

# 2008 ANNUAL BUDGET

## FOR THE YEAR ENDED DECEMBER 31, 2008

FAIR OAKS WATER DISTRICT — Fair Oaks, California



**FAIR OAKS WATER DISTRICT**  
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## **INTRODUCTION**

Fair Oaks Water District was originally formed as Fair Oaks Irrigation District in 1917. By 1979 residential development in the community had replaced all significant agricultural land; therefore, the Board of Directors passed a resolution declaring “irrigation district” no longer described the District’s actual functions and changed the name to Fair Oaks Water District. Even with the name change the District is legally structured as an irrigation district operating under the California Code, Division 11.

The District is a retail water agency supplying water to a population of approximately 40,000 people on 6,160 acres in Fair Oaks and a small portion of Orangevale. The District purchases most of its water from San Juan Water District as treated water, and delivers it to approximately 14,470 residential and commercial service connections.

The District is governed by five board members. The board members are publicly elected to four-year staggered terms representing geographic divisions. The Board delegates day-to-day operations authority to an appointed General Manager and staff.

The District’s mission statement is as follows:

*“Our mission is to provide our community with an adequate and reliable supply of water, exceeding all drinking water standards, at the lowest practical cost. Our watchword is excellence. We operate in a responsive, professional, environmentally responsible manner, balancing immediate and long-term needs. The District strives to provide leadership in the community, and in regional water resource activities.”*

## **BUDGET OVERVIEW AND HIGHLIGHTS**

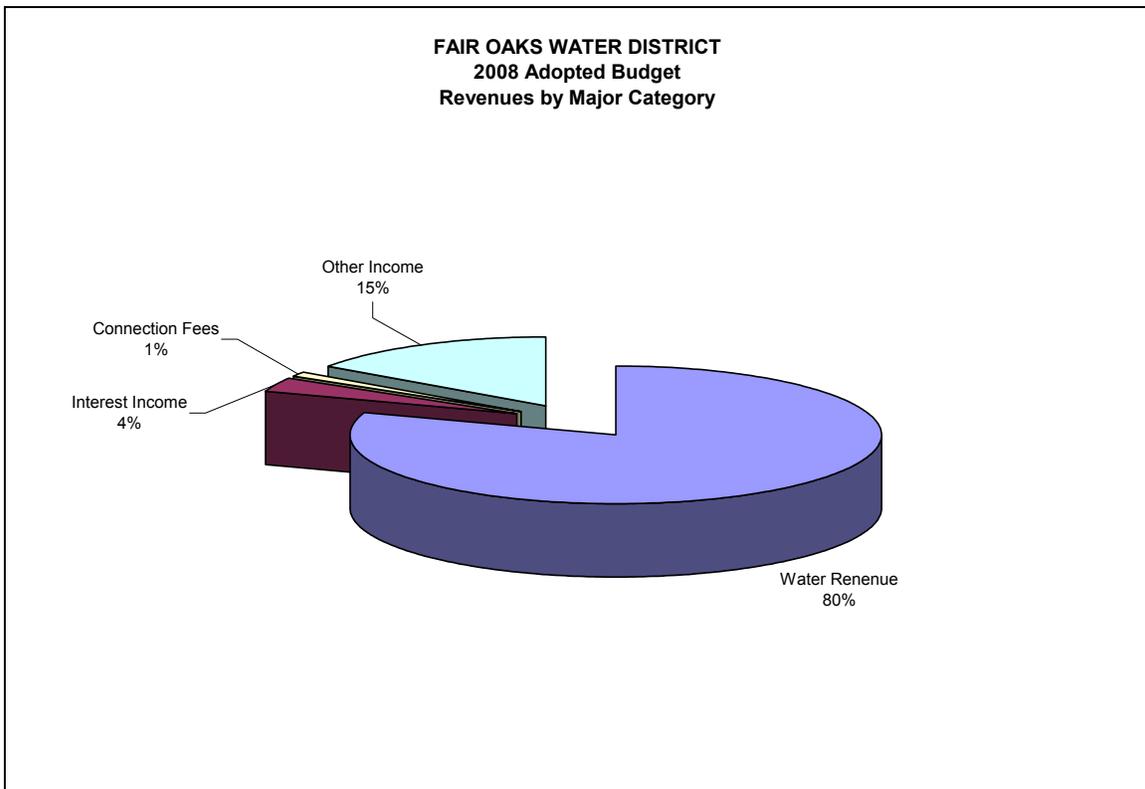
The budget was prepared by staff and presented to the Board of Directors for approval and adoption at the public meeting on December 10, 2007. Rates and fees were not increased in the 2008 budget.

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 and planned spending for 2008. The budget includes setting program priorities and cash flow projections. The District maintains its financial records in accordance with the generally accepted accounting principles (GAAP) for annual reporting purposes set by the Government Accounting Standard Board (GASB).

**Revenues**

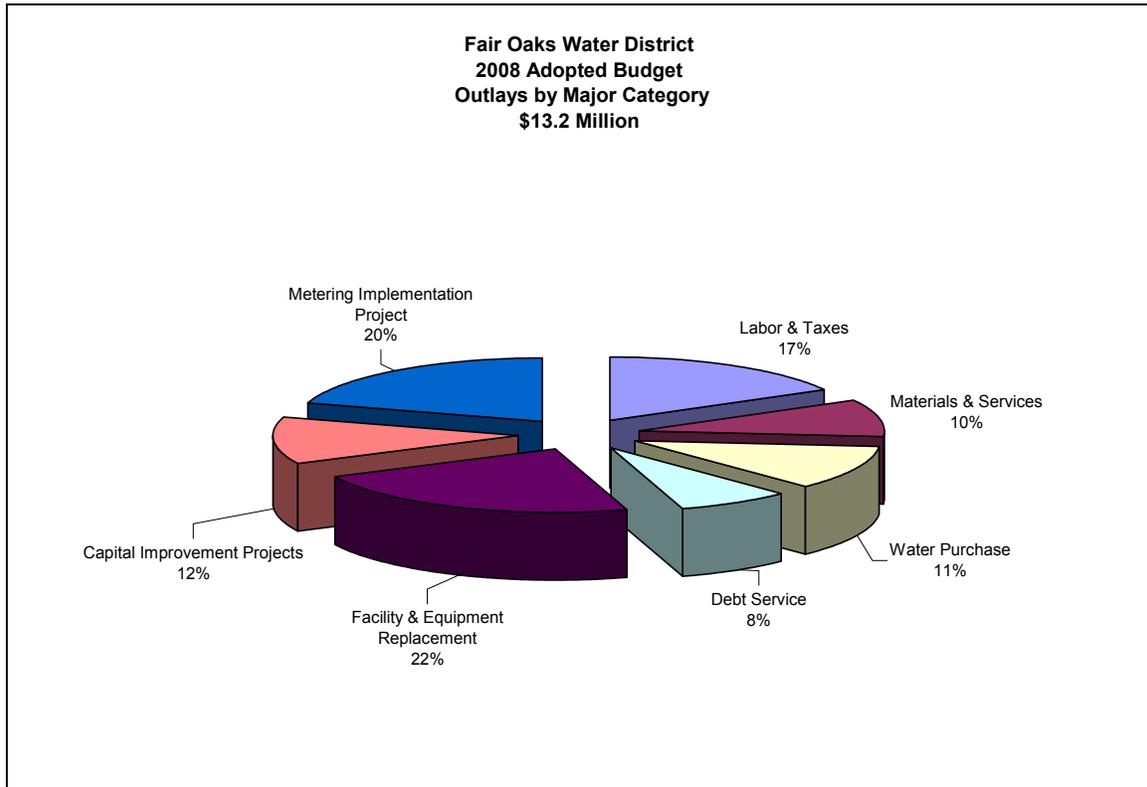
The District projects revenues of \$9,698,400 in 2008.

<b>2008 Adopted Budget Revenues by Major Category</b>	
Water Revenue	\$ 7,774,300
Interest Income	345,800
Connection Fees	90,000
Other Income	1,488,300
<b>Total</b>	<b>\$ 9,698,400</b>



**Expenses**

The District’s total estimated expenses for 2008 are \$13,224,900. These expenses include meter implementation, facility and equipment replacement and transmission and distribution system improvements.



<b>2008 Adopted Budget Outlays by Major Category</b>	
Labor & Taxes	\$ 2,228,000
Materials & Services	1,263,900
Water Purchase	1,510,400
Debt Service	1,000,100
Facility & Equipment Replacement	2,960,500
Capital Improvement Projects	1,580,000
Metering Implementation Project	2,682,000
<b>Total</b>	<b>\$ 13,224,900</b>

## Reserves and Designations

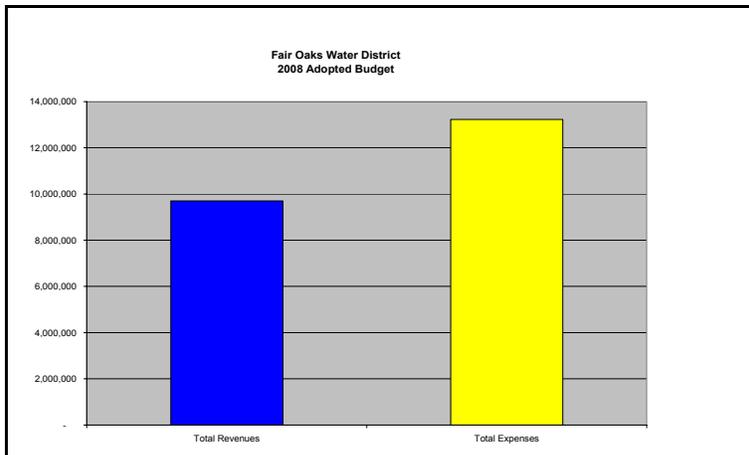
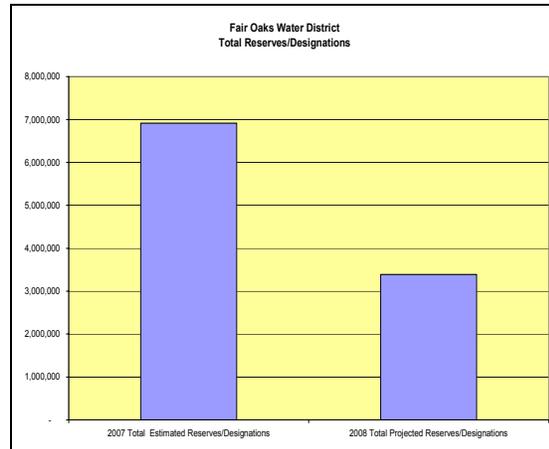
The District's reserves consist of restricted, unrestricted and designated funds. The District's restricted reserves include the Certificate of Participation's (COP's) and capacity system fees (connection and annexation fees). The District has drawn down its reserve to fund the 2008 capital improvement programs and normal operating expenses.

The District's 2008 budget projects a net loss of (\$3,526,500) calculated as follows:

Projected Total Revenues	\$ 9,698,400
Projected Total Expenses	<u>13,224,900</u>
Projected Net Loss	<u>(\$ 3,526,500)</u>

With a projected deficit of (\$3,526,500), the District will use reserve(s)/designation(s) to offset this deficit. The Board has adopted an updated reserve policy on May 14, 2007, which requires the District to have at minimum approximately \$3.09M based on the 2008 budget. The District projects a year-ending total reserve balance of \$3.39M. The District 2008 year-end reserve conforms with its updated reserve policy. See reserve balance summary for more detail on page 40.

The District projects a decrease in the reserves and designations of \$3,526,500 (51%) at the end of 2008.



This graph reflects the 2008 net deficit of (\$3,526,500).

## **BUDGET PRINCIPLES AND PROCESS OVERVIEW**

Budget planning begins 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 month's of actual revenues and expenses for the current fiscal year. In July, the District's senior staff will provide updated information for the timing and costs of scheduled activities over the next year. The impact on operations of capital projects, legislation and economic factors are reviewed and communicated to the General Manager.

The budget is developed through several processes. The Board of Directors provides certain priorities and guidelines to the General Manager. The General Manager communicates these criteria to staff. The District's annual budget is then developed consistent with District's mission, goals, policies and water distribution needs.

The financial model is updated to determine whether adequate funds exist to meet requests, while maintaining Board approved reserves over the budget period. All unfunded needs will be documented, if any. The budget and forecast will be prepared by the staff and General Manager to ensure consistency with District policies. An Ad-hoc Budget Committee, comprised of two Board of Directors and staff, will then review the draft document and assist in preparing the final document for the public information sessions, public hearing, and Board adoption.

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

Any budget amendments required during the year will be submitted to the Board of Directors at a board meeting for Board action.

### **Budget Control**

The approved budget is entered in the District's accounting system, which will provide up to date financial information throughout the year.

The Board of Directors, on the recommendation of the General Manager, establishes overall budgets and policy programs. The approved budget is then monitored 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 from staff, and approved by the Board of Directors, reserve funds may be transferred or added to throughout the fiscal year. This bottom line approach to budget management is intended to prioritize

overall District spending, while making senior staff accountable for internal operations and expenses.

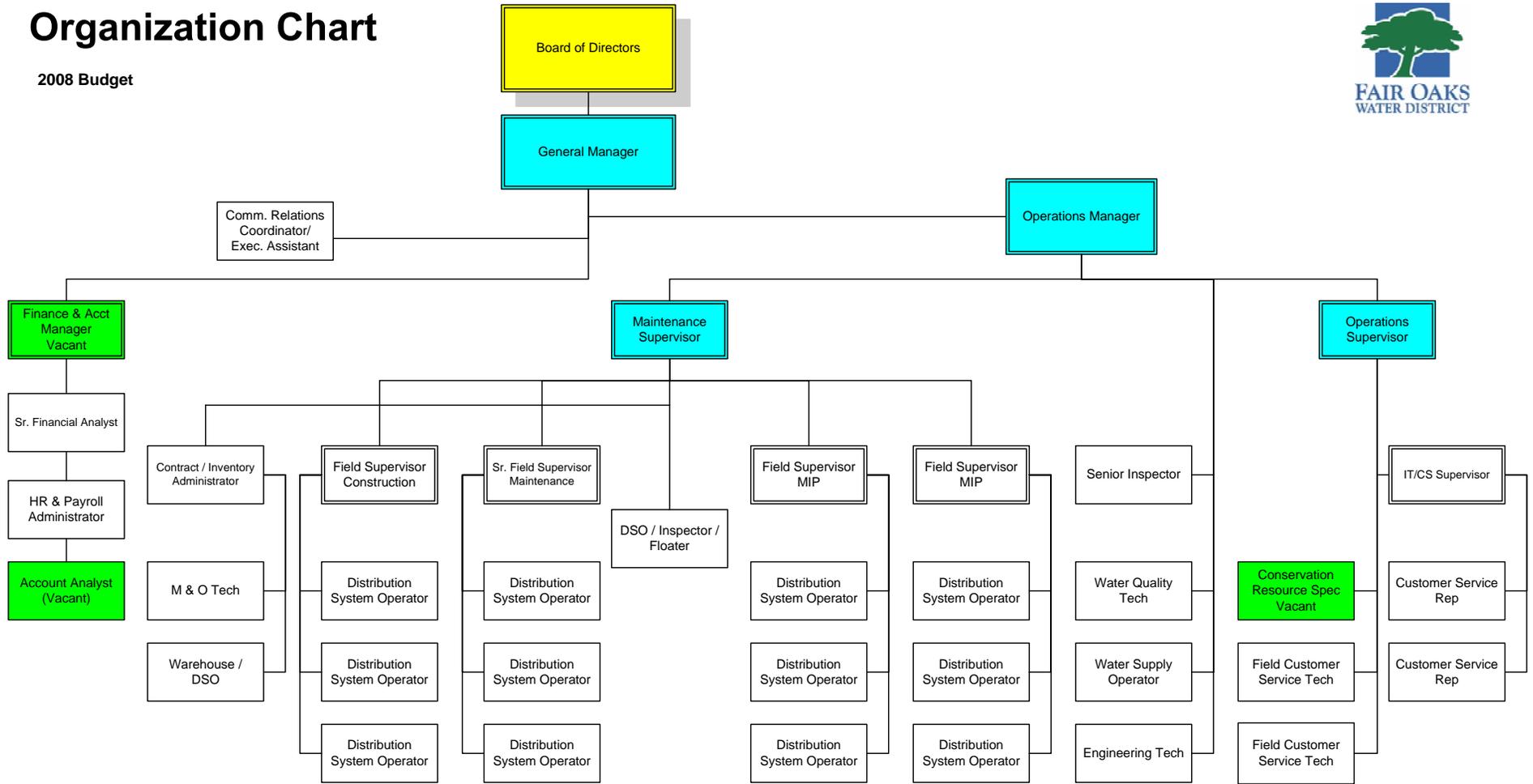
Capital projects and program budgets are adopted for specific non-operational projects or programs. These budgets often span multiple budget years. For each project or program, subsequent Board approval is sometimes required for approving bids and contracts.

### **Basis of Budgeting**

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.

# Organization Chart

2008 Budget



Management  
 Vacant

## **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 serve as a resource for 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 later) 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 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 staff. To fulfill these goals, the District continually develops problem solving policies and procedures that benefit the District's customers and community.

#### *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 cost. Our customers deserve quality, and expect to pay fairly for it. We want to build a utility that generates community pride, yet provides a value to the ratepayer.

#### *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. 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. We believe in life-long learning and 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 will always be honest about risk and own our mistakes.

#### *District Goals and Objectives*

While the District operates by a fundamental set of 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*

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 now scheduled for 2011. 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 residential meters per year through 2010.
- ✓ Refine meter reading processes and data analysis processes.
- ✓ Analyze residential accounts in preparation for metered rate billing.
- ✓ Continue the public education and outreach program.
- ✓ Continue conservation 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 high quality, reliable source of water supply to the community. As part of this goal, the District has outlined the following specific objectives:

- ✓ Continue to provide leadership in regional conjunctive use, and drought planning opportunities.

- ✓ Continue in a leadership in groundwater contamination cleanup.
- ✓ Provide an updated system Master Plan every five years, incorporating the vulnerability and emergency response, meter implementation, regional water issues, and new regulations into comprehensive update of the District's existing master plan.
- ✓ Create an additional zone to maximize current well efficiency during normal and emergency operations.
- ✓ Continue with best management practices for water quality and conservation.
- ✓ Continue promoting and educating customers about water issues.

#### *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. 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.
- ✓ Recruiting unfilled positions.
- ✓ 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 conservation activities.
- ✓ Continue to work with the San Juan Family of Water Agencies 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

An 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 scheduled for November.

### Fixed Asset Accounting Control

An accounting and inventory of all fixed assets shall be maintained to ensure proper accounting control resulting in accurate financial reports of fixed assets. District's assets greater than \$500 in value will be recorded as a fixed asset for financial recording purposes.

### District Reserve Funds and Designations

The policy establishes several reserve funds to minimize adverse annual and multi-year budgetary impacts from anticipated and unanticipated District expenses. The adequacy of the target reserve year-end balance ranges and/or annual contributions will be reviewed annually during the budgeting and rate setting process and may be revised accordingly as necessary. The District's Board adopted a new reserve policy on May 14, 2007. The following District reserve and fund categories are established:

#### *1. Emergency Designation:*

- 1.1. Purpose: To fund District fixed asset, operating and maintenance expenditures not currently budgeted.
- 1.2. Target Balance: The reserve fund balance will approximate six months of operating costs (estimated at \$2.4 million in 2006).
- 1.3. Methodology: The District is required to have sufficient cash flow to meet the next six months of budgeted District expenditures (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 unspent funds from the annual budget resulting from savings or timing differences are also reflected in this fund.
- 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, emergency operating costs.
- 1.5. Contributions: Annual contributions will be designated in the budget process to maintain six months of operating costs.

#### *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 up to three months of operating costs (estimated at \$1.2 million in 2006) until 2011 for the lag effect. For the revenue fluctuation, the target fund balance is estimated at 5% of gross water revenues (up to \$480k) to be reviewed periodically to reflect actual operating experience. Beyond 2011, the lag effect will be eliminated and there will only be the revenue fluctuation of up to \$480k.
  - 2.3. Methodology: The District has been collecting revenues six months in advance for flat rate customers. By 2011, the District will be converting all its customers to metered billing. The District will experience cash flow lag affects for receiving revenues in arrears from meter based billing versus the current pre-paid flat rate billing. The greatest impact will be from January to March 2011. The District will not be collecting any of the 2011 revenues until the end of March 2011. Therefore, it is prudent that the District set aside reserves to cover three months of the District's expenses for 2011. In addition to the three months, the District should set aside reserves for the fluctuations of revenues for 2011. There may be less usage once customers converted to metered billing in 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. *Connection Fee Reserve*:
- 3.1. Purpose: To segregate fees charged to new development and direct those proceeds to capacity enhancement projects in compliance with AB1600.
  - 3.2. 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.
  - 3.3. 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.
  - 3.4. 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.
  - 3.5. 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.

4. *Certificate of Participation (COP) Reserve:*

- 4.1. Purpose: To segregate certificate of participation (COP) reserves according to governing documents.
- 4.2. Target Balance: The proceeds of a COP issue establish the maximum COP reserve available for use.
- 4.3. Methodology: COP reserve balances are created upon issuance of debt. These balances are used according to the COP's installment purchase agreement.
- 4.4. Use of Funds: Use of the COP reserves will be accounted for on a monthly basis, according to the COP's installment purchase agreement.
- 4.5. 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.

*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.

1. Individual purchases under \$10,000 require approval by one of the District's senior managers (General Manager, Operations Manager) and be in general conformance with previously approved operating budgets.
2. Purchases greater than \$10,000 shall be pre-authorized by the General Manager using a purchase order.

3. Any commitment of District funds for an individual unit purchase or expense greater than \$15,000 and not previously approved in conjunction with the annual operating budget shall first be submitted to the Board of Directors for approval, or shall be in conformance with prior Board action and/or authorizations. Payroll related expenses are exempt from the \$15,000 limit.
4. Expense of \$15,000 to \$25,000 may be authorized by a combination approval from the General Manager and Board President or Vice President.
5. 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.

## **FINANCIAL SUMMARIES**

### **District Revenues**

#### **Major Sources of Revenue**

The District has the following major sources of revenue for 2008:

- ✓ Water Sales
- ✓ Connection fees
- ✓ Interest Income
- ✓ Grants

#### *Water Sales*

##### *Unmetered Flat Rate Revenue*

The District's revenue from water sales is derived primarily from unmetered flat rates charged to residential customers. Approximately 87% of the total water sales is from unmetered flat rates residential customers.

##### *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.

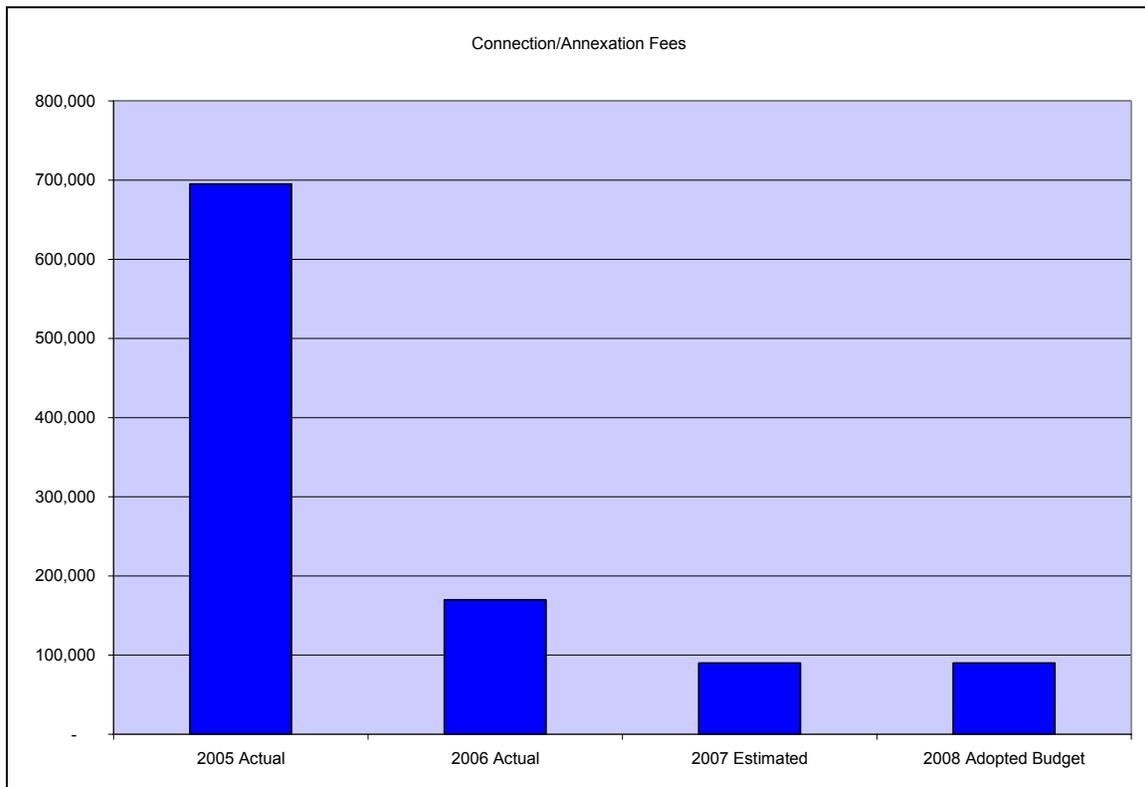
The fixed service charge is based upon meter or service line size and is designed to cover the fixed costs of the water delivery as it relates to customer service and capacity costs (i.e. repair and maintenance crew labor costs, supplies and construction related costs). Fixed service charges represent approximately 77% 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 23% of the total water bill and is designed to cover the costs of water purchases, pumping, treatment and conservation costs.

The District projected 13 percent of our customers will be on metered rates in 2008 (12% is for commercial customers, and 1% for residential).

### *Connection Fees*

Connection fees represent the cost to new customers for addition to Fair Oaks Water District system; the funds collected are restricted by AB1600 to capacity enhancement projects. The District service area will experience little growth. 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. The District had an increase in 2005 due to the Gum Ranch development. 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/annexation fees through 2008.



*Interest Income*

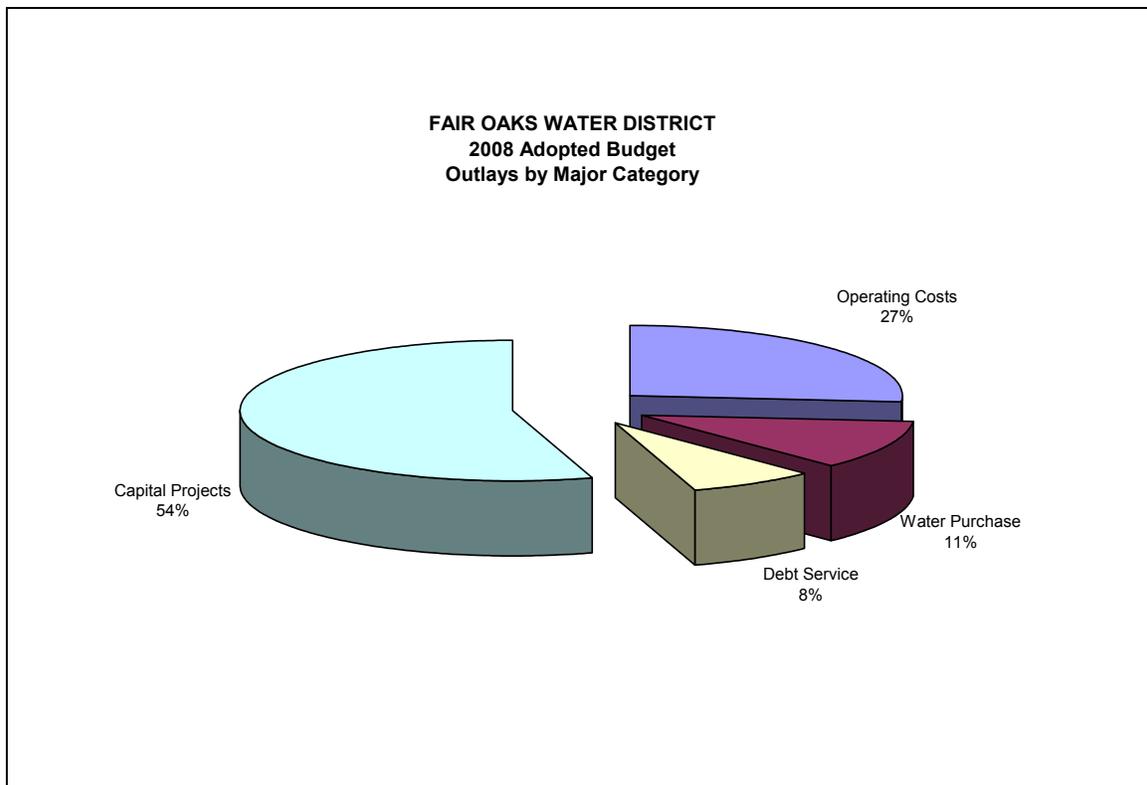
The District invests its funds in accordance with the California Government Code, Section 53600, Chapter 4 – Financial Affairs and the District’s investment policy 5070; with a majority invested in LAIF (Local Agency Investment Fund) and Certificates of Deposit. Interest earnings on District’s reserves remain within the invested funds. Interest earnings fluctuate based on rates and cash balances. The District projected a decrease of approximately \$126,600 in interest earnings in 2008 (from the estimated 2007) due to the 2008 projected decrease in ending reserve balance.

**District Expenses**

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

- ✓ Water Supply
- ✓ Capital Projects
- ✓ Debt Service
- ✓ Operating Costs

The following pie chart illustrates the percentage of the total District expenses allocated to each of these categories.



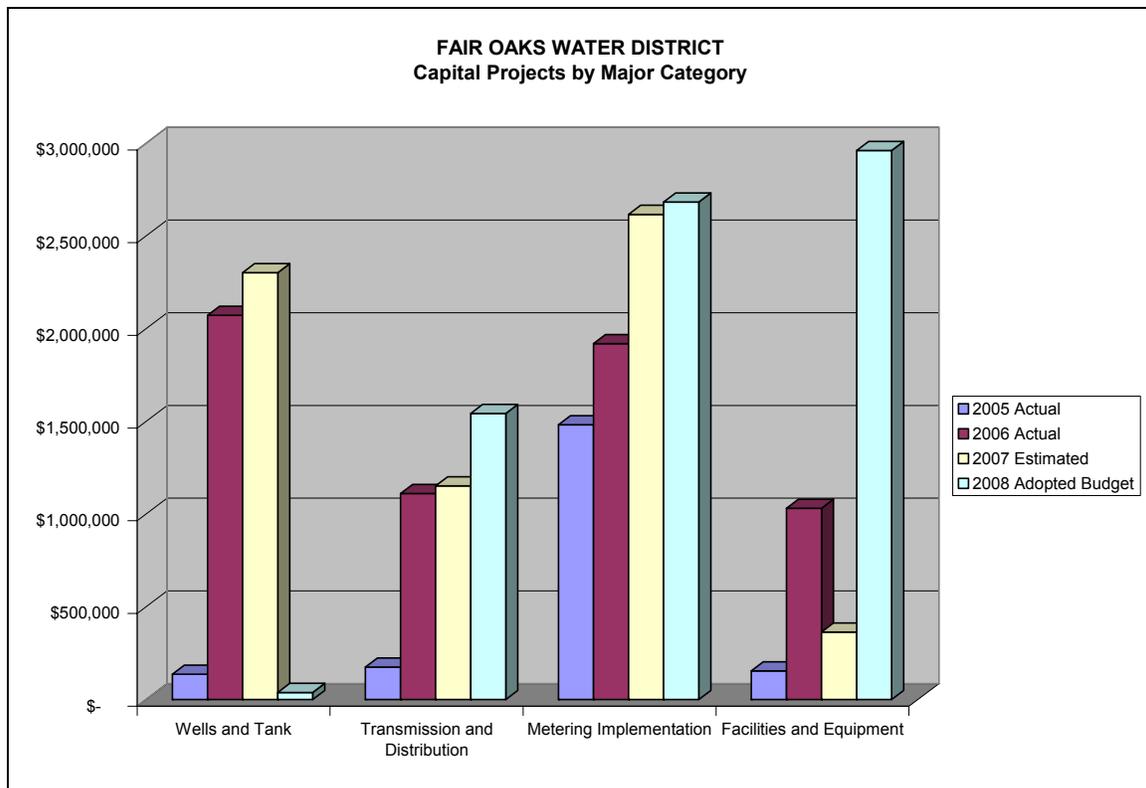
## Water Supply

The District's main water supply is surface water from the San Juan Water District. The overall rate increase from San Juan Water District to FOWD is 12% in 2008. San Juan Water District provides approximately 90% of the FOWD water demand. The District has purchased on average approximately 12,200 Acre-Feet of surface water over the past five years. The District projects purchasing approximately 11,300 AF of surface water from SJWD in 2008.

The District completed two new wells in 2007 - Heather and Town Wells. With completion of these two wells, the groundwater portion of the overall water supply may increase in upcoming years. The District projected the production of 1,400 AF of groundwater in 2008.

## Capital Projects Overview

Capital Projects Overview				
Category	2005 Actual	2006 Actual	2007 Estimated	2008 Adopted Budget
Wells and Tank	\$ 135,200	\$ 2,071,515	\$ 2,301,000	\$ 38,000
Transmission and Distribution	174,456	1,110,630	1,151,900	1,542,000
Metering Implementation	1,480,600	1,919,400	2,615,900	2,682,000
Facilities and Equipment	154,326	1,031,444	363,400	2,960,500
<b>Total</b>	<b>\$ 1,944,582</b>	<b>\$ 6,132,989</b>	<b>\$ 6,432,200</b>	<b>\$ 7,222,500</b>

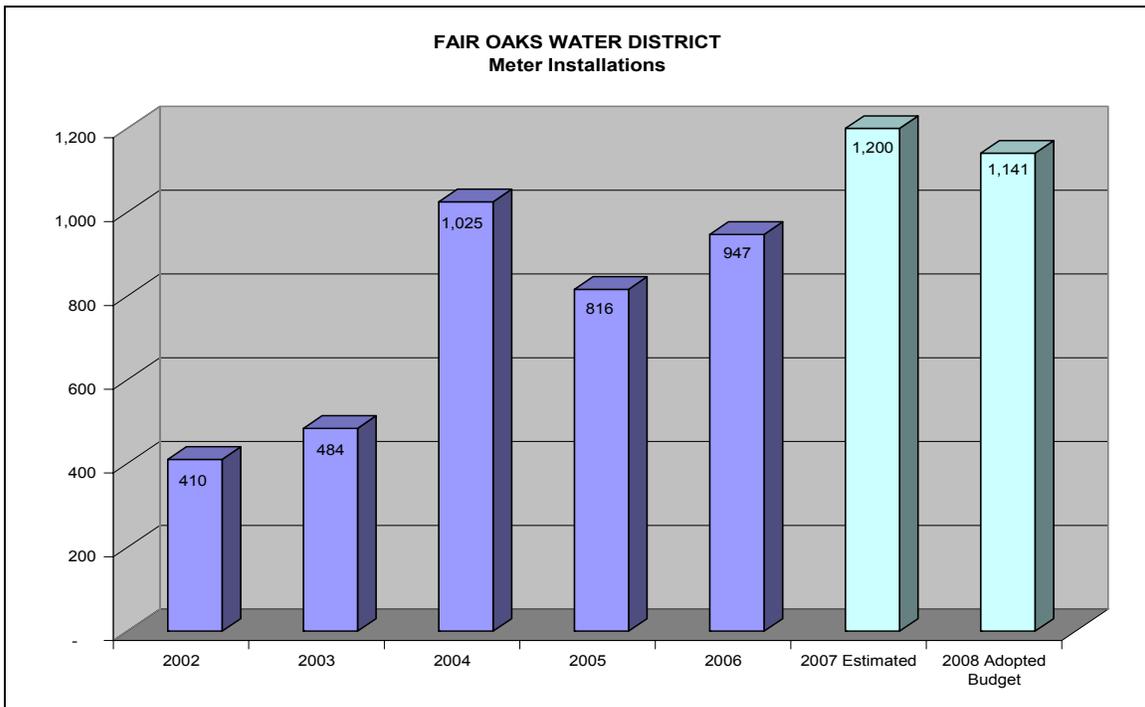


Wells and Tank

The District completed the Heather and Town wells in 2007 with approximate cost of \$2,443,100 and \$1,952,200 respectively. The reimbursable portion from the US Bureau for the two wells totaled \$1,423,900. The Town Well can pump up to 2,500 gallon per minute (gpm) (900 gpm more than the historical pumping of the old Town Well). The Heather Well design capacity is 2,000 gpm.

Metering Implementation Program

The Central Valley Project Improvement (CVPIA) was enacted by the Federal Government in 1992 requiring any water purveyor contracted to receive surface water from United States Bureau of Reclamation to implement metering within five years of the date of contract. On September 28, 1999 the Reed Consulting Group presented the District’s Metering Implementation Plan at the Board meeting. At the meeting, the District’s Board of Directors adopted the proposed plan to have meter installation program complete and functioning by 2011. The current management of the District updated the Metering Implementation Plan (MIP) in 2006. With the updated MIP, the District anticipates installing 1,141 meters a year at a cost of approximately \$2.7 million per year through 2011. The District’s total estimated cost for the Meter Implementation Program is approximately \$17.4 million. The following graph reflects meters installed since 2002.



Transmission and Distribution

The District continues to repair and replace aging infrastructure throughout its system. The District scheduled the following projects for 2008:

- Hawaiian Tract Phase III and IV at an estimated cost of \$1,192,000.
- T-Main Feasibility Study at an estimated cost of \$50,000.

### Facilities and Equipment

One of the ongoing major projects in 2008 is the construction of a new District's administration center and corporation yard. The District facility is in need of replacement as presented to the Board and the public at many public meetings. The administrative facilities design and master planning has been completed by the consultant. The District anticipates the completion of the administrative center and corporation yard in 2009. The 2008 estimated cost for the new building is \$2,800,000.

The amount of \$160,500 was allocated for replacement of office equipment, computer software, computer equipment, maintenance equipment and trucks and vehicles in 2008.

### **Debt Service**

The District monitors debt and investment closely to ensure compliance with all of the debt requirements. The District complies with the terms, provisions, covenants, conditions and agreements related to the current District's Certificate of Participation. For the COP's issued in 1989 and 1991 (subsequently refinanced in 1999), the District is required to comply with the following:

- Maintain a Debt Service ratio of 1.15.
- Maintain a \$658,000 Reserve Fund with the Trustee.
- Prepare the annual rebate calculations on the bond.

The 2008 Debt Coverage is estimated at 2.07; calculated as follows:

Operating Revenue	\$7,919,300
Operating Expenses	<u>5,851,600</u>
Net Income from Operations	\$2,067,700
Debt Service <sup>1</sup>	\$1,000,100
Calculated Coverage	2.07

<sup>1</sup> Includes principle and interest for 1999 COP's and CTP-SJWD 1993 COP's

<b>Year Ending December 31,</b>	<b>Principle</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 838,113	\$ 121,832	\$ 959,945
2009	885,563	89,626	975,189
2010	501,150	55,701	556,851
2011	476,738	36,833	513,571
2012	212,325	18,541	230,866
2013	370,638	7,413	378,051
<b>Total</b>	<b>\$ 3,284,527</b>	<b>\$ 329,946</b>	<b>\$ 3,614,473</b>

## **Operating Outlay**

The District's operating outlay fall into three functional areas:

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

### Operations & Maintenance

Operations and maintenance is the largest functional department of Fair Oaks Water District. 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 water quality, system maintenance, planning, operations, inspection and safety.

A major, and ongoing project over the past few years, and continuing into the 2008 budget year, is the Metering Implementation Plan (see discussion under *Capital Projects*). The District significantly increased the number of meter installations starting in 2004 and projected to be completed in 2011. The District anticipates installing 1,141 meters a year from 2008 through 2010.

Another significant ongoing District activity is replacing and improving the District's aging pipelines. The District anticipates the completion of several water main replacement projects in 2008 (see discussion under *Capital Projects*).

### Customer Service & Administration

The Customer Service & Administration department is responsible for District management, regional water issues, conservation, customer service, billing, collections, metering reading, information systems, public relations, accounting, payroll, accounts payable, human resources, finance and record keeping.

During the next two years, significant resources will be directed toward the design and construction of a new administrative center and corporation yard. Completion of the new building project is anticipated early 2009.

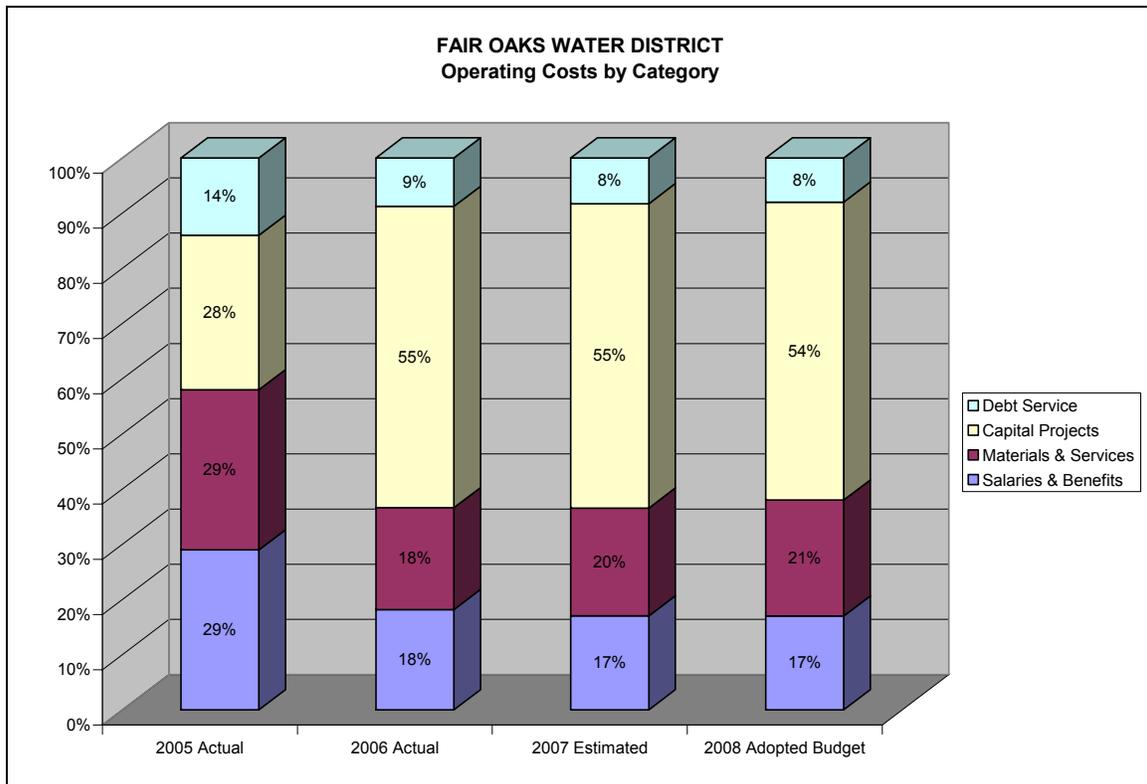
### Board of Directors

The Board of Directors (Board) is responsible for developing and reviewing 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 second Monday of the month. Several financial policies are expected to be reviewed and revised in 2008. The Board maintains an active involvement in regional water organizations representing the Districts interest locally and regionally.

District Salaries and Benefits

As with most organizations, salary and benefit costs are a significant component of the District’s annual budget. The following table and chart reflect the District’s actual salaries and benefits compared to other major cost categories since 2005.

<b>Operating Costs by Category</b>				
<b>Category</b>	<b>2005 Actual</b>	<b>2006 Actual</b>	<b>2007 Estimated</b>	<b>2008 Adopted Budget</b>
Salaries & Benefits	\$ 2,074,821	\$ 2,041,169	\$ 1,987,100	\$ 2,228,000
Materials & Services	2,006,677	2,071,497	2,276,600	2,774,300
Capital Projects	1,944,582	6,132,989	6,432,200	7,222,500
Debt Service	987,782	985,048	965,800	1,000,100
<b>Total</b>	<b>\$ 7,013,862</b>	<b>\$ 11,230,703</b>	<b>\$ 11,661,700</b>	<b>\$ 13,224,900</b>



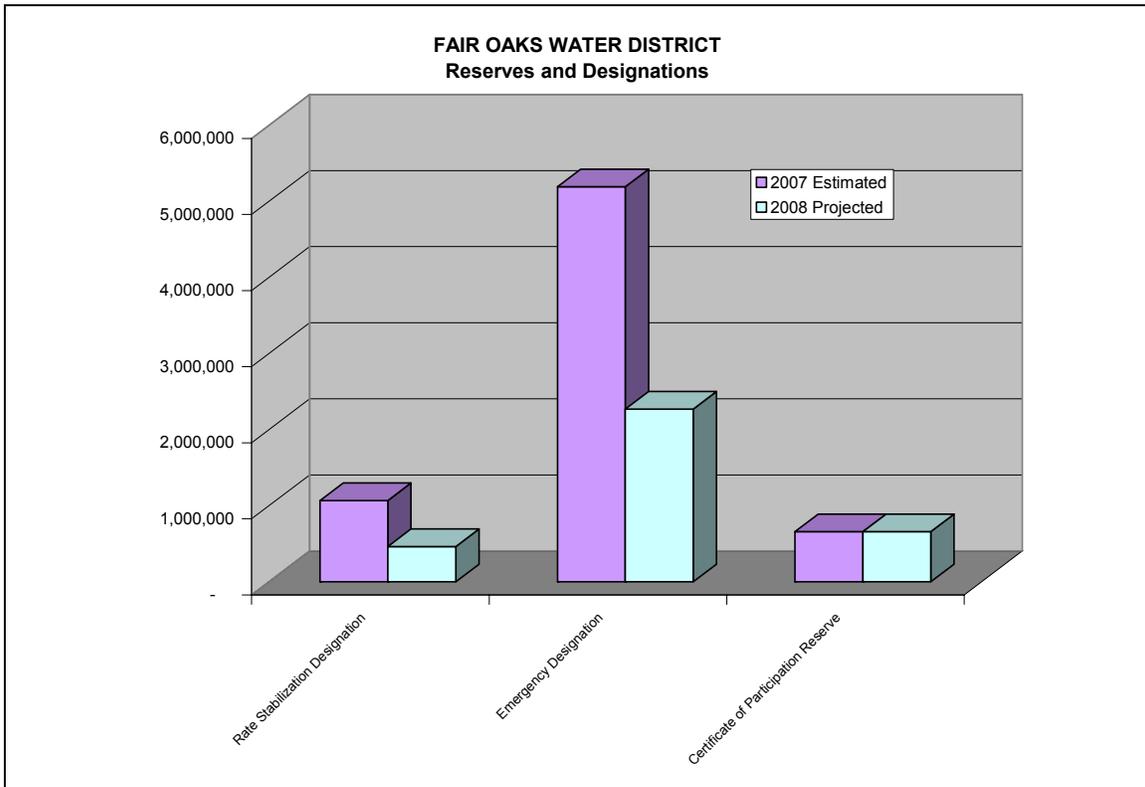
**Personnel Summary**  
**Full Time Equivalent (FTE)**

<b>Department</b>	<b>Actual 2004</b>	<b>Actual 2005</b>	<b>Actual 2006</b>	<b>Actual 2007</b>	<b>Budget 2008</b>
All Departments	<u>39</u>	<u>35.5</u>	<u>38</u>	<u>37</u>	<u>40</u>

## District Reserve Funds and Designations

Reserves 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 designation are designed to assist in the goal. See pages 13-15 for specific definitions on each reserve. The following chart and graph illustrate the District's ending reserves and designations.

Ending Reserves/Designations		
Category	2007 Estimated	2008 Projected
Rate Stabilization Designation	1,065,900	462,371
Emergency Designation	5,190,871	2,267,900
Certificate of Participation Reserve	658,255	658,255
<b>Total</b>	<b>\$ 6,915,000</b>	<b>\$ 3,388,500</b>



(For more detail on the allocation and usage of funds, see “2008 Budget Reserves and Designations” page 40).

The specific functions of the current reserves and designations policy of the Fair Oaks Water District are discussed under the District Financial Policies.

# Fair Oaks Water District

## 2008 Budget

### Financial Plan Summary of Revenues/Expenses

Description	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Estimated 2007	Budget 2008
<b>Revenues</b>						
<i>Total Operating Revenues</i>	\$ 7,180,280	\$ 7,928,475	\$ 7,932,226	\$ 7,944,400	\$ 7,871,400	\$ 7,919,300
<i>Total Non-Operating Income</i>	<u>361,888</u>	<u>1,151,483</u>	<u>1,844,576</u>	<u>1,556,400</u>	<u>945,900</u>	<u>1,779,100</u>
<b>Total Revenues</b>	<b>\$ 7,542,168</b>	<b>\$ 9,079,957</b>	<b>\$ 9,776,802</b>	<b>\$ 9,500,800</b>	<b>\$ 8,817,300</b>	<b>\$ 9,698,400</b>
<b>Expenses</b>						
Operating Expenses						
<i>Departmental Expenses</i>	\$ 4,419,551	\$ 4,081,498	\$ 4,111,166	\$ 4,811,100	\$ 4,263,700	\$ 5,002,300
<i>Debt Service</i>	<u>737,629</u>	<u>754,515</u>	<u>778,345</u>	<u>815,900</u>	<u>809,600</u>	<u>849,300</u>
Total Operating Expenses	\$ 5,157,180	\$ 4,836,013	\$ 4,889,511	\$ 5,627,000	\$ 5,073,300	\$ 5,851,600
Non-Operating Expenses: (Debt Interest)	\$ 290,589	\$ 233,267	\$ 208,203	\$ 182,300	\$ 156,200	\$ 150,800
<b>Total Expenses</b>	<b>\$ 5,447,769</b>	<b>\$ 5,069,280</b>	<b>\$ 5,097,715</b>	<b>\$ 5,809,300</b>	<b>\$ 5,229,500</b>	<b>\$ 6,002,400</b>
<b>Net Income (Loss) before Capital Program</b>	<b>\$ 2,094,399</b>	<b>\$ 4,010,677</b>	<b>\$ 4,679,087</b>	<b>\$ 3,691,500</b>	<b>\$ 3,587,800</b>	<b>\$ 3,696,000</b>
<b>Capital Program Expenses</b>						
<i>Computer Equipment &amp; Software</i>	\$ 241,337	\$ 41,271	\$ 5,137	\$ 31,000	\$ 30,300	\$ 30,000
<i>Vehicles and Maintenance Equipment</i>	268,433	75,651	217,370	197,900	230,100	118,000
<i>Facility &amp; Office Equipment</i>	107,849	37,405	808,937	1,510,000	103,000	2,812,500
<i>Meter Implementation Program (MIP)</i>	990,810	1,480,600	1,919,400	2,672,000	2,615,900	2,682,000
<i>CIP</i>	<u>724,435</u>	<u>309,656</u>	<u>3,182,145</u>	<u>4,206,200</u>	<u>3,452,900</u>	<u>1,580,000</u>
<b>Total Capital Program Expenses</b>	<b>\$ 2,332,864</b>	<b>\$ 1,944,582</b>	<b>\$ 6,132,989</b>	<b>\$ 8,617,100</b>	<b>\$ 6,432,200</b>	<b>\$ 7,222,500</b>
<b>Total Expenses including Capital Program</b>	<b>\$ 7,780,633</b>	<b>\$ 7,013,862</b>	<b>\$ 11,230,703</b>	<b>\$ 14,426,400</b>	<b>\$ 11,661,700</b>	<b>\$ 13,224,900</b>
<b>Net Income (Loss)</b>	<b>\$ (238,465)</b>	<b>\$ 2,066,095</b>	<b>\$ (1,453,901)</b>	<b>\$ (4,925,600)</b>	<b>\$ (2,844,400)</b>	<b>\$ (3,526,500)</b>
<b>Ending Reserve/Designated Balance<sup>1</sup></b>	<b>\$ 9,147,215</b>	<b>\$ 11,213,310</b>	<b>\$ 9,759,400</b>	<b>\$ 4,030,900</b>	<b>\$ 6,915,000</b>	<b>\$ 3,388,500</b>

<sup>1</sup> Ending reserve balance for 2005 increased by \$63,256.60 to reflect grant revenues earned and recognized to be consistent with current presentation.

# Fair Oaks Water District

## 2008 Budget Revenues Summary

Description	Acct #	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Estimated 2007	Budget 2008
<b>Operating Revenues:</b>							
<u>Water sales</u>							
Residential-unmetered flat rates	4010	\$ 6,064,742	\$ 6,711,305	\$ 6,795,456	\$ 6,866,500	\$ 6,802,600	\$ 6,779,400
Metered service charges - resid.	4025	33,980	38,596	41,060	43,200	41,000	49,500
Metered commodity rates - resid.	4020	13,684	7,330	8,363	8,000	8,400	8,400
Metered service charges - comm.	4035	681,388	672,568	639,939	647,000	640,000	711,100
Metered commodity rates - comm.	4030	259,102	217,175	224,490	223,000	224,500	224,500
Commercial Flat	4037		12,783	13,272	9,700	13,300	9,400
Allowance: metered rate conversion		-	-		(5,000)	-	(5,000)
Allowance: uncollectible accounts		-	-		(3,000)	(500)	(3,000)
<i>Total Water Sales</i>		\$ 7,052,896	\$ 7,659,757	\$ 7,722,580	\$ 7,789,400	\$ 7,729,300	\$ 7,774,300
<u>Other Fees</u>							
Delinquencies & late fees	4050/4055/4060	69,727	114,578	131,034	95,000	117,100	120,000
Fees for service	4150/4140/4130	57,657	154,140	78,612	60,000	25,000	25,000
<b>Total Operating Revenues</b>		<b>\$ 7,180,280</b>	<b>\$ 7,928,475</b>	<b>\$ 7,932,226</b>	<b>\$ 7,944,400</b>	<b>\$ 7,871,400</b>	<b>\$ 7,919,300</b>
<b>Non-Operating Income:</b>							
Interest income	4610	\$ 170,534	\$ 354,769	\$ 610,556	\$ 400,000	\$ 472,400	\$ 345,800
Connection fees	4110/4120	158,188	509,105	169,901	150,000	90,000	90,000
Annexation fees	4155		186,095				-
Grants <sup>1</sup>	4320		78,257	1,030,161	996,400	342,000	39,000
Other Sources of Income							1,200,000
Miscellaneous revenue	4310/4170/4175/ 4180	37,780	13,284	22,389		18,500	-
Reimbursable from HOA for Bluff Lane MIP							91,300
Contributed assets	4160	289,839	8,000				154,000
Cont Less: Contributed Assets (non-cash)	4160	(289,839)	(8,000)				(154,000)
(Loss) gain on disposal of assets	4080/4090	(4,614)	9,973	11,569	10,000	23,000	13,000
<b>Total Non-Operating Income</b>		<b>\$ 361,888</b>	<b>\$ 1,151,483</b>	<b>\$ 1,844,576</b>	<b>\$ 1,556,400</b>	<b>\$ 945,900</b>	<b>\$ 1,779,100</b>
<b>Total Revenues</b>							
		<b>\$ 7,542,168</b>	<b>\$ 9,079,957</b>	<b>\$ 9,776,802</b>	<b>\$ 9,500,800</b>	<b>\$ 8,817,300</b>	<b>\$ 9,698,400</b>

<sup>1</sup> Grant revenues for 2005 increased by \$63,256.60 revenues earned and recognized to be consistent with current presentation.

# Fair Oaks Water District

## Expense Summary - 2008 Budget

		Actual	Actual	Actual	Budget	Estimated	Budget	
	Acct #	2004	2005	2006	2007	2007	2008	Notes
<b>Labor &amp; Benefits<sup>1</sup></b>								
<i>Salaries and Wages</i>								
Salaries	5010	\$ 1,852,473	\$ 1,819,303	\$ 1,952,304	\$ 2,157,000	\$ 1,867,600	\$ 2,212,500	
On-call	5010	27,139	25,402	23,569	33,000	30,000	31,000	
Overtime	5011	53,946	47,682	21,650	40,000	31,600	35,000	Overtime due to leaks and breakages outside of normal business hours
Certificate Incentive Program	5010	49,054	24,697	26,008	58,000	58,000	60,000	
Temporary Labor	5050	-	-	-	-	10,500	5,000	
<i>Salaries and Wages Subtotal</i>		<u>\$ 1,982,612</u>	<u>\$ 1,917,085</u>	<u>\$ 2,023,531</u>	<u>\$ 2,288,000</u>	<u>\$ 1,997,700</u>	<u>\$ 2,343,500</u>	
<i>Benefits and Insurance</i>								
Auto and mileage	5420	\$ 1,730	\$ 2,889	\$ 3,691	\$ 2,700	\$ 3,200	\$ 3,200	
Dental Insurance	5220	30,687	34,589	32,123	36,500	33,400	35,000	
FICA	5110	122,172	119,941	123,844	140,600	123,600	133,400	Directly related to salaries
Medicare	5120	28,695	28,345	29,328	33,200	28,900	31,600	Directly related to salaries
Health Insurance	5210	230,691	299,008	337,770	449,000	392,300	453,500	Actual lower from employee opt out of benefits & unfilled positions
Disability Insurance	5260	8,290	8,605	8,498	10,300	8,400	10,000	Actual lower due to vacant/unfilled positions
Life Insurance	5230	3,130	3,865	3,703	5,200	3,400	3,800	
Pension Plan	5240	120,243	169,461	228,664	278,200	230,600	276,600	Actuarial determined benefit; employer paid 5.287% starting 7/1/06; 5.841% starting 7/1/07; 6.466% starting 7/1/08
Unemployment insurance	5310	137	14,240	-	15,000	4,700	15,000	This amount varies-self-insured & based upon claims.
Vision care	5250	9,097	9,370	8,419	10,100	9,000	9,900	
Workers compensation	5320	102,133	94,247	99,084	108,200	82,800	82,300	Directly related to salaries; Rates decreased for FY 07-08
<i>Benefits and Insurance Subtotal</i>		<u>\$ 657,005</u>	<u>\$ 784,560</u>	<u>\$ 875,124</u>	<u>\$ 1,089,000</u>	<u>\$ 920,300</u>	<u>\$ 1,054,300</u>	
<b>Labor &amp; Benefits Subtotal</b>		<u><b>\$ 2,639,617</b></u>	<u><b>\$ 2,701,645</b></u>	<u><b>\$ 2,898,655</b></u>	<u><b>\$ 3,377,000</b></u>	<u><b>\$ 2,918,000</b></u>	<u><b>\$ 3,397,800</b></u>	
In-house CIP/MIP labor & benefits capitalized		\$ (508,765)	\$ (626,824)	\$ (831,900)	\$ (1,097,200)	\$ (930,900)	\$ (1,169,800)	
In-house labor & benefits accounted for in Conservation		-	-	(25,586)	-	-	-	
<b>Net Labor &amp; Benefits</b>		<u><b>\$ 2,130,852</b></u>	<u><b>\$ 2,074,821</b></u>	<u><b>\$ 2,041,169</b></u>	<u><b>\$ 2,279,800</b></u>	<u><b>\$ 1,987,100</b></u>	<u><b>\$ 2,228,000</b></u>	

	Actual	Actual	Actual	Budget	Estimated	Budget		
Acct #	2004	2005	2006	2007	2007	2008	Notes	
<b>Materials &amp; Services</b>								
<i>Water Supply</i>								
Surface water supply, SJWD	6110	\$ 1,102,044	\$ 1,071,645	\$ 1,062,504	\$ 1,130,100	\$ 1,187,400	\$ 1,290,900	Increase in SJWD rates of 12%
Chemicals	6160	964	2,043	6,633	16,400	6,200	11,000	Chlorine
DOHS Fees	6358	4,502	6,006	16,829	15,000	10,200	11,000	Water System Fees
Energy cost, tank	6120	28,837	23,659	26,129	23,200	27,500	24,200	
Energy cost, wells	6130	68,525	58,322	92,333	216,200	108,400	146,400	
Testing & Sampling	6140	20,422	31,410	16,924	27,000	23,400	25,700	
Hydrant testing & flushing	6155	1,441	1,375	323	6,000	900	1,200	
<i>Water Supply Subtotal</i>		\$ 1,226,735	\$ 1,194,460	\$ 1,221,675	\$ 1,433,900	\$ 1,364,000	\$ 1,510,400	
<i>District Facilities Maintenance and Repairs</i>								
Well and pump repairs	6170	\$ 12,596	\$ 8,729	\$ 19,957	\$ 11,000	\$ 10,000	\$ 11,300	
Minor tank repairs and maintenance	6165	-	385	8,755	9,300	7,500	9,600	Includes landscaping for tank site
District site maintenance	6700	22,851	23,257	9,072	18,000	9,100	18,000	Includes landscaping, repairs etc.
Refuse collection	6750	2,119	2,743	2,259	3,000	3,400	3,500	
Janitorial	6710	5,647	7,395	8,180	8,500	7,300	9,000	
Security costs	6720	2,483	3,614	1,943	3,100	2,600	3,500	
<i>District Facilities Maint. Subtotal</i>		\$ 45,696	\$ 46,123	\$ 50,166	\$ 52,900	\$ 39,900	\$ 54,900	
<i>Vehicle and Equipment Maintenance</i>								
Vehicle maintenance	6610	\$ 32,747	\$ 10,983	\$ 13,771	\$ 20,000	\$ 18,500	\$ 32,100	
Vehicle repairs	6611	7,026	7,051	15,170	15,000	17,300	20,000	
Other equipment repair & maint.	6620	10,902	15,542	9,478	15,000	24,800	28,900	
<i>Vehicle Maintenance Subtotal</i>		\$ 50,675	\$ 33,576	\$ 38,419	\$ 50,000	\$ 60,600	\$ 81,000	
<i>Insurance</i>								
Auto and general liab. insurance	7310	\$ 14,648	\$ 68,210	\$ 57,303	\$ 87,000	\$ 83,600	\$ 85,000	
Bonding	7330	1,000	1,000	778	1,100	900	1,100	
Property insurance	7320	6,730	13,301	13,920	18,100	16,500	20,200	Increase in property insurance to cover additional assets
<i>Insurance Subtotal</i>		\$ 22,378	\$ 82,511	\$ 72,001	\$ 106,200	\$ 101,000	\$ 106,300	

	Actual	Actual	Actual	Budget	Estimated	Budget	
Acct #	2004	2005	2006	2007	2007	2008	Notes
<b>Printing and Postage</b>							
Advertisement & Notices & Recording Fees	7650/7655	\$ 8,436	\$ 4,625	\$ 1,708	\$ 9,000	\$ 1,500	\$ 3,000
Invoice processing	7660	24,612	14,492	21,464	24,000	21,300	24,100
Invoice postage	7695		9,616	15,306	16,800	16,000	17,100
Postage	7690	17,018	2,304	3,321	5,200	5,100	5,400
General printing	7670	6,074	3,906	1,006	5,000	2,300	3,000
Water Currents: print, mail, consult.	7680	644	-	6,912	16,000	22,100	22,100
Collection expense printing	6910	2,748	2,408	7,601	7,000	500	1,000
<i>Printing &amp; Postage Subtotal</i>		\$ 59,532	\$ 37,351	\$ 57,318	\$ 83,000	\$ 68,800	\$ 75,700
<b>Office Expense &amp; Other</b>							
Office lease	6770	\$ 22,669	\$ 27,885	\$ 7,003	\$ 6,000	\$ 4,600	\$ 5,000
Office equipment rental	6310	-	-	-	500	300	500
Office supplies	7610	55,570	26,121	19,422	28,000	21,000	23,100
Office equipment less than 500	7615						2,000
Office equipment maintenance	6615	760	964	4,158	4,500	1,800	4,500
Contingency	7910	(819)	1,797	13,876	10,000	500	5,000
<i>Office Expense &amp; Other Subtotal</i>		\$ 78,180	\$ 56,767	\$ 44,459	\$ 49,000	\$ 28,200	\$ 40,100
<b>Professional Services &amp; Other</b>							
Coop. Trans. Pipeline O & M	6190	\$ 14,514	\$ 3,000	\$ 3,000	\$ 3,500	\$ 3,000	\$ 3,000
Backflow testing and supplies	6180	1,808	1,346	700	1,500	900	1,000
Dues & Subscriptions	7620	9,749	19,786	19,606	19,500	19,500	20,300
Grant application	6407	-	-	-	5,000	-	20,000
Urban Water Management Plan	7130	-	29,606	-	-	-	-
Emergency Response Plan	7131	-	-	-	15,000	500	-
Five Year Water Management Plan	7130	6,700	-	-	-	-	21,000
Five Year Rate Analysis	7132	-	-	-	15,000	-	2,500
Banking fees	7170	15,099	19,407	17,440	22,000	19,000	22,700
Audit fees	7120	15,075	14,900	15,500	16,500	16,100	17,000
Legal fees	7110	41,755	23,475	116,293	125,000	98,700	125,000
Legal fees - other	7115	60,000	-	-	-	-	-
Public relations	7160	1,062	-	2,550	5,000	300	15,000
Regional Support	7640	54,419	40,981	39,430	56,300	53,400	55,900
Professional fees, other	7130	94,939	73,383	9,729	25,000	17,700	50,000
Meter reading services	7140	14,941	-	-	-	-	-
<i>Professional Services Subtotal</i>		\$ 330,061	\$ 225,884	\$ 224,248	\$ 309,300	\$ 229,100	\$ 353,400

	Acct #	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Estimated 2007	Budget 2008	Notes
<b>System Maintenance /Repairs</b>								
Aggregate, sand & cutback	6320	\$ 11,642	\$ 9,818	\$ 8,893	\$ 15,000	\$ 29,700	\$ 31,200	
Paving	6340	63,294	8,455	13,147	18,000	23,800	25,000	
Contract trucking/dumping	6330	7,943	6,721	4,376	6,000	6,600	6,900	
Equip. and tool rental	6310	1,468	620	2,951	5,000	600	1,500	
Consumables & maintenance supplies	6210/6215	39,260	30,919	34,681	40,000	28,800	38,000	
Parts inventory replenishment	6220/6230	7,167	2,747	5,463	5,000	5,000	5,500	
Gas and oil	6630	35,528	40,735	47,731	55,000	53,400	61,400	Increased prices and vehicles
Equipment and tools less than \$500	6240	24,883	10,346	17,332	20,000	21,800	22,500	Increased tools for flushing program
Safety, signs, and cones	6250	13,670	13,081	12,275	21,300	18,000	21,300	Yearly replacements
<i>System Maintenance/Repairs</i>		\$ 204,855	\$ 123,442	\$ 146,849	\$ 185,300	\$ 187,700	\$ 213,300	
<b>Fees</b>								
County fees	6350	\$ 5,255	\$ 1,281	\$ 1,656	\$ 5,000	\$ 700	\$ 800	
Air quality	6355	1,792	911	1,856	3,000	2,400	3,800	One additional generator in 2007
NPDES permit	6359	593	1,185	1,185	1,300	1,200	1,400	
Haz-mat permit	6357	1,176	1,046	1,801	2,200	1,300	2,700	
<i>Fees Subtotal</i>		\$ 8,816	\$ 4,423	\$ 6,498	\$ 11,500	\$ 5,600	\$ 8,700	
<b>Utilities</b>								
Communication, telephone	6760	\$ 46,692	\$ 45,636	\$ 39,032	\$ 50,000	\$ 39,300	\$ 45,000	
Mpower T-1 Internet	6761			5,291	5,400	5,300	5,400	
District Site Utilities	6740	12,126	15,927	14,592	16,000	16,100	16,000	
<i>Utilities Subtotal</i>		\$ 58,818	\$ 61,563	\$ 58,916	\$ 71,400	\$ 60,700	\$ 66,400	
<b>Information Technology</b>								
Computer support	7150	\$ 47,660	\$ 46,557	\$ 33,067	\$ -	\$ -	\$ -	
<i>DSL (user)</i>	7150				4,800	2,400	3,600	
<i>MS Great Plains Accounting software ma</i>	7150				8,400	8,400	8,400	
<i>Cogsdale Billing software maint</i>	7150				14,600	14,600	16,600	
<i>Auto Cad Licensing</i>	7150				1,000	1,100	1,000	
<i>Microsoft Technet Technical Information</i>	7150				1,500	-	-	
<i>Savin 9945 Maintenance Support</i>	7150				1,000	1,200	-	No longer in use in 2008
<i>Savin C4535 Maintenance and Support A</i>	7150				1,400	1,500	1,400	
<i>Misc. Service Agreements/Subscriptions.</i>	7150				2,000	-	2,000	
<i>Misc. Consulting Fees</i>	7150				4,000	-	4,000	
Website Design/Maint	7155			\$ 10,206	2,500	2,500	2,600	
Computer Hardware <\$500	7151				2,500	1,700	2,500	
Computer Software <\$500	7152				2,500	300	2,500	
Computer Supplies	7153				5,000	-	5,000	
<i>Information Technology Subtotal</i>		\$ 47,660	\$ 46,557	\$ 43,273	\$ 51,200	\$ 33,700	\$ 49,600	

	Actual	Actual	Actual	Budget	Estimated	Budget	
Acct #	2004	2005	2006	2007	2007	2008	Notes
<b>Conservation</b>							
Advertising	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ -	2008 Budgeted under Conservation Subscriptions  Portion reimbursable Portion reimbursable
Conservation Outreach	6430 24,458	12,591	14,747	15,000	15,000	15,000	
Grant Application	6407 -	3,000		1,000	1,000	1,000	
Field Service Grant 2007						38,000	
Field Service Grant 2008						40,000	
Cons. Landscape Irrigation Review	6450 1,225	610	84	1,500	200	1,500	
Conservation Water Waste	6470 -	-	6,246	500	-	500	
Conservation Subscriptions	6405 -	-	500	800	500	800	
Conservation Toilet Rebate Program	6510 8,565	16,185	16,048	15,000	12,000	15,000	
Conservation Internal Review	6460 8,728	513	1,462	1,500	200	1,500	
<i>Conservation Subtotal</i>	\$ 42,976	\$ 32,899	\$ 39,087	\$ 35,800	\$ 28,900	\$ 113,300	
<b>Training &amp; Uniforms</b>							
DMV/Physicals	7135 \$ 1,684	\$ 1,916	\$ 1,754	\$ 2,100	\$ 2,100	\$ 2,500	
Training, travel, and expenses	7410/7510 57,382	29,140	24,434	40,000	22,700	30,000	
Employee recognition program	7570 6,000	3,912	4,818	7,500	7,500	7,700	
Uniforms	6270 14,266	12,993	10,483	13,000	12,000	13,000	
<i>Training Subtotal</i>	\$ 79,332	\$ 47,961	\$ 41,489	\$ 62,600	\$ 44,300	\$ 53,200	
<b>Board Expenses</b>							
Election expense	7720 \$ 12,648	\$ -	\$ 12,933	\$ -	\$ -	\$ 19,700	every other year \$100 per meeting
Director's Fees	7710 15,500	10,300	9,700	12,000	13,300	15,000	
Miscellaneous Board Expenses	7730 -	-	-	1,200	800	1,300	
Travel and Seminars	7740 4,837	2,860	2,966	16,000	10,000	12,000	
<i>Board Expenses Subtotal</i>	\$ 32,985	\$ 13,160	\$ 25,599	\$ 29,200	\$ 24,100	\$ 48,000	
<b>Materials &amp; services total</b>	<b>\$ 2,288,699</b>	<b>\$ 2,006,677</b>	<b>\$ 2,069,997</b>	<b>\$ 2,531,300</b>	<b>\$ 2,276,600</b>	<b>\$ 2,774,300</b>	
<b>Department Grand Total</b>	<b>\$ 4,419,551</b>	<b>\$ 4,081,498</b>	<b>\$ 4,111,166</b>	<b>\$ 4,811,100</b>	<b>\$ 4,263,700</b>	<b>\$ 5,002,300</b>	

**Notes:**

<sup>1</sup> Vacant positions for the 2008 budget include base salary only.

## Fair Oaks Water District 2008 Budget Debt Service

Description	Acct #	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Estimated 2007	Budget 2008
<b>Debt Service</b>							
CTP-SJWD 1993 COP's <sup>1</sup>	2550	\$ 206,738	\$ 175,075	\$ 178,800	\$ 185,000	\$ 185,000	\$ 188,100
1999 COP'S <sup>2</sup>	2510	555,000	575,000	595,000	620,000	620,000	650,000
<i>Debt Service Principal Total</i>		<u>\$ 761,738</u>	<u>\$ 750,075</u>	<u>\$ 773,800</u>	<u>\$ 805,000</u>	<u>\$ 805,000</u>	<u>\$ 838,100</u>
<b>Debt Service - Interest</b>							
CTP-SJWD 1993 COP's <sup>1</sup>	8010	\$ 92,747	\$ 56,238	\$ 52,737	\$ 49,800	\$ 49,800	\$ 43,100
15% Refund from SJWD			-				
1999 COP'S <sup>2</sup>	8020	168,919	148,106	126,544	103,500	103,500	78,700
Refunding costs (amortized)		28,923	28,923	28,923	29,000	2,900	29,000
<i>Debt Service Interest Total</i>		<u>\$ 290,589</u>	<u>\$ 233,267</u>	<u>\$ 208,203</u>	<u>\$ 182,300</u>	<u>\$ 156,200</u>	<u>\$ 150,800</u>
<b>Material and Services</b>							
Bond Trustee Fees	7175	\$ 2,940	\$ 2,940	\$ 3,045	\$ 3,200	\$ 3,100	\$ 3,300
Bond Arbitrage Fees	7130	(27,049)	1,500	1,500	7,700	1,500	7,900
<i>Material and Services Total</i>		<u>\$ (24,109)</u>	<u>\$ 4,440</u>	<u>\$ 4,545</u>	<u>\$ 10,900</u>	<u>\$ 4,600</u>	<u>\$ 11,200</u>
<b>Department Grand Total</b>		<u><u>\$ 1,028,218</u></u>	<u><u>\$ 987,782</u></u>	<u><u>\$ 986,548</u></u>	<u><u>\$ 998,200</u></u>	<u><u>\$ 965,800</u></u>	<u><u>\$ 1,000,100</u></u>

**Notes:**

<sup>1</sup> Cooperative Transmission Pipeline interest range is 3.1% - 5.3%. Also includes 115% debt service coverage. Final maturities occur in 2013.

Refinances 93 COPs in 2003. Interest rate is 4.23%. New principle and interest schedule obtained from SJWD on September 24, 2003 for 2004-2013.

<sup>2</sup> Refunding COP's interest rate range is 3.5% to 4.25%. Also includes 115% debt service coverage. Final Maturities occur in 2011.

Final year payment will be made from debt service reserve fund.

## Fair Oaks Water District 2008 Budget Computer Equipment and Software

Description	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Estimated 2007	Budget 2008
<b>Computer Equipment &amp; Software</b>						
Computer Equipment	\$ 27,319	\$ 6,806	\$ 5,137	\$ 13,500	\$ 12,800	\$ 11,500
Computer Software	2,149			17,500	17,500	18,500
Accounting Software	58,625	31,536				
Billing Software	139,796					
Telemetry/Scada	1,235					
CAD/GIS	12,213	2,929				
Other		-				
<b>Total Computer Equipment &amp; Software</b>	<b>\$ 241,337</b>	<b>\$ 41,271</b>	<b>\$ 5,137</b>	<b>\$ 31,000</b>	<b>\$ 30,300</b>	<b>\$ 30,000</b>

**Fair Oaks Water District  
2008 Budget  
Vehicles and Maintenance Equipment**

Description	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Estimated 2007	Budget 2008	Notes
<b>Trucks/Vehicles/Trailers</b>							
Replace Backhoe			\$ 84,242				
Replace 1 Ton Service Truck w/ Utility Bed***			37,497		\$ 33,100		
3/4 Ton Service Truck			31,271				Replace 920
Pool Car			14,569				
2006 Dodge Dakota			14,342				
Replace Two Utilities Trailers				\$ 3,000	2,400		Two utilities trailers
Replace Two Wackers/Tampers				8,800	7,300		
Replace 901 Dump Truck				70,000	72,900		Replace 901
New Vacuum Trailer				70,000	65,200		
Upgrade 003-2000 International Dump Truck				25,000	16,000		Required by State*
Replace 1989 410C John Deer Backhoe						\$ 85,000	Replace old tractor
Upgrade 032-2003 Freightliner Dump Truck						20,000	Required by State*
<b>Subtotal</b>	<b>\$ 247,137</b>	<b>\$ 68,273</b>	<b>\$ 181,921</b>	<b>\$ 176,800</b>	<b>\$ 196,900.00</b>	<b>\$ 105,000</b>	
<b>Maintenance Equipment/Tools</b>							
Steel Plates			\$ 10,622		\$ 6,500		
Cut-Off Saw			2,095			\$ 1,500	
MMP Chamber W-3500			1,633				
Miller Bobcat 250 NT welder			4,211				
Vibra Plate							
Equip. Emergency Response Trailer							
2 New Locators			6,852	\$ 7,000	\$ 7,000		Two Metrotech 860 Locators
Pneumatic Jackhammer/Pole Tamper			4,779	1,200	1,200	3,000	
Air Compressor for new truck				900	900		
Poly Splitters				850	700		
Soil Cutter				500	500		
Trench Shoring				2,550	2,600		
Hydraulic Breaker				4,600	-	3,000	Pneumatic tools
Clay Spade						4,000	
Hydrant Backflow Meter Assembly					2,200	1,500	
Meter Reading Equipment**					11,000		
Other Maintenance Equipment			5,257	3,500	600		
<b>Subtotal</b>	<b>\$ 21,296</b>	<b>\$ 7,378</b>	<b>\$ 35,449</b>	<b>\$ 21,100</b>	<b>\$ 33,200</b>	<b>\$ 13,000</b>	
<b>Total Vehicle &amp; Maintenance Equipment</b>	<b>\$ 268,433</b>	<b>\$ 75,651</b>	<b>\$ 217,370</b>	<b>\$ 197,900</b>	<b>\$ 230,100</b>	<b>\$ 118,000</b>	

\* Upgrade to comply with California Air Resource Control Board requirement

\*\* Expected to receive Field Service Grant from US Bureau of \$5,700 in 2007.

Remaining balance of \$5,700 will be funded from the Cogsdale Preventive Maintenance Software Program budget in 2006.

\*\*\* Carryforward \$39.5k from 2006 (budgeted \$77k and only spent \$37.5k in 2006)

# Fair Oaks Water District

## 2008 Budget

### Facility and Office Equipment

Description	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Estimated 2007	Budget 2008
<b>Building</b>						
Building Remodel			\$ 1,575			
New Office Building			804,604	\$ 1,500,000	\$ 100,000	\$ 2,800,000
<b>Total Building</b>	<b>\$ 99,641</b>	<b>\$ 21,471</b>	<b>\$ 806,179</b>	<b>\$ 1,500,000</b>	<b>\$ 100,000</b>	<b>\$ 2,800,000</b>
<b>Office Equipment</b>						
Safety Equipment				\$ 2,500	\$ 2,000	\$ 2,500
Audio Video				2,000		2,000
Furnishings				2,500		5,000
Miscellaneous Office Equip.			\$ 2,758	3,000	1,000	3,000
<b>Total Office Equipment</b>	<b>\$ 8,208</b>	<b>\$ 15,934</b>	<b>\$ 2,758</b>	<b>\$ 10,000</b>	<b>\$ 3,000</b>	<b>\$ 12,500</b>
<b>Total Facility and Equipment</b>	<b>\$ 107,849</b>	<b>\$ 37,405</b>	<b>\$ 808,937</b>	<b>\$ 1,510,000</b>	<b>\$ 103,000</b>	<b>\$ 2,812,500</b>

# Fair Oaks Water District

## 2008 Budget

### Meter Implementation Program

Description	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Estimated 2007	Budget 2008
<b>Meter Implementation Program (MIP)</b>						
Residential Metering/AMR	\$ 984,563	\$ 1,477,118	\$ 1,915,022	\$ 2,667,000	\$ 2,600,000	\$ 2,240,800
Commercial Metering	4,364	1,025	-		600	
Meter Replacement	1,883	2,473	4,367	5,000	15,000	15,000
The Bluffs, Meter Upgrades					300	426,200
<b>Total MIP<sup>1</sup></b>	<b>\$ 990,810</b>	<b>\$ 1,480,600</b>	<b>\$ 1,919,400</b>	<b>\$ 2,672,000</b>	<b>\$ 2,615,900</b>	<b>\$ 2,682,000</b>

<sup>1</sup> Includes labor and benefits of \$965,500 in the 2008 budget.

# Fair Oaks Water District

## 2008 Budget

### Capital Improvement Program

Description	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Estimated 2007	Budget 2008
<b>Wells &amp; Tank</b>						
Town Well	\$	60,592	\$	973,525	\$	1,000,000
Heather Well		65,921		1,086,798		1,400,000
Northridge Well Rehab				65,000		45,000
Park Well Rehab						25,000
Storage Tank (Safety Upgrade-Skyway) (Safety Upgrades to PRV Vaults) Pump & Motor (Alarm)			11,192			
Lemon Grove PRV Upgrades		8,713				\$ 3,000
Inline Valve at Skyway Tank Site						15,000
Tank Cathodic Protection Upgrade				4,800	5,100	
T-Main Cathodic System Upgrade				2,900	4,000	
Annual Well Pump Check				10,000	-	5,000
Worksmart Automation SCADA					7,000	
Miscellaneous Bowl Replacement				15,000	5,000	15,000
<b>Subtotal</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>135,200</b>	<b>\$</b>	<b>2,071,515</b>
				<b>\$</b>	<b>2,497,700</b>	<b>\$</b>
					<b>\$</b>	<b>2,301,000</b>
						<b>\$</b>
						<b>38,000</b>

# Fair Oaks Water District

## 2008 Budget

### Capital Improvement Program

Description	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Estimated 2007	Budget 2008
<b>Transmission &amp; Distribution</b>						
Services Upgrade	\$ 6,832	\$ 52,862	\$ 13,663	\$ 15,000	\$ 25,000	\$ 25,000
Hydrant Upgrades	11,539	38,900	26,118	25,000	84,000	100,000
Minor Main Upgrades	3,644	-		10,000	15,000	20,000
Developer's Paid Projects-Srvc Installation etc.	57,252	39,283	63,315	60,000	35,000	50,000
Developer's Paid Main Line Projects		13,936	61,111	50,000	25,000	50,000
Two 24" Butterfly T-Main Valve						55,000
North Winding Way Main Replacement	813	29,475	353,751		1,200	
Master Plan Update	11,857		2,141		4,200	
Watkins Dr Repl/Ext FOB to Main			292,006		54,400	
Timothy (Phase I)			298,525		40,900	
New York/Oakhurst/Valley View	491,428					
Phoenix Park Abandonment	141,070					
Fair Oaks Blvd. County Overlay Project Phase 1				153,000	169,700	
Fair Oaks Blvd. County Overlay Project Phase 2				20,000	18,800	
Hawaiian Tract Water Main Relocation Phase 1				371,000	254,100	
Hawaiian Tract Water Main Relocation Phase 2				447,000	340,500	
Hawaiian Tract Water Main Relocation Phase 3						673,000
Hawaiian Tract Water Main Relocation Phase 4						519,000
Bracken Road				90,300	82,800	
T-Main Feasibility Study				100,000	-	50,000
T-Main Phase 1				367,200		-
Hazel Widening Project Phase I					1,300	-
<b>Subtotal</b>	<b>\$ 724,435</b>	<b>\$ 174,456</b>	<b>\$ 1,110,630</b>	<b>\$ 1,708,500</b>	<b>\$ 1,151,900</b>	<b>\$ 1,542,000</b>
<b>Total CIP<sup>1</sup></b>	<b>\$ 724,435</b>	<b>\$ 309,656</b>	<b>\$ 3,182,145</b>	<b>\$ 4,206,200</b>	<b>\$ 3,452,900</b>	<b>\$ 1,580,000</b>

<sup>1</sup> Includes labor & benefits of \$204,300 in the 2008 budget.

Fair Oaks Water District	2008 Revenues	[1] Emergency Designation	[2] Grants	[3] Connection Fee	[4] Rate Stabilization Designation	COP Retirement	Total
<b>2008 Budget</b>							
<b>Beginning Reserve and Designation Balance</b>		\$ 5,190,871	\$ -	\$ -	\$ 1,065,900	\$ 658,255	\$ 6,915,000
<b>Add: Revenues Collected</b>							
Water Sales	7,774,300						
Interest Income	345,800						
Delinquencies & Late Fees	120,000						
Fees for Service	25,000						
Connection Fees	90,000						
Reimbursable Bluff Lane	91,300						
Grants	39,000						
Other Sources of Income	1,200,000						
Miscellaneous Revenue	13,000						
	9,698,400						
<b>2008 Allocation</b>	(9,698,400)	9,569,400	39,000	90,000	-	-	9,698,400
<b>Subtotal Reserves and Designations</b>		\$ 14,760,271	\$ 39,000	\$ 90,000	\$ 1,065,900	\$ 658,255	\$ 16,613,400
<b>Expenses and payments</b>							
Departmental Expenses		4,963,300	39,000				5,002,300
Information Technology		30,000	-				30,000
Debt Service		1,000,100					1,000,100
Facilities & Equip		2,812,500					2,812,500
Vehicles & Maintenance Equipment		118,000					118,000
CIP		1,490,000	-	90,000			1,580,000
Metering		2,682,000				-	2,682,000
<b>Total Expenses and Infrastructure</b>		\$ 13,095,900	\$ 39,000	\$ 90,000	\$ -	\$ -	\$ 13,224,900
Additional proposed allocation		603,529	-	-	(603,529)	-	-
<b>Ending Reserve and Designation Balance</b>		\$ 2,267,900	\$ -	\$ -	\$ 462,371	\$ 658,255	\$ 3,388,500
<b>Policy (5050) Requirement</b>		\$ 2,501,150	N/A	N/A	\$ 1,250,600	\$ 658,000	\$ 4,409,750
<b>Difference between Ending Reserve &amp; Policy Requirement</b>		-9.3%			-63.0%	0.0%	-23.2%

- 1) Emergency Designation target balance is six months of operating costs.
- 2) Field Service Grants
- 3) Connection fee reserve for capacity related project.
- 4) Rate Stabilization is 5% of total water sales. Target balance is three months of operating costs.

Fair Oaks Water District	2007 Revenues	[1] Emergency Designation	[2] Grants	[3] Connection Fee	[4] Annexation Fee	[5] Rate Stabilization Designation	COP Retirement	Total
<b>2007 Estimated</b>								
<b>Beginning Reserve and Designation Balance</b>		\$ 6,482,713	\$ -	\$ 721,589	\$ 186,095	\$ 1,710,758	\$ 658,255	\$ 9,759,400
<b>Add: Revenues Collected</b>								
Water Sales	7,729,300							
Interest Income	472,400							
Delinquencies & Late Fees	117,100							
Fees for Service	25,000							
Connection Fees	90,000							
Grants	342,000							
Miscellaneous Revenue and Grants	41,500							
	8,817,300							
<b>2007 Allocation</b>	(8,817,300)	8,349,200	342,000	90,000	-	-	-	8,781,200
<b>2007 Interest Allocation</b>				36,100				36,100
								-
<b>Subtotal Reserves and Designations</b>		\$ 14,831,913	\$ 342,000	\$ 847,689	\$ 186,095	\$ 1,710,758	\$ 658,255	\$ 18,576,700
<b>Expenses and payments</b>								
Departmental Expenses		4,263,700						4,263,700
Information Technology		18,300	12,000					30,300
Debt Service		965,800						965,800
Facilities & Equip		103,000						103,000
Vehicles & Maintenance Equipment		230,100						230,100
CIP		2,089,100	330,000	847,689	186,100			3,452,889
Metering		2,615,900					-	2,615,900
<b>Total Expenses and Infrastructure</b>		\$ 10,285,900	\$ 342,000	\$ 847,689	\$ 186,100	\$ -	\$ -	\$ 11,661,689
Additional proposed allocation		644,858	-	-	-	(644,858)	-	-
<b>Ending Reserve and Designation Balance</b>		\$ 5,190,871	\$ -	\$ -	\$ -	\$ 1,065,900	\$ 658,255	\$ 6,915,000
<b>Policy (5050) Requirement</b>		\$ 2,131,900	N/A	N/A	N/A	\$ 1,065,900	\$ 658,000	\$ 3,855,800

- 1) Emergency Designation target balance is six months of operating costs.
- 2) Grants from wellsite reimbursement (50%) and from US Bureau will be used for Conservation software for reporting.
- 3) Connection fee reserve for capacity related project.
- 4) Annexation fee reserve for capacity related project.
- 5) Rate Stabilization is 5% of total water sales. Target balance is three months of operating costs.

Fair Oaks Water District	2006 Revenues	[1] Operating Designation	[2] Grants	[3] Connection Fee	[4] Annexation Fee	[5] Emergency Designation	[6] Admin. Facility Designation	[7] Fixed Asset Designation	[8] Rate Stabilization Designation	COP Retirement	Total
<b>2006 Budget vs Actual</b>											
<b>Beginning Reserve and Designation Balance<sup>1</sup></b>		\$ 313,771	\$ -	\$ 1,206,000	\$ 186,095	\$ 990,531	\$ 1,994,520	\$ 4,537,290	\$ 1,324,629	\$ 660,475	\$ 11,213,310
<i>Add: Revenues Collected</i>											
Water Sales	7,722,580										
Interest Income	610,556										
Delinquencies & Late Fees	131,034										
Fees for Service	78,612										
Connection Fees	169,901										
Annexation Fees	-										
Grants	1,030,161										
Miscellaneous Revenue and Grants	33,958										
	9,776,802										
<b>2006 Allocation</b>	(9,776,802)	7,112,150	1,030,161	169,901	-	9,469	77,226	926,710	386,129	(2,220)	9,709,526
<b>2006 Interest Allocation</b>				67,276							67,276
											-
<b>Subtotal Reserves and Designations</b>		\$ 7,425,921	\$ 1,030,161	\$ 1,443,178	\$ 186,095	\$ 1,000,000	\$ 2,071,746	\$ 5,463,999	\$ 1,710,758	\$ 658,255	\$ 20,990,112
<b>Expenses and payments</b>											
Departmental Expenses		4,111,166									4,111,166
Information Technology		5,137	-								5,137
Debt Service		986,548									986,548
Facilities & Equip		2,758					806,179				808,937
Vehicles & Maintenance Equipment		217,370									217,370
CIP		(0)	1,030,161	721,589				1,430,395			3,182,145
Metering		1,919,400								-	1,919,400
<b>Total Expenses and Infrastructure</b>		\$ 7,242,379	\$ 1,030,161	\$ 721,589	\$ -	\$ -	\$ 806,179	\$ 1,430,395	\$ -	\$ -	\$ 11,230,703
Additional proposed allocation		-									-
<b>Ending Reserve and Designation Balance</b>		\$ 183,542	\$ -	\$ 721,589	\$ 186,095	\$ 1,000,000	\$ 1,265,567	\$ 4,033,604	\$ 1,710,758	\$ 658,255	\$ 9,759,400
Less: Deferred projects		-	-	-	-	-	(1,189,900)	(3,056,500)	-	-	(4,246,400)
<b>Net Ending Reserve and Designation Balance</b>		\$ 183,500	\$ -	\$ 721,600	\$ 186,100	\$ 1,000,000	\$ 75,700	\$ 977,100	\$ 1,710,800	\$ 658,300	\$ 5,513,100
<b>2006 Budget</b>		\$ 44,900	\$ -	\$ 690,400	\$ 186,100	\$ 1,000,000	\$ 77,000	\$ 300,000	\$ 1,689,800	\$ 660,500	\$ 4,648,700
<b>Difference between Budget &amp; Net Ending Reserve</b>		308.7%	0.0%	4.5%	0.0%	0.0%	-1.7%	225.7%	1.2%	-0.3%	18.6%

- 1) Beginning reserve balance for connection fee increased by \$63,256.60 due to grant revenues for well sites recognized in 2005 to be consistent with current presentation.
- 2) Grants from Heather and Town wellsites reimbursement (50%).
- 3) Connection fee reserve for capacity related project.
- 4) Annexation fee reserve for capacity related project.
- 5) Emergency Designation allocation is based on 1% of total water sales. Target balance is \$1 million.
- 6) Admin. Facility allocation is based on 1% of water sales.
- 7) Fixed Asset Designation is 12% of total water sales. Target balance is \$1-1.5 million.
- 8) Rate Stabilization is 4% of total water sales. Target balance is \$2.7 million by 2011.

**Toal Deferred Projects as of 12/31/06****Fixed Asset Designation**

<b>Budget yr</b>		<b>Amount</b>
2000	Visual Reader	\$ 1,120
2000	Portable electr. read meter tester	2,400
2000	Comm. Washing Machine/Dryer	2,320
2002	Pressure Zone (RPZ 4)	15,900
2002	Tank site meters and motors	70,000
2003	7644/49 Huntridge	17,200
2003	Visage to Nimbus Over Look Hydrant	25,400
2003	El Capitano	31,600
2003	Pressure Zone(Crestridge, F.O. Blvd., Lemon, Minnesota)	50,000
2003	Greenridge Pipeline upgrade	81,800
2005	Hazel Avenue	1,000,000
2006	Computer Software/Equipment (Cogsdale/GreatPlains Upgrades)	23,400
2006	Meter Reading Equipment	11,400
2006	Vehicle 078 (Lodi Equip invoice for 2006 budget)	33,200
2006	Town Well	791,800
2006	Heather Well	899,000
	<b>Total Fixed Asset Designation Deferred Projects</b>	<b>\$ 3,056,500</b>

**Administrative Facility Deferred Projects**

2004	New Administrative Building	\$ 500,000
2005	New Administrative Building	1,500,000
2005	New Administrative Building - Usage	(5,480)
2006	New Administrative Building - Usage	(804,604)
	<b>Total Estimated Administrative Facility Deferred Projects</b>	<b>\$ 1,189,900</b>

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<b>Total Deferred Projects</b>	<b>\$ 4,246,400</b>
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# Fair Oaks Water District

## Schedule of service rates in 2008

Effective January 1, 2008

User Category	2007 Rate	Rate Adjustment	2008 Rate
Single family, up to .50 acre	\$520.00	\$0.00	\$520.00
Single family, .51 to 1.0 acre base	\$605.00	\$0.00	\$605.00
Additional premium lot fee (over 1.0 acre base, per acre, pro-ratable)	\$438.00	\$0.00	\$438.00
Second dwelling unit	\$399.00	\$0.00	\$399.00
Duplex-one service connection	\$524.00	\$0.00	\$524.00
Duplex-two service connections	\$915.00	\$0.00	\$915.00
Condominiums	\$416.00	\$0.00	\$416.00
Shared meter service customer fee	\$392.00	\$0.00	\$392.00

Common Areas	Service Charge	plus	per acre fee
<i>Up to one acre parcel</i>	2005 Rate	\$391.00	plus \$438.00
	2006 Rate	\$391.00	plus \$438.00
	2007 Rate	\$391.00	plus \$438.00
	2008 Rate	\$391.00	plus \$438.00
	2008 Rate	\$391.00	plus \$438.00
<i>One to two acre parcel</i>	2005 Rate	\$716.00	plus \$438.00
	2006 Rate	\$716.00	plus \$438.00
	2007 Rate	\$716.00	plus \$438.00
	2008 Rate	\$716.00	plus \$438.00
	2008 Rate	\$716.00	plus \$438.00
<i>Over two acre parcel</i>	2005 Rate	\$1,106.00	plus \$438.00
	2006 Rate	\$1,106.00	plus \$438.00
	2007 Rate	\$1,106.00	plus \$438.00
	2008 Rate	\$1,106.00	plus \$438.00
	2008 Rate	\$1,106.00	plus \$438.00

- (1) 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.

# Fair Oaks Water District

## Metered Service and Commodity Rates <sup>(1)</sup>

### Based upon 2008 Budget

	<u>Actual 2005</u>	<u>Actual 2006</u>	<u>Actual 2007</u>	<u>2008</u>
Uniform Commodity Rate (\$/CCF) <sup>(2)</sup> :	\$0.33	\$0.33	\$0.33	\$0.33
Bi-Monthly Service Charges (every two months.):				
<u>Mtr. Size</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>
1"	65.10	65.10	65.10	65.10
1 1/2"	119.31	119.31	119.31	119.31
2"	184.28	184.28	184.28	184.28
3"	357.56	357.56	357.56	357.56
4"	552.61	552.61	552.61	552.61
5"	876.77	876.77	876.77	876.77
6"	1,093.84	1,093.84	1,093.84	1,093.84
8"	1,744.82	1,744.82	1,744.82	1,744.82
10"	2,718.87	2,718.87	2,718.87	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) Customers outside the district's service area will pay 150% of the above water rates or as otherwise determined by Fair Oaks Water District.

(2) 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.

# Fair Oaks Water District

## Schedule of Fees and Charges

### 2008

Activity	Actual 2005	Actual 2006	Actual 2007	2008
<b>Connection (system utilization) fees:</b>				
1" service	\$ 2,475	\$ 2,475	\$ 2,475	\$ 2,475
1 ½" service	\$ 4,235	\$ 4,235	\$ 4,235	\$ 4,235
2" service	\$ 6,413	\$ 6,413	\$ 6,413	\$ 6,413
4" service	\$ 18,755	\$ 18,755	\$ 18,755	\$ 18,755
6" service	\$ 36,905	\$ 36,905	\$ 36,905	\$ 36,905
8" service	\$ 49,005	\$ 49,005	\$ 49,005	\$ 49,005
<b>Tapping and service installation fees, District installed <sup>(1)</sup>:</b>				
1" service	\$ 2,420	\$ 2,420	\$ 2,420	\$ 2,420
1 ½" service	\$ 3,146	\$ 3,146	\$ 3,146	\$ 3,146
2" service	\$ 3,630	\$ 3,630	\$ 3,630	\$ 3,630
<b>Peak Hour Pressure and Flow Mitigation Fee</b>				
Based upon peak hour system demand increases calculated for all new development.				
Per gallon per minute of impact	\$ 46	\$ 46	\$ 46	\$ 46
<b>Hydrant Flow Testing (minimum)</b>				
Minimum test fee	\$ 152	\$ 152	\$ 152	\$ 152
Trouble shooting: per hour rate ( 2 persons minimum)	\$ 113	\$ 113	\$ 113	\$ 113
<b>Fire Flow (minimum)</b>				
Fire flow letter - Standard service	\$ 76	\$ 76	\$ 76	\$ 76
Fire flow letter - Same day service	\$ 152	\$ 152	\$ 152	\$ 152
Fire flow verification - Standard	\$ 103	\$ 103	\$ 103	\$ 103
Fire flow verification - Additional	\$ 206	\$ 206	\$ 206	\$ 206
<b>Backflow Testing</b>				
Normal Turnaround ( one week service)	\$ 77	\$ 77	\$ 77	\$ 77
Same day service	\$ 149	\$ 149	\$ 149	\$ 149
Retesting	\$ 77	\$ 77	\$ 77	\$ 77
Service and repairs to backflow (per hour)	\$ 83	\$ 83	\$ 83	\$ 83
New installation and retrofits <sup>2</sup>	T & M	T & M	T & M	T & M

Activity	Actual 2005	Actual 2006	Actual 2007	2008
<b>Inspection And Supervision Fees <sup>(2)</sup> :</b>				
<b>Inspection Fee (minimum)</b>				
Inspection per hour - standard	\$ 79	\$ 79	\$ 79	\$ 79
Inspection - additional/non-standard	\$ 121	\$ 121	\$ 121	\$ 121
<b>Private Development Fees (Minimum):</b>				
Calculated at 5% of the estimated Public Water system value				
<b>OR</b>				
Pipeline inspections (each)	\$ 455	\$ 455	\$ 455	\$ 455
Notifications and shutdowns (each)	\$ 242	\$ 242	\$ 242	\$ 242
Tie-ins (each)	\$ 304	\$ 304	\$ 304	\$ 304
Hydrostatic testing (each)	\$ 304	\$ 304	\$ 304	\$ 304
Plan checking (minimum)	\$ 242	\$ 242	\$ 242	\$ 242
Plan checking-additional (per hour)	\$ 109	\$ 109	\$ 109	\$ 109
County trench cut fee(per square foot)	\$ 15	\$ 15	\$ 15	\$ 15
<b>Construction Fees:</b>				
Based upon labor, equipment and materials for each project:				
<b>Water Usage Fees:</b>				
Basic residential service, annually	\$ 520	\$ 520	\$ 520	\$ 520
Special service, per 100 cubic feet	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40
<i>Construction water</i>				
Schedule A (per lot or parcel)	\$ 52	\$ 52	\$ 52	\$ 52
Schedule B (trench excavation, per CY)	\$ 10	\$ 10	\$ 10	\$ 10
Schedule C (grading, per 100 CY)	\$ 10	\$ 10	\$ 10	\$ 10
Schedule D (acreage, per acre)	\$ 219	\$ 219	\$ 219	\$ 219
Schedule E (metered usage, per 1000 gal.)	\$ 9	\$ 9	\$ 9	\$ 9
Special Event - non-metered: daily <sup>(3)</sup>	\$ 50	\$ 50	\$ 50	\$ 50
Annual fire line maintenance fee	\$ 26	\$ 26	\$ 26	\$ 26
Coliform samples (each)	\$ 73	\$ 73	\$ 73	\$ 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) Minimum service fee for any special event not previously defined.

**Fair Oaks Water District**  
**Schedule of Billing Fees and Charges**  
**2008**

Activity	Actual 2005	Actual 2006	Actual 2007	2008
<b>Payment Processing Fees:</b>				
Return Check	30	30	30	30
<b>Late Penalty Fee</b>				
Penalty Assessed After the Payment Due Date-1st Month	10%	10%	10%	10%
Subsequent Months	1 ½%	1 ½%	1 ½%	1 ½%
<b>Disconnect Service Fee</b>				
Field Charge - Hanging 48 Hr Notice	19	19	19	19
Reconnect Fee	61	61	61	61
Deposit <sup>(1)</sup>	125	125	125	125

**Notes:**

<sup>(1)</sup> 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.



10317 Fair Oaks Blvd.  
Fair Oaks, CA 95628  
Tel: (916) 967-5723  
Fax: (916) 967-0153