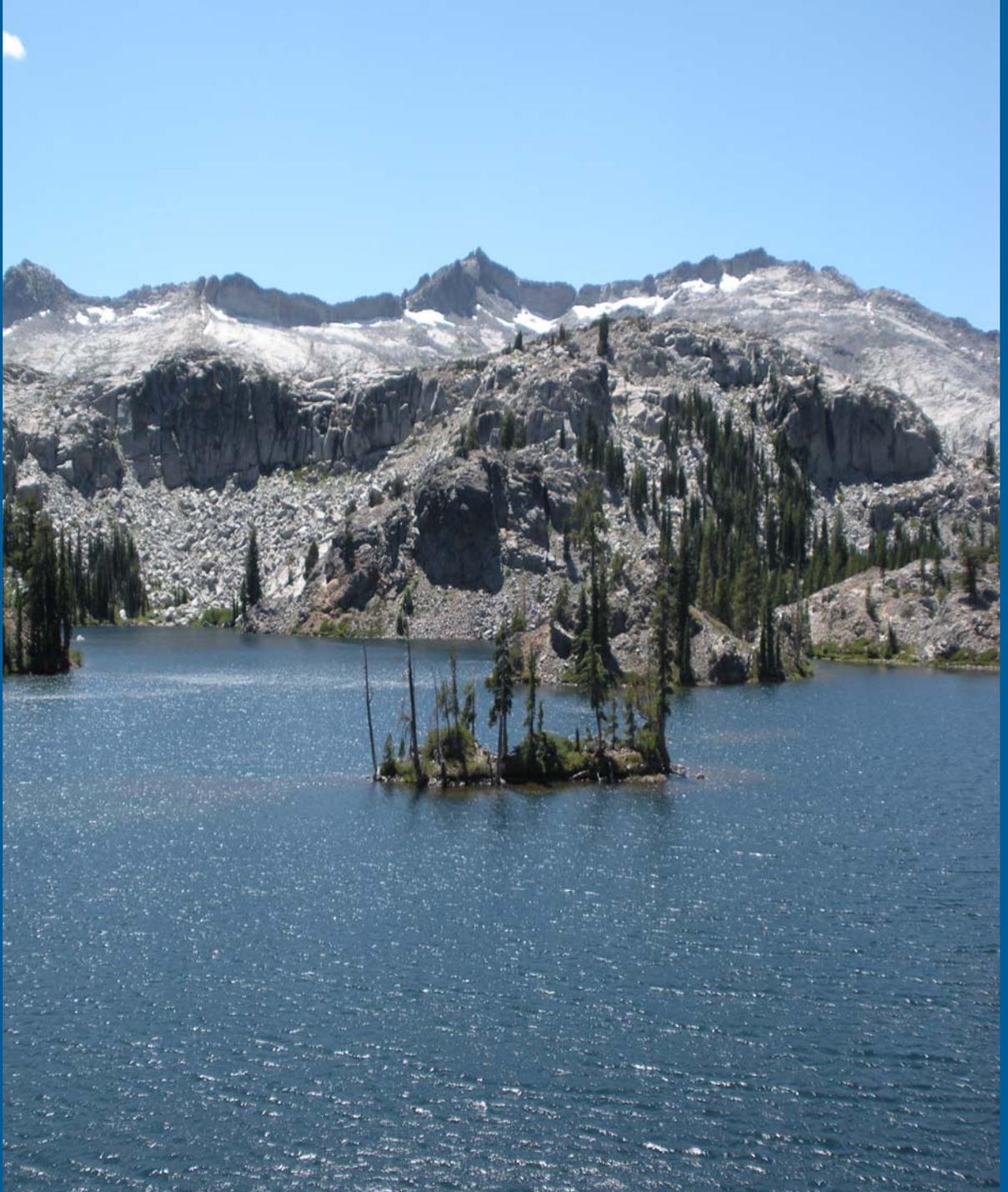


# 2010 ANNUAL BUDGET

## FOR THE YEAR ENDED DECEMBER 31, 2010

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 14,480 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**

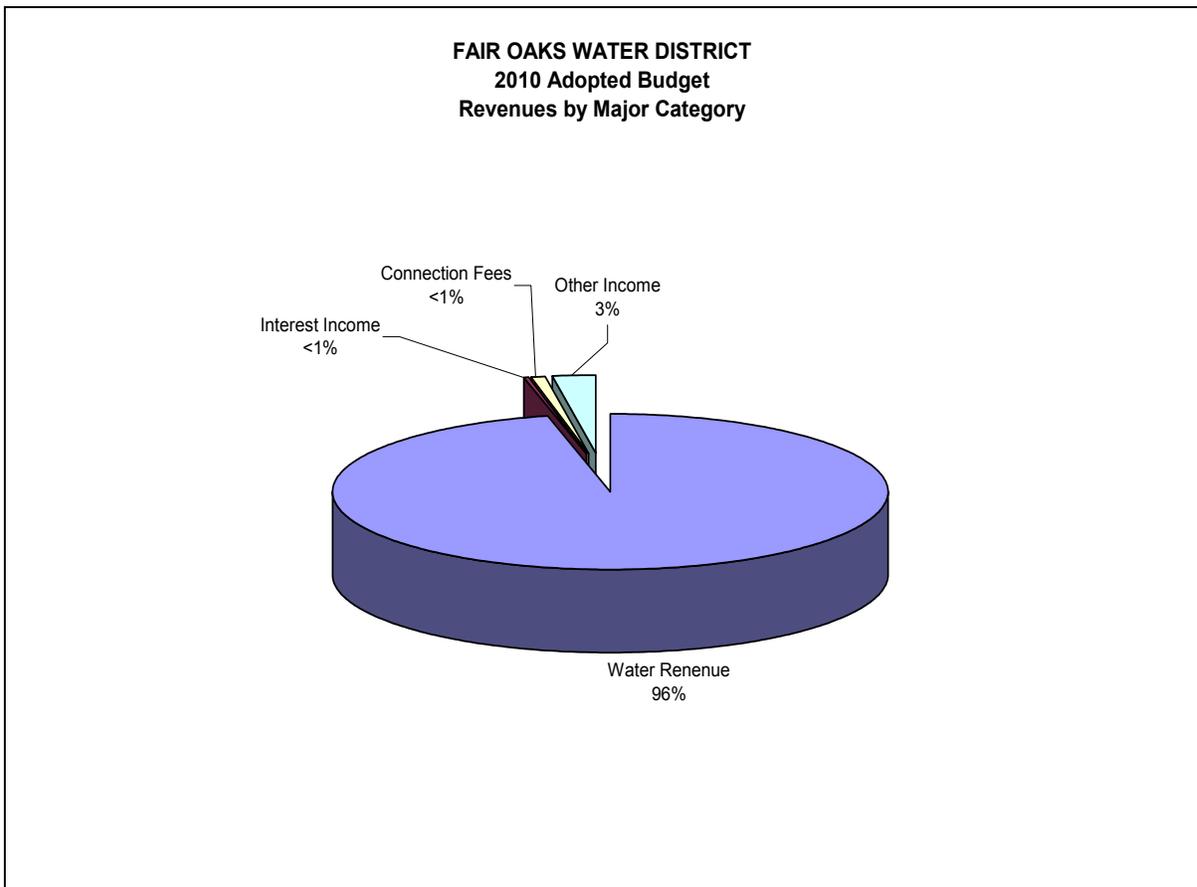
The budget was prepared by staff and presented to the Board of Directors for approval and adoption at the public meeting on November 9, 2009. Rates and fees were not increased in the 2010 budget.

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 2010. 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**

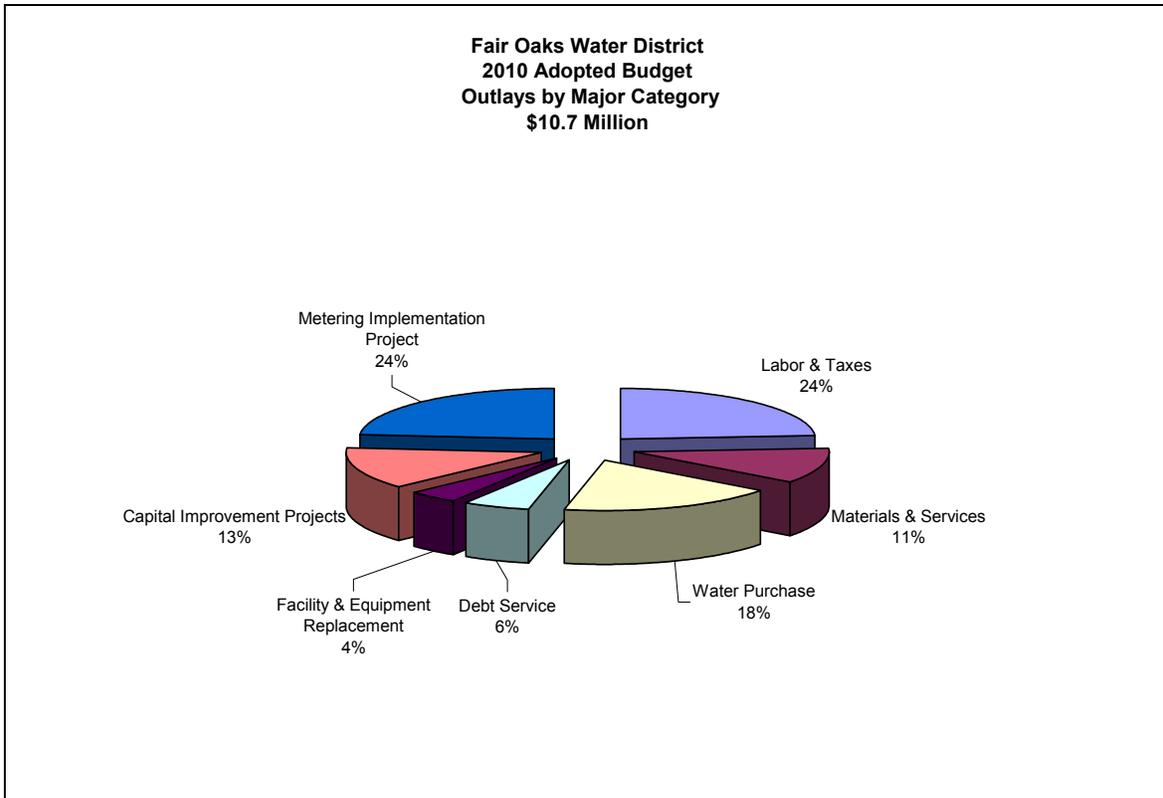
The District projects revenues of \$8,144,800 in 2010.

<b>2010 Adopted Budget Revenues by Major Category</b>	
Water Revenue	\$ 7,852,100
Interest Income	23,700
Connection Fees	60,000
Other Income	209,000
<b>Total</b>	<b>\$ 8,144,800</b>



**Expenses**

The District’s total estimated expenses for 2010 are \$10,726,500. These expenses include meter implementation, facility and equipment replacement and transmission and distribution system improvements.



<b>2010 Adopted Budget Outlays by Major Category</b>	
Labor & Taxes	\$ 2,550,700
Materials & Services	1,242,100
Water Purchase	1,934,700
Debt Service	590,700
Facility & Equipment Replacement	459,100
Capital Improvement Projects	1,404,200
Metering Implementation Project	2,545,000
<b>Total</b>	<b>\$ 10,726,500</b>

## Reserves and Designations

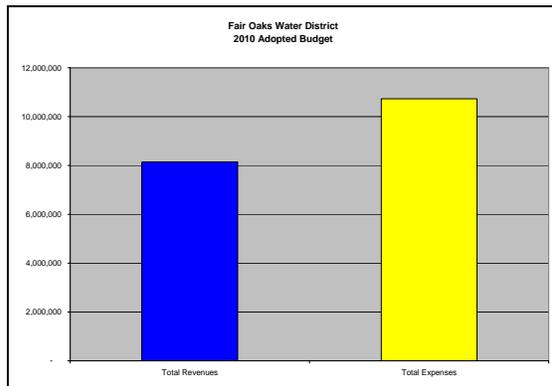
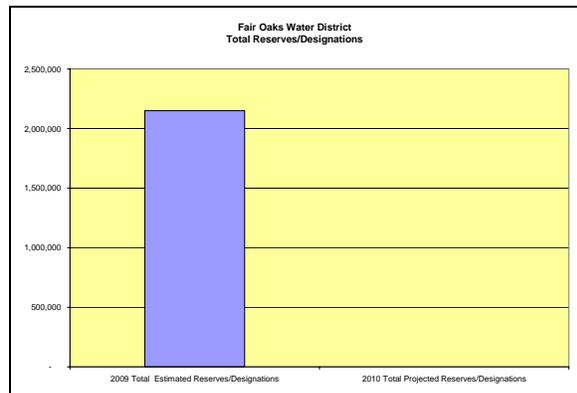
The District's reserves consist of restricted, unrestricted and designated funds. The District's restricted reserves include the Certificate of Participation's (COP's) and capacity system fees (connection and annexation fees). The District has drawn down its reserve to fund the 2010 capital improvement programs and normal operating expenses.

The District's 2010 budget projects a net loss of (\$2,581,700) calculated as follows:

Projected Total Revenues	\$8,144,800
Projected Total Expenses	<u>(10,726,500)</u>
Projected Net Loss	<u>(\$2,581,700)</u>

With a projected deficit of (\$2,581,700), 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 approximately \$4.95M based on the 2010 budget. The District projects a year-ending total reserve balance of \$2.43M (\$2.52M below the District's current reserve policy). See reserve balance summary for more detail on pages 42-44.

The District projects a decrease in the reserves and designations of \$2,581,700 (52%) at the end of 2010.



This graph reflects the 2010 net deficit of (\$2,581,700).

## **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.

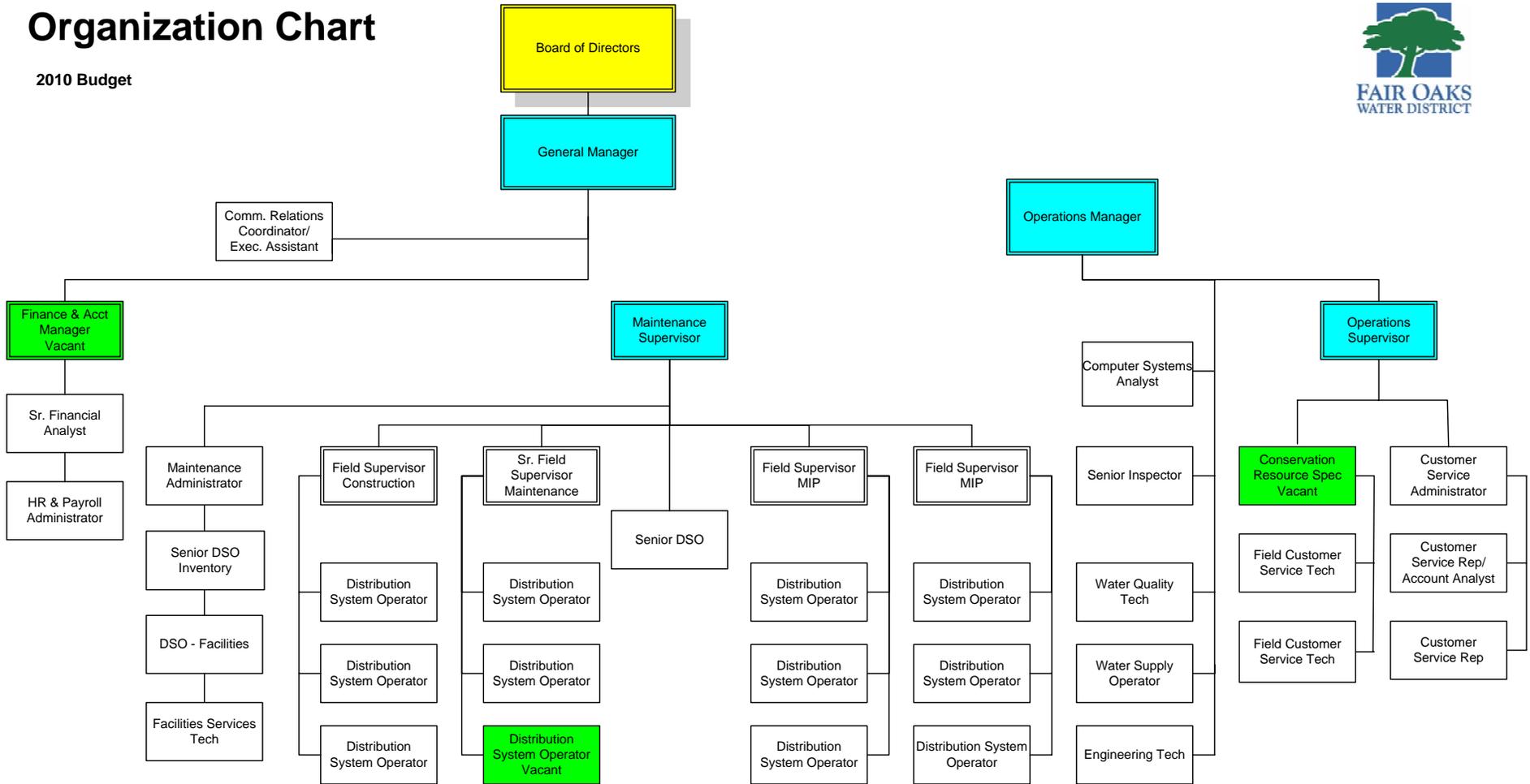
Capital projects and program budgets are adopted for specific non-operational projects or programs. These budgets often span multiple budget years. For each project or program, subsequent Board approval is sometimes required for approving bids and contracts.

### **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

2010 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 is 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 2010:

- ✓ 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.

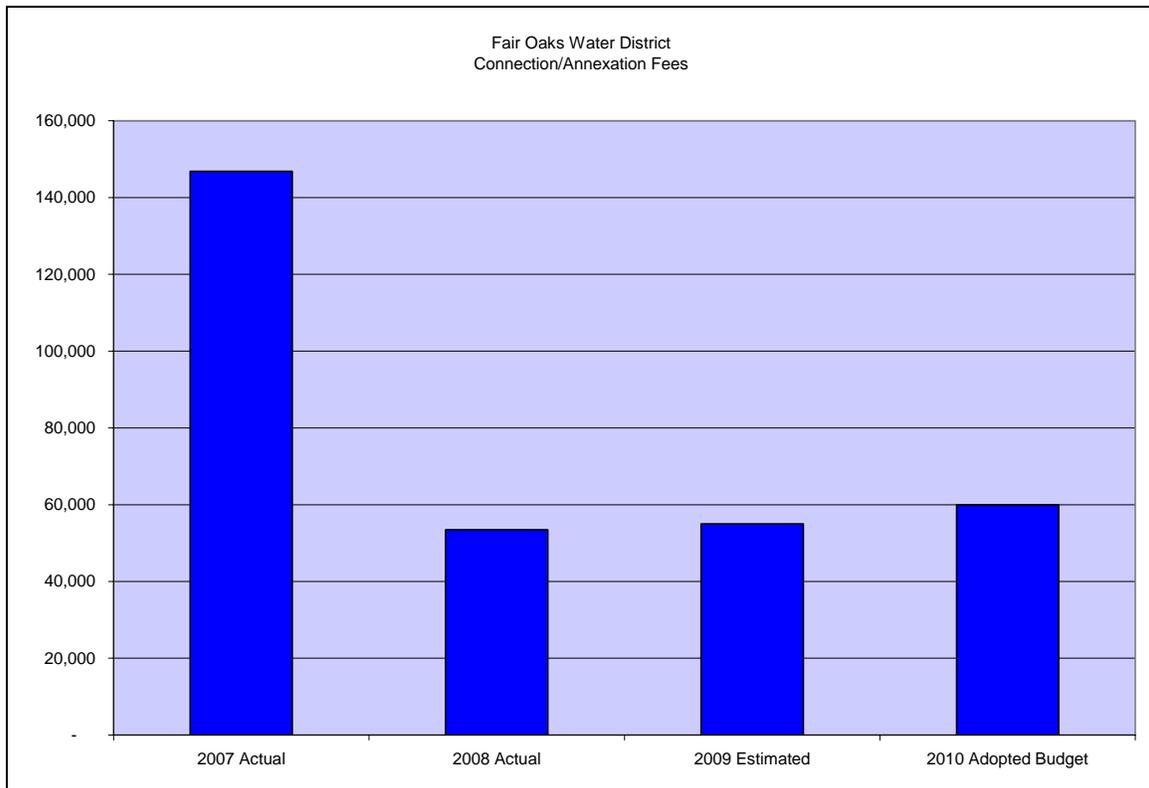
The fixed service charge is based upon meter or service line size and is designed to cover the fixed costs of the water delivery as it relates to customer service and capacity costs (i.e. repair and maintenance crew labor costs, supplies and construction related costs). Fixed service charges represent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

The District projected 13 percent of our customers will be on metered rates in 2010 (12% is for commercial customers, and 1% for residential).

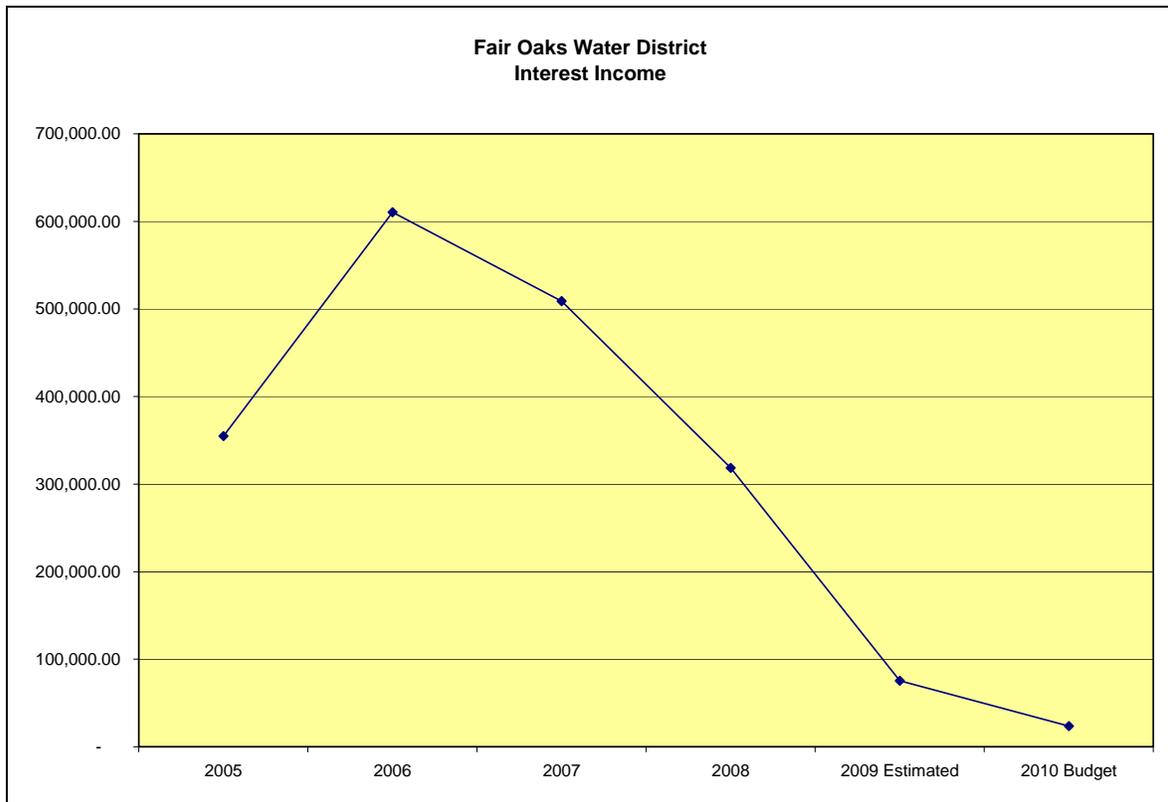
### *Connection Fees*

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. 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 2010.



### *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 \$51,700 in interest earnings in 2010 (from the estimated 2009) due to the 2010 projected decrease in ending reserve balance and decrease in interest rates.



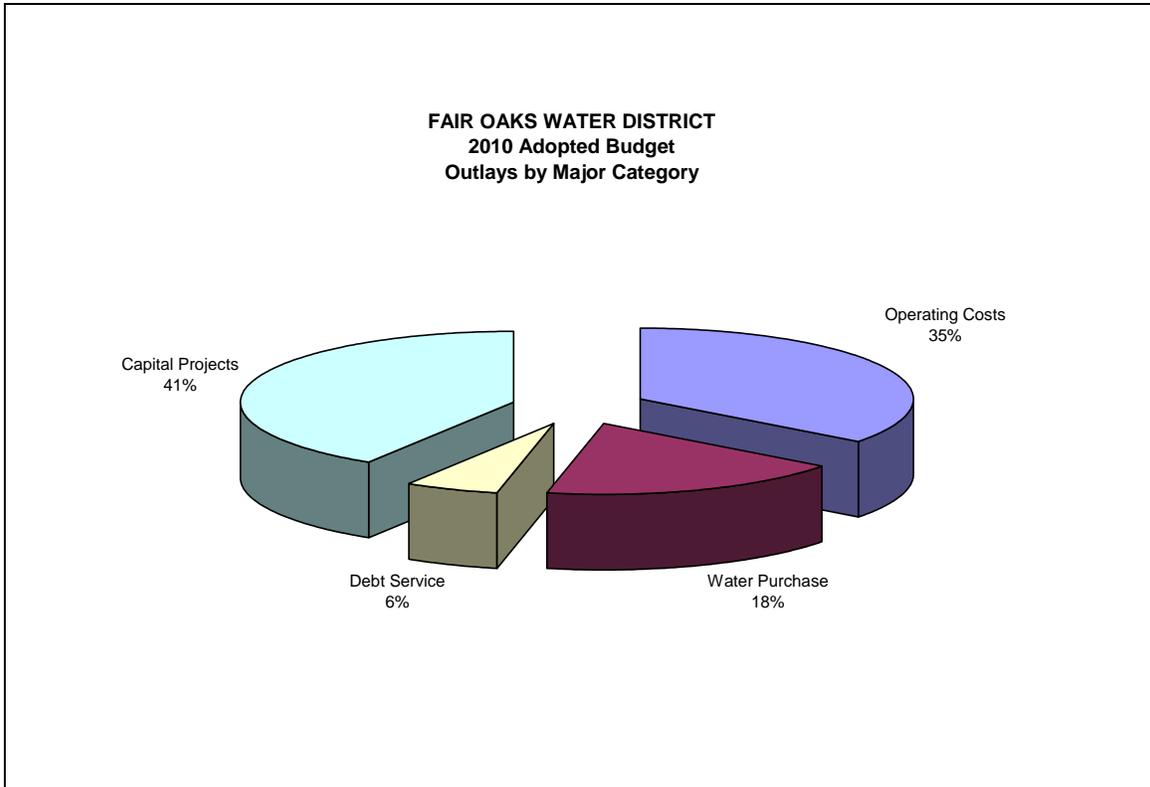
### **District Expenses**

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.

<b>2010 Estimated Outlays by Major Category</b>	
Operating Costs	\$ 3,792,800
Water Purchase	1,934,700
Debt Service	590,700
Capital Projects	4,408,300
<b>Total</b>	<b>\$ 10,726,500</b>



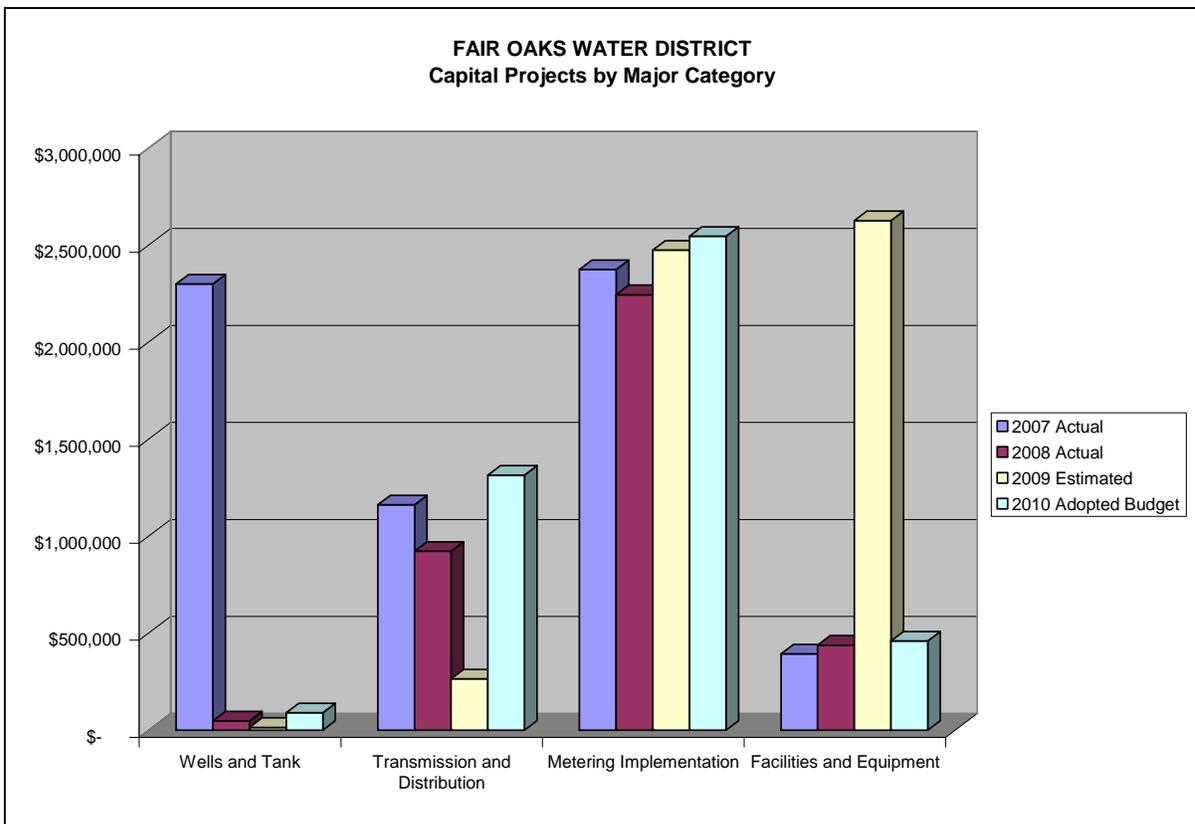
***Water Supply***

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 8% in 2010. San Juan Water District provides approximately 90% of the FOWD water demand. The District has purchased on average approximately 11,800 Acre-Feet of surface water over the past five years. The District projects purchasing approximately 11,684 AF of surface water from SJWD in 2010.

<b>Water Supply Costs</b>	<b>2010</b>
Commodity Charge (\$86.25 per AF x 11,684 AF)	\$ 1,007,745
Service Charge	254,095
Debt Service Charge	438,182
<i>Total Water Purchase</i>	1,700,000
Regulatory, Utilities and Misc. Fees	234,700
<b>Total Water Supply Costs</b>	<b>\$ 1,934,700</b>

### Capital Projects Overview

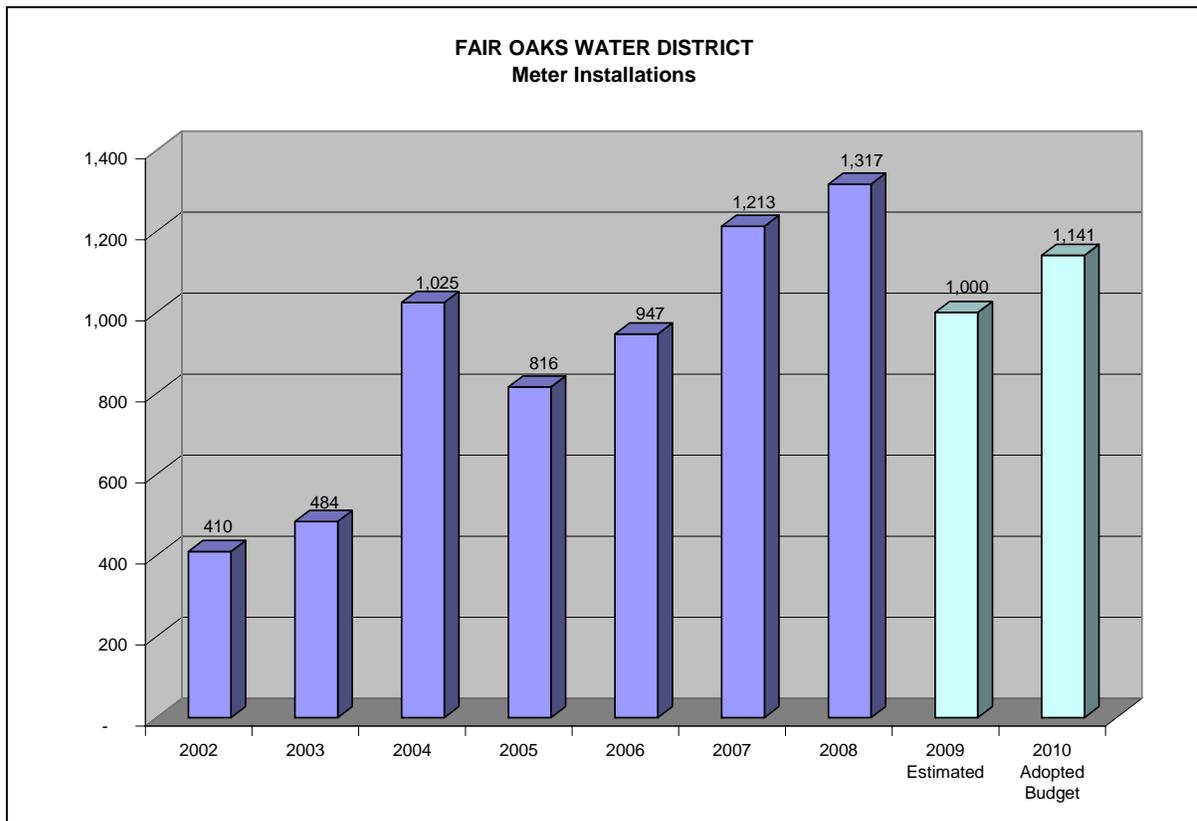
<b>Capital Projects Overview</b>				
<b>Category</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Estimated</b>	<b>2010 Adopted Budget</b>
Wells and Tank	\$ 2,299,334	\$ 47,162	\$ 14,400	\$ 90,000
Transmission and Distribution	1,161,400	922,219	264,000	1,314,200
Metering Implementation	2,374,241	2,244,407	2,473,500	2,545,000
Facilities and Equipment	392,897	438,077	2,625,800	459,100
<b>Total</b>	<b>\$ 6,227,872</b>	<b>\$ 3,651,865</b>	<b>\$ 5,377,700</b>	<b>\$ 4,408,300</b>



### 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 2010:

- Hazel Widening Project Phase I at an estimated cost of \$300,000.
- Sunset Water Main Replacement at an estimated cost of \$553,300 (\$479,800 (CIP) / \$73,500 (MIP)).
- Sunnybrook Main Replacement at an estimated cost of \$282,400 (\$194,400 CIP/ \$88,000 (MIP)).
- Fair Oaks 40" at an estimated cost of \$235,000.

Facilities and Equipment

One of the ongoing major projects in 2010 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 building design and master planning has been completed by the consultant. The District anticipates completion of the new administrative center in 2009 with 2010 estimated cost for minor additions and design of site improvements for corporation yard at \$300,000.

The amount of \$159,100 was allocated for replacement of office equipment, computer software, computer equipment, maintenance equipment and trucks and vehicles in 2010.

**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 2010 Debt Coverage is estimated at 3.85; calculated as follows:

Operating Revenue	\$ 8,001,100
Operating Expenses	<u>5,727,500</u>
Net Income from Operations	\$ 2,273,600
Debt Service <sup>(1)</sup>	\$ 590,700

Calculated Coverage 3.85

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

Year Ending December 31,	Principle	Interest	Total
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>\$ 1,560,851</b>	<b>\$ 118,488</b>	<b>\$ 1,679,339</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 2010 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 the remaining 1,500 meters between 2010 and 2011.

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 2010 (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.

Completion of the new building project is anticipated by the end of 2009. In addition, the District will be looking at the new rate structure in preparing for the conversion of the flat to metered billing rate in the 2010 year.

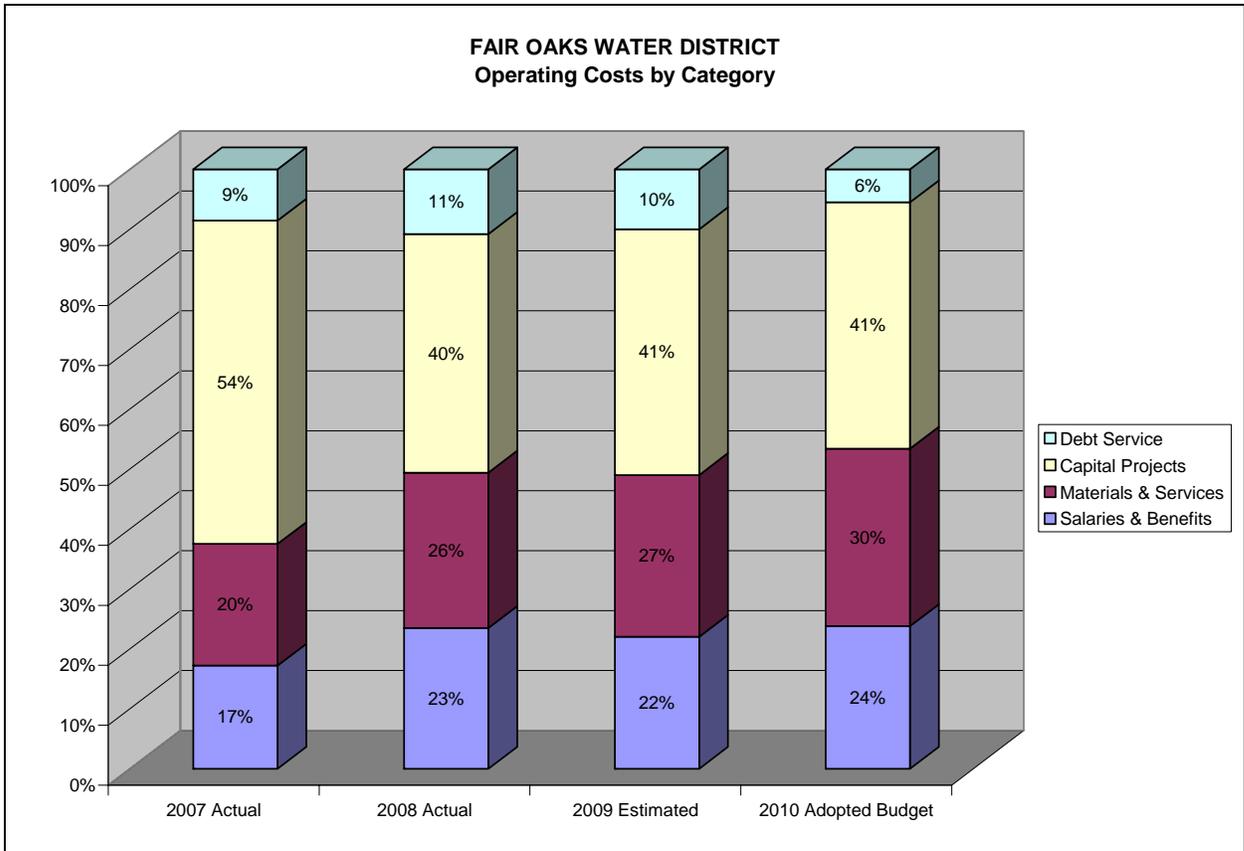
### Board of Directors

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. 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 2007.

Operating Costs by Category				
Category	2007 Actual	2008 Actual	2009 Estimated	2010 Adopted Budget
Salaries & Benefits	\$ 1,985,666	\$ 2,153,834	\$ 2,312,700	\$ 2,550,700
Materials & Services	2,342,069	2,377,911	2,580,600	3,176,800
Capital Projects	6,227,872	3,651,865	5,377,700	4,408,300
Debt Service	988,711	990,025	1,008,800	590,700
<b>Total</b>	<b>\$ 11,544,318</b>	<b>\$ 9,173,635</b>	<b>\$ 11,279,800</b>	<b>\$ 10,726,500</b>



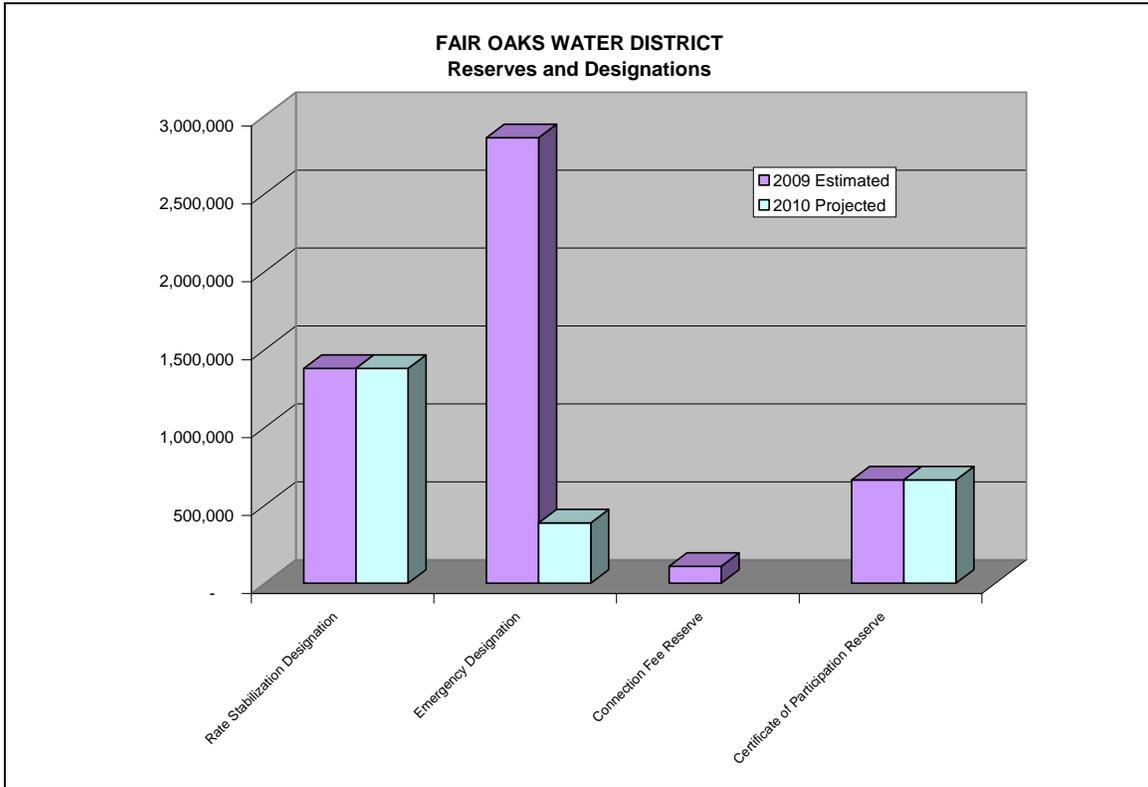
**Personnel Summary  
Full Time Equivalent (FTE)**

Department	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Budget 2010
All Departments	<u>38</u>	<u>37</u>	<u>37</u>	<u>35</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	2009 Estimated	2010 Projected
Rate Stabilization Designation	1,378,900	1,378,900
Emergency Designation	2,859,500	387,000
Connection Fee Reserve	109,200	
Certificate of Participation Reserve	662,800	662,800
<b>Total</b>	<b>\$ 5,010,400</b>	<b>\$ 2,428,700</b>



(For more detail on the allocation and usage of funds, see “2010 Budget Reserves and Designations” page 44).

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

## 2010 Budget

### Financial Plan Summary of Revenues/Expenses

Description	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Estimated 2009	Budget 2010
<b>Revenues</b>							
<i>Total Operating Revenues</i>	\$ 7,928,475	\$ 7,932,226	\$ 7,942,731	\$ 8,252,020	\$ 7,980,500	\$ 8,043,800	\$ 8,001,100
<i>Total Non-Operating Income</i>	<u>1,151,483</u>	<u>1,844,576</u>	<u>1,018,496</u>	<u>1,782,863</u>	<u>954,500</u>	<u>208,900</u>	<u>143,700</u>
<b>Total Revenues</b>	<b>\$ 9,079,958</b>	<b>\$ 9,776,802</b>	<b>\$ 8,961,227</b>	<b>\$ 10,034,883</b>	<b>\$ 8,935,000</b>	<b>\$ 8,252,700</b>	<b>\$ 8,144,800</b>
<b>Expenses</b>							
Operating Expenses	\$ 4,081,498	\$ 4,111,166	\$ 4,327,735	\$ 4,531,745	\$ 5,515,600	\$ 4,893,300	\$ 5,727,500
Debt Service	<u>987,782</u>	<u>986,548</u>	<u>988,711</u>	<u>990,025</u>	<u>1,015,700</u>	<u>1,008,800</u>	<u>590,700</u>
<b>Total Expenses</b>	<b>\$ 5,069,280</b>	<b>\$ 5,097,715</b>	<b>\$ 5,316,446</b>	<b>\$ 5,521,770</b>	<b>\$ 6,531,300</b>	<b>\$ 5,902,100</b>	<b>\$ 6,318,200</b>
<b>Net Income (Loss) before Capital Program</b>	<b>\$ 4,010,678</b>	<b>\$ 4,679,087</b>	<b>\$ 3,644,782</b>	<b>\$ 4,513,113</b>	<b>\$ 2,403,700</b>	<b>\$ 2,350,600</b>	<b>\$ 1,826,600</b>
<b>Capital Program Expenses</b>							
<i>Computer Equipment &amp; Software</i>	\$ 41,271	\$ 5,137	\$ 11,257	\$ 21,092	\$ 80,000	\$ 87,000	\$ 79,000
<i>Vehicles and Maintenance Equipment</i>	75,651	217,370	223,036	162,841	99,000	29,700	35,600
<i>Facility &amp; Office Equipment</i>	37,405	808,937	158,604	254,144	2,822,500	2,509,100	344,500
<i>Meter Implementation Program (MIP)</i>	1,480,600	1,919,400	2,374,241	2,244,407	2,515,800	2,473,500	2,545,000
<i>CIP</i>	<u>309,656</u>	<u>3,182,145</u>	<u>3,460,734</u>	<u>969,381</u>	<u>832,500</u>	<u>278,400</u>	<u>1,404,200</u>
<b>Total Capital Program Expenses</b>	<b>\$ 1,944,582</b>	<b>\$ 6,132,989</b>	<b>\$ 6,227,872</b>	<b>\$ 3,651,865</b>	<b>\$ 6,349,800</b>	<b>\$ 5,377,700</b>	<b>\$ 4,408,300</b>
<b>Total Expenses including Capital Program</b>	<b>\$ 7,013,862</b>	<b>\$ 11,230,703</b>	<b>\$ 11,544,318</b>	<b>\$ 9,173,635</b>	<b>\$ 12,881,100</b>	<b>\$ 11,279,800</b>	<b>\$ 10,726,500</b>
<b>Net Income (Loss)</b>	<b>\$ 2,066,096</b>	<b>\$ (1,453,901)</b>	<b>\$ (2,583,091)</b>	<b>\$ 861,248</b>	<b>\$ (3,946,100)</b>	<b>\$ (3,027,100)</b>	<b>\$ (2,581,700)</b>
<b>Ending Reserve/Designated Balance</b>	<b>\$ 11,213,300</b>	<b>\$ 9,759,400</b>	<b>\$ 7,176,300</b>	<b>\$ 8,037,500</b>	<b>\$ 2,370,300</b>	<b>\$ 5,010,400</b>	<b>\$ 2,428,700</b>

(1) 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

## 2010 Budget

### Expense Summary

		Actual	Actual	Actual	Actual	Budget	Estimated	Budget
	Acct #	2005	2006	2007	2008	2009	2009	2010
<b>Labor &amp; Benefits</b>								
<i>Salaries and Wages</i>								
Salaries	5010	\$ 1,819,303	\$ 1,952,304	\$ 1,889,187	\$ 1,952,517	\$ 2,212,500	\$ 2,002,500	\$ 2,166,000
On-call	5011	25,402	23,569	27,661	28,161	31,000	30,200	31,000
Overtime	5011	47,682	21,650	30,340	44,503	35,000	25,000	35,000
Certificate Incentive Program	5010	24,697	26,008	57,454	95,737	60,000	39,700	20,700
Temporary Labor	5050				9,800	5,000	25,600	90,800
<i>Salaries and Wages Subtotal</i>		\$ 1,917,085	\$ 2,023,531	\$ 2,004,642	\$ 2,130,718	\$ 2,343,500	\$ 2,123,000	\$ 2,343,500
<i>Benefits and Insurance</i>								
Auto and mileage	5420	\$ 2,889	\$ 3,691	\$ 3,400	\$ 2,972	\$ 3,300	\$ 5,000	\$ 5,000
Dental Insurance	5220	34,589	32,123	33,894	36,029	42,900	36,700	42,900
FICA	5110	119,941	123,844	123,282	130,725	145,300	131,600	145,300
Medicare	5120	28,345	29,328	29,234	31,034	34,000	30,800	34,000
Health Insurance	5210	299,008	337,770	394,744	399,711	517,600	432,600	515,900
Disability Insurance	5260	8,605	8,498	7,909	7,823	10,100	7,800	10,100
Life Insurance	5230	3,865	3,703	3,532	3,622	4,000	3,800	4,100
Pension Plan	5240	169,461	228,664	240,472	265,258	311,300	280,400	299,900
Unemployment insurance	5310	14,240	-	2,297	21,029	20,000	30,000	30,000
Vision care	5250	9,370	8,419	9,044	9,328	10,400	9,200	10,000
Workers compensation	5320	94,247	99,084	61,319	58,221	65,400	54,000	72,000
<i>Benefits and Insurance Subtotal</i>		\$ 784,560	\$ 875,124	\$ 909,127	\$ 965,752	\$ 1,164,300	\$ 1,021,900	\$ 1,169,200
<b><i>Labor &amp; Benefits Subtotal</i></b>		<b>\$ 2,701,645</b>	<b>\$ 2,898,655</b>	<b>\$ 2,913,769</b>	<b>\$ 3,096,470</b>	<b>\$ 3,507,800</b>	<b>\$ 3,144,900</b>	<b>\$ 3,512,700</b>
In-house CIP/MIP labor & benefits capitalized		\$ (626,824)	\$ (831,900)	\$ (928,103)	\$ (942,636)	\$ (957,100)	\$ (832,200)	\$ (962,000)
In-house labor & benefits accounted for in Conservation		-	(25,586)	-	-	-	-	-
<b><i>Net Labor &amp; Benefits</i></b>		<b>\$ 2,074,821</b>	<b>\$ 2,041,169</b>	<b>\$ 1,985,666</b>	<b>\$ 2,153,834</b>	<b>\$ 2,550,700</b>	<b>\$ 2,312,700</b>	<b>\$ 2,550,700</b>

		Actual	Actual	Actual	Actual	Budget	Estimated	Budget
	Acct #	2005	2006	2007	2008	2009	2009	2010
<b>Materials &amp; Services</b>								
<i>Water Supply</i>								
Surface water supply, SJWD	6110	\$ 1,071,645	\$ 1,062,504	\$ 1,180,678	\$ 1,256,066	\$ 1,507,100	\$ 1,672,700	\$ 1,700,000
Chemicals	6160	2,043	6,633	5,313	13,171	15,000	6,200	8,500
DOHS Fees	6358	6,006	16,829	9,210	19,711	12,000	6,000	7,500
Energy cost, tank	6120	23,659	26,129	25,781	36,276	33,000	26,900	28,000
Energy cost, wells	6130	58,322	92,333	107,254	184,157	190,000	124,300	150,000
Testing & Sampling	6140	31,410	16,924	30,384	26,164	26,500	17,000	26,500
SCADA Support & Maintenance	6151				-	10,000	700	10,000
Cathodic Protection <sup>(1)</sup>	6152						-	3,000
Hydrant testing & flushing	6155	1,375	323	657	397	1,200	1,000	1,200
<i>Water Supply Subtotal</i>		\$ 1,194,460	\$ 1,221,675	\$ 1,359,277	\$ 1,535,942	\$ 1,794,800	\$ 1,854,800	\$ 1,934,700
<i>District Facilities Maintenance and Repairs</i>								
Well and pump repairs	6170	\$ 8,729	\$ 19,957	\$ 4,052	\$ 10,470	\$ 11,600	\$ 600	\$ 11,600
Minor tank repairs and maintenance	6165	385	8,755	7,241	8,727	9,900	5,200	9,900
District site maintenance	6700	23,257	9,072	10,273	15,262	18,500	13,000	7,500
Refuse collection	6750	2,743	2,259	3,323	2,833	3,600	3,200	6,000
Janitorial	6710	7,395	8,180	7,563	8,620	9,300	5,000	5,000
Elevator Maintenance	6701						-	3,000
Security costs	6720	3,614	1,943	2,580	1,746	3,600	1,000	7,000
<i>District Facilities Maint. Subtotal</i>		\$ 46,123	\$ 50,166	\$ 35,032	\$ 47,658	\$ 56,500	\$ 28,000	\$ 50,000
<i>Vehicle and Equipment Maintenance</i>								
Vehicle maintenance	6610	\$ 10,983	\$ 13,771	\$ 15,111	\$ 12,176	\$ 28,000	\$ 12,000	\$ 15,000
Vehicle repairs	6611	7,051	15,170	17,262	12,642	18,000	12,000	18,000
Other equipment repair & maint.	6620	15,542	9,478	22,085	27,333	29,800	23,900	22,000
<i>Vehicle Maintenance Subtotal</i>		\$ 33,576	\$ 38,419	\$ 54,458	\$ 52,151	\$ 75,800	\$ 47,900	\$ 55,000
<i>Insurance</i>								
Auto and general liab. insurance	7310	\$ 68,210	\$ 57,303	\$ 56,851	\$ 45,596	\$ 95,000	\$ 97,100	\$ 105,000
Bonding	7330	1,000	778	889	1,000	2,500	1,000	5,000
Property insurance	7320	13,301	13,920	16,732	18,972	25,000	19,900	25,000
<i>Insurance Subtotal</i>		\$ 82,511	\$ 72,001	\$ 74,472	\$ 65,568	\$ 122,500	\$ 118,000	\$ 135,000

		Actual	Actual	Actual	Actual	Budget	Estimated	Budget
	Acct #	2005	2006	2007	2008	2009	2009	2010
<b>Printing and Postage</b>								
Advertisement & Notices & Recording Fees	7650/7655	\$ 4,625	\$ 1,708	\$ 1,680	\$ 842	\$ 3,000	\$ 600	\$ 3,000
Customer bill processing	7660	14,492	21,464	19,393	22,504	24,400	23,500	24,400
Customer bill postage	7695	9,616	15,306	15,078	16,584	18,000	18,000	20,000
Postage	7690	2,304	3,321	4,350	3,423	6,000	4,200	6,000
General printing	7670	3,906	1,006	2,147	3,528	5,000	2,200	5,000
Water Currents: print, mail, consult.	7680	-	6,912	14,038	11,847	22,800	10,400	22,800
Collection expense printing	6910	2,408	7,601	443	229	1,000	800	1,000
<i>Printing &amp; Postage Subtotal</i>		\$ 37,351	\$ 57,318	\$ 57,129	\$ 58,957	\$ 80,200	\$ 59,700	\$ 82,200
<b>Office Expense &amp; Other</b>								
Office lease	6770	\$ 27,885	\$ 7,003	\$ 4,664	\$ 5,043	\$ 6,000	\$ 5,300	\$ 3,000
Office equipment rental	6310	-		359	440	500	400	500
Office supplies	7610	26,121	19,422	20,013	20,552	23,800	20,000	23,800
Office equipment less than 500	7615			-	886	2,100	200	2,100
Office equipment maintenance	6615	2,319	4,158	3,426	4,023	7,500	2,500	7,500
Contingency	7910	1,797	13,876	1,098	1,263	5,200	1,000	5,200
<i>Office Expense &amp; Other Subtotal</i>		\$ 58,122	\$ 44,459	\$ 29,560	\$ 32,207	\$ 45,100	\$ 29,400	\$ 42,100
<b>Professional Services &amp; Other</b>								
Coop. Trans. Pipeline O & M <sup>(2)</sup>	6190	\$ 3,000	\$ 3,000	\$ 3,000	\$ (12,764)	\$ 3,000	\$ (1,700)	\$ 3,000
Backflow testing and supplies	6180	1,346	700	1,011	954	1,100	900	1,200
Dues & Subscriptions	7620	19,786	19,606	19,768	19,502	22,000	19,600	23,800
Grant application	6407	-			-	10,000	-	10,000
Urban Water Management Plan	7134	29,606					-	50,000
Emergency Response Plan	7131	-		36		1,000	.	-
Five Year Water Management Plan <sup>(3)</sup>	7133				-		8,800	-
Five Year Rate Analysis	7132	-			-	5,000		5,000
Banking fees	7170	19,407	17,440	16,757	23,477	27,000	27,000	29,000
Financial Audit fees	7120	14,900	15,500	16,115	16,760	17,500	17,500	17,300
Legal fees	7110	23,475	116,293	96,795	79,114	50,000	20,000	40,000
Public relations	7160	-	2,550	255	293	12,000	-	12,000
Regional Support	7640	40,981	39,430	53,349	46,606	60,500	49,600	55,000
Computer Consulting Service	7156					5,000	1,000	5,000

	Actual	Actual	Actual	Actual	Budget	Estimated	Budget	
Acct #	2005	2006	2007	2008	2009	2009	2010	
Annual IT Audit	7157				5,000	5,000	5,000	
Professional fees, other <sup>(3)</sup>	7130	73,383	9,729	17,566	13,430	50,000	200	
Loss Revenues	7930			145,078			-	
<i>Professional Services Subtotal</i>		\$ 225,884	\$ 224,248	\$ 369,730	\$ 187,372	\$ 269,100	\$ 147,900	\$ 306,300
<b>System Maintenance /Repairs</b>								
Aggregate, sand & cutback	6320	\$ 9,818	\$ 8,893	\$ 22,459	\$ 150	\$ 12,000	\$ -	\$ 10,000
Paving	6340	8,455	13,147	24,369	30,889	25,800	2,800	25,000
Contract trucking/dumping	6330	6,721	4,376	5,562	-	5,000	-	5,000
Equip. and tool rental	6310	620	2,951	485	1,077	1,500	-	1,500
Consumables & maintenance supplies <sup>(1)</sup>	6210/6215	30,919	34,681	43,182	32,723	35,000	27,000	25,000
T-Main Repairs <sup>(1)</sup>	6215						-	15,000
Parts inventory replenishment	6220/6230	2,747	5,463	(2,148)	(110)	5,700	5,700	5,700
Gas and oil	6630	40,735	47,731	54,444	68,824	78,000	35,000	57,000
Equipment and tools less than \$500	6240	10,346	17,332	18,657	8,783	23,200	10,000	18,000
Safety, signs, and cones	6250	13,081	12,275	14,511	11,614	21,900	10,000	15,000
<i>System Maintenance/Repairs</i>		\$ 123,442	\$ 146,849	\$ 181,521	\$ 153,950	\$ 208,100	\$ 90,500	\$ 177,200
<b>Fees</b>								
County fees	6350	\$ 1,281	\$ 1,656	\$ (125)	\$ 1,202	\$ 900	\$ 400	\$ 1,000
Air quality	6355	911	1,856	2,158	2,578	4,600	3,200	4,900
NPDES permit	6359	1,185	1,185	1,185	4,078	1,400	7,000	7,000
Miscellaneous fees	6360				-	1,000	-	1,000
Haz-mat permit	6357	1,046	1,801	1,491	2,298	2,800	2,300	3,000
<i>Fees Subtotal</i>		\$ 4,423	\$ 6,498	\$ 4,709	\$ 10,156	\$ 10,700	\$ 12,900	\$ 16,900
<b>Utilities</b>								
Communication, telephone	6760	\$ 45,636	\$ 39,032	\$ 38,765	\$ 37,882	\$ 46,400	\$ 35,000	\$ 46,000
Mpower T-1 Internet & Web Hosting	6761		5,291		5,137	10,000	5,200	10,000
District Site Utilities	6740	15,927	14,592	15,751	16,958	25,000	17,700	28,000
<i>Utilities Subtotal</i>		\$ 61,563	\$ 58,916	\$ 54,516	\$ 59,977	\$ 81,400	\$ 57,900	\$ 84,000
<b>Information Technology</b>								
Computer Software Maint & Agreements	7150	\$ 45,202	\$ 33,067	\$ 31,236	\$ 56,632	\$ 36,900	\$ 35,000	\$ 37,000
Website Design/Maint	7155		\$ 10,206	-	3,085	2,700	1,500	5,000
Computer Hardware <\$500	7151			1,359	3,229	8,000	4,500	5,000
Computer Software <\$500	7152			243	541	3,500	2,000	3,000
<i>Information Technology Subtotal</i>		\$ 45,202	\$ 43,273	\$ 32,838	\$ 63,487	\$ 51,100	\$ 43,000	\$ 50,000

	Actual	Actual	Actual	Actual	Budget	Estimated	Budget	
Acct #	2005	2006	2007	2008	2009	2009	2010	
<b>Conservation</b>								
Conservation Outreach	6430	12,591	\$ 14,747	\$ 9,903	\$ 10,309	\$ 25,000	\$ 20,000	\$ 25,000
Grant Application	6407	3,000		-	-	1,000	-	1,000
Field Service Grant 2007				27,650			-	
Field Service Grant 2009					40,000		-	45,000
Field Service Grant 2010							-	40,000
Cons. Landscape Irrigation Review	6450	610	84	26	-	1,500	1,000	2,500
Conservation Water Waste	6470	-	6,246		23	500	-	6,000
Conservation Large Landscape	6920			9,309		500	-	1,500
Conservation Subscriptions	6405	-	500	500	820	800	500	800
Conservation Toilet Rebate Program <sup>(4)</sup>	6510	16,185	16,048	8,682	9,920	15,500	18,900	17,500
Conservation Internal Review	6460	513	1,462	68	-	1,500	1,000	2,500
<i>Conservation Subtotal</i>		\$ 32,899	\$ 39,087	\$ 28,488	\$ 48,722	\$ 86,300	\$ 41,400	\$ 141,800
<b>Training &amp; Uniforms</b>								
DMV/Physicals	7135	\$ 1,916	\$ 1,754	\$ 2,888	\$ 3,242	\$ 3,000	\$ 3,200	\$ 3,500
Employee recognition program	7570	3,912	4,818	5,241	2,888	8,000	6,000	8,000
Training, travel, and expenses	7410/7510	29,140	24,434	23,822	26,626	30,000	15,500	28,000
Uniforms	6270	12,993	10,483	8,924	6,840	13,400	6,100	13,400
<i>Training Subtotal</i>		\$ 47,961	\$ 41,489	\$ 40,875	\$ 39,596	\$ 54,400	\$ 30,800	\$ 52,900
<b>Board Expenses</b>								
Election expense	7720	\$ -	\$ 12,933		\$ 1,451	\$ -	\$ -	\$ 20,000
Director's Fees	7710	10,300	9,700	13,400	13,300	15,100	13,500	15,200
Miscellaneous Board Expenses	7730	-		807	856	1,400	900	1,500
Travel and Seminars	7740	2,860	2,966	5,257	6,561	12,400	4,000	12,000
<i>Board Expenses Subtotal</i>		\$ 13,160	\$ 25,599	\$ 19,464	\$ 22,168	\$ 28,900	\$ 18,400	\$ 48,700
<b>Materials &amp; services total</b>		\$ 2,006,677	\$ 2,069,997	\$ 2,342,069	\$ 2,377,911	\$ 2,964,900	\$ 2,580,600	\$ 3,176,800
<b>Department Grand Total</b>		\$ 4,081,498	\$ 4,111,166	\$ 4,327,735	\$ 4,531,745	\$ 5,515,600	\$ 4,893,300	\$ 5,727,500

**General Notes**

- (1) For 2009 and prior years, the Cathodic protection and T-Main repairs were budgeted and paid under consumables and maintenance supplies.
- (2) Credits in 2008 and 2009 were due to expenses accrued over actual payment from prior years. Actual invoice amount for 2009 was \$2,738.05.
- (3) Item budgeted under 2008 for \$21,000. Item will be funded by the professional fees in 2009.
- (4) The Board authorized an additional \$10,000 for the Toilet Rebate program on June 8, 2009 for the 2009 Budget.

## Fair Oaks Water District 2010 Budget Debt Service

Description	Acct #	Actual	Actual	Actual	Actual	Budget	Estimated	Budget
		2005	2006	2007	2008	2009	2009	2010
<b>Debt Service</b>								
CTP-SJWD 1993 COP's <sup>1</sup>	2555	\$ 175,075	\$ 178,800	\$ 184,388	\$ 188,113	\$ 195,600	\$ 195,600	\$ 201,200
1999 COP'S <sup>2</sup>	2515	575,000	595,000	620,000	650,000	690,000	690,000	300,000
<i>Debt Service Principal Total</i>		<u>\$ 750,075</u>	<u>\$ 773,800</u>	<u>\$ 804,388</u>	<u>\$ 838,113</u>	<u>\$ 885,600</u>	<u>\$ 885,600</u>	<u>\$ 501,200</u>
<b>Debt Service - Interest</b>								
CTP-SJWD 1993 COP's <sup>1</sup>	8010	\$ 56,238	\$ 52,737	\$ 47,368	\$ 40,010	\$ 36,900	\$ 36,900	\$ 31,500
1999 COP'S <sup>2</sup>	8020	148,106	126,544	103,488	78,688	52,700	52,700	24,300
Refunding costs (amortized)	8020	28,923	28,923	28,923	28,923	29,000	29,000	29,000
<i>Debt Service Interest Total</i>		<u>\$ 233,267</u>	<u>\$ 208,203</u>	<u>\$ 179,779</u>	<u>\$ 147,621</u>	<u>\$ 118,600</u>	<u>\$ 118,600</u>	<u>\$ 84,800</u>
<b>Material and Services</b>								
Bond Trustee Fees	7175	\$ 2,940	\$ 3,045	\$ 3,045	\$ 2,791	\$ 3,400	\$ 3,100	\$ 3,200
Bond Arbitrage Fees	7176	1,500	1,500	1,500	1,500	8,100	1,500	1,500
<i>Material and Services Total</i>		<u>\$ 4,440</u>	<u>\$ 4,545</u>	<u>\$ 4,545</u>	<u>\$ 4,291</u>	<u>\$ 11,500</u>	<u>\$ 4,600</u>	<u>\$ 4,700</u>
<b>Department Grand Total</b>		<b><u>\$ 987,782</u></b>	<b><u>\$ 986,548</u></b>	<b><u>\$ 988,711</u></b>	<b><u>\$ 990,025</u></b>	<b><u>\$ 1,015,700</u></b>	<b><u>\$ 1,008,800</u></b>	<b><u>\$ 590,700</u></b>

**General 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

## 2010 Budget

### Computer Equipment and Software

Description	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Estimated 2009	Budget 2010
<b>Computer Equipment &amp; Software</b>							
Computer Equipment <sup>(a),(b)</sup>	\$ 6,806	\$ 5,137	\$ 11,257	\$ 9,580	\$ 40,000	\$ 47,000	\$ 21,000
Computer Software/Licensing			-	11,512	40,000		
Accounting/Billing Software	31,536					25,800	
Additional Accounting/Billing Software Licenses							14,000
2008 Server Enterprise							20,000
CAD/GIS	2,929					4,000	
Microsoft Licensing Bundle (Office Windows)							12,000
Other Software and Licensing						10,200	12,000
<b>Total Computer Equipment &amp; Software</b>	<b>\$ 41,271</b>	<b>\$ 5,137</b>	<b>\$ 11,257</b>	<b>\$ 21,092</b>	<b>\$ 80,000</b>	<b>\$ 87,000</b>	<b>\$ 79,000</b>

#### **Budget Transfers**

<sup>(a)</sup> Funding of \$4,000 was transferred from the building remodel budget in 2009.

<sup>(b)</sup> Funding of \$3,000 was transferred from furnishing budget in 2009.

**Fair Oaks Water District**  
**2010 Budget**  
**Vehicles and Maintenance Equipment**

Description	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Estimated 2009	Budget 2010
<b>Trucks/Vehicles/Trailers</b>							
Replace Wackers/Tampers	\$ -	\$ -	\$ 7,284	\$ -	\$ 4,000		
Replace 002-2000 Ford Expedition				33,549	40,000		
Replace 001-2000 Dodge Ram BR2500				13,454	23,000		
Upgrade 044-2004 Chevrolet C6500 <sup>(1),(c)</sup>					20,000	20,000	
Replace 1989 410C John Deer Backhoe				84,659			
Upgrade 032-2003 Freightliner Dump Truck				15,075			
Upgrade 045-2004 Chevrolet C6500 <sup>(1)</sup>							20,000
Replace Backhoe		84,242					
Replace 1 Ton Service Truck w/ Utility Bed		37,497	33,133				
3/4 Ton Service Truck		31,271					
Pool Car		14,569					
2006 Dodge Dakota		14,342					
Replace Two Utilities Trailers			2,400				
Replace 901 Dump Truck			72,787				
New Vacuum Trailer			65,157				
Upgrade 003-2000 International Dump Truck			14,285				
<b>Subtotal</b>	<b>\$ 68,273</b>	<b>\$ 181,921</b>	<b>\$ 195,046</b>	<b>\$ 146,737</b>	<b>\$ 87,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>

## Fair Oaks Water District 2010 Budget Vehicles and Maintenance Equipment

Description	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Estimated 2009	Budget 2010
<b>Maintenance Equipment/Tools</b>							
New Locators	\$ -	\$ 6,852	\$ 3,758	\$ -	\$ 7,000	\$ 3,700	
Concrete Saw							2,500
Welding Machine							1,600
Chipping Hammer							1,500
Meter Reading Equipment <sup>(2)</sup>			11,001				5,000
Meter Tester <sup>(3)</sup>							5,000
Hydraulic Breaker / Pneumatic <sup>(d)</sup>					5,000	4,400	
Steel Plates		10,622	6,886				
Cut-Off Saw <sup>(c)</sup>		2,095		1,438		1,000	
MMP Chamber W-3500		1,633					
Miller Bobcat 250 NT welder		4,211					
Vibra Plate							
Equip. Emergency Response Trailer							
Pneumatic Jackhammer/Pole Tamper <sup>(d)</sup>		4,779	820	-		600	
Air Compressor for new truck			860				
Poly Splitters			659				
Soil Cutter			474				
Clay Spade				-			
Hydrant Backflow Meter Assembly			2,963	-			
Other Maintenance Equipment		5,257	569	14,666			
<b>Subtotal</b>	<b>\$ 7,378</b>	<b>\$ 35,449</b>	<b>\$ 27,990</b>	<b>\$ 16,104</b>	<b>\$ 12,000</b>	<b>\$ 9,700</b>	<b>\$ 15,600</b>
<b>Total Vehicle &amp; Maintenance Equipment</b>	<b>\$ 75,651</b>	<b>\$ 217,370</b>	<b>\$ 223,036</b>	<b>\$ 162,841</b>	<b>\$ 99,000</b>	<b>\$ 29,700</b>	<b>\$ 35,600</b>

### General Notes

- <sup>(1)</sup> Upgrade to comply with California Air Resource Control Board requirement.  
<sup>(2)</sup> Fifty percent of equipment cost in 2007 was funded by the US Bureau Grant funding.  
<sup>(3)</sup> Fifty percent of equipment cost will be funded by the 2009 US Bureau Grant funding.

### Budget Transfers

- <sup>(c)</sup> Funding of \$925 was transferred from the upgrade 044-2004 Chevrolet C6500 for the cut-off saw in 2009.  
<sup>(d)</sup> Funding of \$595 was transferred from Hydraulic Breaker for the Pneumatic 3/4" Impac Wrench in 2009.

# Fair Oaks Water District

## 2010 Budget

### Facility and Office Equipment

		Actual	Actual	Actual	Actual	Budget	Estimated	Budget
Description	2005	2006	2007	2008	2009	2009	2009	2010
<b>Building</b>								
New Office Building	\$ -	\$ 804,604	\$ 154,168	\$ 238,912	\$2,800,000	\$2,500,000		\$ 300,000
Building Remodel <sup>(a)</sup>		1,575		13,632	10,000			25,000
<b>Total Building</b>	<b>\$ 21,471</b>	<b>\$ 806,179</b>	<b>\$ 154,168</b>	<b>\$ 252,544</b>	<b>\$2,810,000</b>	<b>\$2,500,000</b>		<b>\$ 325,000</b>
<b>Office Equipment</b>								
Safety Equipment	\$ -	\$ -	\$ 3,935	\$ -	\$ 2,500	\$ 3,900		\$ 4,500
Audio Video				-	2,000	700		2,000
Furnishings <sup>(b)</sup>			501	1,600	5,000			5,000
Miscellaneous Office Equip.		2,758	-	-	3,000	4,500		8,000
<b>Total Office Equipment</b>	<b>\$ 15,934</b>	<b>\$ 2,758</b>	<b>\$ 4,436</b>	<b>\$ 1,600</b>	<b>\$ 12,500</b>	<b>\$ 9,100</b>		<b>\$ 19,500</b>
<b>Total Facility and Equipment</b>	<b>\$ 37,405</b>	<b>\$ 808,937</b>	<b>\$ 158,604</b>	<b>\$ 254,144</b>	<b>\$2,822,500</b>	<b>\$2,509,100</b>		<b>\$ 344,500</b>

**Budget Transfers**

<sup>(a)</sup> Funding of \$4,000 was transferred to computer equipment.

<sup>(b)</sup> Funding of \$3,000 was transferred from furnishing in 2009 for computer equipment.

# Fair Oaks Water District

## 2010 Budget

### Meter Implementation Program

Description	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Estimated 2009	Budget 2010
<b>Meter Implementation Program (MIP)</b>							
Residential Metering/AMR <sup>(1),(e)</sup>	\$ 1,477,118	\$ 1,915,022	\$ 2,358,192	\$ 2,097,589	\$ 2,300,000	\$ 2,039,300	\$ 1,808,500
Sunset Water Main Replacement (13% MIP/87% CIP)							73,500
Sunnybrook Main Replacement (31% MIP/69% CIP)							88,000
Meter Replacement	2,473	4,367	14,276	22,500	15,800	75,000	65,000
The Bluffs, Meter Upgrades			299	133	200,000	30,200	170,000
Commercial Metering	1,025	-	1,474	1,032			
Butterwood and Plantain						150,000	340,000
Madison Ave. Water Main Extension				10,510		32,000	
Meters Upgrades on Pershing				112,644		147,000	
<b>Total MIP<sup>(2)</sup></b>	<b>\$ 1,480,600</b>	<b>\$ 1,919,400</b>	<b>\$ 2,374,241</b>	<b>\$ 2,244,407</b>	<b>\$ 2,515,800</b>	<b>\$ 2,473,500</b>	<b>\$ 2,545,000</b>

#### General Notes

<sup>(1)</sup> The District collected \$27,900 from the Phoenix HOA in 2009 for the MIP program.

<sup>(2)</sup> Includes labor and benefits of \$872,000 in the 2010 budget.

#### Budget Transfers

<sup>(e)</sup> Funding of \$42,275 was transferred to Winding Way and Kenneth Main Relocation project under the CIP program.

# Fair Oaks Water District

## 2010 Budget

### Capital Improvement Program

Description	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Estimated 2009	Budget 2010
<b>Wells &amp; Tank</b>							
New York Well Rehabilitation	\$ -	\$ -	\$ -	\$ -	\$ 45,000		
Annual Well Pump Check				2,420	5,000		5,000
Skyway Tank Inspection					24,000	13,000	
Miscellaneous Bowl Replacement			4,215	14,540	15,000		25,000
Park Well (New Pump)					50,000	1,400	50,000
Town Well	60,592	973,525	921,394	6,165			
Heather Well	65,921	1,086,798	1,295,680	1,565			
Northridge Well Rehab			41,419	3,775			
Park Well Rehab			22,858				
Storage Tank (Safety Upgrade-Skyway) (Safety Upgrades to PRV Vaults)		11,192					10,000
Pump & Motor (Alarm)	8,713						
Lemon Grove PRV Upgrades				2,431			
Inline Valve at Skyway Tank Site				16,266			
Tank Cathodic Protection Upgrade			5,022				
T-Main Cathodic System Upgrade			3,762				
Worksmart Automation SCADA			4,985	-			
<b>Subtotal</b>	<b>\$ 135,200</b>	<b>\$ 2,071,515</b>	<b>\$ 2,299,334</b>	<b>\$ 47,162</b>	<b>\$ 139,000</b>	<b>\$ 14,400</b>	<b>\$ 90,000</b>

## Fair Oaks Water District 2010 Budget Capital Improvement Program

Description	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Estimated 2009	Budget 2010
<b>Transmission &amp; Distribution</b>							
Services Upgrade	\$ 52,862	\$ 13,663	\$ 28,879	\$ 29,774	\$ 25,000	\$ 30,000	\$ 30,000
Hydrant Upgrades	38,900	26,118	70,821	46,081	20,000	24,500	25,000
Minor Main Upgrades	-		9,813	9,521	15,000	16,000	15,000
Developer's Paid Projects-Srvc Installation etc.	39,283	63,315		39,694	50,000	10,000	15,000
Developer's Paid Main Line Projects	13,936	61,111	19,045	22,857	50,000	7,000	20,000
Hazel Widening Project Phase I				78	420,000	22,100	300,000
Sunnybrook Main Replacement (31% MIP/69% CIP)							194,400
Sunset Water Main Replacement (13% MIP/87% CIP)							479,800
Fair Oaks 40"							235,000
T-Main 5001 Havelock						4,600	
Winding Way-Chicago Main WWCH						1,200	
Winding Way & Kenneth Main Relocation <sup>(1),(e)</sup>					73,500	120,000	
T-Main Feasibility Study				2,345	40,000		
Two 24" Butterfly T-Main Valve				44,627			
Hawaiian Tract Water Main Relocation Phase 3				341,763		13,100	
Hawaiian Tract Water Main Relocation Phase 4				299,738			
Bracken Road			83,397	195			
24" Gate Valve Mad. & Illinois MI				18,327			
T-Main Repair Rimwood						4,600	
Rimwood Ave Transmission Rep.				20,650			
8361 Sunset (Water Main Cross) SUN				22,989		1,000	
Replacement - Wholesale Meters WSM				23,580		9,900	
North Winding Way Main Replacement	29,475	353,751	1,214				
Master Plan Update		2,141	4,200				
Watkins Dr Repl/Ext FOB to Main		292,006	54,408				
Timothy (Phase I)		298,525	40,939				
Fair Oaks Blvd. County Overlay Project Phase 1			176,470				
Fair Oaks Blvd. County Overlay Project Phase 2			26,979				
Hawaiian Tract Water Main Relocation Phase 1			260,196				
Hawaiian Tract Water Main Relocation Phase 2			346,952				
McMillan @ FO Crossing-Main Ln			7,365				
2 Vlv-Havelock/4960 Chicago			261				
T-Main Phase 1			1,239	-			
<b>Subtotal</b>	<b>\$ 174,456</b>	<b>\$ 1,110,630</b>	<b>\$ 1,161,400</b>	<b>\$ 922,219</b>	<b>\$ 693,500</b>	<b>\$ 264,000</b>	<b>\$ 1,314,200</b>
<b>Total CIP<sup>(2)</sup></b>	<b>\$ 309,656</b>	<b>\$ 3,182,145</b>	<b>\$ 3,460,734</b>	<b>\$ 969,381</b>	<b>\$ 832,500</b>	<b>\$ 278,400</b>	<b>\$ 1,404,200</b>

### General Notes

<sup>(1)</sup> The Board approved to increase project to \$115,775 on the June 8, 2009 Regular Board meeting for increased in scope of services.

<sup>(2)</sup> Includes labor and benefits of \$90,000 in the 2010 budget.

### Budget Transfers

<sup>(e)</sup> Funding of \$42,275 was transferred from the MIP program.

<b>Fair Oaks Water District</b>	<b>2008 Revenues</b>		<b>[1] Emergency Designation</b>	<b>[2] Grants</b>	<b>[3] Connection Fee</b>	<b>[4] Rate Stabilization Designation</b>	<b>COP Retirement</b>	<b>Total</b>
		<b>Undesignated</b>						
<b>2008 Actual</b>								
<b>Beginning Reserve and Designation Balance</b>		\$ 2,765,721	\$ 2,501,200	\$ -	\$ -	\$ 1,250,600	\$ 658,757	\$ 7,176,300
<i>Add: Revenues Collected</i>								
Water Sales	8,021,890							
Interest Income	318,554							
Delinquencies & Late Fees	179,867							
Fees for Service	50,263							
Connection Fees	53,436							
Grants	19,612							
Other Sources of Income	1,191,221							
Miscellaneous Revenue	200,040							
	10,034,883							
<b>2008 Allocation</b>	(10,034,883)	9,700,449	256,600	19,612	53,436	-	4,043	10,034,140
Interest Allocation					743			743
<b>Subtotal Reserves and Designations</b>		\$ 12,466,170	\$ 2,757,800	\$ 19,612	\$ 54,179	\$ 1,250,600	\$ 662,800	\$ 17,211,183
<b>Expenses and payments</b>								
Departmental Expenses		4,512,133		19,612				4,531,745
Information Technology		21,092		-				21,092
Debt Service		990,025						990,025
Facilities & Equip		254,144						254,144
Vehicles & Maintenance Equipment		162,841						162,841
CIP		969,381		-	-			969,381
Metering		2,244,407					-	2,244,407
<b>Total Expenses and Infrastructure</b>		\$ 9,154,023	\$ -	\$ 19,612	\$ -	\$ -	\$ -	\$ 9,173,635
Additional proposed allocation		(128,300)				128,300		-
<b>Ending Reserve and Designation Balance</b>		\$ 3,183,847	\$ 2,757,800	\$ -	\$ 54,179	\$ 1,378,900	\$ 662,800	\$ 8,037,500
<b>Policy (5050) Requirement</b>			\$ 2,757,800	N/A	N/A	\$ 1,378,900	\$ 658,000	\$ 4,794,700
<b>Difference between Ending Reserve &amp; Policy Requirement</b>			0.0%			0.0%	0.7%	67.6%

- 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	2009 Revenues	Undesignated	[1] Emergency Designation	[2] Grants	[3] Connection Fee	[4] Rate Stabilization Designation	COP Retirement	Total
<b>2009 Estimated</b>								
<b>Beginning Reserve and Designation Balance</b>		\$ 3,183,847	\$ 2,757,800	\$ -	\$ 54,179	\$ 1,378,900	\$ 662,800	\$ 8,037,500
<i>Add: Revenues Collected</i>								
Water Sales	7,873,800							
Interest Income	75,400							
Delinquencies & Late Fees	150,000							
Fees for Service	20,000							
Connection Fees	55,000							
Miscellaneous Revenue	78,500							
	8,252,700							
<b>2009 Allocation</b>	(8,252,700)	8,197,700			55,000	-	-	8,252,700
<b>Subtotal Reserves and Designations</b>		\$ 11,381,547	\$ 2,757,800	\$ -	\$ 109,179	\$ 1,378,900	\$ 662,800	\$ 16,290,200
<b>Expenses and payments</b>								
Departmental Expenses		4,893,300						4,893,300
Information Technology		87,000		-				87,000
Debt Service		1,008,800						1,008,800
Facilities & Equip		2,509,100						2,509,100
Vehicles & Maintenance Equipment		29,700						29,700
CIP		278,400		-				278,400
Metering		2,473,500					-	2,473,500
<b>Total Expenses and Infrastructure</b>		\$ 11,279,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,279,800
Additional proposed allocation		(101,700)	101,700					-
<b>Ending Reserve and Designation Balance</b>		\$ -	\$ 2,859,500	\$ -	\$ 109,200	\$ 1,378,900	\$ 662,800	\$ 5,010,400
<b>Policy (5050) Requirement</b>			\$ 2,863,800	N/A	N/A	\$ 1,431,900	\$ 658,000	\$ 4,953,700
<b>Difference between Ending Reserve &amp; Policy Requirement</b>			-0.2%			-3.7%	0.7%	1.1%

- 1) Emergency Designation target balance is six months of operating costs.
- 2) The 2009 Field Service Grant fund will be received in 2010 with the corresponding expenses per 2010 budget.
- 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	2010 Revenues		[1] Emergency Designation	[2] Grants	[3] Connection Fee	[4] Rate Stabilization Designation	COP Retirement	Total
		Undesignated						
<b>2010 Budget</b>								
<b>Beginning Reserve and Designation Balance</b>		\$ -	\$ 2,859,500	\$ -	\$ 109,200	\$ 1,378,900	\$ 662,800	\$ 5,010,400
<i>Add: Revenues Collected</i>								
Water Sales	7,852,100							
Interest Income	23,700							
Delinquencies & Late Fees	122,000							
Fees for Service	27,000							
Connection Fees	60,000							
Grants	45,000							
Miscellaneous Revenue	15,000							
	8,144,800							
<b>2010 Allocation</b>	(8,144,800)	8,039,800		45,000	60,000	-	-	8,144,800
<b>Subtotal Reserves and Designations</b>		\$ 8,039,800	\$ 2,859,500	\$ 45,000	\$ 169,200	\$ 1,378,900	\$ 662,800	\$ 13,155,200
<b>Expenses and payments</b>								
Departmental Expenses		5,692,500		35,000				5,727,500
Information Technology		79,000	-	-				79,000
Debt Service		590,700	-	-				590,700
Facilities & Equip		344,500	-	-				344,500
Vehicles & Maintenance Equipment		25,600	-	10,000				35,600
CIP		1,235,000	-	-	169,200			1,404,200
Metering		72,526	2,472,474				-	2,545,000
<b>Total Expenses and Infrastructure</b>		\$ 8,039,826	\$ 2,472,474	\$ 45,000	\$ 169,200	\$ -	\$ -	\$ 10,726,500
Additional proposed allocation		-	-					-
<b>Ending Reserve and Designation Balance</b>		\$ -	\$ 387,000	\$ -	\$ -	\$ 1,378,900	\$ 662,800	\$ 2,428,700
<b>Policy (5050) Requirement</b>			\$ 2,863,800	N/A	N/A	\$ 1,431,900	\$ 658,000	\$ 4,953,700
<b>Difference between Ending Reserve &amp; Policy Requirement</b>			-86.5%			-3.7%	0.7%	-51.0%

- 1) Emergency Designation target balance is six months of operating costs.
- 2) Field Service Grants (2009 & 2010).
- 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

## Schedule of service rates in 2010 <sup>(1)</sup>

Effective January 1, 2010

User Category	2009 Rate	Rate Adjustment	2010 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>	2007 Rate	plus	\$438.00
	2008 Rate	plus	\$438.00
	2009 Rate	plus	\$438.00
	2010 Rate	plus	\$438.00
<i>One to two acre parcel</i>	2007 Rate	plus	\$438.00
	2008 Rate	plus	\$438.00
	2009 Rate	plus	\$438.00
	2010 Rate	plus	\$438.00
<i>Over two acre parcel</i>	2007 Rate	plus	\$438.00
	2008 Rate	plus	\$438.00
	2009 Rate	plus	\$438.00
	2010 Rate	plus	\$438.00

(1) 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 2010 Budget

	<u>Actual</u> <u>2007</u>	<u>Actual</u> <u>2008</u>	<u>Actual</u> <u>2009</u>	<u>2010</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**  
**2010**

Activity	Actual 2007	Actual 2008	Actual 2009	2010
<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 2007	Actual 2008	Actual 2009	2010
<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**  
**2010**

Activity	Actual 2007	Actual 2008	Actual 2009	2010
<b>Payment Processing Fees:</b>				
Return Check	30	30	25	25
<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.



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