insurance as these costs affect the state budget as well.

Overall, the California economic recovery will depend upon the national recovery, but appears to be positive over the next two years.

Regional and Fair Oaks Water District Economic Forecast

Fair Oaks Water District in Fair Oaks, California resides in the Sacramento region. The Sacramento region continues to expand rapidly as population and businesses migrate to the area. Regionally, Sacramento has been relatively resilient to the national and state unemployment problems, but job growth did finally turned negative in 2003 losing 500 jobs. Unemployment levels were above the 5% level in 2003 and are expected to have a slight increase to 5.5% in 2004. Sacramento will feel the impact of the state budget crisis as it is the center for a significant amount of state workers. For the first time in many years, there was a 1,200 decline in government jobs in 2003.

Sacramento and Fair Oaks is also benefiting from the strong housing growth and price appreciation. Along with the rest of the state, Sacramento experienced record levels of sales of new and existing homes in 2003. 2004 is expected to be a good year for the housing sector, but it will be lower than 2003 due to expected increasing interest rates and poor job growth. Fair Oaks is essentially a built out community but has had growth from developer in-fill projects and from large parcel splits. The District has benefited from additional customers due to this growth, but does not anticipate the level of this growth in planning for its future revenues. The District's revenues come from largely stable residential customers and a small portion of commercial businesses.

Financial Overview

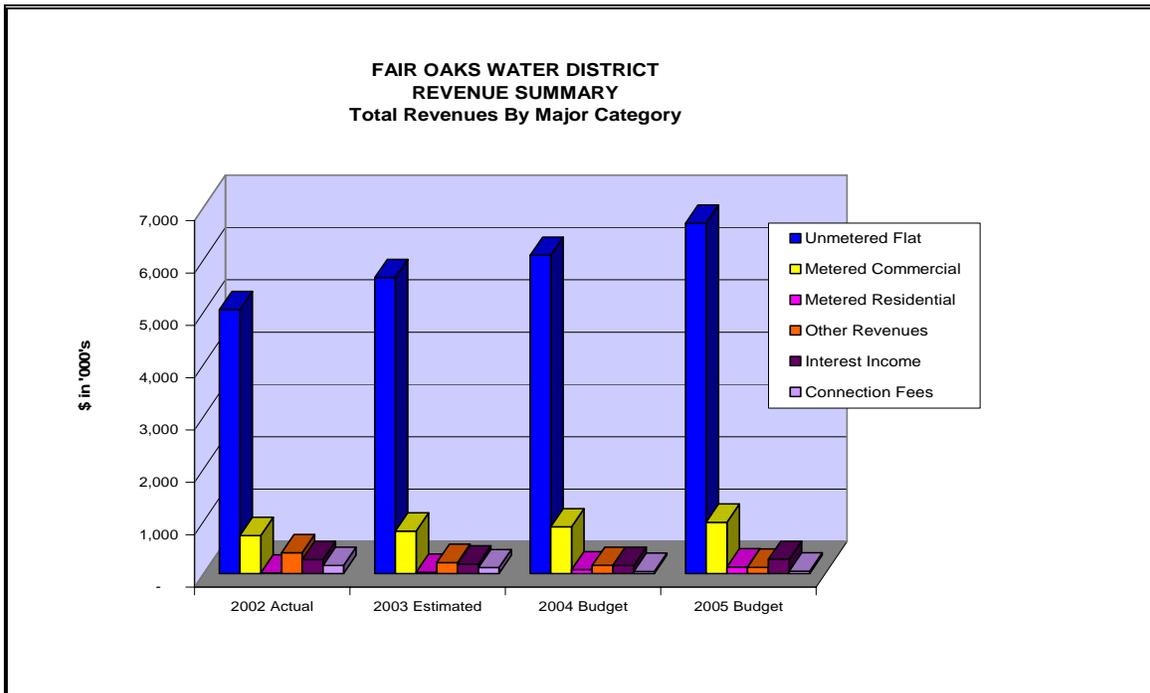
The accounts of the District are organized on the basis of fund accounting. Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The District's funds are accounted for as an enterprise fund type of the proprietary fund group.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net

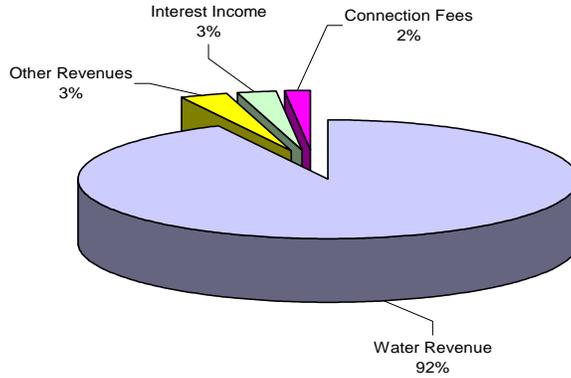
income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water sales to customers.

Water sales are derived from both metered water usage (primarily commercial customers and minimal voluntary residential customers) as well as unmetered flat rates (residential customers). Other significant sources of revenue are derived from connection fees and interest income.

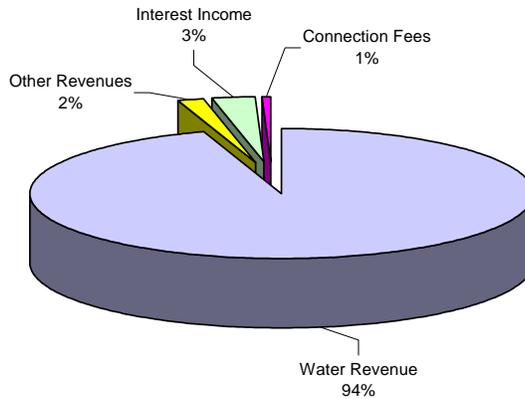
The following graphs illustrate the contrast in total revenues over a four year period beginning in 2002, as well as the breakdown of estimated revenues for 2003 and budgeted for 2004/2005 by major revenue source.



**FAIR OAKS WATER DISTRICT
REVENUE SUMMARY
Total 2003 Estimated Revenue By Major Category
\$6.5 million**



**FAIR OAKS WATER DISTRICT
REVENUE SUMMARY
Total 2004-2005 Estimated Average Revenue By Major Category
\$7.4 Million**



Major Sources of Revenue

Water Sales

Unmetered Flat Rate Revenue

The District's revenue from water sales is derived primarily from unmetered flat rates charged to residential customers. The flat rates were revised in 2002 to more actually reflect estimated water usage characteristics and are designed to match an average customer's use of water for its parcel size. A further revision was made to the flat rates for parcels with duplexes. Charges vary by type of customer, as illustrated in the following table:

Fair Oaks Water District					
Schedule of service rates @ 10% in 2004 and 10% in 2005^{(1), (2)}					
Effective January 1, 2004 and 2005					
User Category	Number of Units	2003 Rate	Rate Adjustment	2004 Rate	2005 Rate
Single family, up to .50 acre	10071	\$430.00	\$43.00	\$473.00	\$520.00
Single family, .51 to 1.0 acre base	1411	\$500.00	\$50.00	\$550.00	\$605.00
Additional premium lot fee (over 1.0 acre base, per acre, pro-ratable)		\$362.00	\$36.00	\$398.00	\$438.00
Second dwelling unit	70	\$330.00	\$33.00	\$363.00	\$399.00
Duplex-one service connection	295	\$830.00	-\$354.00	\$476.00	\$524.00
Duplex-two service connections	8	\$830.00	\$2.00	\$832.00	\$915.00
Condominiums	837	\$344.00	\$34.00	\$378.00	\$416.00
Shared meter service customer fee	41	\$324.00	\$32.00	\$356.00	\$392.00

(1) All non-residential accounts will pay for water services based upon a metered rate, beginning in 2002. Any non-residential accounts that cannot be metered will pay their current flat rate, plus the proposed rate increase for each year. Additionally, individual parcels who share a common meter will each be invoiced based upon a one inch metered service fee, plus shared water use.

(2) Customers outside the District's service area will pay 150% of the above rates or as otherwise determined by Fair Oaks Water District.

(3) Duplex rate adjusted based on the actual average annual water used analyzed by the Reed Group, Inc. on July 21, 2003.

Metered Rate Revenues

Metered rates are charged primarily to commercial customers, with some residential customers voluntarily converting to metered rates. Metered rates are based upon two components: a usage or commodity rate for actual water usage and a fixed service charge.

The fixed service charge is based upon meter or service line size and is designed to cover the fixed costs of the water delivery as it relates to customer service and capacity costs (i.e. repair and maintenance crew labor costs, supplies and construction related costs). Fixed service charges represent approximately 75% of the total water bill.

The usage or commodity charge covers the variable costs of water service, which fluctuate according to actual water use. The commodity charge represents approximately 25% of the total water bill and is designed to cover the costs of water purchases, pumping, treatment and conservation costs.

Fair Oaks Water District

Metered Service and Commodity Rates ⁽²⁾

Based upon 2004 and 2005 Budget

	2003	2004	2005
Uniform Commodity Rate (\$/CCF) ⁽¹⁾ :	\$0.27	\$0.30	\$0.33
		10%	10%
Bi-Monthly Service Charges (every two months.):			
<u>Mtr. Size</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>
1"	\$53.80	59.18	65.10
1 1/2"	\$98.60	108.46	119.31
2"	\$152.30	167.53	184.28
3"	\$295.50	325.05	357.56
4"	\$456.70	502.37	552.61
5"	\$724.60	797.06	876.77
6"	\$904.00	994.40	1,093.84
8"	\$1,442.00	1,586.20	1,744.82
10"	\$2,247.00	2,471.70	2,718.87

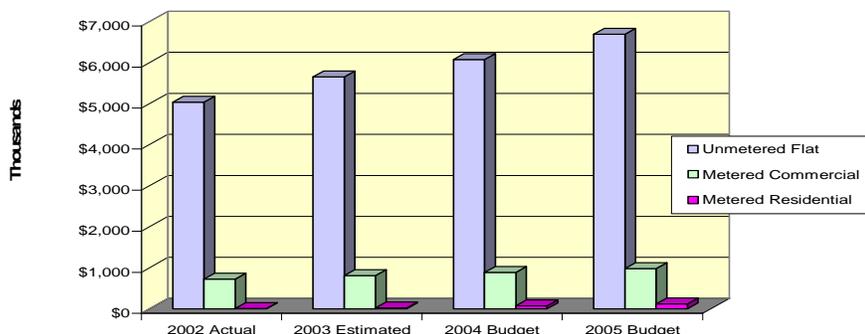
These rates were developed using the same rate setting methodology as outlined in the Hilton Farnkopf & Hobson and The Reed Group, Inc. water rate study, November 12, 1998. Commodity costs reflect the variable cost of water use. Service charges reflect customer costs and capacity costs. The capacity cost portion includes fixed costs of the District. Costs were allocated at 10.7% customer costs, 64.8% capacity costs, 24.5% commodity costs. As the District gathers actual data on consumption and revenue patterns based upon metered billing, the cost allocations will likely be modified to allocate a larger percentage to commodity costs.

⁽¹⁾ One CCF is equal to 100 cubic feet. 100 cubic feet is equal to 748 gallons. The commodity rate is invoiced based upon CCFs used.

⁽²⁾ Customers outside the district's service area will pay 150% of the above water rates or as otherwise determined by Fair Oaks Water District.

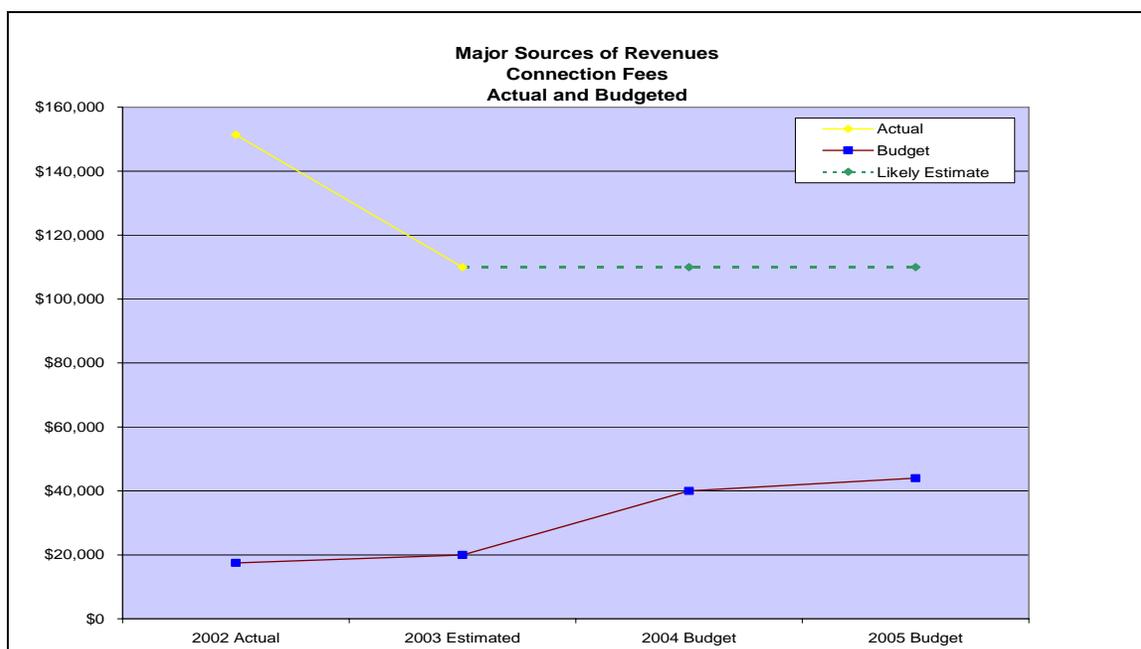
While both it is anticipated that both unmetered flat rate and metered water revenues will continue to increase through the budget year 2005 presented here, the unmetered flat rate represents a larger portion of the sources of revenues over the next several years as reflected in the following graph:

**Major Sources of Revenue
Water Sales
Actual and Budgeted**



Connection Fees

Connection fees represent the cost to “buy into” the Fair Oaks Water District system and are restricted by AB1600 to capacity enhancement projects. The District is largely a built out system. Most new service connections are derived from in-fill developer projects. Connection fees are a small portion of the District’s revenues and are projected to be a small amount relative to other revenues. In the last few years, the District has experienced some increased construction activity due to favorable interest rates and housing costs relative to the San Francisco Bay Area. However, future connection fee revenues are difficult to predict due to the built out nature of the system and limited in-fill projects available. The following graph reflects the projected revenues from connection fees through 2005.



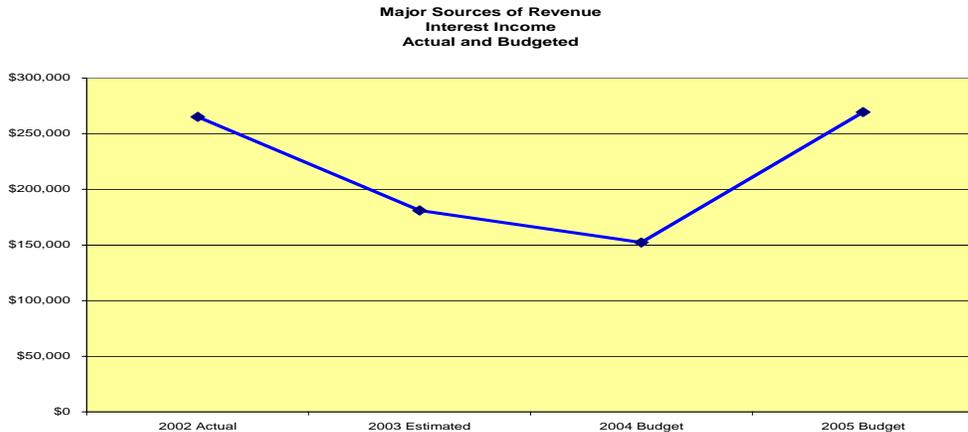
The following schedule depicts the schedule of fees and charges for connection fees based upon service size:

Fair Oaks Water District			
Schedule of Fees and Charges			
2004 and 2005			
Activity	2003	2004	2005
Connection (system utilization) fees:			
1" service	\$2,000	\$2,250	\$2,475
1 ½" service	\$3,500	\$3,850	\$4,235
2" service	\$5,300	\$5,830	\$6,413
4" service	\$15,500	\$17,050	\$18,755
6" service	\$30,500	\$33,550	\$36,905
8" service	\$40,500	\$44,550	\$49,005

Interest Income

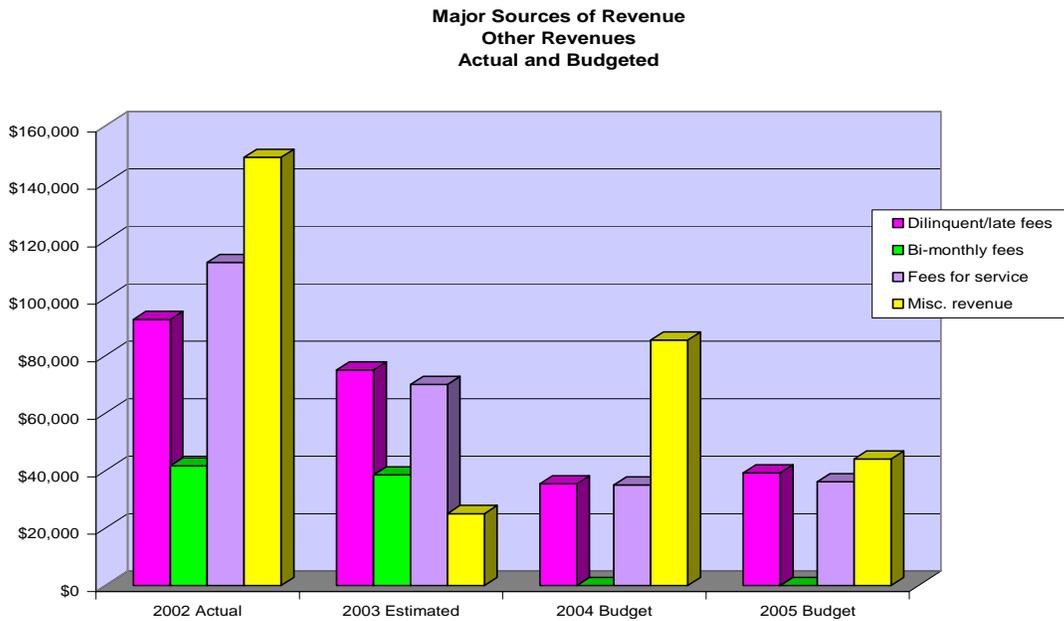
The District employs a strict cash management program to ensure that all available funds are invested to earn the maximum yield consistent with safety and liquidity. Interest earnings fluctuate based on interest rates and cash balances.

Interest rates over the last few years have sharply declined in yield. The District's portion of interest earnings over the last two years is sharply lower than previous years due to the significant decline in rates. The District will be reviewing its investment strategy in 2004 to determine where additional yield may be realized while still maintaining safety, and liquidity of the portfolio. The following graph projects interest income increasing by 2005 due to anticipated rate increases and additional cash reserves. The temporary cash reserves are expected to be generated from the expected borrowings in late 2004 to fund the meter implementation program and then will decrease as construction continues.



Other Revenues

The District earns other revenues from a variety of services charges including fees for delinquent payments, service charges for installation and testing for hydrant flow, fire flow and backflow and other miscellaneous services. Bi-monthly fees, a charge for the additional cost and service of billing bi-monthly versus every six months has been discontinued as of January 1, 2004, as reflected in the following graph which illustrates the breakdown and trend of other revenues through 2005. The cost of this service will be built into future rate increases, beginning in 2006 as costs are expected to increase related to processing, billing, postage, and invoicing.

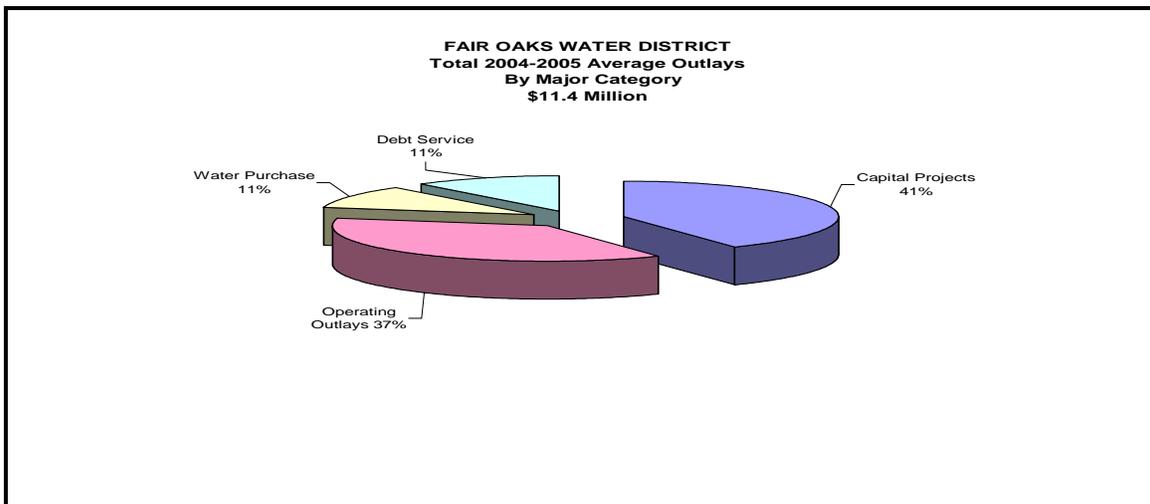
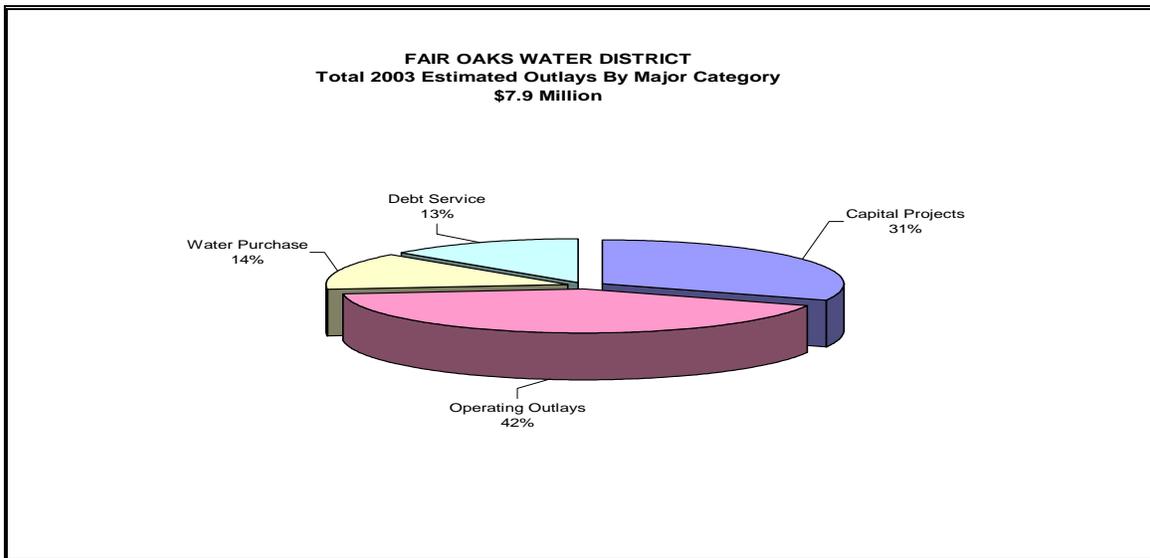


District Expenses

The District's expenses can be categorized into four major groups:

- ✓ Capital Projects
- ✓ Water Purchases
- ✓ Debt Service
- ✓ Operating Outlays

The following pie charts illustrate the percentage of total District expenses allocable to each of these categories for 2003 (estimated actual) and for 2004/2005.

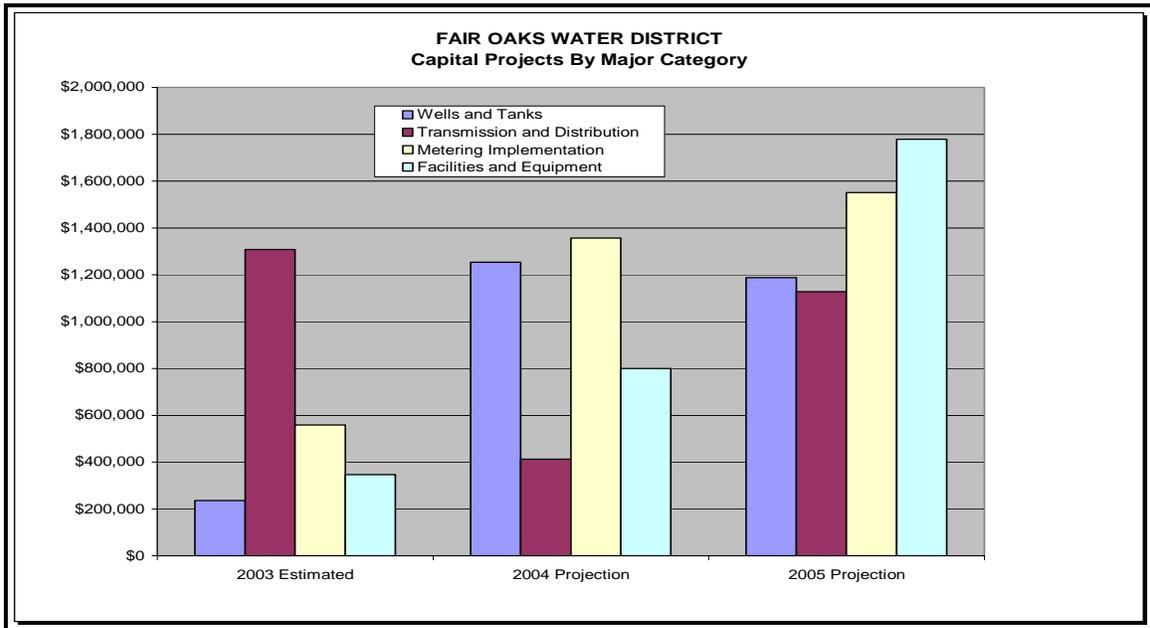


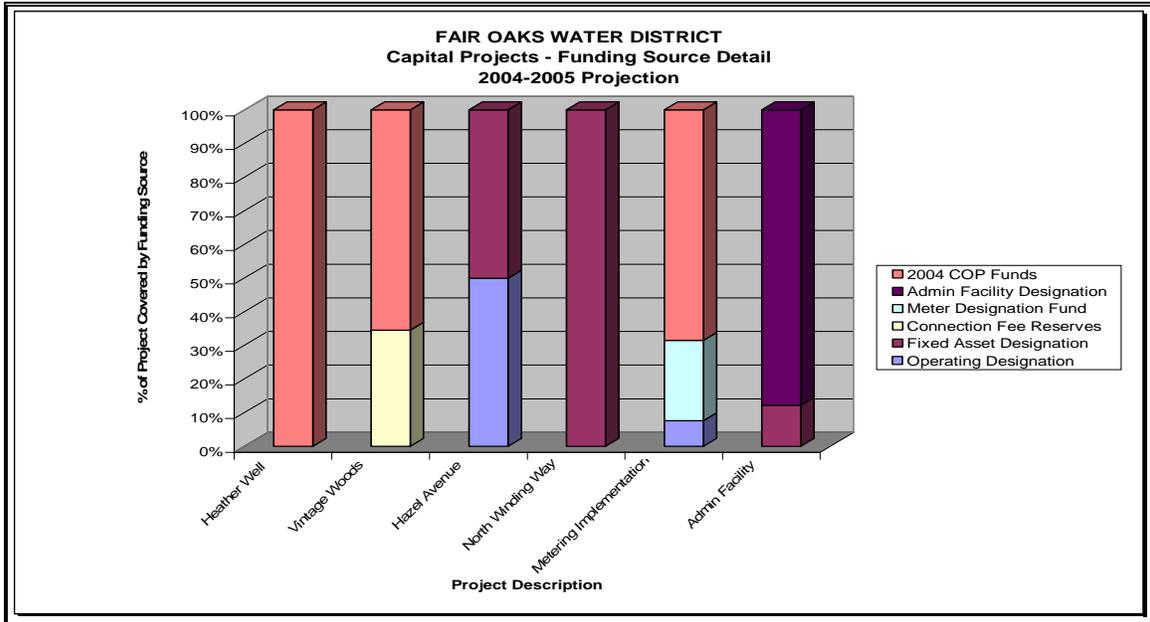
Capital Projects Overview

The 2004-2005 budgets include capital project spending of \$3,823,100 in 2004 and \$5,645,500 in 2005. These projects stem from four main areas of capital improvement and are funded by a variety of sources, as outlined in the following tables and graphs:

Capital Projects by Budget Year				
Category	2003 Estimated	2004 Projection	2005 Projection	2004-2005 Budget Total
Wells and Tanks	236,800	1,253,600	1,188,200	2,441,800
Transmission and Distribution	1,308,500	412,100	1,127,800	1,539,900
Metering Implementation	558,800	1,356,800	1,550,900	2,907,700
Facilities and Equipment	347,300	800,600	1,778,600	2,579,200
Total	2,451,400	3,823,100	5,645,500	9,468,600

Capital Projects by Funding Source								
	<i>Heather Well</i>	<i>Vintage Woods</i>	<i>Hazel Avenue</i>	<i>North Winding Way</i>	<i>Metering Implementation</i>	<i>Admin Facility</i>	<i>Other OIP</i>	<i>Total</i>
Operating Designation			\$ 500,000		\$ 221,700			\$ 721,700
Fixed Asset Designation			500,000	288,000		683,700	146,400	1,618,100
Connection Fee Reserves		409,700					100,000	509,700
Meter Designation Fund					694,800			694,800
Admin Facility Designation						1,316,300	25,400	1,341,700
2004 OIP Funds	1,153,600	778,500			1,991,200		669,300	4,582,600
Total	\$ 1,153,600	\$ 1,188,200	\$ 1,000,000	\$ 288,000	\$ 2,907,700	\$ 2,000,000	\$ 931,100	\$9,468,600





Following are descriptions of the District’s significant capital projects included in the 2004-2005 budgets. Project detail sheets for the following well and tank projects are located in Appendix B of this report.

Wells and Tanks

Heather Well Groundwater Extraction Facility

This project originated as part of the Proposition 13 grant from 2001 and includes the construction of a new well and improvements to an existing well on the same site. Currently in the design stage, this project will be completed by outside services and is budgeted for completion in 2004 at a cost of \$1,153,000. The project will be funded by 2004 Certificate of Participation funding.

Vintage Woods Groundwater Extraction Facility

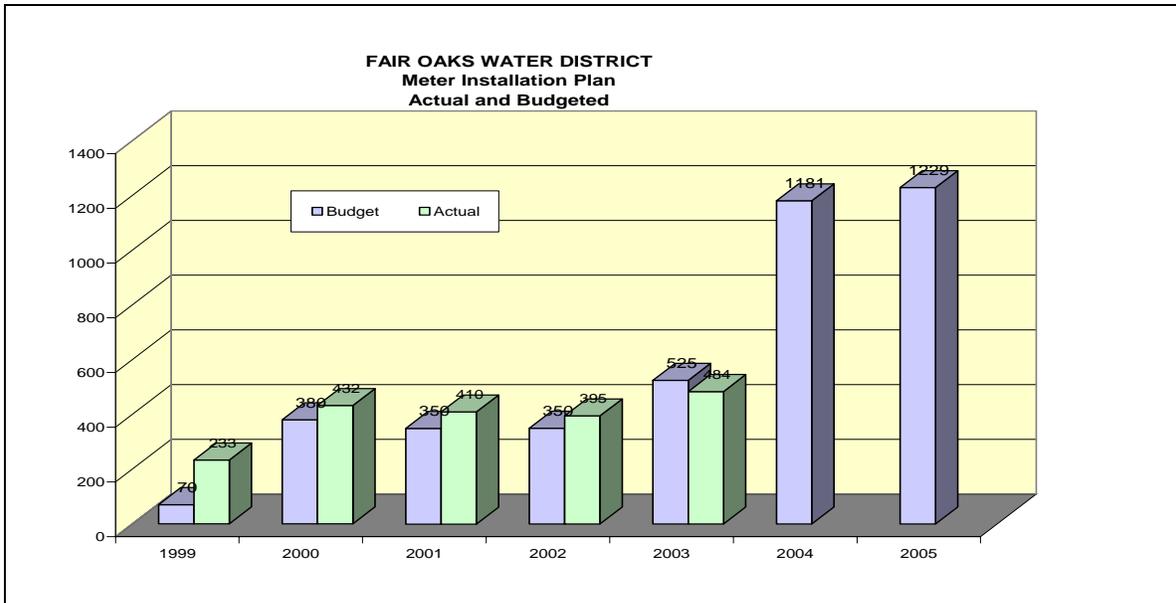
This project originated as part of the Proposition 13 grant from 2001 and includes the construction of a new well to increase service to the east side of the District at a cost of \$1,188,200. This project is currently in the design stages. The project will be funded by 2004 Certificates of Participation (\$778,500) and by Connection Fee Reserves (\$409,700).

Metering Implementation

In responses to the Central Valley Improvement Act of 1992, the District has been involved in a residential meter retrofit program since 1998. This mandate requires that the District retrofit all District water services with meters by the year 2005 or face the loss of federal project water. While implementation will prove excessively burdensome

to both the District and its customers, a Meter Implementation Plan was developed in 1998 and is currently in progress.

The 2004-2005 budgets include significant increases in costs associated with the Meter Implementation Plan as a result of the increase in planned meter retrofit activity. The following chart illustrates the planned increase in comparison to the activity of previous years.



The Meter Implementation Plan for 2004-2005 will be funded through the issuance of Certificates of Participation in 2004 (\$1,991,200); the Meter Designation Fund (\$694,800) and funds from the Operation Designation reserves (\$221,700).

Transmission and Distribution

Hazel Avenue Parallel Main Project

In response to improving and widening Hazel Avenue by the County of Sacramento, the District will be required to replace pipelines and fire hydrants in the affected area. This project will be completed by outside contracted services at a budgeted cost of \$1,000,000 and is budgeted for completion in 2005. Funding for this project is anticipated from the Fixed Asset Designation Reserve (\$500,000) and the Operating Designation Reserve (\$500,000).

North Winding Way

This project involves the replacement of inadequate and unreliable pipeline in the area of a recently added subdivision. The project will be completed using both internal resources and external contracted services and is budgeted for completion in 2004 at a cost of \$288,000. Funding is being provided through the Fixed Asset Designation Reserve.

Facilities and Equipment

Expenses for facilities and equipment are budgeted at \$800,600 for 2004 and \$1,778,600 in 2005. The most significant project included in these amounts is the replacement of the administrative office building. Design is anticipated to begin in late 2004, with completion after 2006. Funding for this project is provided through the Administrative Facility Designation reserve (\$1,341,300) and the Fixed Asset Designation reserve (\$658,700).

Financial Impact of Capital Projects on Operations

The 2004-2005 budgets reflect significant expenses in the area of capital projects which the District has prepared for by designating reserve funds and by planning for the issuance of Certificates of Participation. The following schedule highlights the impact on the designations and debt as a result of these capital projects.

Source of Funding	Beginning Balance	Impact of Capital Projects		Other Non CIP Activity	Ending Balance
		2004	2005		
Operating Designation	\$ 1,167,400		(721,700)	(110,800)	\$ 334,900
Fixed Asset Designation	\$ 1,918,500	(512,100)	(527,800)	153,300	\$ 1,031,900
Connection Fee Reserves	\$ 411,700		(509,700)	98,000	\$ -
Meter Designation Fund	\$ 694,800	(694,800)		-	\$ -
2004 COP Funds	\$ 4,500,000	(1,815,600)	(2,107,700)	(576,700)	\$ -

The impact on operating expenses as a result of debt issuance is covered under the section *Debt Service*.

Water Purchases

Nearly all of the District's water is supplied by the San Juan Water District (SJWD) through a long-term wholesale contract. The water purchased from SJWD is delivered through two major transmission mains and is metered at three locations within the District. A small supply of water is obtained through District owned groundwater wells.

Charges for water purchases from the SJWD include the commodity rate, which is applied to the actual water purchased (in acre feet), a water delivery service charge and a debt service charge. The budget for water purchases assumes a 10% to 11% increase in the commodity rate and service charges in 2004 and 2005.

Debt service charges from SJWD relate to long term notes entered into by SJWD in 1994 in order to fund a multi-jurisdictional pipeline in northern Sacramento County. This pipeline serves as a secondary water delivery pipeline for the District which increases system reliability. SJWD is the owner of the project, and as such, coordinates management, operations, maintenance, and financial administration.

The following table illustrates the components of the 2003 estimated actual water purchases from SJWD, as well as those projected for 2004 and 2005. The amount of water needed is based on projections prepared by water operations department.

<i>SJWD Water Purchases</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Commodity Rate (\$/AF)	\$ 44.22	\$ 48.77	\$ 53.74
SJWD Water Purchase (AF)	14,500	14,700	14,800
Commodity Charge	641,200	716,900	795,400
Service Charge	190,000	210,000	231,000
Debt Service Charge	201,000	173,000	184,000
Total Water Purchase	1,032,200	1,099,900	1,210,400
Regulatory and misc. fees	47,500	46,300	48,300
Total Water Supply Costs	\$ 1,079,700	\$ 1,146,200	\$ 1,258,700

Debt Service

The District utilizes Certificates of Participation (COP) as a financing vehicle for capital facility construction and improvement. The District issued COP's in 1989 and 1991 (subsequently refinanced in 1999) and, as discussed in the section *Capital Projects Overview*, anticipates another issuance in 2004.

As noted in the schedule below, the addition of the COP issuance in 2004 is estimated to increase principal and interest payments in 2005 by \$446,000.

Description	Estimated 2003	Projected 2004	Projected 2005
Debt Service - Principal			
SJWD 1993 COP's	\$ 143,400	\$ 206,700	\$ 175,100
1999 COP's	530,000	555,000	575,000
2004 COP's	-	-	140,000
		-	-
Debt service principal total	673,400	761,700	890,100
Debt Service - Interest			
CTP - SJWD 1993 COP's	150,900	67,900	57,800
15% Refund from SJWD	(38,900)		
1999 COP's	188,100	168,900	148,100
Refunding costs (amortized)	29,000	29,000	29,000
2004 COP's	-	-	306,000
		-	-
Debt service interest total	329,100	265,800	540,900
Materials & Services			
Professional Services			
Bond Trustee Fees	4,200	8,700	9,500
Bond Arbitrage Fees	20,000	35,000	35,000
Materials & Services Total	24,200	43,700	44,500
Grand Total	\$ 1,026,700	\$ 1,071,200	\$ 1,475,500

The following schedule reflects principal and interest obligations on the Districts COP's through 2011.

Year Ending December 31,	Principal	Interest	Total
2004	\$ 761,700	\$ 265,800	\$ 1,027,500
2005	890,100	540,900	1,431,000
2006	918,800	478,371	1,397,171
2007	959,388	442,061	1,401,449
2008	1,003,113	401,433	1,404,546
2009-2011	3,001,411	985,201	3,986,612
	\$ 7,534,512	\$ 3,113,766	\$ 10,648,278

The District monitored the debt and investment very closely to ensure funds are invested and that the District is in compliance with all of the debt requirements. There is no formal debt limit set by the Fair Oaks Water District. However, the District complies with the terms, provisions, covenants, conditions and agreements related to the COP's. FOWD maintains an "AAA" rating by Moody's and "AAA" by Fitch and Standard & Poor's on the certificates of participation debt. For the COP's issued in 1989 and 1991 (subsequently refinanced in 1999), the District is required to comply with the following:

- ✓ The Debt Service ratio requirement is 1.15. The District has met its debt coverage requirement for all outstanding debts for the past four years (2000-2003) with the debt coverage ratios exceeding 2.50.
- ✓ The District is required to deposit \$658,000 Reserve Fund with the Trustee.
- ✓ The District is required to prepare the annual rebate calculations on the bond.

Operating Outlay

The Districts operating outlay fall into three functional areas:

- ✓ Operations & Maintenance
- ✓ Customer Service & Administration
- ✓ Board of Directors

The following chart reflects the estimated 2003 and projected 2004 and 2005 operating outlay by functional area.

Operating Outlay by Functional Area			
	Estimated 2003	Projected 2004	Projected 2005
Operations & Maintenance			
Labor & Benefits	1,369,600	1,639,000	1,982,800
Materials & Services	856,600	861,550	885,420
Subtotal	\$ 2,226,200	\$ 2,500,550	\$ 2,868,220
Customer Service & Admin.			
Labor & Benefits	514,800	586,800	623,300
Materials & Services	538,000	827,100	868,100
Subtotal	1,052,800	1,413,900	1,491,400
Board			
Labor & Benefits	31,000	28,000	34,000
Materials & Services	39,700	52,500	42,000
Subtotal	70,700	80,500	76,000
Total	\$ 3,349,700	\$ 3,994,950	\$ 4,435,620

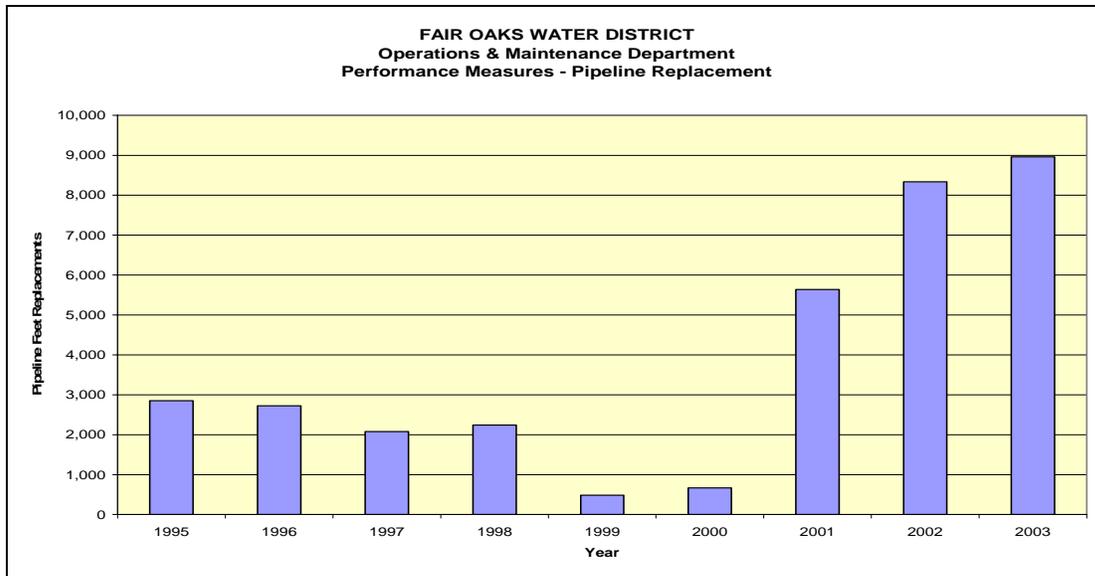
Operations & Maintenance

Operations and maintenance is the largest functional department of Fair Oaks Water District, with 26 full-time positions and 3 part-time. It is responsible for the purchase and delivery of water to the District's customers as well as operating and maintaining the District's pipelines and facilities. This department includes the functions of planning, operations, conservation, meter reading, inspection, safety and public relations.

The primary focus of this department over the past two years, and continuing into the 2004 and 2005 budget years, is the Metering Implementation Plan (see discussion under *Capital Projects*). The District will significantly increase the number of meter installations during the next several years, starting in 2004 and projected to be completed perhaps as late as 2011, depending upon conditions. The District has budgeted additional crew members and GIS technician in operations and maintenance for the meter installation. With additional meters being installed, more meter readings, maintenance and analysis are needed. The District anticipates installing 1,181 meters in 2004 and 1,229 in 2005. This number has more than doubled what the District had installed in prior years (average for 2001, 2002 & 2003 is 430).

Another significant effort of the District over the next two years will be constructing two new well sites. Completion of the second well site will most likely occur in 2006.

Another continued District activity is replacing and improving the District's aging pipelines. Due to other significant projects competing for internal resources the next two years, the District is planning just two main line installations and pipeline improvements, totaling 10,050 linear feet. The following chart illustrates the increased productivity and efficiency of District construction crews over the last few years.



Besides pipeline replacements and repairs, operations and maintenance also is overseeing the water use efficiency program. Water use efficiency is an integral component of the District. The District conservation team has done an excellence job in educating and providing services to our customers. During 2003, the conservation team has provided:

- ✓ Water-wise house call which are water efficiency landscape irrigation reviews offered to commercial, institutional and residential customers, providing information in the promotion of a healthy and effective water conservation landscape and efficient water application. There were 1,055 water-wise house call made in 2003.
- ✓ Toilet rebates almost doubled in 2003 (109) compared to 2002 (68).
- ✓ District staff responded to over 750 water waste calls during 2003.

Customer Service & Administration

The Customer Service & Administration department includes seven employees and is responsible for District management, regional water supply planning, customer service, billing, collections, information systems, accounting, payroll, accounts payable, human resources, finance and record keeping.

During the last two years, Customer Service has focused its efforts on improved service delivery to its customers. Following are highlights of improvements.

- ✓ A new phone system was installed that allows the District to triage phone calls when call volume is heavy.
- ✓ Invoice design was improved to allow customers to clearly understand when invoices were due and what charges will be assessed on delinquent payments.
- ✓ The District revised its collection process, switching from the assessment of property liens to disconnection of water services, resulting in significant

improvements in actual customer collections. As a result of these improvements, our annual write off's of customer receivables is minimal. Our 2003 write off's of customer receivables was only \$344.

- ✓ The 48-hour hanging notice for the service-disconnect process has been streamlined by 50% with the billing software being integrated with the GIS system to prepare the mapping and routing.

Accounting improved its delivery of services to internal customers by providing more timely monthly financial and budget reports. Improvements were also made to the monthly financial reports provided to the public and the Board of Directors. Human resources improved and streamlined hiring practices for the District.

During the next two years, significant efforts will be directed toward selecting and implementing a customer service billing system and new accounting system. In addition, the design for a new administrative facility should begin in late 2004 to replace the current facility, which does not meet current building codes. Construction is anticipated to begin sometime in 2005.

Board of Directors

The Board of Directors (Board) is responsible for developing the policies of the District. Directors are elected at large, by geographical area (i.e. division), to four year overlapping terms. The Board's regular business meetings are held the third Thursday of the month. Workshops are generally held the first Thursday of the month. Several financial policies are expected to be reviewed and revised in 2004 and 2005. The Board maintains an active involvement in regional water organizations representing the Districts interest locally as well as regionally. Current board members include the following:

- | | |
|-----------------------------|--------------------|
| ✓ Bruce Henz, President | Term: 2002 to 2006 |
| ✓ Roy Hafer, Vice-President | Term: 2000 to 2004 |
| ✓ Barry Brown, Director | Term: 2002 to 2006 |
| ✓ Jacquelyn Gunby, Director | Term: 2003 to 2004 |
| ✓ Joseph Plant, Director | Term: 2000 to 2004 |

District Salaries and Benefits

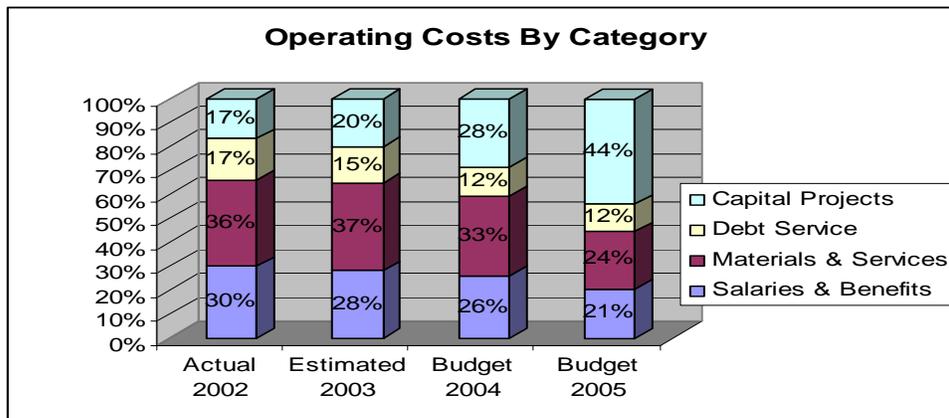
As with most all service organizations, salary and benefit costs are a significant component of the District’s annual budget. The following schedule reflects the District’s staffing plan on which the salary and benefits calculations are based for budgetary purposes.

**Personnel Summary
Full Time Equivalent (FTE)**

Department	Actual 2002	Actual 2003	Budgeted 2004	Budgeted 2005
Customer Service & Administration	7	7	7	7
Operations	6	9.5	10.5	10.5
Maintenance	<u>16</u>	<u>19</u>	<u>22</u>	<u>22</u>
TOTAL	<u>29</u>	<u>35.5</u>	<u>39.5</u>	<u>39.5</u>

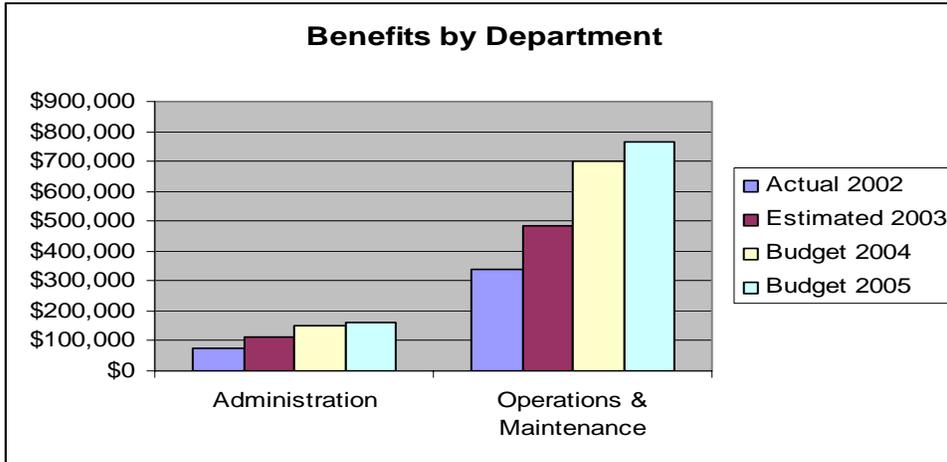
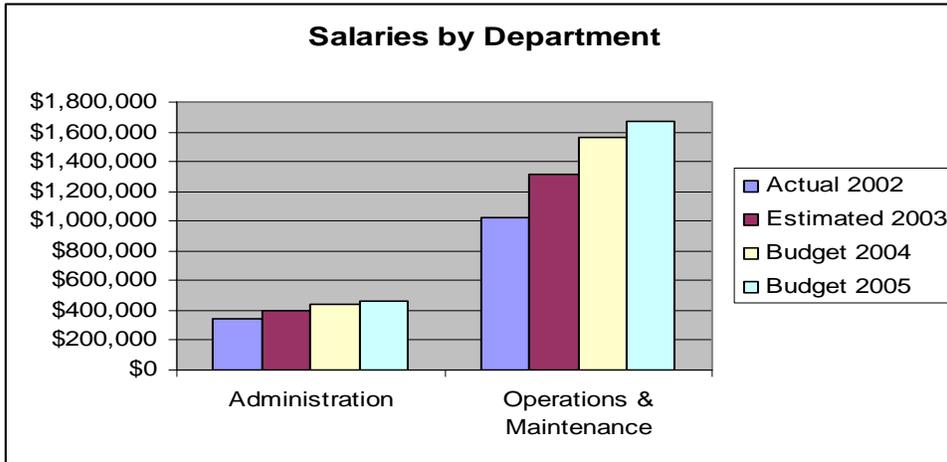
While staffing for office and operations personnel is predicted to remain fairly steady over the next two years, maintenance staff is expected to increase as a direct result of the metering implementation plan. As discussed under Operations & Maintenance, continued meter installations will require additional crew members.

Also as a result of expenditures budgeted for capital projects, which in turn significantly impact the costs associated with materials and supplies, salaries and benefits costs will comprise an ever decreasing portion of the District’s total operation budget, as reflected in the following graph.



The District anticipates significant increases in salaries and benefits costs associated with new hires (as discussed above), as well as increased costs in wages and employee benefits, particularly relative to employee insurance benefits. The following charts and graphs illustrate the amounts included in the budget report for salaries and benefits through 2005, by department, as well as graphical representations for salaries and benefits, respectively.

	Actual 2002	Estimated 2003	Budget 2004	Budget 2005
Administration				
Salaries	\$ 346,000	\$ 402,000	\$ 437,000	\$ 461,000
Benefits	75,000	113,000	150,000	160,000
Total	421,000	515,000	587,000	621,000
Operations & Maintenance				
Salaries	1,021,000	1,319,000	1,563,000	1,672,000
Benefits	340,000	484,000	701,000	765,000
Labor Capitalized	(130,000)	(433,000)	(625,000)	(464,000)
Total	1,231,000	1,370,000	1,639,000	1,973,000
Board of Directors				
Directors Fees	20,900	31,000	28,000	34,000
Total Labor & Benefits	\$ 1,672,900	\$ 1,916,000	\$ 2,254,000	\$ 2,628,000



As reflected in the following analysis, while salaries and benefits have increased in 2003 and are anticipated to increase in 2004 as a result of staffing increases, significant increases in benefits costs in addition to those impacted by staffing changes are anticipated as a result of the increasing costs of employee insurance related benefits and the costs of workers compensation coverage.

	Estimated 2003	Budget 2004	Budget 2005
Salaries	26%	16%	7%
Benefits	44%	43%	9%

Of the costs associated with employee benefits, the most significant increases are seen in insurance related costs (medical, dental, vision, disability and life insurance premium costs for employees) and workers compensation.

	Actual 2002	Estimated 2003	Budget 2004	Budget 2005
Insurance Benefits*	\$ 184,000	\$ 268,000	\$ 459,000	\$ 505,000
Pension Plan	80,000	115,000	129,000	138,000
Workers Compensation	47,000	74,000	95,000	103,000
Taxes	81,000	101,000	120,000	129,000
Other	23,000	39,000	48,000	50,000
	\$ 415,000	\$ 597,000	\$ 851,000	\$ 925,000

* Includes medical, dental, vision, disability and life insurance benefits.

	Estimated 2003	Budget 2004	Budget 2005
Insurance Benefits*	46%	71%	10%
Pension Plan	44%	12%	7%
Workers Compensation	57%	28%	8%
Taxes	25%	19%	8%
Other	70%	23%	4%
	44%	43%	9%

FINANCIAL DETAILS

Fair Oaks Water District Schedule of service rates @ 10% in 2004 and 10% in 2005^{(1), (2)} Effective January 1, 2004 and 2005					
User Category	Number of Units	2003 Rate	Rate Adjustment	Proposed 2004 Rate	Proposed 2005 Rate
Single family, up to .50 acre	10071	\$430.00	\$43.00	\$473.00	\$520.00
Single family, .51 to 1.0 acre base	1411	\$500.00	\$50.00	\$550.00	\$605.00
Additional premium lot fee (over 1.0 acre base, per acre, pro-ratable)		\$362.00	\$36.00	\$398.00	\$438.00
Second dwelling unit	70	\$330.00	\$33.00	\$363.00	\$399.00
Duplex-one service connection ³	295	\$830.00	-\$354.00	\$476.00	\$524.00
Duplex-two service connections	8	\$830.00	\$2.00	\$832.00	\$915.00
Condominiums	837	\$344.00	\$34.00	\$378.00	\$416.00
Shared meter service customer fee	41	\$324.00	\$32.00	\$356.00	\$392.00
Common Areas					
	Service charge	plus	per acre fee		
<i>Up to one acre parcel</i>					
2003 Rate	\$323.00	plus	\$362.00		
2004 Rate	\$355.00	plus	\$398.00		
2005 Rate	\$391.00	plus	\$438.00		
<i>One to two acre parcel</i>					
2003 Rate	\$592.00	plus	\$362.00		
2004 Rate	\$651.00	plus	\$398.00		
2005 Rate	\$716.00	plus	\$438.00		
<i>Over two acre parcel</i>					
2003 Rate	\$914.00	plus	\$362.00		
2004 Rate	\$1,005.00	plus	\$398.00		
2005 Rate	\$1,106.00	plus	\$438.00		

(1) All non-residential accounts will pay for water services based upon a metered rate, beginning in 2002. Any non-residential accounts that cannot be metered will pay their current flat rate, plus the proposed rate increase for each year. Additionally, individual parcels who share a common meter will each be invoiced based upon a one inch metered service fee, plus shared water use.

(2) Customers outside the district's service area will pay 150% of the above rates or as otherwise determined by Fair Oaks Water District.

(3) Duplex rate adjusted based on the actual average annual water used analyzed by the Reed Group, Inc. on July 21, 2003.

Fair Oaks Water District

Metered Service and Commodity Rates ⁽²⁾ Based upon Proposed 2004 and 2005 Budget

	<u>2003</u>	<u>Proposed 2004</u>	<u>Proposed 2005</u>
Uniform Commodity Rate (\$/CCF) ⁽¹⁾ :	\$0.27	\$0.30	\$0.33
Bi-Monthly Service Charges (every two months.):			
<u>Mtr. Size</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>
1"	\$53.80	59.18	65.10
1 1/2"	\$98.60	108.46	119.31
2"	\$152.30	167.53	184.28
3"	\$295.50	325.05	357.56
4"	\$456.70	502.37	552.61
5"	\$724.60	797.06	876.77
6"	\$904.00	994.40	1,093.84
8"	\$1,442.00	1,586.20	1,744.82
10"	\$2,247.00	2,471.70	2,718.87

These rates were developed using the same rate setting methodology as outlined in the Hilton Farnkopf & Hobson and The Reed Group, Inc. water rate study, November 12, 1998. Commodity costs reflect the variable cost of water use. Service charges reflect customer costs and capacity costs. The capacity cost portion includes fixed costs of the District. Costs were allocated at 10.7% customer costs, 64.8% capacity costs, 24.5% commodity costs. As the District gathers actual data on consumption and revenue patterns based upon metered billing, the cost allocations will likely be modified to allocate a larger percentage to commodity costs.

⁽¹⁾ One CCF is equal to 100 cubic feet. 100 cubic feet is equal to 748 gallons. The commodity rate is invoiced based upon CCFs used.

⁽²⁾ Customers outside the district's service area will pay 150% of the above water rates or as otherwise determined by Fair Oaks Water District.

Fair Oaks Water District

Water Shortage Rates

Based upon 2004 and 2005 Budget

	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
METERED RATE SERVICES ⁽¹⁾					
Uniform Commodity Rate (\$/CCF):					
2003	\$0.27	\$0.27	\$0.36	\$0.46	\$0.61
2004	\$0.30	\$0.30	\$0.39	\$0.50	\$0.67
2005	\$0.33	\$0.33	\$0.43	\$0.55	\$0.73
FLAT RATE SERVICES					
2004					
Single family, up to .50 acre	\$473	\$473	\$510	\$552	\$620
Single family, .51 to 1.0 acre	\$550	\$550	\$609	\$678	\$788
Second dwelling unit	\$363	\$363	\$388	\$397	\$411
Duplex-one service connection	\$476	\$476	\$616	\$687	\$800
Duplex-two service connections	\$832	\$832	\$971	\$1,042	\$1,155
Condominiums	\$378	\$378	\$388	\$397	\$411
Premium lot (per acre, pro-ratable)	\$398	\$398	\$569	\$723	\$970
Common Areas per acre fee ⁽¹⁾	\$398	\$398	\$569	\$723	\$970
2005					
Single family, up to .50	\$520	\$520	\$561	\$607	\$680
Single family, .51 to 1.0 acre	\$605	\$605	\$670	\$744	\$863
Second dwelling unit	\$399	\$399	\$427	\$437	\$452
Duplex-one service connection	\$524	\$524	\$677	\$754	\$877
Duplex-two service connections	\$915	\$915	\$1,068	\$1,145	\$1,268
Condominiums	\$416	\$416	\$427	\$437	\$452
Premium lot (per acre, pro-ratable)	\$438	\$438	\$624	\$791	\$1,059
Common Areas per acre fee	\$438	\$438	\$624	\$791	\$1,059

The District has five water shortage conservation stages as adopted through Resolution No. 9609, and amended by Resolution No. 9710 and Resolution No. 0109. As the District moves through various stages of water shortages, the District's costs increase due to promoting additional water conservation, educational and monitoring activities, and additional pumping and electricity charges. The above rates assume that single family customers at all levels would adjust water use commensurate with the cutbacks requested. The water shortage rates were determined based upon principles as outlined in the November 12, 1998 Water Rate Study, developed by Hilton Farnkopf & Hobson, LLC and the Reed Group. The water shortage rates can be implemented due to a change in the water conservation stage during a noticed Board meeting or workshop.

⁽¹⁾ The service charge would stay the same. Only the commodity charge would increase.

Fair Oaks Water District
Schedule of Billing Fees and Charges
2004 and 2005

Activity	2003	2004	2005
Payment Processing Fees:			
Return Check	\$25	\$25	\$30
Late Penalty Fee			
Penalty Assessed After the Payment Due Date-1 st Month	10%	10%	10%
Disconnect Service Fee			
Field Charge - Hanging 48 Hr Notice	\$15	\$17	\$19
Reconnect Fee	\$50	\$55	\$61
Deposit ¹	\$100	\$125	\$125

Notes:

- ⁽¹⁾ Deposit is required before the service will be reconnected. This deposit will be refunded to the customer after one year of timely payment or at the time of change in ownership of the property, which ever is earlier.

Fair Oaks Water District
Schedule of Fees and Charges
2004 and 2005

Activity	2003	2004	2005
Connection (system utilization) fees:			
1" service	\$2,000	\$2,250	\$2,475
1 1/2" service	\$3,500	\$3,850	\$4,235
2" service	\$5,300	\$5,830	\$6,413
4" service	\$15,500	\$17,050	\$18,755
6" service	\$30,500	\$33,550	\$36,905
8" service	\$40,500	\$44,550	\$49,005
Tapping and service installation fees, District installed ⁽¹⁾:			
1" service	\$2,000	\$2,200	\$2,420
1 1/2" service	\$2,600	\$2,860	\$3,146
2" service	\$3,000	\$3,300	\$3,630
Peak Hour Pressure and Flow Mitigation Fee			
Based upon peak hour system demand increases calculated for all new development.			
Per gallon per minute of impact	\$38	\$42	\$46
Hydrant Flow Testing (minimum)			
Minimum test fee	\$125	\$138	\$152
Trouble shooting: per hour rate (2 persons minimum)	\$94	\$103	\$113
Fire Flow (minimum)			
Fire flow letter - Standard service	\$63	\$69	\$76
Fire flow letter - Same day service	\$125	\$138	\$152
Fire flow verification - Standard	\$85	\$94	\$103
Fire flow verification - Additional	\$170	\$187	\$206
Backflow Testing			
Normal Turnaround (one week service)		\$70	\$77
Same day service		\$135	\$149
Retesting		\$70	\$77
Service and repairs to backflow (per hour)		\$75	\$83
New installation and retrofits ²		T & M	T & M

Fair Oaks Water District
Schedule of Fees and Charges
2004 and 2005

Activity	2003	2004	2005
Inspection And Supervision Fees ⁽²⁾ :			
Inspection Fee (minimum)			
Inspection per hour - standard	\$65	\$72	\$79
Inspection - additional/non-standard	\$100	\$110	\$121
Private Development Fees (Minimum):			
Calculated at 5% of the estimated Public Water system value			
OR			
Pipeline inspections (each)	\$376	\$414	\$455
Notifications and shutdowns (each)	\$200	\$220	\$242
Tie-ins (each)	\$251	\$276	\$304
Hydrostatic testing (each)	\$251	\$276	\$304
Plan checking (minimum)	\$200	\$220	\$242
Plan checking-additional (per hour)	\$90	\$99	\$109
County trench cut fee(per square foot)	\$13	\$14	\$15
Construction Fees:			
Based upon labor, equipment and materials for each project:			
Water Usage Fees:			
Basic residential service, annually	\$430	\$473	\$520
Special service, per 100 cubic feet	\$1.15	\$1.27	\$1.40
<i>Construction water ⁽³⁾</i>			
Schedule A (per lot or parcel)	\$32	\$47	\$52
Schedule B (trench excavation, per CY)	\$8	\$9	\$10
Schedule C (grading, per 100 CY)	\$8	\$9	\$10
Schedule D (acreage, per acre)	\$181	\$199	\$219
Schedule E (metered usage, per 1000 gal.)	\$7	\$8	\$9
Special Event - non-metered: daily ⁽⁴⁾	\$41	\$45	\$50
Annual fire line maintenance fee	\$22	\$24	\$26
Coliform samples (each)	\$60	\$66	\$73

Notes:

- (1) Fees listed are based on estimated average costs for services provided on typical projects, and are listed here for reference only. Actual charges will be based on the District's total incurred project cost, and may vary substantially from the price quoted herein. For new construction, the appropriate connection fee will be charged in addition to installation fees.
- (2) Fees listed are based on estimated average costs for services provided on typical projects, and are listed here for reference only. Actual charges will be based on the District's total incurred cost, at the rate of \$60 - \$95 per hour, plus expenses, and may vary substantially from the price quoted.
- (3) Construction water cost increases reflect the 10.0% proposed rate increase.
- (4) Minimum service fee for any special event not previously defined.

Fair Oaks Water District

Summary Financial Data

	Actual ³ 2002	12.0% Budget ³ 2003	Estimated ³ 2003	10.0% Budget		9.0% Projected		9.0% Projected	
				2004	2005	2006	2007	2008	
Rate increase									
Revenues									
Revenues:									
Unmetered flat rates	\$5,037,674	\$5,457,300	\$5,677,600	\$6,120,900	\$6,740,700	\$7,368,100	\$8,053,600	\$8,802,500	
Metered service charges-commercial ⁴	\$536,765	\$699,900	\$601,200	\$660,900	\$726,900	\$799,600	\$871,600	\$950,000	
Metered commodity rates - commercial	\$186,251	\$222,900	\$208,600	\$229,300	\$252,300	\$277,500	\$305,300	\$335,800	
Metered service charges-residential	\$5,822	\$178,400	\$17,300	\$53,000	\$93,200	\$140,800	\$195,300	\$258,400	
Metered commodity rates - residential	\$1,871	\$58,700	\$4,700	\$17,200	\$31,400	\$48,400	\$67,800	\$90,300	
Allowance: metered rate conversion ¹	\$0	(\$62,200)	(\$1,600)	(\$10,800)	(\$11,800)	(\$13,000)	(\$14,200)	(\$15,500)	
Allowance: uncollectible ²	\$0	(\$54,600)	(\$25,000)	(\$35,400)	(\$39,200)	(\$43,200)	(\$47,500)	(\$52,200)	
<i>Total Water Sales</i>	\$5,768,382	\$6,500,400	\$6,482,800	\$7,035,100	\$7,793,500	\$8,578,200	\$9,431,900	\$10,369,300	
Other revenue	\$812,046	\$463,100	\$499,500	\$348,100	\$432,700	\$942,200	\$911,900	\$356,700	
Total Revenues	\$6,580,428	\$6,963,500	\$6,982,300	\$7,383,200	\$8,226,200	\$9,520,400	\$10,343,800	\$10,726,000	
Total Operating Expenditures	\$4,657,301	\$5,607,800	\$5,456,100	\$6,212,400	\$7,169,800	\$7,328,000	\$7,430,800	\$7,780,500	
Net Operating Income	\$1,923,127	\$1,355,700	\$1,526,200	\$1,170,800	\$1,056,400	\$2,192,400	\$2,913,000	\$2,945,500	
Total Capital Program	\$924,366	\$1,356,100	\$2,451,400	\$3,823,100	\$5,645,500	\$2,806,300	\$2,245,900	\$2,177,900	
Annual Net Cash (used) received	\$998,762	(\$400)	(\$925,200)	(\$2,652,300)	(\$4,589,100)	(\$613,900)	\$667,100	\$767,600	

Notes:

¹ Cash flow effect of converting to a metered rate. Rate stabilization designation will be used as needed to cover this cash flow effect.

² Reflects uncollectible account allowance. See Financial Plan revenues and Expenditure Summary.

³ Some of the prior year expenses and 2003 estimated expenses have been reclassified to be comparative with the current year budget presentation.

⁴ Includes shared metered service fee.

Fair Oaks Water District

Financial Plan Revenues and Expenses Overview

	12.0%	12.0%	10.0%	10.0%	10.0%	9.0%	9.0%	
Rate increase	Actual ^f 2002	Budget ^f 2003	Estimated ^g 2003	Budget 2004	Budget 2005	Projected 2006	Projected 2007	Projected 2008
Revenues:								
Water sales								
Unmetered flat rates	\$5,037,674	\$5,457,300	\$5,677,600	\$6,120,900	\$6,740,700	\$7,368,100	\$8,053,600	\$8,802,500
Metered service charges - comm.	\$536,765	\$699,900	\$601,200	\$660,900	\$726,900	\$799,600	\$871,600	\$950,000
Metered commodity rates - comm.	\$186,251	\$222,900	\$208,600	\$229,300	\$252,300	\$277,500	\$305,300	\$335,800
Metered service charges - resid.	\$5,822	\$178,400	\$17,300	\$3,000	\$93,200	\$140,800	\$195,300	\$258,400
Metered commodity rates - resid.	\$1,871	\$58,700	\$4,700	\$17,200	\$31,400	\$48,400	\$67,800	\$90,300
Allowance: metered rate conversion	\$0	(\$62,200)	(\$1,600)	(10,800)	(\$11,800)	(\$13,000)	(\$14,200)	(\$15,500)
Allowance: uncollectible accounts	\$0	(\$54,600)	(\$25,000)	(\$35,400)	(\$39,200)	(\$43,200)	(\$47,500)	(\$52,200)
<i>Total Water Sales</i>	\$5,768,382	\$6,500,400	\$6,482,800	\$7,035,100	\$7,793,500	\$8,578,200	\$9,431,900	\$10,369,300
Interest income ²	\$265,141	\$300,300	\$181,000	\$152,300	\$269,400	\$191,600	\$163,800	\$189,200
Delinquencies & late fees	\$92,565	\$58,000	\$75,000	\$35,400	\$39,200	\$43,200	\$47,500	\$52,200
Bi-Monthly service fee ³	\$41,577	\$43,500	\$38,500	\$0	\$0	\$0	\$0	\$0
Fees for service	\$112,402	\$25,800	\$70,000	\$35,000	\$36,100	\$37,200	\$38,300	\$39,400
Connection fees	\$151,400	\$20,000	\$110,000	\$40,000	\$44,000	\$48,400	\$53,200	\$58,500
Contributed Assets	\$295,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Contributed Assets (non-cash)	(\$295,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous revenue and grants ⁷	\$148,961	\$15,500	\$25,000	\$85,400	\$44,000	\$621,800	\$609,100	\$17,400
<i>Total Revenues</i>	\$6,580,428	\$6,963,500	\$6,982,300	\$7,383,200	\$8,226,200	\$9,520,400	\$10,343,800	\$10,726,000

Fair Oaks Water District

Financial Plan Revenues and Expenses Overview

	12.0%	12.0%	10.0%	10.0%	10.0%	9.0%	9.0%	
	Actual ^f 2002	Budget ^f 2003	Estimated ^g 2003	Budget 2004	Budget 2005	Projected 2006	Projected 2007	Projected 2008
Rate increase								
Operating Expenditures:								
<i>Labor & Benefits</i>								
Customer Service & Admin.	\$420,465	\$500,000	\$514,800	\$586,800	\$623,300	\$654,500	\$687,300	\$721,600
Operations & Maintenance	\$1,361,082	\$1,917,600	\$1,802,400	\$2,264,000	\$2,446,700	\$2,569,300	\$2,697,700	\$2,832,600
O&M Labor capitalized	(\$129,852)	(\$357,600)	(\$432,800)	(\$625,000)	(\$463,900)	(\$624,700)	(\$545,600)	(\$502,300)
Board	\$20,900	\$39,000	\$31,000	\$28,000	\$34,000	\$33,000	\$37,500	\$34,000
Subtotal Labor	\$1,672,595	\$2,099,000	\$1,915,400	\$2,253,800	\$2,640,100	\$2,632,100	\$2,876,900	\$3,085,900
<i>Materials & Services</i>								
Customer Service & Admin.	\$426,840	\$567,000	\$538,000	\$827,100	\$868,100	\$890,400	\$659,100	\$667,600
Operations & Maintenance	\$1,531,574	\$1,816,700	\$1,936,300	\$2,007,800	\$2,144,100	\$2,278,000	\$2,373,800	\$2,487,200
Board	\$54,185	\$40,200	\$39,700	\$52,500	\$42,000	\$56,600	\$44,600	\$60,000
Subtotal Materials & Services	\$2,012,599	\$2,423,900	\$2,514,000	\$2,887,400	\$3,054,200	\$3,225,000	\$3,077,500	\$3,214,800
<i>Debt Service</i>								
Principle & Interest ^f	\$969,167	\$1,045,700	\$1,002,500	\$1,027,500	\$1,431,000	\$1,426,100	\$1,430,500	\$1,433,500
Other Costs	\$2,940	\$39,200	\$24,200	\$43,700	\$44,500	\$44,800	\$45,900	\$46,300
Subtotal Debt Service	\$972,107	\$1,084,900	\$1,026,700	\$1,071,200	\$1,475,500	\$1,470,900	\$1,476,400	\$1,479,800
Total Operating Expenditures	\$4,657,301	\$5,607,800	\$5,456,100	\$6,212,400	\$7,169,800	\$7,328,000	\$7,430,800	\$7,780,500
Net Operating Income	\$1,923,127	\$1,355,700	\$1,526,200	\$1,170,800	\$1,056,400	\$2,192,400	\$2,913,000	\$2,945,500
Capital Program Expenditures:								
Facilities & Equipment	\$166,383	\$220,200	\$347,300	\$800,600	\$1,778,600	\$755,200	\$141,500	\$191,900
CIP ⁵	\$629,694	\$522,700	\$1,545,300	\$1,665,700	\$2,316,000	\$548,100	\$640,000	\$659,500
Mandated Metering ⁵	\$128,288	\$613,200	\$558,800	\$1,356,800	\$1,550,900	\$1,503,000	\$1,464,400	\$1,326,500
Total Capital Program	\$924,366	\$1,356,100	\$2,451,400	\$3,823,100	\$5,645,500	\$2,806,300	\$2,245,900	\$2,177,900
Net Change in Cash Balances	\$998,762	(\$400)	(\$925,200)	(\$2,652,300)	(\$4,589,100)	(\$613,900)	\$667,100	\$767,600
Debt Service Coverage Ratio	2.62	2.55	2.69	2.29	2.03	2.52	3.19	3.20

Fair Oaks Water District

Financial Plan Revenues and Expenses Overview

	12.0%		10.0%		10.0%		9.0%		9.0%	
	Actual ^f 2002	Budget ^f 2003	Estimated ^g 2003	Budget 2004	Budget 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2008	Projected 2008
Ending Designation Fund Balances										
Rate Stabilization Designation ^h	\$407,677	\$664,200	\$731,100	\$1,012,500	\$1,324,200	\$1,431,500	\$1,525,800	\$1,629,500	\$1,629,500	\$1,629,500
Operating Designation	\$2,030,311	\$1,212,500	\$1,167,400	\$1,031,400	\$334,900	\$96,500	\$358,200	\$681,300	\$681,300	\$681,300
Emergency Designation	\$777,715	\$841,615	\$842,400	\$912,800	\$990,700	\$990,700	\$990,700	\$1,094,400	\$1,094,400	\$1,094,400
1999 COP Construction Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Resid. Metering Designation	\$640,426	\$206,100	\$694,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Projected 2004 COP's	\$0	\$0	\$0	\$2,686,400	\$0	\$0	\$0	\$0	\$0	\$0
Connection Fee Designation	\$416,388	\$20,000	\$411,700	\$452,100	\$0	\$48,400	\$103,500	\$166,100	\$166,100	\$166,100
Admin. Facilities Designation:										
Site Improvements	\$541,465	\$284,500	\$568,400	\$200,400	\$0	\$0	\$94,300	\$198,000	\$198,000	\$198,000
ADA compliance	\$500,000	\$500,000	\$500,000	\$500,000	\$0	\$0	\$0	\$0	\$0	\$0
Architect & Engineering	\$87,000	\$87,000	\$87,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Temporary Relocation	\$38,000	\$38,000	\$38,000	\$38,000	\$0	\$0	\$0	\$0	\$0	\$0
Fixed Asset Designation	\$2,443,375	\$1,267,885	\$1,916,400	\$1,482,100	\$1,031,900	\$418,900	\$549,000	\$619,800	\$619,800	\$619,800
1999 Refund. COP Retire. Rstrvs.	\$662,756	\$658,000	\$662,800	\$662,800	\$662,800	\$662,800	\$662,800	\$662,800	\$662,800	\$662,800
Total Designated Revenues	\$8,545,111	\$5,779,800	\$7,620,000	\$8,978,500	\$4,344,500	\$3,648,800	\$4,284,300	\$5,051,900	\$5,051,900	\$5,051,900

Notes:

- ¹ A portion of O&M labor costs has been allocated to internally constructed projects. See the "Capital Improvement Projects Budget Projections" for details.
- ² Based on beginning-of-year fund/reserve balances. Estimated earnings yield varies each year, see "Budget Plan Assumptions" for details.
- ³ Includes SJWD COPs refunded in 1993, refunding COPs in 1999, and anticipated future COP issues. See "Debt Service Schedule".
- ⁴ See "Facilities and Equipment Budget Projections" for details.
- ⁵ See "Capital Improvement Projects Budget Projections" and "Residential Metering Projections and Cost Estimates" for details.
- ⁶ Some of the previous year expenses and 2003 estimated expenses have been reclassified to be comparative with the current year budget presentation.
- ⁷ The 2006 and 2007 amounts included the 50% Prop 13 grant reimbursement for wellsite expenses incurred in 2004 and 2005.
- ⁸ The bi-monthly fee will no longer be charged effective January 1, 2004.

Fair Oaks Water District

Customer Service and Administration Budget Projections

Description	Actual ³ 2002	Budget ³ 2003	Estimated ³ 2003	Budget 2004	Budget 2005	Projected 2006	Projected 2007	Projected 2008	Notes
	Labor								
<i>Salaries and Wages</i>									
Salaries ⁴	\$337,926	\$389,330	\$391,900	\$426,800	\$450,500	\$473,000	\$496,700	\$521,500	One additional FTE in customer service in August, 2003; new FTE in 2004
Overtime	\$3,587	\$3,300	\$5,000	\$5,200	\$5,400	\$5,700	\$6,000	\$6,300	
Certified Incentive Program (CIP)	\$4,346	\$4,700	\$4,700	\$5,000	\$5,500	\$5,800	\$6,100	\$6,400	
<i>Salaries and Wages Subtotal</i>	\$345,859	\$397,330	\$401,600	\$437,000	\$461,400	\$484,500	\$508,800	\$534,200	
<i>Benefits and Insurance</i>									
Auto and mileage	\$2,255	\$1,100	\$2,300	2,500	2,600	\$2,700	\$2,800	\$2,900	
Dental Insurance	\$4,509	\$5,300	\$5,700	8,000	8,800	\$9,200	\$9,700	\$10,200	
FICA ¹	\$16,642	\$21,700	\$22,300	23,900	25,500	\$26,800	\$28,100	\$29,500	Directly related to salaries
Medicare ¹	\$4,177	\$5,800	\$6,000	6,300	6,700	\$7,000	\$7,400	\$7,800	Directly related to salaries
Health Insurance	\$21,401	\$30,000	\$35,000	64,500	71,100	\$74,700	\$78,400	\$82,300	Budget at maximum liability; actual amount may be lower due to employee opt out of insurance. Ave health ins. Increase of 36.4% since 2002; 2 New FTE since 2002.
Disability Insurance	\$1,780	\$2,200	\$2,300	2,500	2,700	\$2,800	\$2,900	\$3,000	
Life Insurance	\$475	\$500	\$900	1,100	1,200	\$1,300	\$1,400	\$1,500	
Pension Plan	\$20,263	\$27,200	\$27,800	28,800	30,600	\$32,100	\$33,700	\$35,400	Based upon annual actuarial calculations
Unemployment insurance	\$0	\$4,300	\$4,700	5,500	5,700	\$6,000	\$6,300	\$6,600	This amount varies-self-insured & based upon claims.
Vision care	\$2,195	\$2,500	\$3,000	3,300	3,400	\$3,600	\$3,800	\$4,000	
Workers compensation ¹	\$911	\$2,100	\$3,200	3,400	3,600	\$3,800	\$4,000	\$4,200	
<i>Benefits and Insurance Subtotal</i>	\$74,606	\$102,700	\$113,200	\$149,800	\$161,900	\$170,000	\$178,500	\$187,400	
Labor total	\$420,465	\$500,030	\$514,800	\$586,800	\$623,300	\$654,500	\$687,300	\$721,600	
Materials & Services									
<i>Insurance</i>									
Auto and general liab. insurance	\$90,506	\$87,700	\$75,000	\$77,300	\$79,600	\$82,000	\$84,500	\$87,000	Higher rates due to claims
Bonding	\$125	\$1,000	\$1,000	\$700	\$800	\$900	\$1,000	\$1,100	
Property insurance	\$7,893	\$8,400	\$7,900	\$17,400	\$18,000	\$18,500	\$9,800	\$10,100	Increase in premium for additional equipment/lease space
<i>Insurance Subtotal</i>	\$98,524	\$97,100	\$83,900	\$95,400	\$98,400	\$101,400	\$95,300	\$98,200	
<i>Printing and Postage</i>									
Advertisement & Notices & Recording F	\$90	\$3,600	\$12,200	\$15,800	\$16,400	\$17,000	\$17,500	\$18,000	Newspaper help wanted ads and notices.
Invoice Printing ²	\$19,674	\$28,300	\$22,000	\$26,000	\$26,800	\$27,600	\$28,400	\$29,300	Increase for bi-monthly comm info billing
Printing	\$5,684	\$16,000	\$10,000	\$11,000	\$11,300	\$11,600	\$11,900	\$12,300	Budgets, forms, letterhead, advertising, logos
Water Currents: print, mail, consult.	\$24,754	\$27,100	\$27,100	\$28,500	\$29,900	\$31,400	\$33,000	\$34,700	Assumes sub-contracted; includes postage
Postage ²	\$21,510	\$22,700	\$22,700	\$23,000	\$24,400	\$25,800	\$27,200	\$28,700	
Collection Expense	\$2,519	\$10,500	\$3,500	\$11,000	\$11,600	\$12,200	\$12,800	\$13,400	
<i>Printing and Postage Subtotal</i>	\$74,250	\$123,700	\$113,000	\$115,300	\$136,400	\$125,600	\$147,200	\$136,400	
Office Expenses and Other									
Office Lease	\$0	\$0	\$0	\$240,000	\$247,200	\$262,300	\$0	\$0	Office Lease is placeholder @ 10,000 sq feet @ \$2.00/foot until building complete
Office Supplies ²	\$25,320	\$26,600	\$26,600	\$27,400	\$28,200	\$29,000	\$29,900	\$30,800	
Office Equipment Maintenance	\$2,307	\$6,500	\$5,000	\$6,800	\$7,100	\$7,400	\$7,600	\$7,800	
Dues, subscrip., and org. fees	\$10,075	\$5,700	\$11,000	\$11,300	\$11,600	\$11,900	\$12,300	\$12,700	Some costs allocated to regional support
Miscellaneous	\$1,016	\$10,600	\$10,600	\$10,900	\$11,200	\$11,500	\$11,800	\$12,200	Banking fees, etc.
<i>Office Expenses and Other</i>	\$38,717	\$49,400	\$53,200	\$296,400	\$305,300	\$322,100	\$61,600	\$63,500	

Fair Oaks Water District

Customer Service and Administration Budget Projections

Description	Actual ³ 2002	Budget ³ 2003	Estimated ³ 2003	Budget 2004	Budget 2005	Projected 2006	Projected 2007	Projected 2008	Notes
Professional Services									
Annual audit	\$12,000	\$13,100	\$13,400	\$26,800	\$28,100	\$29,500	\$31,000	\$32,600	Increases in scope...SAS99 and other special purpose reports Section 125 administration; no longer need to file Maintenance service fees & misc. software Estimate, varies Ongoing annual support RWA, SMWA, AWWAD, SAWWA, CUWCC, LAFCO Financial advisor, recruitment, consulting services
Benefit Plan Admin. & Filings	\$0	\$5,300	\$0	\$0	\$0	\$0	\$0	\$0	
General computer support	\$29,513	\$31,000	\$31,000	\$31,300	\$32,200	\$33,800	\$35,500	\$37,300	
Website Design & Maintenance	\$16,318	\$7,000	\$7,000	\$10,000	\$10,300	\$10,800	\$11,300	\$11,900	
Legal fees	\$12,617	\$28,200	\$35,000	\$36,100	\$37,200	\$38,300	\$39,400	\$40,600	
Public and customer relations	\$50,166	\$63,200	\$63,200	\$66,400	\$69,700	\$73,200	\$76,900	\$80,700	
Regional Support	\$20,011	\$26,600	\$26,600	\$27,900	\$29,300	\$30,800	\$32,300	\$33,900	
Professional Fees- misc.	\$17,012	\$51,800	\$51,800	\$53,400	\$55,000	\$56,700	\$58,400	\$60,200	
<i>Professional Services Subtotal</i>	<i>\$157,637</i>	<i>\$226,200</i>	<i>\$228,000</i>	<i>\$251,900</i>	<i>\$261,800</i>	<i>\$273,100</i>	<i>\$284,800</i>	<i>\$297,200</i>	
Utilities									
Phone, power, alarms	\$13,932	\$36,200	\$22,500	\$23,200	\$23,900	\$24,600	\$25,300	\$26,100	
<i>Utilities Subtotal</i>	<i>\$13,932</i>	<i>\$36,200</i>	<i>\$22,500</i>	<i>\$23,200</i>	<i>\$23,900</i>	<i>\$24,600</i>	<i>\$25,300</i>	<i>\$26,100</i>	
Training									
Training, travel, and expenses	\$35,737	\$28,800	\$28,800	\$35,000	\$32,100	\$33,100	\$34,100	\$35,100	
Employee recognition program	\$8,061	\$5,600	\$8,600	\$9,900	\$10,200	\$10,500	\$10,800	\$11,100	
<i>Training Subtotal</i>	<i>\$43,799</i>	<i>\$34,400</i>	<i>\$37,400</i>	<i>\$44,900</i>	<i>\$42,300</i>	<i>\$43,600</i>	<i>\$44,900</i>	<i>\$46,200</i>	
Materials & services total	\$426,840	\$567,000	\$538,000	\$827,100	\$868,100	\$890,400	\$659,100	\$667,600	
Department Grand Total	\$847,305	\$1,067,030	\$1,052,800	\$1,413,900	\$1,491,400	\$1,544,900	\$1,346,400	\$1,389,200	

Notes:

- ¹ Expenditures are a direct result of salary costs and reflect statutory rates.
- ² Increased future costs anticipated due to conversion to bi-monthly metered billing.
- ³ Some of the previous year expenses and 2003 estimated expenses have been reclassified to be comparative with the current year budget presentation.
- ⁴ See "Summary of Metering Implementation Plan Assumptions" for more detail on the salary increases/changes.

Fair Oaks Water District

Operations and Maintenance Budget Projections

Description	Actual ⁴ 2002	Budget ⁴ 2003	Estimated ⁴ 2003	Budget		Projected 2006	Projected 2007	Projected 2008	Notes
				2004	2005				
Labor									
<i>Salaries and Wages</i>									
Salaries ³	\$875,283	\$1,282,500	\$1,200,500	\$1,455,700	\$1,564,400	\$1,642,600	\$1,724,700	\$1,810,900	Include 6 additional employees in 2004
On-call	\$24,741	\$28,400	\$28,400	\$29,800	\$31,300	\$32,900	\$34,500	\$36,200	
Overtime	\$29,721	\$32,700	\$32,700	\$34,300	\$36,000	\$37,800	\$39,700	\$41,700	
Certified Incentive Program (CIP)	\$42,854	\$50,000	\$45,000	\$43,300	\$39,900	\$41,900	\$44,000	\$46,200	
Temporary Labor (incl. taxes)	\$48,503	\$37,200	\$12,000	\$0	\$0	\$0	\$0	\$0	
<i>Salaries and Wages Subtotal</i>									
	\$1,021,102	\$1,430,800	\$1,318,600	\$1,563,100	\$1,671,600	\$1,755,200	\$1,842,900	\$1,935,000	
<i>Benefits and Insurance</i>									
Auto and mileage	\$382	\$3,900	\$1,200	\$1,500	\$1,800	\$1,900	\$2,000	\$2,100	
Dental Insurance	\$18,058	\$31,000	\$24,200	\$38,200	\$43,100	\$45,300	\$47,600	\$50,000	Increase due to 6 new employees in 2004
FICA ²	\$64,009	\$82,800	\$79,000	\$96,200	\$103,000	\$108,200	\$113,600	\$119,300	Directly related to salaries
Medicare ²	\$15,822	\$19,500	\$17,900	\$22,700	\$24,300	\$25,500	\$26,800	\$28,100	Directly related to salaries
Health Insurance	\$124,143	\$182,200	\$178,900	\$309,100	\$353,400	\$371,100	\$389,700	\$409,200	Health insurance projected at maximum liability; actual may be lower due to employee opt out o
Disability Insurance	\$4,802	\$7,300	\$7,500	\$9,700	\$10,000	\$10,500	\$11,000	\$11,600	
Life Insurance	\$1,984	\$3,900	\$3,700	\$5,300	\$5,400	\$5,700	\$6,000	\$6,300	
Pension Plan	\$59,878	\$92,100	\$87,100	\$100,200	\$107,500	\$112,900	\$118,500	\$124,400	Actuarial determined benefit
Unemployment insurance	\$0	\$7,000	\$7,000	\$9,000	\$9,500	\$10,000	\$10,500	\$11,000	This amount varies-self-insured & based upon claims.
Vision care	\$4,734	\$6,500	\$6,500	\$17,200	\$17,400	\$18,300	\$19,200	\$20,200	Budget at maximum liability
Workers compensation ²	\$46,168	\$50,600	\$71,000	\$91,800	\$99,700	\$104,700	\$109,900	\$115,400	Significant industry increases expected
<i>Benefits and Insurance Subtotal</i>									
	\$339,981	\$486,800	\$483,800	\$700,900	\$775,100	\$874,100	\$854,800	\$897,600	
<i>Labor Subtotal</i>									
	\$1,361,082	\$1,917,600	\$1,802,400	\$2,264,000	\$2,446,700	\$2,569,300	\$2,697,700	\$2,832,600	
In-house CIP labor capitalized	(\$129,852)	(\$357,600)	(\$432,800)	(\$625,000)	(\$463,900)	(\$624,700)	(\$545,600)	(\$502,300)	
<i>Labor Total, net capitalized costs</i>									
	\$1,231,230	\$1,560,000	\$1,369,600	\$1,639,000	\$1,982,800	\$1,944,600	\$2,152,100	\$2,330,300	
Materials & Services									
<i>Water Supply</i>									
Surface water supply, SJWI ¹	\$736,873	\$1,126,900	\$1,032,200	\$1,099,900	\$1,210,400	\$1,324,900	\$1,428,200	\$1,510,600	Additional chlorine
Chemicals	\$12,442	\$6,400	\$6,400	\$10,000	\$10,300	\$10,600	\$10,900	\$11,200	Water System Fees
DOHS Fees	\$4,821	\$7,300	\$7,300	\$7,500	\$7,700	\$7,900	\$8,100	\$8,300	Quality water testing, new regulations
Testing ⁵	\$11,327	\$21,200	\$21,200	\$15,300	\$15,800	\$23,000	\$16,300	\$16,800	
Sampling	\$13	\$1,700	\$1,700	\$2,500	\$3,000	\$3,200	\$3,400	\$3,600	
Hydrant testing & flushing	\$4,109	\$10,900	\$10,900	\$11,000	\$11,500	\$11,800	\$12,200	\$12,600	Industry best management practice
<i>Water Supply Subtotal</i>									
	\$769,585	\$1,174,400	\$1,079,700	\$1,146,200	\$1,238,700	\$1,381,400	\$1,479,100	\$1,563,100	

Fair Oaks Water District

Operations and Maintenance Budget Projections

Description	Actual ⁴ 2002	Budget ⁴ 2003	Estimated ⁴ 2003	Budget		Projected 2006	Projected 2007	Projected 2008	Notes
				2004	2005				
District Facilities Maintenance and Repairs									
Storage tank	\$0	\$4,500	\$4,500	\$5,200	\$5,700	\$5,900	\$6,100	\$6,300	
Well repairs and upgrades	\$6,816	\$10,300	\$8,000	\$10,500	\$10,800	\$11,100	\$11,400	\$11,700	Includes landscaping, repairs etc.
District maintenance	\$23,927	\$23,600	\$25,000	\$26,700	\$27,500	\$28,300	\$29,100	\$30,000	
Refuse collection	\$1,946	\$2,300	\$2,300	\$2,400	\$2,500	\$2,600	\$2,700	\$2,800	
Janitorial, air conditioning	\$5,362	\$9,900	\$9,900	\$13,200	\$13,600	\$14,000	\$14,400	\$14,800	Increase in janitorial support contract
Security costs	\$1,227	\$1,300	\$2,500	\$5,000	\$5,200	\$5,400	\$5,600	\$5,800	Installed additional alarms for the District and Tank Sites at the end of 2007.
<i>District Facilities Maint. Subtotal</i>	<i>\$39,277</i>	<i>\$51,900</i>	<i>\$52,200</i>	<i>\$63,000</i>	<i>\$65,300</i>	<i>\$67,300</i>	<i>\$69,300</i>	<i>\$71,400</i>	
Vehicle and Equipment Maintenance									
Routine maintenance	\$25,145	\$26,600	\$26,600	\$27,400	\$28,200	\$29,000	\$29,900	\$30,800	
Small equipment repair & maint.	\$3,631	\$10,600	\$8,000	\$10,900	\$11,200	\$11,500	\$11,800	\$12,200	
<i>Vehicle Maintenance Subtotal</i>	<i>\$28,776</i>	<i>\$37,200</i>	<i>\$34,600</i>	<i>\$38,300</i>	<i>\$39,400</i>	<i>\$40,500</i>	<i>\$41,700</i>	<i>\$43,000</i>	
Professional services									
Coop. Trans. Pipeline O & M	\$0	\$5,400	\$5,400	\$5,600	\$5,800	\$6,000	\$6,200	\$6,400	Per San Juan: obligation estimate
Backflow: Sac. Co. & SAWWA	\$3,095	\$2,100	\$3,500	\$3,600	\$3,700	\$3,800	\$3,900	\$4,000	
Dues & Subscriptions	\$3,129	\$5,300	\$5,300	6,350	\$6,500	\$6,700	\$6,900	\$7,100	
Prop 13 Grant	\$12,751	\$15,800	\$15,800	\$0	\$0	\$0	\$0	\$0	Required every five years.
Urban Water Master Plan	\$0	\$0	\$0	\$0	\$15,000	\$0	\$0	\$0	
Master Plan Update	\$0	\$0	\$130,000	\$0	\$0	\$0	\$0	\$0	
Technical analysis studies	\$1,950	\$45,200	\$45,200	\$92,400	\$106,100	\$109,300	\$101,000	\$93,900	Required every five years.
Five Year Water Management Plan	\$0	\$0	\$19,000	\$0	\$0	\$0	\$0	\$0	Required every three years.
California EPA notification report	\$0	\$0	\$0	\$10,600	\$0	\$0	\$11,600	\$0	
Meter Reading Services	\$24,244	\$28,200	\$30,100	\$31,000	\$32,000	\$33,100	\$34,200	\$35,300	Contracted services
<i>Professional Services Subtotal</i>	<i>\$45,168</i>	<i>\$102,000</i>	<i>\$254,300</i>	<i>\$149,550</i>	<i>\$169,100</i>	<i>\$158,900</i>	<i>\$163,800</i>	<i>\$168,700</i>	
System Maintenance /Repairs									
Aggregate, sand & cutback	\$51,029	\$22,500	\$40,000	\$41,200	\$42,400	\$43,700	\$45,000	\$46,400	
Paving	\$86,976	\$28,100	\$50,000	\$51,500	\$54,100	\$56,800	\$59,600	\$62,600	
Contract trucking/Dumping	\$24,286	\$18,500	\$18,500	\$19,100	\$19,700	\$20,300	\$20,900	\$21,500	
Equip. and tool rental	\$6,621	\$5,800	\$5,800	\$6,000	\$6,200	\$6,400	\$6,600	\$6,800	Recent land fill increases
Supplies	\$39,900	\$34,000	\$30,000	\$35,700	\$37,500	\$39,400	\$41,400	\$43,500	
Parts inventory replenishment	\$11,104	\$11,200	\$11,200	\$11,500	\$11,800	\$12,200	\$12,600	\$13,000	
Gas and oil	\$18,115	\$22,500	\$20,000	\$23,200	\$23,900	\$24,600	\$25,300	\$26,100	
Small equipment and tools	\$26,501	\$16,500	\$16,500	\$18,100	\$17,700	\$18,300	\$18,800	\$19,400	Yearly replacements
Safety signs and cones	\$5,981	\$6,400	\$6,500	\$6,600	\$6,800	\$7,000	\$7,200	\$7,400	
<i>System Maintenance/Repairs</i>	<i>\$270,513</i>	<i>\$165,500</i>	<i>\$198,000</i>	<i>\$212,900</i>	<i>\$220,100</i>	<i>\$228,700</i>	<i>\$237,400</i>	<i>\$246,700</i>	
Fees									
County fees	\$14,413	\$5,400	\$5,400	\$5,500	\$5,700	\$5,900	\$6,100	\$6,300	In 2002 NDWA one time fee \$6,594
County trench cut fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	Avoided fees--used "guarantee" and completed project before count
Air Quality	\$0	\$2,200	\$2,200	\$2,300	\$2,400	\$2,500	\$2,600	\$2,700	New fee for generators
NPDES Permit	\$0	\$0	\$2,900	\$3,000	\$3,100	\$3,200	\$3,300	\$3,400	New storm drain/water discharge permit
Fuel tank permit	\$0	\$1,400	\$1,400	\$1,500	\$1,600	\$1,700	\$1,800	\$1,900	
Haz-mat permit	\$874	\$1,000	\$1,000	\$1,000	\$1,100	\$1,200	\$1,300	\$1,400	
<i>Fees Subtotal</i>	<i>\$15,287</i>	<i>\$10,000</i>	<i>\$12,900</i>	<i>\$13,300</i>	<i>\$13,900</i>	<i>\$14,500</i>	<i>\$15,100</i>	<i>\$15,700</i>	

Fair Oaks Water District

Operations and Maintenance Budget Projections

Description	Actual ¹ 2002	Budget ⁴ 2003	Estimated ⁴ 2003	Budget		Projected 2006	Projected 2007	Projected 2008	Notes
				2004	2005				
Utilities									
Energy cost, tank	\$28,709	\$35,300	\$35,300	\$38,000	\$39,100	\$40,300	\$41,500	\$42,700	
Energy cost, wells	\$178,228	\$84,500	\$84,500	\$85,000	\$87,600	\$90,200	\$92,900	\$95,700	
Communication, and equipment	\$25,288	\$23,900	\$28,000	\$28,800	\$29,700	\$30,600	\$31,500	\$32,400	
Utilities (SMUD)	\$8,366	\$8,400	\$9,000	\$9,500	\$9,800	\$10,100	\$10,400	\$10,700	
<i>Utilities Subtotal</i>	<i>\$240,591</i>	<i>\$152,100</i>	<i>\$156,800</i>	<i>\$161,300</i>	<i>\$166,200</i>	<i>\$171,200</i>	<i>\$176,300</i>	<i>\$181,500</i>	
Conservation									
Advertising	\$0	\$1,700	\$1,700	\$1,700	\$1,800	\$1,900	\$2,000	\$2,100	
Community events	\$120	\$1,400	\$1,400	\$1,400	\$1,500	\$1,600	\$1,600	\$1,600	WET, Harvest, Salmon, Chamber Mixer
Fiesta Days	\$2,079	\$1,600	\$1,600	\$2,600	\$2,700	\$2,800	\$2,900	\$3,000	Booklets, brochures, bottles
Conservation Outreach	\$14,046	\$9,000	\$13,500	\$15,000	\$15,500	\$16,000	\$16,500	\$17,000	SAWVA Conservation
Dues & Subscriptions	\$1,000	\$5,500	\$5,500	\$5,700	\$5,900	\$6,100	\$6,300	\$6,500	CUWCC; Regional Water Efficiency Core Prog
Regional Support	\$8,657	\$7,800	\$28,200	\$29,000	\$29,900	\$30,800	\$31,700	\$32,700	scope is expanded
Grant Application	\$0	\$5,000	\$5,000	\$6,000	\$6,200	\$6,400	\$6,600	\$6,800	
Conservation Education Program	\$3,728	\$500	\$3,800	\$4,000	\$4,200	\$4,400	\$4,600	\$4,800	
Poster Contest	\$5,673	\$8,400	\$6,000	\$7,100	\$7,300	\$7,500	\$7,700	\$7,900	
Landscape Irrigation	\$5,508	\$2,200	\$2,200	\$2,500	\$2,600	\$2,700	\$2,800	\$2,900	
Landscape Irrigation (Grant \$ Usag ²)	\$0	\$0	\$0	\$46,500	\$31,600	\$30,000	\$0	\$0	
Toilet Rebate Program	\$3,900	\$8,300	\$8,300	\$8,500	\$8,800	\$9,100	\$9,400	\$9,700	
Water Internal Review/Assessment	\$3,835	\$9,000	\$9,000	\$9,300	\$9,600	\$9,900	\$10,200	\$10,500	District Costs
<i>Conservation Subtotal</i>	<i>\$48,547</i>	<i>\$60,400</i>	<i>\$86,200</i>	<i>\$139,300</i>	<i>\$127,600</i>	<i>\$129,200</i>	<i>\$102,300</i>	<i>\$105,500</i>	\$5,000 USBR 2002 field service grant allocated to RWA
Training & Uniforms									
DMV/Physicals	\$1,122	\$2,000	\$2,200	\$3,000	\$3,100	\$3,200	\$3,300	\$3,400	
Training, travel, and expenses	\$29,673	\$29,800	\$29,800	\$34,900	\$33,300	\$34,300	\$35,300	\$36,400	Certification requirements; 2004 higher for vulnerability assessment training.
Employee recognition program	\$24,339	\$16,600	\$13,600	\$26,000	\$26,800	\$27,600	\$28,400	\$29,300	
Uniforms	\$18,695	\$14,800	\$16,000	\$20,000	\$20,600	\$21,200	\$21,800	\$22,500	
<i>Training Subtotal</i>	<i>\$73,829</i>	<i>\$63,200</i>	<i>\$61,600</i>	<i>\$83,900</i>	<i>\$83,800</i>	<i>\$86,300</i>	<i>\$88,800</i>	<i>\$91,600</i>	
Materials & services total	\$1,531,574	\$1,816,700	\$1,936,300	\$2,007,800	\$2,144,100	\$2,278,000	\$2,373,800	\$2,487,200	
Department Grand Total	\$2,762,805	\$3,376,700	\$3,305,900	\$3,646,800	\$4,126,900	\$4,222,600	\$4,525,900	\$4,817,500	

Notes:

¹ San Juan WD water costs obtained from the December 19, 2002 SJWD wholesale water rate study (for period 2002 through 2011).

² See footnote [6] in the "Summary of Metering Implementation Plan Assumptions" for detail rate increase.

³ Expenditures are a direct result of salary costs and reflect statutory rates.

⁴ Includes some administrative overhead costs allocations based on time spent on projects. See "Summary of Metering Implementation Plan Assumptions" for more detail on the salary increases/changes.

⁵ Some of the previous year expenses and 2003 estimated expenses have been reclassified to be comparative with the current year budget presentation.

⁶ Increased in regulatory fee every three years for additional testing requirements.

⁷ Prior year technical analysis studies include Prop 13 grant money.

⁸ Grant money expected to collect from DWR grant of \$88k in 2004, \$29k in 2005 and \$30k in 2006; and 15k in 2004 for the landscape irrigation)

Fair Oaks Water District Board of Directors Budget Projections

	Actual 2002	Budget 2003	Estimated 2003	Budget 2004	Budget 2005	Projected 2006	Projected 2007	Projected 2008	Notes
Labor									
Directors fees	\$20,900	\$39,000	\$31,000	\$28,000	\$34,000	\$33,000	\$37,500	\$34,000	\$100/meeting; limit \$1,000/month; projected higher every other year for the biannual budget
Labor total	\$20,900	\$39,000	\$31,000	\$28,000	\$34,000	\$33,000	\$37,500	\$34,000	
Materials & Services									
<i>Fees</i>									
Election expense	\$9,802	\$0	\$200	\$12,500	\$0	\$13,300	\$0	\$14,100	Elections held every other year
Bond insurance	\$500	\$1,000	\$300	\$0	\$0	\$0	\$0	\$0	Errors & Omissions covers liability
Training	\$10,302	\$1,000	\$500	\$12,500	\$0	\$13,300	\$0	\$14,100	
Training, travel, and expenses	\$43,883	\$39,200	\$39,200	\$40,000	\$42,000	\$43,300	\$44,600	\$45,900	Education & National/Regional representation of FOWD interests
Training Subtotal	\$43,883	\$39,200	\$39,200	\$40,000	\$42,000	\$43,300	\$44,600	\$45,900	
Materials & services total	\$54,185	\$40,200	\$39,700	\$52,500	\$42,000	\$56,600	\$44,600	\$60,000	
	\$75,085	\$79,200	\$70,700	\$80,500	\$76,000	\$89,600	\$82,100	\$94,000	

Fair Oaks Water District

Debt Service Schedule

Description	Actual	Budget	Estimated	Budget	Budget	Projected	Projected	Projected	Notes
	2002	2003	2003	2004	2005	2006	2007	2008	
Debt Service - Principal									
CTP - SJWD 1993 COP's ¹	\$137,825	\$143,400	\$143,400	\$206,700	\$175,100	\$178,800	\$184,400	\$188,100	Per debt service schedule
1999 COP's ²	\$515,000	\$530,000	\$530,000	\$555,000	\$575,000	\$595,000	\$620,000	\$650,000	Per debt service schedule
2004 COP's ³	\$0	\$0	\$0	\$0	\$140,000	\$145,000	\$155,000	\$165,000	
Debt service principal total	\$652,825	\$673,400	\$673,400	\$761,700	\$890,100	\$918,800	\$959,400	\$1,003,100	
Debt Service - Interest									
CTP - SJWD 1993 COP's ¹	\$150,922	\$150,900	\$150,900	\$67,900	\$57,800	\$54,200	\$49,700	\$43,100	Per debt service schedule
15% Refund from SJWD	(\$69,659)	\$0	(\$38,900)	\$0	\$0	\$0	\$0	\$0	Not applicable to refinanced debt.
1999 COP's ²	\$206,156	\$188,132	\$188,100	\$168,918	\$148,106	\$126,544	\$103,488	\$78,688	Per debt service schedule
Refunding costs (amortized)	\$28,923	\$33,300	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000	Non-cash effect
2004 COP's ³	\$0	\$0	\$0	\$0	\$306,000	\$297,600	\$288,900	\$279,600	
Debt service interest total	\$316,342	\$372,300	\$329,100	\$265,800	\$540,900	\$507,300	\$471,100	\$430,400	
Materials & Services									
<i>Professional Services</i>									
Bond Trustee Fees	\$2,940	\$4,200	\$4,200	\$8,700	\$9,500	\$9,800	\$10,900	\$11,300	
Bond Arbitrage Fees	\$0	\$35,000	\$20,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	
Materials & Services Total	\$2,940	\$39,200	\$24,200	\$43,700	\$44,500	\$44,800	\$45,900	\$46,300	
Grand Total	\$972,107	\$1,084,900	\$1,026,700	\$1,071,200	\$1,475,500	\$1,470,900	\$1,476,400	\$1,479,800	

Notes:

¹ Cooperative Transmission Pipeline interest rate range is 3.1% - 5.3%. Also includes 115% debt service coverage. Final maturities occur in 2013. Final year payment will be made from debt service reserve funds.

² Refinances 93 COPs in 2003. Interest rate is 4.25%. New principle and interest schedule obtained from SJWD on September 24, 2003 for 2004 to 2013.

³ Assumes debt issuance of \$5.1 million at an annual average rate of 6%, 20 year term with the first payment starting in 2005.

Fair Oaks Water District

Facilities and Equipment Budget Projections

Description	Actual ¹	Budget ¹	Estimated ¹	Budget	Budget	Projected	Projected	Projected
	2002	2003	2003	2004	2005	2006	2007	2008
Administration & Finance								
Computer equipment	\$14,413	\$4,400	\$10,400	\$10,400	\$9,900	\$21,000	\$10,200	\$21,600
Computer software	\$911	\$0	\$200	\$22,200	\$4,200	\$22,900	\$4,300	\$23,600
Billing and Accounting System Upgrades	\$0	\$45,000	\$55,000	\$0	\$0	\$0	\$0	\$0
Copier	\$0	\$0	\$0	\$0	\$15,500	\$0	\$0	\$0
Endorser machine	\$1,724	\$0	\$5,000	\$0	\$0	\$5,300	\$0	\$5,600
Auto letter opener	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Digital Imaging	\$2,853	\$0	\$5,000	\$0	\$0	\$0	\$0	\$0
Postage machine	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ice Machine	\$0	\$0	\$0	\$2,000	\$0	\$0	\$0	\$0
Intranet development	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Telephone System	\$24,881	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building/Facility Upgrades	\$0	\$0	\$0	\$500,000	\$1,500,000	\$500,000	\$27,200	\$0
District remodel	\$50,910	\$0	\$37,800	\$25,400	\$0	\$0	\$0	\$0
Subtotal Administration & Finance	\$95,691	\$49,400	\$113,400	\$560,000	\$1,529,600	\$549,200	\$41,700	\$50,800
Operations and Maintenance								
<i>Vehicles & Trailers</i>								
Back hoes, dump trucks, excavators ³	\$0	\$0	\$93,800	\$159,500	\$67,300	\$89,200	\$0	\$88,400
Service vehicles ²	\$23,825	\$115,700	\$51,300	\$0	\$118,600	\$75,000	\$56,800	\$0
Equipment trailers	\$0	\$5,000	\$9,600	\$7,500	\$17,500	\$0	\$0	\$8,500
Subtotal Vehicles	\$23,825	\$120,700	\$154,700	\$167,000	\$203,400	\$164,200	\$56,800	\$96,900
<i>Other equipment</i>								
Maintenance equipment	\$0	\$0	\$0	\$23,200	\$5,000	\$0	\$0	\$0
Alarm for tank site	\$0	\$0	\$14,200	\$0	\$0	\$0	\$0	\$0
Alarm for District	\$0	\$0	\$5,800	\$0	\$0	\$0	\$0	\$0
Portable compressor	\$13,255	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Locating equipment	\$2,726	\$0	\$0	\$5,000	\$0	\$0	\$0	\$0
Digital meter reader -#100EL	\$5,977	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Computer equipment	\$2,412	\$2,800	\$11,900	\$22,700	\$17,200	\$17,700	\$18,200	\$18,700
Computer software	\$7,622	\$0	\$0	\$9,700	\$10,000	\$10,300	\$10,600	\$10,900
Telemetry/Scada upgrades	\$2,992	\$37,000	\$37,000	\$0	\$0	\$0	\$0	\$0
CAD/GIS system	\$11,883	\$10,300	\$10,300	\$13,000	\$13,400	\$13,800	\$14,200	\$14,600
GPS service locator	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Other Equipment	\$46,868	\$50,100	\$79,200	\$73,600	\$45,600	\$41,800	\$43,000	\$44,200
Subtotal Vehicles & Equipment								
	\$70,693	\$170,800	\$233,900	\$240,600	\$249,000	\$206,000	\$99,800	\$141,100
Facilities & Equipment Total	\$166,383	\$220,200	\$347,300	\$800,600	\$1,778,600	\$755,200	\$141,500	\$191,900

Notes:

¹ Some of the previous year expenses and 2003 estimated expenses have been reclassified to be comparative with the current year budget presentation.

² Service trucks scheduled for replacing existing vehicles and/or new vehicles as additional crews are added due to meter implementation.

³ 2005: Scheduled utility replacement 927 of \$56,500; \$62,100 replace 914.

⁴ Include:

2004: Replaces 87-410C Backhoes \$84,100; Hydraulic Excavator \$40,000; and Bob Skidsteer \$35,400.

2005: New Crew Dump Truck \$67,300.

2006: Replaces 1989 410-C \$89,200; replaces F250 \$45,000 and replaces 970 \$30,000.

2008: Replaces 410E-98 \$88,400.

Fair Oaks Water District

Capital Improvement Projects Budget Projections

Description		Actual ¹	Budget ¹	Estimated ¹	Budget	Budget	Projected	Projected	Projected	
		2002	2003	2003	2004	2005	2006	2007	2008	
Capital Improvement Program										
<i>Wells & Tanks</i>										
O&M	2000	\$52,002		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2000	\$44,545		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2000	\$256		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2003	\$0	\$50,000	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2004	\$0	\$900	\$900	\$1,153,600	\$1,188,200	\$0	\$0	\$0	\$0
O&M	2002	\$1,603		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$0		\$70,000	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$0		\$15,900	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$71		\$100,000	\$0	\$0	\$0	\$0	\$0	\$0
<i>Subtotal Wells & Tanks</i>										
		\$98,476	\$50,000	\$236,800	\$1,253,600	\$1,188,200	\$0	\$0	\$0	\$0
<i>Transmission & Distribution</i>										
O&M	2001	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	1997	\$3,457		\$200	\$0	\$0	\$0	\$0	\$0	\$0
O&M	Ann	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	1999	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$397,443		\$215,000	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2004	\$0	\$252,100	\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2001	(\$18)		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2000	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2000	\$1,166	\$10,300	\$11,000	\$11,500	\$11,800	\$12,200	\$12,600	\$13,000	\$13,000
O&M	2002	\$4,423		\$0	\$50,000	\$51,500	\$53,000	\$54,600	\$56,200	\$56,200
O&M	2002	\$53,274		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2003	\$0	\$20,600	\$35,000	\$36,000	\$0	\$0	\$0	\$0	\$0
O&M	2004	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2005	\$0		\$0	\$37,100	\$38,200	\$39,300	\$40,500	\$41,700	\$42,900
O&M	2005	\$0		\$12,000	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2001	\$14,394		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2001	\$0		\$180,000	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2001	\$558		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2001	\$2,336		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$0		\$77,000	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$1,049		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$594		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$1,234		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$1,599		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$2,387		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$3,064		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$12,202		\$400	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$4,835		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$1,126		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$1,003		\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M	2002	\$1,295		\$0	\$0	\$0	\$0	\$0	\$0	\$0

\$0 Six sites; cld do 1/2 in 2001; chlorine & scada
 \$0 Vehicle & special equipment purchased
 \$0 New wells
 \$0 Funding set aside for future well site acquisition

Based upon DOHS inspection; required

Some of these costs will be offset by fees for services

Fair Oaks Water District

Capital Improvement Projects Budget Projections

Description	Actual ¹ 2002	Budget ¹ 2003	Estimated ¹ 2003	Budget 2004	Budget 2005	Projected 2006	Projected 2007	Projected 2008
	Metering Implementation (Excluding MIP)							
Meter replacements	\$7,194	\$5,600	\$5,600	\$7,300	\$9,400	\$9,700	\$10,000	\$20,800
Commercial Metering	\$12,688	\$0	\$300	\$0	\$0	\$0	\$0	\$0
Automated Meter Reading (Radio Read)	\$0	\$0	\$0	\$172,100	\$131,600	\$125,700	\$121,600	\$113,400
MTR Ann Resid. metering program (MIP)	\$108,406	\$607,600	\$552,900	\$1,177,400	\$1,409,900	\$1,367,600	\$1,332,800	\$1,192,300
Subtotal Metering Implementation	\$128,288	\$613,200	\$558,800	\$1,356,800	\$1,550,900	\$1,503,000	\$1,464,400	\$1,326,500
Total Projects and Metering:	\$757,982	\$1,135,900	\$2,104,100	\$3,022,500	\$3,866,900	\$2,051,100	\$2,104,400	\$1,986,000

Estimated \$100 per transmitter & \$50,000 software cost in 2004

Notes:

- 1 Some of the previous year expenses and 2003 estimated expenses have been reclassified to be comparative with the current year budget presentation.
- 2 The wells are based on the Montgomery Watson estimate in November 2001.
- 3 The County of Sac. has approved on July 23, 2003 to implement Hazel Ave Widening Project. This will cause our service lines to be below the County's parkway and therefore, we need to install dual main line on the Hazel Ave. The FOWD would like to incorporate our scope of work with the County's Hazel Ave Widening Project. Currently, the County anticipated to have the designing and implementation completed by the end of 2005

Fair Oaks Water District	2002 Revenues Collected	[1] Operating Designation	[2] Connection Fee Reserves	[3] Meter Designation	[4] Emergency Designation	[5] Admin. Facility Designation	[6] Fixed Asset Designation	[7] Rate Stabilization Designation	[10] COP Retirement	Total
2002 Budget vs. Actual⁹										
Beginning Reserve Balance		\$ 1,950,466	\$ 263,093	\$ 371,520	\$ 719,515	\$ 1,097,900	\$ 1,756,100	\$ 725,000	\$ 662,756	\$ 7,546,350
Add: Revenues Collected										
Water Sales	5,768,382									
Interest Income	265,141									
Delinquencies & Late Fees	92,565									
Bi-Monthly Service Fee	41,577									
Fees for Service	112,402									
Connection Fees	151,400									
Miscellaneous Revenue and Grants	148,961									
	6,580,428									
2002 Allocation	(6,580,428)	5,164,622	153,295	397,194	58,200	116,500	690,617	-		6,580,428
Subtotal Reserves and Designations		\$ 7,115,088	\$ 416,388	\$ 768,714	\$ 777,715	\$ 1,214,400	\$ 2,446,717	\$ 725,000	\$ 662,756	\$ 14,126,778
Expenses and payments⁸										
Subtotal Labor and Benefits		1,672,595								1,672,595
Subtotal Materials & Services		1,695,276						317,323		2,012,599
Debt Service		972,107								972,107
Facilities & Equip		92,606				47,935	25,842			166,383
CIP		377,194					252,500			629,694
Metering				128,288						128,288
Total Expenses and Infrastructure		\$ 4,809,778	\$ -	\$ 128,288	\$ -	\$ 47,935	\$ 278,342	\$ 317,323	\$ -	\$ 5,581,667
Additional proposed allocation		(275,000)					275,000			-
Ending Reserve and Designation Balance		\$ 2,030,310	\$ 416,388	\$ 640,426	\$ 777,715	\$ 1,166,465	\$ 2,443,375	\$ 407,677	\$ 662,756	\$ 8,545,112
2002 Budget		\$ 1,740,600	\$ -	\$ 206,100	\$ 776,615	\$ 844,500	\$ 1,240,185	\$ 339,200	\$ 658,000	\$ 5,805,200
Over (Under)		16.6%	0.0%	210.7%	0.1%	38.1%	97.0%	20.2%	0.7%	47.2%

- (1) Operating Designation balances include approximately \$550,000 in revenues accrued, but not yet received (accounts receivables). Ending designation balance higher than budgeted due to slightly higher water revenues and slightly lower expenses than budgeted.
- (2) Connection Fee reserve has not yet been used to construct the pressure reducing station. This fund will be set aside for future capacity project cost.
- (3) Meter Designation greater than budgeted due to savings incurred on meter construction. Balance to be used in future meter installations.
- (4) Slight difference in emergency designation is due to slightly higher water revenue collections resulted in slightly higher allocation. The allocation was based upon a 1% of water revenues.
- (5) Admin. Facility Designation was allocated additional funds by Board designation in 2001 due to better than expected 2001 results and the need for a new facility.
- (6) Fixed Asset Designation are higher due to deferred projects of \$903k.
- (7) Rate Stabilization designation per budget included the cash flow lag anticipated from converting to metered rates. The actual ending reserve balance did not include this amount. This amount is \$101,365, representing almost 100% of the difference. Actual revenues from commercial metered customers were slightly less than budgeted.
- (8) For expense detail breakdown, see attached "overview."
- (9) Some of the previous year expenses and 2003 estimated expenses have been reclassified to be comparative with the current year budget presentation.
- (10) This is the 1999 refunded COP reserve held in the trust for COP payment.

Fair Oaks Water District	2003 Revenues Collected	[1] Operating Designation	[2] Connection Fee Reserves	[3] Meter Designation	[4] Emergency Designation	[5] Admin. Facility Designation	[6] Fixed Asset Designation	[7] Rate Stabilization Designation	COP Retirement	Total
2003 Budget										
Beginning Reserve and Designation Balance		\$ 2,030,310	\$ 416,388	\$ 640,426	\$ 777,715	\$ 1,166,464	\$ 2,443,375	\$ 407,677	\$ 662,756	\$ 8,545,110
<i>Add: Revenues Collected</i>										
Water Sales	6,482,800									
Interest Income	181,000									
Delinquencies & Late Fees	75,000									
Bi-Monthly Service Fee	38,500									
Fees for Service	70,000									
Connection Fees	110,000									
Miscellaneous Revenue and Grants	25,000									
	6,982,300									
2003 Allocation	(6,982,300)	4,551,300	111,200	613,200	64,800	64,800	1,252,900	324,100		6,982,300
Subtotal Reserves and Designations		\$ 6,581,610	\$ 527,588	\$ 1,253,626	\$ 842,515	\$ 1,231,264	\$ 3,696,275	\$ 731,777	\$ 662,756	\$ 15,527,410
Expenses and payments⁸										
Subtotal Labor and Benefits		1,915,400								1,915,400
Subtotal Materials & Services		2,475,150					38,850			2,514,000
Debt Service		1,026,700								1,026,700
Facilities & Equip										
CIP						37,800	309,500			347,300
Metering							1,429,400			1,545,300
										558,800
Total Expenses and Infrastructure		\$ 5,417,250	\$ 115,900	\$ 558,800	\$ -	\$ 37,800	\$ 1,777,750	\$ -	\$ -	\$ 7,907,500
Additional proposed allocation										-
Ending Reserve and Designation Balance		\$ 1,164,400	\$ 411,700	\$ 694,800	\$ 842,500	\$ 1,193,500	\$ 1,918,500	\$ 731,800	\$ 662,800	\$ 7,620,000
2003 Budget		\$ 1,212,500	\$ 20,000	\$ 206,100	\$ 841,615	\$ 909,500	\$ 1,267,885	\$ 664,200	\$ 658,000	\$ 5,779,800
Over (Under)		-4.0%	1958.5%	237.1%	0.1%	31.2%	51.3%	10.2%	0.7%	31.8%

- (1) Ending designation balance included unanticipated CIP projects of \$468k and deferred projects of \$667k.
- (2) Connection Fee reserve has only been partially used to construct the pressure reducing station. This project will be completed in the future.
- (3) Meter Designation greater than budgeted due to savings incurred on meter construction in previous years.
- (4) Slight difference in emergency designation is due to slightly higher water revenue collections resulted in slightly higher allocation. The allocation was based upon a 1% of water revenues.
- (5) Admin. Facility Designation was allocated additional funds in 2001 due to better than expected 2001 results and the need for a new facility.
- (6) Fixed Asset Designation are higher due to deferred projects. Refer to the detail of deferred projects in the fixed asset reserve.
- (7) Rate Stabilization designation per budget included the cash flow lag anticipated from converting to metered rates.
- (8) For expense detail breakdown, see attached "overview."
- (9) Some of the previous year expenses and 2003 estimated expenses have been reclassified to be comparative with the current year budget presentation.

Fair Oaks Water District	[1] Operating Designation	[2] Connection Fee Reserves	[3] Meter Designation	[4] Emergency Designation	[5] Admin. Facility Designation	[6] Fixed Asset Designation	[7] Rate Stabilization Designation	[8] Projected 2004 COP's	COP Retirement	Total
2004 Budget										
Beginning Reserve and Designation Balance	\$ 1,167,400	\$ 411,700	\$ 694,800	\$ 842,400	\$ 1,193,400	\$ 1,916,400	\$ 731,100		\$ 662,800	\$ 7,620,000
<i>Add: Revenues Collected</i>										
Water Sales	7,035,100									
Interest Income	152,300									
Delinquencies & Late Fees	35,400									
Bi-Monthly Service Fee	-									
Fees for Service	35,000									
Connection Fees	40,000									
Miscellaneous Revenue and Grants	85,400									
	7,383,200									
2004 Allocation	(7,383,200)	40,400		70,400	70,400	844,200	281,400	4,502,000		7,383,200
Debt Service										4,502,000
<i>Subtotal Reserves and Designations</i>	\$ 7,243,800	\$ 452,100	\$ 694,800	\$ 912,800	\$ 1,263,800	\$ 2,760,600	\$ 1,012,500	\$ 4,502,000	\$ 662,800	\$ 19,505,200
Expenses and payments⁹										
Subtotal Labor and Benefits	2,253,800									2,253,800
Subtotal Materials & Services	2,887,400									2,887,400
Debt Service	1,071,200									1,071,200
Facilities & Equip	-					525,400				800,600
CIP	-					512,100		1,153,600		1,665,700
Metering	-		694,800					662,000		1,356,800
Total Expenses and Infrastructure	\$ 6,212,400	\$ -	\$ 694,800	\$ -	\$ 525,400	\$ 787,300	\$ -	\$ 1,815,600	\$ -	\$ 10,035,500
Prior year expenses to be incurred in current year ¹⁰										491,200
Additional proposed allocation										-
Ending Reserve and Designation Balance	\$ 1,031,400	\$ 452,100	\$ -	\$ 912,800	\$ 738,400	\$ 1,482,100	\$ 1,012,500	\$ 2,686,400	\$ 662,800	\$ 8,978,500

- (1) The purpose of the operating designation is to ensure cash resources are available to fund daily administration, operations and maintenance of providing water delivery and customer service
- (2) Connection Fee reserve has only been partially used to construct the pressure reducing station. This project will be completed in the future.
- (3) Used all of meter designation for the meter installation in 2004.
- (4) Emergency designation is allocated based on 1% of water sales.
- (5) The building construction anticipated to start in 2004 and end in 2006. Initial engineering and design costs in 2004.
- (6) Ending Fixed Asset Designation included deferred projects totaling \$186,300.
- (7) Rate Stabilization designation per budget included the cash flow lag anticipated from converting to metered rates.
- (8) Assumes debt issuance of \$5.1 million at an annual average rate of 6%, 20 year term with the first payment starting in 2005. Difference between issuance and amount available = reserve fund and finance costs.
- (9) For expense detail breakdown, see attached "overview."
- (10) See "Fixed Asset Deferred Projects/Expenses" for details.

Fair Oaks Water District 2005 Budget	2005 Revenues Collected	[1] Operating Designation	[2] Connection Fee Reserves	[3] Meter Designation	[4] Emergency Designation	[5] Admin. Facility Designation	[6] Fixed Asset Designation	[7] Rate Stabilization Designation	[8] Projected 2004 COP's	COP Retirement	Total
Beginning Reserve and Designation Balance		\$ 1,031,400	\$ 452,100	\$ -	\$ 912,800	\$ 738,400	\$ 1,482,100	\$ 1,012,500	\$ 2,686,400	\$ 662,800	\$ 8,978,500
<i>Add: Revenues Collected</i>											
Water Sales	7,793,500										
Interest Income	269,400										
Delinquencies & Late Fees	39,200										
Bi-Monthly Service Fee	-										
Fees for Service	36,100										
Connection Fees	44,000										
Miscellaneous Revenue and Grant	44,000										
	8,226,200										
2005 Allocation	(8,226,200)	7,195,000	57,600		77,900	77,900	425,500	311,700	80,600		8,226,200
<i>Subtotal Reserves and Designations</i>		\$ 8,226,400	\$ 509,700	\$ -	\$ 990,700	\$ 816,300	\$ 1,907,600	\$ 1,324,200	\$ 2,767,000	\$ 662,800	\$ 17,204,700
Expenses and payments⁹											
Subtotal Labor and Benefits		2,640,100									2,640,100
Subtotal Materials & Services		3,054,200									3,054,200
Debt Service		1,475,500									1,475,500
Facilities & Equip						816,300	303,000		659,300		1,778,600
CIP		500,000	509,700				527,800		778,500		2,316,000
Metering		221,700							1,329,200		1,550,900
Total Expenses and Infrastructure		\$ 7,891,500	\$ 509,700	\$ -	\$ -	\$ 816,300	\$ 830,800	\$ -	\$ 2,767,000	\$ -	\$ 12,815,300
Prior year expenses to be incurred in current year ¹⁰							44,900				44,900
Additional proposed allocation											-
Ending Reserve and Designation Balance		\$ 334,900	\$ -	\$ -	\$ 990,700	\$ -	\$ 1,031,900	\$ 1,324,200	\$ -	\$ 662,800	\$ 4,344,500

- (1) The purpose of the operating designation is to ensure cash resources are available to fund daily administration, operations and maintenance of providing water delivery and customer service.
- (2) Connection Fee reserve will be used for new well construction.
- (3) Used in prior year to fund meter installation.
- (4) Emergency designation is allocated based on 1% of water sales.
- (5) The building construction anticipated to start in 2004 and end in 2006.
- (6) Ending Fixed Asset Designation included deferred projects totaling \$113,300.
- (7) Rate Stabilization designation per budget included the cash flow lag anticipated from converting to metered rates.
- (8) For expense detail breakdown, see attached "overview."
- (9) See "Fixed Asset Deferred Projects/Expenses" for details.

Fair Oaks Water District	[1]	[2]	[3]	[4]	[5]	[6]	[7]	Projected	COP	Total
2006 Budget	Operating Designation	Connection Fee Reserves	Meter Designation	Emergency Designation	Admin. Facility Designation	Fixed Asset Designation	Rate Stabilization Designation	2004 COP's	Retirement	
Beginning Reserve and Designation Balance	\$ 334,900	\$ -	\$ -	\$ 990,700	\$ -	\$ 1,031,900	\$ 1,324,200	\$ -	\$ 662,800	\$ 4,344,500
Add: Revenues Collected										
Water Sales	8,578,200									
Interest Income	191,600									
Delinquencies & Late Fees	43,200									
Bi-Monthly Service Fee	-									
Fees for Service	37,200									
Connection Fees	48,400									
Miscellaneous Revenue and Grants	621,800									
	9,520,400									
2006 Allocation	(9,520,400)	48,400	1,503,000	-	85,800	686,300	257,300	-	-	9,520,400
Subtotal Reserves and Designations	\$ 7,274,500	\$ 48,400	\$ 1,503,000	\$ 990,700	\$ 85,800	\$ 1,718,200	\$ 1,581,500	\$ -	\$ 662,800	\$ 13,864,900
Expenses and payments⁸										
Subtotal Labor and Benefits	2,632,100									2,632,100
Subtotal Materials & Services	3,075,000						150,000			3,225,000
Debt Service	1,470,900									1,470,900
Facilities & Equip	-				85,800	669,400				755,200
CIP	-					548,100				548,100
Metering	-		1,503,000							1,503,000
Total Expenses and Infrastructure	\$ 7,178,000	\$ -	\$ 1,503,000	\$ -	\$ 85,800	\$ 1,217,500	\$ 150,000	\$ -	\$ -	\$ 10,134,300
Prior year expenses to be incurred in current year ⁹										
Additional proposed allocation						81,800				81,800
Ending Reserve and Designation Balance	\$ 96,500	\$ 48,400	\$ -	\$ 990,700	\$ -	\$ 418,900	\$ 1,431,500	\$ -	\$ 662,800	\$ 3,648,800

- (1) The purpose of the operating designation is to ensure cash resources are available to fund daily administration, operations and maintenance of providing water delivery and customer service
- (2) Fees collected to be reserved for future projects related to capacity cost. Allocation includes interest earned.
- (3) The purpose of meter designation is to segregate budgeted expenditure funds for the meter installation program.
- (4) No allocation made due to insufficient reserve for all designation allocations.
- (5) The building construction anticipated to start in 2004 and end in 2006.
- (6) Ending Fixed Asset Designation included deferred projects totaling \$31,600.
- (7) Rate Stabilization designation per budget included the cash flow lag anticipated from converting to metered rates.
- (8) For expense detail breakdown, see attached "overview."
- (9) See "Fixed Asset Deferred Projects/Expenses" for details.

Fair Oaks Water District	2007 Revenues Collected	[1] Operating Designation	[2] Connection Fee Reserves	[3] Meter Designation	[4] Emergency Designation	[5] Admin. Facility Designation	[6] Fixed Asset Designation	[7] Rate Stabilization Designation	Projected 2004 COP's	COP Retirement	Total
2007 Budget											
Beginning Reserve and Designation Balance		\$ 96,500	\$ 48,400	\$ -	\$ 990,700	\$ -	\$ 418,900	\$ 1,431,500	\$ -	\$ 662,800	\$ 3,648,800
Add: Revenues Collected											
Water Sales	9,431,900										
Interest Income	163,800										
Delinquencies & Late Fees	47,500										
Bi-Monthly Service Fee	-										
Fees for Service	38,300										
Connection Fees	53,200										
Miscellaneous Revenue and Grant	609,100										
	10,343,800										
2007 Allocation	(10,343,800)	7,692,500	55,100	1,464,400	-	94,300	943,200	94,300			10,343,800
Subtotal Reserves and Designations		\$ 7,789,000	\$ 103,500	\$ 1,464,400	\$ 990,700	\$ 94,300	\$ 1,362,100	\$ 1,525,800	\$ -	\$ 662,800	\$ 13,992,600
Expenses and payments⁸											
Subtotal Labor and Benefits		2,876,900									2,876,900
Subtotal Materials & Services		3,077,500									3,077,500
Debt Service		1,476,400									1,476,400
Facilities & Equip		-					141,500				141,500
CIP		-					640,000				640,000
Metering		-		1,464,400							1,464,400
Total Expenses and Infrastructure		\$ 7,430,800	\$ -	\$ 1,464,400	\$ -	\$ -	\$ 781,500	\$ -	\$ -	\$ -	\$ 9,676,700
Prior year expenses to be incurred in current year ⁹							31,600				31,600
Additional proposed allocation		-									-
Ending Reserve and Designation Balance		\$ 358,200	\$ 103,500	\$ -	\$ 990,700	\$ 94,300	\$ 549,000	\$ 1,525,800	\$ -	\$ 662,800	\$ 4,284,300

- (1) The purpose of the operating designation is to ensure cash resources are available to fund daily administration, operations and maintenance of providing water delivery and customer service
- (2) Fees collected to be reserved for future projects related to capacity cost. Allocation includes interest earned.
- (3) The purpose of meter designation is to segregate budgeted expenditure funds for the meter installation program.
- (4) No allocation made due to insufficient reserve for all designation allocations.
- (5) Admin. Facility Allocation based on 1% of water sales for repair and maintenance.
- (6) Fixed Asset Designation is based on 10% of water sales.
- (7) Rate Stabilization designation per budget included the cash flow lag anticipated from converting to metered rates.
- (8) For expense detail breakdown, see attached "overview."
- (9) See "Fixed Asset Deferred Projects/Expenses" for details.

Fair Oaks Water District	2008 Revenues Collected	[1] Operating Designation	[2] Connection Fee Reserves	[3] Meter Designation	[4] Emergency Designation	[5] Admin. Facility Designation	[6] Fixed Asset Designation	[7] Rate Stabilization Designation	Projected 2004 COP's	COP Retirement	Total
2008 Budget		\$ 358,200	\$ 103,500	\$ -	\$ 990,700	\$ 94,300	\$ 549,000	\$ 1,525,800	\$ -	\$ 662,800	\$ 4,284,300
Beginning Reserve and Designation Balance											
Add: Revenues Collected											
Water Sales	10,369,300										
Interest Income	189,200										
Delinquencies & Late Fees	52,200										
Bi-Monthly Service Fee	-										
Fees for Service	39,400										
Connection Fees	58,500										
Miscellaneous Revenue and Grants	17,400										
	10,726,000										
2008 Allocation	(10,726,000)	8,403,600	62,600	1,326,500	103,700	103,700	622,200	103,700			10,726,000
Subtotal Reserves and Designations		\$ 8,761,800	\$ 166,100	\$ 1,326,500	\$ 1,094,400	\$ 198,000	\$ 1,171,200	\$ 1,629,500	\$ -	\$ 662,800	\$ 15,010,300
Expenses and payments⁸											
Subtotal Labor and Benefits		3,085,900									3,085,900
Subtotal Materials & Services		3,214,800									3,214,800
Debt Service		1,479,800									1,479,800
Facilities & Equip		-					191,900				191,900
CIP		300,000					359,500				659,500
Metering				1,326,500							1,326,500
Total Expenses and Infrastructure		\$ 8,080,500	\$ -	\$ 1,326,500	\$ -	\$ -	\$ 551,400	\$ -		\$ -	\$ 9,958,400
Additional proposed allocation											
Ending Reserve and Designation Balance		\$ 681,300	\$ 166,100	\$ -	\$ 1,094,400	\$ 198,000	\$ 619,800	\$ 1,629,500		\$ 662,800	\$ 5,051,900

- (1) The purpose of the operating designation is to ensure cash resources are available to fund daily administration, operations and maintenance of providing water delivery and customer service
- (2) Fees collected to be reserved for future projects related to capacity cost. Allocation includes interest earned.
- (3) The purpose of meter designation is to segregate budgeted expenditure funds for the meter installation program.
- (4) Allocated based on 1% of water sales.
- (5) Admin. Facility Allocation based on 1% of water sales for repair and maintenance.
- (6) Fixed Asset Designation is based on 6% of water sales. Under the policy, annual contribution should range from 12% to 20%, however, only 6% is allocated due to insufficient designations for other allocations.
- (7) Rate Stabilization designation per budget included the cash flow lag anticipated from converting to metered rates.
- (8) For expense detail breakdown, see attached "overview."

Fair Oaks Water District

Fixed Asset Deferred Projects/Expenses

<u>Budget Yr</u>	<u>Description</u>	<u>Original Amount Budgeted</u>	<u>Increases/ Inflation @ 3%</u>	<u>Total</u>	<u>Expected Date of Completion</u>
2000	Visual Reader	\$ 1,000	\$ 120	\$ 1,100	2004
2000	Diamond Blades	1,200	144	1,300	2004
2000	Drill Press	2,200	264	2,500	2004
2002	Computer software/Equip Admin	5,950	536	6,500	2004
2002	Computer software/Equip Maint	9,100	819	9,900	2004
2002	Service Vehicles (Replaces 882)	52,000	6,500	58,500	2004
2003	Accounting Software	45,000	1,350	46,400	2004
2003	Timothy & Sunset	252,100	7,563	259,700	2004
2001	Base Mapping Link to MMS/Billing	25,000	2,250	27,300	2004
2003	Service Vehicles (Replaces 916)	23,700	711	24,400	2004
2003	Service Vehicles (New Crew Truck)	52,000	1,560	53,600	2004
	Subtotal 2004	\$ 469,250	\$ 21,817	\$ 491,200	
2000	Comm. Washing Machine/Dryer	\$ 2,000	\$ 320	\$ 2,300	2005
2003	7644/49 Huntridge	16,200	972	17,200	2005
2003	Visage to Nimbus Over look hydrant	24,000	1,440	25,400	2005
	Subtotal 2005	\$ 42,200	\$ 2,732	\$ 44,900	
2003	Greenridge pipeline upgrade	\$ 75,000	\$ 6,750	\$ 81,800	2006
	Subtotal 2006	\$ 75,000	\$ 6,750	\$ 81,800	
2003	El Capitan Services	\$ 28,200	\$ 3,384	\$ 31,600	2007
	Subtotal 2007	\$ 28,200	\$ 3,384	\$ 31,600	
	Grand Total	\$ 614,650	\$ 34,683	\$ 649,500	

Fair Oaks Water District

2004 Projected Meter Installation

Project Name Brookhill Tract					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	50	580	12,963	29,000	41,963
Hard	23	730	11,926	16,790	28,716
Concrete FOWD	6	855	4,368	5,130	9,498
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	79		29,256	50,920	80,176

Project Name North Martsmith					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	3	580	778	1,740	2,518
Hard	-	730	-	-	-
Concrete FOWD	-	855	-	-	-
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	3		778	1,740	2,518

Project Name Van Gogh Cir.					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	33	580	8,555	19,140	27,695
Hard	9	730	4,667	6,570	11,237
Concrete FOWD	-	855	-	-	-
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	42		13,222	25,710	38,932

Project Name Kalo Ct					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	9	580	2,333	5,220	7,553
Hard	-	730	-	-	-
Concrete FOWD	-	855	-	-	-
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	9		2,333	5,220	7,553

Project Name Longmore Way					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	6	580	1,556	3,480	5,036
Hard	1	730	519	730	1,249
Concrete FOWD	1	855	728	855	1,583
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	8		2,802	5,065	7,867

Project Name Winding Woods Way					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	14	580	3,630	8,120	11,750
Hard	14	730	7,259	10,220	17,479
Concrete FOWD	-	855	-	-	-
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	28		10,889	18,340	29,229

Fair Oaks Water District

2004 Projected Meter Installation

Project Name Keana Ct.					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	2	580	519	1,160	1,679
Hard	2	730	1,037	1,460	2,497
Concrete FOWD	-	855	-	-	-
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	4		1,556	2,620	4,176

Project Name Sharmead Way					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	12	580	3,111	6,960	10,071
Hard	5	730	2,593	3,650	6,243
Concrete FOWD	1	855	728	855	1,583
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	18		6,432	11,465	17,897

Project Name Yvonne					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	9	580	2,333	5,220	7,553
Hard	3	730	1,556	2,190	3,746
Concrete FOWD	1	855	728	855	1,583
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	13		4,617	8,265	12,882

Project Name Kathywood Ct.					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	19	580	4,926	11,020	15,946
Hard	7	730	3,630	5,110	8,740
Concrete FOWD	3	855	2,184	2,565	4,749
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	29		10,739	18,695	29,434

Project Name East Knoll Dr.					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	51	580	13,222	29,580	42,802
Hard	1	730	519	730	1,249
Concrete FOWD	1	855	728	855	1,583
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	53		14,468	31,165	45,633

Project Name Briar Hollow					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	8	580	2,074	4,640	6,714
Hard	2	730	1,037	1,460	2,497
Concrete FOWD	1	855	728	855	1,583
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	11		3,839	6,955	10,794

Fair Oaks Water District

2004 Projected Meter Installation

Project Name Willowview Ct.					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	9	580	2,333	5,220	7,553
Hard	1	730	519	730	1,249
Concrete FOWD	2	855	1,456	1,710	3,166
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	12		4,308	7,660	11,968

Project Name Ferrari Ct.					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	6	580	1,556	3,480	5,036
Hard	1	730	519	730	1,249
Concrete FOWD	-	855	-	-	-
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	7		2,074	4,210	6,284

Project Name Monal CT.					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	13	580	3,370	7,540	10,910
Hard	2	730	1,037	1,460	2,497
Concrete FOWD	-	855	-	-	-
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	15		4,407	9,000	13,407

Project Name Manana					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	15	580	3,889	8,700	12,589
Hard	5	730	2,593	3,650	6,243
Concrete FOWD	-	855	-	-	-
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	20		6,481	12,350	18,831

Project Name Great Oak					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	19	580	4,926	11,020	15,946
Hard	8	730	4,148	5,840	9,988
Concrete FOWD	2	855	1,456	1,710	3,166
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	29		10,530	18,570	29,100

Project Name St. Thomas					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	34	580	8,815	19,720	28,535
Hard	33	730	17,111	24,090	41,201
Concrete FOWD	1	855	728	855	1,583
Concrete by Cont.	1	2,030	-	2,030	2,030
Projected Totals	69		26,653	46,695	73,348

Fair Oaks Water District

2004 Projected Meter Installation

Project Name Quail Hollow					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	37	580	9,592	21,460	31,052
Hard	-	730	-	-	-
Concrete FOWD	5	855	3,640	4,275	7,915
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	42		13,232	25,735	38,967

Project Name High Oak					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	11	580	2,852	6,380	9,232
Hard	2	730	1,037	1,460	2,497
Concrete FOWD	1	855	728	855	1,583
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	14		4,617	8,695	13,312

Project Name Winding Oak B					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	86	580	22,296	49,880	72,176
Hard	42	730	21,777	30,660	52,437
Concrete FOWD	11	855	8,008	9,405	17,413
Concrete by Cont.	1	2,030	-	2,030	2,030
Projected Totals	140		52,081	91,975	144,056

Project Name Rick Mary/ Friar Tuck					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	31	580	8,037	17,980	26,017
Hard	7	730	3,630	5,110	8,740
Concrete FOWD	1	855	728	855	1,583
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	39		12,394	23,945	36,339

Project Name Beauregard Tract					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	217	580	56,257	125,860	182,117
Hard	69	730	35,777	50,370	86,147
Concrete FOWD	44	855	32,032	37,620	69,652
Concrete by Cont.	1	2,030	-	2,030	2,030
Projected Totals	331		124,066	215,880	339,946

Project Name Curragh Downs					
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total
Easy	112	580	29,036	64,960	93,996
Hard	44	730	22,814	32,120	54,934
Concrete FOWD	10	855	7,280	8,550	15,830
Concrete by Cont.	-	2,030	-	-	-
Projected Totals	166		59,130	105,630	164,760

Total	1,181	-	420,902	756,505	1,177,407
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All of the existing materials for the 2004 projects are copper and cast iron saddles.

Fair Oaks Water District

2005 Projected Meter Installation

Project Name Chicago Maro						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	76	\$ 597	\$ 20,995	\$ 45,372	\$ 66,367	
Hard	23	\$ 752	\$ 12,708	\$ 17,296	\$ 30,004	
Concrete FOWD	3	\$ 881	\$ 2,285	\$ 2,643	\$ 4,928	
Concrete by Cont.	1	\$ 2,090	\$ -	\$ 2,090	\$ 2,090	
Projected Totals	103	\$	\$ 35,987	\$ 67,401	\$ 103,388	

Project Name Oak Harbour						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	5	\$ 597	\$ 1,381	\$ 2,985	\$ 4,366	
Hard	0	\$ 752	\$ -	\$ -	\$ -	
Concrete FOWD	1	\$ 881	\$ 762	\$ 881	\$ 1,643	
Concrete by Cont.		\$ 2,090	\$ -	\$ -	\$ -	
Projected Totals	6	\$	\$ 2,143	\$ 3,866	\$ 6,009	

Project Name Kermes						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	33	\$ 597	\$ 9,116	\$ 19,701	\$ 28,817	
Hard	28	\$ 752	\$ 15,470	\$ 21,056	\$ 36,526	
Concrete FOWD	7	\$ 881	\$ 5,331	\$ 6,167	\$ 11,498	
Concrete by Cont.	4	\$ 2,090	\$ -	\$ 8,360	\$ 8,360	
Projected Totals	72	\$	\$ 29,917	\$ 55,284	\$ 85,201	

Project Name Hidden Valley						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	5	\$ 597	\$ 1,381	\$ 2,985	\$ 4,366	
Hard	10	\$ 752	\$ 5,525	\$ 7,520	\$ 13,045	
Concrete FOWD	2	\$ 881	\$ 1,523	\$ 1,762	\$ 3,285	
Concrete by Cont.	0	\$ 2,090	\$ -	\$ -	\$ -	
Projected Totals	17	\$	\$ 8,429	\$ 12,267	\$ 20,696	

Project Name Hans Engel						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	8	\$ 597	\$ 2,210	\$ 4,776	\$ 6,986	
Hard	31	\$ 752	\$ 17,128	\$ 23,312	\$ 40,440	
Concrete FOWD	5	\$ 881	\$ 3,808	\$ 4,405	\$ 8,213	
Concrete by Cont.	0	\$ 2,090	\$ -	\$ -	\$ -	
Projected Totals	44	\$	\$ 23,146	\$ 32,493	\$ 55,639	

Project Name Shelborn Ct						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	4	\$ 597	\$ 1,105	\$ 2,388	\$ 3,493	
Hard	9	\$ 752	\$ 4,973	\$ 6,768	\$ 11,741	
Concrete FOWD	0	\$ 881	\$ -	\$ -	\$ -	
Concrete by Cont.	0	\$ 2,090	\$ -	\$ -	\$ -	
Projected Totals	13	\$	\$ 6,078	\$ 9,156	\$ 15,234	

Fair Oaks Water District

2005 Projected Meter Installation

Project Name Rimwood Tract						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	152	\$ 597	\$ 41,990	\$ 90,744	\$ 132,734	
Hard	92	\$ 752	\$ 50,830	\$ 69,184	\$ 120,014	
Concrete FOWD	31	\$ 881	\$ 23,610	\$ 27,311	\$ 50,921	
Concrete by Cont.	0	\$ 2,090	\$ -	\$ -	\$ -	
Projected Totals	275	\$	\$ 116,430	\$ 187,239	\$ 303,669	

Project Name Barrhill Way						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	23	\$ 597	\$ 6,354	\$ 13,731	\$ 20,085	
Hard	16	\$ 752	\$ 8,840	\$ 12,032	\$ 20,872	
Concrete FOWD	6	\$ 881	\$ 4,570	\$ 5,286	\$ 9,856	
Concrete by Cont.	2	\$ 2,090	\$ -	\$ 4,180	\$ 4,180	
Projected Totals	47	\$	\$ 19,763	\$ 35,229	\$ 54,992	

Project Name Saddle Ridge						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	57	\$ 597	\$ 15,746	\$ 34,029	\$ 49,775	
Hard	40	\$ 752	\$ 22,100	\$ 30,080	\$ 52,180	
Concrete FOWD	0	\$ 881	\$ -	\$ -	\$ -	
Concrete by Cont.	8	\$ 2,090	\$ -	\$ 16,720	\$ 16,720	
Projected Totals	105	\$	\$ 37,846	\$ 80,829	\$ 118,675	

Project Name Wendover Ct.						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	0	\$ 597	\$ -	\$ -	\$ -	
Hard	0	\$ 752	\$ -	\$ -	\$ -	
Concrete FOWD	0	\$ 881	\$ -	\$ -	\$ -	
Concrete by Cont.	21	\$ 2,090	\$ -	\$ 43,890	\$ 43,890	
Projected Totals	21	\$	\$ -	\$ 43,890	\$ 43,890	

Project Name Gunner Way						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	74	\$ 597	\$ 20,443	\$ 44,178	\$ 64,621	
Hard	0	\$ 752	\$ -	\$ -	\$ -	
Concrete FOWD	0	\$ 881	\$ -	\$ -	\$ -	
Concrete by Cont.	16	\$ 2,090	\$ -	\$ 33,440	\$ 33,440	
Projected Totals	90	\$	\$ 20,443	\$ 77,618	\$ 98,061	

Project Name Waggon Way						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	22	\$ 597	\$ 6,078	\$ 13,134	\$ 19,212	
Hard	0	\$ 752	\$ -	\$ -	\$ -	
Concrete FOWD	0	\$ 881	\$ -	\$ -	\$ -	
Concrete by Cont.	5	\$ 2,090	\$ -	\$ 10,450	\$ 10,450	
Projected Totals	27	\$	\$ 6,078	\$ 23,584	\$ 29,662	

Fair Oaks Water District

2005 Projected Meter Installation

Project Name Blue Oak						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	124	\$ 597	\$ 34,255	\$ 74,028	\$ 108,283	
Hard	51	\$ 752	\$ 28,178	\$ 38,352	\$ 66,530	
Concrete FOWD	0	\$ 881	\$ -	\$ -	\$ -	
Concrete by Cont.	29	\$ 2,090	\$ -	\$ 60,610	\$ 60,610	
Projected Totals	204	\$ -	\$ 62,433	\$ 172,990	\$ 235,423	

Project Name Deerwood Ct.						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	8	\$ 597	\$ 2,210	\$ 4,776	\$ 6,986	
Hard	13	\$ 752	\$ 7,183	\$ 9,776	\$ 16,959	
Concrete FOWD	2	\$ 881	\$ 1,523	\$ 1,762	\$ 3,285	
Concrete by Cont.	0	\$ 2,090	\$ -	\$ -	\$ -	
Projected Totals	23	\$ -	\$ 10,916	\$ 16,314	\$ 27,230	

Project Name Randhurst						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	11	\$ 597	\$ 3,039	\$ 6,567	\$ 9,606	
Hard	6	\$ 752	\$ 3,315	\$ 4,512	\$ 7,827	
Concrete FOWD	3	\$ 881	\$ 2,285	\$ 2,643	\$ 4,928	
Concrete by Cont.	0	\$ 2,090	\$ -	\$ -	\$ -	
Projected Totals	20	\$ -	\$ 8,639	\$ 13,722	\$ 22,361	

Project Name Winding Oak A						
Rating	Number of Meters	Material Rate	Project Labor	Project Materials	Project Total	
Easy	88	\$ 597	\$ 24,310	\$ 52,536	\$ 76,846	
Hard	44	\$ 752	\$ 24,310	\$ 33,088	\$ 57,398	
Concrete FOWD	16	\$ 881	\$ 12,186	\$ 14,096	\$ 26,282	
Concrete by Cont.	14	\$ 2,090	\$ -	\$ 29,260	\$ 29,260	
Projected Totals	162	\$ -	\$ 60,806	\$ 128,980	\$ 189,786	

Total	1229	\$ -	\$ 449,052	\$ 960,862	\$ 1,409,914	
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All of the existing materials for the 2005 projects are copper and cast iron saddles.

Fair Oaks Water District

Residential Metering Projections and Cost Estimates

	2006	2007	2008	2009	2010	2011
No. of Meters Installed						
<i>Installed by District Forces</i>						
Existing meter setter	-	-	-	-	-	-
Meter only - easy access	288	288	288	288	188	188
Meter only - difficult access	188	188	188	188	123	123
Meter & lateral - easy access	24	24	24	24	16	16
Meter & lateral - difficult access	23	23	23	23	15	15
Duplex/condo split service - easy	35	35	35	35	23	23
Duplex/condo split serv. - difficult	24	24	24	24	15	15
Bullhead - easy access	71	71	71	71	46	46
Bullhead - difficult access	47	47	47	47	31	31
Backyard installation - radio read	-	-	-	-	50	50
Total District Installed	700	700	700	700	507	507
Total District Crew Hours	2,880	2,880	2,880	2,880	2,880	2,880
<i>Installed by Contractor</i>						
Meter only - easy access	180	151	90	90	90	90
Meter only - difficult access	118	99	59	59	59	59
Meter & lateral - easy access	15	13	7	7	7	7
Meter & lateral - difficult access	15	12	7	7	7	7
Duplex/condo split service - easy	22	19	11	11	11	11
Duplex/condo split serv. - difficult	15	12	7	7	7	7
Bullhead - easy access	44	37	22	22	22	22
Bullhead - difficult access	29	25	15	15	15	15
Total Contractor Installed	437	367	219	219	219	219
Total Contractor Crew Hours	1,800	1,510	900	900	900	900
Total Meters Installed	1,137	1,067	919	919	726	726
Cost of Meter Installations						
<i>Installed by District Forces</i>						
Existing meter setter	\$0	\$0	\$0	\$0	\$0	\$0
Meter only - easy access	\$224,759	\$233,394	\$242,383	\$251,741	\$170,691	\$177,313
Meter only - difficult access	\$185,934	\$193,011	\$200,374	\$208,037	\$141,008	\$146,427
Meter & lateral - easy access	\$42,455	\$44,127	\$45,869	\$47,685	\$32,362	\$33,649
Meter & lateral - difficult access	\$49,611	\$51,576	\$53,625	\$55,760	\$37,851	\$39,365
Duplex/condo split service - easy	\$63,076	\$65,560	\$68,148	\$70,846	\$48,081	\$49,993
Duplex/condo split serv. - difficult	\$50,416	\$52,414	\$54,495	\$56,665	\$38,466	\$40,004
Bullhead - easy access	\$125,478	\$130,420	\$135,569	\$140,934	\$95,649	\$99,452
Bullhead - difficult access	\$99,866	\$103,823	\$107,946	\$112,244	\$76,194	\$79,242
Backyard installation - radio read	\$0	\$0	\$0	\$0	\$191,062	\$199,705
Total District Installed Costs	\$841,600	\$874,300	\$908,400	\$943,900	\$831,400	\$865,200
<i>Installed by Contractor</i>						
Meter only - easy access	\$140,474	\$122,386	\$75,745	\$78,669	\$81,714	\$84,884
Meter only - difficult access	\$116,209	\$101,210	\$62,617	\$65,012	\$67,504	\$70,098
Meter & lateral - easy access	\$26,534	\$23,139	\$14,334	\$14,901	\$15,493	\$16,109
Meter & lateral - difficult access	\$31,007	\$27,045	\$16,758	\$17,425	\$18,120	\$18,845
Duplex/condo split service - easy	\$39,422	\$34,378	\$21,296	\$22,139	\$23,018	\$23,933
Duplex/condo split serv. - difficult	\$31,510	\$27,484	\$17,030	\$17,708	\$18,414	\$19,151
Bullhead - easy access	\$78,424	\$68,389	\$42,365	\$44,042	\$45,789	\$47,610
Bullhead - difficult access	\$62,416	\$54,442	\$33,733	\$35,076	\$36,476	\$37,935
Total Contr. Installed Costs	\$526,000	\$458,500	\$283,900	\$295,000	\$306,500	\$318,600
Total Meter Installation Costs	\$1,367,600	\$1,332,800	\$1,192,300	\$1,238,900	\$1,137,900	\$1,183,800
No. of Meter Installation Crews Required						
1,440 No. of District Crews	2.0	2.0	2.0	2.0	2.0	2.0
1,800 No. of Contractor Crews	1.0	0.8	0.5	0.5	0.5	0.5

The 2004 and 2005 meters have been verified through fieldwork. See attached spreadsheets "2004 Projected Meter Installation and 2005 Projected Meter Installation" for details.

Fair Oaks Water District

Summary of Metering Implementation Plan Assumptions

Base Assumptions

Customer Base and Billing

- | | |
|---|--------------|
| (1) Actual customer data from 2001 annual billing used as starting point of financial plan. | |
| (2) Number of annual new connections: | 20 per year |
| (3) Percent of flat rate customers opting for bi-monthly billing: | 5% |
| Economic (lag) impact of bi-monthly flat rate option. | 0.25 years |
| (4) Year all non-residential and multi-family accounts convert to metered bi-monthly billing: | 2002 |
| (5) Number of residential customers converting to metered rates beginning in 2004 (estimated). | 100 per year |
| (6) Balance of residential customers converted to metered rates at completion of metering. | |
| (7) Economic lag of conversions to bi-monthly metered billing from annual flat rates-commercial. | 0.31 years |
| (8) Economic lag of conversions to bi-monthly metered billing from annual flat rates-residential. | 0.5 years |
| (9) Bill payment delinquency rate: | 0.5% |
| (10) Delinquencies with bi-monthly billing is limited to 90 days. | |

Water Supply and Demand

- | | |
|--|--------------|
| (1) Average single family monthly water use up to 1/2 acre (before metering): | 32 CCF/month |
| (2) Residential water savings as a result of water metering (realized over 4 years): | 20% |
| (3) Non-residential and multi-family water savings as a result of metering: | 0% |
| (4) Unaccounted for water loss rate (estimated): | 7.0% |
| (5) Groundwater utilization (balance from SJWD): | 300 AF/year |
| (6) SJWD water purchase costs rates for repairs and plant expansion. | |

Note that the SJWD calculation is based on the effective water rate cost which includes the effective rate of annual water demand. Our calculation included only the wholesale cost without factoring in the demand as indicated below.

Average effective water rate increase based on annual water demand per SJWD:

- | | |
|--|----------------|
| Average effective water rate increase for 2003 based on SJWD. | 10.2% per year |
| Average effective water rate increase for 2004 and 2005 based on SJWD. | 9.9% per year |
| Average effective water rate increase from 2006-2010 based on SJWD. | 4.8% per year |
| Average effective water rate increase in 2011 projected with \$30 million plant expansion. | 51.3% per year |

Wholesale water rate increase without factoring in annual water demand:

- | | <u>Fixed Cost</u> | <u>Commodity</u> |
|--|-------------------|------------------|
| Water rate increase for 2003 without factoring in annual water demand. | 24.0% | 10% |
| Water rate increase for 2004 and 2005 without factoring in annual water demand. | 12.0% | 10% |
| Water rate increase from 2006 to 2008 without factoring in annual water demand. | 5.0% | 8% |
| Water rate increase in 2011 without factoring in annual water demand. Assume \$30 million plant expansion. | 163.0% | 3% |

Financial Assumptions and Targets

- | | |
|---|----------------|
| (1) General inflation rate (operating & maintenance costs): | 3.0% per year |
| (2) Average labor rate for 2004 and 2005 due to market rate equity (salaries): | 5-6% per year |
| (Other factors affecting increase in salaries include: 6 new FTE and changes in FTE totalling \$202k in 2004; Promotions of \$13k in 2004; Certificate Incentive Program of \$48k in 2004 and \$40k in 2005, and payouts ie. Vacation of \$18k in 2004 & \$19k in 2005 upon termination etc that employees earned). | |
| Average benefits rate increase for 2004 and 2005 (worker's comp, health insurance..) | 14.0% per year |
| (3) Labor inflation rate for years beyond 2005 (salaries, benefits, taxes): | 5.0% per year |
| (4) Construction inflation rate (except labor when separately identified): | 3.0% per year |
| (5) Interest rate on funds/reserves: | Varies |
| (6) Minimum debt service coverage for net operating revenues: | 115% |
| (7) Rate Stabilization reserve balance needed for transition to metered rates. | |
| (8) Fixed Asset reserve balance to help pay for pay as you go system and equipment expenditures. | |
| (9) Administrative Facilities reserve to repair and replace existing building. | |
| (10) Emergency reserve for unanticipated "emergencies" and only used under Board direction. | |
| (11) Residential metering reserve fund to segregate funds used for metering implementation program. | |
| (12) Connection fee reserve conforms with AB1600 and used for capacity related projects. | |

Budget and Staffing

- (1) Multi-year CIP budget through 2008 (placeholders thereafter).
- (2) Staffing costs included in capital program budget to extent identified in project costs (including metering).
- (3) Capital Improvement Program funded from existing reserves and on pay-as-you-go basis (except residential meters beginning in 2004).
- (4) Second Metering Crew (3 members) added in 2004 for ramp up of meter implementation.
- (5) One new metering repair position.
- (6) One new part-time conservation position.
- (7) One new accounting position.

Metering Implementation Priorities

- (1) Meters will be installed in target neighborhoods in groups.
- (2) Duplex/condominium developments and neighborhoods with high incidences of bullhead services may be targeted in the latter part of the metering program.
- (3) Backyard meter installations (Hawaiian Tract) will be done last.

Fair Oaks Water District

Budget Plan Assumptions

	2002	2003	2004	2005	2006	2007	2008
Customer Base							
No. of New Accounts Per Year	10	10	20	20	20	20	20
Flat Rate Customers							
No. of Resid. Accts.	12,505	12,878	12,798	12,718	12,638	12,558	12,478
No. of Comm./MF Accts.	-	47	47	47	47	47	47
No. of SF Equivalents	14,397	14,880	14,788	14,695	14,603	14,510	14,418
% Accts w/ Bi-Monthly Opt.	5%	5%	5%	5%	5%	5%	5%
Metered Rate Customers							
No. Resid. on Mtr'd Rates	50	21	100	100	100	100	100
No. of Resid. Accts.	50	71	171	271	371	471	571
No. of 1" Equiv. Customers	55	78	188	298	409	519	629
No. of Comm./MF Accts.	801	754	754	754	754	754	754
No. of 1" Equiv. Customers (commercial)	2,201	2,072	2,072	2,072	2,072	2,072	2,072
Payment delinquency rate	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
No. of Mtr'd Resid. Accts.	3,679	4,264	5,515	6,814	7,971	9,058	9,997
Water Supply and Demand							
Water Supplies							
SJWD Purchases (AF)	15,400	14,500	14,700	14,800	15,000	15,100	15,300
Groundwater (AF)	300	300	300	300	300	300	300
Total Supplies	15,700	14,800	15,000	15,100	15,300	15,400	15,600
Water Demand							
Flat Rate Customers (AF)	12,700	13,100	13,000	13,000	12,900	12,800	12,700
Metered Customers- res,(AF)	-	100	200	200	300	400	500
Metered Customers - comm (AF)	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Total Demand	14,600	15,100	15,100	15,100	15,100	15,100	15,100
Unaccounted For Losses	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Water Usage							
Residential up to 1/2 acre							
Flat Rate Use (CCF/Mo.)	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Mtr'd Rate Use (CCF/Mo.)	30.4	29.3	29.3	28.7	28.2	27.6	27.3
Commercial/Multi-Family	0%	0%	0%	0%	0%	0%	0%
SJWD Water Supply Costs							
Commodity Rate (\$/AF)	\$ 40.36	\$ 44.22	\$ 48.77	\$ 53.74	\$ 59.06	\$ 64.39	\$ 67.75
Service Charge (\$1,000/yr)	\$ 277	\$ 190	\$ 210	\$ 231	\$ 254	\$ 272	\$ 291
Service Charge: additional (DS)	\$ -	\$ 201	\$ 173	\$ 184	\$ 185	\$ 184	\$ 183
Savings from Conservation	\$ 40,077	\$ 4,112	\$ 14,290	\$ 21,120	\$ 35,023	\$ 44,620	\$ 60,501
Inflation and Interest Rates							
General Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Labor Inflation Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Construction Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Interest Earned on Funds/Reserves	4.5%	5.0%	2.0%	3.0%	4.0%	4.0%	4.0%
Water Rate Projections							
Single Family Flat Rate (\$/yr)	\$384	\$430	\$473	\$520	\$572	\$623	\$679
Metered Water Rates							
1" Service Charge (\$/month)	\$29.59	\$32.55	\$35.80	\$39.40	\$43.30	\$47.20	\$51.40
Commodity Rate (\$/CCF)	\$0.24	\$0.27	\$0.30	\$0.33	\$0.36	\$0.39	\$0.43
Annual rate increase	12.0%	12.0%	10.0%	10.0%	10.0%	9.0%	9.0%

APPENDIX A – CAPITAL PROJECTS DETAIL SHEETS



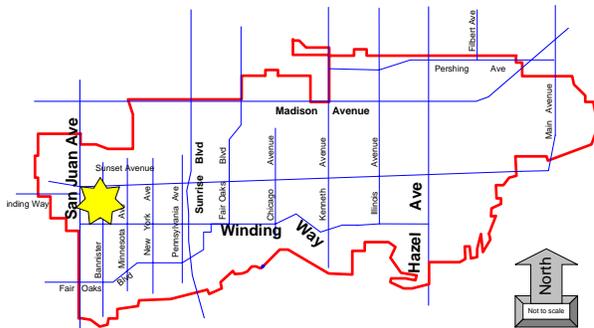
PROJECT DETAIL SHEET

Project Number:
 Description: Heather Well Groundwater Extraction Facility
 Funding Source: CIP
 Budgeted year: 2004

Project narrative:

This project originated as part of the Proposition 13 grant from 2001. It consists of using an existing piece of land owned by the District to construct a new well site. The existing piece of land, located on Heather Road has one well currently operating on the site. This will add a new well to the site, and upgrade the current well. The new well will help to service the west side of the District, and is currently in the design stages.

Location:



Project Budget (current year \$):

Item	Amount
Internal Labor	\$
Materials	\$
Contracted services	\$1,153,600.00
Capital outlay	\$

Total: \$1,153,600.00

Schedule:

Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec



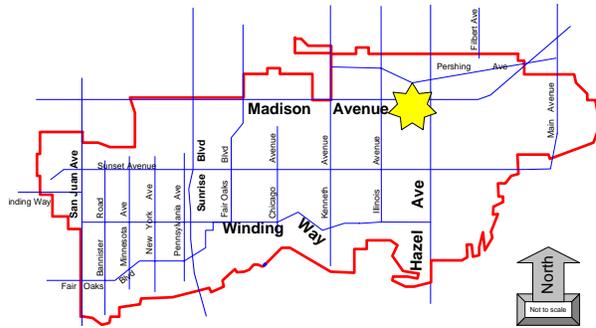
PROJECT DETAIL SHEET

Project Number: _____
 Description: Vintage Woods Groundwater Extraction Facility
 Funding Source: CIP
 Budget year: 2004

Project narrative:

This project originated as part of the Proposition 13 grant from 2001. It consists of using an existing piece of land owned by the District to construct a new well site. This piece of land was originally acquired through dedication as a condition of development at the apartment complex. The new groundwater extraction facility will be located at the Vintage Woods well site, which is located near the corner of Hazel Ave. and Madison Ave. behind the Vintage Woods senior apartment complex. No current wells or water facilities exist on this site. The new well will help to service the east side of the District, and is currently in the design stages.

Location:



Project Budget (current year \$):

Item	Amount
Internal Labor	\$
Materials	\$
Contracted services	\$1,188,200.00
Capital outlay	\$

Total: \$1,188,200.00

Schedule:

Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec



PROJECT DETAIL SHEET

Project Number:
 Description: North Winding Way
 Funding Source: CIP
 Budgeted year: 2004

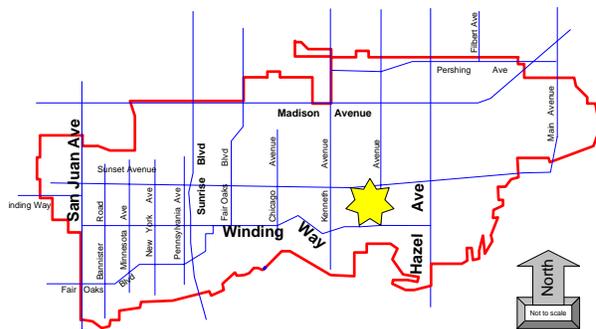
Project narrative:

This project has been identified as necessary due to inadequate existing pipeline capacity, as well as the potential for failure. During a recent new subdivision project in the area, we had the developer install new 12" pipeline near the intersection of Winding Way and North Winding Way to aid in our project. Because of the age and material of the existing pipeline, we have had at least three breaks in the past two years due to oak trees growing over the existing pipeline and recent construction in the area.

The existing pipeline is 18" above the current roadway and is located outside of any right-of-way or easement. Because of this, and due to the existing pavement conditions of North Winding Way, the project is going to be complicated. Another concern is that due to the age of the pipeline, multiple connections for one parcel were allowed. These connections need to be abandoned, and the remaining ones will need extensive repair.

This project consists of capacity improvements from 8" Steel pipeline to 12" C-900 pipeline. The new pipeline will connect to Hazel Ave., improving flows to the Riva Ridge Dr. area. Also, the fire flow needs will be met with the installation of four new steamer type hydrants.

Location:



Project Budget (current year \$):

Item	Amount
Internal Labor	\$50,000.00
Materials	\$119,000.00
Contracted services	\$119,000.00
Capital outlay	\$

Total: \$288,000.00

Schedule:

Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec



PROJECT DETAIL SHEET

Project Number:
Description: Hazel Ave. Parallel Main Project
Funding Source: CIP
Budget year: 2005

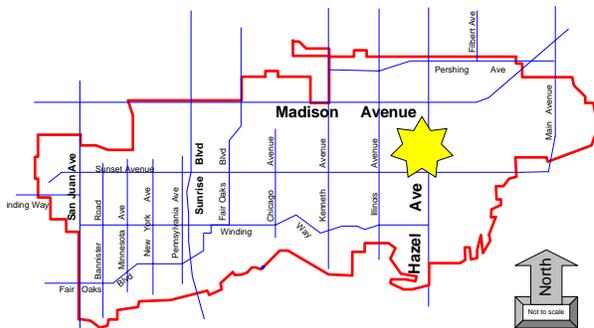
Project narrative:

Sacramento County is executing a project within our Water District that affects Hazel Ave. This project consists of doubling the width of Hazel Ave. to accommodate increased traffic flow. Because of this project, we are going to lose our abandoned well site parcel, and now have the need to run a parallel water main down Hazel Ave. for the following reasons:

1. Improve flows to the Riva Ridge Dr. area through a more direct route; a 12" C-900 water main.
2. In 1996, during the first phase of this project, the District had to extend existing galvanized services by connecting them to poly service lines, making each of them 60-70 feet in length. During this phase we need to bring all of the services up to current specifications due to system demands, and to decrease the liability the District currently assumes on those lines.
3. Currently the hydrants are spaced more than 1,500 feet apart, and cannot provide sufficient flow to meet the fire needs in the area. The hydrants need to be upgraded to steamer type hydrants spaced 250 feet apart.

Our estimate is that there is 8,850 linear feet of pipe that needs replacing. Along with this pipe, we need to: replace 94 service lines, replace 46 tee and valve assemblies, replace 25 hydrants, and upgrade another 5 hydrants. Based upon past District experience, we have determined that the replacement cost of the pipe is \$100.00 per linear foot, leaving \$115,000.00 for possible cost overruns or contract administration.

Location:



Project Budget (current year \$):

Item	Amount
Internal Labor	\$
Materials	\$
Contracted services	\$1,000,000.00
Capital outlay	\$

Total: \$1,000,000.00

Schedule:

Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec

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APPENDIX B – GLOSSARY OF TERMS

Ad-hoc budget committee – Committee appointed by the board president to develop and review the budget and proposed rates prior to presenting to the full board.

Appropriations - Amounts of money authorized for spending during the fiscal year.

Arbitrage – Taxes due to the Internal Revenue Service when the C.O.P. retirement reserves earnings rate exceeds the C.O.P. debt interest rate.

Assets – Assets can include cash, investments, inventory, property, pipelines, long-term agreements, or accounts receivables.

Budget - The primary purpose of the Budget is to provide the Board and public with an estimate of the total available resources of the District, to set spending and program priorities, and to account for and allocate cash flows. A budget is viewed as a planning tool that can and often does change over the fiscal cycle.

Capacity Costs – A component of the metered rate, which includes fixed water costs, which vary in relation to the capacity of the water system. The sizing of the water system is based on the potential demand each customer could place on the water system. Capacity costs are allocated to customers based on the size (hydraulic capacity) of the water meter (or service connection). A customer with a larger water meter will bear a larger allocation of fixed capacity-related costs than one with a smaller water meter. Capacity costs include debt service, maintenance costs, capital outlay, meters, public fire hydrants, etc. and are included as a component of the fixed metered service charge.

Capital Program – Equipment replacement, meter installations, well improvements, pipeline improvements and service line upgrades are components of the capital program.

Carryover – Represents cumulative savings of a department budget, which may be made available for expenditure in subsequent years. Any unused expenditures may be added to carry over amounts.

CCF – One CCF equals one hundred cubic feet. One hundred cubic feet equals 748 gallons. Metered water use is measured in cubic or one hundred cubic feet.

Commodity Costs – Variable costs of water delivery that vary with the amount of actual water use. Water purchase, pumping, treatment, and conservation costs are some examples of commodity costs.

Conservation Stages – The District has five water shortage conservation stages: Stage 1 – Normal Water Supply; Stage 2 – Water Alert; Stage 3 – Water Warning; Stage 4 – Water Crisis; and Stage 5 – Water Emergency. The Board of Directors may adopt these stages as needed. During 2001, the board adopted Stage 2 conservation due to the 15% water reductions from the USBR. The board may also adopt water shortage rates during various stages since costs increase during increasing water stages.

CPI - Consumer Price Index is a general measure of inflation of consumer products, but does not account for inflation in several building related products regularly used by the District.

COP - Certificates of Participation proceeds from the sale of debt. Repayment of principal and interest is scheduled annually, usually over 20 years.

Customer Costs – Fixed costs of water delivery that tend to vary as a function of the number of customers being serviced. Examples of customer service costs include meter reading, billing, and customer service.

Debt Service - Payments of principal and interest on indebtedness incurred to finance the construction of a capital project.

Designated Funds - A separate set of accounts used to record receipts and use of money designated or restricted by the Board for specific purposes. The Districts finances are distributed into separate funds required by state or federal government, or by prudent finance practices. Designated fund types include the following:

- *Administrative Facilities Reserve* funds are used to help fund improvements, upgrades or building construction to the administrative facilities.
- *Certificate of Participation (C.O.P.) Reserve* is funds received from COP proceeds earmarked for a specific purpose. Financing agreements typically restricts these funds.
- *C.O.P. Retirement Reserve* funds are used to repay the principal and interest on indebtedness, as well as any fees associated with debt issuance.
- *Connection Fee Reserve* funds are connection and related fees segregated according to AB1600. These funds can be used for expanding water system capacity.
- *Emergency Funds* are set funds designated by the Board to be used for emergencies as defined by the Board.
- *Fixed Asset Reserve* funds are used to account for engineering, construction, and administration expenses of major pipeline and infrastructure. This fund is also used for District equipment purchases.
- ◆ *Operating Fund* receives all unrestricted money, which pays for the majority of operational spending for traditional District services.
- *Rate Stabilization Reserve* funds are used to mitigate the cash loss from converting from a flat rate billing structure to a metered rate structure. Additionally, this reserve will be used to absorb revenue fluctuations due to sudden changes in metered water use.
- *Residential Metering Reserve* funds are used for the residential metering program. In theory this designation balance should be zero since the District plans to install a set amount of meters each year. However, if the District experiences any potential costs savings in one year, the excess funds will be set-aside for future years specifically for metering installation.

ENR - Engineering New-Record Construction Cost Index - a measure of inflation in construction cost projections.

Expense – A term used to describe the operating costs of the District.

Expenditure - A term used to describe any type of authorized District costs, either operational or capital in nature.

Fiscal Year - The 12 month accounting period used by some governmental agencies, usually from July 1, through the following June 30. The District accounting period is from January 1 through December 31, and coincides with the calendar year.

Fixed Assets - The assets of the District representing pipeline, wells, tanks, meters, equipment, furniture, and property.

Fixed Service Charge – A component of metered rates that includes customer costs and capacity costs. These charges vary based upon the meter size since meter size affects capacity costs.

Fund Balance - The excess of the total assets of a fund over its total liabilities. The fund balance does not equal designated cash reserves.

Indebtedness - Amount of principal due on outstanding COPS, loans, accounts payable and accrued liabilities.

Interest Income - Income earned on the investment of available cash balances.

Liabilities - Amount of funds obligated by the District, such as accounts payable, deferred revenues, debt service payments or amounts due other funds.

Operational Costs - Costs for labor, contractual services, repairs and maintenance, electricity, water purchases, internal services, supplies and other expenses. These expenses are generally predictable and consistent with the service demands of the District.

Other Income - Includes property sales and income from developments that are not assignable to distinct activities or funds.

Projects - Long-term investments in public facilities and infrastructure; also known as capital improvements. Amounts spent may widely vary from year to year.

Revenue - Money received from fees for water service, licenses, permits, interest, bonds, taxes, or from other governments by the District during the fiscal year.

Total Budget – Beginning reserves, plus total revenues, less total expenditures (including projects), equals ending available reserve balances.

Unfunded – Amount of an obligation not covered by assets currently set aside or revenue generated for that purpose.

Water Shortage Rates – Water rates reflecting the increased costs associated with the various conservation stages. Increased commodity costs are expected in conservation, pumping, electric, and chemical costs as water resources become scarcer due to water shortages.



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