



FAIR OAKS  
WATER DISTRICT

# 2012 ANNUAL BUDGET

FAIR OAKS WATER DISTRICT — Fair Oaks, California



**FAIR OAKS WATER DISTRICT**  
**Table of Contents**  
**2012 Annual Budget**

**INTRODUCTION**..... 1

**BUDGET OVERVIEW AND HIGHLIGHTS**..... 1

New Water Rate Structure..... 2

Revenues..... 3

Expenses..... 5

Reserves and Designations..... 6

**BUDGET PRINCIPLES AND PROCESS OVERVIEW**..... 7

Budget Control..... 7

Basis of Budgeting..... 8

**ORGANIZATION SUMMARY**

Organizational Chart..... 9

District Principles, Goals and Objectives..... 10

*District Principles*..... 10

*District Goals and Objectives*..... 11

District Financial Policies..... 13

*Budget Preparation*..... 13

*Fixed Asset Accounting Control*..... 13

*District Reserve Funds and Designations*..... 13

*Investments of District Funds*..... 15

*Authorization of Expenses*..... 17

**FINANCIAL SUMMARIES**

District Revenues..... 18

*Water Sales*..... 18

*Other Income*..... 18

District Expenses..... 19

*Water Supply*..... 20

*Capital Projects Overview*..... 21

*Debt Service*..... 23

*Operating Outlay*..... 24

Reserves and Designations..... 26

**FINANCIAL DETAILS**

Financial Plan Summary of Revenues and Expenses..... 27  
Revenue Summary.....28  
Expense Summary..... 29  
Debt Service.....34  
Capital Projects  
    *Computer Equipment & Software*.....35  
    *Vehicles & Maintenance Equipment*.....36  
    *Facilities & Office Equipment*..... 37  
    *Meter Implementation Program/Meter Maintenance Program*..... 38  
    *Capital Improvement Program (CIP)*..... 39  
Reserves and Designations..... 41

**RATES, FEES & CHARGES**

Metered Service Charges and Commodity Rates..... 44  
Schedule of Fees and Charges..... 45  
Schedule of Service Rates for Dedicated Fire Service Connections..... 47

**APPENDIX A – GLOSSARY OF TERMS..... 48**

## **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 (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 through 14,138 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:

*“The mission of Fair Oaks Water District is to provide our community with an adequate and reliable supply of water, exceeding all drinking water standards, at the lowest reasonable cost.”*

## **BUDGET OVERVIEW AND HIGHLIGHTS**

The District developed a five-year financial plan for 2012 through 2016 that analyzed historical data and forecasted future needs of the District to determine the new rate structure. The District also reviewed and adjusted all fees to reflect current and future needs. New rate structure and fees calculations are included in the *Five-Year Financial and Water Rate Development Plan* dated November 14, 2011. The District will be introducing a new rate structure for all FOWD customers effective January 1, 2012.

The 2012 budget was prepared by staff in accordance with the concepts approved by the Board under the *2012-2016 Five-Year Financial and Water Rate Development Plan*. The 2012 Budget was adopted on December 12, 2011.

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 2012. 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).

## NEW WATER RATE STRUCTURE

### Water Rate Hearing Process

District staff developed a five-year financial plan and presented it to the District Budget Committee for review on August 4, 2011 and on August 11, 2011. The Budget Committee recommended a proposed rate structure to the full Board at the Special Board meeting on August 15, 2011. At the August 15, 2011 meeting, the Board directed staff to place the recommended rate structure on the public hearing notice. The public hearing notice was sent out to FOWD customers on August 23, 2011. Public hearings on a new water rate structure for the District were held on: September 12, 2011, October 10, 2011, October 24, 2011 and on November 14, 2011.

At the November 14, 2011 Special Board meeting, the Board adopted the Resolution No. 11-06, "A Resolution Establishing 2012-2014 Water Rates and Fees" to approve the 2012 water rates. Below is the chart with the three-year approved water rates.

Fair Oaks Water District Approved Three-Year Water Rates			
Bi-Monthly Fixed Service Charges			
Meter Size (Inch)	2012	2013*	2014*
1	\$ 65.10	\$ 59.57	\$ 53.53
1.5	119.31	109.17	99.27
2	184.28	168.62	153.32
3	357.56	327.17	297.49
4	552.61	505.64	459.77
6	1,093.84	1,000.86	910.07
8	1,744.82	1,596.51	1,451.69
10	2,718.87	2,487.77	2,262.10
	<b>2012</b>	<b>2013*</b>	<b>2014*</b>
<b>Commodity Rate per CCF**</b>	<b>\$ 0.45</b>	<b>\$ 0.64</b>	<b>\$ 0.83</b>

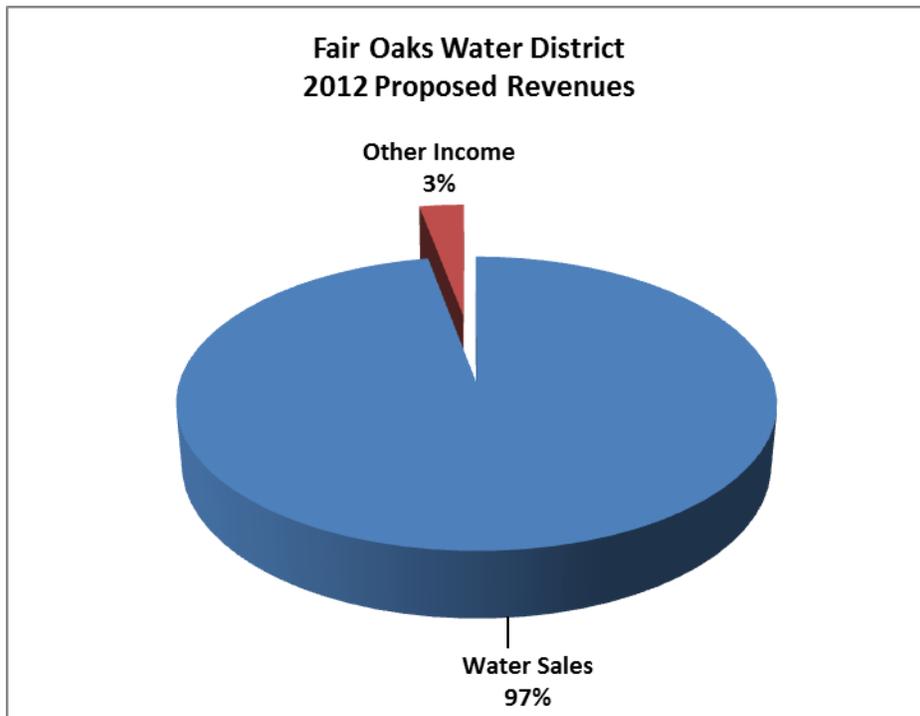
\*Rate adjustments will require Board action.

\*\*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.

## Revenues

The District projects revenues of \$8,410,200 in 2012.

<b>2012 Projected Revenues by Major Category</b>	
Water Revenue	\$ 8,164,800
Other Income	245,400
<b>Total</b>	<b>\$ 8,410,200</b>



2012 Projected Water Sales			
Meter Size (Inch)	Number of Connection per Size	Current Bi-Monthly Charges	Total Fixed Charge (Annual)
1	13093	\$ 65.10	\$ 5,114,126
1.5	651	119.31	466,025
2	351	184.28	388,094
3	5	357.56	10,727
4	23	552.61	76,260
6	9	1,093.84	59,067
8	4	1,744.82	41,876
10	2	2,718.87	32,626
<b>TOTAL</b>			<b>\$ 6,188,800</b>
2012 Projected AF	Units (CCF)	Proposed \$/CCF	Total Commodity
10,080	4,391,100	\$ 0.45	\$ 1,976,000
<b>Total 2012 Water Sales</b>			<b>\$ 8,164,800</b>

2012 New Rate Structure by %	
Fixed Service Charge	76%
Commodity Charge	24%

The District projects an overall revenue increase of approximately 3% with the new water rate structure for 2012 (\$8,410,200) over the estimated 2011 (\$8,147,600) as shown below.

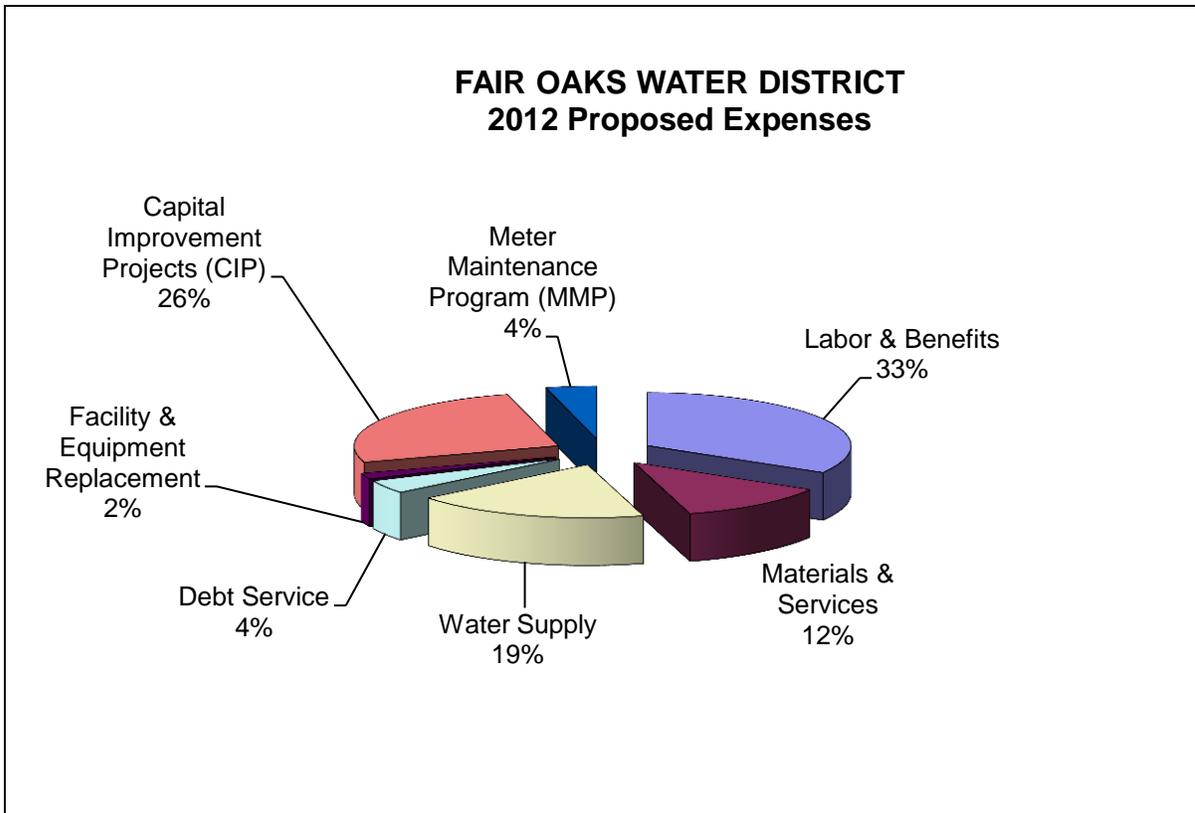
Fair Oaks Water District 2012-2016 Summary of Projected Revenues, Reserves and % Change							
Year	Commodity Revenues	Fixed Revenues	Total Projected Water Revenues	Other Revenues	Total Projected Revenues	% Change	Projected Ending Reserves
2011 (Estimated)					\$ 8,147,600		\$ 3,911,600
2012	\$ 1,976,000	\$ 6,188,800	\$ 8,164,800	\$ 245,400	\$ 8,410,200	3.22%	\$ 2,753,800
2013	\$ 2,760,100	\$ 5,663,000	\$ 8,423,100	\$ 230,900	\$ 8,654,000	2.90%	\$ 3,054,200
2014	\$ 3,514,500	\$ 5,099,300	\$ 8,613,800	\$ 233,500	\$ 8,847,300	2.23%	\$ 3,267,700
2015	\$ 3,481,900	\$ 5,099,300	\$ 8,581,200	\$ 235,700	\$ 8,816,900	-0.34%	\$ 3,683,700
2016	\$ 3,416,900	\$ 5,099,300	\$ 8,516,200	\$ 239,000	\$ 8,755,200	-0.70%	\$ 2,328,500

## Expenses

The District's total estimated expenses for 2012 are \$9,568,000. These expenses include cost for meter maintenance program, facility and equipment replacement and transmission and distribution system improvements.

The breakdown of expenses by major expense categories is presented in the table below.

2012 Proposed Expenses	
Labor & Benefits	\$ 3,191,500
Maintenance & Materials	1,159,700
Water Supply	1,783,200
Debt Service	385,400
Facility & Equipment Replacement	168,200
Capital Improvement Projects (CIP)	2,495,000
Meter Maintenance Program (MMP)	385,000
<b>Total</b>	<b>\$ 9,568,000</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 2012 capital improvement programs and normal operating expenses.

The District's 2012 budget projects a net loss of (\$1,157,800) calculated as follows:

Projected Total Revenues	\$ 8,410,200
Projected Total Expenses	<u>(9,568,000)</u>
Projected Net Loss	<u>\$ (1,157,800)</u>

With a projected deficit of (\$1,157,800), the District will use reserve(s)/designation(s) to offset this deficit. The Board adopted an updated reserve policy on May 14, 2007, which requires the District to have approximately \$3.55M in reserve based on the 2012 budget. The District projects a year-ending total reserve balance of \$2.75M (\$0.80M below the District's current reserve policy). See reserve balance summary for more detail on pages 41-43.

## **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 provides 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 demands.

The financial model is updated to determine whether adequate funds exist to meet requirements; 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 at least 45 days in advance about any public hearing required if a rate increase is proposed. One or more public meetings 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

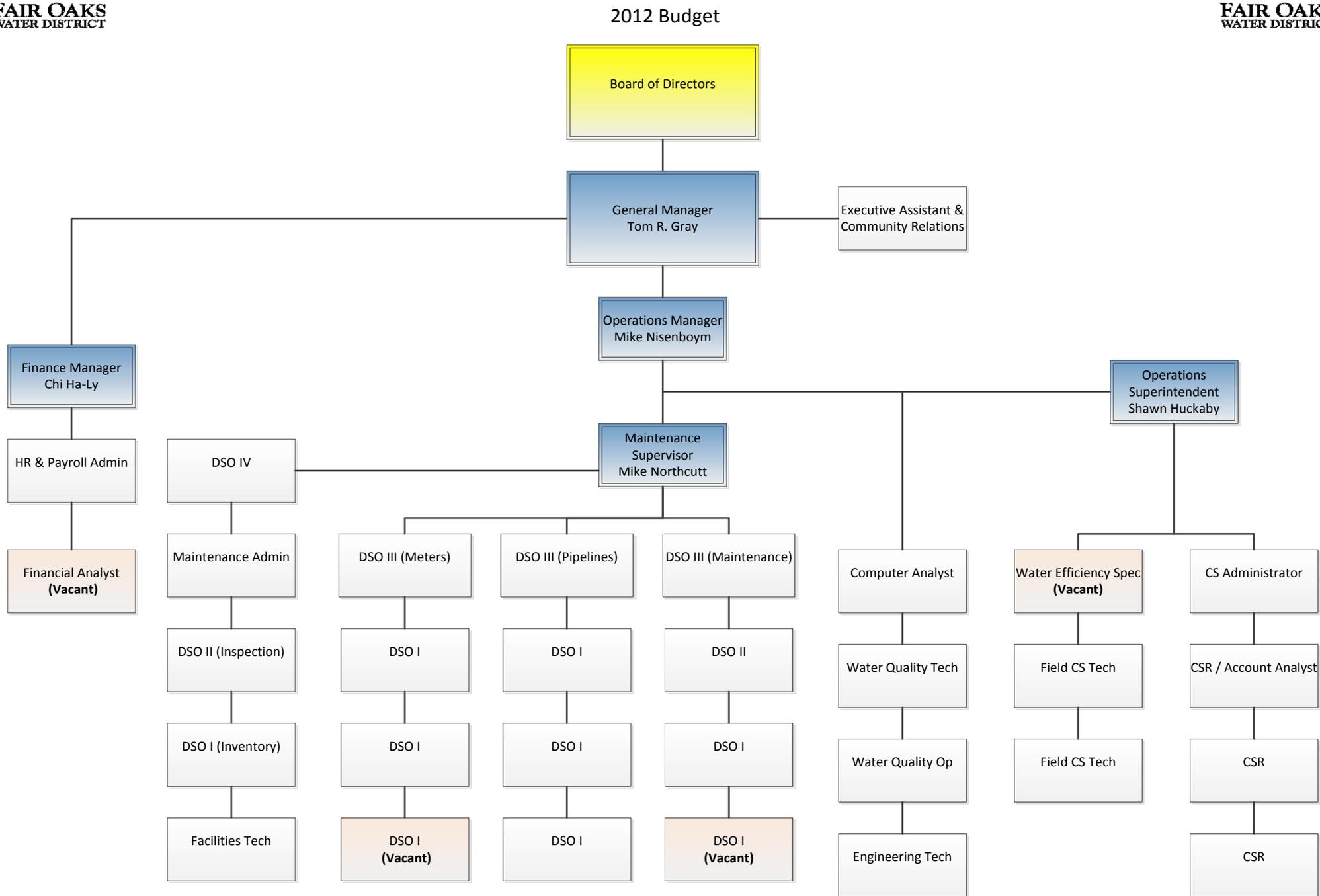
overall District spending, while making senior staff accountable for internal operations and expenses.

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



## **District Principles, Goals and Objectives**

The purpose of the District's financial planning 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 annual budget 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. Budget 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 compares the approved budget with actual expenses monthly.

### *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*

The District completed the Meter Implementation Program (MIP) in 2011 and is implementing metered rates for all customers in 2012.

#### *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.
- ✓ 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.
- ✓ Continue the requirement that all water system operators be State Certified.
- ✓ Continue to provide all employees with a respectful workplace, providing fair and reasonable compensation.

### *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.
- ✓ Continue to work with the local community in areas that provide customer benefit.

## **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 District has established 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 as necessary. The District's current reserve policy was adopted on May 14, 2007. The following District reserve and fund categories are established:

1. Emergency Reserve:
  - 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 Reserve:
  - 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 reserve 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 the money collected 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.
  - 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 added to the 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 and scheduled extraordinary cash needs can be met. Further, adequate liquidity shall be maintained to ensure the unforeseen cash needs, whether ordinary or extraordinary can be met.
  - 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**

The District has the following major sources of revenue for 2012:

- ✓ Water Sales
- ✓ Other Income

#### Water Sales

##### *Metered Rate Revenues*

All District customers will be billed on metered rates in 2012. The metered rates are based upon two components: commodity rate based on actual water usage and a fixed service charge.

The fixed service charge is based upon meter 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 76% of the total water bill.

The commodity charge covers the variable costs of water service, which fluctuates according to actual water use. The commodity charge represents approximately 24% of the total water bill and is designed to cover the costs of water purchases, pumping, treatment and conservation costs.

#### Other Income

##### *Connection Fees*

Connection fees represent the cost to connect to Fair Oaks Water District distribution system for new customers; 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 District recalculated the connection fees for 2012. Detailed calculations are presented in the *Five-Year Financial and Water Rate Development Plan*.

*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 \$10,600 in interest earnings in 2012 (from the estimated 2011) due to the 2012 projected decrease in ending reserve balance and decrease in interest rates.

**District Expenses**

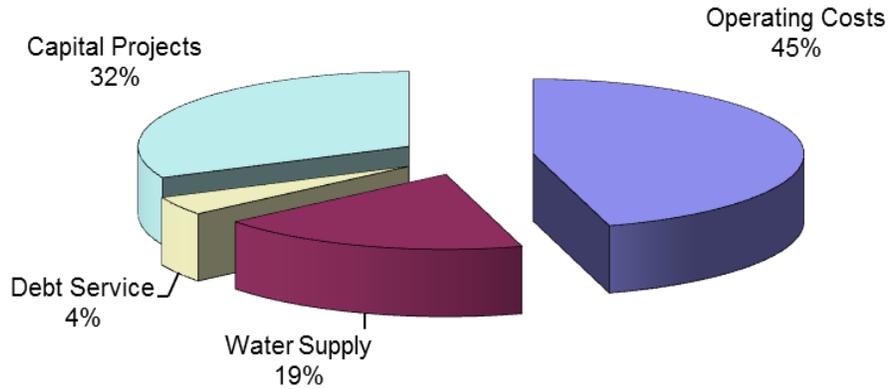
The District’s expenses can be categorized into four major groups:

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

<b>2012 Projected Expenses by Major Category</b>	
Operating Costs	\$ 4,351,200
Water Supply	1,783,200
Debt Service	385,400
Capital Projects	3,048,200
<b>Total</b>	<b>\$ 9,568,000</b>

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

**FAIR OAKS WATER DISTRICT  
2012 Budget  
Expenses by Major Category**



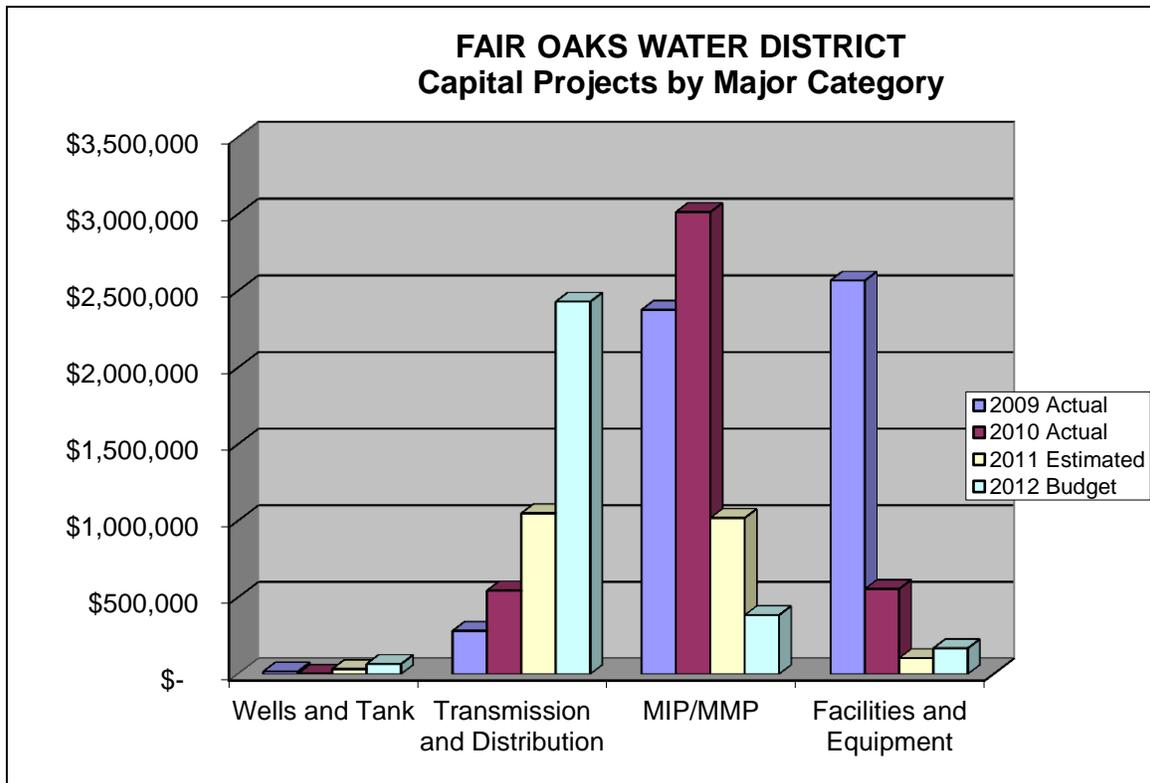
***Water Supply***

The District’s main water supply is surface water purchased from the San Juan Water District. San Juan Water District provides approximately 90% of the FOWD water demand. The District has purchased on average approximately 11,000 Acre-Feet of surface water over the past five years. The District projects purchasing approximately 10,000 AF of surface water from SJWD in 2012 with 1,200 AF produced with District’s wells.

<b>Projected 2012 Water Supply Costs</b>	
<b><i>Purchased Surface Water</i></b>	
Commodity Charge (\$90.60 per AF x 10,000 AF)	\$ 906,000
Service Charge	208,340
Debt Service Charge	415,331
<i>Total Purchased Surface Water</i>	\$ 1,529,700
<b><i>Groundwater</i></b>	253,500
<b>Total Water Supply Costs</b>	<b>\$ 1,783,200</b>

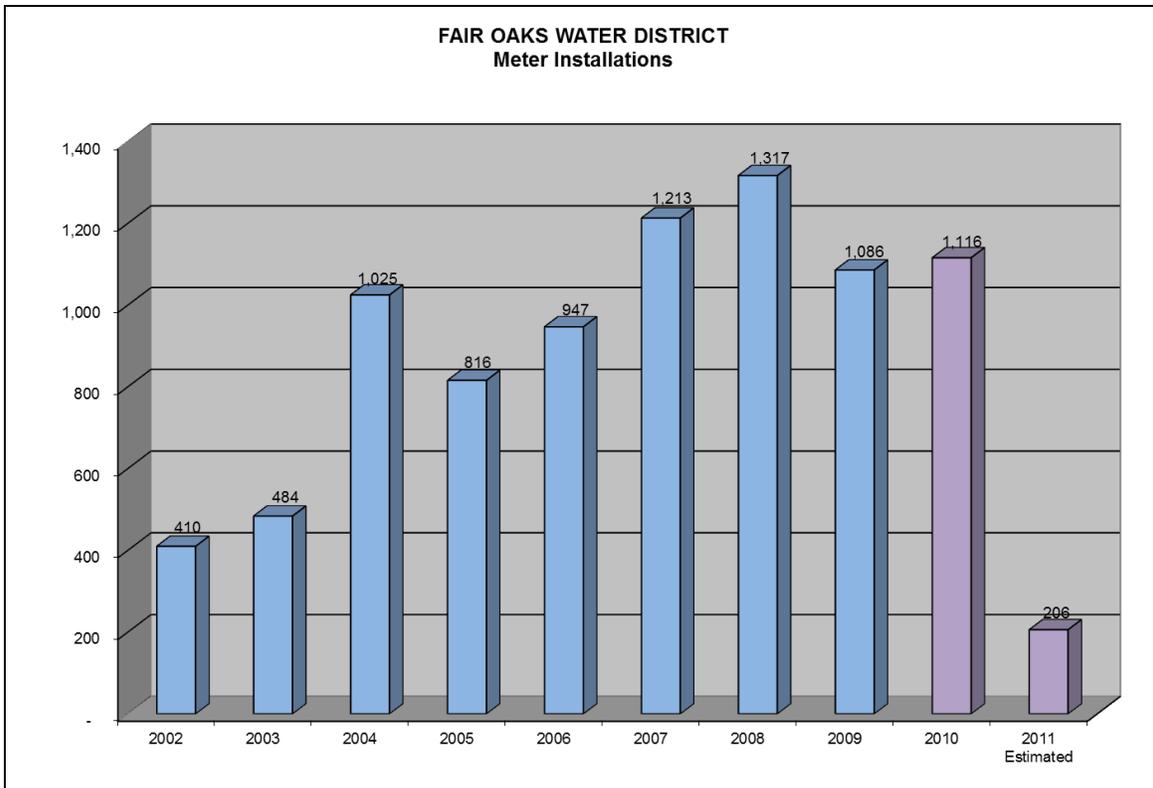
## Capital Projects Overview

Capital Projects Overview				
Category	2009 Actual	2010 Actual	2011 Estimated	2012 Budget
Wells and Tank	\$ 16,656	\$ 981	\$ 32,000	\$ 65,000
Transmission and Distribution	281,763	545,035	1,049,700	2,430,000
MIP/MMP	2,377,261	3,014,330	1,019,200	385,000
Facilities and Equipment	2,567,262	555,775	103,700	168,200
<b>Total</b>	<b>\$ 5,242,942</b>	<b>\$ 4,116,121</b>	<b>\$ 2,204,600</b>	<b>\$ 3,048,200</b>



### Metering Maintenance Program

The District completed the Meter Implementation Program in 2011. A cost of \$385,000 was estimated in the 2012 budget for maintaining the District's retail meters. The following chart reflects the total meters installed as of 2011 by the District over the last ten years.



Transmission and Distribution

The District continues to repair and replace aging infrastructure throughout its system. The District scheduled the following projects for 2012:

- Fair Oaks 40-Inch Pipeline Rehabilitation Project at an estimated cost of \$2,000,000.
- Installation of 12-inch Water Main Project on Twin Lakes at an estimated cost of \$300,000.

Facilities and Equipment

The amount of \$153,200 was allocated for replacement of office equipment, computer software, computer equipment, maintenance equipment and trucks and vehicles in 2012.

## Debt Service

The District paid off all of its direct debt in 2010. The District has a debt obligation through San Juan Water District for the cooperative transmission pipeline that will be paid off in 2012.

The 2012 Debt Coverage is estimated at 5.77; calculated as follows:

Operating Revenues	\$	8,359,800
Operating Expenses		<u>(6,134,400)</u>
Net Income from Operations	\$	2,225,400
Debt Service	\$	385,400
Calculated Coverage		5.77

SJWD billed one year in advance for the debt beginning 2010. The listed schedule showed the payment obligation required to be paid to San Juan Water District (SJWD).

Year Ending December 31,	Principle	Interest	Total
2012	\$ 370,600	\$ 14,800	\$ 385,400

## **Operating Outlay**

The District's operating outlay falls 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.

One of the major programs the District has been working on is the Meter Implementation Program (MIP). The District completed the Meter Implementation Program in 2011 and will continue to maintain the meters through the Meter Maintenance Program.

Another ongoing District activity is replacing and improving the District's aging pipelines. The District anticipates the completion of multiple water main replacement projects in 2012 (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.

The District completed a Five-Year Financial and Rate Development Plan (2012-2016) in 2011 with a new rate structure.

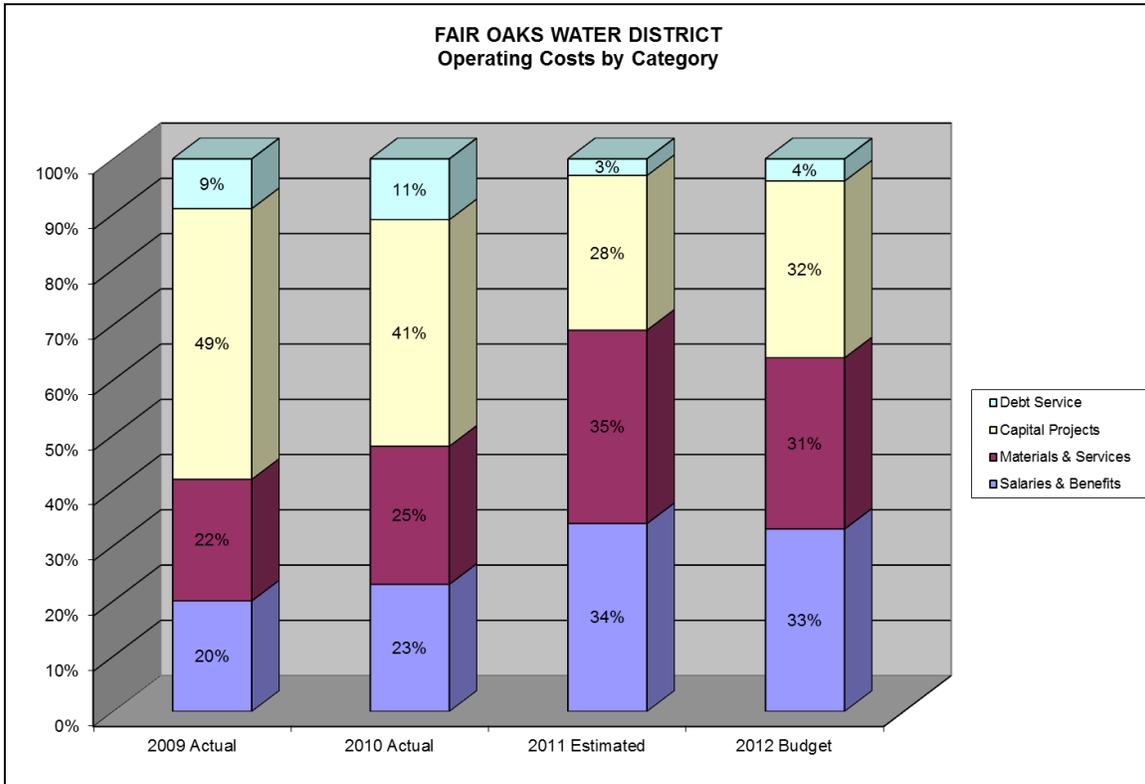
### Board of Directors

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 2009.

Operating Costs by Category				
Category	2009 Actual	2010 Actual	2011 Estimated	2012 Budget
Salaries & Benefits	\$ 2,164,295	\$ 2,295,811	\$ 2,704,600	\$ 3,191,500
Materials & Services	2,407,408	2,497,858	2,822,300	2,942,900
Capital Projects	5,242,942	4,116,121	2,204,600	3,048,200
Debt Service	1,006,600	1,089,900	234,700	385,400
<b>Total</b>	<b>\$ 10,821,245</b>	<b>\$ 9,999,690</b>	<b>\$ 7,966,200</b>	<b>\$ 9,568,000</b>



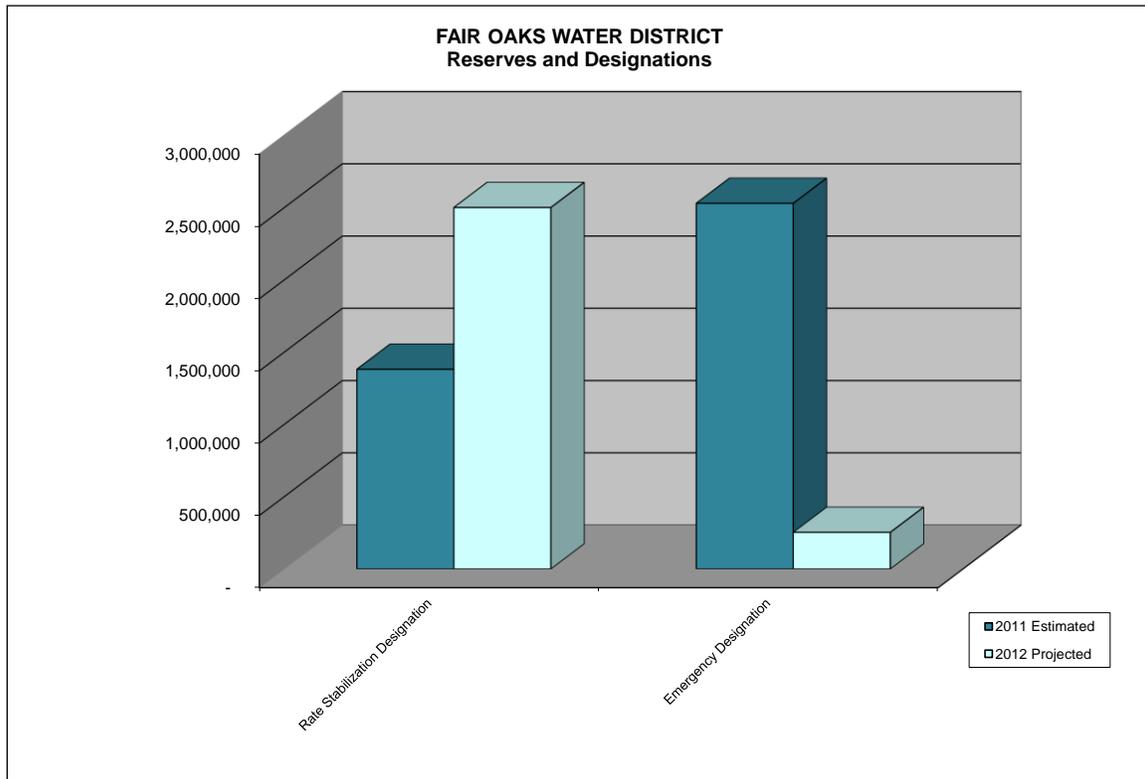
Personnel Summary Full Time Equivalent (FTE)					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Board Approved	40	40	40	40	36
Actual	35	35	37	34	-

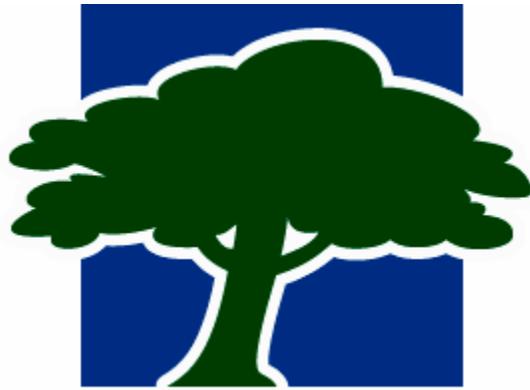
Notes: The District originally had 40 approved positions. In July 2011, the Board reduced the number of approved positions to 36.

## Reserves 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 this 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	2011 Estimated	2012 Projected
Rate Stabilization Designation	1,381,700	2,500,800
Emergency Designation	2,529,900	253,000
<b>Total</b>	<b>\$ 3,911,600</b>	<b>\$ 2,753,800</b>





## **FINANCIAL DETAILS**

# Fair Oaks Water District

## 2012 Annual Budget

### Financial Plan Summary of Revenues and Expenses

Description	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Budget 2012
<b>Revenues</b>							
<i>Total Operating Revenues</i>	\$ 7,942,731	\$ 8,252,020	\$ 8,071,610	\$ 8,032,377	\$ 8,036,300	\$ 7,996,900	\$ 8,359,800
<i>Total Non-Operating Income</i>	1,018,496	1,782,863	229,636	180,034	74,000	150,700	50,400
<b>Total Revenues</b>	<b>\$ 8,961,227</b>	<b>\$ 10,034,883</b>	<b>\$ 8,301,246</b>	<b>\$ 8,212,411</b>	<b>\$ 8,110,300</b>	<b>\$ 8,147,600</b>	<b>\$ 8,410,200</b>
<b>Expenses</b>							
<i>Operating Expenses</i>	\$ 4,327,735	\$ 4,531,745	\$ 4,571,703	\$ 4,793,669	\$ 6,126,700	\$ 5,526,900	\$ 6,134,400
<i>Debt Service</i>	988,711	990,025	1,006,600	1,089,900	236,200	234,700	385,400
<b>Total Expenses</b>	<b>\$ 5,316,446</b>	<b>\$ 5,521,770</b>	<b>\$ 5,578,303</b>	<b>\$ 5,883,569</b>	<b>\$ 6,362,900</b>	<b>\$ 5,761,600</b>	<b>\$ 6,519,800</b>
<b>Net Income (Loss) before Capital Program Expenses</b>	<b>\$ 3,644,782</b>	<b>\$ 4,513,113</b>	<b>\$ 2,722,943</b>	<b>\$ 2,328,842</b>	<b>\$ 1,747,400</b>	<b>\$ 2,386,000</b>	<b>\$ 1,890,400</b>
<b>Capital Program Expenses</b>							
<i>Computer Equipment &amp; Software</i>	\$ 11,257	\$ 21,092	\$ 77,315	\$ 36,248	\$ 51,700	\$ 51,700	\$ 75,700
<i>Vehicles &amp; Maintenance Equipment</i>	223,036	162,841	22,079	31,202	19,500	13,000	62,000
<i>Facility &amp; Office Equipment</i>	158,604	254,144	2,467,867	488,325	44,000	39,000	30,500
<i>Meter Maintenance Program (MMP)/MIP</i>	2,374,241	2,244,407	2,377,261	3,014,330	1,060,000	1,019,200	385,000
<i>CIP</i>	3,460,734	969,381	298,419	546,016	1,240,000	1,081,700	2,495,000
<b>Total Capital Program Expenses</b>	<b>\$ 6,227,872</b>	<b>\$ 3,651,865</b>	<b>\$ 5,242,942</b>	<b>\$ 4,116,121</b>	<b>\$ 2,415,200</b>	<b>\$ 2,204,600</b>	<b>\$ 3,048,200</b>
<b>Total Expenses including Capital Program</b>	<b>\$ 11,544,318</b>	<b>\$ 9,173,635</b>	<b>\$ 10,821,245</b>	<b>\$ 9,999,690</b>	<b>\$ 8,778,100</b>	<b>\$ 7,966,200</b>	<b>\$ 9,568,000</b>
<b>Net Income (Loss)</b>	<b>\$ (2,583,091)</b>	<b>\$ 861,248</b>	<b>\$ (2,519,999)</b>	<b>\$ (1,787,279)</b>	<b>\$ (667,800)</b>	<b>\$ 181,400</b>	<b>\$ (1,157,800)</b>
<b>Ending Reserve/Designated Balance</b>	<b>\$ 7,176,300</b>	<b>\$ 8,037,500</b>	<b>\$ 5,517,500</b>	<b>\$ 3,730,200</b>	<b>\$ 2,888,100</b>	<b>\$ 3,911,600</b>	<b>\$ 2,753,800</b>



# Fair Oaks Water District

## 2012 Annual Budget

### Expense Summary

	Acct #	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Budget 2012
<b>Labor &amp; Benefits</b>								
<i>Salaries and Wages</i>								
Salaries	5010	\$ 1,889,187	\$ 1,952,517	\$ 1,941,917	\$ 1,942,620	\$ 2,166,000	\$ 2,043,300	\$ 2,140,900
On-call	5011	27,661	28,161	29,063	28,688	31,000	31,000	31,000
Overtime	5011	30,340	44,503	18,059	46,274	30,000	30,000	30,000
Certificate Incentive Program	5010	57,454	95,737	35,888	17,314	36,000	25,000	25,000
Temporary Labor	5050		9,800	20,659	92,896	40,000	-	20,000
<i>Salaries and Wages Subtotal</i>		\$ 2,004,642	\$ 2,130,718	\$ 2,045,586	\$ 2,127,792	\$ 2,303,000	\$ 2,129,300	\$ 2,246,900
<i>Benefits and Insurance</i>								
Auto and Mileage	5420	\$ 3,400	\$ 2,972	\$ 5,184	\$ 4,491	\$ 5,000	\$ 5,000	\$ 5,000
Dental Insurance	5220	33,894	36,029	36,463	38,115	44,000	42,100	43,500
FICA	5110	123,282	130,725	123,928	129,448	142,800	132,000	139,300
Medicare	5120	29,234	31,034	29,679	30,954	33,400	30,900	32,600
Health Insurance	5210	394,744	399,711	431,043	461,792	553,600	542,700	561,500
Disability Insurance	5260	7,909	7,823	7,737	7,330	8,000	7,300	7,400
Life Insurance	5230	3,532	3,622	3,909	3,978	4,100	4,100	3,900
Pension Plan	5240	240,472	265,258	265,057	278,939	300,000	302,000	322,900
Unemployment Insurance	5310	2,297	21,029	22,923	10,110	83,700	30,000	25,000
Vision Care	5250	9,044	9,328	9,072	8,939	9,700	9,300	9,200
Workers Compensation	5320	61,319	58,221	52,856	64,227	75,000	72,000	87,700
<i>Benefits and Insurance Subtotal</i>		\$ 909,127	\$ 965,752	\$ 987,851	\$ 1,038,323	\$ 1,259,300	\$ 1,177,400	\$ 1,238,000
<b><i>Labor &amp; Benefits Subtotal</i></b>		<b>\$ 2,913,769</b>	<b>\$ 3,096,470</b>	<b>\$ 3,033,437</b>	<b>\$ 3,166,115</b>	<b>\$ 3,562,300</b>	<b>\$ 3,306,700</b>	<b>\$ 3,484,900</b>
In-House CIP/MIP Labor & Benefits Capitalized		\$ (928,103)	\$ (942,636)	\$ (869,142)	\$ (870,304)	\$ (602,100)	\$ (602,100)	\$ (293,400)
<b><i>Net Labor &amp; Benefits</i></b>		<b>\$ 1,985,666</b>	<b>\$ 2,153,834</b>	<b>\$ 2,164,295</b>	<b>\$ 2,295,811</b>	<b>\$ 2,960,200</b>	<b>\$ 2,704,600</b>	<b>\$ 3,191,500</b>

	Actual	Actual	Actual	Actual	Budget	Estimated	Budget	
Acct #	2007	2008	2009	2010	2011	2011	2012	
<b>Materials &amp; Services</b>								
<b>Water Supply</b>								
Surface Water Supply, SJWD	6110	\$ 1,180,678	\$ 1,256,066	\$ 1,530,540	\$ 1,550,630	\$ 1,750,000	\$ 1,563,600	\$ 1,529,700
Chemicals	6160	5,313	13,171	6,008	5,941	7,000	6,000	7,000
DOHS Fees	6358	9,210	19,711	4,452	7,477	12,000	12,000	12,500
Energy Cost, Tank	6120	25,781	36,276	26,499	22,606	28,500	17,300	23,000
Energy Cost, Wells	6130	107,254	184,157	128,361	148,300	155,000	134,200	170,000
Testing & Sampling	6140	30,384	26,164	17,326	21,848	26,000	19,800	26,000
SCADA Support & Maintenance	6151		-	506	219	10,000	1,500	10,000
Cathodic Protection <sup>(1)</sup>	6152				2,450	3,000	2,500	3,000
Hydrant Testing & Flushing	6155	657	397	1,076	329	2,000	1,500	2,000
<i>Water Supply Subtotal</i>		\$ 1,359,277	\$ 1,535,942	\$ 1,714,768	\$ 1,759,800	\$ 1,993,500	\$ 1,758,400	\$ 1,783,200
<b>District Facilities Maintenance and Repairs</b>								
Well and Pump Repairs	6170	\$ 4,052	\$ 10,470	\$ 425	\$ 1,760	\$ 15,000	\$ 15,000	\$ 15,000
Minor Tank Repairs and Maintenance	6165	7,241	8,727	5,302	4,187	8,000	8,000	10,000
District Site Maintenance	6700	10,273	15,262	12,419	4,797	7,500	6,500	7,000
Refuse Collection	6750	3,323	2,833	3,079	3,500	5,500	5,000	5,300
Janitorial	6710	7,563	8,620	4,899	2,159	2,000	2,000	2,100
Elevator Maintenance	6701			-	-	3,000	5,300	5,500
Security Costs	6720	2,580	1,746	1,400	7,209	5,000	2,400	4,000
<i>District Facilities Maint. Subtotal</i>		\$ 35,032	\$ 47,658	\$ 27,524	\$ 23,612	\$ 46,000	\$ 44,200	\$ 48,900
<b>Vehicle and Equipment Maintenance</b>								
Vehicle Maintenance	6610	\$ 15,111	\$ 12,176	\$ 11,498	\$ 15,598	\$ 15,000	\$ 16,000	\$ 17,000
Vehicle Repairs	6611	17,262	12,642	6,227	13,572	15,000	15,500	17,500
Other Equipment Repair & Maint.	6620	22,085	27,333	27,414	19,603	22,000	22,600	25,000
<i>Vehicle Maintenance Subtotal</i>		\$ 54,458	\$ 52,151	\$ 45,139	\$ 48,773	\$ 52,000	\$ 54,100	\$ 59,500
<b>Insurance</b>								
Auto and General Liab. Insurance <sup>(4)</sup>	7310	\$ 56,851	\$ 45,596	\$ 33,541	\$ 103,713	\$ 106,000	\$ 105,900	\$ 85,000
Bonding	7330	889	1,000	1,000	1,000	5,200	5,200	5,400
Property Insurance	7320	16,732	18,972	17,155	21,638	25,000	21,800	23,000
<i>Insurance Subtotal</i>		\$ 74,472	\$ 65,568	\$ 51,696	\$ 126,351	\$ 136,200	\$ 132,900	\$ 113,400

	Actual	Actual	Actual	Actual	Budget	Estimated	Budget	
Acct #	2007	2008	2009	2010	2011	2011	2012	
<b>Printing and Postage</b>								
Advertisement & Notices & Recording Fees	7650/7655	\$ 1,680	\$ 842	\$ 419	\$ 333	\$ 3,000	\$ 2,000	\$ 3,000
Customer Bill Processing	7660	19,393	22,504	29,884	17,838	42,800		
Customer Bill Printing	7660						22,000	25,000
Customer Bill Postage	7695	15,078	16,584	22,922	15,695	27,200	40,000	40,000
Customer Collection Postage	7696					5,000	7,000	7,000
Postage	7690	4,350	3,423	3,657	4,061	1,000	2,000	4,000
General Printing	7670	2,147	3,528	1,821	1,817	3,000	3,000	5,000
Water Currents: Print, Mail, Consult.	7680	14,038	11,847	10,370	7,172	20,000	10,000	10,000
Proposition 218 Programs; etc.	7651		-			7,500	7,500	7,500
Collection Expense Printing	6910	443	229	353	789	1,000	1,000	2,500
<i>Printing &amp; Postage Subtotal</i>		\$ 57,129	\$ 58,957	\$ 69,426	\$ 47,705	\$ 110,500	\$ 94,500	\$ 104,000
<b>Office Expense &amp; Other</b>								
Office Lease	6770	\$ 4,664	\$ 5,043	\$ 4,932	\$ 3,011	\$ -	\$ -	\$ -
Office Equipment Rental	6315	359	440	443	675	500	500	1,000
Office Supplies	7610	20,013	20,552	15,837	21,961	24,000	24,000	24,000
Office Equipment Less than \$500	7615	-	886	877	984	2,000	2,700	2,000
Office Equipment Maintenance	6615	3,426	4,023	3,518	4,137	5,000	4,000	4,000
Contingency	7910	1,098	1,263	603	2,490	3,000	3,000	5,000
<i>Office Expense &amp; Other Subtotal</i>		\$ 29,560	\$ 32,207	\$ 26,210	\$ 33,258	\$ 34,500	\$ 34,200	\$ 36,000
<b>Professional Services &amp; Other</b>								
Coop. Trans. Pipeline O & M <sup>(2)</sup>	6190	\$ 3,000	\$ (12,764)	\$ (1,503)	\$ 2,555	\$ 3,000	\$ 3,000	\$ 3,100
Backflow Testing and Supplies	6180	1,011	954	965	925	1,200	1,200	1,300
Meter Testing Service	6626							5,000
Dues & Subscriptions	7620	19,768	19,502	19,785	20,413	25,000	25,000	27,000
Grant Application	6407		-		-	10,000	-	10,000
Urban Water Management Plan <sup>(3)</sup>	7134				1,440	50,000	35,000	-
Emergency Response Plan	7131	36			-	1,000	200	1,000
Five Year Water Management Plan	7133		-	8,400	-			-
Five Year Rate Analysis & Updates	7132		-		-	15,000	5,000	5,000
Banking Fees	7170	16,757	23,477	26,066	24,536	30,000	32,600	33,600
Financial Audit Fees	7120	16,115	16,760	17,430	17,300	16,500	16,500	16,800
Legal Fees	7110	96,795	79,114	21,166	43,402	40,000	40,000	41,200
Public Relations	7160	255	293		-	12,000	12,000	12,400
Regional Support	7640	53,349	46,606	49,990	51,415	53,000	55,000	57,500
Computer Consulting Service	7156				867	5,000	6,000	5,000

	Actual	Actual	Actual	Actual	Budget	Estimated	Budget	
Acct #	2007	2008	2009	2010	2011	2011	2012	
Annual IT Audit	7157				-	5,000	5,000	5,000
Professional Fees, Other	7130	17,566	13,430	43,786	305	50,000	35,000	51,500
Loss Revenues	7930	145,078			-			
<i>Professional Services Subtotal</i>		\$ 369,730	\$ 187,372	\$ 186,085	\$ 163,158	\$ 316,700	\$ 271,500	\$ 275,400
<b>System Maintenance /Repairs</b>								
Aggregate, Sand & Cutback	6320	\$ 22,459	\$ 150		\$ -	\$ 10,000	\$ 10,000	\$ 10,500
Paving	6340	24,369	30,889	2,646	-	25,000	25,000	27,000
Contract Trucking/Dumping	6330	5,562	-		-	5,000	5,000	5,000
Equip. and Tool Rental	6310	485	1,077	79	1,631	1,500	1,500	2,500
Consumables & Maintenance Supplies <sup>(1)</sup>	6210/6215	43,182	32,723	32,134	22,998	13,000	13,000	13,500
Distribution Repairs <sup>(1)</sup>	6215					12,000	12,000	21,000
T-Main Repairs <sup>(1)</sup>	6216				8,443	15,000	15,000	15,000
Parts Inventory Replenishment	6220/6230	(2,148)	(110)	2,553	1,634	5,700	3,000	3,000
Gas and Oil	6630	54,444	68,824	34,945	47,105	55,000	60,000	66,000
Equipment and Tools less than \$500	6240	18,657	8,783	9,049	7,594	13,000	13,000	13,000
Safety Equipment less than \$500	6250	14,511	11,614	9,723	13,930	15,000	15,000	15,000
<i>System Maintenance/Repairs</i>		\$ 181,521	\$ 153,950	\$ 91,129	\$ 103,335	\$ 170,200	\$ 172,500	\$ 191,500
<b>Fees</b>								
County Fees	6350	\$ (125)	\$ 1,202	\$ (4)	\$ 1,276	\$ 1,200	\$ 1,200	\$ 1,300
Air Quality	6355	2,158	2,578	3,696	4,320	5,000	5,000	5,200
NPDES Permit	6359	1,185	4,078	6,970	(1,453)	2,000	2,000	2,000
Miscellaneous Fees	6360		-		836	1,000	1,000	1,000
Haz-mat Permit	6357	1,491	2,298	2,300	2,346	3,500	3,500	3,500
<i>Fees Subtotal</i>		\$ 4,709	\$ 10,156	\$ 12,962	\$ 7,325	\$ 12,700	\$ 12,700	\$ 13,000
<b>Utilities</b>								
Communication, Telephone	6760	\$ 38,765	\$ 37,882	\$ 38,312	\$ 49,056	\$ 55,000	\$ 52,000	\$ 55,000
Mpower T-1 Internet & Web Hosting	6761		5,137	5,220	1,356	-	-	-
District Site Utilities	6740	15,751	16,958	18,148	24,749	29,500	29,000	30,000
<i>Utilities Subtotal</i>		\$ 54,516	\$ 59,977	\$ 61,680	\$ 75,161	\$ 84,500	\$ 81,000	\$ 85,000
<b>Information Technology</b>								
Computer Software Maint & Agreements	7150	\$ 31,236	\$ 56,632	\$ 28,859	\$ 35,228	\$ 52,000	\$ 52,000	\$ 55,500
Website Design/Maint	7155	-	3,085	80	-	15,000	1,000	10,000
Computer Hardware <\$500	7151	1,359	3,229	3,946	5,456	5,000	4,800	5,500
Computer Software <\$500	7152	243	541	866	176	2,000	1,500	1,500
<i>Information Technology Subtotal</i>		\$ 32,838	\$ 63,487	\$ 33,751	\$ 40,860	\$ 74,000	\$ 59,300	\$ 72,500

	Actual	Actual	Actual	Actual	Budget	Estimated	Budget	
Acct #	2007	2008	2009	2010	2011	2011	2012	
<b>Conservation</b>								
Conservation Outreach	6430	\$ 9,903	\$ 10,309	\$ 12,823	\$ 12,477	\$ 20,000	\$ 15,000	\$ 20,000
Grant Application	6407	-	-	-	-	1,000	-	1,000
Cons. Landscape Irrigation Review (Materials)	6450	26	-	895	-	2,500	1,500	2,500
Conservation Water Waste (Contract)	6470	-	23	-	-	6,000	1,000	6,000
Conservation Large Landscape (Materials)	6455	9,309	-	-	-	1,500	500	1,500
Conservation Subscriptions	6405	500	820	530	509	800	-	800
Conservation Toilet Rebate Program	6510	8,682	9,920	16,925	6,162	15,000	15,000	15,000
Washing Machine Program	6516	-	-	-	5,500	6,000	6,000	6,000
Conservation Internal Review (Materials)	6460	68	-	745	-	2,500	1,000	2,500
<i>Conservation Subtotal</i>		\$ 28,488	\$ 48,722	\$ 31,918	\$ 24,648	\$ 55,300	\$ 40,000	\$ 55,300
<b>Training &amp; Uniforms</b>								
DMV/Physicals/DOT Testing	7135	\$ 2,888	\$ 3,242	\$ 2,960	\$ 6,172	\$ 5,000	\$ 5,000	\$ 5,200
Employee Recognition Program	7570	5,241	2,888	8,726	4,408	8,000	8,000	8,000
Training and Travel Expenses	7410/7510	23,822	26,626	24,097	13,524	26,000	20,000	26,000
Uniforms	6270	8,924	6,840	6,044	4,433	13,400	14,000	18,000
<i>Training Subtotal</i>		\$ 40,875	\$ 39,596	\$ 41,827	\$ 28,537	\$ 52,400	\$ 47,000	\$ 57,200
<b>Board Expenses</b>								
Election Expense	7720	-	\$ 1,451	\$ -	\$ 1,654	\$ -	\$ -	\$ 20,000
Director's Fees	7710	13,400	13,300	10,400	9,300	14,500	14,500	14,500
Miscellaneous Board Expenses	7730	807	856	672	642	1,500	1,500	1,500
Travel and Seminars	7740	5,257	6,561	2,221	3,739	12,000	4,000	12,000
<i>Board Expenses Subtotal</i>		\$ 19,464	\$ 22,168	\$ 13,293	\$ 15,335	\$ 28,000	\$ 20,000	\$ 48,000
<b>Materials &amp; Services Total</b>		<b>\$ 2,342,069</b>	<b>\$ 2,377,911</b>	<b>\$ 2,407,408</b>	<b>\$ 2,497,858</b>	<b>\$ 3,166,500</b>	<b>\$ 2,822,300</b>	<b>\$ 2,942,900</b>
<b>Department Grand Total</b>		<b>\$ 4,327,735</b>	<b>\$ 4,531,745</b>	<b>\$ 4,571,703</b>	<b>\$ 4,793,669</b>	<b>\$ 6,126,700</b>	<b>\$ 5,526,900</b>	<b>\$ 6,134,400</b>

**General Notes**

- (1) For 2009 and prior years, the cathodic protection and transmission main repairs were budgeted and paid under consumables and maintenance supplies.
- (2) Credit in 2009 was due to expenses accrued over actual payment from prior years. Actual invoice amount for 2009 was \$2,738.05.
- (3) District will apply for \$25,000 through 2011 US Bureau Field Service Grant.
- (4) 2009 and prior included refund for premium; 2010 and forward, refund will be included in revenues.

## Fair Oaks Water District 2012 Annual Budget Debt Service

Description	Acct #	Actual	Actual	Actual	Actual	Budget	Estimated	Budget
		2007	2008	2009	2010	2011	2011	2012
<b>Debt Service</b>								
CTP-SJWD 1993 COP's <sup>1</sup>	2555	\$ 184,388	\$ 188,113	\$ 195,563	\$ 407,888	\$ 212,400	\$ 212,400	\$ 370,600
1999 COP'S <sup>2</sup>	2515	620,000	650,000	690,000	570,000	-	-	-
<i>Debt Service Principal Total</i>		<u>\$ 804,388</u>	<u>\$ 838,113</u>	<u>\$ 885,563</u>	<u>\$ 977,888</u>	<u>\$ 212,400</u>	<u>\$ 212,400</u>	<u>\$ 370,600</u>
<b>Debt Service - Interest</b>								
CTP-SJWD 1993 COP's <sup>1</sup>	8010	\$ 47,368	\$ 40,010	\$ 34,901	\$ 34,494	\$ 22,300	\$ 22,300	\$ 14,800
1999 COP'S <sup>2</sup>	8020	103,488	78,688	52,688	14,872	-	-	-
Refunding Costs (Amortized)	8020	28,923	28,923	28,923	57,852	-	-	-
<i>Debt Service Interest Total</i>		<u>\$ 179,779</u>	<u>\$ 147,621</u>	<u>\$ 116,512</u>	<u>\$ 107,218</u>	<u>\$ 22,300</u>	<u>\$ 22,300</u>	<u>\$ 14,800</u>
<b>Material and Services</b>								
Bond Trustee Fees	7175	\$ 3,045	\$ 2,791	\$ 3,045	\$ 3,299	\$ -	\$ -	\$ -
Bond Arbitrage Fees	7176	1,500	1,500	1,500	1,500	1,500	-	-
<i>Material and Services Total</i>		<u>\$ 4,545</u>	<u>\$ 4,291</u>	<u>\$ 4,545</u>	<u>\$ 4,799</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Department Grand Total</b>		<b>\$ 988,711</b>	<b>\$ 990,025</b>	<b>\$ 1,006,600</b>	<b>\$ 1,089,900</b>	<b>\$ 236,200</b>	<b>\$ 234,700</b>	<b>\$ 385,400</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.

\*\*In 2010, in addition to the 2010 (principal and interest), San Juan Water District began billing in advance for the principal and interest.

\*\*In 2011, the budget is based on the advance billing from SJWD which includes 8/1/2011 interest and 2/1/2012 principal and interest.

\*\*The proposed 2012 is based on the advance billing from SJWD which includes 8/1/2012 interest and 2/1/2013 principal and interest.

<sup>2</sup> Refunding COP's interest rate range is 3.5% to 4.25%. Also includes 115% debt service coverage. The District paid the debt in full on July 12, 2010 based on Board action on May 10, 2010.

# Fair Oaks Water District

## 2012 Annual Budget

### Computer Equipment and Software

Description	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Budget 2012
<b>Computer Equipment &amp; Software</b>							
Computer Equipment	\$ 11,257	\$ 9,580	\$ 46,503	\$ 11,030	\$ 34,200	\$ 34,200	\$ 20,000
MS Voucher Credit					(6,400)	(6,400)	
Computer Software/Licensing	-	11,512					-
Accounting/Billing Software			24,781				10,000
Additional Accounting/Billing Software Licenses					-		
2008 Server Enterprise				-			
CAD/GIS			4,000				
Microsoft Licensing Bundle (Office Windows)				18,052	18,100	18,100	18,200
Other Software and Licensing			2,031	7,166	5,800	5,800	7,500
Design and Implementation of a New FOWD Web Site							20,000
<b>Total Computer Equipment &amp; Software</b>	<b>\$ 11,257</b>	<b>\$ 21,092</b>	<b>\$ 77,315</b>	<b>\$ 36,248</b>	<b>\$ 51,700</b>	<b>\$ 51,700</b>	<b>\$ 75,700</b>

**Fair Oaks Water District**  
**2012 Annual Budget**  
**Vehicles and Maintenance Equipment**

Description	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Budget 2012
<b>Trucks/Vehicles/Trailers</b>							
Replace Wackers/Tampers	\$ 7,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replace 002-2000 Ford Expedition		33,549					
Replace 001-2000 Dodge Ram BR2500		13,454					
Upgrade 044-2004 Chevrolet C6500			14,780				
Replace 1989 410C John Deer Backhoe		84,659					
Upgrade 032-2003 Freightliner Dump Truck		15,075					
Upgrade 045-2004 Chevrolet C6500				14,760			
Replace 1 Ton Service Truck w/ Utility Bed	33,133						
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						
Replace 017-2001 Dodge RAM BR2500							22,000
<b>Subtotal</b>	<b>\$ 195,046</b>	<b>\$ 146,737</b>	<b>\$ 14,780</b>	<b>\$ 14,760</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,000</b>
<b>Maintenance Equipment/Tools</b>							
Power Generator (Confined Space)	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ -
Leak Detector LD12							
Oil Pot for Patch Paving							10,000
Roller Compactor for Paving (3 Ton)							25,000
Vibra Plate					15,000	10,000	
16" Clamp					2,000	-	
30" Backhoe Bucket					1,500	-	
New Locators	3,758	-	3,267				
Concrete Saw				3,371			
Welding Machine				1,779			
Chipping Hammer				622			
Meter Reading Equipment	11,001			5,106			
Meter Tester				5,564			
Hydraulic Breaker/Pneumatic			2,514				
Steel Plates	6,886						
Cut-Off Saw		1,438	923			2,000	
Hydraulic Sum Pump							
Pneumatic Jackhammer/Pole Tamper	820	-	595				
Air Compressor for New Truck	860						
Poly Splitters	659						
Soil Cutter	474						
Hydrant Backflow Meter Assembly	2,963	-					
Other Maintenance Equipment	569	14,666					5,000
<b>Subtotal</b>	<b>\$ 27,990</b>	<b>\$ 16,104</b>	<b>\$ 7,299</b>	<b>\$ 16,442</b>	<b>\$ 19,500</b>	<b>\$ 13,000</b>	<b>\$ 40,000</b>
<b>Total Vehicle &amp; Maintenance Equipment</b>	<b>\$ 223,036</b>	<b>\$ 162,841</b>	<b>\$ 22,079</b>	<b>\$ 31,202</b>	<b>\$ 19,500</b>	<b>\$ 13,000</b>	<b>\$ 62,000</b>

# Fair Oaks Water District

## 2012 Annual Budget

### Facility and Office Equipment

	Actual	Actual	Actual	Actual	Budget	Estimated	Budget
Description	2007	2008	2009	2010	2011	2011	2012
<b>Building</b>							
Admin. Office Building (10326 FOB)	\$ 154,168	\$ 238,912	\$ 2,459,019	\$ 247,161	\$ 5,000	\$ 11,500	\$ 5,000
Maintenance Building (10317 FOB)		13,632	-	4,535	10,000	10,000	10,000
Office Building (10340 FOB)				224,270	10,000	1,000	-
<b>Total Building</b>	<b>\$ 154,168</b>	<b>\$ 252,544</b>	<b>\$ 2,459,019</b>	<b>\$ 475,966</b>	<b>\$ 25,000</b>	<b>\$ 22,500</b>	<b>\$ 15,000</b>
<b>Office Equipment</b>							
Safety Equipment	\$ 3,935	\$ -	\$ 3,807	\$ 3,674	\$ 4,500	\$ 2,000	\$ 4,500
Audio Video		-	683	-	1,000	1,000	1,000
Furnishings	501	1,600		-	5,000	5,000	5,000
Mailing Equipment				8,685			
Printer					8,000	8,000	2,000
Miscellaneous Office Equip.	-	-	4,359	-	500	500	3,000
<b>Total Office Equipment</b>	<b>\$ 4,436</b>	<b>\$ 1,600</b>	<b>\$ 8,849</b>	<b>\$ 12,359</b>	<b>\$ 19,000</b>	<b>\$ 16,500</b>	<b>\$ 15,500</b>
<b>Total Facility and Equipment</b>	<b>\$ 158,604</b>	<b>\$ 254,144</b>	<b>\$ 2,467,867</b>	<b>\$ 488,325</b>	<b>\$ 44,000</b>	<b>\$ 39,000</b>	<b>\$ 30,500</b>

# Fair Oaks Water District

## 2012 Annual Budget

### Meter Implementation Program

Description	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Budget 2012
<b>Meter Implementation Program (MIP)/Meter Maintenance Program (MMP)</b>							
Residential Metering/AMR	\$ 2,358,192	\$ 2,097,589	\$ 1,968,479	\$ 2,265,810	\$ 454,000	\$ 454,000	\$ -
Meter Replacement	14,276	22,500	97,915	72,285	300,000	300,000	300,000
AMR Replacement					70,000	70,000	70,000
Large Meter Replacement					50,000	-	15,000
Contingency					40,000	40,000	
Sunnybrook Main Replacement (31% MIP/69% CIP)				92,603			
The Bluffs, Meter Upgrades	299	133	30,159	-	146,000	147,000	
Commercial Metering	1,474	1,032	-	-			
Butterwood and Plantain			93,768	411,017			
Ridge Subdivision, Meter Upgrades			983	244			
Madison Ave. Water Main Extension		10,510	31,916	14,685			
Meter Upgrades for Northridge				1,020			
M10MIFS09-Field Service Grant				18			
Zone 4 Meter Install & Upgrade				9,525		1,100	
Zone 8 MIP-Meter Service Upgrade				12,232			
Zone 9 MIP-Meter Upgrade				134,891		7,100	
Meters Upgrades on Pershing		112,644	154,041	-			
<b>Total MIP/MMP<sup>(1)</sup></b>	<b>\$ 2,374,241</b>	<b>\$ 2,244,407</b>	<b>\$ 2,377,261</b>	<b>\$ 3,014,330</b>	<b>\$ 1,060,000</b>	<b>\$ 1,019,200</b>	<b>\$ 385,000</b>

**General Notes**

<sup>(1)</sup> Includes labor and benefits.

# Fair Oaks Water District

## 2012 Annual Budget

### Capital Improvement Program

Description	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Budget 2012
<b>Wells &amp; Tank</b>							
New York Well Rehabilitation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Well Pump Check		2,420		900	5,000	2,000	5,000
Miscellaneous Bowl Replacement	4,215	14,540		-	25,000	15,000	20,000
Minor Water Supply Facilities Upgrades							15,000
Safety Improvements at the Skyway Tank Site							10,000
Heather Well Inspection and Rehabilitation					40,000	15,000	
Skyway Tank Inspection			15,331				
Park Well (New Pump)			1,325	81	65,000		
Town Well	921,394	6,165					
Heather Well	1,295,680	1,565					
Northridge Well Rehab	41,419	3,775					
Park Well Rehab	22,858						
Lemon Grove PRV Upgrades		2,431					
Radio Survey and Conversion							15,000
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>\$ 2,299,334</b>	<b>\$ 47,162</b>	<b>\$ 16,656</b>	<b>\$ 981</b>	<b>\$ 135,000</b>	<b>\$ 32,000</b>	<b>\$ 65,000</b>
<b>Transmission &amp; Distribution</b>							
Services Upgrade	\$ 28,879	\$ 29,774	\$ 31,159	\$ 30,061	\$ 20,000	\$ 20,000	\$ 20,000
Hydrant Upgrades	70,821	46,081	22,958	82,169	50,000	10,000	25,000
Minor Main Upgrades	9,813	9,521	16,256	12,969	20,000	20,000	20,000
Developer's Paid Projects-Service Installation etc.	29,221	39,694	5,800	7,388	20,000	10,000	20,000
Developer's Paid Main Line Projects	19,045	22,857	9,732	4,062	20,000	2,000	20,000
Fair Oaks 40"				235,000	260,000	300,000	2,000,000
Replace of 4-Inch Main with 8-Inch PVC C-900 on Lakeside Way					90,000	112,700	
Relocation of 12-Inch AC from Backyard to Kitty Hawk Lane					125,000	125,000	
Installation of ARV's and Blow-offs at Various Locations on T-Mains					50,000		25,000
Installation of 1,350 LF of 12-inch PVC (C900) Main in Twin Lakes							300,000

## Fair Oaks Water District

### 2012 Annual Budget

#### Capital Improvement Program

Description	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Budget 2012
Hazel Widening Project Phase I		78	22,014	162			
Hazel Widening Project Phase II							
Sunnybrook Main Replacement (31% MIP/69% CIP)				165,722			
Sunset Water Main Replacement (13% MIP/87% CIP)				6,167	450,000	450,000	
Donor Bluff Plaza				1,335			
T-Main 5001 Havelock			4,512				
Winding Way-Chicago Main WWCH			1,166				
Winding Way & Kenneth Main Relocation			139,404				
T-Main Feasibility Study		2,345					
Two 24" Butterfly T-Main Valve		44,627					
Hawaiian Tract Water Main Relocation Phase 3		341,763	13,101				
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			4,564				
Rimwood Ave Transmission Rep.		20,650					
8361 Sunset (Water Main Cross) SUN		22,989	892				
Replacement - Wholesale Meters WSM		23,580	10,159				
Phoenix Park Meter Upgrades			46				
North Winding Way Main Replacement	1,214						
Master Plan Update	4,200						
Watkins Dr Repl/Ext FOB to Main	54,408						
Timothy (Phase I)	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>\$ 1,161,400</b>	<b>\$ 922,219</b>	<b>\$ 281,763</b>	<b>\$ 545,035</b>	<b>\$ 1,105,000</b>	<b>\$ 1,049,700</b>	<b>\$ 2,430,000</b>
<b>Total CIP<sup>(1)</sup></b>	<b>\$ 3,460,734</b>	<b>\$ 969,381</b>	<b>\$ 298,419</b>	<b>\$ 546,016</b>	<b>\$ 1,240,000</b>	<b>\$ 1,081,700</b>	<b>\$ 2,495,000</b>

**General Notes**

<sup>(1)</sup> Includes labor and benefits.

## Fair Oaks Water District 2012 Annual Budget Reserves and Designations

2010 Actual	2010 Revenues	Undesignated	[1] Emergency Designation	[2] Grants	[3] Connection Fee	[4] Rate Stabilization Designation	[5] COP Retirement	Total
<b>Beginning Reserve and Designation Balance</b>		\$ 452,250	\$ 2,863,750	\$ -	\$ 111,426	\$ 1,431,875	\$ 658,226	\$ 5,517,500
<b>Add: Revenues Collected</b>								
Water Sales	\$ 7,852,909							
Interest Income	36,438							
Delinquencies & Late Fees	161,761							
Fees for Service	17,707							
Connection Fees	27,843							
Grants	19,696							
Miscellaneous Revenue	96,057							
	8,212,411							
<b>2010 Allocation</b>	(8,212,411)	8,172,185		19,696	20,530	-	-	8,212,411
<b>Subtotal Reserves and Designations</b>		\$ 8,624,435	\$ 2,863,750	\$ 19,696	\$ 131,956	\$ 1,431,875	\$ 658,226	\$ 13,729,911
<b>Expenses and payments</b>								
Departmental Expenses		4,793,669						4,793,669
Information Technology		36,248	-	-				36,248
Debt Service		756,641	-				333,259	1,089,900
Facilities & Equipment		488,325	-					488,325
Vehicles & Maintenance Equipment		28,402	-	2,800				31,202
CIP		546,016	-	-				546,016
Metering		2,997,434	-	16,896			-	3,014,330
<b>Total Expenses and Infrastructure</b>		\$ 9,646,735	\$ -	\$ 19,696	\$ -	\$ -	\$ 333,259	\$ 9,999,690
Additional proposed allocation		1,022,300	(697,333)			-	(324,967)	-
<b>Ending Reserve and Designation Balance</b>		\$ -	\$ 2,166,417	\$ -	\$ 131,956	\$ 1,431,875	\$ -	\$ 3,730,200
<b>Policy (5050) Requirement</b>			\$ 3,063,400	N/A	N/A	\$ 1,531,700	\$ -	\$ 4,595,100
<b>Difference between Ending Reserve &amp; Policy Requirement</b>			-29.3%			-6.5%		-18.8%

- 1) Emergency Designation target balance is six months of operating costs.
- 2) Field Service Grants (2009).
- 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.
- 5) The COP retirement reserve is no longer required since this debt was paid off on July 12, 2010.

## Fair Oaks Water District

### 2012 Annual Budget

#### Reserves and Designations

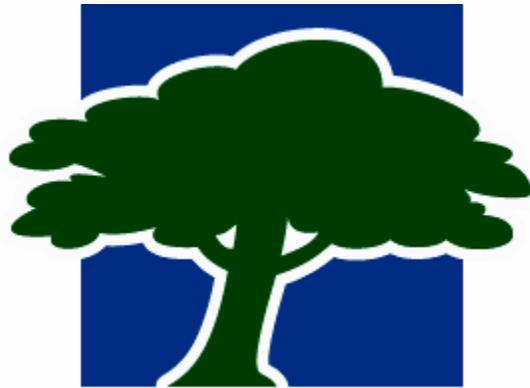
2011 Estimated	2011 Revenues	Undesignated	[1] Emergency Designation	[2] Connection Fee	[3] Rate Stabilization Designation	Total
<b>Beginning Reserve and Designation Balance</b>		\$ -	\$ 2,166,417	\$ 131,956	\$ 1,431,875	\$ 3,730,200
<b>Add: Revenues Collected</b>						
Water Sales	\$ 7,836,900					
Interest Income	25,000					
Delinquencies & Late Fees	135,000					
Fees for Service	25,000					
Connection Fees	10,000					
Miscellaneous Revenue	115,700					
	8,147,600					
<b>2011 Allocation</b>	(8,147,600)	8,137,600		10,000	-	8,147,600
<b>Subtotal Reserves and Designations</b>		<b>\$ 8,137,600</b>	<b>\$ 2,166,417</b>	<b>\$ 141,956</b>	<b>\$ 1,431,875</b>	<b>\$ 11,877,800</b>
<b>Expenses and payments</b>						
Departmental Expenses		5,526,900				5,526,900
Information Technology		51,700	-			51,700
Debt Service		234,700	-			234,700
Facilities & Equipment		39,000	-			39,000
Vehicles & Maintenance Equipment		13,000	-			13,000
CIP		939,700	-	141,956		1,081,700
Metering		1,019,200	-			1,019,200
<b>Total Expenses and Infrastructure</b>		<b>\$ 7,824,200</b>	<b>\$ -</b>	<b>\$ 141,956</b>	<b>\$ -</b>	<b>\$ 7,966,200</b>
Additional proposed allocation		(313,400)	363,575		(50,175)	-
<b>Ending Reserve and Designation Balance</b>		<b>\$ -</b>	<b>\$ 2,529,900</b>	<b>\$ -</b>	<b>\$ 1,381,700</b>	<b>\$ 3,911,600</b>
<b>Policy (5050) Requirement</b>			<b>\$ 2,763,500</b>	<b>N/A</b>	<b>\$ 1,381,700</b>	<b>\$ 4,145,200</b>
<b>Difference between Ending Reserve &amp; Policy Requirement</b>			-8.5%		0.0%	-5.6%

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

**Fair Oaks Water District**  
**2012 Annual Budget**  
**Reserves and Designations**

2012 Projected	2012 Revenues	Undesignated	[1] Emergency Designation	[2] Connection Fee	[3] Rate Stabilization Designation	Total
<b>Beginning Reserve and Designation Balance</b>		\$ -	\$ 2,529,900	\$ -	\$ 1,381,700	\$ 3,911,600
<b>Add: Revenues Collected</b>						
Water Sales	\$ 8,164,800					
Interest Income	14,400					
Delinquencies & Late Fees	135,000					
Fire Service Fees	35,000					
Fees for Service	25,000					
Connection Fees	21,000					
Miscellaneous Revenue	15,000					
	8,410,200					
<b>2012 Allocation</b>	(8,410,200)	8,389,200		21,000	-	8,410,200
<b>Subtotal Reserves and Designations</b>		\$ 8,389,200	\$ 2,529,900	\$ 21,000	\$ 1,381,700	\$ 12,321,800
<b>Expenses and payments</b>						
Departmental Expenses		6,134,400				6,134,400
Information Technology		75,700	-			75,700
Debt Service		385,400	-			385,400
Facilities & Equipment		30,500	-			30,500
Vehicles & Maintenance Equipment		62,000	-			62,000
CIP		2,474,000	-	21,000		2,495,000
Metering		385,000	-			385,000
<b>Total Expenses and Infrastructure</b>		\$ 9,547,000	\$ -	\$ 21,000	\$ -	\$ 9,568,000
Additional proposed allocation		1,157,800	(29,100)		(1,128,700)	-
<b>Ending Reserve and Designation Balance</b>		\$ -	\$ 2,500,800	\$ -	\$ 253,000	\$ 2,753,800
<b>Policy (5050) Requirement</b>			\$ 3,067,200	N/A	\$ 480,000	\$ 3,547,200
<b>Difference between Ending Reserve &amp; Policy Requirement</b>			-18.5%		-47.3%	-22.4%

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



## **RATES, FEES & CHARGES**

# Fair Oaks Water District

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

Bi-Monthly Fixed Service Charges			
Meter Size (Inch)	2012	2013*	2014*
1	\$ 65.10	\$ 59.57	\$ 53.53
1.5	119.31	109.17	99.27
2	184.28	168.62	153.32
3	357.56	327.17	297.49
4	552.61	505.64	459.77
6	1,093.84	1,000.86	910.07
8	1,744.82	1,596.51	1,451.69
10	2,718.87	2,487.77	2,262.10

	2012	2013*	2014*
<b>Commodity Rate per CCF<sup>(2)</sup></b>	<b>\$ 0.45</b>	<b>\$ 0.64</b>	<b>\$ 0.83</b>

**Shared Metered Services:**

User Category	2012	2013*	2014*
Shared meter service(s) - multiple parcel community residential domestic <sup>(3)</sup>	\$65.10 per parcel + consumption <sup>(4)</sup>	\$59.57 per parcel + consumption <sup>(4)</sup>	\$53.53 per parcel + consumption <sup>(4)</sup>
Shared meter service(s) - multiple parcel offices commercial domestic	Meter service rate <sup>(5)</sup>	Meter service rate <sup>(5)</sup>	Meter service rate <sup>(5)</sup>

\* Rate adjustments will require Board action.

- (1) Customers outside the District's service area will pay an additional 50% 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.
- (3) Requires separation of common area and irrigation water systems with each irrigation water service billed based on meter size plus consumption.
- (4) Consumption measured by a master meter with one responsible party in billing for the master meter.
- (5) Each connection will be billed a fixed service charge based on meter size plus consumption with one responsible party in billing for the account.

## Fair Oaks Water District Schedule of Fees and Charges 2012

Activity	2011	2012
<b>New Business</b>		
<b>Connection Fees<sup>(1)</sup>:</b>		
1" service	\$ 4,315	\$ 4,643
1.5" service	\$ 9,755	\$ 10,447
2" service	\$ 13,773	\$ 18,572
3" service	\$ 30,979	\$ 33,430
4" service	\$ 48,195	\$ 59,430
6" service	\$ 103,145	\$ 133,718
8" service	\$ 166,765	\$ 237,722
10" service		\$ 371,440
<b>Tapping and Service Installation Fees:</b>		
1" service	\$ 2,420	T&M
1.5" service	\$ 3,146	T&M
2" service	\$ 3,630	T&M
<b>Hydrant Flow Testing Fees:</b>		
Fire flow test	\$ 152	\$ 200
Fire flow letter	\$ 76	\$ 75
<b>Backflow Device Testing Fee:</b>		
Test and tag	\$ 77	\$ 125
<b>Inspection Fee:</b>		
Inspection per hour (1 hour minimum)	\$ 79	\$ 90
<b>Development Fees:</b>		
Application for water service fee		\$ 50
Plan checking (minimum)	\$ 242	\$ 300
Plan checking-additional (per hour)	\$ 109	\$ 100
<b>Construction Fee:</b>		
Construction Fee		T&M
<b>Water for Construction Purposes:</b>		
Construction meter deposit (with certified backflow device)		\$ 1,500
Construction meter daily charge		\$ 5
Cost of construction water (per CCF)		\$ 1.66
Bacteriological sampling (includes lab cost)	\$ 73	\$ 150
Additional testing (same location and time)		\$ 50

**Notes:**

<sup>(1)</sup> Fees prior to 2012 included connection and pressure mitigation fees.

**Fair Oaks Water District**  
**Schedule of Fees and Charges (Continued)**  
**2012**

Activity	2011	2012
<b>Other Fees</b>		
<b>Payment Processing Fee:</b>		
Return check fee	\$ 25	\$ 25
<b>Meter Service Fees:</b>		
Meter re-read fee		\$ 25
Meter test fee		\$ 50
Reduce service size (1.5-inch to 1-inch)		\$ 250
Reduce service size (2-inch to 1-inch)		\$ 250
Reduce service size (2-inch to 1.5-inch)		\$ 300
<b>Late Penalty Fee:</b>		
Late penalty fee - assessed after the payment due date	10%	10%
<b>Lien Processing Fee:</b>		
Lien processing fee		\$ 25
<b>Disconnect Service Fees:</b>		
Final notice service fee	\$ 19	\$ 19
Disconnect service fee	\$ 61	\$ 61
Deposit	\$ 125	\$ 125

**Fair Oaks Water District**  
**Schedule of Service Rates for Dedicated Fire Service Connections**  
**2012**

**Bi - Monthly Service Charges**

Service Size	2012
2-inch service	\$ 15.00
3-inch service	\$ 30.00
4-inch service	\$ 45.00
6-inch service	\$ 90.00
8-inch service	\$ 145.00
10-inch service	\$ 225.00

## APPENDIX A- GLOSSARY OF TERMS

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

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

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

**Budget Committee** – An Ad-hoc Committee appointed by the Board president to develop and review the budget and proposed rates prior to presenting to the full Board.

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

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

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

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

**Connection Fees** – Represent the cost to ‘buy into’ the FOWD water system and are restricted for capacity enhancement projects by AB1600.

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

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

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

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

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

- *Certificate of Participation (C.O.P.) Reserve* is funds received from COP proceeds earmarked for a specific purpose. Financing agreements typically restricts these funds.
- *C.O.P. Retirement Reserve* funds are used to repay the principal and interest on indebtedness, as well as any fees associated with debt issuance.
- *Connection Fee Reserve* funds are connection and related fees segregated according to AB1600. These funds can be used for expanding water system capacity.
- *Emergency Designation* funds are set funds designated by the Board to be used for emergencies as defined by the Board.
- *Rate Stabilization Designation* funds are used to mitigate the cash loss from converting from a flat rate billing structure to a metered rate structure. Additionally, this reserve will be used to absorb revenue fluctuations due to sudden changes in metered water use.

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

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

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

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

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

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

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

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

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

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

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

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

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

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



10326 Fair Oaks Boulevard  
P.O. Box 640  
Fair Oaks, CA 95628-0640  
Tel: (916) 967-5723  
Fax: (916) 967-0153  
[www.fowd.com](http://www.fowd.com)