

**Valley County Water District  
Long Range Financial Plan  
FY12-FY22**

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January 18, 2012

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## Executive Summary

The *Long Range Financial Plan* (LRFP) for the Valley County Water District (the District) is a funding plan for identified capital investments and operating costs needed to achieve the District's strategic goals. The District has prepared a capital plan based on water system needs identified in its Master Plan and Urban Water Management Plan (UWMP). The LRFP identifies the future water rates and debt financing needed to fund the capital plan, while maintaining adequate cash balances, a reasonable amount of debt service payments, and the ability to fund future water supply costs. The following are key components of the LRFP.

- Capital investments totaling \$13.3 million are planned for FY12, including improvements that increase system capacity during periods of high demand. Current capacity may be insufficient to meet peak or emergency requirements.
- The largest project in the capital plan is the Arrow Reservoirs Project in FY12, which is comprised of the purchase of land, construction of two 3 million gallon storage reservoirs, and new pump station and transmission line, and has a cost of \$12.5 million.
- Cash is available to fund a portion of the capital requirements, but the District must also maintain reserves for variations in water supply costs and capital emergencies.
- The District's water production will continue to exceed its allocation from the Main San Gabriel Basin and will require water purchases at the higher-cost replenishment rate.
- The replenishment rate is projected to increase an average of 10.6% per year through FY16 due to an assumed elimination of discounted MWD replenishment rates, with an increase of 28.9% in FY13.
- Debt financing will help the District implement its capital investments and reduce future adjustments to water rates. The District can issue as much as \$9.5 million of new debt in FY12 and maintain a target amount of reserves.
- District water rates would need to be adjusted 15.5% in FY13 and 7.0% in FY14 to fund planned capital costs, O&M, and repay debt.
- The average monthly residential water rate would increase from \$19.60 in FY12 to \$24.22 in FY14 – a \$4.62 per month increase.

**Valley County Water District  
Projected Water Rates (3/4" meter)**

	2012	2013	2014	2015	2016
<b>Average Residential Monthly Bill <sup>1</sup></b>	\$19.60	\$22.64	\$24.22	\$24.22	\$25.07
<b>% Change – Fixed, CIP, and Consumption Charges</b>		15.50%	7.00%	0.00%	3.50%

1 – Based on 15 ccf consumption.

- Future water rates will depend on the District’s water supply costs, which may vary from those assumed in the LRFP.
- The District’s future water supply costs will be affected by a number of factors, including the MWD replenishment rate, availability of water from the Main San Gabriel Basin, and the production from the District’s wells.
- If the amount of water available from the Main San Gabriel Basin (i.e., the “Operating Safe Yield”) decreases in the future, the District’s water supply costs will be higher than projected, unless there is a similar decrease in water consumption.
- If the amount of water produced from the District’s wells decreases in the future, potentially as a result of poor groundwater quality (beyond what the District’s wells can treat) or increased regulatory standards, the District’s water supply costs will be higher than projected, as the District would need to purchase potable water from MWD.
- Water consumption is projected to grow relatively slowly, at an average annual rate of 0.3%, which is comparable to projected growth in population. Future per capita water use is assumed stable.
- The LRFP includes a target \$5.0 million reserve to help fund potential higher costs, including those associated with water supply or unforeseen capital needs.

# District Strategic Goals

The primary mission of the District is “to provide a safe and reliable supply of water to all of its customers at a reasonable cost, and in an environmentally sound manner.”<sup>1</sup> The LRFP attempts to further this goal by developing a financial strategy to implement needed capital investments (as determined by the District), in consideration of the District’s financial goals and policies.

## Financial Goals

The District seeks to mitigate rate increases as much as possible while continuing to provide the same level of service, if not improved service. The District aims to upgrade and maintain all capital and infrastructure with minimum debt issues, as well as carrying out all facets of the District’s master plan.

The District also maintains policies for cash reserves and use of water rates. The policies are under review by the District and subject to change. Further discussion of the existing reserve policy is provided in “Reserves – Reserves Policy.”

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<sup>1</sup> Valley County Water District Administrative Code

## O&M and Capital Requirements

The District incurs ongoing O&M costs to purchase water for customers, power for pumping, and salary and benefits for District staff. Capital investments are needed to repair and replace the existing treatment and distribution system and to increase the District's capacity to supply water. This section provides background on the District's water demand and supply, which drives future O&M and capital requirements, and a detailed description of future O&M and capital costs.

### Water Supply and Demand

#### Water Supply

The District receives water from its 4 wells and purchases from the Covina Irrigating Company (CIC). The District is a shareholder in the Covina Irrigating Company and is entitled to 1.11% of the Company's water supply. The District also has the capacity to purchase imported water directly from MWD. However, the District prefers not to purchase MWD water because it causes corrosion in the distribution system, resulting in "red water" for customers. Treated MWD water is also the most expensive water source for the District. The District could also receive groundwater from 3 additional wells operated on behalf of the Baldwin Park Operating Unit LLC (BPOU) that are treated at the BPOU Treatment Facility, if the plant produces more than 5,500 gallons per minute (gpm) of potable water. The plant has not been able to maintain this minimum treatment volume and the District has not received water from the plant. In addition, the District has emergency interties with three adjoining water purveyors: Azusa Light & Water, the Covina Irrigating Company and the San Gabriel Valley Water Company.

The District's groundwater supply is the Main San Gabriel Basin (the Basin), which is managed by the Main San Gabriel Basin Watermaster (the Watermaster). The District's groundwater production is limited to its share (3.01517%) of the Operating Safe Yield (OSY) in the basin, which is determined annually by the Watermaster. If the District pumps more than its share of the OSY, it must pay a replacement assessment to the Watermaster. The Watermaster purchases imported water (1:1) from MWD to replenish the Basin and mitigate any overproduction. The District can also lease water rights from holders in the Basin (if the holders have capacity within their respective share of the OSY). The leased rights are available at discount to the cost of the replenishment assessment.

The following table summarizes the District's source of water supply for FY12.

**Valley County Water District  
FY12 Source of Water Supply**

Source	Amount (AFY)
<b>Groundwater – District OSY</b>	6,332
<b>Groundwater – Replenishment</b>	1,631
<b>Groundwater – Leased Water Rights</b>	500
<b>Covina Irrigating Co.</b>	256
<b>MWD</b>	0
<b>Total</b>	<b>8,719</b>

Source: The District.

District Wells

The District’s groundwater wells have produced an average of 8,521 AFY of groundwater during the past 5 fiscal years (FY06 to FY10).<sup>2</sup> The District treats the groundwater at its Clinton O. Nixon Plant and Main Street Plant, which can provide liquid-phase granular activated carbon treatment and address any detected volatile organic compounds in the water. Four of the District’s operating wells are located in the northwest part of the service area. The wells are not able to provide large quantities of water to the south part of the service area, and large pressure losses occur in the transmission mains that supply this area.

With the District’s two treatment facilities, it has considerable capacity and flexibility in the use and management of its rights in the Main San Gabriel Basin. The FY10 VCWD Consumer Confidence Report indicates that the District met all water quality standards set forth by the Safe Drinking Water Act and the State.

BPOU Treatment Facility

The BPOU Treatment Facility is owned and operated by the District but is funded by the BPOU Cooperating Respondents (the CR), which are the private firms responsible for addressing a portion of the groundwater contamination in the Basin. The plant was upgraded recently to address contamination identified in the groundwater basin. The purpose of the plant is to treat groundwater (a target of 7,000 gpm) within a contaminated plume in the Basin to potable standards. Treated water from three wells is conveyed to the Suburban Water Systems (a minimum of 5,500 gpm). A portion can be diverted to the District; however, to date the plant has not met the minimum threshold needed to supply Suburban Water Systems, and as such, no water has been diverted to the District.<sup>3</sup> The CR reimburses the District for all costs incurred in the operation of the plant.

<sup>2</sup> 2010 *Urban Water Management Plan*, June 2011, p. 36.

<sup>3</sup> 2010 *Annual Performance Evaluation Report, Baldwin Park Operable Unit of the San Gabriel Valley Superfund Sites Los Angeles County, California*, April 6, 2011, p. 9.

Since coming online in 2005, the plant has undergone several adjustments and improvements to address operational problems and newly identified contaminants. There have also been periods when the plant was non-operational due to issues with the system or maintenance. Most recently, in 2010, the plant did not operate throughout November, due to clogged distributors. One treatment train was down for an additional 652 hours during the month of December to clean distributors and resin.

#### Covina Irrigating Company (CIC)

The District is a stockholder in the CIC and has an entitlement to 1.11% of its pumping rights. The CIC has rights to both groundwater in the Basin, as well as surface water rights from the San Gabriel River. The CIC has a 2% share of the OSY in the Basin. The District currently owns 1.11% of CIC stock.

#### Metropolitan Water District

The District may purchase treated imported MWD water through the “USG-9” connection from the water wholesaler the Upper San Gabriel Valley Municipal Water District (the Upper District). However, the purchased MWD water is relatively expensive and has caused red water problems, due to the corrosion of the District’s water mains, and the District has reserved MWD purchases for emergency use only.

MWD purchases are made more costly due to its peak-period charges. In addition to the cost for the quantity of water purchased, member agencies must pay a capacity charge (\$7,400 per cubic feet per second for calendar year 2012) for peak capacity, adjusted for replenishment deliveries, used in the months of May through September. This charge is billed to the Upper District, which may pass this charge onto the District, if the District exceeds “a reasonable and normal capacity usage.”<sup>4</sup> The charge is based on the highest amount of water an MWD member has taken during the summer months over the last three years.

### **Water Demand**

The District’s customers are comprised of commercial, residential, and fire protection customers. As shown in the following table, the District has approximately 13,000 accounts that consume 3.6 million hundred cubic feet (ccf) of water per year.

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<sup>4</sup> USGVMWD, Resolution Adopting Rates and Charges for Calendar Year 2011.



**Valley County Water District  
FY12 Customers Class and Water Consumption**

Customer Class	Number of Accounts <sup>1</sup>	FY12 Consumption (ccf)
<b>Commercial</b>	1,223	1,085,385
<b>Residential</b>	11,785	2,519,564
<b>Fire Protection</b>	254	689
<b>Total</b>	<b>13,262</b>	<b>3,605,638</b>

Notes:

1 – Based on expected number of bills mailed during FY12.

The District expects its customer base to remain relatively stable, with no significant future increases or decreases. As part of the development of the most recent UWMP, the District forecasted total demand in the service area. Projected demand in the UWMP shows significant growth over the period from 2010 to 2015 as the result of an anticipated development that was expected to occur within the District’s boundaries prior to 2015. As that development and resulting growth in demand has not occurred, the projected level of demand in the LRFP has been adjusted to reflect a more conservative growth estimate identical to the District’s projected population growth of 0.35% annually through 2015. The water demand projections following 2015 are consistent with the growth projections in the UWMP, with average annual growth in demand of 0.49% per year.

The District’s UWMP demonstrates that it is capable of meeting all demand scenarios it is projected to face through 2035 with its current supply portfolio, including normal year, single dry year and multiple dry year supply and demand conditions.

Maximum-Day Demands

Based on the District’s Water Master Plan, there is insufficient supply to address maximum day demand. The District has a shortfall of 950 gpm when all of its facilities are operating. The District would have a shortfall in supply of 3,000 to 4,000 gpm if it lost one of its large wells during a peak period. Although the District could utilize its MWD connection to deal with this type of shortfall, the District does not want to rely upon MWD to supply peak demands because of the high cost of MWD water and operational problems caused by taking MWD water.

## O&M Requirements

The District’s O&M costs are related to its water supply, pumping, treatment, transmission and distribution, depreciation, general and administrative cost, and customer service. The District’s most recent audited operating expenses totaled \$7.8 million in FY10—an increase of 19.3% over the prior year. The increase is primarily due to the District’s source of supply. As a result of the inoperability of the District’s Clinton O. Nixon East and West Wells, the District supplemented its production supply and distribution demand with purchased MWD water. The District’s O&M can vary significantly from year depending on the amount and source of produced water. For FY12, O&M is budgeted at \$5.7 million (excluding depreciation expense), with the largest component attributable to employee salary and benefits.

**Valley County Water District  
FY12 Operating Expenses (O&M)**

Source	Amount	%
<b>Sources of Supply</b>	\$1,380,092	24.0%
<b>Pumping</b>	530,940	9.2%
<b>Transmission and Distribution</b>	263,092	4.6%
<b>General and Administrative:</b>		
Salaries and Benefits	2,784,424	48.5%
Utilities	17,783	0.3%
Administration, General, and Equipment	763,714	13.3%
<b>Total</b>	<b>\$5,740,045</b>	

Source: The District, Capital Improvement and General Operating Budgets for Fiscal Year 2011/12.

### Source of Supply

Water supply costs consist of payments to the Watermaster for administrative and replenishment assessments, leased water rights, and if necessary, payments to MWD for direct purchases. The largest cost components are attributable to the replenishment assessment and leased water rights. The District expects that it will continue to rely on replenished water as demand will exceed the District’s share of the OSY.

The budgeted total production and water supply costs by component for FY12 are shown in the following table.

**Valley County Water District  
FY12 Source of Supply**

Description	Amount
<b>Total Production(AFY)</b>	8,719
Groundwater	6,332
Groundwater Replenishment	1,631
CIC	256
Leased Water Rights	500
MWD	-
<b>Cost of Supply</b>	
Administrative Assessment (\$/AF)	\$13.00
In-Lieu Water Assessment (\$/AF)	\$1.00
Replenishment Water Assessment (\$/AF)	\$512.00
Covina Irrigating Purchased Water	\$64,175
Water Quality Authority Assessment	\$43,203
Other Expenses	\$81,769
<b>Total Cost</b>	<b>\$1,380,092</b>

The amount expended for future replenished water will depend on the amount purchased and the MWD replenishment rate. The MWD rate for replenishment water has historically been less than the rate for other uses; however, the MWD program that provides a lower rate for replenished water has ended, and it is uncertain whether MWD will continue to offer a comparable program. The projected cost for replenished water in the LRF is based on the assumption that the MWD program will not be reinstated and the rate will approximate the untreated Tier 1 rate, and increase from 5% to 10% per year going forward, based on published MWD projections of the Tier water rate.<sup>5</sup> The 2012 Tier 1 rate for purchases through the Upper District is \$640, including an \$80 surcharge.<sup>6</sup> The following table shows the budgeted and projected Watermaster replenishment assessments for FY12 to FY16.

**Projected Watermaster Replenishment Assessment**

	2012	2013	2014	2015	2016
<b>Replenishment Assessment</b>	\$512	\$660	\$685	\$713	\$754
<b>% Change</b>		28.9%	3.8%	4.1%	5.8%

<sup>5</sup> Metropolitan Water District of Southern California, *2010 Long Range Finance Plan*, November 19, 2010, p. 45.

<sup>6</sup> In May 2011, the Watermaster approved a "Projected Replenishment Rate" for FY12 of \$696 per acre foot; however, the Watermaster will approve the FY12 replenishment rate (to be billed in FY13) in May 2012 and expects that the rate will be equal to the \$522 rate approved by the Upper District for 2012.

### **General and Administrative**

This category includes salary and benefits, and office and equipment expenses. The District salary and benefits budget is \$2.78 million in FY12 for its employees and Board members. Future costs are projected to grow at 3% per year. Benefits include medical insurance premiums and contributions to the California Public Employees Retirement System (CALPERS), the multiple-employer public employee defined benefit pension plan. The District participates in a risk pool provided by CALPERS that includes other participants with fewer than 100 employees. The District's required employer contribution rate for fiscal year 2012 was 19.318%, and CALPERS expects the rate to increase to 20.3% by FY14 (a 5% increase from FY12). The projected CALPERS employer contribution for FY13 is \$365,000. The District will be required to make a CALPERS payment each year over the foreseeable future to fund its fixed obligation to current and retired employees.

The District also provides lifetime medical premiums for eligible retired employees, and under some circumstances their spouses (i.e., other postemployment benefits or "OPEB"). For FY10, the annual OPEB cost (as reported in the FY10 financial statements) was \$368,000. As of September 1, 2009, the actuarial accrued liability for the OPEB is \$3.4 million. The OPEB is a fixed obligation that will require ongoing payments by the District.

The medical insurance premium budget is \$608,021 in FY12, and this amount is 55% higher than the amount expended in FY06.

### **Pumping and Treatment**

Pumping costs are related primarily to electricity, and is budgeted at \$530,940 in FY12.

### **Transmission and Distribution**

This category is comprised of as-needed pumping and water pipe maintenance and repair costs (that may occur from system leaks). Water facility maintenance and repair is budgeted at \$263,092 in FY12 but can vary from year to year depending on need. Future costs are assumed to grow at 3% per year.

Additional discussion on future water facility maintenance and repair costs is included in section "Reserves – Capital Reserves."

## Capital Requirements

This section describes the capital requirements and associated costs needed to address the District’s plan to adequately provide for its water demands. The capital projects are included in the Capital Improvement Program (CIP) for FY12-FY16, and are comprised of improvements that will increase emergency water storage, replace aging water mains, and reactivate well treatment. As shown in the following table, the total CIP for the next five years (FY12-FY16) is estimated to be \$20.8 million.

In addition to the improvements identified in the CIP, the District may need to replace existing system components that are no longer functioning or are in poor condition, and will likely incur costs to address water leaks or address other as-needed repairs. The LRFP includes \$200,000 per year in FY17 through FY22 for unidentified system repair and replacement (as an O&M cost).

	2012	2013	2014	2015	2016
<b>Customer Service</b>	\$10,000	\$20,000	\$-	\$-	\$500,000
<b>Wells, Pump Facilities, and Operations</b>	12,764,000	24,000	-	400,000	5,000,000
<b>Water Main Replacements</b>	435,000	318,750	472,500	-	-
<b>Buildings</b>	-	-	15,000	-	-
<b>Vehicles and Equipment</b>	95,000	60,000	60,000	-	-
<b>BPOU Treatment Facility</b>	-	665,000	-	-	-
<b>Total</b>	<b>\$13,304,000</b>	<b>\$1,087,750</b>	<b>\$547,500</b>	<b>\$400,000</b>	<b>\$5,500,000</b>

### Installation of a New SCADA system

The SCADA system improves monitoring of operations and better utilizes pumps and reservoirs and includes pressure monitoring at weak points in the distribution system.

Cost: \$300,000

### Additional Reservoir Storage at Arrow Hwy/Live Oak Ave

The Arrow Reservoirs Project includes the construction of two 3 million gallon above ground steel water reservoirs that provide 6 million gallons of storage in the Upper Baldwin Park Pressure Zone. The reservoirs would be located in the City of Irwindale on land to be purchased from the city (at a cost of \$4 million). Underground pipelines connect the reservoirs to the District’s Clinton O. Nixon Plant.

Cost: \$11,500,000

### Big Dalton Well Reactivation and the Installation of Treatment

Reactivating the Big Dalton Well and installing treatment will provide additional water to supply growth. The well can pump directly into the distribution system and be used primarily to meet peak summer demands.

Cost: \$5,000,000

### **Water Main Replacements**

This includes the replacement of water mains throughout the service territory totaling 8,000 linear feet.

Cost: \$1,226,250

### **Repair and Replacement**

Much of the District's distribution system is aging and nearing the end of its useful life (as determined for accounting purposes). The District monitors the age of the distribution system to determine any needs and plan for replacement. The primary repair and replacements in the CIP are the identified water main replacements. Beyond FY16, there are no other capital projects included in the LRFPP other than the repairs embedded in the ongoing O&M expenditures (approximately \$200,000 per year).

Additional analysis on the potential need for capital repair and replacement is provided in section "Reserves – Capital Reserves."

## Water Sales and Other Revenue

The District has four primary revenue sources – water sales, capital improvement charge, property tax, and interest earnings. Water sales, which represent retail sales to District customers, are the largest component and comprise 81% of total budgeted revenue in FY12. In order to fund ongoing O&M and the CIP (including debt service from a proposed bond issue), water sales revenue will need to increase by \$1.1 million in FY13 and an additional \$796,000 by FY16. This will require an average increase in water rates of 15.5% in FY13 and 7.0% in FY14.

### Water Sales

The District charges all customers a fixed monthly charge (based on meter size) and a consumption/usage charge. Commercial and residential customers also pay a fixed “Capital Improvement Charge” based on meter size. The consumption/usage charge has 3 different tiers or “blocks” depending on the amount of water used. The following table shows the District’s water rate schedule for commercial, residential, and fire protection customers as of FY12. The water rate schedule was last adjusted in September 2009.

**Valley County Water District  
Water Rate Schedule**

Meter Size	Fixed Charge	CIP Charge	First 400 cu. ft.	Next 1400 cu. ft.	Over 1800 cu. ft.
<b>Commercial Services</b>					
5/8"	\$9.55	\$3.25	\$0.29	\$0.69	\$1.15
3/4"	\$9.55	\$4.88	\$0.29	\$0.69	\$1.15
1"	\$15.94	\$8.13	\$0.29	\$0.69	\$1.15
1-1/2"	\$31.79	\$16.25	\$0.29	\$0.69	\$1.15
2"	\$50.88	\$26.00	\$0.29	\$0.69	\$1.15
3"	\$95.45	\$48.75	\$0.29	\$0.69	\$1.15
4"	\$159.11	\$81.25	\$0.29	\$0.69	\$1.15
6"	\$318.14	\$162.50	\$0.29	\$0.69	\$1.15
8"	\$509.04	\$260.00	\$0.29	\$0.69	\$1.15
<b>Residential Services</b>					
5/8"	\$7.60	\$3.25	\$0.29	\$0.69	\$1.15
3/4"	\$7.60	\$4.88	\$0.29	\$0.69	\$1.15
1"	\$12.69	\$8.13	\$0.29	\$0.69	\$1.15
1-1/2"	\$25.30	\$16.25	\$0.29	\$0.69	\$1.15
2"	\$40.50	\$26.00	\$0.29	\$0.69	\$1.15
<b>Fire Protection Services</b>					
4"	\$138.36		\$0.29	\$0.69	\$1.15
6"	\$276.64		\$0.29	\$0.69	\$1.15
8"	\$442.64		\$0.29	\$0.69	\$1.15
10"	\$636.36		\$0.29	\$0.69	\$1.15

The average monthly residential bill (assuming a 3/4" meter and 15 hundred cubic feet of use) is \$19.60. The monthly amount is projected to increase in order to fund future O&M and the planned CIP. The following table shows the projected monthly amount and percentage increase for FY12 through FY16.



**Valley County Water District  
Projected Water Rates (3/4" meter)**

	2012	2013	2014	2015	2016
<b>Average Residential Monthly Bill</b> <sup>1</sup>	\$19.60	\$22.64	\$24.22	\$24.22	\$25.07
<b>% Change – Fixed, CIP, and Consumption Charges</b>		15.50%	7.00%	0.00%	3.50%

1 – Based on 15 ccf consumption.

Capital Improvement Charge

The District approved a capital improvement charge on all commercial and residential customers, which became effective in September 2009 to fund infrastructure upgrades, technology expansion, and other capital projects. The charge is intended to serve as a funding source only for capital improvements.

**Property Tax**

The District receives a percentage of the secured property tax levy pursuant to the California Revenue and Taxation Code. The amount assessed to property owners is based on the property's assessed value, as determined by the Los Angeles County Assessor. The District expects to receive \$215,238 in property tax revenue for FY12. Future property tax revenue is forecasted to grow at 2% per year.

In prior years (FY05, FY06), the District's property tax decreased due to State of California legislative action that temporarily reallocated the District's share of property taxes to the County and cities within Los Angeles County. Although no reduction in property tax revenue is included in the LRFP, there is an ongoing potential for the State to reallocate the District's share.

## Debt

Issuing debt allows the District to repay annual capital costs over time so that they fall more in line with revenues and reduces the amount of increase in annual water rates. Long-term debt (in the form of tax-exempt bonds) represents one of the debt financing alternatives available to the District. The LRFPP includes a \$9.5 million bond issue in FY12 and an additional \$5.2 million bond issue in FY16 that finance projects within the CIP.

### Long-Term Debt

Long-term debt will allow the District to allocate the costs of the CIP over a 20 to 30 year time frame. As a public agency (that will use the proceeds of the debt for public uses), the District can issue tax-exempt bonds that have a lower interest rate than taxable debt. The interest cost would be fixed over the life of the bonds (i.e., fixed-rate bonds). Although interest rates on fixed-rate bonds are currently higher than variable rate debt, there is no risk of potential increases in the District’s interest payments. If the District approves bondholder protections (e.g., minimum debt service coverage, limitations on future bond issues), the bonds can achieve “investment grade” ratings and be sold through a public sale, which has the potential to result in the lowest interest cost for the District.

The LRFPP includes a \$9.5 million bond issue in FY12 to finance the capital program, including the Arrow Reservoirs Project. A future \$5.2 million bond issue is included in FY16. The bond issues have 30-year terms and debt service is paid in approximately equal annual amounts. The following table shows the par amount, interest rate, term, and costs for the bond issues.

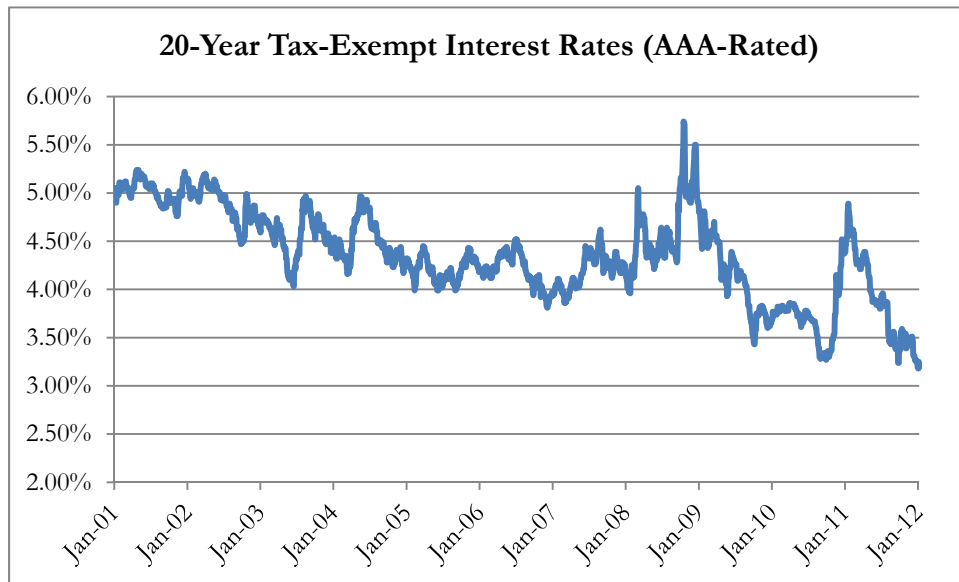
**Valley County Water District  
Projected Debt Issues**

	2012	2013	2014	2015	2016
<b>Par Amount</b>	\$9,455,000	-	-	-	\$5,230,000
<b>Interest Rate</b>	6.0%				6.0%
<b>Term (years)</b>	30				30
<b>Costs of Issue</b>	\$378,200	-	-	-	\$209,200

### Interest Rates

The District should be able to issue tax-exempt bonds to finance its capital program, as the District’s projects are expected to be for a public purpose. The interest rates on tax-exempt debt are generally lower than taxable interest rates. The interest rates on the District’s bonds would be determined at the time the bonds are sold, which would be prior to the end of FY12. The interest rate would be comparable to long-term tax-exempt interest rates for bonds of a similar credit quality.

Long-term tax-exempt interest rates of the highest credit quality (i.e., AAA-rated) are approximately 3.25%, which is the lowest level over the last 10 years. The following chart shows the 20-year tax-exempt AAA-rated interest rate since January 2001.



The District’s 30-year bonds are assumed to have an average 6% interest rate, based on the expected bond ratings and perceived credit quality.

### Debt Service Coverage

In the event that the District issues debt, it will need to maintain minimum debt service coverage (i.e., net revenues in excess of annual debt service). The coverage shows that the District has the capacity to repay the debt with a cushion in the event of future variability of revenues and expenditures. A common requirement for debt service coverage is the “rate covenant,” whereby the District agrees to set its water rates so that net revenues (essentially all District revenues less O&M) are greater than annual debt service, including an amount of coverage or cushion. The LRF assumes the District will agree to maintain a debt service coverage ratio of at least 1.25 times debt service due in any given year. The projected LRF net revenues (revenues less operating expenses, excluding depreciation) and debt coverage ratio for FY12 through FY16 are included in section “Financial Forecast.”

### Alternative Types of Borrowing

The District could issue either long-term fixed rate or variable rate bonds. The long-term bonds would typically have a 30-year final maturity and the interest rates would be set for the term of the bonds. Variable rate bonds could also have a long-term stated final maturity, but the interest rate would be reset daily, weekly, or other time period.

The District can incur fixed or variable rate debt in the form of “lease revenue bonds” where the payment to bondholders is secured by lease payments and a pledge of District net revenues. The bonds may be issued by a separate conduit bond issuer (e.g., a joint powers authority) and would not require voter approval.

#### Variable Rate Debt

The interest rates on variable rate debt would likely be lower than long-term fixed rate debt as the interest rate is set for a much shorter time period. The current tax-exempt 7-day rate is about 0.10%. The District would also need to obtain a bank letter of credit to back the variable rate bonds and pay ongoing bond underwriter fees, which would increase the “all-in” interest rate to about 1.25% but is still lower than the long-term 20-year rate. Variable rate bonds can also be refunded or refinanced at a lower cost relative to long-term bonds (which can be non-redeemable for several years prior to maturity). However, with variable rate debt there is a potential that interest rates will rise, the cost of the letter of credit increases, or the bonds cannot be sold to investors, and these future risks could result in an all-in cost that exceeds, at least temporarily, the long-term interest rate.

The LRFP assumes that the District issues long-term, fixed-rate debt with a 30-year final maturity. This will result in a higher interest rate, but will lock-in the interest rate for the term of the bonds.

#### State Revolving Fund

The State offers low-cost (and potentially zero-interest) borrowing through the Safe Drinking Water State Revolving Fund (the SDWSRF). The interest rates available on SDWSRF loans can be ½ of the interest rate on the State’s general obligation bonds, which would be at least ½ lower than the interest rate on the District’s bonds. Certain funding from the SDWSRF, including funding for a “disadvantaged community,” can qualify for zero interest financing.

The purpose of the SDWSRF program is to provide funding to correct deficiencies of public water systems using a prioritized funding system. The funding system uses a multi-year priority list. Higher priority projects include projects that address public health risk, are needed to comply with the Safe Drinking Water Act, and assist public water systems with a demonstrated need on a per household income basis.

SDWSRF funding could take over a year to become available for the District (after the application is submitted) and there is a possibility that the District receives no funding. Because of the uncertainty over funding availability and timing, the LRFP assumes the District will sell bonds. However, the District could still apply for a SDWSRF loan with the intent to refinance the District bonds, if economical, or to finance future CIP projects.

# Reserves

It is a prudent financial practice to maintain cash balances or dedicated reserves to fund potential increases in costs that may occur. Due to the nature of the District's business, it can incur unplanned costs to purchase water if well production is hampered and to repair infrastructure when leaks or failures are detected. Reserves will allow the District to address unforeseen costs and mitigate the impact on ratepayers.

## Operating Reserve

The District's primary operating risk is the loss of well production, which can result in the purchase of high-cost water from MWD or other available sources. Other risks that affect the cost of District water are a drop in the OSY, which can cause the District to purchase more expensive replenishment water, and an increase in the rate for replenishment water. There is also operating risk associated with lower consumption, which can reduce revenues and make it more challenging to recover fixed costs. This may become more of a concern in the event the District issues debt. The District also faces variations in its utility expenses, but historical variations have been relatively small.

### Availability of Groundwater Supply

The District should maintain operating reserves to address its exposure to higher costs in the event its cannot meet local well production requirements, due to a decrease or temporary interruption of its local supply, including but not limited to events related to equipment failure or water contamination, which could result in purchases of water from MWD. Although the District possesses the ability to treat groundwater, the treatment may become inadequate (if groundwater quality degrades), or there are changes to the regulations that determine acceptable water quality.

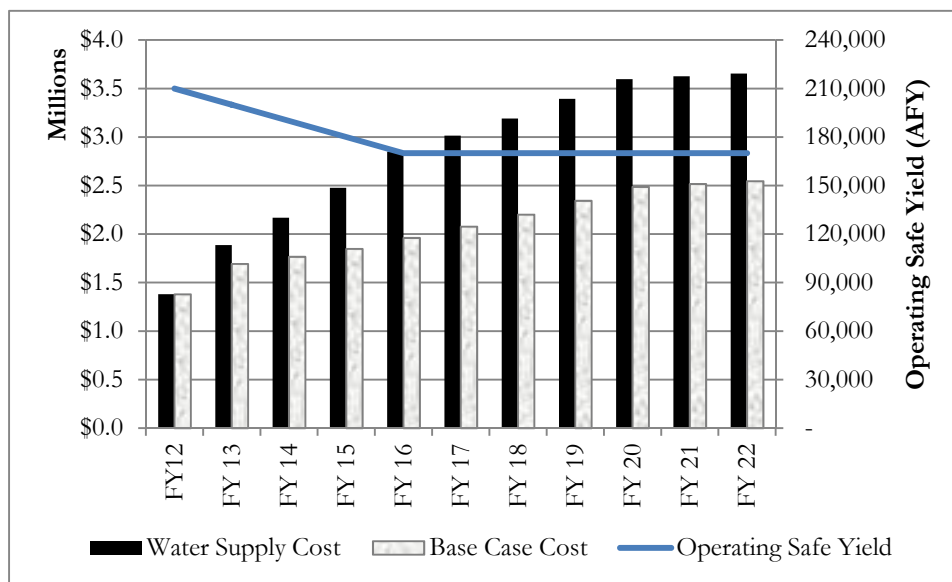
With the discovery of industrial contamination of the San Gabriel Groundwater Basin in 1979, the dependability of the District's groundwater source has become tenuous. All of the ten wells the District utilized in 1979 have shown various industrial contaminants. For a period of 11 months in 2003, the District was completely dependent on MWD for its water supply. Since then, treatment facilities to remove the contaminants have been installed on seven of the District's wells. These wells are now the District's primary water supply. The existence of contaminants has reduced the reliability of the District's supply and strained the distribution system, as treatment may fail or newly discovered contaminants may render the current treatment inadequate. Equipment outages may occur, as indicated by recent outages at the BPOU Treatment Facility; however, any such interruption is assumed to be localized and short-term until corrections could be made.

While in the past, the District experienced the loss of several wells due to contamination, making it

highly dependent on MWD water supply, remediation efforts have addressed this contamination through the new treatment plants and upgrades. New contaminants have been identified, over the course of the last seven years, forcing improvements or alterations at the treatment plants to adequately address the pollutant. For example, 1,2,3-Trichloropropane was found in the wells treated by the BPOU Treatment Facility after the plant was up and running, and further modifications had to be made. Since the District has treatment facilities in place, it is assumed that in the event of a newly identified contaminant, any necessary treatment improvements could be completed over a shorter duration than experienced in 2003. Consequently, the LRFP assumes that the District will attempt to maintain \$2.5 million in funds in order to purchase water from MWD for a period of 6 months.<sup>7</sup>

### Reduction in Operating Safe Yield

The LRFP assumes the District will continue to have access to a 210,000 afy Operating Safe Yield (OSY). In the event the OSY (as determined by the Watermaster) falls, the District will be required to purchase more replenishment water. The Watermaster employs a consultant that helps determine the OSY each year, and the consultant’s most recent projection has the OSY decreasing 10,000 af each year through FY16. However, the consultant reevaluates the OSY each year and the forecast can change annually, depending on rainfall and other factors. As illustrated in the following chart, the decrease in the OSY (from 210,000 afy to 170,000 afy) could result in higher costs in comparison to the base case, if District consumption does not fall. The estimated higher water cost from the purchase of more replenishment water would be \$194,000 in FY13, and increase to \$888,000 by FY16. In total, the District would pay \$8.4 million more in water costs through FY22. The LRFP reserves do not contemplate a fall in the OSY.



<sup>7</sup> Based on FY12 consumption of 727 af per month and a USGVMWD rate of \$874/af for Tier 1 treated water, net of savings from avoided replenishment water purchases and pumping and treatment costs of \$100/af.

### **Operational Exposures**

The District faces limited exposure to increased variable costs such as power and additional maintenance costs for unplanned failures. The amount expended on power is relatively small (\$530,940 in FY12), and the need to maintain reserves for this risk is not urgent. The risks associated with unplanned repairs are addressed in the “Capital Reserve” section.

### **General Consumption/Sales Decrease**

This exposure addresses the year-to-year variations in water rate revenue given that there are a certain amount of fixed costs. This exposure would also address consumption decreases that are the result of either mandatory or voluntary water conservation requirements. The District currently has limited fixed costs, as it does not have any outstanding debt or is not required to pay a fixed charge to water suppliers (i.e., a standby or readiness-to-serve charge). The primary existing fixed cost is the District’s pension and other benefit obligations to employees. Given the relatively small amount of fixed costs, the LRFPP does not include a reserve for decreases in consumption.

## **Capital Reserve**

The District may also wish to consider funding a reserve to cover planned capital funding and replacement, as well as unforeseen capital needs. The rationale for the Capital Reserve would be to provide flexibility to implement capital projects on an emergency basis or when opportunities arise that can reduce the District’s long-term capital requirements and costs moving forward. The Capital Reserve would be in addition to the Operating Reserve.

### **Capital Contingencies**

A portion of the capital reserve could be dedicated to emergency capital needs, such as a pump failure or main break. The reserve could be determined based on the District’s historical rate of emergency repairs or other measure of capital repair risk. The LRFPP does not include a reserve for emergency needs, as the District believes it has an adequate assessment of system age and condition, and alternatively assumes that \$200,000 is dedicated to address any unforeseen infrastructure failures or needs, which is included as an O&M cost.

### **Identified Capital Improvement Projects**

This component of the reserve would finance known capital needs as opportunity and means are identified. Opportunities include accelerating a project to coordinate with others (including the City of Baldwin Park) to reduce costs and/or avoid repeated disturbances to community infrastructure,

i.e. roads, sidewalks, etc. The size of the Capital Reserve would be determined from the District's current renewal and replacement schedule for existing or proposed infrastructure. Additionally, while there is not a separate fleet replacement reserve for the water system given the size of the requirement, there is a component for fleet replacement in the Capital Reserve requirement. The LRF reserve to cover anticipated capital improvement needs is \$2,500,000.

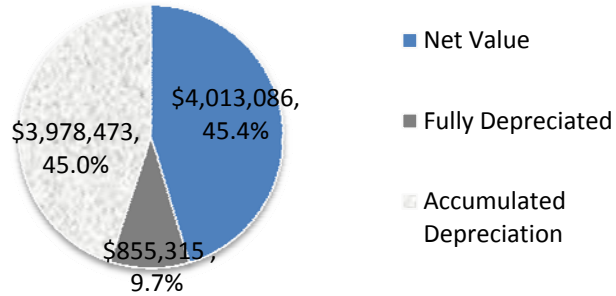
### **Replacement Needs**

The District assets have a finite useful life and at some time will need to be repaired or replaced. The District does not have a rigid policy to replace assets at specified intervals, as locally favorable soil and water conditions place less wear on assets (particularly distribution pipelines and service lines), and allows for effective use beyond a predetermined useful life designation. The District has identified other replacement needs in the existing capital improvement program.

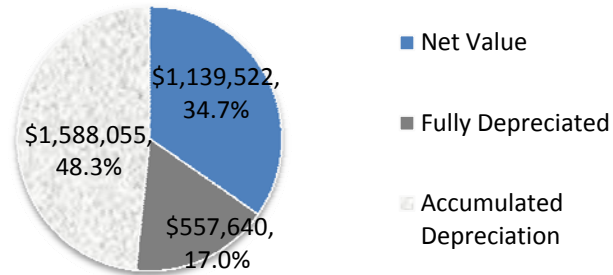
An indication of the age of the system is reported in the District's asset accounting, which assigns a book value, useful life, and annual depreciation for each system asset. The following charts show the amount of the asset value that has been depreciated (accumulated depreciation), the amount of assets that are fully depreciated (a portion of the accumulated depreciation), and the net value (asset value less accumulated depreciation), for the District's largest asset categories. About 55% of the distribution pipelines are depreciated, with 10% of the value fully depreciated. This indicates that 10% of the asset value has reached the end its useful life (for accounting purposes). For the service lines, 17% of the asset value is fully depreciated, and for the water treatment facilities 19% is fully depreciated.



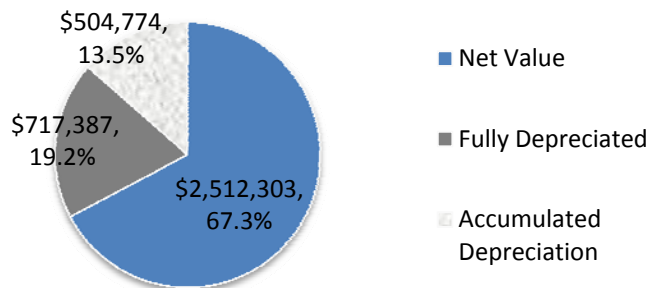
### Distribution Pipelines



### Service Lines



### Water Treatment Facilities



## **Reserve Policy**

The District adopted a reserve policy in August 2007 that called for the creation of 4 separate reserves – operating, capital, capacity development, and rate stabilization. The operating reserve would be funded at 4 months of the average District O&M. The capital reserve requires a fund balance equal to the following year’s capital expenditures. The capacity development fund would be funded from “capacity development and water system access fees.” The rate stabilization reserve would be equal to one year of revenue. Due to the potential size of the reserves, rate requirement needed to fund the reserves (given the current capital plan), and risks identified herein, the LRF does not fund the reserves pursuant to the policy. It is expected that the existing reserve policy will be revisited upon the adoption of the LRF.

## Future Conditions Assumptions

This section provides additional discussion on the underlying growth assumptions used for future O&M, customers and water demand, and water supply.

### O&M

The Transmission and Distribution cost is projected to increase at a rate of 3%, while the General and Administrative expense is projected to grow at a rate of 3%. All accounts payables and receivables in future years are assumed to be unchanged. Investment in Covina Irrigating Company is assumed to be unchanged in future years. Other service charges and Project Reimbursements and Settlement Revenue are projected to grow at a rate of 3% in future years. All other O&M expenses grow at a rate of 3%. Depreciation expense in future years is calculated at 2% of the book value of capital assets.

### Customers

The District primarily encompasses the cities of Baldwin Park and Irwindale, which comprise 48.3% and 49.0%, respectively, of the service territory (97.3% in total). However, Baldwin Park has 92% of the service connections.<sup>8</sup>

Between January 2001 and January 2011, using California Department of Finance (DOF) estimates, the City of Baldwin Park population decreased by 1.2% (from 76,576 to 75,664). The DOF reports that the City had 17,203 households as of January 2011, which implies 4.4 persons per household.

The UWMP has developed projections of population that are used for the LRF. The population projection and assumed growth rate are shown on the following table.

**Valley County Water District  
Projected Population**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Population	70,269	70,513	70,758	71,003	71,264	71,527	71,790	72,054	72,319	72,571	72,824
% Change		0.35%	0.35%	0.35%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%

Source: 2010 Urban Water Management Plan

### Water Demand

The assumptions regarding projected demand for water through 2022 are primarily based on growth rates in demand anticipated in a normal year from the District's 2010 UWMP. However, the growth rate through 2015 has been adjusted to reflect less anticipated construction and development. The

<sup>8</sup> 2010 Urban Water Management Plan, June 2011, p. 18.

UWMP generally correlates projected population growth with an identical percentage growth in water use, with the exception of the period from 2010 to 2015, when the UWMP predicts a significantly higher growth rate for water use (10.68%) than population growth (1.75%). For the purposes of this plan, the growth rate has been reduced to a more conservative level of 0.35% average annual growth through 2015.

The District indicated that there had been unusually low water use in 2010 due to conservation efforts and mild season. Consequently, use is anticipated to return to close to previous levels over the next few years and then plateau. Based on these adjusted growth rates, the per capita water use is assumed to remain constant at 110.4 gallons per capita per day through 2022.

### Water Supply

For the purposes of this report, projected water supply is based on available supplies as indicated in the 2010 UWMP. The District plans to use groundwater prior to other sources. It is assumed that available water sources are used as shown in the table below for the period through the planning horizon of this report (FY22). The purchases (and availability) of water from CIC and leased water rights are assumed fixed. All increases in water production (see “Groundwater Replenishment” in the table) are assumed to occur from District wells. Production in excess of the OSY is assumed available from the payment of the replenishment assessment to the Watermaster.

**Valley County Water District  
Projected Water Production (AFY)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Groundwater	6,332	6,332	6,332	6,332	6,332	6,332	6,332	6,332	6,332	6,332	6,332
CIC	256	256	256	256	256	256	256	256	256	256	256
Leased Water Rights	500	500	500	500	500	500	500	500	500	500	500
Groundwater Replenishment	1,631	1,634	1,664	1,694	1,727	1,759	1,792	1,825	1,858	1,889	1,921
MWD	-	-	-	-	-	-	-	-	-	-	-
<b>Total Production</b>	<b>8,719</b>	<b>8,721</b>	<b>8,752</b>	<b>8,782</b>	<b>8,815</b>	<b>8,847</b>	<b>8,880</b>	<b>8,913</b>	<b>8,946</b>	<b>8,977</b>	<b>9,008</b>

## Financial Forecast

The LRFPP includes a “base case” scenario, as well as sensitivity analyses that are developed to assess the District’s financial risks. The base case includes the O&M and capital requirements identified in the LRFPP.

In the base case scenario, there is a \$9.5 million debt issuance in fiscal year 2012. The bond issue is fixed-rate debt with 30 year level debt service. In order to produce positive cash balances and a minimum 1.25x debt service coverage ratio, water sales revenue growth in FY 2013 through FY2016 averages 8.1%. The following table shows the LRFPP projected operating results, capital expenditures, and cash balance for FY12 through FY16.

**Valley County Water District  
Projected Operating Results, Capital Expenditures, and Cash Balance**

	2012	2013	2014	2015	2016
<b>Operating Revenues</b>	\$5,865,773	\$7,007,405	\$7,499,107	\$7,523,956	\$7,802,916
<b>Operating Expenses</b>	7,200,722	7,811,900	8,018,859	8,221,785	8,456,870
<b>Operating Gain/(Loss)</b>	(1,334,949)	(804,494)	(519,753)	(697,829)	(653,954)
<b>Other Revenues/(Expenses)</b>	267,851	(235,681)	(236,507)	(220,499)	(204,736)
<b>Capital Expenditures</b>	13,304,000	1,087,750	547,500	400,000	5,500,000
<b>Debt Service</b>	-	686,895	686,895	686,895	686,895
<b>Cash Receipts</b>	16,038,624	7,339,024	7,822,724	7,855,975	13,372,635
<b>Cash Expenditures</b>	(19,583,195)	(7,432,705)	(7,100,619)	(7,173,420)	(12,738,985)
<b>Net Increase/(Decrease) in Cash</b>	(3,544,571)	(780,576)	35,209	(4,341)	(53,245)
<b>Cash Balance, End of Year</b>	5,808,238	5,027,662	5,062,872	5,058,531	5,005,286

The following table shows the projected LRFPP net revenues and debt service coverage for FY12 through FY16. The LRFPP water rate increases will provide strong debt service coverage through FY16 (well in excess of 1.25) and allow the District to maintain the \$5 million capital and operating reserves.

**Valley County Water District  
Projected Net Revenues and Debt Service Coverage**

	2012	2013	2014	2015	2016
<b>Revenues</b>	\$6,133,624	\$7,339,024	\$7,822,724	\$7,855,975	\$8,142,635
<b>Operating Expenses</b>	5,740,045	6,184,005	6,392,169	6,612,470	6,868,835
<b>Net Revenues</b>	393,579	1,155,019	1,430,555	1,243,505	1,273,801
<b>Debt Service</b>	-	686,895	686,895	686,895	686,895
<b>Debt Service Coverage Ratio</b>		1.68	2.08	1.81	1.85

Detailed 10-year projections (including 2 years of historical financial data) of the District’s Statement of Financial Position; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows; Net Revenues; Customer Charges; and Source of Water Supply for FY10 through FY22 are included in the appendix.

### **Sensitivity Analysis**

The LRFP includes two alternative scenarios: the elimination of the Capital Improvement Charge and the impact of a decrease in the OSY. The required District water rates are estimated under each scenario.

#### **No Capital Improvement Charge**

The District is currently reassessing the need for the charge as a separate component of the water rates. In the event the capital improvement charge is eliminated, the fixed monthly and consumption charge would need to be increased to offset the loss in the capital improvement charge. The following table shows the estimated revenue impact of the elimination of the charge and impact on the average monthly residential service charge. The monthly and consumption charges for all classes would need to increase by 30% in order to offset the elimination of the capital improvement charge. However, the average monthly residential bill would actually decrease in comparison to the base case. The higher consumption charges result in relatively higher monthly bills for non-residential customers in comparison to the base case.

**Valley County Water District**  
**Projected Water Rates (3/4" meter) and Revenue Loss – No Capital Improvement Charge**

	2012	2013	2014	2015	2016
<b>Average Residential Monthly Bill</b> <sup>1</sup>	\$19.60	\$21.26	\$23.38	\$23.61	\$23.85
<b>% Change – Fixed and Consumption Charges</b> <sup>2</sup>		30.00%	10.00%	1.00%	1.00%
<b>Revenue Loss – Capital Improvement Charge</b>	\$-	\$927,855	\$996,249	\$999,706	\$1,038,503

1 – Based on 15 ccf consumption.

2 – Change in monthly or bimonthly fixed charges and consumption charges for all customer classes.

**Decrease in OSY**

The OSY is based on the groundwater level in the Basin and this amount, as determined by the Watermaster, is affected by rainfall and other factors. In the event the OSY falls, the cost of the District’s production could increase (barring a decrease in consumption), as the District may need to reimburse the Watermaster for production in excess of its share of the OSY. As discussed in section “Reserves - Operating Reserves,” the Watermaster’s current forecast has the OSY decreasing by 10,000 af each year through FY16. In the event this occurs, the District’s water supply cost will increase by \$888,000 by FY16. The following table shows the average monthly residential water rate (for FY12 through FY16) if the OSY falls according to current Watermaster projections and the District consumption does not change (from the base case projection). The District water rates would need to increase by 15.5% in FY13 and 15.0% in FY14, which would result in an average residential monthly bill of \$27.89 by FY16 (in comparison to \$25.07 for FY16 under the base case).

**Valley County Water District  
Projected Water Rates (3/4" meter) – Decrease in OSY**

	2012	2013	2014	2015	2016
<b>Average Residential Monthly Bill</b> <sup>1</sup>	\$19.60	\$22.64	\$26.03	\$26.94	\$27.89
<b>% Change - Fixed, CIP, and Consumption Charges</b> <sup>2</sup>		15.50%	15.00%	3.50%	3.50%
<b>OSY – Base Case</b>	210,000	210,000	210,000	210,000	210,000
<b>OSY – Watermaster</b>	210,000	200,000	190,000	180,000	170,000
<b>Increase in Water Source of Supply Cost</b>		\$193,647	\$402,369	\$628,881	\$887,957

1 – Based on 15 ccf consumption.

2 – Change in monthly or bimonthly fixed charges and consumption charges for all customer classes.



# Financial Policies

This section summarizes recommended financial policies relating to long-term financial planning and debt management that are best practices for public agencies and would assist the District in its implementation of the LRFP, including the issuance of debt. The District intends to consider the policies and potentially develop and implement them during the year.

## Financial Planning Policy

Financial planning, as represented by the LRFP, includes analysis of the financial environment and revenue and expenditure forecasting. It also includes several other essential features. A plan articulates the service level government wants to provide to its citizens – this allows financial resources to be reconciled with desired service levels. Long-term financial planning establishes the standards of financial stewardship to which the organization aspires, thereby providing a framework for guiding day-to-day financial management decisions. Financial planning occurs through collaboration between elected officials and staff, which results in a shared understanding of service and financial strategy. This understanding allows elected officials and staff to focus their energies throughout the year on the matters mutually identified as most important to the community’s ongoing sustainability.

These characteristics of planning bring a number of benefits to government agencies:

- **Proactive Responses** – A long-term financial plan enables proactive management of government finances, rather than reactive responses to financial crises if and when they occur. The long-term financial plan combines financial forecasting with financial strategizing to identify future challenges and opportunities, causes of fiscal imbalances, and strategies to secure financial sustainability.
- **Broader Outlook** – Good financial planning does not simply project the status quo — rather, it considers a range of possible futures confronting the organization, examines the financial consequences, and determines the most appropriate policy and strategy responses. It is from this broad consideration that the primary benefit of financial planning flows – to stimulate discussion and thinking about the long-term impacts of decisions made today and how the organization can begin positioning itself to maximize its ability to meet challenges, exploit opportunities, and deliver a stable level of essential services.
- **Improved Allocation of Resources** – Financial planning brings a long-term perspective to resource allocation that is necessary for setting realistic boundaries on what the District can accomplish and helps direct resources to the highest priority activities. A long-term perspective

integrates strategic planning and budgeting, enabling the District to forecast, predict, and actively communicate challenges and opportunities before they arise.

Because of the benefits of long-term financial planning, the District should consider the development of financial planning policies that identify the frequency of updates to the LRFPP, the contents of the LRFPP, and relationship to rate setting.

### **Debt Management Policy**

Debt management policies are written guidelines and restrictions that can address the amount and type of debt issued, the issuance process, and the management of a debt portfolio. A debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and has a plan to meet its obligations in a timely manner. The District should consider the development of a debt policy that addresses these areas.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

### **Reserve Policy**

The District has an existing, Board-approved reserve policy that identifies the amount and type of reserves that are to be maintained. However, as discussed in the LRFPP, the District is reconsidering the existing reserves and may revise the reserve policy to more closely reflect the amounts included in the LRFPP. The District should consider revising the reserve policy to reflect the amounts in the LRFPP, or as otherwise determined by the Board, and describe a rationale for determining the amount of the reserves.

# **Appendix: Financial Forecast**

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## Statement of Financial Position

	Actual		Budgeted	Fiscal Year Ending August 31									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>ASSETS</b>	<b>27,282,370</b>	<b>26,544,513</b>	<b>34,554,215</b>	<b>33,394,444</b>	<b>32,511,413</b>	<b>31,458,708</b>	<b>35,478,378</b>	<b>34,201,662</b>	<b>33,389,786</b>	<b>32,603,233</b>	<b>31,844,416</b>	<b>31,141,925</b>	<b>30,450,227</b>
<b>Current Assets</b>	<b>14,650,024</b>	<b>13,611,402</b>	<b>9,277,780</b>	<b>8,158,154</b>	<b>7,854,314</b>	<b>7,510,923</b>	<b>7,118,628</b>	<b>7,062,306</b>	<b>7,434,212</b>	<b>7,795,928</b>	<b>8,150,932</b>	<b>8,528,846</b>	<b>8,885,143</b>
Cash and Investments	10,026,049	8,987,427	5,603,805	4,984,179	5,180,339	5,336,948	5,444,653	5,774,941	6,146,847	6,508,563	6,863,567	7,241,481	7,597,778
Cash and Investments with Fiscal Agents	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Interest receivable	5,695	5,695	5,695	5,695	5,695	5,695	5,695	5,695	5,695	5,695	5,695	5,695	5,695
Accounts Rec-Water Sales and Service Charges	788,691	788,691	788,691	788,691	788,691	788,691	788,691	788,691	788,691	788,691	788,691	788,691	788,691
Accounts Rec-Other	151,257	151,257	151,257	151,257	151,257	151,257	151,257	151,257	151,257	151,257	151,257	151,257	151,257
Environmental Costs Mitigation Recovery Receivable	450,000	450,000	-	-	-	-	-	-	-	-	-	-	-
Cooperating Respondents Receivable, Water Treatment Plant Construction	2,886,610	2,886,610	2,886,610	2,886,610	2,886,610	2,886,610	2,886,610	2,886,610	2,886,610	2,886,610	2,886,610	2,886,610	2,886,610
Inventories	127,892	127,892	127,892	127,892	127,892	127,892	127,892	127,892	127,892	127,892	127,892	127,892	127,892
Other current assets-Prepaid Expenses	63,830	63,830	63,830	63,830	63,830	63,830	63,830	63,830	63,830	63,830	63,830	63,830	63,830
Allowance for Doubtful Account	-	-	(500,000)	(1,000,000)	(1,500,000)	(2,000,000)	(2,500,000)	(2,886,610)	(2,886,610)	(2,886,610)	(2,886,610)	(2,886,610)	(2,886,610)
<b>Noncurrent Assets</b>	<b>12,632,346</b>	<b>12,933,111</b>	<b>25,276,434</b>	<b>25,236,290</b>	<b>24,657,100</b>	<b>23,947,785</b>	<b>28,359,750</b>	<b>27,139,356</b>	<b>25,955,574</b>	<b>24,807,305</b>	<b>23,693,484</b>	<b>22,613,078</b>	<b>21,565,084</b>
Investment in Covina Irrigating Company	765,900	765,900	765,900	765,900	765,900	765,900	765,900	765,900	765,900	765,900	765,900	765,900	765,900
Net Capital Asset	11,866,446	12,167,211	24,510,534	24,470,390	23,891,200	23,181,885	27,593,850	26,373,456	25,189,674	24,041,405	22,927,584	21,847,178	20,799,184
<b>Liabilities</b>	<b>1,259,256</b>	<b>1,259,256</b>	<b>10,714,256</b>	<b>10,594,661</b>	<b>10,467,889</b>	<b>10,333,512</b>	<b>15,421,072</b>	<b>15,181,676</b>	<b>14,927,916</b>	<b>14,658,930</b>	<b>14,373,805</b>	<b>14,071,573</b>	<b>13,751,207</b>
Accounts payable and Accrued Expenses-Operations	383,640	383,640	383,640	383,640	383,640	383,640	383,640	383,640	383,640	383,640	383,640	383,640	383,640
Main San Gabriel Basin Watermaster Assessment	141,921	141,921	141,921	141,921	141,921	141,921	141,921	141,921	141,921	141,921	141,921	141,921	141,921
OPEB Obligation	189,336	189,336	189,336	189,336	189,336	189,336	189,336	189,336	189,336	189,336	189,336	189,336	189,336
Long-Term Debt	-	-	9,455,000	9,335,405	9,208,633	9,074,256	14,161,816	13,922,420	13,668,660	13,399,674	13,114,549	12,812,317	12,491,951
Accounts payable-PassThru receipts	24,827	24,827	24,827	24,827	24,827	24,827	24,827	24,827	24,827	24,827	24,827	24,827	24,827
Due to Cooperating Respondents Receivable-Water Treatment Plan Construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances for Construction	59,299	59,299	59,299	59,299	59,299	59,299	59,299	59,299	59,299	59,299	59,299	59,299	59,299
Accrued Wages and Compensated Absences	175,649	175,649	175,649	175,649	175,649	175,649	175,649	175,649	175,649	175,649	175,649	175,649	175,649
Other liabilities-deposits payable	284,584	284,584	284,584	284,584	284,584	284,584	284,584	284,584	284,584	284,584	284,584	284,584	284,584
<b>Total net assets</b>	<b>26,023,114</b>	<b>25,285,257</b>	<b>23,839,959</b>	<b>22,799,784</b>	<b>22,043,524</b>	<b>21,125,196</b>	<b>20,057,306</b>	<b>19,019,986</b>	<b>18,461,870</b>	<b>17,944,303</b>	<b>17,470,611</b>	<b>17,070,352</b>	<b>16,699,021</b>
<b>Change in Net Assets</b>	<b>1,826,875</b>	<b>(737,857)</b>	<b>(1,445,298)</b>	<b>(1,040,175)</b>	<b>(756,260)</b>	<b>(918,328)</b>	<b>(1,067,890)</b>	<b>(1,037,320)</b>	<b>(558,116)</b>	<b>(517,567)</b>	<b>(473,692)</b>	<b>(400,260)</b>	<b>(371,331)</b>

**Statement of Revenues, Expenses, and Changes in Net Assets**

	Actual			Budgeted			Fiscal Year Ending August 31						
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Operating revenues</b>	<b>8,794,589</b>	<b>5,990,492</b>	<b>5,865,773</b>	<b>7,007,405</b>	<b>7,499,107</b>	<b>7,523,956</b>	<b>7,802,916</b>	<b>8,205,106</b>	<b>8,510,504</b>	<b>8,786,737</b>	<b>9,072,305</b>	<b>9,278,101</b>	<b>9,443,883</b>
Water sales	5,933,890	4,951,205	5,528,910	6,670,542	7,162,244	7,187,093	7,466,053	7,868,243	8,173,641	8,449,874	8,735,442	8,941,238	9,107,020
Other Service charges	568,062	1,039,286	336,863	336,863	336,863	336,863	336,863	336,863	336,863	336,863	336,863	336,863	336,863
Project Reimbursements and Settlement Revenue	2,292,637	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating expenses</b>	<b>7,746,945</b>	<b>6,991,244</b>	<b>7,200,722</b>	<b>7,811,900</b>	<b>8,018,859</b>	<b>8,221,785</b>	<b>8,456,870</b>	<b>8,739,251</b>	<b>8,591,167</b>	<b>8,854,362</b>	<b>9,124,374</b>	<b>9,285,988</b>	<b>9,453,679</b>
Sources of Supply	2,199,242	2,129,162	1,380,092	1,693,254	1,766,695	1,848,232	1,961,669	2,077,866	2,201,373	2,343,901	2,487,495	2,516,832	2,546,273
Pumping	555,468	471,582	530,940	546,868	563,274	580,172	597,578	615,505	633,970	652,989	672,579	692,756	713,539
Treatment	124,038	-	-	-	-	-	-	-	-	-	-	-	-
Transmission and Distribution	1,091,845	259,091	263,092	270,985	279,114	287,488	296,112	304,996	314,146	323,570	333,277	343,275	353,574
Depreciation	949,235	949,235	960,677	1,127,895	1,126,690	1,109,315	1,088,035	1,220,394	1,183,782	1,148,269	1,113,821	1,080,406	1,047,994
General and Administrative	2,434,006	3,182,174	3,565,921	3,672,899	3,783,086	3,896,578	4,013,476	4,133,880	4,257,896	4,385,633	4,517,202	4,652,718	4,792,300
Customer Service	393,111	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debt Expense	-	-	500,000	500,000	500,000	500,000	500,000	386,610	-	-	-	-	-
<b>Operating gain/(loss)</b>	<b>1,047,644</b>	<b>(1,000,753)</b>	<b>(1,334,949)</b>	<b>(804,494)</b>	<b>(519,753)</b>	<b>(697,829)</b>	<b>(653,954)</b>	<b>(534,144)</b>	<b>(80,663)</b>	<b>(67,625)</b>	<b>(52,069)</b>	<b>(7,887)</b>	<b>(9,796)</b>
<b>Nonoperating revenues(expenses)</b>	<b>513,941</b>	<b>262,895</b>	<b>267,851</b>	<b>331,619</b>	<b>323,617</b>	<b>332,019</b>	<b>339,719</b>	<b>346,533</b>	<b>357,892</b>	<b>370,178</b>	<b>382,357</b>	<b>394,501</b>	<b>407,204</b>
Property taxes	246,660	220,663	215,238	219,543	223,934	228,412	232,981	237,640	242,393	247,241	252,186	257,229	262,374
Interest Income	89,623	42,232	52,613	112,076	99,684	103,607	106,739	108,893	115,499	122,937	130,171	137,271	144,830
Unrealized gain (loss) on investments	176,558	-	-	-	-	-	-	-	-	-	-	-	-
Gain(Loss) on Sale of Capital Assets	1,100	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Redemption Expense	-	-	-	(567,300)	(560,124)	(552,518)	(544,455)	(849,709)	(835,345)	(820,120)	(803,980)	(786,873)	(768,739)
<b>Capital contributions</b>	<b>1,449,722</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Developer Contributed Assets	376,333	-	-	-	-	-	-	-	-	-	-	-	-
Water Treatment Plant	1,073,389	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Increase/(Decrease) in Net Assets</b>	<b>1,826,875</b>	<b>(737,857)</b>	<b>(1,445,298)</b>	<b>(1,040,175)</b>	<b>(756,260)</b>	<b>(918,328)</b>	<b>(1,067,890)</b>	<b>(1,037,320)</b>	<b>(558,116)</b>	<b>(517,567)</b>	<b>(473,692)</b>	<b>(400,260)</b>	<b>(371,331)</b>

Statement of Cash Flows	Actual		Budgeted	Fiscal Year Ending August 31									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Cash flows from operating activities</b>	<b>(1,615,611)</b>	<b>(51,518)</b>	<b>575,728</b>	<b>823,400</b>	<b>1,106,938</b>	<b>911,486</b>	<b>934,081</b>	<b>1,072,860</b>	<b>1,103,119</b>	<b>1,080,644</b>	<b>1,061,752</b>	<b>1,072,519</b>	<b>1,038,198</b>
Receipts from Water Sales and Services	5,435,605	5,990,492	5,865,773	7,007,405	7,499,107	7,523,956	7,802,916	8,205,106	8,510,504	8,786,737	9,072,305	9,278,101	9,443,883
Receipts (payments) from Sources of Supply Recovery	(1,795,326)	(2,129,162)	(1,380,092)	(1,693,254)	(1,766,695)	(1,848,232)	(1,961,669)	(2,077,866)	(2,201,373)	(2,343,901)	(2,487,495)	(2,516,832)	(2,546,273)
Receipts (payments) from Other Service Charges	634,583	-	-	-	-	-	-	-	-	-	-	-	-
Project Reimbursements	2,292,637	-	450,000	-	-	-	-	-	-	-	-	-	-
Payments for Salaries and Services	(1,265,938)	(3,182,174)	(3,565,921)	(3,672,899)	(3,783,086)	(3,896,578)	(4,013,476)	(4,133,880)	(4,257,896)	(4,385,633)	(4,517,202)	(4,652,718)	(4,792,300)
Watermaster Assessment Received (Paid)	(126,056)	-	-	-	-	-	-	-	-	-	-	-	-
Payment for Materials and Services	(6,791,116)	(730,674)	(794,032)	(817,853)	(842,389)	(867,660)	(893,690)	(920,501)	(948,116)	(976,559)	(1,005,856)	(1,036,032)	(1,067,113)
<b>Cash flows from noncapital financing activities</b>	<b>246,660</b>	<b>220,663</b>	<b>215,238</b>	<b>219,543</b>	<b>223,934</b>	<b>228,412</b>	<b>232,981</b>	<b>237,640</b>	<b>242,393</b>	<b>247,241</b>	<b>252,186</b>	<b>257,229</b>	<b>262,374</b>
Property tax Proceeds	246,660	220,663	215,238	219,543	223,934	228,412	232,981	237,640	242,393	247,241	252,186	257,229	262,374
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash flows from capital and related financing activities</b>	<b>(2,862,097)</b>	<b>(1,250,000)</b>	<b>(4,227,200)</b>	<b>(1,774,645)</b>	<b>(1,234,395)</b>	<b>(1,086,895)</b>	<b>(1,166,095)</b>	<b>(1,089,105)</b>	<b>(1,089,105)</b>	<b>(1,089,105)</b>	<b>(1,089,105)</b>	<b>(1,089,105)</b>	<b>(1,089,105)</b>
Acquisition and Construction of Capital Assets	(2,718,002)	(1,250,000)	(13,304,000)	(1,087,750)	(547,500)	(400,000)	(5,500,000)	-	-	-	-	-	-
Proceeds from disposition of Capital Assets	1,100	-	-	-	-	-	-	-	-	-	-	-	-
Advance for construction	(145,195)	-	-	-	-	-	-	-	-	-	-	-	-
Water Treatment Plant Capital Construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal Paid on Debt	-	-	-	(119,595)	(126,771)	(134,377)	(142,440)	(239,396)	(253,760)	(268,986)	(285,125)	(302,232)	(320,366)
Interest and Redemption Expense Paid	-	-	-	(567,300)	(560,124)	(552,518)	(544,455)	(849,709)	(835,345)	(820,120)	(803,980)	(786,873)	(768,739)
Proceeds from issuance of debt	-	-	9,455,000	-	-	-	5,230,000	-	-	-	-	-	-
<b>Cash flows from investing activities</b>	<b>498,223</b>	<b>(118,718)</b>	<b>(108,337)</b>	<b>(48,874)</b>	<b>(61,266)</b>	<b>(57,343)</b>	<b>(54,211)</b>	<b>(52,057)</b>	<b>(45,451)</b>	<b>(38,013)</b>	<b>(30,779)</b>	<b>(23,679)</b>	<b>(16,120)</b>
Purchase of Investment Securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in Covina Irrigating Company	(160,950)	(160,950)	(160,950)	(160,950)	(160,950)	(160,950)	(160,950)	(160,950)	(160,950)	(160,950)	(160,950)	(160,950)	(160,950)
Interest Received	106,282	42,232	52,613	112,076	99,684	103,607	106,739	108,893	115,499	122,937	130,171	137,271	144,830
Unrealized gain(loss) on cash equivalents and investments, net	176,558	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3,732,825)</b>	<b>(1,199,572)</b>	<b>(3,544,571)</b>	<b>(780,576)</b>	<b>35,209</b>	<b>(4,341)</b>	<b>(53,245)</b>	<b>169,338</b>	<b>210,956</b>	<b>200,767</b>	<b>194,054</b>	<b>216,964</b>	<b>195,347</b>
Cash at beginning of year	14,285,207	10,552,382	9,352,810	5,808,238	5,027,662	5,062,872	5,058,531	5,005,286	5,174,624	5,385,580	5,586,346	5,780,400	5,997,364
Cash at end of year	10,552,382	9,352,810	5,808,238	5,027,662	5,062,872	5,058,531	5,005,286	5,174,624	5,385,580	5,586,346	5,780,400	5,997,364	6,192,711
<i>Difference between Cash Flows cash and Position cash</i>													
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows</b>													
<b>Provided (Used) by Operating Activities</b>													
Operating Income (Loss)	1,047,644	(1,000,753)	(1,334,949)	(804,494)	(519,753)	(697,829)	(653,954)	(534,144)	(80,663)	(67,625)	(52,069)	(7,887)	(9,796)
<b>Adjustments to Reconcile Operating Income (Loss) to Cash Flows</b>													
Provided (Used) by Operating Activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	949,235	949,235	960,677	1,127,895	1,126,690	1,109,315	1,088,035	1,220,394	1,183,782	1,148,269	1,113,821	1,080,406	1,047,994
Decrease (increase) in Accounts Receivable - Water Sales	(248,238)	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in Accounts Receivable - Other	66,521	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in Environmental Costs Mitigation Recovery Receivable	(180,000)	-	450,000	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in Cooperating Respondents, Receivable, Net	(1,795,326)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in Allowance for Doubtful Account	-	-	500,000	500,000	500,000	500,000	500,000	386,610	-	-	-	-	-
Decrease (increase) in Prepaid Expenses	(36,392)	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in Materials and Supplies Inventory	14,400	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in Accounts Payable	39,571	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in Main San Gabriel Basin Watermaster Assessment	(1,383,673)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in Accrued Wages and Compensated Absences	(38,223)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in OPEB Obligation	189,336	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in Accounts Payable - Pass-through Receipts	9,581	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in Customer Deposits	(250,047)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in Advances for Construction	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Cash Flows Provided (Used) by Operating Activities</b>	<b>(1,615,611)</b>	<b>(51,518)</b>	<b>575,728</b>	<b>823,400</b>	<b>1,106,938</b>	<b>911,486</b>	<b>934,081</b>	<b>1,072,860</b>	<b>1,103,119</b>	<b>1,080,644</b>	<b>1,061,752</b>	<b>1,072,519</b>	<b>1,038,198</b>

Net Revenues	Actual		Budgeted	Fiscal Year Ending August 31									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenues</b>													
Water Sales	5,933,890	4,951,205	5,528,910	6,670,542	7,162,244	7,187,093	7,466,053	7,868,243	8,173,641	8,449,874	8,735,442	8,941,238	9,107,020
Other Service Charges	568,062	1,039,286	336,863	336,863	336,863	336,863	336,863	336,863	336,863	336,863	336,863	336,863	336,863
Project Reimbursements and Settlement Revenue	2,292,637	-	-	-	-	-	-	-	-	-	-	-	-
Property Taxes	246,660	220,663	215,238	219,543	223,934	228,412	232,981	237,640	242,393	247,241	252,186	257,229	262,374
Interest Income	89,623	42,232	52,613	112,076	99,684	103,607	106,739	108,893	115,499	122,937	130,171	137,271	144,830
<b>Total</b>	<b>9,130,872</b>	<b>6,253,387</b>	<b>6,133,624</b>	<b>7,339,024</b>	<b>7,822,724</b>	<b>7,855,975</b>	<b>8,142,635</b>	<b>8,551,640</b>	<b>8,868,396</b>	<b>9,156,915</b>	<b>9,454,662</b>	<b>9,672,602</b>	<b>9,851,087</b>
<b>Expenditures</b>													
Source of Supply	2,199,242	2,129,162	1,380,092	1,693,254	1,766,695	1,848,232	1,961,669	2,077,866	2,201,373	2,343,901	2,487,495	2,516,832	2,546,273
Pumping Power	555,468	471,582	530,940	546,868	563,274	580,172	597,578	615,505	633,970	652,989	672,579	692,756	713,539
Water Treatment	124,038	-	-	-	-	-	-	-	-	-	-	-	-
O&M Expenses/Other	3,918,962	3,441,265	3,829,013	3,943,883	4,062,200	4,184,066	4,309,588	4,438,876	4,572,042	4,709,203	4,850,479	4,995,993	5,145,873
<b>Total</b>	<b>6,797,710</b>	<b>6,042,009</b>	<b>5,740,045</b>	<b>6,184,005</b>	<b>6,392,169</b>	<b>6,612,470</b>	<b>6,868,835</b>	<b>7,132,247</b>	<b>7,407,385</b>	<b>7,706,093</b>	<b>8,010,553</b>	<b>8,205,582</b>	<b>8,405,685</b>
Net Operating Revenues	2,333,162	211,378	393,579	1,155,019	1,430,555	1,243,505	1,273,801	1,419,393	1,461,011	1,450,822	1,444,109	1,467,019	1,445,402
Total Debt Service	-	-	-	686,895	686,895	686,895	686,895	1,089,105	1,089,105	1,089,105	1,089,105	1,089,105	1,089,105
<b>Debt Service Coverage</b>				<b>1.68</b>	<b>2.08</b>	<b>1.81</b>	<b>1.85</b>	<b>1.30</b>	<b>1.34</b>	<b>1.33</b>	<b>1.33</b>	<b>1.35</b>	<b>1.33</b>

Commercial Services	Actual		Budgeted										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Number of Bills Sent</b>													
5/8"			3,432	3,444	3,456	3,468	3,481	3,493	3,506	3,519	3,532	3,544	3,557
3/4"			1,445	1,450	1,455	1,460	1,465	1,471	1,476	1,482	1,487	1,492	1,498
1"			3,251	3,262	3,274	3,285	3,297	3,309	3,321	3,334	3,346	3,358	3,369
1.5"			1,490	1,495	1,500	1,506	1,511	1,517	1,522	1,528	1,533	1,539	1,544
2"			4,465	4,480	4,496	4,512	4,528	4,545	4,562	4,578	4,595	4,611	4,627
3"			318	319	320	321	323	324	325	326	327	328	330
4"			252	253	254	255	256	257	257	258	259	260	261
6"			24	24	24	24	24	24	25	25	25	25	25
8"			-	-	-	-	-	-	-	-	-	-	-
Growth rate				0.35%	0.35%	0.35%	0.37%	0.37%	0.37%	0.37%	0.37%	0.35%	0.35%
<b>Service Charge</b>													
5/8"			\$9.55	\$11.03	\$11.80	\$11.80	\$12.22	\$12.83	\$13.28	\$13.67	\$14.08	\$14.37	\$14.58
3/4"			\$9.55	\$11.03	\$11.80	\$11.80	\$12.22	\$12.83	\$13.28	\$13.67	\$14.08	\$14.37	\$14.58
1"			\$15.94	\$18.41	\$19.70	\$19.70	\$20.39	\$21.41	\$22.16	\$22.82	\$23.51	\$23.98	\$24.34
1.5"			\$31.79	\$36.72	\$39.29	\$39.29	\$40.66	\$42.70	\$44.19	\$45.52	\$46.88	\$47.82	\$48.54
2"			\$50.88	\$58.77	\$62.88	\$62.88	\$65.08	\$68.33	\$70.73	\$72.85	\$75.03	\$76.53	\$77.68
3"			\$95.45	\$110.24	\$117.96	\$117.96	\$122.09	\$132.68	\$136.66	\$140.76	\$143.58	\$145.73	\$147.68
4"			\$159.11	\$183.77	\$196.64	\$196.64	\$203.52	\$213.69	\$221.17	\$227.81	\$234.64	\$239.34	\$242.93
6"			\$318.14	\$367.45	\$393.17	\$393.17	\$406.93	\$427.28	\$442.24	\$455.50	\$469.17	\$478.55	\$485.73
8"			\$509.04	\$587.94	\$629.10	\$629.10	\$651.12	\$683.67	\$707.60	\$728.83	\$750.69	\$765.71	\$777.19
Rate increase				15.50%	7.00%	0.00%	3.50%	5.00%	3.50%	3.00%	3.00%	2.00%	1.50%
<b>CIP Charge</b>													
5/8"			\$3.25	\$3.75	\$4.02	\$4.02	\$4.16	\$4.36	\$4.52	\$4.65	\$4.79	\$4.89	\$4.96
3/4"			\$4.88	\$5.64	\$6.03	\$6.03	\$6.24	\$6.55	\$6.78	\$6.99	\$7.20	\$7.34	\$7.45
1"			\$8.13	\$9.39	\$10.05	\$10.05	\$10.40	\$10.92	\$11.30	\$11.64	\$11.99	\$12.23	\$12.41
1.5"			\$16.25	\$18.77	\$20.08	\$20.08	\$20.79	\$21.82	\$22.59	\$23.27	\$23.96	\$24.44	\$24.81
2"			\$26.00	\$30.03	\$32.13	\$32.13	\$33.26	\$34.92	\$36.14	\$37.23	\$38.34	\$39.11	\$39.70
3"			\$48.75	\$56.31	\$60.25	\$60.25	\$62.36	\$65.47	\$67.77	\$69.80	\$71.89	\$73.33	\$74.43
4"			\$81.25	\$93.84	\$100.41	\$100.41	\$103.93	\$109.12	\$112.94	\$116.33	\$119.82	\$122.22	\$124.05
6"			\$162.50	\$187.69	\$200.83	\$200.83	\$207.85	\$218.25	\$225.89	\$232.66	\$239.64	\$244.44	\$248.10
8"			\$260.00	\$300.30	\$321.32	\$321.32	\$332.57	\$349.20	\$361.42	\$372.26	\$383.43	\$391.10	\$396.96
Rate increase				15.50%	7.00%	0.00%	3.50%	5.00%	3.50%	3.00%	3.00%	2.00%	1.50%
<b>Consumption (CCF)</b>													
5/8"			149,187	149,705	150,224	150,745	151,303	151,863	152,425	152,989	153,555	154,092	154,631
3/4"			49,012	49,182	49,353	49,524	49,707	49,891	50,076	50,261	50,447	50,623	50,801
1"			100,242	100,590	100,939	101,289	101,664	102,040	102,417	102,796	103,177	103,538	103,900
1.5"			147,609	148,121	148,635	149,151	149,703	150,256	150,812	151,370	151,930	152,462	152,996
2"			429,552	431,042	432,538	434,038	435,644	437,256	438,874	440,498	442,128	443,675	445,228
3"			52,933	53,117	53,301	53,486	53,684	53,882	54,082	54,282	54,483	54,673	54,865
4"			148,892	149,409	149,927	150,447	151,004	151,562	152,123	152,686	153,251	153,787	154,326
6"			7,958	7,986	8,013	8,041	8,071	8,101	8,131	8,161	8,191	8,220	8,248
8"			-	-	-	-	-	-	-	-	-	-	-
Growth rate				0.35%	0.35%	0.35%	0.37%	0.37%	0.37%	0.37%	0.37%	0.35%	0.35%
<b>Consumption Charge</b>													
1.0 - 4.0 CCF Rate			\$0.29	\$0.33	\$0.36	\$0.36	\$0.37	\$0.39	\$0.40	\$0.42	\$0.43	\$0.44	\$0.44
4.1-18.0 CCF Rate			\$0.69	\$0.80	\$0.85	\$0.85	\$0.88	\$0.93	\$0.96	\$0.99	\$1.02	\$1.04	\$1.05
18.1 + CCF Rate			\$1.15	\$1.33	\$1.42	\$1.42	\$1.47	\$1.54	\$1.60	\$1.65	\$1.70	\$1.73	\$1.76
Growth rate				15.50%	7.00%	0.00%	3.50%	5.00%	3.50%	3.00%	3.00%	2.00%	1.50%
<b>Service Charge Revenue</b>													
			451,027	522,743	561,276	563,223	585,081	616,596	640,525	662,168	684,543	700,667	713,656
<b>CIP Charge Revenue</b>													
			224,816	260,564	279,770	280,741	291,636	307,345	319,272	330,061	341,213	349,251	355,725
<b>1.0 - 4.0 CCF</b>													
			17,025	19,732	21,187	21,261	22,086	23,275	24,178	24,995	25,840	26,449	26,939
<b>4.1-18.0 CCF</b>													
			141,780	164,324	176,437	177,049	183,920	193,826	201,348	208,152	215,185	220,254	224,337
<b>18.1 + CCF</b>													
			944,379	1,094,542	1,175,223	1,179,301	1,225,100	1,291,123	1,341,266	1,386,624	1,433,517	1,467,312	1,494,541



Residential Services	Actual		Budgeted		Fiscal Year Ending August 31								
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Number of Bills Sent</b>													
5/8"			49,876	50,049	50,223	50,397	50,582	50,769	50,955	51,143	51,331	51,510	51,689
3/4"			16,127	16,183	16,239	16,295	16,355	16,416	16,476	16,537	16,597	16,655	16,713
1"			3,991	4,005	4,019	4,033	4,048	4,062	4,077	4,092	4,107	4,122	4,136
1.5"			409	410	412	413	415	416	418	419	421	422	424
2"			307	308	309	310	311	312	314	315	316	317	318
Growth rate				0.35%	0.35%	0.35%	0.37%	0.37%	0.37%	0.37%	0.37%	0.35%	0.35%
<b>Service Charge</b>													
5/8"			\$7.60	\$8.78	\$9.39	\$9.39	\$9.72	\$10.21	\$10.56	\$10.88	\$11.21	\$11.43	\$11.60
3/4"			\$7.60	\$8.78	\$9.39	\$9.39	\$9.72	\$10.21	\$10.56	\$10.88	\$11.21	\$11.43	\$11.60
1"			\$12.69	\$14.66	\$15.68	\$15.68	\$16.23	\$17.04	\$17.64	\$18.17	\$18.71	\$19.09	\$19.37
1.5"			\$25.30	\$29.22	\$31.27	\$31.27	\$32.36	\$33.98	\$35.17	\$36.22	\$37.31	\$38.06	\$38.63
2"			\$40.50	\$46.78	\$50.05	\$50.05	\$51.80	\$54.39	\$56.30	\$57.99	\$59.73	\$60.92	\$61.83
Rate increase				15.50%	7.00%	0.00%	3.50%	5.00%	3.50%	3.00%	3.00%	2.00%	1.50%
<b>CIP Charge</b>													
5/8"			\$3.25	\$3.75	\$4.02	\$4.02	\$4.16	\$4.36	\$4.52	\$4.65	\$4.79	\$4.89	\$4.96
3/4"			\$4.88	\$5.64	\$6.03	\$6.03	\$6.24	\$6.55	\$6.78	\$6.99	\$7.20	\$7.34	\$7.45
1"			\$8.13	\$9.39	\$10.05	\$10.05	\$10.40	\$10.92	\$11.30	\$11.64	\$11.99	\$12.23	\$12.41
1.5"			\$16.25	\$18.77	\$20.08	\$20.08	\$20.79	\$21.82	\$22.59	\$23.27	\$23.96	\$24.44	\$24.81
2"			\$26.00	\$30.03	\$32.13	\$32.13	\$33.26	\$34.92	\$36.14	\$37.23	\$38.34	\$39.11	\$39.70
Rate increase				15.50%	7.00%	0.00%	3.50%	5.00%	3.50%	3.00%	3.00%	2.00%	1.50%
<b>Consumption (CCF)</b>													
5/8"			1,669,347	1,675,139	1,680,951	1,686,783	1,693,024	1,699,288	1,705,575	1,711,886	1,718,220	1,724,234	1,730,268
3/4"			501,564	503,304	505,050	506,803	508,678	510,560	512,449	514,345	516,248	518,055	519,868
1"			187,928	188,580	189,234	189,891	190,593	191,299	192,006	192,717	193,430	194,107	194,786
1.5"			83,287	83,576	83,866	84,157	84,468	84,781	85,095	85,409	85,725	86,025	86,326
2"			77,438	77,707	77,976	78,247	78,536	78,827	79,119	79,411	79,705	79,984	80,264
Growth rate				0.35%	0.35%	0.35%	0.37%	0.37%	0.37%	0.37%	0.37%	0.35%	0.35%
<b>Consumption Charge</b>													
1.0 - 4.0 CCF Rate			\$0.29	\$0.33	\$0.36	\$0.36	\$0.37	\$0.39	\$0.40	\$0.42	\$0.43	\$0.44	\$0.44
4.1-18.0 CCF Rate			\$0.69	\$0.80	\$0.85	\$0.85	\$0.88	\$0.93	\$0.96	\$0.99	\$1.02	\$1.04	\$1.05
18.1 + CCF Rate			\$1.15	\$1.33	\$1.42	\$1.42	\$1.47	\$1.54	\$1.60	\$1.65	\$1.70	\$1.73	\$1.76
Growth rate				15.50%	7.00%	0.00%	3.50%	5.00%	3.50%	3.00%	3.00%	2.00%	1.50%
<b>Service Charge Revenue</b>			1,150,100	1,332,974	1,431,230	1,436,196	1,491,933	1,572,294	1,633,312	1,688,502	1,745,556	1,786,673	1,819,793
<b>CIP Charge Revenue</b>			575,744	667,291	716,479	718,964	746,866	787,095	817,641	845,270	873,831	894,414	910,994
<b>1.0 - 4.0 CCF</b>			164,047	190,132	204,147	204,855	212,805	224,268	232,971	240,843	248,982	254,846	259,570
<b>4.1-18.0 CCF</b>			1,366,117	1,583,340	1,700,051	1,705,950	1,772,155	1,867,610	1,940,089	2,005,645	2,073,416	2,122,255	2,161,596
<b>18.1 + CCF</b>			206,081	238,850	256,456	257,345	267,343	281,754	292,700	302,603	312,840	320,218	326,163
<b>Average Monthly Residential Service Charge (15 CCF)</b>			<b>\$19.60</b>	<b>\$22.64</b>	<b>\$24.22</b>	<b>\$24.22</b>	<b>\$25.07</b>	<b>\$26.32</b>	<b>\$27.25</b>	<b>\$28.06</b>	<b>\$28.90</b>	<b>\$29.48</b>	<b>\$29.92</b>

Fire Protection Services	Actual		Budgeted		Fiscal Year Ending August 31								
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Number of Bills Sent</b>													
4"			314	315	316	317	318	320	321	322	323	324	325
6"			1,322	1,327	1,331	1,336	1,341	1,346	1,351	1,356	1,361	1,365	1,370
8"			1,165	1,169	1,173	1,177	1,181	1,186	1,190	1,195	1,199	1,203	1,207
10"			249	250	251	252	253	253	254	255	256	257	258
Rate increase				0.35%	0.35%	0.35%	0.37%	0.37%	0.37%	0.37%	0.37%	0.35%	0.35%
<b>Service Charge</b>													
4"			\$138.36	\$159.81	\$170.99	\$170.99	\$176.98	\$185.83	\$192.33	\$198.10	\$204.04	\$208.12	\$211.25
6"			\$276.64	\$319.52	\$341.89	\$341.89	\$353.85	\$371.54	\$384.55	\$396.08	\$407.97	\$416.13	\$422.37
8"			\$442.64	\$511.25	\$547.04	\$547.04	\$566.18	\$594.49	\$615.30	\$633.76	\$652.77	\$665.83	\$675.81
10"			\$636.36	\$735.00	\$786.45	\$786.45	\$813.97	\$854.67	\$884.58	\$911.12	\$938.45	\$957.22	\$971.58
Rate increase				15.50%	7.00%	0.00%	3.50%	5.00%	3.50%	3.00%	3.00%	2.00%	1.50%
<b>CIP Charge</b>													
4"			-	-	-	-	-	-	-	-	-	-	-
6"			-	-	-	-	-	-	-	-	-	-	-
8"			-	-	-	-	-	-	-	-	-	-	-
10"			-	-	-	-	-	-	-	-	-	-	-
Rate increase				15.50%	7.00%	0.00%	3.50%	5.00%	3.50%	3.00%	3.00%	2.00%	1.50%
<b>Consumption (CCF)</b>													
4"			16	16	16	16	16	16	16	16	16	17	17
6"			113	113	114	114	115	115	115	116	116	117	117
8"			204	205	205	206	207	208	208	209	210	211	211
10"			356	357	358	360	361	362	364	365	366	368	369
Growth rate				0.35%	0.35%	0.35%	0.37%	0.37%	0.37%	0.37%	0.37%	0.35%	0.35%
<b>Consumption Charge</b>													
1.0 - 4.0 CCF Rate			\$0.29	\$0.33	\$0.36	\$0.36	\$0.37	\$0.39	\$0.40	\$0.42	\$0.43	\$0.44	\$0.44
4.1-18.0 CCF Rate			\$0.69	\$0.80	\$0.85	\$0.85	\$0.88	\$0.93	\$0.96	\$0.99	\$1.02	\$1.04	\$1.05
18.1 + CCF Rate			\$1.15	\$1.33	\$1.42	\$1.42	\$1.47	\$1.54	\$1.60	\$1.65	\$1.70	\$1.73	\$1.76
Growth rate				15.50%	7.00%	0.00%	3.50%	5.00%	3.50%	3.00%	3.00%	2.00%	1.50%
<b>Service Charge Revenue</b>			1,083,292	1,255,544	1,348,093	1,352,770	1,405,269	1,480,962	1,538,436	1,590,420	1,644,160	1,682,888	1,714,084
<b>CIP Charge Revenue</b>			-	-	-	-	-	-	-	-	-	-	-
<b>1.0 - 4.0 CCF</b>			200	232	249	250	259	273	284	293	303	310	316
<b>4.1-18.0 CCF</b>			-	-	-	-	-	-	-	-	-	-	-
<b>18.1 + CCF</b>			-	-	-	-	-	-	-	-	-	-	-
Less: Billing Adjustments			(795,698)	(659,724)	(708,354)	(710,811)	(738,401)	(778,178)	(808,382)	(835,702)	(863,945)	(884,298)	(900,694)
<b>Total Water Sales Revenue</b>			-	-	-	-	-	-	-	-	-	-	-
<b>Water RTS Charge</b>			2,684,419	3,111,261	3,340,599	3,352,189	3,482,283	3,669,851	3,812,273	3,941,090	4,074,259	4,170,228	4,247,533
<b>CIP Charge</b>			800,560	927,855	996,249	999,706	1,038,503	1,094,440	1,136,914	1,175,330	1,215,045	1,243,665	1,266,719
<b>Water Sales-Consumption Charge</b>			2,839,629	3,291,151	3,533,749	3,546,010	3,683,668	3,882,130	4,032,837	4,169,156	4,310,083	4,411,644	4,493,463
<b>Total Water Sales Revenue</b>	5,933,890	4,951,205	5,528,910	6,670,542	7,162,244	7,187,093	7,466,053	7,868,243	8,173,641	8,449,874	8,735,442	8,941,238	9,107,020

Source of Water Supply	Actual		Budgeted		Fiscal Year Ending August 31								
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Source of Supply</b>													
Projected Total Demand AFY			8,719	8,721	8,752	8,782	8,815	8,847	8,880	8,913	8,946	8,977	9,008
Groundwater			6,332	6,332	6,332	6,332	6,332	6,332	6,332	6,332	6,332	6,332	6,332
<i>Growth rate</i>				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Groundwater Replenishment			1,631	1,634	1,664	1,694	1,727	1,759	1,792	1,825	1,858	1,889	1,921
<i>Growth rate</i>				0.1%	1.9%	1.8%	1.9%	1.9%	1.9%	1.8%	1.8%	6.0%	6.0%
CIC			256	256	256	256	256	256	256	256	256	256	256
<i>Growth rate</i>				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Leased Water Rights			500	500	500	500	500	500	500	500	500	500	500
<i>Growth rate</i>				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
MWD			-	-	-	-	-	-	-	-	-	-	-
<i>Growth rate</i>													
<b>Cost of Supply</b>			-	0	0	0	0	0	0	0	0	0	0
Administrative Assessment			\$16.76	\$16.76	\$16.76	\$16.76	\$16.76	\$16.76	\$16.76	\$16.76	\$16.76	\$16.76	\$16.76
<i>Rate increase</i>				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
In-Lieu Water Assessment			\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<i>Rate increase</i>				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Replenishment Water Assessment			\$512.00	\$660.00	\$685.00	\$713.00	\$754.00	\$795.00	\$838.00	\$888.00	\$937.00	\$937.00	\$937.00
<i>Rate increase</i>				0.0%	28.9%	3.8%	4.1%	5.8%	5.4%	6.0%	5.5%	0.0%	0.0%
<b>Total Cost</b>			\$2,199,242	\$2,129,162	\$1,380,092	\$1,693,254	\$1,766,695	\$1,848,232	\$1,961,669	\$2,077,866	\$2,201,373	\$2,343,901	\$2,487,495