



FAIR OAKS
WATER DISTRICT

2013 ANNUAL BUDGET

*JUST AS EVERY WATER DROP IS VALUABLE, SO IS
EVERY RATEPAYER DOLLAR*

FAIR OAKS WATER DISTRICT — Fair Oaks, California



**FAIR OAKS WATER DISTRICT
Table of Contents
2013 Annual Budget**

INTRODUCTION..... 1

BUDGET OVERVIEW AND HIGHLIGHTS..... 1

Water Rate Hearing Process..... 2

Revenues..... 3

Expenses..... 4

Reserves and Designations..... 5

BUDGET PRINCIPLES AND PROCESS OVERVIEW..... 6

Budget Control..... 6

Basis of Budgeting..... 7

ORGANIZATION SUMMARY

Organizational Chart..... 8

District Principles, Goals and Objectives..... 9

District Principles..... 9

District Goals and Objectives..... 10

District Financial Policies..... 12

Budget Preparation..... 12

Fixed Asset Accounting Control..... 12

District Reserve Funds and Designations..... 12

Investments of District Funds..... 14

Authorization of Expenses..... 16

FINANCIAL SUMMARIES

District Revenues..... 17

Water Sales..... 17

Other Income..... 17

District Expenses..... 18

Water Supply..... 19

Capital Projects Overview..... 20

Debt Service..... 21

Operating Outlay..... 22

Reserves and Designations..... 24

FINANCIAL DETAILS

Financial Plan Summary of Revenues and Expenses..... 25
Revenue Summary.....26
Expense Summary..... 27
Debt Service.....32
Capital Projects
 Computer Equipment & Software.....33
 Vehicles & Maintenance Equipment.....34
 Facilities & Office Equipment..... 35
 Meter Implementation Program/Meter Maintenance Program..... 36
 Capital Improvement Program (CIP).....37
 San Juan Water District 40-Inch Pipeline..... 39
Reserves and Designations..... 40

RATES, FEES & CHARGES

Metered Service Charges and Commodity Rates..... 43
Schedule of Fees and Charges..... 44
Schedule of Service Rates for Dedicated Fire Service Connections..... 46

APPENDIX A – GLOSSARY OF TERMS..... 47

INTRODUCTION

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

The District is a retail water agency supplying water to a population of approximately 40,000 people on 6,160 acres in Fair Oaks and a small portion of Orangevale. The District purchases most of its water from San Juan Water District as treated water, and delivers it through 14,138 residential and commercial service connections.

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

The District’s mission statement is as follows:

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

BUDGET OVERVIEW AND HIGHLIGHTS

The District developed a five-year financial plan for 2012 through 2016 that analyzed historical data and forecasted future needs of the District to determine the new rate structure. The District also reviewed and adjusted all fees to reflect current and future needs. New rate structure and fees calculations are included in the *Five-Year Financial and Water Rate Development Plan* dated November 14, 2011. The District implemented a new rate structure for all FOWD customers effective January 1, 2012. The Board elected not to make any rate adjustments as proposed in the *Five-Year Financial and Water Rate Development Plan*; therefore, the rates for 2013 will remain the same as in 2012. The 2013 Budget was adopted November 5, 2012.

The primary purpose of the budget is to provide the Board of Directors and the District’s customers with an accurate picture of total available resources and planned spending for 2013. The budget includes setting program priorities and cash flow projections. The District maintains its financial records in accordance with the generally accepted accounting principles (GAAP) for annual reporting purposes set by the Government Accounting Standard Board (GASB).

FOWD will pay the San Juan Water District 40% of its total revenue from water sales in 2013.

Water Rate Hearing Process

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

At the November 14, 2011 Special Board meeting, the Board adopted the Resolution No. 11-06, "A Resolution Establishing 2012-2014 Water Rates and Fees." The Board did not change the rates for 2013 as proposed in the *Five-Year Financial and Water Rate Development Plan*. Below is the chart with the three-year approved water rates.

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

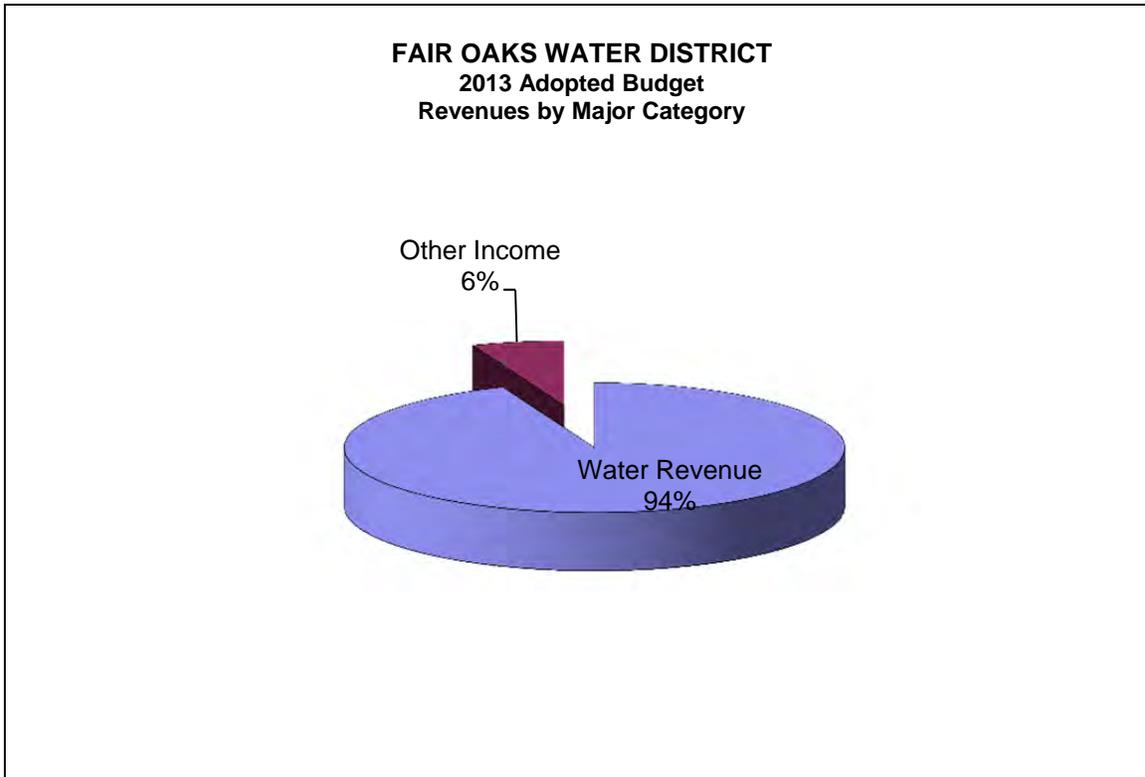
*Rate adjustments will require Board action.

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

Revenues

The District projects revenues of \$8,574,400 in 2013.

2013 Projected Revenues by Major Category	
Water Revenue	\$ 8,064,800
Other Income	509,600
Total	\$ 8,574,400



The District converted all customers to metered billing in January 2012. The District's 2012 end of the year projection of water sales compared to *Five-Year Financial and Water Rate Development Plan* (2012 Budget) is estimated to have a less than 1% variance; as shown in the table below.

Description	2012 Budget	2012 Estimated	Difference	% Change
Total Water Sales	\$ 8,164,800	\$ 8,139,200	\$ (25,600)	-0.31%

Fair Oaks Water District Water Sales Estimates Based on Rates				
Description	2012 Rate Structure		2013 Rate Structure	
	Water Sales	%	Water Sales	%
Fixed Service Charge	\$ 6,006,900	74%	\$ 6,006,900	74%
Commodity Charge	2,132,300	26%	2,057,900	26%
Total	\$ 8,139,200		\$ 8,064,800	

The District projects an overall revenue decrease of approximately 1% in total revenues for 2013 (\$8,574,400) over the estimated 2012 (\$8,664,000) as shown below.

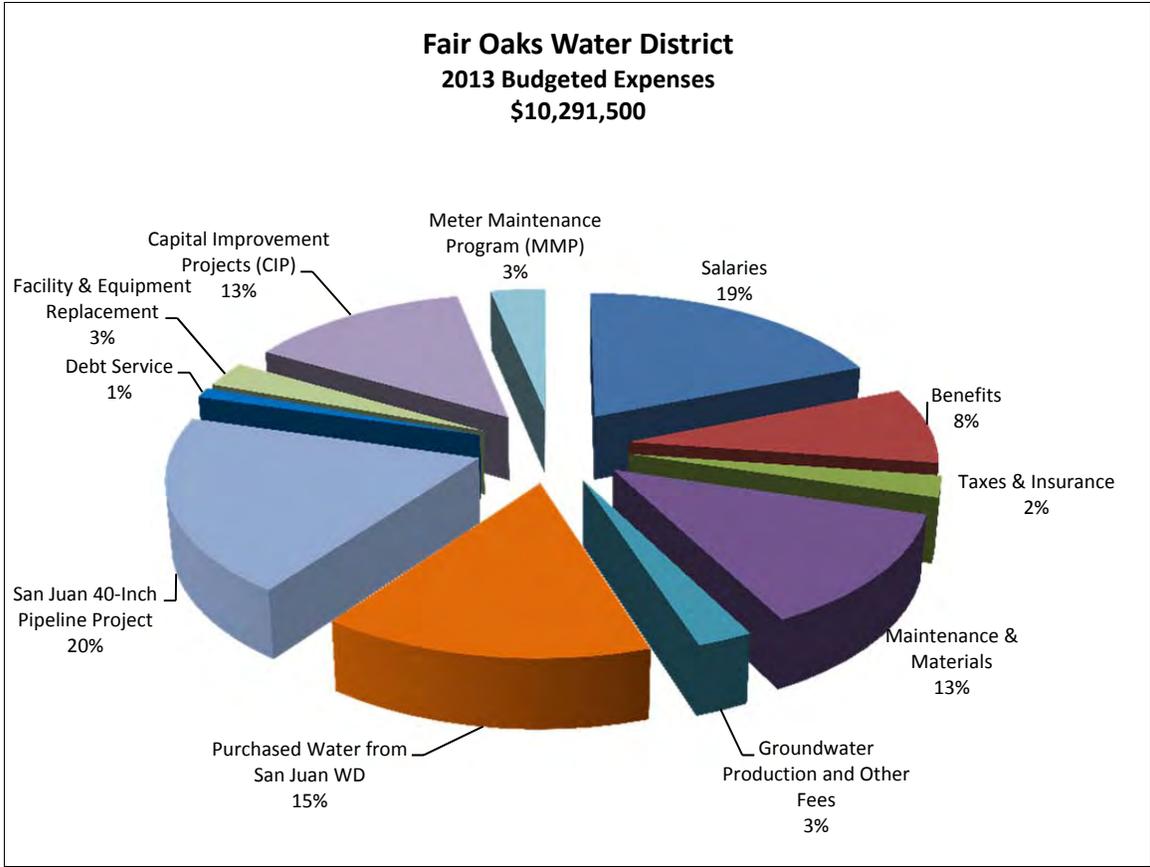
Fair Oaks Water District 2012-2013 Summary of Projected Revenues, Reserves and % Change							
Year	Commodity Revenues	Fixed Revenues	Total Projected Water Revenues	Other Revenues	Total Projected Revenues	% Change	Projected Ending Reserves
2011 (Actual)					\$ 8,301,853		\$ 4,597,100
2012	\$ 2,132,300	\$ 6,006,900	\$ 8,139,200	\$ 524,800	\$ 8,664,000	4.36%	\$ 5,009,000
2013	\$ 2,057,900	\$ 6,006,900	\$ 8,064,800	\$ 509,600	\$ 8,574,400	-1.03%	\$ 3,291,900

Expenses

The District's total estimated expenses for 2013 are \$10,291,500. These expenses include cost for the meter maintenance program, facility and equipment replacement and transmission and distribution system improvements.

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

Fair Oaks Water District 2013 Budgeted Expenses	
Salaries	\$ 1,948,800
Benefits	860,200
Taxes & Insurance	241,200
Maintenance & Materials	1,312,600
Groundwater Production and Other Fees	263,200
Purchased Water from San Juan WD	1,550,000
San Juan 40-Inch Pipeline Project	2,000,000
Debt Service	115,500
Facility & Equipment Replacement	288,000
Capital Improvement Projects (CIP)	1,372,000
Meter Maintenance Program (MMP)	340,000
Total	\$ 10,291,500



Reserves and Designations

The District’s reserves consist of restricted, unrestricted and designated funds. The District’s restricted reserves include the Certificate of Participation’s (COP’s) and capacity system fees (connection and annexation fees). The District has drawn down its reserve to fund the San Juan 40-Inch Pipeline Project.

The District’s 2013 budget projects a net loss of (\$1,717,100) calculated as follows:

Projected Total Revenues	\$ 8,574,400
Projected Total Expenses	<u>(10,291,500)</u>
Projected Net Loss	<u>\$ (1,717,100)</u>

With a projected deficit of (\$1,717,100), the District will use reserve(s)/designation(s) to offset this deficit. The District’s current reserve policy is to maintain a total of \$3.5M (six months of operating expenses for emergency designation and 5% of gross water revenues up to \$480K for rate stabilization designation). The District projects a year-ending total reserve balance of \$3.29M (\$0.21M below the District’s current reserve policy). See reserve balance summary for more detail on pages 40-42.

BUDGET PRINCIPLES AND PROCESS OVERVIEW

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

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

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

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

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

Budget Control

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

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

The General Manager controls the budget at the operating level. While line item expenses are in some cases shown in the budget worksheets, the intent of this information is to provide internal budget monitoring controls for staff, and are not intended to be explicit appropriations by the Board of Directors. Upon request from staff, and approved by the Board of Directors, reserve funds may be transferred or added to throughout the fiscal year. This bottom line approach to budget management is intended to prioritize

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

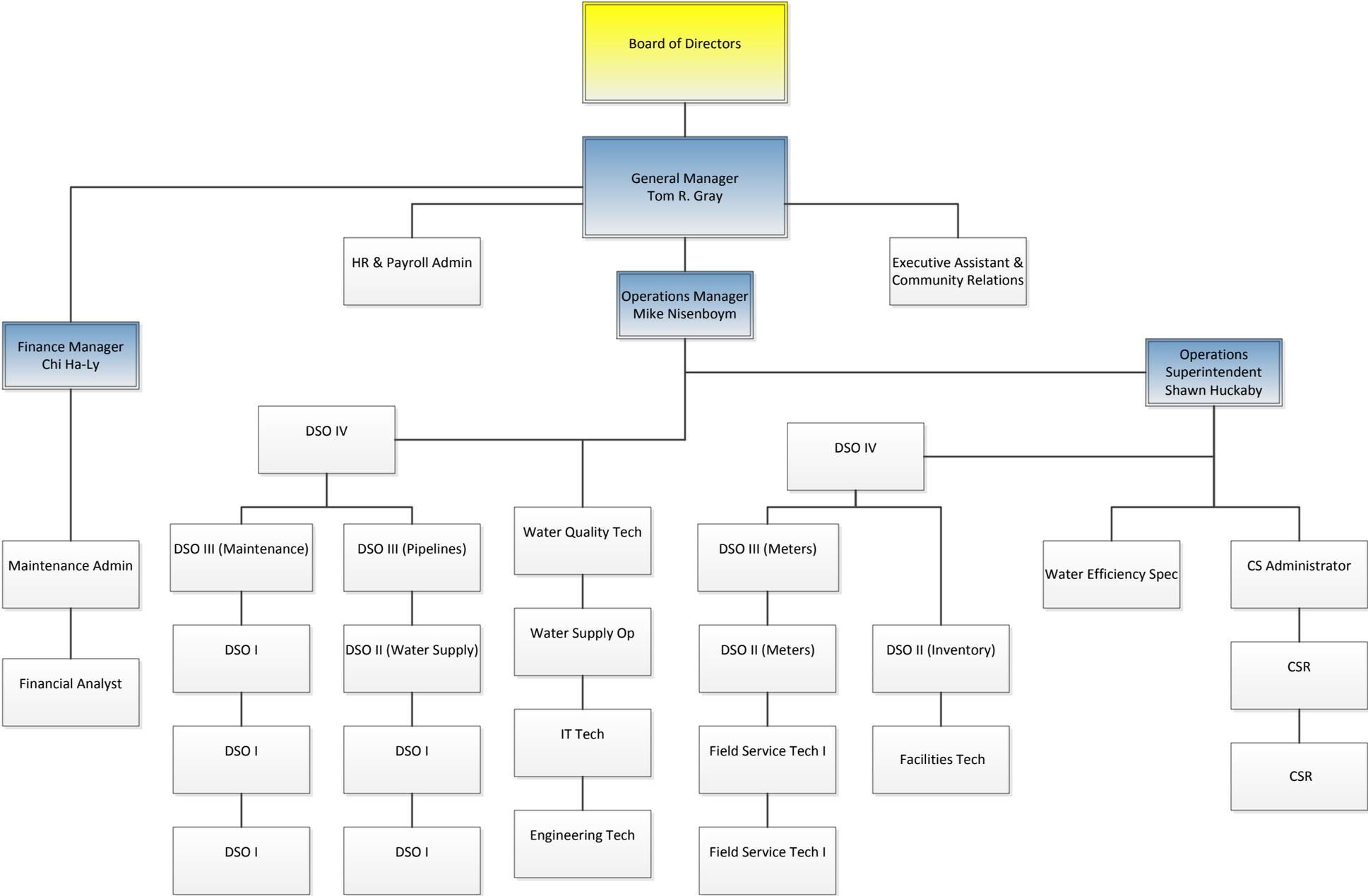
Capital projects and program budgets are adopted for specific non-operational projects or programs. These budgets often span multiple budget years. For each project or program, subsequent Board approval is sometimes required for approving bids and contracts.

Basis of Budgeting

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

Fair Oaks Water District Organization Chart

2013 Budget



District Principles, Goals and Objectives

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

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

District Principles

Customer and Community Service

The District is dedicated to excellence in customer service, to representing the community's interest and to serving as a role model for integrity, dependability, enthusiasm and professionalism. These objectives are translated into functional level objectives for the District's staff. To fulfill these goals, the District continually develops problem solving policies and procedures that benefit the District's customers and community.

Planning and Preparedness

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

Quality

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

Team work

Delivering high quality water and reliable service and maintaining excellence in customer service requires a diverse set of knowledge and disciplines. The District believes teams of people can accomplish more than similar numbers of people acting alone. Through

collaborative efforts, the District is stronger, more competent, more sensitive, more considerate, and provides more consistent service.

Setting priorities

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

Continuous improvement

The District believes in continuous improvement. We believe in life-long learning and will create an environment where the status quo will be challenged. We will ask questions, execute, and learn. In the process of improving, we will take reasonable risks and make mistakes. We will always be honest about risk and own our mistakes.

District Goals and Objectives

While the District operates by a fundamental set of overriding principles, the fiscal and operational functions of the organization are guided by the District's long term goals and objectives.

Conversion to Residential Metering

The District completed the Meter Implementation Program (MIP) in 2011 and converted all customers to metered rates in 2012.

Enhance Reliability of Water Supply and Delivery

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

- ✓ Continue to provide leadership in regional conjunctive use, and drought planning opportunities.
- ✓ Continue in a leadership in groundwater contamination cleanup.
- ✓ Provide an updated system Master Plan every five years, incorporating the vulnerability and emergency response, meter implementation, regional water issues, and new regulations into comprehensive update of the District's existing master plan.
- ✓ Continue with best management practices for water quality and conservation.
- ✓ Continue promoting and educating customers about water issues.

Support Employee Development and Professionalism

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

- ✓ Continue to promote education, formal, and informal training in matters of communication and public relations, finance, management, leadership, and computer science.
- ✓ Continue the requirement that all water system operators be State Certified.
- ✓ Continue to provide all employees with a respectful workplace, providing fair and reasonable compensation.

Promote Multi-District Resource Sharing Opportunities

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

- ✓ Continue to participate in RWA's collaborative conservation activities.
- ✓ Continue to work with the San Juan Family of Water Agencies on mutually compatible activities and services, including grant applications.
- ✓ Continue to work with the local community in areas that provide customer benefit.

District Financial Policies

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

Budget Preparation

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

Fixed Asset Accounting Control

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

District Reserve Funds and Designations:

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

1. Emergency Reserve:
 - 1.1. Purpose: To fund District fixed asset, operating and maintenance expenditures not currently budgeted.
 - 1.2. Target Balance: The reserve fund balance will approximate six months of operating costs (estimated at \$2.4 million in 2006).
 - 1.3. Methodology: The District is required to have sufficient cash flow to meet the next six months of budgeted District expenditures (Government Code Section 53646(b)(3)). The next six months of projected cash revenues can be included as a source of cash flow to satisfy this requirement. Revenues in excess of reserve contributions and unspent funds from the annual budget resulting from savings or timing differences are also reflected in this fund.
 - 1.4. Use of Funds: The funds can only be used with specific Board approval. The use of these funds will be for significant fixed asset acquisitions, repairs or improvements, emergency operating costs.

- 1.5. Contributions: Annual contributions will be designated in the budget process to maintain six months of operating costs.
2. Rate Stabilization Reserve:
 - 2.1. Purpose: To offset the estimated impact of revenue fluctuation and lag effects in converting to meter based billing.
 - 2.2. Target Balance: The target fund balance is up to three months of operating costs (estimated at \$1.2 million in 2006) until 2011 for the lag effect. For the revenue fluctuation, the target fund balance is estimated at 5% of gross water revenues (up to \$480k) to be reviewed periodically to reflect actual operating experience. Beyond 2011, the lag effect will be eliminated and there will only be the revenue fluctuation reserve of up to \$480k.
 - 2.3. Methodology: The District has been collecting revenues six months in advance for flat rate customers. By 2011, the District will be converting all its customers to metered billing. The District will experience cash flow lag affects for receiving revenues in arrears from meter based billing versus the current pre-paid flat rate billing. The greatest impact will be from January to March 2011. The District will not be collecting any of the 2011 revenues until the end of March 2011. Therefore, it is prudent that the District set aside reserves to cover three months of the District's expenses for 2011. In addition to the three months, the District should set aside reserves for the fluctuations of revenues for 2011. There may be less usage once customers converted to metered billing in 2011. After the year of conversion, an ongoing reserve is necessary to offset revenue fluctuations resulting from metered billing.
 - 2.4. Use of Funds: These funds will be used to offset cash lags experienced when flat rate water customers convert to metered billing. Additionally, these funds will be used to supplement differences in revenue projections resulting from consumption based water sales.
 - 2.5. Contributions: Annual contributions will range from 5% to 6% of rate revenues to achieve the target balance.
3. Connection Fee Reserve:
 - 3.1. Purpose: To segregate fees charged to new development and direct the money collected to capacity enhancement projects in compliance with AB1600.
 - 3.2. Target Balance: AB1600 does not designate a target reserve balance. If funds are not used for planned capacity expansion or applied to previous capacity expansion, these fees may be subject to refund.

- 3.3. Methodology: Connection and pressure mitigation fees generated from new development will be segregated in this reserve.
 - 3.4. Use of Funds: The funds will be used to acquire and enhance system water capacity and delivery. To the extent these reserves do not fund these projects; Fixed Asset Reserves may be used to supplement the difference.
 - 3.5. Contributions: Annual contributions will depend upon new construction within the District. Additionally, interest earnings will be imputed on this balance on a monthly basis, using the District's earnings rate on investments.
4. Certificate of Participation (COP) Reserve:
- 4.1. Purpose: To segregate certificate of participation (COP) reserves according to governing documents.
 - 4.2. Target Balance: The proceeds of a COP issue establish the maximum COP reserve available for use.
 - 4.3. Methodology: COP reserve balances are created upon issuance of debt. These balances are used according to the COP's installment purchase agreement.
 - 4.4. Use of Funds: Use of the COP reserves will be accounted for on a monthly basis, according to the COP's installment purchase agreement.
 - 4.5. Contributions: Contributions will occur upon issuance of COP's. Additionally, interest earnings will be added to the balance on a monthly basis, using the District's earnings rate on investments.

Investment of District Funds:

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

1. As authorized by resolution(s) of the Board of Directors, the General Manager of the District or other persons designated by the Board shall invest, within the limitations of the California Government Code and this Investment Policy, idle funds not immediately needed by the District for the purpose of earning interest income.
2. The District's general policy is to invest idle funds in the Local Agency Investment Fund (LAIF) of the State of California. However, the District may invest in other instruments from time-to-time, subject to the following goals, objectives, and policies.

3. Goal 1: Portfolio Safety and Diversification: District funds will be managed to insure the safety of the portfolio by investing in high quality securities and by maintaining a mix of securities that will provide reasonable assurance that no single investment or class of investments will have a disproportionate impact on the total portfolio.
 - 3.1. Objective: In addition to the safety provided by investing in high quality securities, the safety of the portfolio is enhanced three ways by maintaining a prudent mix (i.e., diversity) of investments:
 - 3.1.1. Spreading investments over different investment types minimizes the impact any one industry/investment class can have on the portfolio;
 - 3.1.2. Spreading investments over multiple credits/issuers within an investment type minimizes the credit exposure of the portfolio to any single firm/institution; and
 - 3.1.3. Spreading investments over various maturity periods minimizes the risk of portfolio depreciation due to a rise in interest rates.
4. Policy: The District's portfolio shall contain a sufficient number and diversity of marketable securities so that a reasonable portion of the portfolio can be readily converted to cash without causing a material change in the value of the portfolio.
5. Goal 2: Liquidity: The pool will be managed to ensure that normal cash needs and scheduled extraordinary cash needs can be met. Further, adequate liquidity shall be maintained to ensure the unforeseen cash needs, whether ordinary or extraordinary can be met.
 - 5.1. Objective: The District will maintain a cash-flow-generated portfolio balance, sufficient to cover a one-month operating period. In addition, investments will be made based a six month forecasted cash flow. Further, sufficient marketable treasuries will be maintained to cover unforeseen withdrawals or delayed deposits.
 - 5.2. Policy: First priority is given to maintaining specific calendar liquidity, as dictated by the most recent cash forecast. Second priority is the maintenance of Treasury Bill positions adequate to meet unscheduled needs and domiciled in the San Francisco Depository to facilitate cash needs. Final consideration would be given to other investments deemed appropriate to portfolio maintenance, enhancement, or restructuring.
6. Goal 3: Rate of Return: District investments and deposits shall be made in such a way as to realize the maximum return consistent with safe and prudent treasury management.

- 6.1. Objective: The rate of return will be maintained on a consistent level representative of current market yield direction.
- 6.2. Policy: Sales gains/losses will not be incurred to the point of significantly altering the final quarterly apportionment rate. Significant sales gains will be offset for restructuring purposes to maintain consistent current return, as well as maximizing future portfolio performance. Significant sales losses shall be incurred only by consent of the Board, or when sufficient profits negate the alteration of the apportionment rate. Range bonds and inverse yielding securities are examples of the types of investments, which are precluded by the above stated objective.
7. Reporting and Conformance: This policy shall be reviewed and updated annually by the Board of Directors. The General Manager or his designee shall prepare a report no later than 30 days after the end of each calendar quarter, listing all investments and activities of the District, in accordance with State Law.

Authorization of Expenses:

Expense authority is generally delegated to the General Manager by the Board of Directors through the adopted annual operating budget and through board policy.

1. Individual purchases under \$10,000 require approval by one of the District's senior managers (General Manager, Operations Manager) and be in general conformance with previously approved operating budgets.
2. Purchases greater than \$10,000 shall be pre-authorized by the General Manager using a purchase order.
3. Any commitment of District funds for an individual unit purchase or expense greater than \$15,000 and not previously approved in conjunction with the annual operating budget shall first be submitted to the Board of Directors for approval, or shall be in conformance with prior Board action and/or authorizations. Payroll related expenses are exempt from the \$15,000 limit.
4. Expense of \$15,000 to \$25,000 may be authorized by a combination approval from the General Manager and Board President or Vice President.
5. Any individual purchase that is greater than \$25,000 and not part of the approved operating budget shall require approval by the Board of Directors.

FINANCIAL SUMMARIES

District Revenues

The District has the following major sources of revenue for 2013:

- ✓ Water Sales
- ✓ Other Income

Water Sales

Metered Rate Revenues

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

The fixed service charge is based upon meter size and is designed to cover the fixed costs of the water delivery as it relates to customer service and capacity costs (i.e. repair and maintenance crew labor costs, supplies and construction related costs). Fixed service charges represent approximately 76% of the total water bill.

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

Other Income

Connection Fees

Connection fees represent the cost to connect to Fair Oaks Water District distribution system for new customers; the funds collected are restricted by AB1600 to capacity enhancement projects. The District service area will experience little growth. Most new service connections are derived from in-fill developer projects. Connection fees are a small portion of the District's revenues and are projected to be a small amount relative to other revenues. Future connection fee revenues are difficult to predict due to the built out nature of the system and limited in-fill projects available.

Interest Income

The District invests its funds in accordance with the California Government Code, Section 53600, Chapter 4 – Financial Affairs and the District’s investment policy 5070; with a majority invested in LAIF (Local Agency Investment Fund) and Certificates of Deposit. Interest earnings on District’s reserves remain within the invested funds. Interest earnings fluctuate based on rates and cash balances. The District projected a decrease of approximately \$7,200 in interest earnings in 2013 (from the estimated 2012) due to the 2013 projected decrease in ending reserve balance and decrease in interest rates.

District Expenses

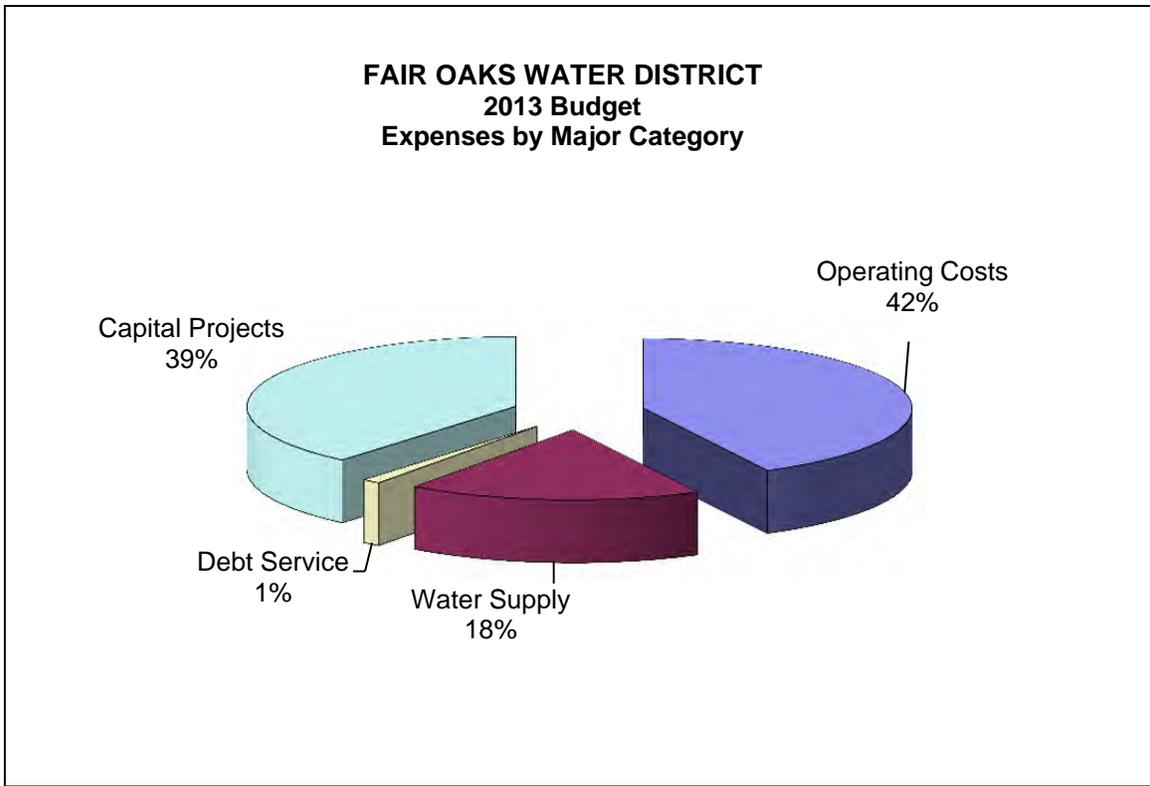
The District’s expenses can be categorized into four major groups:

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

2013 Projected Expenses by Major Category	
Operating Costs	\$ 4,362,800
Water Supply	1,813,200
Debt Service	115,500
Capital Projects	4,000,000
Total	\$ 10,291,500

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

**FAIR OAKS WATER DISTRICT
2013 Budget
Expenses by Major Category**



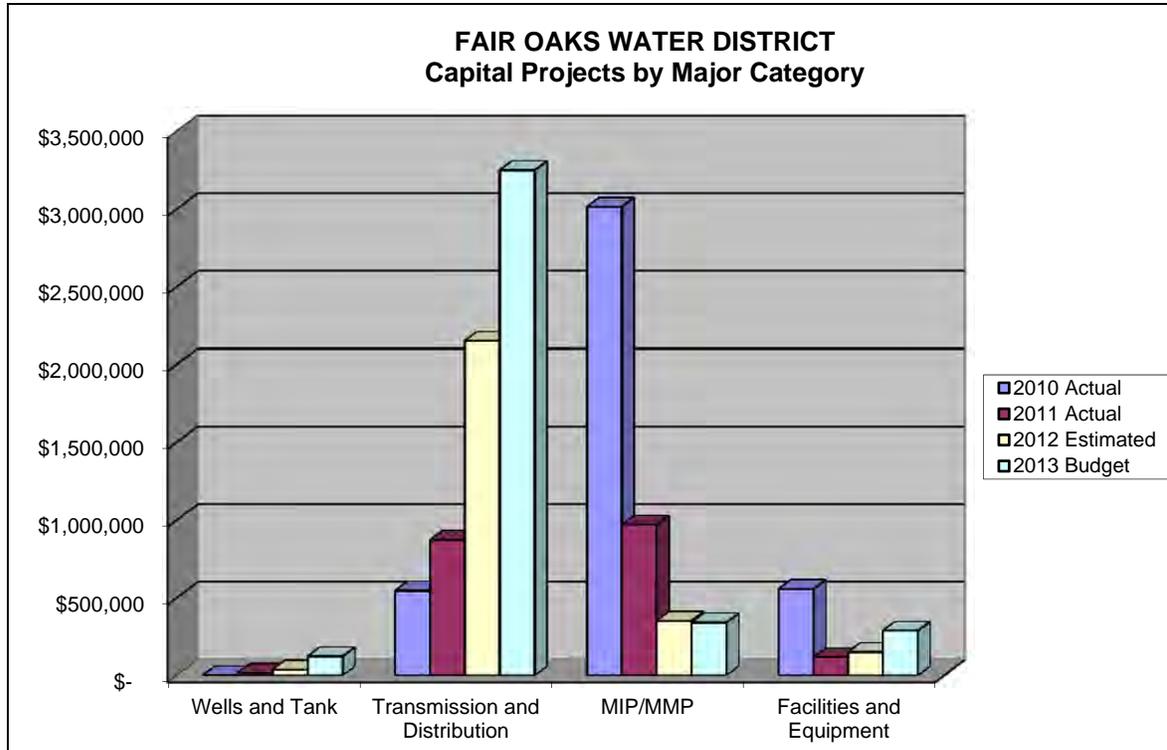
Water Supply

The District’s main water supply is surface water purchased from the San Juan Water District. San Juan Water District provides approximately 90% of the FOWD water demand. The District has purchased on average approximately 11,000 Acre-Feet of surface water over the past five years. The District projects purchasing approximately 9,600 AF of surface water from SJWD in 2013 with 1,550 AF produced with District’s wells.

Projected 2013 Water Supply Costs	
<i>Purchased Surface Water</i>	
Commodity Charge (\$90.60 per AF x 9,600 AF)	\$ 869,760
Service Charge	208,340
Contingency	66,178
Debt Service Charge	405,722
<i>Total Purchased Surface Water</i>	\$ 1,550,000
<i>Groundwater Production & Other Fees</i>	263,200
Total Water Supply Costs	\$ 1,813,200

Capital Projects Overview

Category	2010 Actual	2011 Actual	2012 Estimated	2013 Budget
Wells and Tank	\$ 981	\$ 17,455	\$ 37,500	\$ 123,000
Transmission and Distribution	545,035	871,661	2,151,300	3,249,000
MIP/MMP	3,014,330	970,274	351,000	340,000
Facilities and Equipment	555,775	116,965	150,400	288,000
Total	\$ 4,116,121	\$ 1,976,355	\$ 2,690,200	\$ 4,000,000



Metering Maintenance Program

The District completed the Meter Implementation Program in 2011. A cost of \$340,000 was estimated in the 2013 budget for maintaining the District's retail meters.

Transmission and Distribution

The District continues to repair and replace aging infrastructure throughout its system. The District scheduled the following projects for 2013:

- San Juan 40-Inch Pipeline Rehabilitation Project at an estimated cost of \$2,000,000.
- Installation of 850 LF of 24-Inch T-Main (Walnut/Pershing/Twin Lakes Ave.) at an estimated cost of \$700,000.

- Edgevale Main Replacement at an estimated cost of \$43,000.
- Replacement of 10-inch Main Steel with 8-inch PVC C-900 on Goodyear Drive at an estimated cost of \$66,000.
- Replacement of 260 LF of 4-inch Steel Main on California Avenue at an estimated cost of \$55,000.
- Replacement of 10-inch Main with 12-inch PVC C-900 on FOB at an estimated cost of \$120,000.
- Installation of 650 LF of 12-inch on Twin Lakes Road (Phase II) at an estimated cost of \$150,000.

Facilities and Equipment

The amount of \$268,000 was allocated for replacement of office equipment, computer software, computer equipment, maintenance equipment and trucks and vehicles in 2013.

Debt Service

Fair Oaks Water District currently has no outstanding debt secured by the revenues of the Fair Oaks Water District. The District has a debt obligation through San Juan Water District for the cooperative transmission pipeline. This Debt has been refunded in 2012 with a maturity date of 2014. Since SJWD billed in advance, the 2014 amount is included in the 2013 budget.

The 2013 Debt Coverage is estimated at 18.04; calculated as follows:

Operating Revenues	\$	8,259,800
Operating Expenses		<u>(6,176,000)</u>
Net Income from Operations	\$	2,083,800
Debt Service	\$	115,500
Calculated Coverage		18.04

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

Year Ending December 31,	Principle	Interest	Total
2013	\$ 114,300	\$ 1,200	\$ 115,500

Operating Outlay

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

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

Operations & Maintenance

Operations and maintenance is the largest functional department of Fair Oaks Water District. It is responsible for the purchase and delivery of water to the District's customers as well as operating and maintaining the District's pipelines and facilities. This department includes the functions of water quality, system maintenance, planning, operations, inspection and safety.

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

Another ongoing District activity is replacing and improving the District's aging pipelines. The District anticipates the completion of multiple water main replacement projects in 2013 (see discussion under *Capital Projects*).

Customer Service & Administration

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

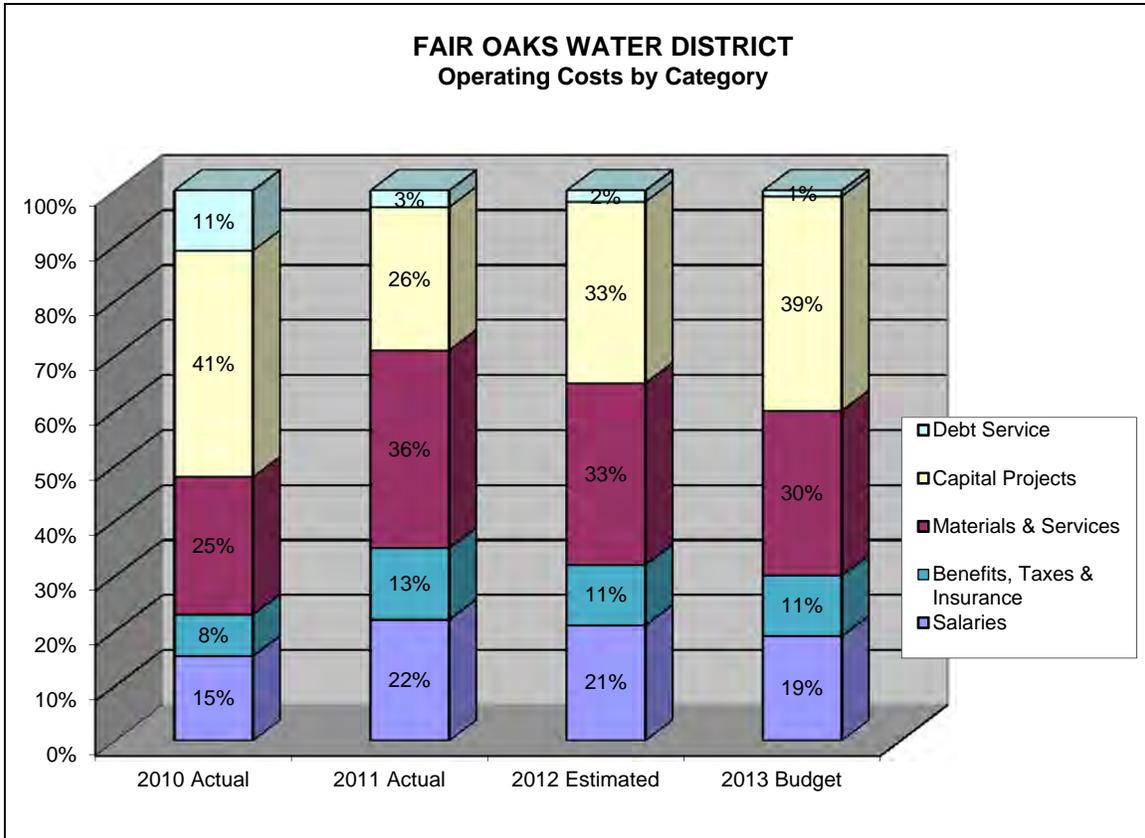
Board of Directors

The Board of Directors (Board) is responsible for developing and reviewing the policies of the District. Directors are elected at large, by geographical area (i.e. division), to four year overlapping terms. The Board's regular business meetings are held the second Monday of the month. The Board maintains an active involvement in regional water organizations representing the Districts interest locally and regionally.

District Salaries and Benefits

As with most organizations, salary and benefit costs are a significant component of the District's annual budget. The following table and chart reflect the District's actual salaries and benefits compared to other major cost categories since 2010. The salaries and benefits in the table and chart reflect the net labor being capitalized to projects. Therefore, the increase/decrease of salaries may not be actual salaries earned. For instance, in 2011, actual salaries are less than 2010 although below showed an increase in 2011 due to capitalized labor.

Operating Costs by Category				
Category	2010 Actual	2011 Actual	2012 Estimated	2013 Budget
Salaries	\$ 1,539,749	\$ 1,622,400	\$ 1,711,600	\$ 1,948,800
Benefits, Taxes & Insurance	756,062	952,613	963,700	1,101,400
Materials & Services	2,497,858	2,647,520	2,736,600	3,125,800
Capital Projects	4,116,121	1,976,355	2,690,200	4,000,000
Debt Service	1,089,900	236,082	150,000	115,500
Total	\$ 9,999,690	\$ 7,434,970	\$ 8,252,100	\$ 10,291,500



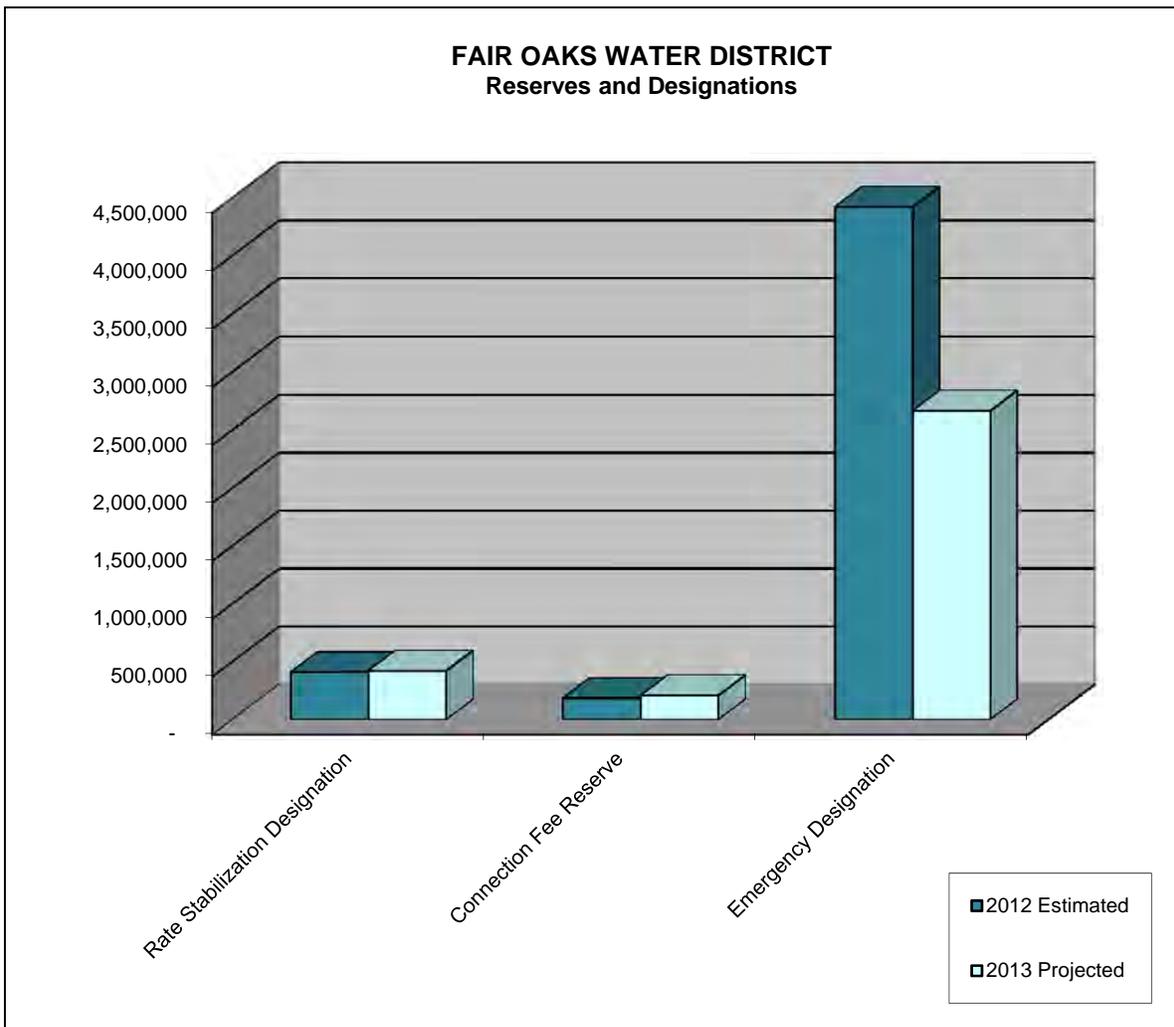
Personnel Summary					
Full Time Equivalent (FTE)					
	2009	2010	2011	2012	2013
Board Approved	40	40	40	36	32

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

Reserves and Designations

Reserves and designations are established to minimize adverse annual and multi-year budgetary impacts from anticipated and unanticipated District expenses. The District's long-term goal is to finance major asset acquisitions on a "pay as you go" plan, as opposed to issuing new debt. The reserves and designation are designed to assist in this goal. See pages 12-14 for specific definitions on each reserve. The following chart and graph illustrate the District's ending reserves and designations.

Ending Reserves/Designations		
Category	2012 Estimated	2013 Projected
Rate Stabilization Designation	407,000	421,100
Connection Fee Reserve	184,100	207,300
Emergency Designation	4,417,900	2,663,500
Total	\$ 5,009,000	\$ 3,291,900





FINANCIAL DETAILS

Fair Oaks Water District

2013 Annual Budget

Financial Plan Summary of Revenues and Expenses

Description	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Budget 2012	Estimated 2012	Proposed 2013
Revenues							
<i>Total Operating Revenues</i>	\$ 8,252,020	\$ 8,071,610	\$ 8,032,377	\$ 8,075,778	\$ 8,359,800	\$ 8,304,200	\$ 8,259,800
<i>Total Non-Operating Income</i>	1,782,863	229,636	180,034	226,075	50,400	359,800	314,600
Total Revenues	\$ 10,034,883	\$ 8,301,246	\$ 8,212,411	\$ 8,301,853	\$ 8,410,200	\$ 8,664,000	\$ 8,574,400
Expenses							
Operating Expenses	\$ 4,531,745	\$ 4,571,703	\$ 4,793,669	\$ 5,222,533	\$ 6,134,400	\$ 5,411,900	\$ 6,176,000
Debt Service	990,025	1,006,600	1,089,900	236,082	385,400	150,000	115,500
Total Expenses	\$ 5,521,770	\$ 5,578,303	\$ 5,883,569	\$ 5,458,615	\$ 6,519,800	\$ 5,561,900	\$ 6,291,500
Net Income (Loss) before Capital Program Expense	\$ 4,513,113	\$ 2,722,943	\$ 2,328,842	\$ 2,843,238	\$ 1,890,400	\$ 3,102,100	\$ 2,282,900
Capital Program Expenses							
<i>Computer Equipment & Software</i>	\$ 21,092	\$ 77,315	\$ 36,248	\$ 63,111	\$ 75,700	\$ 77,700	\$ 82,400
<i>Vehicles & Maintenance Equipment</i>	162,841	22,079	31,202	7,433	62,000	51,500	159,600
<i>Facility & Office Equipment</i>	254,144	2,467,867	488,325	46,421	30,500	21,200	46,000
<i>Meter Implementation Program (MIP)</i>	2,244,407	2,377,261	3,014,330	970,274	385,000	351,000	340,000
<i>CIP</i>	969,381	298,419	311,016	820,446	495,000	488,800	1,372,000
Total Capital Program Expenses	\$ 3,651,865	\$ 5,242,942	\$ 3,881,121	\$ 1,907,685	\$ 1,048,200	\$ 990,200	\$ 2,000,000
SJWD 40-Inch Pipeline (Non-Operating Exp.)	\$ -	\$ -	\$ 235,000	\$ 68,670	\$ 2,000,000	\$ 1,700,000	\$ 2,000,000
Total Expenses including Capital Program	\$ 9,173,635	\$ 10,821,245	\$ 9,999,690	\$ 7,434,970	\$ 9,568,000	\$ 8,252,100	\$ 10,291,500
Net Income (Loss)	\$ 861,248	\$ (2,519,999)	\$ (1,787,279)	\$ 866,883	\$ (1,157,800)	\$ 411,900	\$ (1,717,100)
Ending Reserve/Designated Balance	\$ 8,037,500	\$ 5,517,500	\$ 3,730,200	\$ 4,597,100	\$ 2,753,800	\$ 5,009,000	\$ 3,291,900

Fair Oaks Water District

2013 Annual Budget

Revenue Summary

		Actual	Actual	Actual	Actual	Budget	Estimated	Proposed
Description	Acct #	2008	2009	2010	2011	2012	2012	2013
Operating Revenues:								
<u>Water sales</u>								
Residential-unmetered flat rates	4010/4140	\$ 6,995,378	\$ 6,845,532	\$ 6,832,811	\$ 6,739,979	\$ -	\$ -	\$ -
Fixed service charge	ALL CUSTOMERS					6,188,800	6,006,900	6,006,900
Commodity charge	ALL CUSTOMERS					1,976,000	2,132,300	2,057,900
Metered service charges - resid.	4025	50,004	57,383	65,409	122,900			
Metered commodity rates - resid.	4020	11,329	11,132	11,732	13,203			
Metered service charges - non-resid.	4035, 4026-4028	668,098	699,911	708,333	722,021			
Metered commodity rates - non-resid.	4030, 4021-4023	260,083	241,597	221,525	209,880			
Commercial flat	4037	13,648	12,014	13,099	12,853			
San Juan Family Dry-Year Supply	4014	23,350	11,675					
Allowance: uncollectible accounts								
<i>Total Water Sales</i>		\$ 8,021,890	7,879,244	7,852,909	7,820,836	8,164,800	8,139,200	8,064,800
<u>Other Fees/Income</u>								
Delinquencies & late fees	4050/4055/4060	179,867	168,628	161,761	198,156	135,000	135,000	135,000
Fire service fees	4156					35,000	-	35,000
Fees for service	4150/4130	50,263	23,737	17,707	56,786	25,000	30,000	25,000
Total Operating Revenues		\$ 8,252,020	\$ 8,071,610	\$ 8,032,377	\$ 8,075,778	\$ 8,359,800	\$ 8,304,200	\$ 8,259,800
Non-Operating Income:								
Interest income	4610	\$ 318,554	\$ 78,743	\$ 36,438	\$ 28,182	\$ 14,400	\$ 21,000	\$ 13,800
Connection fees	4110/4120	53,436	57,035	27,843	17,260	21,000	50,000	23,200
Annexation fees	4155							
Grants	4320	19,612		19,696				
Other sources of income	4095/4096	1,191,221			124,001		250,900	277,600
Miscellaneous revenue	4015/4170/4175/4180/4185/4186/4310	179,911	63,204	90,370	28,544	15,000	19,900	
Contributed assets	4160	322,500	105,880	139,716	99,475			
Less: Contributed assets (non-cash)	4160	(322,500)	(105,880)	(139,716)	(99,475)			
(Loss) gain on disposal of assets	4080/4090	20,129	30,654	5,687	28,088		18,000	
Total Non-Operating Income		\$ 1,782,863	\$ 229,636	\$ 180,034	\$ 226,075	\$ 50,400	\$ 359,800	\$ 314,600
Total Revenues		\$ 10,034,883	\$ 8,301,246	\$ 8,212,411	\$ 8,301,853	\$ 8,410,200	\$ 8,664,000	\$ 8,574,400

Fair Oaks Water District

2013 Annual Budget

Expense Summary

		Actual	Actual	Actual	Actual	Budget	Estimated	Proposed
	Acct #	2008	2009	2010	2011	2012	2012	2013
Labor & Benefits								
<i>Salaries and Wages</i>								
Salaries	5010	\$ 1,952,517	\$ 1,941,917	\$ 1,942,620	\$ 1,942,747	\$ 2,140,900	\$ 1,856,500	\$ 2,048,500
On-call	5011	28,161	29,063	28,688	26,618	31,000	31,000	31,000
Overtime	5011	44,503	18,059	46,274	27,003	30,000	20,000	25,000
Certificate Incentive Program	5010	95,737	35,888	17,314	7,533	25,000	7,200	25,000
Temporary labor	5050	9,800	20,659	92,896	11,039	20,000	20,000	20,000
<i>Salaries and Wages Subtotal</i>		\$ 2,130,718	\$ 2,045,586	\$ 2,127,792	\$ 2,014,940	\$ 2,246,900	\$ 1,934,700	\$ 2,149,500
<i>Benefits and Insurance</i>								
Auto and mileage	5420	\$ 2,972	\$ 5,184	\$ 4,491	\$ 3,750	\$ 5,000	\$ 4,000	\$ 4,900
Dental insurance	5220	36,029	36,463	38,115	42,178	43,500	39,400	41,500
FICA	5110	130,725	123,928	129,448	122,715	139,300	120,000	133,300
Medicare	5120	31,034	29,679	30,954	29,323	32,600	28,100	31,200
Health insurance	5210	399,711	431,043	461,792	543,049	561,500	506,400	539,200
Disability insurance	5260	7,823	7,737	7,330	7,240	7,400	6,900	7,700
Life insurance	5230	3,622	3,909	3,978	4,042	3,900	4,100	5,200
Pension plan	5240	265,258	265,057	278,939	292,377	322,900	294,200	331,200
Unemployment insurance	5310	21,029	22,923	10,110	22,174	25,000	6,000	25,000
Vision care	5250	9,328	9,072	8,939	9,280	9,200	8,400	8,700
Workers compensation	5320	58,221	52,856	64,227	64,904	87,700	57,800	73,800
<i>Benefits and Insurance Subtotal</i>		\$ 965,752	\$ 987,851	\$ 1,038,323	\$ 1,141,032	\$ 1,238,000	\$ 1,075,300	\$ 1,201,700
Labor & Benefits Subtotal		\$ 3,096,470	\$ 3,033,437	\$ 3,166,115	\$ 3,155,972	\$ 3,484,900	\$ 3,010,000	\$ 3,351,200
In-house CIP/MIP labor & benefits capitalized ⁽¹⁾		\$ (942,636)	\$ (869,142)	\$ (870,304)	\$ (580,959)	\$ (293,400)	\$ (334,700)	\$ (301,000)
Net Labor & Benefits		\$ 2,153,834	\$ 2,164,295	\$ 2,295,811	\$ 2,575,013	\$ 3,191,500	\$ 2,675,300	\$ 3,050,200

		Actual	Actual	Actual	Actual	Budget	Estimated	Proposed
	Acct #	2008	2009	2010	2011	2012	2012	2013
Materials & Services								
<i>Water Supply</i>								
Surface water supply, SJWD	6110	\$ 1,256,066	\$ 1,530,540	\$ 1,550,630	\$ 1,494,562	\$ 1,529,700	\$ 1,525,000	\$ 1,550,000
Chemicals	6160	13,171	6,008	5,941	6,203	7,000	7,000	7,700
DOHS Fees	6358	19,711	4,452	7,477	13,912	12,500	12,500	13,000
Energy cost, tank	6120	36,276	26,499	22,606	22,638	23,000	28,000	29,000
Energy cost, wells	6130	184,157	128,361	148,300	169,457	170,000	155,000	175,000
Testing & sampling	6140	26,164	17,326	21,848	15,865	26,000	22,200	23,500
SCADA support & maintenance	6151	-	506	219		10,000	5,000	10,000
Cathodic protection ⁽¹⁾	6152			2,450	2,450	3,000	2,500	3,000
Hydrant testing & flushing	6155	397	1,076	329	1,255	2,000	1,000	2,000
<i>Water Supply Subtotal</i>		\$ 1,535,942	\$ 1,714,768	\$ 1,759,800	\$ 1,726,342	\$ 1,783,200	\$ 1,758,200	\$ 1,813,200
<i>District Facilities Maintenance and Repairs</i>								
Well and pump repairs	6170	\$ 10,470	\$ 425	\$ 1,760	\$ 4,582	\$ 15,000	\$ 2,000	\$ 15,000
Minor tank repairs and maintenance	6165	8,727	5,302	4,187	7,641	10,000	2,000	10,000
District site maintenance	6700	15,262	12,419	4,797	6,412	7,000	6,000	8,000
Refuse collection	6750	2,833	3,079	3,500	4,761	5,300	5,000	5,200
Janitorial	6710	8,620	4,899	2,159	1,826	2,100	2,000	2,100
Elevator maintenance	6701		-	-	2,830	5,500	5,000	5,000
Security costs	6720	1,746	1,400	7,209	2,540	4,000	3,100	3,500
<i>District Facilities Maint. Subtotal</i>		\$ 47,658	\$ 27,524	\$ 23,612	\$ 30,592	\$ 48,900	\$ 25,100	\$ 48,800
<i>Vehicle and Equipment Maintenance</i>								
Vehicle maintenance	6610	\$ 12,176	\$ 11,498	\$ 15,598	\$ 13,212	\$ 17,000	\$ 17,000	\$ 19,000
Vehicle repairs ⁽⁷⁾	6611	12,642	6,227	13,572	28,241	17,500	16,000	17,500
Other equipment repair & maint.	6620	27,333	27,414	19,603	26,866	25,000	20,000	25,000
<i>Vehicle Maintenance Subtotal</i>		\$ 52,151	\$ 45,139	\$ 48,773	\$ 68,319	\$ 59,500	\$ 53,000	\$ 61,500
<i>Insurance</i>								
Auto and general liab. insurance ⁽⁴⁾	7310	\$ 45,596	\$ 33,541	\$ 103,713	\$ 95,551	\$ 85,000	\$ 67,200	\$ 85,000
Bonding	7330	1,000	1,000	1,000	1,000	5,400	1,000	5,000
Property insurance	7320	18,972	17,155	21,638	21,793	23,000	22,200	23,300
<i>Insurance Subtotal</i>		\$ 65,568	\$ 51,696	\$ 126,351	\$ 118,344	\$ 113,400	\$ 90,400	\$ 113,300

	Actual	Actual	Actual	Actual	Budget	Estimated	Proposed	
Acct #	2008	2009	2010	2011	2012	2012	2013	
Printing and Postage								
Advertisement, notices & recording fees	7650/7655	\$ 842	\$ 419	\$ 333	\$ 391	\$ 3,000	\$ 1,000	\$ 3,000
Customer bill processing	7660	22,504	29,884	17,838			-	
Customer bill printing	7660				24,458	25,000	15,000	20,000
Customer bill postage	7695	16,584	22,922	15,695	41,150	40,000	35,400	40,000
Customer collection postage	7696				879	7,000	7,000	7,000
Postage	7690	3,423	3,657	4,061	937	4,000	1,500	2,000
General printing	7670	3,528	1,821	1,817	707	5,000	2,000	5,000
Water Currents: print, mail, consult.	7680	11,847	10,370	7,172	190	10,000	7,500	10,000
Proposition 218 programs; etc.	7651	-			7,293	7,500	-	-
Collection expense printing	6910	229	353	789	667	2,500	500	3,000
<i>Printing & Postage Subtotal</i>		\$ 58,957	\$ 69,426	\$ 47,705	\$ 76,672	\$ 104,000	\$ 69,900	\$ 90,000
Office Expense & Other								
Office lease	6770	\$ 5,043	\$ 4,932	\$ 3,011	\$ -	\$ -	\$ -	\$ -
Office equipment rental	6315	440	443	675	447	1,000	900	1,000
Office supplies	7610	20,552	15,837	21,961	26,978	24,000	24,000	27,000
Office equipment less than \$500	7615	886	877	984	2,619	2,000	1,000	2,000
Office furniture less than \$500	7616						-	2,000
Office equipment maintenance ⁽⁶⁾	6615	4,023	3,518	4,137	4,178	4,000	7,000	14,600
Contingency	7910	1,263	603	2,490	2,128	5,000	1,000	5,000
<i>Office Expense & Other Subtotal</i>		\$ 32,207	\$ 26,210	\$ 33,258	\$ 36,350	\$ 36,000	\$ 33,900	\$ 51,600
Professional Services & Other								
Coop. Trans. Pipeline O & M ⁽²⁾	6190	\$ (12,764)	\$ (1,503)	\$ 2,555	\$ 10,413	\$ 3,100	\$ 3,100	\$ 3,200
Backflow testing and supplies	6180	954	965	925	1,141	1,300	1,300	1,500
Meter testing service	6626					5,000	500	5,000
Dues & subscriptions	7620	19,502	19,785	20,413	19,894	27,000	24,000	27,000
Grant application	6407	-		-		10,000	-	10,000
Urban Water Management Plan ⁽³⁾	7134			1,440	33,535	-	-	-
Emergency Response Plan	7131			-		1,000	500	500
Master Plan Update	7136	-		-		-		75,000
Five Year Water Management Plan	7133	-	8,400	-		-		-
Five Year Rate Analysis & Updates	7132	-		-	149	5,000	-	5,000
Banking fees ⁽⁶⁾	7170	23,477	26,066	24,536	29,322	33,600	33,600	45,100
Financial audit fees	7120	16,760	17,430	17,300	16,435	16,800	16,800	17,200
Legal fees	7110	79,114	21,166	43,402	26,144	41,200	65,000	50,000
Public relations	7160	293		-		12,400	-	12,000
Regional support	7640	46,606	49,990	51,415	55,457	57,500	53,800	64,000
Computer consulting service	7156			867	5,995	5,000	10,000	10,000

	Actual	Actual	Actual	Actual	Budget	Estimated	Proposed	
Acct #	2008	2009	2010	2011	2012	2012	2013	
Annual IT audit	7157			-	5,800	5,000	6,000	6,300
Telemetry Master Plan	7158							25,000
Oncall service	7180							5,000
Professional fees, other	7130	13,430	43,786	305	17,527	51,500	51,500	75,000
<i>Professional Services Subtotal</i>		\$ 187,372	\$ 186,085	\$ 163,158	\$ 221,812	\$ 275,400	\$ 266,100	\$ 436,800
System Maintenance /Repairs								
Aggregate, sand & cutback	6320	\$ 150		\$ -	\$ 8,280	\$ 10,500	\$ 10,500	\$ 10,500
Paving	6340	30,889	2,646	-	12,299	27,000	27,000	27,000
Contract trucking/dumping	6330	-		-	1,641	5,000	5,000	5,200
Equip. and tool rental	6310	1,077	79	1,631	52	2,500	2,500	2,500
Consumables & maintenance supplies ⁽¹⁾	6210/6215	32,723	32,134	22,998	12,358	13,500	13,500	14,000
Distribution repairs ⁽¹⁾	6215				23,076	21,000	22,000	23,000
T-Main repairs ⁽¹⁾	6216			8,443		15,000	15,000	15,000
Damages	6218							20,000
Meter downsize repairs/upgrades	6627						13,000	-
Parts inventory replenishment	6220/6230	(110)	2,553	1,634	2,605	3,000	3,000	3,000
Gas and oil	6630	68,824	34,945	47,105	60,565	66,000	55,000	66,000
Equipment and tools less than \$500	6240	8,783	9,049	7,594	7,711	13,000	8,000	10,000
Safety equipment less than \$500	6250	11,614	9,723	13,930	13,941	15,000	13,000	15,000
<i>System Maintenance/Repairs</i>		\$ 153,950	\$ 91,129	\$ 103,335	\$ 142,528	\$ 191,500	\$ 187,500	\$ 211,200
Fees								
County fees & taxes	6350	\$ 1,202	\$ (4)	\$ 1,276	\$ 617	\$ 1,300	\$ 1,000	\$ 1,200
Air quality	6355	2,578	3,696	4,320	4,628	5,200	5,000	5,500
NPDES permit	6359	4,078	6,970	(1,453)	1,698	2,000	2,000	2,200
Miscellaneous fees	6360	-		836	-	1,000	-	1,000
Haz-mat permit	6357	2,298	2,300	2,346	2,633	3,500	2,700	3,000
<i>Fees Subtotal</i>		\$ 10,156	\$ 12,962	\$ 7,325	\$ 9,576	\$ 13,000	\$ 10,700	\$ 12,900
Utilities								
Communication, telephone	6760	\$ 37,882	\$ 38,312	\$ 49,056	\$ 49,846	\$ 55,000	\$ 52,000	\$ 54,000
Mpower T-1 internet & web hosting	6761	5,137	5,220	1,356		-		-
District site utilities	6740	16,958	18,148	24,749	31,259	30,000	33,500	35,000
<i>Utilities Subtotal</i>		\$ 59,977	\$ 61,680	\$ 75,161	\$ 81,105	\$ 85,000	\$ 85,500	\$ 89,000
Information Technology								
Computer software maint & agreements ⁽⁸⁾	7150	\$ 56,632	\$ 28,859	\$ 35,228	\$ 42,630	\$ 55,500	\$ 24,000	\$ 36,000
Website maintenance	7155	3,085	80	-	1,015	10,000	4,000	10,000
Computer hardware <\$500	7151	3,229	3,946	5,456	3,482	5,500	5,000	5,500
Computer software <\$500	7152	541	866	176	182	1,500	1,000	1,500
<i>Information Technology Subtotal</i>		\$ 63,487	\$ 33,751	\$ 40,860	\$ 47,309	\$ 72,500	\$ 34,000	\$ 53,000

	Actual	Actual	Actual	Actual	Budget	Estimated	Proposed	
Acct #	2008	2009	2010	2011	2012	2012	2013	
Water Efficiency								
Conservation Outreach	6430	\$ 10,309	\$ 12,823	\$ 12,477	\$ 9,634	\$ 20,000	\$ 20,000	\$ 20,000
Grant Application	6407	-		-	-	1,000	-	1,000
Field Service Grant 2007	6408	27,650		-				
Cons. Landscape Irrigation Review (Materials)	6450	-	895	-	1,618	2,500	2,500	2,500
Conservation Water Waste (Materials)	6470	23		-	-	6,000	1,100	1,500
Conservation Large Landscape (Materials)	6455			-	452	1,500	-	1,500
Conservation Subscriptions	6405	820	530	509	-	800	-	500
Conservation Toilet Rebate Program	6510	9,920	16,925	6,162	11,351	15,000	13,000	15,000
Conservation Toilet Rebate Program (Reimb.) ⁽⁵⁾	6515				7,778		8,000	10,000
Washing Machine Program	6516			5,500	-	6,000	-	6,000
Conservation Internal Review (Materials)	6460	-	745	-	1,166	2,500	1,700	2,500
<i>Water Efficiency Subtotal</i>		\$ 48,722	\$ 31,918	\$ 24,648	\$ 31,999	\$ 55,300	\$ 46,300	\$ 60,500
Training & Uniforms								
DMV/Physicals/DOT Testing	7135	\$ 3,242	\$ 2,960	\$ 6,172	\$ 3,805	\$ 5,200	\$ 3,500	\$ 4,000
Employee recognition program	7570	2,888	8,726	4,408	7,046	8,000	8,000	8,000
Training and travel expenses	7410/7510	26,626	24,097	13,524	12,097	26,000	17,000	26,000
Uniforms	6270	6,840	6,044	4,433	19,571	18,000	10,000	18,000
<i>Training Subtotal</i>		\$ 39,596	\$ 41,827	\$ 28,537	\$ 42,519	\$ 57,200	\$ 38,500	\$ 56,000
Board Expenses								
Election expense	7720	\$ 1,451	\$ -	\$ 1,654	\$ -	\$ 20,000	\$ 20,000	\$ -
Director's fees	7710	13,300	10,400	9,300	10,800	14,500	12,000	14,500
Miscellaneous Board expenses	7730	856	672	642	685	1,500	1,500	1,500
Travel and seminars	7740	6,561	2,221	3,739	2,568	12,000	4,000	12,000
<i>Board Expenses Subtotal</i>		\$ 22,168	\$ 13,293	\$ 15,335	\$ 14,053	\$ 48,000	\$ 37,500	\$ 28,000
Materials & services total		\$ 2,377,911	\$ 2,407,408	\$ 2,497,858	\$ 2,647,520	\$ 2,942,900	\$ 2,736,600	\$ 3,125,800
Department Grand Total		\$ 4,531,745	\$ 4,571,703	\$ 4,793,669	\$ 5,222,533	\$ 6,134,400	\$ 5,411,900	\$ 6,176,000

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. Actual for 2011 included expenses from 2001-2004 of \$7,257.
- (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.
- (5) 2010 and prior reported as net; therefore, expenses are not shown.
- (6) In the last quarter of 2012, the District implemented the lockbox, online payments, bill consolidator and other payment options; therefore, the budget for 2013 is much higher.
- (7) Two invoices totalling \$6,059.03 reflected in 2011 was reversed in 2012. Invoices accrued but not paid--negotiated with vendor.
- (8) Some of the office equipment maintenance items budgeted under computer support in prior years is currently budgeted under office equipment maintenance in 2013.
- (9) The Board approved the Fair Oaks Streetscape Project on 8/13/2012 for \$82,500 (\$42,000 will be funded by the current labor budget and \$40,500 will be funded by reserves).

Fair Oaks Water District 2013 Annual Budget Debt Service

Description	Acct #	Actual	Actual	Actual	Actual	Budget	Estimated	Proposed
		2008	2009	2010	2011	2012	2012	2013
Debt Service								
CTP-SJWD 1993 COP's ⁽¹⁾	2555	\$ 188,113	\$ 195,563	\$ 407,888	\$ 212,325	\$ 370,600	\$ 148,400	\$ 114,300
1999 COP'S ⁽²⁾	2515	650,000	690,000	570,000	-	-	-	-
<i>Debt Service Principal Total</i>		<u>\$ 838,113</u>	<u>\$ 885,563</u>	<u>\$ 977,888</u>	<u>\$ 212,325</u>	<u>\$ 370,600</u>	<u>\$ 148,400</u>	<u>\$ 114,300</u>
Debt Service - Interest								
CTP-SJWD 1993 COP's ⁽¹⁾	8010	\$ 40,010	\$ 34,901	\$ 34,494	\$ 22,257	\$ 14,800	\$ 1,600	\$ 1,200
1999 COP'S ⁽²⁾	8020	78,688	52,688	14,872	-	-	-	-
Refunding costs (amortized)	8020	28,923	28,923	57,852	-	-	-	-
<i>Debt Service Interest Total</i>		<u>\$ 147,621</u>	<u>\$ 116,512</u>	<u>\$ 107,218</u>	<u>\$ 22,257</u>	<u>\$ 14,800</u>	<u>\$ 1,600</u>	<u>\$ 1,200</u>
Material and Services								
Bond Trustee Fees	7175	\$ 2,791	\$ 3,045	\$ 3,299	\$ -	\$ -	\$ -	\$ -
Bond Arbitrage Fees	7176	1,500	1,500	1,500	1,500	-	-	-
<i>Material and Services Total</i>		<u>\$ 4,291</u>	<u>\$ 4,545</u>	<u>\$ 4,799</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department Grand Total		\$ 990,025	\$ 1,006,600	\$ 1,089,900	\$ 236,082	\$ 385,400	\$ 150,000	\$ 115,500

General Notes:

⁽¹⁾ 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. Note SJWD refinanced the 1993 refunding in 2012. Thus, the debt schedule has been revised and the new amortization schedule includes interest and principal that spreads over 2013 and 2014. Therefore, the 2012 estimated debt payment is lower than the budgeted amount. SJWD billed the 2012 based on 56% of the combined total remaining debt schedule amount (from 8/1/2012 to 2/1/2014).

**The proposed 2013 is based on the new debt schedule and it is based on 44% of the combined total remaining debt schedule amount (from 8/1/2012 to 2/1/2014).

**SJWD refinanced the 1993 COP in 2012 and based on the new amortization schedule, the last payment will be in 2014.

⁽²⁾ 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

2013 Annual Budget

Computer Equipment and Software

Description	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Budget 2012	Estimated 2012	Proposed 2013
Computer Equipment & Software							
Computer Equipment ^(a)	\$ 9,580	\$ 46,503	\$ 11,030	\$ 36,459	\$ 20,000	\$ 5,600	\$ 55,900
MS Voucher Credit				(6,450)			
Computer Software/Licensing	11,512				-		
Accounting/Billing Software		24,781			10,000	10,000	
Additional Accounting/Billing Software Licenses				11,000			
2008 Server Enterprise			-				
CAD		4,000					4,500
Backup Power Supply for IT Room ^(a)						14,400	
Microsoft Licensing Bundle (Office Windows)			18,052	18,052	18,200	18,200	12,000
Other Software and Licensing		2,031	7,166	4,050	7,500	7,500	10,000
Design and implementation of a new FOWD web site					20,000	22,000	
Total Computer Equipment & Software	\$ 21,092	\$ 77,315	\$ 36,248	\$ 63,111	\$ 75,700	\$ 77,700	\$ 82,400

Budget Transfers

^(a) Budget transfer of \$13,061.66 from Computer Equipment to the Backup Power Supply for IT Room in 2012.

Fair Oaks Water District
2013 Annual Budget
Vehicles and Maintenance Equipment

Description	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Budget 2012	Estimated 2012	Proposed 2013
Trucks/Vehicles/Trailers							
Replace Wackers/Tampers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,000
Replace 002-2000 Ford Expedition	33,549						
Replace 001-2000 Dodge Ram BR2500	13,454						
Upgrade 044-2004 Chevrolet C6500		14,780					
Replace 1989 410C John Deere Backhoe	84,659						
Upgrade 032-2003 Freightliner Dump Truck	15,075						
Upgrade 045-2004 Chevrolet C6500			14,760				
Pool Car							25,000
Replace 016-2001 Dodge RAM BR2500 ^[b]						24,200	
Replace 017-2001 Dodge RAM BR2500 ^[c]					22,000	25,300	
Replace 030-2003 Ford F250 4x4							25,000
Purchase of Small VacTron							60,000
Replace 2000 Dodge RAM 2500							27,900
Subtotal	\$ 146,737	\$ 14,780	\$ 14,760	\$ -	\$ 22,000	\$ 49,500	\$ 145,900
Maintenance Equipment/Tools							
Power Generator (Confined Space)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,300
Oil Pot for Patch Paving ^{[b],[c]}					10,000		
Roller Compactor for Paving (3 ton) ^[b]					25,000		
Vibra Plate				7,433			
New Locators	-	3,267					
Concrete Saw			3,371				
Welding Machine			1,779				
Chipping Hammer			622				
Meter Reading Equipment			5,106				
Meter Tester			5,564				
Hydraulic Breaker/Pneumatic		2,514					
Air Pump							3,500
Cut-Off Saw	1,438	923		-			1,400
Hydraulic Sum Pump							2,500
Pneumatic Jackhammer/Pole Tamper	-	595					
Other Maintenance Equipment	14,666				5,000	2,000	5,000
Subtotal	\$ 16,104	\$ 7,299	\$ 16,442	\$ 7,433	\$ 40,000	\$ 2,000	\$ 13,700
Total Vehicle & Maintenance Equipment	\$ 162,841	\$ 22,079	\$ 31,202	\$ 7,433	\$ 62,000	\$ 51,500	\$ 159,600

Budget Transfers

^[b] In 2012, budget transfers of \$21,951.96 was processed from the Roller Compactor for Paving and \$2,374.38 was processed from Oil Pot for Patch paving to Replacement of Vehicle 016 Dodge RAM.

^[c] In 2012, a budget transfer of \$2,374.38 was processed from Oil Pot for Patch paving to Replacement of Vehicle 017 Dodge RAM.

Fair Oaks Water District

2013 Annual Budget Facility and Office Equipment

Description	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Budget 2012	Estimated 2012	Proposed 2013
Building							
Admin. Office Building (10326 FOB)	\$ 238,912	\$ 2,459,019	\$ 247,161	\$ 27,399	\$ 5,000	\$ 5,000	\$ 10,000
Maintenance Building (10317 FOB)	13,632	-	4,535	9,910	10,000	7,500	10,000
Office Building (10340 FOB)			224,270	-	-	2,100	-
Total Building	\$ 252,544	\$ 2,459,019	\$ 475,966	\$ 37,309	\$ 15,000	\$ 14,600	\$ 20,000
Office Equipment							
Safety Equipment	\$ -	\$ 3,807	\$ 3,674	\$ -	\$ 4,500	\$ 2,500	\$ 4,000
Audio Video ^[d]	-	683	-	5,497	1,000	1,000	1,000
Furnishings ^[d]	1,600		-	734	5,000	-	3,000
Mailing Equipment			8,685				
Printer (Savin Replacement for 2013)				2,881	2,000	1,100	15,000
Miscellaneous Office Equip. ^[d]	-	4,359	-		3,000	2,000	3,000
Total Office Equipment	\$ 1,600	\$ 8,849	\$ 12,359	\$ 9,112	\$ 15,500	\$ 6,600	\$ 26,000
Total Facility and Equipment	\$ 254,144	\$ 2,467,867	\$ 488,325	\$ 46,421	\$ 30,500	\$ 21,200	\$ 46,000

Budget Transfers

^[d] Budget transfers of \$4,266 from Furnishings and \$1,231 from Miscellaneous Office Equip. to Audio/Video.

Fair Oaks Water District

2013 Annual Budget

Meter Maintenance Program

Description	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Budget 2012	Estimated 2012	Proposed 2013
Meter Implementation Program (MIP)/Meter Maintenance Program (MMP)							
Residential Metering/AMR	\$ 2,097,589	\$ 1,968,479	\$ 2,265,810	\$ 476,477	-	\$ 21,000	\$ 20,000
Meter Replacement ^[f]	22,500	97,915	72,285		300,000	75,000	200,000
AMR Replacement				73,095	70,000	70,000	70,000
9161 Madison Hills Apt.						35,000	
Large Meter Replacement				156,892	15,000	15,000	50,000
Sunnybrook Main Replacement (31% MIP/69% CIP)			92,603				
The Bluffs, Meter Upgrades	133	30,159	-	242,188		5,000	
Commercial Metering	1,032	-	-				
Butterwood and Plantain		93,768	411,017				
Ridge Subdivision, Meter Upgrades		983	244				
Madison Ave. Water Main Extension	10,510	31,916	14,685				
Meter Upgrades for Northridge			1,020				
M10MIFS09-Field Service Grant			18				
Meter Upgrades - Fairway Two ^[f]				13,496		130,000	
Zone 4 Meter Install & Upgrade			9,525	1,030			
Zone 8 MIP-Meter Service Upgrade			12,232				
Zone 9 MIP-Meter Upgrade			134,891	7,096			
Meters Upgrades on Pershing	112,644	154,041	-				
Total MIP/MMP⁽¹⁾	\$ 2,244,407	\$ 2,377,261	\$ 3,014,330	\$ 970,274	\$ 385,000	\$ 351,000	\$ 340,000

General Notes

⁽¹⁾ Includes labor and benefits.

Budget Transfers

^[e] The Board approved the usage of the remaining CIP budget including wells, distribution and reserves totalling \$891,391 on August 9, 2010 to complete the MIP Program.

^[f] Budget transfer of \$128,000 from Meter Replacement to Meter Upgrades-Fairway Two.

Fair Oaks Water District

2013 Annual Budget

Capital Improvement Program

Description	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Budget 2012	Estimated 2012	Proposed 2013
Wells & Tank							
New York Well Rehabilitation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Well Pump Check	2,420		900		5,000	2,500	3,000
Miscellaneous Bowl Replacement	14,540		-	3,065	20,000	10,000	20,000
Minor Water Supply Facilities Upgrades					15,000	5,000	10,000
Abandon an Existing Groundwater Well at Casabella							35,000
Implementation of Telemetry (SCADA) Phase I							55,000
Safety Improvements at the Skyway Tank Site					10,000	10,000	
Heather Well Inspection and Rehabilitation ^[g]				14,390			
Skyway Tank Inspection		15,331					
Park Well (New Pump)		1,325	81				
Town Well	6,165						
Heather Well	1,565						
Northridge Well Rehab	3,775						
Lemon Grove PRV Upgrades	2,431						
Radio Survey and Conversion					15,000	10,000	
Inline Valve at Skyway Tank Site	16,266						
Subtotal	\$ 47,162	\$ 16,656	\$ 981	\$ 17,455	\$ 65,000	\$ 37,500	\$ 123,000
Transmission & Distribution							
Services Upgrade	\$ 29,774	\$ 31,159	\$ 30,061	\$ 21,537	\$ 20,000	\$ 24,000	\$ 25,000
Hydrant Upgrades	46,081	22,958	82,169	3,342	25,000	12,000	25,000
Minor Main Upgrades	9,521	16,256	12,969	13,983	20,000	25,000	25,000
Developer's Paid Projects-Service Installation etc.	39,694	5,800	7,388	26,656	20,000	20,000	20,000
Developer's Paid Main Line Projects	22,857	9,732	4,062	1,748	20,000	5,000	10,000
Edgevale Main Replacement (FOWD Portion)							43,000
Replace of 4-inch Main with 8-inch PVC C-900 on Lakeside Way ^[g]				112,864			
Relocation of 12-inch AC from Backyard to Kitty Hawk Lane ^[h]				91,560		92,800	
Installation of ARV's and Blow-offs at Various Locations on T-Mains				-	25,000	3,000	10,000
Replacement of 10-inch Steel Main with 8-inch PVC C-900 on Goodyear Drive							66,000
Replacement of 10-inch Main with 12-inch PVC C-900 (FOB)							120,000
Installation of 850 LF of 24-inch T-Main (Walnut/Pershing/Twin Lakes Ave.)							700,000
Replacement of 260 LF of 4-inch Steel Main on California Ave.							55,000
Installation of 1,350 LF of 12-inch PVC (C900) Main on Twin Lakes ^[h]				4,818	300,000	145,000	
Installation of 650 LF of 12-inch on Twin Lakes Rd (Phase II)							150,000

Fair Oaks Water District

2013 Annual Budget

Capital Improvement Program

Description	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Budget 2012	Estimated 2012	Proposed 2013
Fair Oaks Village Streetscape Main Project ^[f]						82,500	
County Overlay						40,000	
Hazel Widening Project Phase I	78	22,014	162	4,944			
Hazel Widening Project Phase II							
Sunnybrook Main Replacement (31% MIP/69% CIP)			165,722				
Sunset Water Main Replacement (13% MIP/87% CIP)			6,167	521,539		2,000	
Donor Bluff Plaza			1,335				
T-Main 5001 Havelock		4,512					
Winding Way-Chicago Main WWCH		1,166					
Winding Way & Kenneth Main Relocation		139,404					
T-Main Feasibility Study	2,345						
Two 24" Butterfly T-Main Valve	44,627						
Hawaiian Tract Water Main Relocation Phase 3	341,763	13,101					
Hawaiian Tract Water Main Relocation Phase 4	299,738						
Bracken Road	195						
24" Gate Valve Mad. & Illinois MI	18,327						
T-Main Repair Rimwood		4,564					
Rimwood Ave Transmission Rep.	20,650						
8361 Sunset (Water Main Cross) SUN	22,989	892					
Replacement - Wholesale Meters WSM	23,580	10,159					
Phoenix Park Meter Upgrades		46					
Subtotal	\$ 922,219	\$ 281,763	\$ 310,035	\$ 802,991	\$ 430,000	\$ 451,300	\$ 1,249,000
Total CIP⁽¹⁾	\$ 969,381	\$ 298,419	\$ 311,016	\$ 820,446	\$ 495,000	\$ 488,800	\$ 1,372,000

General Notes

⁽¹⁾ Includes labor and benefits.

Budget Transfers

^[e] The Board approved the usage of the remaining CIP budget including wells, distribution and reserves totalling \$891,391 on August 9, 2010 to complete the MIP program.

^[g] Budget transfer of \$21,963.94 from Heather Well inspection and rehabilitation to Lakeside Way in 2011.

^[h] Budget transfer of \$88,960 from Twin Lakes to Kitty Hawk water main replacement.

^[f] The Board approved the Fair Oaks Streetscape Project on 8/13/2012 for \$82,500 (\$42,000 will be funded by the current labor budget and \$40,500 will be funded by reserves).

Fair Oaks Water District
2013 Annual Budget
San Juan Water District 40-Inch Pipeline

Description	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Budget 2012	Estimated 2012	Proposed 2013
San Juan Water District 40-Inch Pipeline ⁽¹⁾	\$ -	\$ -	\$ 235,000	\$ 68,670	\$ 2,000,000	\$ 1,700,000	\$ 2,000,000
Total	\$ -	\$ -	\$ 235,000	\$ 68,670	\$ 2,000,000	\$ 1,700,000	\$ 2,000,000

General Notes

⁽¹⁾ Amounts for 2010 and 2011 SJWD-40 Inch were accrued for expenses incurred and actual payment processed as of 10/31/2012 is \$820,525.81.

Fair Oaks Water District
2013 Annual Budget
Reserves and Designations

2011 Actual	2011 Revenues	Undesignated	Emergency Designation ⁽¹⁾	Connection Fee ⁽²⁾	Rate Stabilization Designation ⁽³⁾	Total
Beginning Reserve and Designation Balance		\$ -	\$ 2,166,417	\$ 131,956	\$ 1,431,875	\$ 3,730,200
Add: Revenues Collected						
Water Sales	\$ 7,820,836					
Interest Income	28,182					
Other Sources of Income	124,001					
Delinquencies & Late Fees	198,156					
Fees for Service	56,786					
Connection Fees	17,260					
Miscellaneous Revenue	56,632					
	8,301,853					
2011 Allocation	(8,301,853)	8,284,567		17,260	-	8,301,827
2011 Interest allocation				26		26
Subtotal Reserves and Designations		\$ 8,284,567	\$ 2,166,417	\$ 149,242	\$ 1,431,875	\$ 12,032,053
Expenses and payments						
Operating Expenses		5,222,533				5,222,533
Computer Equipment & Software		63,111	-			63,111
Debt Service		236,082	-			236,082
Facility & Office Equipment		46,421	-			46,421
Vehicles & Maintenance Equipment		7,433	-			7,433
CIP		820,446	-			820,446
SJWD 40-Inch Pipeline		68,670				68,670
Meter Implementation Program (MIP)		970,274	-			970,274
Total Expenses and Infrastructure		\$ 7,434,970	\$ -	\$ -	\$ -	\$ 7,434,970
Additional proposed allocation		(849,600)	747,875		101,725	-
Ending Reserve and Designation Balance		\$ -	\$ 2,914,300	\$ 149,200	\$ 1,533,600	\$ 4,597,100
Policy (5050) Requirement⁽⁴⁾			\$ 3,067,200	N/A	\$ 1,533,600	\$ 4,600,800
Difference between Ending Reserve & Policy Requirement			-5.0%		0.0%	-0.1%

- 1) Emergency Designation target balance is six months of operating costs.
- 2) Connection fee reserve for capacity related project.
- 3) Rate Stabilization Designation target balance is three months of operating costs.
- 4) Used 2012 budgeted operating expenses (\$6,134,400) for reserve requirement.

Fair Oaks Water District
2013 Annual Budget
Reserves and Designations

2012 Projected	2012 Revenues	Undesignated	Emergency Designation ⁽¹⁾	Connection Fee ⁽²⁾	Rate Stabilization Designation ⁽³⁾	Total
Beginning Reserve and Designation Balance		\$ -	\$ 2,914,300	\$ 149,200	\$ 1,533,600	\$ 4,597,100
Add: Revenues Collected						
Water Sales	\$ 8,139,200					
Interest Income	21,000					
Other Sources of Income	250,900					
Delinquencies & Late Fees	135,000					
Fees for Service	30,000					
Connection Fees	50,000					
Miscellaneous Revenue	37,900					
	8,664,000					
2012 Allocation	(8,664,000)	8,614,000		50,000	-	8,664,000
Subtotal Reserves and Designations		\$ 8,614,000	\$ 2,914,300	\$ 199,200	\$ 1,533,600	\$ 13,261,100
Expenses and payments						
Operating Expenses		5,411,900				5,411,900
Computer Equipment & Software		77,700	-			77,700
Debt Service		150,000	-			150,000
Facility & Office Equipment		21,200	-			21,200
Vehicles & Maintenance Equipment		51,500	-			51,500
CIP		473,700	-	15,100		488,800
SJWD 40-Inch Pipeline		1,700,000				1,700,000
Meter Implementation Program (MIP)		351,000	-			351,000
Total Expenses and Infrastructure		\$ 8,237,000	\$ -	\$ 15,100	\$ -	\$ 8,252,100
Additional proposed allocation		(377,000)	1,503,600		(1,126,600)	-
Ending Reserve and Designation Balance		\$ -	\$ 4,417,900	\$ 184,100	\$ 407,000	\$ 5,009,000
Policy (5050) Requirement⁽⁴⁾			\$ 3,088,000	N/A	\$ 407,000	\$ 3,495,000
Difference between Ending Reserve & Policy Requirement			43.1%		0.0%	43.3%

1) Emergency Designation target balance is six months of operating costs.

2) Connection fee reserve for capacity related project.

3) Rate Stabilization Designation is 5% of total water sales up to \$480,000.

4) Used 2013 budgeted operating expenses (\$6,176,000) for reserve requirement.

Fair Oaks Water District
2013 Annual Budget
Reserves and Designations

2013 Proposed	2013 Revenues	Undesignated	Emergency Designation ⁽¹⁾	Connection Fee ⁽²⁾	Rate Stabilization Designation ⁽³⁾	Total
Beginning Reserve and Designation Balance		\$ -	\$ 4,417,900	\$ 184,100	\$ 407,000	\$ 5,009,000
Add: Revenues Collected						
Water Sales	\$ 8,064,800					
Interest Income	13,800					
Other Sources of Income	277,600					
Delinquencies & Late Fees	135,000					
Fire Service Fees	35,000					
Fees for Service	25,000					
Connection Fees	23,200					
	8,574,400					
2013 Allocation	(8,574,400)	8,551,200		23,200	-	8,574,400
Subtotal Reserves and Designations		\$ 8,551,200	\$ 4,417,900	\$ 207,300	\$ 407,000	\$ 13,583,400
Expenses and payments						
Operating Expenses		6,176,000				6,176,000
Computer Equipment & Software		82,400	-			82,400
Debt Service		115,500	-			115,500
Facility & Office Equipment		46,000	-			46,000
Vehicles & Maintenance Equipment		159,600	-			159,600
CIP		1,372,000	-			1,372,000
SJWD 40-Inch Pipeline		2,000,000	-			2,000,000
Meter Implementation Program (MIP)		340,000	-			340,000
Total Expenses and Infrastructure		\$ 10,291,500	\$ -	\$ -	\$ -	\$ 10,291,500
Additional proposed allocation		1,740,300	(1,754,400)		14,100	-
Ending Reserve and Designation Balance		\$ -	\$ 2,663,500	\$ 207,300	\$ 421,100	\$ 3,291,900
Policy (5050) Requirement⁽⁴⁾			\$ 3,088,000	N/A	\$ 421,100	\$ 3,509,100
Difference between Ending Reserve & Policy Requirement			-13.7%		0.0%	-6.2%

- 1) Emergency Designation target balance is six months of operating costs.
- 2) Connection fee reserve for capacity related project.
- 3) Rate Stabilization Designation is 5% of total water sales up to \$480,000.
- 4) Used 2013 budgeted operating expenses (\$6,176,000) for reserve requirement.



RATES, FEES & CHARGES

Fair Oaks Water District

Metered Service Charges and Commodity Rates ⁽¹⁾ Based on Five-Year Financial & Water Rate Development Plan

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

	2012	2013	2014*	
Commodity Rate per CCF⁽²⁾	\$ 0.45	\$ 0.45	\$	0.83

Shared Metered Services:

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

* 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

2013

Activity	2012	2013
New Business		
Connection Fees:		
1" service	\$ 4,643	\$ 4,643
1.5" service	\$ 10,447	\$ 10,447
2" service	\$ 18,572	\$ 18,572
3" service	\$ 33,430	\$ 33,430
4" service	\$ 59,430	\$ 59,430
6" service	\$ 133,718	\$ 133,718
8" service	\$ 237,722	\$ 237,722
10" service	\$ 371,440	\$ 371,440
Tapping and Service Installation Fees:		
1" service	T&M	T&M
1.5" service	T&M	T&M
2" service	T&M	T&M
Hydrant Flow Testing Fees:		
Fire flow test	\$ 200	\$ 200
Fire flow letter	\$ 75	\$ 75
Backflow Device Testing Fee:		
Test and tag	\$ 125	\$ 125
Inspection Fee:		
Inspection per hour (1 hour minimum)	\$ 90	\$ 90
Development Fees:		
Application for water service fee	\$ 50	\$ 50
Plan checking (minimum)	\$ 300	\$ 300
Plan checking-additional (per hour)	\$ 100	\$ 100
Construction Fee:		
Construction Fee	T&M	T&M
Water for Construction Purposes:		
Construction meter deposit (with certified backflow device)	\$ 1,500	\$ 1,500
Construction meter daily charge	\$ 5	\$ 5
Cost of construction water (per CCF)	\$ 1.66	\$ 1.66
Bacteriological sampling (includes lab cost)	\$ 150	\$ 150
Additional testing (same location and time)	\$ 50	\$ 50

Fair Oaks Water District

Schedule of Fees and Charges (Continued)

2013

Activity	2012	2013
Other Fees		
Payment Processing Fee:		
Return check fee	\$ 25	\$ 25
Meter Service Fees:		
Meter re-read fee	\$ 25	\$ 25
Meter test fee	\$ 50	\$ 50
Reduce service size (1.5-inch to 1-inch)	\$ 250	\$ 250
Reduce service size (2-inch to 1-inch)	\$ 250	\$ 250
Reduce service size (2-inch to 1.5-inch)	\$ 300	\$ 300
Late Penalty Fee:		
Late penalty fee - assessed after the payment due date	10%	10%
Lien Processing Fee:		
Lien processing fee	\$ 25	\$ 25
Disconnect Service Fees:		
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 2013

Bi-Monthly Service Charges

Service Size	2012	2013
2-inch service	\$ 15	\$ 15
3-inch service	\$ 30	\$ 30
4-inch service	\$ 45	\$ 45
6-inch service	\$ 90	\$ 90
8-inch service	\$ 145	\$ 145
10-inch service	\$ 225	\$ 225

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.



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