



# FIVE-YEAR FINANCIAL & WATER RATE DEVELOPMENT PLAN



Prepared by: FOWD Budget Committee

November 14, 2011

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**FAIR OAKS WATER DISTRICT**  
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## **OVERVIEW**

The Fair Oaks Water District (District) completed the Meter Implementation Program (MIP) and is proposing metered rates for all customers in 2012. To determine the new rate structure, the District developed a five-year financial plan for 2012 through 2016 that analyzed historical data and forecasted future needs of the District. The District also reviewed and adjusted all fees to reflect current and future needs.

The rates are designed to fairly and equitably recover the cost of providing water service to all customers as indicated by the District's mission statement 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.”*

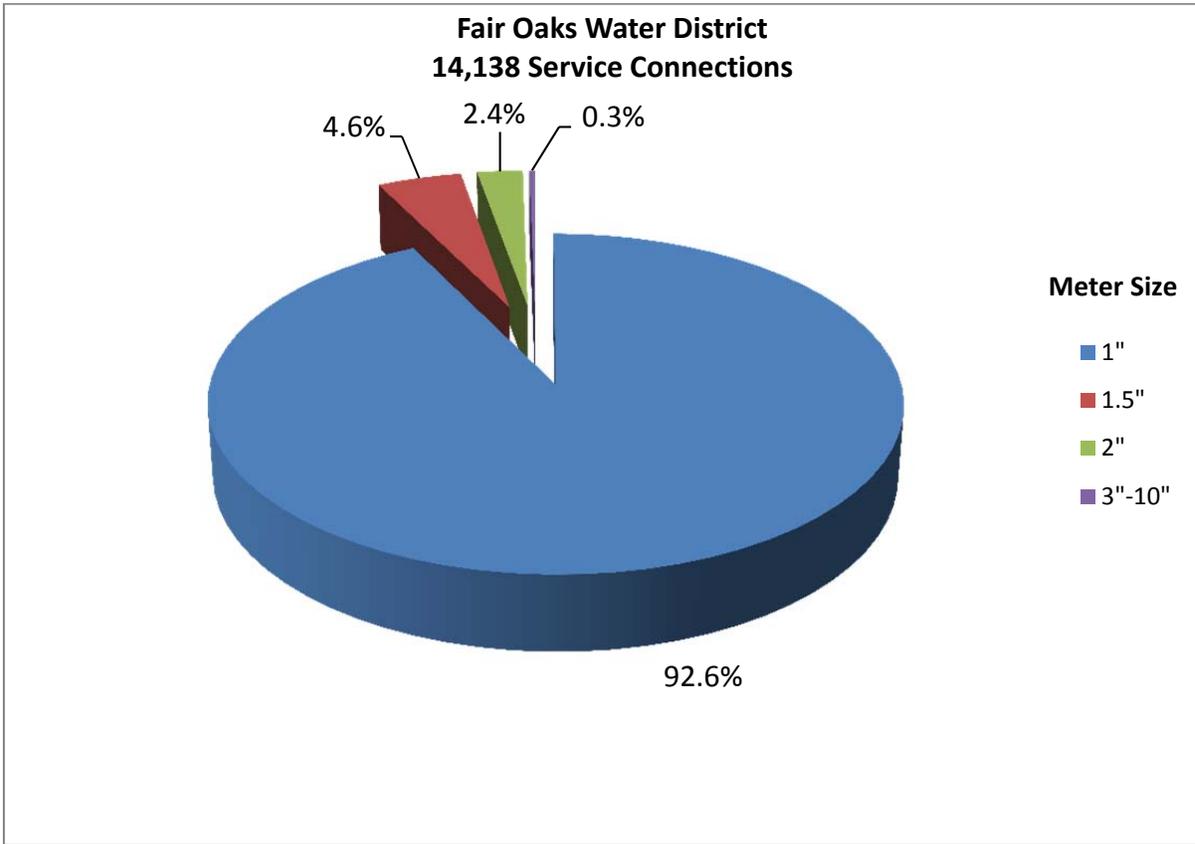
## **WATER RATE PUBLIC HEARING PROCESS**

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 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.

## **BACKGROUND**

The District is currently billing on a flat rate for most single-family residential customers. The flat rate is not based on water consumption. Current regulations require that all customers be charged based on water consumption. The District began the Meter Implementation Program in 1999 with an intended outcome of installing water meters on all District service connections; and billing all customers on consumption after installing meters on all service connections. The District completed the MIP in 2011.

The District serves a population of approximately 40,000 through 14,138 service connections. The following graph shows the break-down of District's service connections by meter size.



**Fair Oaks Water District  
Current Customer Base**

<b>Customer Type</b>	<b>Connections</b>
Single Family Residential <sup>(1)</sup>	12,937
Multi-Family	583
Commercial	402
Institutional	112
Landscape Irrigation	104
<b>Total Connections</b>	<b>14,138</b>

<sup>(1)</sup>Includes Single Family House, Condo and Condo Share

## WATER RATE STRUCTURE DEVELOPMENT

The District began the metered rate analysis by developing a five-year financial plan for 2012 through 2016. The financial plan included review of past financial trends and a determination of future revenue requirements for successful operations of the District over the next five years. Based on the data collected, a proposed metered rate structure was developed. The proposed rate included the following:

- 2012 Revenue Target from Water Sales = \$8.6M
- General Rate Structure:
  - 59% Revenues from Fixed Charges
  - 41% Revenues from Commodity Charges
- \$53.53 Fixed Bi-Monthly Charge for 1-Inch Service
- \$0.83 Commodity Charge per 100 cubic feet (CCF)
- Revenue Neutral for Bi-Monthly Usage of 40 CCF (1-Inch Service)
- Reduce Fixed Charges for Meters Larger than 1-Inch by 17%
- 1-Inch Fixed Service Charge was Reduced from \$65.10 to \$53.53 or by 18%

In response to public input, the District Board of Directors decided to implement the proposed revenue adjustment, and associated rate structure, over a three-year period starting in 2012 and ending in 2014.

## DEVELOPMENT OF THE EQUIVALENT DWELLING UNIT (EDU)

The District began the rate development by converting all the connections to equivalent dwelling units (EDU) with 1-inch meters. Currently the District has meter sizes ranging from 1-inch to 10-inch. The following is a table of EDU calculations:

Fair Oaks Water District EDU COMPUTATION TABLE				
	(a)	(b)	(c) = (b)/.00545	(a) x (c)
Meter Size (Inch)	Total Number of Connections	Internal Area, sq.ft.	Conversion Factor (One Inch Equivalent)	EDU
1	13,093	0.00545	1	13,093
1.5	651	0.01227	2.25	1,465
2	351	0.02181	4	1,404
3	5	0.04906	9	45
4	23	0.08722	16	368
6	9	0.19625	36	324
8	4	0.34889	64	256
10	2	0.54514	100	200
<b>Total</b>	<b>14,138</b>			<b>17,155</b>

The District used the EDU method to calculate the capacity of each meter size. Based on the EDU calculations and District revenue requirements, the following table provides the fixed service charge by meter size:

### FIXED SERVICE CHARGE CALCULATION

Fair Oaks Water District Fixed Service Charge Calculation (\$8.63M of Total Revenue Requirement); 59% x \$8.63M = \$5.09M							
	(a)	(b)	(b)/17,154.75 x \$5,091,700	(d) = c / a/6			
Meter Size (Inch)	Total Number of Connections	EDU	Annual Cost	Bi-Monthly	Current Rate	Proposed Rate	% Reduction
1	13,093	13,093.00	\$ 3,886,132	\$ 49.47	\$ 65.10	\$ 53.53	-18%
1.5	651	1,464.75	434,752	111.30	119.31	99.27	-17%
2	351	1,404.00	416,721	197.87	184.28	153.32	-17%
3	5	45.00	13,356	445.21	357.56	297.49	-17%
4	23	368.00	109,226	791.49	552.61	459.77	-17%
6	9	324.00	96,166	1,780.86	1,093.84	910.07	-17%
8	4	256.00	75,983	3,165.97	1,744.82	1,451.69	-17%
10	2	200.00	59,362	4,946.83	2,718.87	2,262.10	-17%
<b>Total</b>	<b>14,138</b>	<b>17,154.75</b>	<b>\$ 5,091,700</b>				

Revenue from Commodity (59%)	\$ 5,091,700
Revenue from Fixed Service (41%)	<u>3,538,300</u>
Total 2012 Revenue Requirement	\$ 8,630,000

### COMMODITY RATE CALCULATION

Fair Oaks Water District Calculation of Commodity Portion of Rates Revenue Requirements from Consumption							
	(a)	(b) = a x 41%	c	(d) = c x 90%	(e) = d x 325,850/748	(f) = b/e	(g)
Year	Total Revenue, \$	Revenue from Consumption @ 41%, \$	Estimated Demand, AC-FT	Estimated Consumption, AC-FT (90% of Demand Due to Unaccounted Water)	Units, CCF	Cost per unit, \$	Total Commodity Revenue
2012	8,630,000	3,538,300	11,200	10,080	4,391,100	0.81	
2013	8,630,000	3,538,300	11,000	9,900	4,312,700	0.82	
2014	8,630,000	3,538,300	10,800	9,720	4,234,300	0.84	
2015	8,630,000	3,538,300	10,700	9,630	4,195,100	0.84	
2016	8,630,000	3,538,300	10,500	9,450	4,116,700	0.86	
Average Rate		17,691,500			21,249,900	<b>0.83</b>	
Average Units					4,249,980		
Total Projected Commodity Revenue [average units (4,249,980) x average rate (\$0.83)]							\$ 3,527,483

† The estimated demand (consumption) includes all FOWD customer classifications: large use customers, multi-family, commercial, agriculture residential, etc.

## NEW WATER RATE STRUCTURE

The metered rates will include two components: fixed service charge and commodity charge. The fixed service charge is based on meter size and is paid in advance. The commodity charge is based on the individual customer's consumption and is paid in arrears.

The District established a rate structure with a 59% fixed service charge and 41% commodity charge. The 59% fixed service charge covers the non-discretionary portion of operating expenses which is approximately \$5M. The commodity charge covers the remaining expenses of the District.

The District analyzed the historical consumption to help estimate future revenue. Currently the average service connection consumption within the District is approximately 40 CCF for two months of water service.

The commodity rate developed by the District is based on providing all customers the same cost for a unit of water, therefore as customers use more water they pay more. Customers using less than 40 CCF bi-monthly will pay less than the current flat rate of \$86.67, while customers using more than 40 CCF bi-monthly will pay more than their current flat rate of \$86.67; based on a typical 1-inch meter.

At the November 14, 2011 Special Board Meeting, the District Board approved a three-year water rate structure. The first year included no changes in the fixed service charges with a new commodity rate of \$0.45 per CCF. For 2013 and 2014, Board action is required for rate adjustments. The Board proposed a reduction in fixed service charges of 8.5% with a new commodity rate of \$0.64 per CCF in 2013. The Board proposed a reduction of 18% from the 2012 rate for one inch metered fixed service charge and a reduction of 17% from the 2012 rate for metered service sizes greater than one inch with a new commodity rate of \$0.83 per CCF in 2014.

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.

Fair Oaks Water District 2012-2016 Projected Fixed Service Charge Revenues							
Meter Size (Inch)	Number of Connection per Size	2012 Bi-Monthly Charges	2012 (Annual)	2013* Bi-Monthly Charges	2013 (Annual)	2014* Bi-Monthly Charges	2014-2016 (Annual)
1	13093	\$ 65.10	\$ 5,114,126	\$ 59.57	\$ 4,679,700	\$ 53.53	\$ 4,205,210
1.5	651	119.31	466,025	109.17	426,418	99.27	387,733
2	351	184.28	388,094	168.62	355,114	153.32	322,894
3	5	357.56	10,727	327.17	9,815	297.49	8,925
4	23	552.61	76,260	505.64	69,778	459.77	63,448
6	9	1,093.84	59,067	1,000.86	54,046	910.07	49,144
8	4	1,744.82	41,876	1,596.51	38,316	1,451.69	34,841
10	2	2,718.87	32,626	2,487.77	29,853	2,262.10	27,145
<b>TOTAL</b>			<b>\$ 6,188,800</b>		<b>\$ 5,663,000</b>		<b>\$ 5,099,300</b>
* Rate adjustments will require Board action.							

Fair Oaks Water District 2012-2016 Projected Commodity Revenues				
Year	Projected AF	Units (CCF)	Proposed \$/CCF	Total Commodity
2012	10,080	4,391,100	\$ 0.45	\$ 1,976,000
2013*	9,900	4,312,700	0.64	2,760,100
2014*	9,720	4,234,300	0.83	3,514,500
2015	9,630	4,195,100	0.83	3,481,900
2016	9,450	4,116,700	0.83	3,416,900
* Rate adjustments will require Board action.				

## SUMMARY OF PROJECTED REVENUES, RESERVES AND % CHANGE

The original financial plan proposed an overall 9% increase in total revenues over projected 2011 year-end revenues. The approved three-year water rate plan has a total revenue increase of less than 9%; with a condition for 2013 and 2014 rate adjustments requiring Board action.

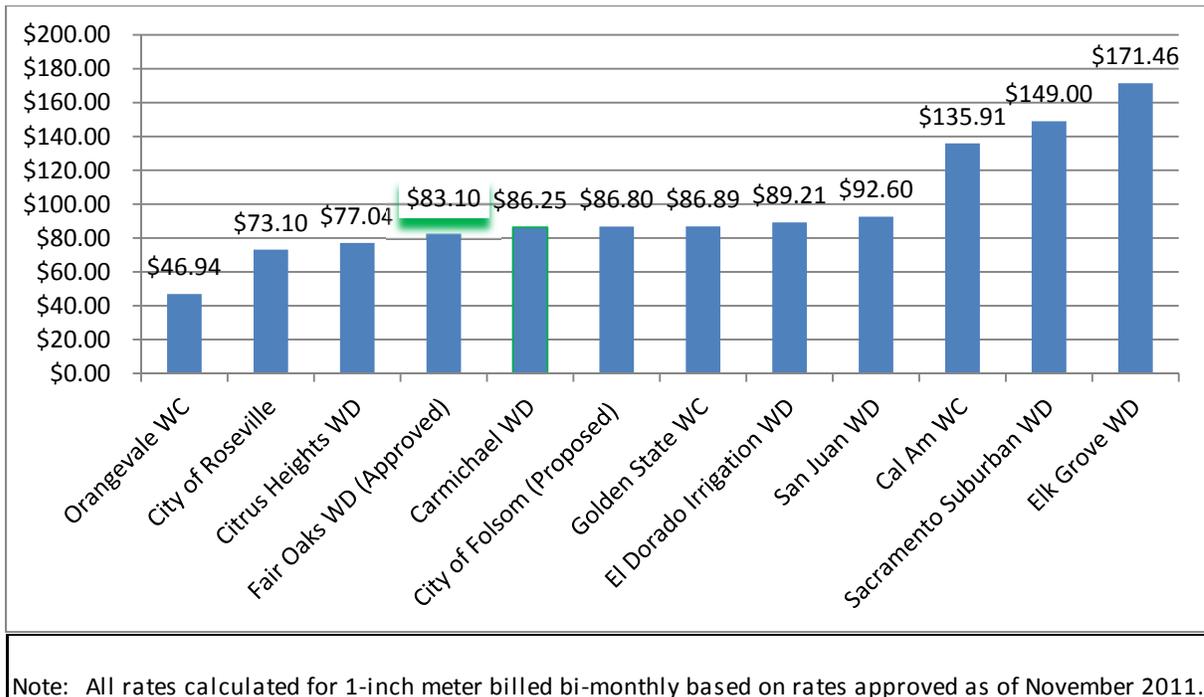
Fair Oaks Water District							
2012-2016 Summary of Projected Revenues, Reserves and % Change							
Year	Commodity Revenues	Fixed Revenues	Total Projected Water Revenues	Other Revenues	Total Projected Revenues	% Change	Projected Ending Reserves
<b>2011 (Estimated)</b>					<b>\$ 8,147,600</b>		\$ 3,911,600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

## NEW RATE STRUCTURE COMPARED TO LOCAL WATER AGENCIES

Fair Oaks Water District Comparison of Local Rates for 2 Months Billing Cycle		
Agency Name	Water rate for 40 units (CCF)	Water rate for 60 units (CCF)
Orangevale WC	\$46.94	\$60.34
City of Roseville	\$73.10	\$87.30
Citrus Heights WD	\$77.04	\$91.50
Fair Oaks WD (Approved)	\$83.10	\$92.10
Carmichael WD	\$86.25	\$107.45
City of Folsom (Proposed)	\$86.80	\$117.80
Golden State WC	\$86.89	\$109.73
El Dorado Irrigation WD	\$89.21	\$124.89
San Juan WD	\$92.60	\$107.40
Cal Am WC	\$135.91	\$172.31
Sacramento Suburban WD	\$149.00	\$169.00
Elk Grove WD	\$171.46	\$200.66

Note: All rates calculated for 1-inch meter billed bi-monthly based on rates approved as of November 2011.

### Fair Oaks Water District Local Rates Comparison Using 40 Units (CCF) – Bi-Monthly 2012



## CONNECTION FEES

Connection fees are one-time fees the District charges new development to connect to the District's water system. The connection fees are associated with the water capacity the customer can take from the District's water system. The connection fees are associated with capital assets of the FOWD water system and are restricted for capacity enhancement projects by AB1600. The District followed the general guidelines of the California government code section 66013(a) to develop connection fees that "*shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed...*"

The District uses both the *buy-in* and *incremental cost* methods to calculate connection fees. The buy-in method includes existing infrastructure, while the incremental cost includes future infrastructure required to be built for additional capacity. The District used the capacity related assets that were audited at the end of 2010, future assets related to capacity improvements for 2011 to 2016, less outstanding debt, then divided the total by the District total EDU's to estimate the connection fees. Note that the interest on the debt is insignificant to the calculation; thus it was excluded from the table below. A list of 2010 audited capital assets follows:

**Fair Oaks Water District  
2010 Audited Capital Assets**

	Balance at January 1, 2010	Additions	Disposals	Transfers and Adjustments	Balance at December 31, 2010
<b>Intangible Asset</b>					
Capacity Entitlements	\$ 3,956,248	\$ -	\$ -	\$ -	\$ 3,956,248
Less: Amortization					
Capacity Entitlements	(1,236,326)	(98,906)	-	-	(1,335,232)
<b>Total Intangible Asset</b>	<b>2,719,922</b>	<b>(98,906)</b>	<b>-</b>	<b>-</b>	<b>2,621,016</b>
<b>Capital assets, not being depreciated:</b>					
Land	1,128,565	224,270	-	-	1,352,835
Construction in progress	2,968,125	245,075	-	(2,889,417)	323,783
Subtotal capital assets not being depreciated	4,096,690	469,345	-	(2,889,417)	1,676,618
<b>Total capital assets, not being deprec.</b>	<b>6,816,612</b>	<b>370,439</b>	<b>-</b>	<b>(2,889,417)</b>	<b>4,297,634</b>
<b>Capital assets, being depreciated:</b>					
Wells and pumps	5,276,717	-	-	-	5,276,717
Transmission and distribution system	28,980,378	3,313,556	(271,829)	124,684	32,146,789
Maintenance equipment	475,395	18,365	(923)	-	492,837
Trucks, trailers, and mobile equipment	1,560,355	14,760	-	-	1,575,115
Buildings	725,111	183,307	-	2,764,733	3,673,151
Office equipment and furnishings	846,534	212,593	(196,053)	-	863,074
Contributed distribution systems	7,358,815	139,716	-	-	7,498,531
Water tank and pumping	2,034,378	3,710	-	-	2,038,088
Total capital assets being depreciated, net	47,257,683	3,886,007	(468,805)	2,889,417	53,564,302
<b>Less accumulated depreciation for:</b>					
Wells and pumps	(1,216,359)	(112,649)	-	-	(1,329,008)
Transmission and distribution system	(10,642,009)	(1,323,478)	257,994	-	(11,707,493)
Maintenance equipment	(229,243)	(22,340)	308	-	(251,275)
Trucks, trailers, and mobile equipment	(1,209,994)	(92,337)	-	-	(1,302,331)
Buildings	(674,726)	(92,060)	-	-	(766,786)
Office equipment and furnishings	(724,856)	(78,194)	194,076	-	(608,974)
Contributed distribution systems	(3,647,884)	(187,391)	-	-	(3,835,275)
Water tank and pumping	(1,268,479)	(66,330)	-	-	(1,334,809)
Total accumulated depreciation	(19,613,550)	(1,974,779)	452,378	-	(21,135,951)
Total capital assets being depreciated, net	27,644,133	1,911,228	(16,427)	2,889,417	32,428,351
<b>Capital assets, net book value</b>	<b>\$ 34,460,745</b>	<b>\$ 2,281,667</b>	<b>\$ (16,427)</b>	<b>\$ -</b>	<b>\$ 36,725,985</b>

Fair Oaks Water District Connection Fee Calculation										
	a	b	c = a-b	d	d	d	e = a+d	f = e x 60%	g	e+f-b-g
Asset Category	2010 Assets	Depreciation as of 12/31/2010	2010 NBV	Less: Outstanding Debt Principal	Add: 2011 Estimated	Add: 2012 - 2016 Projected	Total Value for Inflation Index	Index for Inflation [1.5% per year (60% for 40 years)]	Less: Depreciation for 2011-2016	Replacement Cost (Net of Depreciation)
Wells and Pump	\$ 5,276,717	\$ (1,329,008)	\$ 3,947,709	\$ -	\$ -	\$ -	\$ 5,276,717	\$ 3,166,030	\$ (112,649)	\$ 7,001,090
Transmission and Distribution	32,146,789	(11,707,493)	20,439,296				32,146,789	19,288,073	(7,940,868)	31,786,501
Capacity Entitlement	3,956,248	(1,335,232)	2,621,016	(583,000)			3,373,248	2,023,949	(593,436)	3,468,529
Contributed Distribution System	7,498,531	(3,835,275)	3,663,256				7,498,531	4,499,119	(1,124,346)	7,038,029
Construction in Progress	323,783		323,783		2,139,900	12,075,300	14,538,983	8,723,390	(1,158,680)	22,103,693
Building	3,673,151	(766,786)	2,906,365				3,673,151	2,203,891	(552,360)	4,557,896
Land	1,352,835		1,352,835				1,352,835	811,701		2,164,536
Water Tank and Pumping	2,038,088	(1,334,809)	703,279				2,038,088	1,222,853	(397,980)	1,528,152
<b>Total</b>	<b>\$ 56,266,142</b>	<b>\$ (20,308,603)</b>	<b>\$ 35,957,539</b>	<b>\$ (583,000)</b>	<b>\$ 2,139,900</b>	<b>\$ 12,075,300</b>	<b>\$ 69,898,342</b>	<b>\$ 41,939,005</b>	<b>\$ (11,880,319)</b>	<b>\$ 79,648,425</b>
Total EDU										17,155
<b>Total Connection Fee Charge for 1-Inch Service (Total Replacement Cost/Total EDU)</b>										<b>\$ 4,642.87</b>
2010 Capital Assets taken from the Audited Financial Statement										

As presented in the above table, the basis for calculating connection fees was one (1) Equivalent Dwelling Unit (EDU) or 1-inch service. The table below represents connection fee calculations for services larger than 1-inch. The EDU conversion factors for larger services were multiplied by 1-inch connection fee. The connection fees for services 3-inch and larger were reduced by 20%.

Fair Oaks Water District Connection Fees						
Meter Size (Inch)	Total Number of Connections	EDU	Conversion Factor	Cost Per Connection Size	Adjustment (20% Reduction)	Proposed 2012
1	13,093	13,093	1	\$ 4,643	\$ -	\$ 4,643
1.5	651	1,465	2.25	10,447	-	10,447
2	351	1,404	4	18,572	-	18,572
3	5	45	9	41,787	(8,357)	33,430
4	23	368	16	74,288	(14,858)	59,430
6	9	324	36	167,148	(33,430)	133,718
8	4	256	64	297,152	(59,430)	237,722
10	2	200	100	464,300	(92,860)	371,440
<b>Total</b>	<b>14,138</b>	<b>17,155</b>				



## **FINANCIAL SUMMARIES**

## REVENUE REQUIREMENTS AND FINANCIAL PLANNING

The projected revenue requirements in the five-year financial plan are directly related to the projected expenses. The projected expenses included water purchases, operations and maintenance expenses, capital improvement program expenses, debt service and other obligations. The current financial plan included a three-year rate structure as discussed under the “New Rate Structure” section. Below is the estimated summary of total revenues, expenses and year-ending cash balances for the period analyzed.

**Fair Oaks Water District  
2012-2016 Financial Plan Summary  
(\$ in millions)**

Description	Estimated 2011	Proposed 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
Beginning Balance	\$ 3.73	\$ 3.91	\$ 2.75	\$ 3.05	\$ 3.27	\$ 3.68
Revenues	8.15	8.41	8.65	8.85	8.82	8.76
Expenses	<u>(7.97)</u>	<u>(9.57)</u>	<u>(8.35)</u>	<u>(8.63)</u>	<u>(8.40)</u>	<u>(10.11)</u>
Ending Balance <sup>(a)</sup>	<u>\$ 3.91</u>	<u>\$ 2.75</u>	<u>\$ 3.05</u>	<u>\$ 3.27</u>	<u>\$ 3.68</u>	<u>\$ 2.33</u>

- (a) The District has a reserve policy with a target of approximately \$4M: rate stabilization reserve (3 months of operating expenses) and emergency reserve (six months of operating expenses).

### Basis of Financial Plan

The financial sections of the five-year financial plan 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.

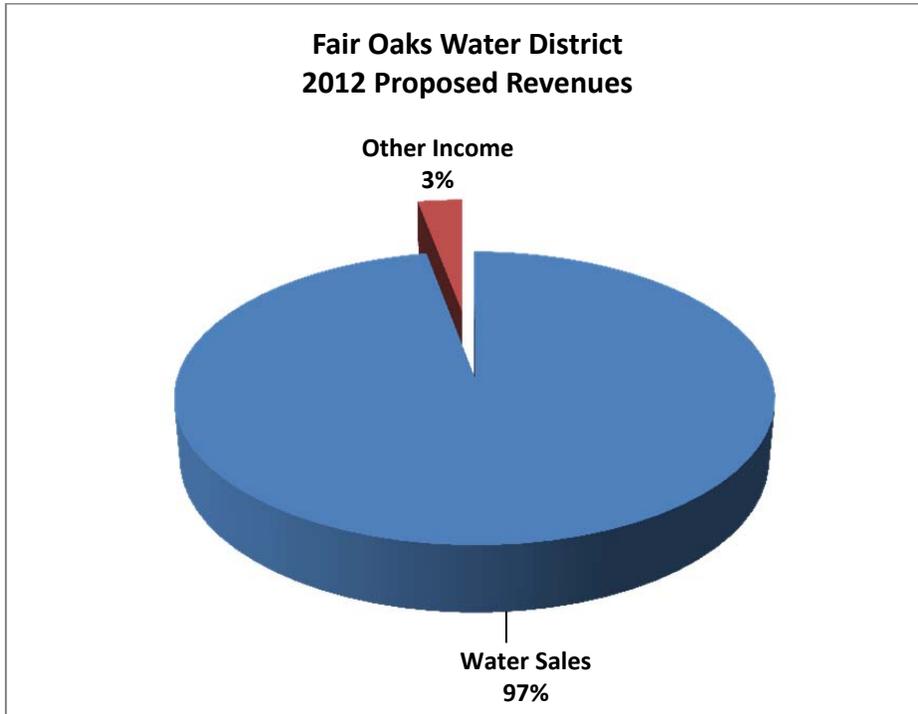
### Financial Plan Assumptions

The District made certain assumptions in the financial plan as follows:

- General inflation is estimated at 3%.
- Labor inflation is estimated at 2%.
- Interest earning is estimated at ½ percent.
- Water Demand for each year is estimated to decrease due to conservation.

## DISTRICT REVENUES

2012 Proposed Revenues	
Water Sales	\$ 8,164,800
Other Income	245,400
<b>Total</b>	<b>\$ 8,410,200</b>



### Water Sales

The District's revenue is primarily from water sales. The projected 2012 water revenue is \$8,164,800 (97%). The average water sales forecasted for 2013 to 2016 is \$8,459,800.

### Other Income

Other income includes connection fees, interest income, grants and miscellaneous income. As shown, the District's other income is only 3%.

#### 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.

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 ½ percent of interest earnings for 2012-2016.

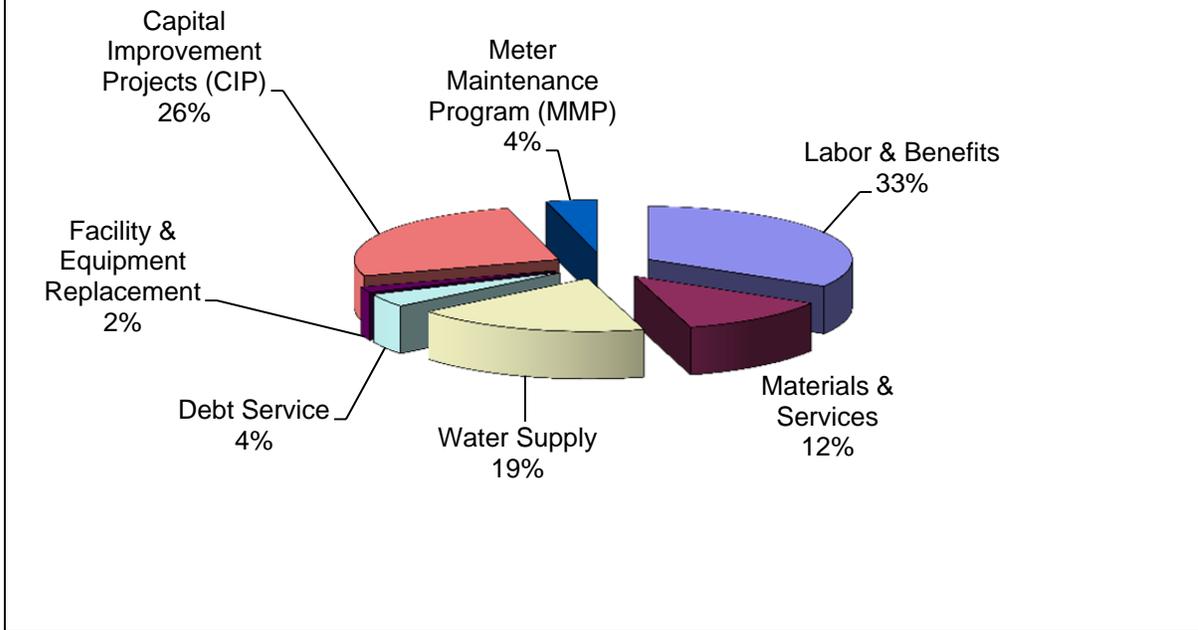
**DISTRICT EXPENSES**

**Where Your Dollar Is Spent**

The following chart shows the proposed District expenses by cost category for 2012. Summaries of each cost category are also listed below.

<b>Fair Oaks Water District 2012 Proposed Expenses</b>	
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>

**FAIR OAKS WATER DISTRICT  
2012 Proposed Expenses**



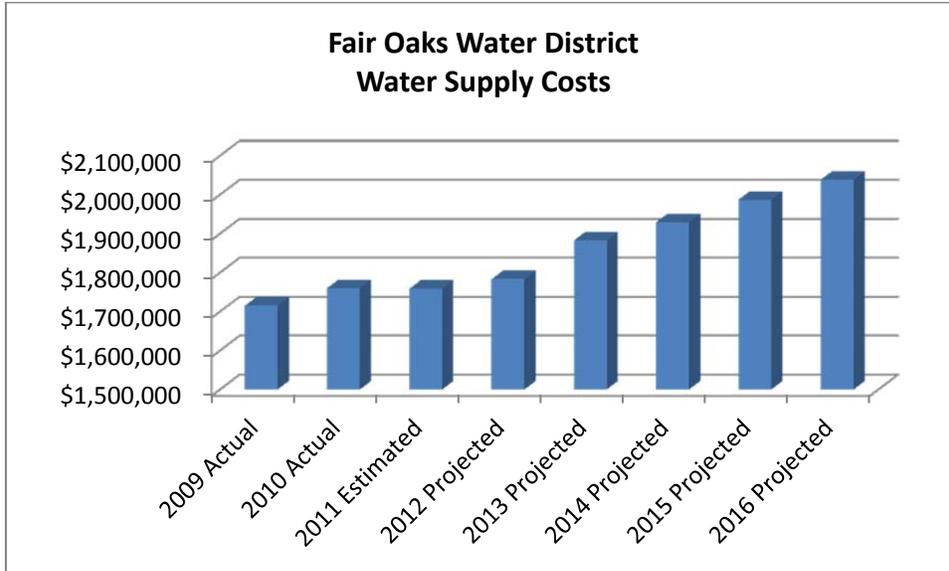
Water Supply:

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
<b><i>Total Purchased Surface Water</i></b>	<b>\$ 1,529,700</b>
<b><i>Groundwater</i></b>	<b>253,500</b>
<b>Total Water Supply Costs</b>	<b>\$ 1,783,200</b>

The following is a summary of the District's actuals and projected water supply costs.

Water Supply Costs								
Category	2009 Actual	2010 Actual	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Water Supply Costs	\$ 1,714,768	\$ 1,759,800	\$1,758,400	\$1,783,200	\$1,882,400	\$1,929,200	\$1,987,200	\$ 2,038,400



## Operating Outlay

The District's operating outlay includes the *material & services* and *salaries & benefits* which combined to be 45% of the total proposed 2012 expenses. These costs covered three functional areas: operations and maintenance, customer service and administration and Board of Directors.

### Materials and Services

Materials and services include system and maintenance expenses, bill processing, regulatory fees and professional fees and other operating expenses. These expenses include a general inflation rate of 3% annually. The material and services average increase over the next five years for 2012 to 2016 is 3%.

### District Salaries and Benefits

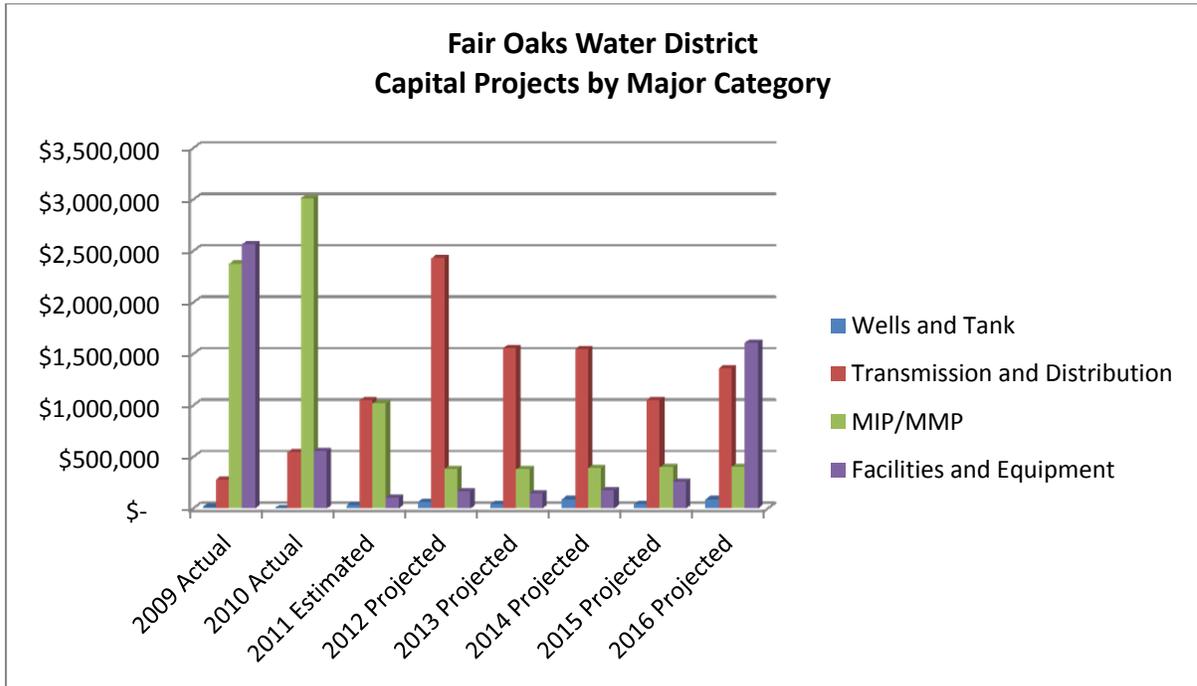
The District salaries are projected to have a 2% increase on average from 2013-2016. The cost of benefits are projected with an average of 3% increase from 2013-2016.

### Debt Service

The District has 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 District's current five-year financial plan does not include any new debt.

## Capital Projects Overview

Capital Projects Overview								
Category	2009 Actual	2010 Actual	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Wells and Tank	\$ 16,656	\$ 981	\$ 32,000	\$ 65,000	\$ 40,000	\$ 90,000	\$ 40,000	\$ 90,000
Transmission and Distribution	281,763	545,035	1,049,700	2,430,000	1,556,800	1,545,000	1,055,000	1,360,000
MIP/MMP	2,377,261	3,014,330	1,019,200	385,000	380,000	392,000	400,000	407,000
Facilities and Equipment	2,567,262	555,775	103,700	168,200	144,800	173,500	260,700	1,609,800
<b>Total</b>	<b>\$ 5,242,942</b>	<b>\$ 4,116,121</b>	<b>\$2,204,600</b>	<b>\$3,048,200</b>	<b>\$2,121,600</b>	<b>\$2,200,500</b>	<b>\$1,755,700</b>	<b>\$ 3,466,800</b>



### Meter Maintenance Program:

The future meter program will include maintenance, replacement of meters, replacement of AMRs, replacement of registers, and replacement of other meter related parts. The District has estimated the useful life of new meters at 15 years. Meter replacement program for 2012 is estimated at a cost of \$300,000.

### Capital Improvement Projects:

The District continues to repair and replace aging infrastructure throughout its system. The District scheduled the following Capital Improvement 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.

Other capital projects can be found under capital projects for 2012 to 2016.

## DISTRICT RESERVES AND DESIGNATIONS

The District current reserves policy includes connection fees reserve, Certificate of Participation (COP) reserve, emergency designation and rate stabilization designation.

The District paid off its COP as of 2010 and projected no new debt for 2012-2016. The District anticipates applying all connection fees toward the capacity related projects as it is collected from 2011-2012. Therefore there will be no COP or connection fee reserves balance for 2011-2016.

The following are summaries of the District's reserve policy requirements and the projected ending balance.

<b>Reserve Policy Requirements</b>						
<b>Description</b>	<b>Estimated 2011</b>	<b>Proposed 2012</b>	<b>Projected 2013</b>	<b>Projected 2014</b>	<b>Projected 2015</b>	<b>Projected 2016</b>
Emergency Designation	\$ 2,763,500	\$ 3,067,200	\$ 3,116,000	\$ 3,216,700	\$ 3,322,600	\$3,321,800
Rate Stabilization Designation	1,381,700	480,000	480,000	480,000	480,000	480,000
<b>Total</b>	<b>\$ 4,145,200</b>	<b>\$ 3,547,200</b>	<b>\$ 3,596,000</b>	<b>\$ 3,696,700</b>	<b>\$ 3,802,600</b>	<b>\$3,801,800</b>

<b>Projected Reserves and Designations</b>						
<b>Description</b>	<b>Estimated 2011</b>	<b>Proposed 2012</b>	<b>Projected 2013</b>	<b>Projected 2014</b>	<b>Projected 2015</b>	<b>Projected 2016</b>
Emergency Designation	\$ 2,529,900	\$ 2,500,800	\$ 2,574,200	\$ 2,787,700	\$ 3,203,700	\$2,250,000
Rate Stabilization Designation	1,381,700	253,000	480,000	480,000	480,000	78,500
<b>Total Reseves/Designations</b>	<b>\$ 3,911,600</b>	<b>\$ 2,753,800</b>	<b>\$ 3,054,200</b>	<b>\$ 3,267,700</b>	<b>\$ 3,683,700</b>	<b>\$2,328,500</b>



## **FINANCIAL DETAILS**

## Fair Oaks Water District

### 2012-2016 Five-Year Financial Plan

#### Financial Plan Summary of Revenues and Expenses

Description	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Proposed 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
<b>Revenues</b>									
<i>Total Operating Revenues</i>	\$ 8,071,610	\$ 8,032,377	\$ 8,036,300	\$ 7,996,900	\$ 8,359,800	\$ 8,618,100	\$ 8,808,800	\$ 8,776,200	\$ 8,711,200
<i>Total Non-Operating Income</i>	229,636	180,034	74,000	150,700	50,400	35,900	38,500	40,700	44,000
<b>Total Revenues</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>\$ 8,654,000</b>	<b>\$ 8,847,300</b>	<b>\$ 8,816,900</b>	<b>\$ 8,755,200</b>
<b>Expenses</b>									
Operating Expenses	\$ 4,571,703	\$ 4,793,669	\$ 6,126,700	\$ 5,526,900	\$ 6,134,400	\$ 6,232,000	\$ 6,433,300	\$ 6,645,200	\$ 6,643,600
Debt Service	1,006,600	1,089,900	236,200	234,700	385,400	-	-	-	-
<b>Total Expenses</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>\$ 6,232,000</b>	<b>\$ 6,433,300</b>	<b>\$ 6,645,200</b>	<b>\$ 6,643,600</b>
<b>Net Income (Loss) before Capital Program</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>\$ 2,422,000</b>	<b>\$ 2,414,000</b>	<b>\$ 2,171,700</b>	<b>\$ 2,111,600</b>
<b>Capital Program Expenses</b>									
<i>Computer Equipment &amp; Software</i>	\$ 77,315	\$ 36,248	\$ 51,700	\$ 51,700	\$ 75,700	\$ 49,500	\$ 49,500	\$ 52,500	\$ 52,500
<i>Vehicles and Maintenance Equipment</i>	22,079	31,202	19,500	13,000	62,000	56,800	40,500	39,700	38,800
<i>Facility &amp; Office Equipment</i>	2,467,867	488,325	44,000	39,000	30,500	38,500	83,500	168,500	1,518,500
<i>Meter Implementation Program (MIP)</i>	2,377,261	3,014,330	1,060,000	1,019,200	385,000	380,000	392,000	400,000	407,000
<i>CIP</i>	298,419	546,016	1,240,000	1,081,700	2,495,000	1,596,800	1,635,000	1,095,000	1,450,000
<b>Total Capital Program Expenses</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>\$ 2,121,600</b>	<b>\$ 2,200,500</b>	<b>\$ 1,755,700</b>	<b>\$ 3,466,800</b>
<b>Total Expenses including Capital Program</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>\$ 8,353,600</b>	<b>\$ 8,633,800</b>	<b>\$ 8,400,900</b>	<b>\$10,110,400</b>
<b>Net Income (Loss)</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>\$ 300,400</b>	<b>\$ 213,500</b>	<b>\$ 416,000</b>	<b>\$ (1,355,200)</b>
<b>Ending Reserve/Designated Balance</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>	<b>\$ 3,054,200</b>	<b>\$ 3,267,700</b>	<b>\$ 3,683,700</b>	<b>\$ 2,328,500</b>

# Fair Oaks Water District

## 2012-2016 Five-Year Financial Plan

### Revenue Summary

Description	Acct #	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Proposed 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
<b>Operating Revenues:</b>										
<i>Water sales</i>										
Residential-unmetered flat rates	4010/4140	\$ 6,845,532	\$ 6,832,811	\$ 6,833,000	\$ 6,775,300	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Service Charge	ALL CUSTOMERS					6,188,800	5,663,000	5,099,300	5,099,300	5,099,300
Commodity Charge	ALL CUSTOMERS					1,976,000	2,760,100	3,514,500	3,481,900	3,416,900
Metered service charges - resid.	4025	57,383	65,409	68,700	106,600					
Metered commodity rates - resid.	4020	11,132	11,732	12,700	10,000					
Metered service charges - comm.	4035, 4026-4028	699,911	708,333	728,000	708,300					
Metered commodity rates - comm.	4030, 4021-4023	241,597	221,525	241,300	221,500					
Commercial flat	4037	12,014	13,099	12,600	15,200					
San Juan Water Sales	4014	11,675			-					
Allowance: metered rate conversion		-	-	(5,600)						
Allowance: uncollectible accounts		-	-	(4,400)						
<b>Total Water Sales</b>		<b>7,879,244</b>	<b>7,852,909</b>	<b>7,886,300</b>	<b>7,836,900</b>	<b>8,164,800</b>	<b>8,423,100</b>	<b>8,613,800</b>	<b>8,581,200</b>	<b>8,516,200</b>
<i>Other Fees/Income</i>										
Delinquencies & late fees	4050/4055/4060	168,628	161,761	135,000	135,000	135,000	135,000	135,000	135,000	135,000
Fire service fees						35,000	35,000	35,000	35,000	35,000
Fees for service	4150/4130	23,737	17,707	15,000	25,000	25,000	25,000	25,000	25,000	25,000
<b>Total Operating Revenues</b>		<b>\$ 8,071,610</b>	<b>\$ 8,032,377</b>	<b>\$ 8,036,300</b>	<b>\$ 7,996,900</b>	<b>\$ 8,359,800</b>	<b>\$ 8,618,100</b>	<b>\$ 8,808,800</b>	<b>\$ 8,776,200</b>	<b>\$ 8,711,200</b>
<b>Non-Operating Income:</b>										
Interest income	4610	\$ 78,743	\$ 36,438	\$ 14,000	\$ 25,000	\$ 14,400	\$ 13,800	\$ 15,300	\$ 16,300	\$ 18,400
Connection fees	4110/4120	57,035	27,843	20,000	10,000	21,000	22,100	23,200	24,400	25,600
Annexation fees	4155									
Grants	4320		19,696	25,000						
Other sources of income										
Miscellaneous revenue	4015/4170/4175/4180/4185/4310	63,204	90,370	15,000	98,500	15,000				
Contributed assets	4160	105,880	139,716							
Less: Contributed Assets (non-cash)	4160	(105,880)	(139,716)							
(Loss) gain on disposal of assets	4080/4090	30,654	5,687		17,200					
<b>Total Non-Operating Income</b>		<b>\$ 229,636</b>	<b>\$ 180,034</b>	<b>\$ 74,000</b>	<b>\$ 150,700</b>	<b>\$ 50,400</b>	<b>\$ 35,900</b>	<b>\$ 38,500</b>	<b>\$ 40,700</b>	<b>\$ 44,000</b>
<b>Total Revenues</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>\$ 8,654,000</b>	<b>\$ 8,847,300</b>	<b>\$ 8,816,900</b>	<b>\$ 8,755,200</b>

## Fair Oaks Water District

### 2012-2016 Five-Year Financial Plan

#### Expense Summary

	Actual	Actual	Budget	Estimated	Proposed	Projected	Projected	Projected	Projected	
Acct #	2009	2010	2011	2011	2012	2013	2014	2015	2016	
<b>Labor &amp; Benefits</b>										
<b>Salaries and Wages</b>										
Salaries	5010	\$ 1,941,917	\$ 1,942,620	\$ 2,166,000	\$ 2,043,300	\$ 2,140,900	\$ 2,183,700	\$ 2,227,400	\$ 2,271,900	\$ 2,317,300
On-call	5011	29,063	28,688	31,000	31,000	31,000	31,000	31,000	31,000	31,000
Overtime	5011	18,059	46,274	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Certificate Incentive Program	5010	35,888	17,314	36,000	25,000	25,000	25,000	25,000	25,000	25,000
Temporary Labor	5050	20,659	92,896	40,000	-	20,000	20,000	20,000	20,000	20,000
<i>Salaries and Wages Subtotal</i>		\$ 2,045,586	\$ 2,127,792	\$ 2,303,000	\$ 2,129,300	\$ 2,246,900	\$ 2,289,700	\$ 2,333,400	\$ 2,377,900	\$ 2,423,300
<b>Benefits and Insurance</b>										
Auto and mileage	5420	\$ 5,184	\$ 4,491	\$ 5,000	\$ 5,000	\$ 5,000	\$ 4,900	\$ 4,800	\$ 4,700	\$ 4,600
Dental Insurance	5220	36,463	38,115	44,000	42,100	43,500	44,800	46,100	47,500	48,900
FICA	5110	123,928	129,448	142,800	132,000	139,300	142,000	144,700	147,400	150,200
Medicare	5120	29,679	30,954	33,400	30,900	32,600	33,200	33,800	34,500	35,100
Health Insurance	5210	431,043	461,792	553,600	542,700	561,500	578,300	595,600	613,500	631,900
Disability Insurance	5260	7,737	7,330	8,000	7,300	7,400	7,600	7,800	8,000	8,200
Life Insurance	5230	3,909	3,978	4,100	4,100	3,900	4,000	4,100	4,200	4,300
Pension Plan	5240	265,057	278,939	300,000	302,000	322,900	332,600	342,600	352,900	363,500
Unemployment insurance	5310	22,923	10,110	83,700	30,000	25,000	25,000	25,000	25,000	25,000
Vision care	5250	9,072	8,939	9,700	9,300	9,200	9,500	9,800	10,100	10,400
Workers compensation	5320	52,856	64,227	75,000	72,000	87,700	90,300	93,000	95,800	98,700
<i>Benefits and Insurance Subtotal</i>		\$ 987,851	\$ 1,038,323	\$ 1,259,300	\$ 1,177,400	\$ 1,238,000	\$ 1,272,200	\$ 1,307,300	\$ 1,343,600	\$ 1,380,800
<b>Labor &amp; Benefits Subtotal</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>	<b>\$ 3,561,900</b>	<b>\$ 3,640,700</b>	<b>\$ 3,721,500</b>	<b>\$ 3,804,100</b>
In-house CIP/MIP labor & benefits capitalized		\$ (869,142)	\$ (870,304)	\$ (602,100)	\$ (602,100)	\$ (293,400)	\$ (380,700)	\$ (359,800)	\$ (366,300)	\$ (494,400)
<b>Net Labor &amp; Benefits</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>	<b>\$ 3,181,200</b>	<b>\$ 3,280,900</b>	<b>\$ 3,355,200</b>	<b>\$ 3,309,700</b>

		Actual	Actual	Budget	Estimated	Proposed	Projected	Projected	Projected	Projected
	Acct #	2009	2010	2011	2011	2012	2013	2014	2015	2016
<b>Materials &amp; Services</b>										
<b>Water Supply</b>										
Surface water supply, SJWD	6110	\$ 1,530,540	\$ 1,550,630	\$ 1,750,000	\$ 1,563,600	\$ 1,529,700	\$ 1,628,200	\$ 1,667,600	\$ 1,718,100	\$ 1,760,900
Chemicals	6160	6,008	5,941	7,000	6,000	7,000	7,200	7,400	7,600	7,800
DOHS Fees	6358	4,452	7,477	12,000	12,000	12,500	12,900	13,300	13,700	14,100
Energy cost, tank	6120	26,499	22,606	28,500	17,300	23,000	23,700	24,400	25,100	25,900
Energy cost, wells	6130	128,361	148,300	155,000	134,200	170,000	175,100	180,400	185,800	191,400
Testing & sampling	6140	17,326	21,848	26,000	19,800	26,000	26,800	27,600	28,400	29,300
SCADA support & maintenance	6151	506	219	10,000	1,500	10,000	3,500	3,500	3,500	4,000
Cathodic Protection <sup>(1)</sup>	6152		2,450	3,000	2,500	3,000	3,000	3,000	3,000	3,000
Hydrant testing & flushing	6155	1,076	329	2,000	1,500	2,000	2,000	2,000	2,000	2,000
<i>Water Supply Subtotal</i>		\$ 1,714,768	\$ 1,759,800	\$ 1,993,500	\$ 1,758,400	\$ 1,783,200	\$ 1,882,400	\$ 1,929,200	\$ 1,987,200	\$ 2,038,400
<b>District Facilities Maintenance and Repairs</b>										
Well and pump repairs	6170	\$ 425	\$ 1,760	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,500	\$ 16,000	\$ 16,500	\$ 17,000
Minor tank repairs and maintenance	6165	5,302	4,187	8,000	8,000	10,000	10,300	10,600	10,900	11,200
District site maintenance	6700	12,419	4,797	7,500	6,500	7,000	7,200	7,400	7,600	7,800
Refuse collection	6750	3,079	3,500	5,500	5,000	5,300	5,500	5,700	5,900	6,100
Janitorial	6710	4,899	2,159	2,000	2,000	2,100	2,200	2,300	2,400	2,500
Elevator maintenance	6701	-	-	3,000	5,300	5,500	5,700	5,900	6,100	6,300
Security costs	6720	1,400	7,209	5,000	2,400	4,000	4,100	4,200	4,300	4,400
<i>District Facilities Maint. Subtotal</i>		\$ 27,524	\$ 23,612	\$ 46,000	\$ 44,200	\$ 48,900	\$ 50,500	\$ 52,100	\$ 53,700	\$ 55,300
<b>Vehicle and Equipment Maintenance</b>										
Vehicle maintenance	6610	\$ 11,498	\$ 15,598	\$ 15,000	\$ 16,000	\$ 17,000	\$ 17,500	\$ 18,000	\$ 18,500	\$ 19,100
Vehicle repairs	6611	6,227	13,572	15,000	15,500	17,500	18,000	18,500	19,100	19,700
Other equipment repair & maint.	6620	27,414	19,603	22,000	22,600	25,000	25,800	26,600	27,400	28,200
<i>Vehicle Maintenance Subtotal</i>		\$ 45,139	\$ 48,773	\$ 52,000	\$ 54,100	\$ 59,500	\$ 61,300	\$ 63,100	\$ 65,000	\$ 67,000
<b>Insurance</b>										
Auto and general liab. insurance <sup>(4)</sup>	7310	\$ 33,541	\$ 103,713	\$ 106,000	\$ 105,900	\$ 109,000	\$ 112,300	\$ 115,700	\$ 119,200	\$ 122,800
Bonding	7330	1,000	1,000	5,200	5,200	5,400	5,600	5,800	6,000	6,200
Property insurance	7320	17,155	21,638	25,000	21,800	23,000	23,700	24,400	25,100	25,900
<i>Insurance Subtotal</i>		\$ 51,696	\$ 126,351	\$ 136,200	\$ 132,900	\$ 137,400	\$ 141,600	\$ 145,900	\$ 150,300	\$ 154,900

	Actual	Actual	Budget	Estimated	Proposed	Projected	Projected	Projected	Projected	
Acct #	2009	2010	2011	2011	2012	2013	2014	2015	2016	
<b>Printing and Postage</b>										
Advertisement & Notices & Recording Fees	7650/7655	\$ 419	\$ 333	\$ 3,000	\$ 2,000	\$ 3,000	\$ 3,100	\$ 3,200	\$ 3,300	\$ 3,400
Customer bill processing	7660	29,884	17,838	42,800						
Customer bill printing	7660				22,000	20,000	20,600	21,200	21,800	22,500
Customer bill postage	7695	22,922	15,695	27,200	40,000	35,000	36,100	37,200	38,300	39,400
Customer collection postage	7696			5,000	7,000	7,000	7,200	7,400	7,600	7,800
Postage	7690	3,657	4,061	1,000	2,000	2,000	2,100	2,200	2,300	2,400
General printing	7670	1,821	1,817	3,000	3,000	3,000	3,100	3,200	3,300	3,400
Water Currents: print, mail, consult.	7680	10,370	7,172	20,000	10,000	10,000	10,000	10,000	10,000	10,000
Proposition 218 programs; etc.	7651			7,500	7,500	7,500	7,700	7,900	8,100	8,300
Collection expense printing	6910	353	789	1,000	1,000	2,500	2,600	2,700	2,800	2,900
<i>Printing &amp; Postage Subtotal</i>		\$ 69,426	\$ 47,705	\$ 110,500	\$ 94,500	\$ 90,000	\$ 92,500	\$ 95,000	\$ 97,500	\$ 100,100
<b>Office Expense &amp; Other</b>										
Office lease	6770	\$ 4,932	\$ 3,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office equipment rental	6315	443	675	500	500	1,000	1,100	1,200	1,300	1,400
Office supplies	7610	15,837	21,961	24,000	24,000	24,000	24,700	25,400	26,200	27,000
Office equipment less than \$500	7615	877	984	2,000	2,700	2,000	2,100	2,200	2,300	2,400
Office equipment maintenance	6615	3,518	4,137	5,000	4,000	4,000	4,100	4,200	4,300	4,400
Contingency	7910	603	2,490	3,000	3,000	3,000	3,000	3,000	3,000	3,000
<i>Office Expense &amp; Other Subtotal</i>		\$ 26,210	\$ 33,258	\$ 34,500	\$ 34,200	\$ 34,000	\$ 35,000	\$ 36,000	\$ 37,100	\$ 38,200
<b>Professional Services &amp; Other</b>										
Coop. Trans. Pipeline O & M <sup>(2)</sup>	6190	\$ (1,503)	\$ 2,555	\$ 3,000	\$ 3,000	\$ 3,100	\$ 3,200	\$ 3,300	\$ 3,400	\$ 3,500
Backflow testing and supplies	6180	965	925	1,200	1,200	1,300	1,400	1,500	1,600	1,700
Meter testing service	6626					5,000				
Dues & subscriptions	7620	19,785	20,413	25,000	25,000	27,000	27,800	28,600	29,500	30,400
Grant application	6407		-	10,000	-	10,000	10,000	10,000	10,000	10,000
Urban Water Management Plan <sup>(3)</sup>	7134		1,440	50,000	35,000	-			50,000	
Emergency Response Plan	7131		-	1,000	200	1,000	1,000	1,000	1,000	1,000
Five Year Water Management Plan	7133	8,400	-			-			15,000	
Five Year Rate Analysis & Updates	7132		-	15,000	5,000	5,000	5,000	5,000	5,000	5,000
Banking fees	7170	26,066	24,536	30,000	32,600	33,600	34,600	35,600	36,700	37,800
Financial audit fees	7120	17,430	17,300	16,500	16,500	16,800	17,200	17,600	17,900	18,500
Legal fees	7110	21,166	43,402	40,000	40,000	41,200	42,400	43,700	45,000	46,400
Public relations	7160		-	12,000	12,000	12,400	12,800	13,200	13,600	14,000
Regional support	7640	49,990	51,415	53,000	55,000	57,500	59,200	61,000	62,800	64,700
Computer consulting service	7156		867	5,000	6,000	5,000	5,200	5,400	5,600	5,800

	Actual	Actual	Budget	Estimated	Proposed	Projected	Projected	Projected	Projected	
Acct #	2009	2010	2011	2011	2012	2013	2014	2015	2016	
Annual IT Audit	7157	-	5,000	5,000	5,000	5,200	5,400	5,600	5,800	
Professional fees, other	7130	43,786	305	50,000	35,000	51,500	53,000	54,600	56,200	57,900
<i>Professional Services Subtotal</i>		\$ 186,085	\$ 163,158	\$ 316,700	\$ 271,500	\$ 275,400	\$ 278,000	\$ 285,900	\$ 358,900	\$ 302,500
<b>System Maintenance /Repairs</b>										
Aggregate, sand & cutback	6320	\$ -	\$ 10,000	\$ 10,000	\$ 10,500	\$ 10,800	\$ 11,100	\$ 11,400	\$ 11,700	
Paving	6340	2,646	-	25,000	25,000	27,000	27,800	28,600	29,500	30,400
Contract trucking/dumping	6330	-	-	5,000	5,000	5,000	5,200	5,400	5,600	5,800
Equip. and tool rental	6310	79	1,631	1,500	1,500	2,500	2,600	2,700	2,800	2,900
Consumables & maintenance supplies <sup>(1)</sup>	6210/6215	32,134	22,998	13,000	13,000	13,500	13,900	14,300	14,700	15,100
Distribution Repairs <sup>(1)</sup>	6215	-	-	12,000	12,000	13,000	13,400	13,800	14,200	14,600
T-Main Repairs <sup>(1)</sup>	6216	-	8,443	15,000	15,000	15,000	15,500	16,000	16,500	17,000
Parts inventory replenishment	6220/6230	2,553	1,634	5,700	3,000	3,000	3,100	3,200	3,300	3,400
Gas and oil	6630	34,945	47,105	55,000	60,000	66,000	68,000	70,000	72,100	74,300
Equipment and tools less than \$500	6240	9,049	7,594	13,000	13,000	13,000	13,400	13,800	14,200	14,600
Safety Equipment less than \$500	6250	9,723	13,930	15,000	15,000	15,000	15,500	16,000	16,500	17,000
<i>System Maintenance/Repairs</i>		\$ 91,129	\$ 103,335	\$ 170,200	\$ 172,500	\$ 183,500	\$ 189,200	\$ 194,900	\$ 200,800	\$ 206,800
<b>Fees</b>										
County fees	6350	\$ (4)	\$ 1,276	\$ 1,200	\$ 1,200	\$ 1,300	\$ 1,400	\$ 1,500	\$ 1,600	\$ 1,700
Air quality	6355	3,696	4,320	5,000	5,000	5,200	5,400	5,600	5,800	6,000
NPDES permit	6359	6,970	(1,453)	2,000	2,000	2,000	2,100	2,200	2,300	2,400
Miscellaneous fees	6360	-	836	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Haz-mat permit	6357	2,300	2,346	3,500	3,500	3,500	3,600	3,700	3,800	3,900
<i>Fees Subtotal</i>		\$ 12,962	\$ 7,325	\$ 12,700	\$ 12,700	\$ 13,000	\$ 13,500	\$ 14,000	\$ 14,500	\$ 15,000
<b>Utilities</b>										
Communication, telephone	6760	\$ 38,312	\$ 49,056	\$ 55,000	\$ 52,000	\$ 55,000	\$ 56,700	\$ 58,400	\$ 60,200	\$ 62,000
Mpower T-1 Internet & Web Hosting	6761	5,220	1,356	-	-	-	-	-	-	-
District Site Utilities	6740	18,148	24,749	29,500	29,000	30,000	30,900	31,800	32,800	33,800
<i>Utilities Subtotal</i>		\$ 61,680	\$ 75,161	\$ 84,500	\$ 81,000	\$ 85,000	\$ 87,600	\$ 90,200	\$ 93,000	\$ 95,800
<b>Information Technology</b>										
Computer Software Maint & Agreements	7150	\$ 28,859	\$ 35,228	\$ 52,000	\$ 52,000	\$ 55,500	\$ 57,200	\$ 58,900	\$ 60,700	\$ 62,500
Website Design/Maint	7155	80	-	15,000	1,000	10,000	10,300	10,600	10,900	11,200
Computer Hardware <\$500	7151	3,946	5,456	5,000	4,800	5,500	5,700	5,900	6,100	6,300
Computer Software <\$500	7152	866	176	2,000	1,500	1,500	1,500	1,500	1,500	1,500
<i>Information Technology Subtotal</i>		\$ 33,751	\$ 40,860	\$ 74,000	\$ 59,300	\$ 72,500	\$ 74,700	\$ 76,900	\$ 79,200	\$ 81,500

	Actual	Actual	Budget	Estimated	Proposed	Projected	Projected	Projected	Projected	
Acct #	2009	2010	2011	2011	2012	2013	2014	2015	2016	
<b>Conservation</b>										
Conservation Outreach	6430	\$ 12,823	\$ 12,477	\$ 20,000	\$ 15,000	\$ 20,000	\$ 20,600	\$ 21,200	\$ 21,800	\$ 22,500
Grant Application	6407		-	1,000		1,000	1,000	1,000	1,000	1,000
Cons. Landscape Irrigation Review (Materials)	6450	895	-	2,500	1,500	2,500	2,600	2,700	2,800	2,900
Conservation Water Waste (Contract)	6470		-	6,000	1,000	6,000	6,200	6,400	6,600	6,800
Conservation Large Landscape (Materials)	6455		-	1,500	500	1,500	1,500	1,500	1,500	1,500
Conservation Subscriptions	6405	530	509	800	-	800	800	800	800	800
Conservation Toilet Rebate Program	6510	16,925	6,162	15,000	15,000	15,000	15,500	16,000	16,500	17,000
Washing Machine Program	6516		5,500	6,000	6,000	6,000	6,200	6,400	6,600	6,800
Conservation Internal Review (Materials)	6460	745	-	2,500	1,000	2,500	2,600	2,700	2,800	2,900
<i>Conservation Subtotal</i>		\$ 31,918	\$ 24,648	\$ 55,300	\$ 40,000	\$ 55,300	\$ 57,000	\$ 58,700	\$ 60,400	\$ 62,200
<b>Training &amp; Uniforms</b>										
DMV/Physicals/DOT Testing	7135	\$ 2,960	\$ 6,172	\$ 5,000	\$ 5,000	\$ 5,200	\$ 5,400	\$ 5,600	\$ 5,800	\$ 6,000
Employee recognition program	7570	8,726	4,408	8,000	8,000	8,000	8,200	8,400	8,700	9,000
Training and travel expenses	7410/7510	24,097	13,524	26,000	20,000	26,000	26,800	27,600	28,400	29,300
Uniforms	6270	6,044	4,433	13,400	14,000	18,000	18,500	19,100	19,700	20,300
<i>Training Subtotal</i>		\$ 41,827	\$ 28,537	\$ 52,400	\$ 47,000	\$ 57,200	\$ 58,900	\$ 60,700	\$ 62,600	\$ 64,600
<b>Board Expenses</b>										
Election expense	7720	\$ -	\$ 1,654	\$ -	\$ -	\$ 20,000	\$ -	20,600	\$ -	\$ 21,200
Director's Fees	7710	10,400	9,300	14,500	14,500	14,500	14,600	14,700	14,800	14,900
Miscellaneous Board Expenses	7730	672	642	1,500	1,500	1,500	1,600	1,700	1,800	1,900
Travel and Seminars	7740	2,221	3,739	12,000	4,000	12,000	12,400	12,800	13,200	13,600
<i>Board Expenses Subtotal</i>		\$ 13,293	\$ 15,335	\$ 28,000	\$ 20,000	\$ 48,000	\$ 28,600	\$ 49,800	\$ 29,800	\$ 51,600
<b>Materials &amp; services total</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>\$ 3,050,800</b>	<b>\$ 3,152,400</b>	<b>\$ 3,290,000</b>	<b>\$ 3,333,900</b>
<b>Department Grand Total</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>	<b>\$ 6,232,000</b>	<b>\$ 6,433,300</b>	<b>\$ 6,645,200</b>	<b>\$ 6,643,600</b>

**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) 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 2012-2016 Five-Year Financial Plan Debt Service

Description	Acct #	Actual	Actual	Budget	Estimated	Proposed	Projected	Projected	Projected	Projected
		2009	2010	2011	2011	2012	2013	2014	2015	2016
<b>Debt Service</b>										
CTP-SJWD 1993 COP's <sup>1</sup>	2555	\$ 195,563	\$ 407,888	\$ 212,400	\$ 212,400	\$ 370,600	\$ -	\$ -	\$ -	\$ -
1999 COP'S <sup>2</sup>	2515	690,000	570,000	-	-	-	-	-	-	-
<i>Debt Service Principal Total</i>		<u>\$ 885,563</u>	<u>\$ 977,888</u>	<u>\$ 212,400</u>	<u>\$ 212,400</u>	<u>\$ 370,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Debt Service - Interest</b>										
CTP-SJWD 1993 COP's <sup>1</sup>	8010	\$ 34,901	\$ 34,494	\$ 22,300	\$ 22,300	\$ 14,800	\$ -	\$ -	\$ -	\$ -
1999 COP'S <sup>2</sup>	8020	52,688	14,872	-	-	-	-	-	-	-
Refunding costs (amortized)	8020	28,923	57,852	-	-	-	-	-	-	-
<i>Debt Service Interest Total</i>		<u>\$ 116,512</u>	<u>\$ 107,218</u>	<u>\$ 22,300</u>	<u>\$ 22,300</u>	<u>\$ 14,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Material and Services</b>										
Bond Trustee Fees	7175	\$ 3,045	\$ 3,299	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Arbitrage Fees	7176	1,500	1,500	1,500	-	-	-	-	-	-
<i>Material and Services Total</i>		<u>\$ 4,545</u>	<u>\$ 4,799</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Department Grand Total</b>		<b>\$ 1,006,600</b>	<b>\$ 1,089,900</b>	<b>\$ 236,200</b>	<b>\$ 234,700</b>	<b>\$ 385,400</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</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**  
**2012-2016 Five-Year Financial Plan**  
**Computer Equipment and Software**

Description	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Proposed 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
<b>Computer Equipment &amp; Software</b>									
Computer Equipment	\$ 46,503	\$ 11,030	\$ 34,200	\$ 34,200	\$ 20,000	\$ 22,000	\$ 22,000	\$ 25,000	\$ 25,000
MS Voucher Credit			(6,400)	(6,400)					
Computer Software/Licensing					-	-	-		
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		20,000	20,000	20,000
Other Software and Licensing	2,031	7,166	5,800	5,800	7,500	7,500	7,500	7,500	7,500
Design and implementation of a new FOWD web site					20,000	20,000			
<b>Total Computer Equipment &amp; Software</b>	<b>\$ 77,315</b>	<b>\$ 36,248</b>	<b>\$ 51,700</b>	<b>\$ 51,700</b>	<b>\$ 75,700</b>	<b>\$ 49,500</b>	<b>\$ 49,500</b>	<b>\$ 52,500</b>	<b>\$ 52,500</b>

**Fair Oaks Water District**  
**2012-2016 Five-Year Financial Plan**  
**Vehicles and Maintenance Equipment**

Description	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Proposed 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
<b>Trucks/Vehicles/Trailers</b>									
Replace Wackers/Tampers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000	\$ 4,000	\$ -
Upgrade 044-2004 Chevrolet C6500	14,780								
Upgrade 045-2004 Chevrolet C6500		14,760							
Pool Car						25,000			
Replace 016-2001 Dodge RAM BR2500						22,000			
Replace 017-2001 Dodge RAM BR2500					22,000				
Replace 2002 Dodge 2500									27,000
Replace 2001 Ford F350								27,000	
Replace 2000 Dodge RAM 2500							25,000		
<b>Subtotal</b>	<b>\$ 14,780</b>	<b>\$ 14,760</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,000</b>	<b>\$ 47,000</b>	<b>\$ 29,000</b>	<b>\$ 31,000</b>	<b>\$ 27,000</b>
<b>Maintenance Equipment/Tools</b>									
Power Generator (Confined Space)	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -
Leak Detector LD12									3,500
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	3,267					3,300			3,300
Concrete Saw		3,371					3,000		
Welding Machine		1,779							
Chipping Hammer		622							
Meter Reading Equipment		5,106							
Meter Tester		5,564							
Hydraulic Breaker/Pneumatic	2,514							2,500	
Steel Plates									
Cut-Off Saw	923			2,000		1,500	1,500		
Hydraulic Sum Pump							2,000		
Pneumatic Jackhammer/Pole Tamper	595							1,200	
Other Maintenance Equipment					5,000	5,000	5,000	5,000	5,000
<b>Subtotal</b>	<b>\$ 7,299</b>	<b>\$ 16,442</b>	<b>\$ 19,500</b>	<b>\$ 13,000</b>	<b>\$ 40,000</b>	<b>\$ 9,800</b>	<b>\$ 11,500</b>	<b>\$ 8,700</b>	<b>\$ 11,800</b>
<b>Total Vehicle &amp; Maintenance Equipment</b>	<b>\$ 22,079</b>	<b>\$ 31,202</b>	<b>\$ 19,500</b>	<b>\$ 13,000</b>	<b>\$ 62,000</b>	<b>\$ 56,800</b>	<b>\$ 40,500</b>	<b>\$ 39,700</b>	<b>\$ 38,800</b>

# Fair Oaks Water District

## 2012-2016 Five-Year Financial Plan

### Facility and Office Equipment

Description	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Proposed 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
<b>Building</b>									
Admin. Office Building (10326 FOB)	\$ 2,459,019	\$ 247,161	\$ 5,000	\$ 11,500	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Maintenance Building (10317 FOB)	-	4,535	10,000	10,000	10,000	5,000	50,000	150,000	1,500,000
Office Building (10340 FOB)		224,270	10,000	1,000	-	-	-	-	-
<b>Total Building</b>	<b>\$ 2,459,019</b>	<b>\$ 475,966</b>	<b>\$ 25,000</b>	<b>\$ 22,500</b>	<b>\$ 15,000</b>	<b>\$ 10,000</b>	<b>\$ 55,000</b>	<b>\$ 155,000</b>	<b>\$ 1,505,000</b>
<b>Office Equipment</b>									
Safety Equipment	\$ 3,807	\$ 3,674	\$ 4,500	\$ 2,000	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500
Audio Video	683	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Furnishings		-	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Mailing Equipment		8,685					15,000		
Printer			8,000	8,000	2,000	15,000			
Miscellaneous Office Equip.	4,359	-	500	500	3,000	3,000	3,000	3,000	3,000
<b>Total Office Equipment</b>	<b>\$ 8,849</b>	<b>\$ 12,359</b>	<b>\$ 19,000</b>	<b>\$ 16,500</b>	<b>\$ 15,500</b>	<b>\$ 28,500</b>	<b>\$ 28,500</b>	<b>\$ 13,500</b>	<b>\$ 13,500</b>
<b>Total Facility and Equipment</b>	<b>\$ 2,467,867</b>	<b>\$ 488,325</b>	<b>\$ 44,000</b>	<b>\$ 39,000</b>	<b>\$ 30,500</b>	<b>\$ 38,500</b>	<b>\$ 83,500</b>	<b>\$ 168,500</b>	<b>\$ 1,518,500</b>

**Fair Oaks Water District**  
**2012-2016 Five-Year Financial Plan**  
**Meter Maintenance Program**

Description	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Proposed 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
<b>Meter Implementation Program (MIP)/Meter Maintenance Program (MMP)</b>									
Residential Metering/AMR	\$ 1,968,479	\$ 2,265,810	\$ 454,000	\$ 454,000	\$ -	\$ -	\$ -	\$ -	\$ -
Meter Replacement	97,915	72,285	300,000	300,000	300,000	300,000	310,000	315,000	320,000
AMR Replacement			70,000	70,000	70,000	70,000	72,000	75,000	77,000
Large Meter Replacement			50,000	-	15,000	10,000	10,000	10,000	10,000
Contingency			40,000	40,000					
Sunnybrook Main Replacement (31% MIP/69% CIP)		92,603							
The Bluffs, Meter Upgrades	30,159	-	146,000	147,000					
Butterwood and Plantain	93,768	411,017							
Ridge Subdivision, Meter Upgrades	983	244							
Madison Ave. Water Main Extension	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	154,041	-							
<b>Total MIP/MMP<sup>(1)</sup></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>	<b>\$ 380,000</b>	<b>\$ 392,000</b>	<b>\$ 400,000</b>	<b>\$ 407,000</b>

**General Notes**

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

## Fair Oaks Water District

### 2012-2016 Five-Year Financial Plan

#### Capital Improvement Program

Description	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Proposed 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
<b>Wells &amp; Tank</b>									
New York Well Rehabilitation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Well Pump Check		900	5,000	2,000	5,000	5,000	5,000	5,000	5,000
Miscellaneous Bowl Replacement		-	25,000	15,000	20,000	25,000	25,000	25,000	25,000
Minor Water Supply Facilities Upgrades					15,000	10,000	10,000	10,000	10,000
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						
SCADA System Upgrades							50,000		
Town Well Inspection & Rehabilitation									50,000
Radio Survey and Conversion					15,000				
<b>Subtotal</b>	<b>\$ 16,656</b>	<b>\$ 981</b>	<b>\$ 135,000</b>	<b>\$ 32,000</b>	<b>\$ 65,000</b>	<b>\$ 40,000</b>	<b>\$ 90,000</b>	<b>\$ 40,000</b>	<b>\$ 90,000</b>
<b>Transmission &amp; Distribution</b>									
Services Upgrade	\$ 31,159	\$ 30,061	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Hydrant Upgrades	22,958	82,169	50,000	10,000	25,000	25,000	25,000	25,000	25,000
Minor Main Upgrades	16,256	12,969	20,000	20,000	20,000	25,000	25,000	30,000	30,000
Developer's Paid Projects-Service Installation etc.	5,800	7,388	20,000	10,000	20,000	20,000	20,000	20,000	20,000
Developer's Paid Main Line Projects	9,732	4,062	20,000	2,000	20,000	20,000	20,000	20,000	20,000
Fair Oaks 40"		235,000	260,000	300,000	2,000,000	500,000	500,000		
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				
Replacement of 6-inch Steel Main on Kentucky Lane						99,300			
Replacement of 10-inch Steel Main with 8-inch PVC C-900 in Goodyear Drive						74,300			
Replacement of 10-inch Main with 12-inch PVC C-900 (FOB)						123,200			
Installation of 850 LF of 24-inch Transmission Main						650,000			
Installation of 1,350 LF of 12-inch PVC (C900) Main in Twin Lakes					300,000				
Installation of 850 LF of 24-inch Transmission Main in Walnut Avenue and Blue Oak Drive									675,000
Replacement of 740 LF of 10-inch Water Main in Zelinda Dr. from Sunset to Johnson Dr.							120,000		
Replacement of 400 LF of 4-inch in California Ave.							65,000		
Replacement of 600 LF 8-inch DIP in Main Street								95,000	

## Fair Oaks Water District

### 2012-2016 Five-Year Financial Plan

#### Capital Improvement Program

Description	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	Proposed 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
Replacement of 600 LF 8-inch DIP in Central Avenue								95,000	
Replacement of 600 LF (Phase II) Water Main in Central Ave.									95,000
Installation of 8-inch Water Main on Madison Ave. West of Friartuck Close Gap in Dist. System									125,000
Installation 1,600 LF of 12-inch PVC (C900) in Main from Twin Lakes Avenue to Buffalo Avenue to Replace 12-inch Steel Main									350,000
Hazel Widening Project Phase I	22,014	162					750,000		
Hazel Widening Project Phase II								750,000	
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								
Hawaiian Tract Water Main Relocation Phase 3	13,101								
T-Main Repair Rimwood	4,564								
8361 Sunset (Water Main Cross) SUN	892								
Replacement - Wholesale Meters WSM	10,159								
Phoenix Park Meter Upgrades	46								
<b>Subtotal</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>\$ 1,556,800</b>	<b>\$ 1,545,000</b>	<b>\$ 1,055,000</b>	<b>\$ 1,360,000</b>
<b>Total CIP<sup>(1)</sup></b>	<b>\$ 298,419</b>	<b>\$ 546,016</b>	<b>\$ 1,240,000</b>	<b>\$ 1,081,700</b>	<b>\$ 2,495,000</b>	<b>\$ 1,596,800</b>	<b>\$ 1,635,000</b>	<b>\$ 1,095,000</b>	<b>\$ 1,450,000</b>

#### General Notes

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

## Fair Oaks Water District 2012-2016 Five-Year Financial Plan 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>		<b>\$ 8,624,435</b>	<b>\$ 2,863,750</b>	<b>\$ 19,696</b>	<b>\$ 131,956</b>	<b>\$ 1,431,875</b>	<b>\$ 658,226</b>	<b>\$ 13,729,911</b>
<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 & Equip		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>		<b>\$ 9,646,735</b>	<b>\$ -</b>	<b>\$ 19,696</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 333,259</b>	<b>\$ 9,999,690</b>
Additional proposed allocation		1,022,300	(697,333)				(324,967)	-
<b>Ending Reserve and Designation Balance</b>		<b>\$ -</b>	<b>\$ 2,166,417</b>	<b>\$ -</b>	<b>\$ 131,956</b>	<b>\$ 1,431,875</b>	<b>\$ -</b>	<b>\$ 3,730,200</b>
<b>Policy (5050) Requirement</b>			<b>\$ 3,063,400</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 1,531,700</b>	<b>\$ -</b>	<b>\$ 4,595,100</b>
<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 2012-2016 Five-Year Financial Plan 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 & Equip		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**  
**2012-2016 Five-Year Financial Plan**  
**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 & Equip		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.

## Fair Oaks Water District

### 2012-2016 Five-Year Financial Plan

#### Reserves and Designations

2013 Projected	2013 Revenues	Undesignated	[1] Emergency Designation	[2] Connection Fee	[3] Rate Stabilization Designation	Total
<b>Beginning Reserve and Designation Balance</b>		\$ -	\$ 2,500,800	\$ -	\$ 253,000	\$ 2,753,800
<b>Add: Revenues Collected</b>						
Water Sales	\$ 8,423,100					
Interest Income	13,800					
Delinquencies & Late Fees	135,000					
Fire Service Fees	35,000					
Fees for Service	25,000					
Connection Fees	22,100					
	8,654,000					
<b>2013 Allocation</b>	(8,654,000)	8,631,900		22,100	-	8,654,000
<b>Subtotal Reserves and Designations</b>		\$ 8,631,900	\$ 2,500,800	\$ 22,100	\$ 253,000	\$ 11,407,800
<b>Expenses and payments</b>						
Departmental Expenses		6,232,000				6,232,000
Information Technology		49,500	-			49,500
Facilities & Equip		38,500	-			38,500
Vehicles & Maintenance Equipment		56,800	-			56,800
CIP		1,574,700	-	22,100		1,596,800
Metering		380,000	-			380,000
<b>Total Expenses and Infrastructure</b>		\$ 8,331,500	\$ -	\$ 22,100	\$ -	\$ 8,353,600
Additional proposed allocation		(300,400)	73,400		227,000	-
<b>Ending Reserve and Designation Balance</b>		\$ -	\$ 2,574,200	\$ -	\$ 480,000	\$ 3,054,200
<b>Policy (5050) Requirement</b>			\$ 3,116,000	N/A	\$ 480,000	\$ 3,596,000
<b>Difference between Ending Reserve &amp; Policy Requirement</b>			-17.4%		0.0%	-15.1%

- 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

### 2012-2016 Five-Year Financial Plan

#### Reserves and Designations

2014 Projected	2014 Revenues	Undesignated	[1] Emergency Designation	[2] Connection Fee	[3] Rate Stabilization Designation	Total
<b>Beginning Reserve and Designation Balance</b>		\$ -	\$ 2,574,200	\$ -	\$ 480,000	\$ 3,054,200
<b>Add: Revenues Collected</b>						
Water Sales	\$ 8,613,800					
Interest Income	15,300					
Delinquencies & Late Fees	135,000					
Fire Service Fees	35,000					
Fees for Service	25,000					
Connection Fees	23,200					
	8,847,300					
<b>2014 Allocation</b>	(8,847,300)	8,824,100		23,200	-	8,847,300
<b>Subtotal Reserves and Designations</b>		<b>\$ 8,824,100</b>	<b>\$ 2,574,200</b>	<b>\$ 23,200</b>	<b>\$ 480,000</b>	<b>\$ 11,901,500</b>
<b>Expenses and payments</b>						
Departmental Expenses		6,433,300				6,433,300
Information Technology		49,500	-			49,500
Facilities & Equip		83,500	-			83,500
Vehicles & Maintenance Equipment		40,500	-			40,500
CIP		1,611,800	-	23,200		1,635,000
Metering		392,000	-			392,000
<b>Total Expenses and Infrastructure</b>		<b>\$ 8,610,600</b>	<b>\$ -</b>	<b>\$ 23,200</b>	<b>\$ -</b>	<b>\$ 8,633,800</b>
Additional proposed allocation		(213,500)	213,500			-
<b>Ending Reserve and Designation Balance</b>		<b>\$ -</b>	<b>\$ 2,787,700</b>	<b>\$ -</b>	<b>\$ 480,000</b>	<b>\$ 3,267,700</b>
<b>Policy (5050) Requirement</b>			<b>\$ 3,216,700</b>	<b>N/A</b>	<b>\$ 480,000</b>	<b>\$ 3,696,700</b>
<b>Difference between Ending Reserve &amp; Policy Requirement</b>			-13.3%		0.0%	-11.6%

- 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 2012-2016 Five-Year Financial Plan Reserves and Designations

2015 Projected	2015 Revenues	Undesignated	[1] Emergency Designation	[2] Connection Fee	[3] Rate Stabilization Designation	Total
<b>Beginning Reserve and Designation Balance</b>		\$ -	\$ 2,787,700	\$ -	\$ 480,000	\$ 3,267,700
<b>Add: Revenues Collected</b>						
Water Sales	\$ 8,581,200					
Interest Income	16,300					
Delinquencies & Late Fees	135,000					
Fire Service Fees	35,000					
Fees for Service	25,000					
Connection Fees	24,400					
	8,816,900					
<b>2015 Allocation</b>	(8,816,900)	8,792,500		24,400	-	8,816,900
<b>Subtotal Reserves and Designations</b>		<b>\$ 8,792,500</b>	<b>\$ 2,787,700</b>	<b>\$ 24,400</b>	<b>\$ 480,000</b>	<b>\$ 12,084,600</b>
<b>Expenses and payments</b>						
Departmental Expenses		6,645,200				6,645,200
Information Technology		52,500	-			52,500
Facilities & Equip		168,500	-			168,500
Vehicles & Maintenance Equipment		39,700	-			39,700
CIP		1,070,600	-	24,400		1,095,000
Metering		400,000	-			400,000
<b>Total Expenses and Infrastructure</b>		<b>\$ 8,376,500</b>	<b>\$ -</b>	<b>\$ 24,400</b>	<b>\$ -</b>	<b>\$ 8,400,900</b>
Additional proposed allocation		(416,000)	416,000			-
<b>Ending Reserve and Designation Balance</b>		<b>\$ -</b>	<b>\$ 3,203,700</b>	<b>\$ -</b>	<b>\$ 480,000</b>	<b>\$ 3,683,700</b>
<b>Policy (5050) Requirement</b>			<b>\$ 3,322,600</b>	<b>N/A</b>	<b>\$ 480,000</b>	<b>\$ 3,802,600</b>
<b>Difference between Ending Reserve &amp; Policy Requirement</b>			-3.6%		0.0%	-3.1%

- 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**  
**2012-2016 Five-Year Financial Plan**  
**Reserves and Designations**

2016 Projected	2016 Revenues	Undesignated	[1] Emergency Designation	[2] Connection Fee	[3] Rate Stabilization Designation	Total
<b>Beginning Reserve and Designation Balance</b>		\$ -	\$ 3,203,700	\$ -	\$ 480,000	\$ 3,683,700
<b>Add: Revenues Collected</b>						
Water Sales	\$ 8,516,200					
Interest Income	18,400					
Delinquencies & Late Fees	135,000					
Fire Service Fees	35,000					
Fees for Service	25,000					
Connection Fees	25,600					
	8,755,200					
<b>2016 Allocation</b>	(8,755,200)	8,729,600		25,600	-	8,755,200
<b>Subtotal Reserves and Designations</b>		\$ 8,729,600	\$ 3,203,700	\$ 25,600	\$ 480,000	\$ 12,438,900
<b>Expenses and payments</b>						
Departmental Expenses		6,643,600				6,643,600
Information Technology		52,500	-			52,500
Facilities & Equip		1,518,500	-			1,518,500
Vehicles & Maintenance Equipment		38,800	-			38,800
CIP		1,424,400	-	25,600		1,450,000
Metering		407,000	-			407,000
<b>Total Expenses and Infrastructure</b>		\$ 10,084,800	\$ -	\$ 25,600	\$ -	\$ 10,110,400
Additional proposed allocation		1,355,200	(953,700)		(401,500)	-
<b>Ending Reserve and Designation Balance</b>		\$ -	\$ 2,250,000	\$ -	\$ 78,500	\$ 2,328,500
<b>Policy (5050) Requirement</b>			\$ 3,321,800	N/A	\$ 480,000	\$ 3,801,800
<b>Difference between Ending Reserve &amp; Policy Requirement</b>			-32.3%		-83.6%	-38.8%

- 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*	
1	\$	65.10	\$	59.57
1.5		119.31		109.17
2		184.28		168.62
3		357.56		327.17
4		552.61		505.64
6		1,093.84		1,000.86
8		1,744.82		1,596.51
10		2,718.87		2,487.77

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

**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
3-inch service	\$ 30
4-inch service	\$ 45
6-inch service	\$ 90
8-inch service	\$ 145
10-inch service	\$ 225

## 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, and then reviewed at a public 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 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.

## 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.