

SAN JUAN WATER DISTRICT

Wholesale Financial Plan and
Water Rate Study

August 20, 2007



THE REED GROUP, INC.

TABLE OF CONTENTS

TABLE OF CONTENTS2

I. EXECUTIVE SUMMARY1

INTRODUCTION1

FINANCIAL PLAN RECOMMENDATIONS2

WHOLESALE WATER RATE RECOMMENDATIONS3

WHOLESALE CAPITAL FACILITIES FEE RECOMMENDATIONS5

II. MULTI-YEAR FINANCIAL PLAN.....6

FINANCIAL PLAN ASSUMPTIONS8

CAPITAL IMPROVEMENT PROGRAM12

DEBT OBLIGATIONS AND ASSUMPTIONS16

FINANCIAL PLAN RESULTS17

III. WHOLESALE WATER RATES.....19

WHOLESALE WATER RATE SCHEDULES22

IV. WHOLESALE CAPITAL FACILITIES FEES24

CAPITAL FACILITIES FEE AUTHORITY AND METHODOLOGY24

CAPITAL FACILITIES FEE CALCULATION25

ADMINISTRATION AND UPDATES27

APPENDIX A – GOVERNMENT CODE SECTIONS 66013, 66016, 66022, AND 66023.....28

I. EXECUTIVE SUMMARY

INTRODUCTION

In the fall of 2006, the San Juan Water District (District) contracted with The Reed Group, Inc. to update the District's wholesale financial plan and water rates. The overall purpose of the study was to (1) prepare a ten-year financial plan incorporating the *Wholesale Master Plan*¹ and related capital improvement plan, (2) perform analyses necessary to determine annual water rate revenue needs and to analyze the cost of providing water service to San Juan family member agencies, (3) prepare water rate schedules that reflect the revenue needs of the wholesale water system, and (4) develop recommendations for wholesale capital facilities fees.

A wholesale financial plan and water rates were last formally reviewed in 2003. At that time, the Regional Water Authority had been awarded a \$22 million grant under proposition 13. The San Juan Water District received the largest component of that grant for improvements to the Peterson Water Treatment Plant (Peterson WTP). In 2003, the District also issued certificates of participation (COPs) for other water system improvements and to restructure existing debt. In 2006 the District was nearing completion of the wholesale master plan that was prepared as a follow-up to the Water Forum and Regional Water Master Plan. Based on the wholesale master plan recommendations, District staff prepared a 10-year wholesale capital improvement plan. The financial plan developed during this study was used to assist the District is developing a financing strategy for proposed projects. The capital improvement plan was also revised based on financial constraints in an overall effort to minimize wholesale water rate increases and to limit the need for additional long-term debt.

The focus of this wholesale financial plan and water rate study is primarily on the District's wholesale water system capital improvement needs. The wholesale capital improvement plan includes about \$47 million in capital improvements planned through 2020, with about \$32.5 million planned over the next five years. In addition, wholesale water rates were updated using the same cost of service methodology as previously developed for the District. Finally, the District is considering adopting new wholesale capital facilities fees that could be implemented across the wholesale service area. Recommendations for wholesale connection fees are also contained in this report.

This report summarizes the analyses, deliberations, decisions, and recommendations of the wholesale financial plan and water rate study. It includes a financial strategy for financing the capital improvement program and identifies how wholesale water rates will need to be adjusted to cover ongoing operations and accomplish capital program objectives. The recommendations

¹ *San Juan Water District Wholesale Master Plan – Phase 2*, prepared by Black & Veatch Corporation, December 2006.

contained herein reflect changes to the timing of capital projects that resulted from deliberations on the financial plan, financial requirements, and impacts on water rates.

FINANCIAL PLAN RECOMMENDATIONS

The wholesale financial plan covers a ten-year planning period from FY 06-07 through FY 15-16. The plan reflects the estimated operation and maintenance costs, debt service obligations, and capital improvement program needs of the wholesale water system.

In order to implement the projects identified in the wholesale capital improvement plan the District will like need to issue additional Certificates of Participation (COPs) in upcoming years. Two separate issues are contemplated, as shown below, with the balance of the program to be funded from available capital reserves, property taxes, capital facilities fees, and a portion of water rate revenues. The estimated size and timing of future debt issues include:

- FY 07-08 \$11,300,000
- FY 11-12 \$9,350,000

The first COP issue is necessary to finance certain raw water transmission and treatment improvements that can't be financed with existing revenues and reserves. The second issue is intended to finance additional treatment improvements that will help expand the capacity of the treatment plant.

It may be possible to combine the debt issues for the wholesale water system with debt issues needed for the District's retail water system. As the time approaches to issue new COPs the District should consider whether it would be advantageous to consolidate debt issues together. Larger debt issues are more economical than smaller issues due to the costs of issuance. Proceeds from the issuance of COPs normally need to be expended within 2 or 3 years, therefore the timing of projects may necessitate separate issues.

Annual water rate increases will be required to support the wholesale water system's ongoing operations, debt service obligations, and capital improvement program. During the 10-year planning period, it is recommended that the District establish and gradually increase an annual transfer from the wholesale operating fund to the wholesale capital fund in order to support an expanded pay-as-you-go capital improvement program. Historically, the District has relied upon property tax revenues and long-term debt to finance projects. With significant ongoing capital replacement and upgrades needs, it is more cost effective to have more of a pay-as-you-go capital improvement program.

In recent years, due to the State's financial condition, property tax revenues have become less dependable. As a result, it is prudent to build a capital replacement component into the rate base. The financial plan includes an annual transfer from the wholesale operating fund to the wholesale capital fund of \$100,000 in FY 07-08 with increases to \$500,000 per year by FY 11-12 and is then held at that level for the remainder of the ten-year planning period.

Historically, the District has implemented new wholesale water rates at the beginning of each calendar year. In order to support the wholesale water system's financial needs and obligations

the overall annual water rate increases listed below are estimated to be necessary. The change in the rates for each family member agency differs as a result of the cost allocation procedures used for operating, debt service, and capital program costs.

- January 2008 16%
- January 2009 16%
- January 2010 9%
- January 2011 9%
- January 2012 9%

Specific rate schedules for the next five years are presented below. The District should update the financial plan within the next five years. Details of the financial plan are included in Section II of this report.

WHOLESALE WATER RATE RECOMMENDATIONS

Exhibit I-1 presents the recommended wholesale water rate schedules for each family member agency for 2008. The proposed water rates follow the same basic structure as the current wholesale water rates, and include an annual service charge, a uniform commodity rate applied to actual water deliveries, and both general benefit and direct benefit debt service charges. The direct benefit debt service charges only apply to specific family member agencies for specific improvements that have direct benefits.

The changes to the water rates for each family member agency vary due to the characteristics of each family member in terms of overall annual water demand, peak water demand, and number of retail customers. In particular, the rates for the San Juan Water District's retail service area (San Juan RSA) are higher than other family member agencies because some pumping facilities needed specifically to service the retail service area are included as wholesale water system facilities since they are part of the wholesale transmission system. The District is considering segregating these facilities from the wholesale water system and including costs to operating, maintain, and replace those facilities as direct retail water system costs. With that change, the wholesale water rate for the San Juan RSA would be reduced (and the San Juan RSA direct costs increased).

Details of the water rate and cost of service analyses are presented in Section III of this report.

**Exhibit I-1
San Juan Water District
Recommended Wholesale Water Rate for 2008**

	Allocation of Annual Revenue Requirement	Projected Water Deliveries (AF)	Wholesale Water Rates					Effective Water Rate (2) (\$/AF)	Direct Bene. Debt Pmts. (3)	
			Uniform Commodity Rate (\$/AF)	Estimated Commodity Charges (\$)	Annual Service Charge (\$/yr)	2003 COP Debt Service Charge (1) (\$/Yr)	2007 COP Debt Service Charge (1) (\$/Yr)		2003 COPs (1993 COP Refunding)	2003 COPs (San Juan Project)
San Juan Family Agencies										
San Juan WD - RSA	\$ 2,311,269	15,845	\$ 102.85	\$ 1,629,626	\$ 237,742	\$ 213,822	\$ 230,079	\$ 145.87	\$ 282,602	\$ 284,856
Citrus Heights WD	\$ 2,155,694	19,080	\$ 69.38	\$ 1,323,814	\$ 297,343	\$ 257,480	\$ 277,057	\$ 112.98	\$ -	\$ -
Fair Oaks WD	\$ 1,319,941	11,454	\$ 69.38	\$ 794,675	\$ 204,388	\$ 154,563	\$ 166,315	\$ 115.24	\$ 227,658	\$ -
Orange Vale WC	\$ 427,942	3,707	\$ 69.38	\$ 257,202	\$ 66,885	\$ 50,025	\$ 53,829	\$ 115.44	\$ 100,903	\$ -
City of Folsom	\$ 303,637	1,748	\$ 130.61	\$ 228,304	\$ 26,360	\$ 23,589	\$ 25,383	\$ 173.70	\$ -	\$ 94,952
	\$ 6,518,483	51,833		\$ 4,233,622	\$ 832,719	\$ 699,480	\$ 752,662		\$ 611,163	\$ 379,808

Notes:

- (1) Excludes the "direct benefit" portion of debt service related to the portion of 2003 COPs used to refund the 1993 COPs and the the "San Juan" Project.
- (2) Effective water rate is the allocated revenue requirement divided by the estimated deliveries for each agency. It is provided for information and comparative purposes.

WHOLESALE CAPITAL FACILITIES FEE RECOMMENDATIONS

To date, the District has not had capital facilities fees related to treatment and transmission facilities of the wholesale water system. This was partially due to the fact that existing facilities have been financed in large part by property taxes, including general obligation bonds secured by property taxes used specifically to finance past treatment improvements. The District recently retired the general obligation debt used to finance past treatment improvements and new improvements are being financed with debt secured by water rates rather than property taxes. With a reduction in property tax revenue (due to the retirement of debt) other financing mechanisms may be warranted to help offset costs that would otherwise be borne by water rates.

The proposed capital facilities fees reflect the existing investment in the wholesale water system. Under this methodology the proposed wholesale capital facilities fees are rather modest. However, the fee amount should increase over time as new improvements to the wholesale water system are financed differently than past improvements. **Exhibit I-2** summarizes the proposed wholesale capital facilities fee schedule. It is proposed that wholesale capital facilities fees be based on the meter size of new retail water service connections made within the District's wholesale service area. The District should coordinate with family member agencies regarding the collection of the fees. It may be advantageous for each family member agency to collect the District's wholesale capital facilities fee at the same time that they collection their own connection fees (related to water distribution).

It is recommended that the District adjust the capital facilities fees annually for inflation and perform a more comprehensive review and update at least every three to five years. Details of the capital facilities fee calculations are included in Section IV of this report.

Exhibit I-2
San Juan Water District
Proposed Wholesale Capital Facilities Fees

Capital Facilities Fees		
3/4" meter	\$	312
1" meter	\$	520
1 1/2" meter	\$	1,040
2" meter	\$	1,664
3" meter	\$	3,328
4" meter	\$	5,200
6" meter	\$	13,000
8" meter	\$	18,720
10" meter	\$	30,160
12" meter	\$	44,720

II. MULTI-YEAR FINANCIAL PLAN

The development of wholesale water rates and financial strategy recommendations involved updating the multi-year financial planning and water rate model previously developed for the District. The model is based on the District's accounting and budget structure and includes operating, debt service, and capital program funds and reserves.

The financial planning/water rate model is intended to serve as a planning and management tool. The model enabled the District to take a ten-year look at the District's wholesale financial needs. The model reflects assumptions and information available during the study process. While assumptions are believed to be reasonable actual costs, timing of capital program expenditures, actual size and structure of new debt, and other factors could significantly impact the estimates contained herein. It is recommended that the District update the financial planning/water rate model on an annual basis or when any significant development alters the District's financial strategy.

The financial planning/water rate model is a cash-flow model. As such, it differs from the financial accounting income statements and balance sheets. It models the sources and uses of money into and out of the various wholesale funds. An understanding of the fund structure and cash flows within the wholesale system is important in understanding the financial plan exhibits that model the flow of funds through each fund from one year to the next. The financial planning model includes the following three funds:

- **Wholesale Operating Fund** - The operating fund is the primary fund of the wholesale water system. Most wholesale revenues, including water rates and miscellaneous revenues flow into the operating fund. All operating and maintenance costs are paid out of the operating fund. Interest accrues to the fund based on the beginning-of-year cash balance within the fund. The District maintains two specific reserves within the operating fund. These include:
 - **Operating Reserve** - The District maintains an operating reserve equal to 20 percent of annual operating and maintenance expenditures. The purpose of the operating reserve is to provide sufficient funds for continued operation in the event of unplanned operating and maintenance expenditures or irregular working capital needs. For FY 06-07 the operating reserve was about \$1,084,000.
 - **Rate Stabilization Reserve** - The District also maintains a \$1 million rate stabilization reserve. The rate stabilization reserve provides a buffer against variable revenues that may result from abnormal (e.g., drought) fluctuations in water demand. The reserve could also be used as a tool to mitigate unexpected (and unacceptably high) water rate increases due to changing circumstances.

Any fund balance in excess of the two reserves described above is shown in the model as uncommitted fund balance. The uncommitted fund balance is available for general purposes and used to offset rate increases.

- ***Non-Operating (Debt Service) Fund*** – The non-operating fund is used as the mechanism for tracking debt service obligations as well as payments made by family member agencies in support of debt service payments. The District recently retired general obligation debt secured by property taxes, so those revenues and expenses are not longer reflected in the model. In 2003, the District restructured its other existing debt (1993 COPs) and obtained additional funds for planned capital improvements. Payments from each member agency related to this debt re reflected in the non-operating fund.
 - ***Debt Service Reserve*** – Debt service reserves associated with the current debt issue are reflected in the financial planning model. These reserves are required to provide security in making debt service payments. The debt service reserve for any future debt issue is also reflected in future years. Interest earned on the reserves is applied against annual debt service payments, and the reserves can be applied against the final year of debt service.
- ***Wholesale Capital Program Fund*** – The capital program fund is used as the mechanism for tracking capital expenditures and related funding sources. The District applies a portion of property tax revenues (the 1 percent increment taxes) to the capital program. Debt proceeds and interest earnings are also reflected in the capital fund. In addition, revenues from the proposed wholesale capital facilities fees would accrue to the capital fund. Annual capital improvement plan expenditures are also reflected in the model within the capital fund, although details of the capital improvement program are also included elsewhere.
 - ***Remaining Grant/Loan/Debt Proceeds*** – The capital program fund includes a separate reserve to show any remaining grant, loan, or debt proceeds remaining to be expended. This aspect of the financial plan model was included to show that these funds are utilized in a timely manner within the model.
 - ***Hinkle Reservoir Sinking Fund Reserve*** – The District maintains a sinking fund for the eventual replacement and upgrade of Hinkle Reservoir. The sinking fund has a current balance of about \$2,145,000. The District adds about \$50,000 annually to it and interest also accrues to the reserve.

Other capital funds are uncommitted to any particular project, and are generally available to support the capital improvement program. Because of the annual variability of annual capital program expenditures a sizeable balance may sometimes exist in the capital fund. The District is moving toward a strategy of pay-as-you-go financing for ongoing replacement and rehabilitation projects. Transfers

from the operating fund to the capital fund included in the financial planning model are intended to help the District achieve this objective.

FINANCIAL PLAN ASSUMPTIONS

The financial planning model reflects a number of assumptions. The model and future estimates were developed based on the District's FY 06-07 budget, the wholesale capital improvement plan, existing and estimated future debt service obligations, and other information provided by the District, as well as information supplied by family member agencies. While the model reflects a number of assumptions, it starts with the line-item level of detail contained in the District's budget and accounting system. Beyond FY 06-07, estimates of future operating costs are based on the inflationary adjustments, as well as some specific adjustments noted herein.

The multi-year view of the wholesale financial situation is valuable for planning and decision making purposes. However, the plan should be viewed as an indicator of future conditions, not as a precise forecast. Primary assumptions reflected in the planning model include:

A number of assumptions are included in the financial plan. The process used to develop the estimates contained in the financial plan involved estimating future revenues and expenditures based on growth projections, inflation and interest rates, current and future debt repayment obligations, wholesale water costs, and other information. The data and assumptions used in developing the financial plan were either obtained from, or reviewed by, District staff. It is important to recognize that the District does not have formal estimates of future operating and maintenance costs. The financial plan is based on the best available information; estimates of future operating costs are based on inflation and growth estimates.

Because the financial plan is highly dependent on the underlying assumptions, it is worth summarizing them.

- Inflation and Interest Rates – Operating costs are generally inflated each year based on a factor for general inflation. An annual inflation rate of 3.0 percent is used for operating and maintenance costs. A construction inflation factor of 5.0 percent per year is applied to estimated construction costs. Interest rates are assumed to 4.5 percent per year on beginning-of-year fund/reserve balances.
- Retail Customer Base and Water Deliveries – Wholesale water rate cost allocations are based on a combination of annual water deliveries, peak usage during summer months, and the number of retail service customers of each family member agency. Exhibit II-1 summarizes customer and water delivery projections for each family member agency, as provided by agency.

**Exhibit II-1
San Juan Water District
Summary of Wholesale Customer Allocation Factors**

	Absolute Values						Percentages					
	San Juan RSA	Citrus Heights WD	Fair Oaks WD	Orange Vale WC	City of Folsom	Total	San Juan RSA	Citrus Heights WD	Fair Oaks WD	Orange Vale WC	City of Folsom	Total
No. of Retail Customers												
2006	10,334	19,486	14,400	5,518	1,568	51,306	20.1%	38.0%	28.1%	10.8%	3.1%	100.0%
2007	10,605	19,750	14,540	5,568	1,576	52,039	20.4%	38.0%	27.9%	10.7%	3.0%	100.0%
2008	10,777	19,900	14,680	5,618	1,584	52,559	20.5%	37.9%	27.9%	10.7%	3.0%	100.0%
2009	10,952	20,050	14,820	5,668	1,592	53,082	20.6%	37.8%	27.9%	10.7%	3.0%	100.0%
2010	11,008	20,150	14,960	5,718	1,600	53,436	20.6%	37.7%	28.0%	10.7%	3.0%	100.0%
2011	11,064	20,250	15,100	5,768	1,608	53,790	20.6%	37.6%	28.1%	10.7%	3.0%	100.0%
2012	11,121	20,350	15,240	5,818	1,616	54,145	20.5%	37.6%	28.1%	10.7%	3.0%	100.0%
2013	11,178	20,450	15,380	5,868	1,624	54,500	20.5%	37.5%	28.2%	10.8%	3.0%	100.0%
2014	11,235	20,550	15,520	5,918	1,632	54,855	20.5%	37.5%	28.3%	10.8%	3.0%	100.0%
2015	11,292	20,650	15,660	5,968	1,640	55,210	20.5%	37.4%	28.4%	10.8%	3.0%	100.0%
2016	11,349	20,750	15,800	6,018	1,648	55,565	20.4%	37.3%	28.4%	10.8%	3.0%	100.0%
Annual Water Deliveries (Acre-Feet)												
2006	15,193	18,683	11,235	3,641	1,730	50,483	30.1%	37.0%	22.3%	7.2%	3.4%	100.0%
2007	15,592	18,936	11,344	3,674	1,739	51,286	30.4%	36.9%	22.1%	7.2%	3.4%	100.0%
2008	15,845	19,080	11,454	3,707	1,748	51,833	30.6%	36.8%	22.1%	7.2%	3.4%	100.0%
2009	16,102	19,224	11,563	3,740	1,757	52,386	30.7%	36.7%	22.1%	7.1%	3.4%	100.0%
2010	16,184	19,320	11,672	3,773	1,766	52,715	30.7%	36.6%	22.1%	7.2%	3.3%	100.0%
2011	16,267	19,416	11,781	3,806	1,775	53,044	30.7%	36.6%	22.2%	7.2%	3.3%	100.0%
2012	16,351	19,511	11,890	3,839	1,783	53,375	30.6%	36.6%	22.3%	7.2%	3.3%	100.0%
2013	16,434	19,607	12,000	3,872	1,792	53,706	30.6%	36.5%	22.3%	7.2%	3.3%	100.0%
2014	16,518	19,703	12,109	3,905	1,801	54,036	30.6%	36.5%	22.4%	7.2%	3.3%	100.0%
2015	16,602	19,799	12,218	3,938	1,810	54,367	30.5%	36.4%	22.5%	7.2%	3.3%	100.0%
2016	16,686	19,895	12,327	3,971	1,819	54,698	30.5%	36.4%	22.5%	7.3%	3.3%	100.0%
Base Capacity (MGD)												
2006	13.56	16.68	10.03	3.25	1.54	45.07	30.1%	37.0%	22.3%	7.2%	3.4%	100.0%
2007	13.92	16.91	10.13	3.28	1.55	45.78	30.4%	36.9%	22.1%	7.2%	3.4%	100.0%
2008	14.15	17.03	10.23	3.31	1.56	46.27	30.6%	36.8%	22.1%	7.2%	3.4%	100.0%
2009	14.38	17.16	10.32	3.34	1.57	46.77	30.7%	36.7%	22.1%	7.1%	3.4%	100.0%
2010	14.45	17.25	10.42	3.37	1.58	47.06	30.7%	36.6%	22.1%	7.2%	3.3%	100.0%
2011	14.52	17.33	10.52	3.40	1.58	47.35	30.7%	36.6%	22.2%	7.2%	3.3%	100.0%
2012	14.60	17.42	10.62	3.43	1.59	47.65	30.6%	36.6%	22.3%	7.2%	3.3%	100.0%
2013	14.67	17.50	10.71	3.46	1.60	47.95	30.6%	36.5%	22.3%	7.2%	3.3%	100.0%
2014	14.75	17.59	10.81	3.49	1.61	48.24	30.6%	36.5%	22.4%	7.2%	3.3%	100.0%
2015	14.82	17.68	10.91	3.52	1.62	48.54	30.5%	36.4%	22.5%	7.2%	3.3%	100.0%
2016	14.90	17.76	11.01	3.55	1.62	48.83	30.5%	36.4%	22.5%	7.3%	3.3%	100.0%
Peak Capacity (MGD)												
2006	29.11	30.10	20.17	7.06	2.77	89.20	32.6%	33.7%	22.6%	7.9%	3.1%	100.0%
2007	29.87	30.51	20.36	7.12	2.78	90.65	33.0%	33.7%	22.5%	7.9%	3.1%	100.0%
2008	30.35	30.74	20.56	7.19	2.80	91.64	33.1%	33.5%	22.4%	7.8%	3.1%	100.0%
2009	30.85	30.97	20.75	7.25	2.81	92.64	33.3%	33.4%	22.4%	7.8%	3.0%	100.0%
2010	31.00	31.13	20.95	7.32	2.83	93.22	33.3%	33.4%	22.5%	7.8%	3.0%	100.0%
2011	31.16	31.28	21.15	7.38	2.84	93.81	33.2%	33.3%	22.5%	7.9%	3.0%	100.0%
2012	31.32	31.44	21.34	7.44	2.85	94.40	33.2%	33.3%	22.6%	7.9%	3.0%	100.0%
2013	31.48	31.59	21.54	7.51	2.87	94.99	33.1%	33.3%	22.7%	7.9%	3.0%	100.0%
2014	31.64	31.75	21.73	7.57	2.88	95.58	33.1%	33.2%	22.7%	7.9%	3.0%	100.0%
2015	31.80	31.90	21.93	7.64	2.90	96.17	33.1%	33.2%	22.8%	7.9%	3.0%	100.0%
2016	31.96	32.05	22.13	7.70	2.91	96.75	33.0%	33.1%	22.9%	8.0%	3.0%	100.0%
Maximum Month to Average Month Ratio												
Peaking Factor	2.15	1.80	2.01	2.17	1.79	1.98						

- Cost of Water Supplies - The cost of water supplies depends on the mix of water from each of the District's water supply sources. **Exhibit II-2** summarizes estimated

water deliveries to each family member agency. For purposes of rate analyses, it has been assumed that deliveries to the Sacramento Suburban Water District would be curtailed in the future. This assumption, requested by District staff, is conservative from a financial standpoint. **Exhibit II-3** summarizes estimated water supply costs, including pumping from Folsom Reservoir, for each year of the planning period. The District’s water supplies include:

**Exhibit II-2
San Juan Water District
Wholesale Water Deliveries**

Year	Annual Water Deliveries										Total Water Deliveries
	San Juan Water District				Citrus Heights WD	Fair Oaks WD	Orange Vale WC	City of Folsom	Sacto. Suburb. WD	City of Roseville	
	Sacto. Co.	Placer Co.	Raw Water (1)	SJWD Total							
<i>Historical and Projected Water Deliveries</i>											
2000	3,588	10,698	324	14,610	19,564	14,018	4,422	1,324	15,124	16	69,078
2001	4,347	11,845	311	16,503	20,865	14,813	4,467	1,138	15,519	618	73,923
2002	4,462	12,899	469	17,829	17,618	11,456	4,377	1,149	16,933	-	69,361
2003	4,261	12,840	308	17,410	17,996	12,333	3,816	1,107	15,340	-	68,001
2004	4,379	13,562	426	18,367	19,775	13,629	4,165	1,415	15,471	64	72,885
2005	3,839	12,286	225	16,350	19,020	12,282	3,376	1,561	14,356	14	66,960
2006	4,098	11,095	275	15,468	18,683	11,235	3,641	1,730	14,410	2	65,169
2007	4,125	11,167	300	15,592	18,936	11,344	3,674	1,739	6,000	-	57,286
2008	4,150	11,395	300	15,845	19,080	11,454	3,707	1,748	-	-	51,833
2009	4,175	11,627	300	16,102	19,224	11,563	3,740	1,757	-	-	52,386
2010	4,200	11,684	300	16,184	19,320	11,672	3,773	1,766	-	-	52,715
2011	4,225	11,742	300	16,267	19,416	11,781	3,806	1,775	-	-	53,044
2012	4,250	11,801	300	16,351	19,511	11,890	3,839	1,783	-	-	53,375
2013	4,275	11,859	300	16,434	19,607	12,000	3,872	1,792	-	-	53,706
2014	4,300	11,918	300	16,518	19,703	12,109	3,905	1,801	-	-	54,036
2015	4,325	11,977	300	16,602	19,799	12,218	3,938	1,810	-	-	54,367
2016	4,350	12,036	300	16,686	19,895	12,327	3,971	1,819	-	-	54,698

Notes:

- (1) Untreated water provided to Granite Bay Golf Course via City of Roseville's raw water pipeline.
- (2) Water to Sacramento Suburban Water District is treated and wheeled by SJWD. The water is obtained by SSWD through a contract with PCWA.

- o Water Rights - The District holds pre-1914 water rights to 33,000 AF of water from the American river. This water is available to the District at no cost. The water can be used anywhere within the District’s wholesale service area boundary.
- o PCWA Contract - The District has a contract with the Placer County Water Agency (PCWA) for up to 25,000 AF of American river water. The PCWA contract includes take-or-pay provisions which require the District to pay for water whether it is actually used or not, or risk losing the contract entitlement.
- o USBR Contract - The District has contracts with the USBR for water supplies totaling 24,200 AF of American river water from Folsom Reservoir. The water is generally available to the District, but is subject to cutbacks during critically dry hydrologic periods.

**Exhibit II-3
San Juan Water District
Source of Water Supplies and Water Supply Costs**

	Annual Water Supply Sources and Related Costs						
	San Juan Water District					SSWD Pass-Thru Water	Total Treated at Peterson WTP (2)
	Water Rights	USBR Contract	PCWA Contract (1)	Temp. Sec. 215 Water	SJWD Total		
Projected Water Supply Availability (AF)							
2006	33,000	10,464	11,370	-	56,840	14,410	70,974
2007	33,000	9,110	11,467	-	55,584	6,000	61,284
2008	33,000	9,212	11,695	-	55,915	-	55,615
2009	33,000	9,554	11,927	-	56,490	-	56,190
2010	33,000	9,839	11,984	-	56,833	-	56,533
2011	33,000	10,124	12,042	-	57,177	-	56,877
2012	33,000	10,409	12,101	-	57,522	-	57,222
2013	33,000	10,694	12,159	-	57,867	-	57,567
2014	33,000	10,980	12,218	-	58,212	-	57,912
2015	33,000	11,265	12,277	-	58,557	-	58,257
2016	33,000	11,550	12,336	-	58,902	-	58,602
Projected Water Supply Availability (AF)							
	33,000	24,200	25,000		82,200		
Annual Water Supply Costs (including pumping into Peterson WTP)							
2006	\$ 33,330	\$ 382,240	\$ 511,954	\$ -	\$ 927,524	\$ 14,554	\$ 942,078
2007	\$ 34,330	\$ 355,664	\$ 548,727	\$ -	\$ 938,720	\$ 6,242	\$ 944,962
2008	\$ 45,593	\$ 373,283	\$ 572,371	\$ -	\$ 991,246	\$ -	\$ 991,246
2009	\$ 46,960	\$ 398,754	\$ 593,350	\$ -	\$ 1,039,064	\$ -	\$ 1,039,064
2010	\$ 48,369	\$ 422,973	\$ 612,119	\$ -	\$ 1,083,460	\$ -	\$ 1,083,460
2011	\$ 49,820	\$ 448,286	\$ 631,479	\$ -	\$ 1,129,585	\$ -	\$ 1,129,585
2012	\$ 51,315	\$ 474,740	\$ 651,477	\$ -	\$ 1,177,531	\$ -	\$ 1,177,531
2013	\$ 52,854	\$ 502,377	\$ 672,106	\$ -	\$ 1,227,338	\$ -	\$ 1,227,338
2014	\$ 54,440	\$ 531,246	\$ 693,387	\$ -	\$ 1,279,073	\$ -	\$ 1,279,073
2015	\$ 56,073	\$ 561,395	\$ 715,339	\$ -	\$ 1,332,807	\$ -	\$ 1,332,807
2016	\$ 57,755	\$ 592,874	\$ 737,985	\$ -	\$ 1,388,615	\$ -	\$ 1,388,615
	Water Rights	USBR Contract	USBR Restoration Charge	PCWA Contract	USBR Wheeling Charge	Pumping into WTP	Avg. Cost of SJWD Water
Unit Water Supply Costs (\$/AF)							
2006	\$ -	\$ 19.03	\$ 16.49	\$ 14.02	\$ 13.19	\$ 1.01	\$ 18.27
2007	\$ -	\$ 20.36	\$ 17.64	\$ 15.00	\$ 14.11	\$ 1.04	\$ 18.30
2008	\$ -	\$ 20.97	\$ 18.17	\$ 15.45	\$ 14.53	\$ 1.38	\$ 19.12
2009	\$ -	\$ 21.60	\$ 18.71	\$ 15.91	\$ 14.97	\$ 1.42	\$ 19.83
2010	\$ -	\$ 22.25	\$ 19.28	\$ 16.39	\$ 15.42	\$ 1.47	\$ 20.55
2011	\$ -	\$ 22.92	\$ 19.85	\$ 16.88	\$ 15.88	\$ 1.51	\$ 21.30
2012	\$ -	\$ 23.60	\$ 20.45	\$ 17.39	\$ 16.36	\$ 1.55	\$ 22.06
2013	\$ -	\$ 24.31	\$ 21.06	\$ 17.91	\$ 16.85	\$ 1.60	\$ 22.85
2014	\$ -	\$ 25.04	\$ 21.69	\$ 18.45	\$ 17.35	\$ 1.65	\$ 23.67
2015	\$ -	\$ 25.79	\$ 22.35	\$ 19.00	\$ 17.87	\$ 1.70	\$ 24.51
2016	\$ -	\$ 26.57	\$ 23.02	\$ 19.57	\$ 18.41	\$ 1.75	\$ 25.39

Water supply costs also include delta restoration charges for USBR contract water, wheeling charges for passing PCWA water through Folsom Reservoir, and pumping from Folsom Reservoir. Total supply cost assumptions are summarized in Exhibit II-3.

- Current Debt Obligations – The District’s wholesale debt obligations are limited to the 2003 COPs. General obligation bond debt supported by ad valorem taxes was retired in FY 04-05, and the 1993 COPs were refunded with the 2003 COPs. Annual debt service on the 2003 COPs total about \$1.75 million. The portion of debt service related to the 1993 COP refunding will be retired in FY 12-13, with the remaining debt being fully repaid in FY 32-33. Portions of the debt service are directly assigned to some family member agencies, while other portions are included in the wholesale rate calculations.
- Post-Retirement Health Costs – In compliance with GASB 45, the District plans to begin funding its projected post-retirement health costs beginning in FY 07-08. While still an estimate, the wholesale financial plan includes \$250,000 beginning in FY 07-08 (the wholesale portion these costs) in wholesale rate analyses.
- Property Tax Revenues – Consistent with prior financial plan analyses, 50 percent of property tax revenues received by the District is allocated to the wholesale water system. These revenues are included in the wholesale financial plan as revenue to the capital fund. The tax revenue is used to help fund the pay-as-you-go portion of the capital program.

Exhibit II-4 provides details of the revenues, expenditures, and transfers of the wholesale operating, non-operating, and capital funds. Details related to the capital improvement program and debt obligations are described below.

CAPITAL IMPROVEMENT PROGRAM

The financial plan and rate strategy are largely based on current estimates of the cost and timing of a number of planned capital improvement projects. **Exhibit II-5** summarizes the District’s wholesale capital improvement plan.

The capital improvement plan will be financed with a combination of property taxes, water rate revenues, existing capital reserves, grants, and long-term debt, as well as capital facilities fees if they are adopted by the District. As described in greater detail in the next sub-section, the District issued Certificates of Participation (COPs) in 2003 to finance a combination of wholesale and retail capital improvement projects. At the end of FY 06-07 about \$2.3 million in debt proceeds remained available for wholesale capital projects. Additional debt issues in FY 07-08 and FY 11-12 are anticipated to help finance planned capital improvements.

**Exhibit II-4
San Juan Water District
Wholesale Financial Plan Summary**

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
WHOLESALE OPERATIONS										
Beginning-of-Year Balance	\$ 2,709,870	\$ 3,029,144	\$ 2,173,844	\$ 1,537,244	\$ 1,482,344	\$ 1,873,144	\$ 2,162,644	\$ 2,485,844	\$ 2,862,644	\$ 3,287,044
Sources of Funds										
San Juan Water District - RSA	\$ 2,140,963	\$ 2,319,000	\$ 2,479,000	\$ 2,827,000	\$ 3,099,000	\$ 3,398,000	\$ 9,744,000	\$ 10,004,000	\$ 10,270,000	\$ 10,543,000
Citrus Heights Water District	\$ 1,777,014	\$ 2,107,000	\$ 2,294,000	\$ 2,582,000	\$ 2,815,000	\$ 3,104,000				
Fair Oaks Water District	\$ 1,208,492	\$ 1,323,000	\$ 1,406,000	\$ 1,588,000	\$ 1,738,000	\$ 1,922,000				
Orangevale Water Company	\$ 380,360	\$ 431,000	\$ 456,000	\$ 515,000	\$ 563,000	\$ 622,000				
City of Folsom	\$ 139,260	\$ 236,000	\$ 325,000	\$ 370,000	\$ 407,000	\$ 445,000				
Sacto. Suburban Water District	\$ 651,627	\$ -	\$ -	\$ -	\$ -	\$ -				
Other Water Sales	\$ 8,139	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
Interest Earnings on Oper. Funds	\$ 122,000	\$ 136,000	\$ 98,000	\$ 69,000	\$ 67,000	\$ 84,000	\$ 97,000	\$ 112,000	\$ 129,000	\$ 148,000
Other Oper. Revenues	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Total Sources of Funds	\$ 6,428,855	\$ 6,561,000	\$ 7,067,000	\$ 7,960,000	\$ 8,698,000	\$ 9,584,000	\$ 9,850,000	\$ 10,125,000	\$ 10,408,000	\$ 10,700,000
Uses of Funds										
Source of Supply	\$ 845,606	\$ 899,000	\$ 943,000	\$ 988,000	\$ 1,030,000	\$ 1,074,000	\$ 1,119,000	\$ 1,167,000	\$ 1,217,000	\$ 1,268,000
Water Forum	\$ 29,196	\$ 30,000	\$ 31,000	\$ 32,000	\$ 33,000	\$ 34,000	\$ 35,000	\$ 36,000	\$ 37,000	\$ 38,000
USBR Pumping/WAPA Energy	\$ 68,794	\$ 64,000	\$ 67,000	\$ 69,000	\$ 72,000	\$ 75,000	\$ 78,000	\$ 81,000	\$ 84,000	\$ 87,000
Energy Assessments/COTP	\$ 10,000	\$ 10,300	\$ 10,600	\$ 10,900	\$ 11,200	\$ 11,500	\$ 11,800	\$ 12,200	\$ 12,600	\$ 13,000
Pumping & Telemetry	\$ 154,791	\$ 159,000	\$ 164,000	\$ 169,000	\$ 174,000	\$ 179,000	\$ 184,000	\$ 190,000	\$ 196,000	\$ 202,000
Pumping Energy	\$ 450,000	\$ 468,000	\$ 487,000	\$ 505,000	\$ 524,000	\$ 543,000	\$ 563,000	\$ 584,000	\$ 605,000	\$ 627,000
Water Treatment	\$ 1,521,376	\$ 1,567,000	\$ 1,614,000	\$ 1,662,000	\$ 1,712,000	\$ 1,763,000	\$ 1,816,000	\$ 1,870,000	\$ 1,926,000	\$ 1,984,000
Chemicals, Energy, Materials	\$ 736,950	\$ 767,000	\$ 798,000	\$ 827,000	\$ 857,000	\$ 889,000	\$ 922,000	\$ 956,000	\$ 991,000	\$ 1,027,000
Transmission & Distribution	\$ 141,224	\$ 145,000	\$ 149,000	\$ 153,000	\$ 158,000	\$ 163,000	\$ 168,000	\$ 173,000	\$ 178,000	\$ 183,000
Cooperative Trans. Pipeline	\$ 20,408	\$ 21,000	\$ 22,000	\$ 23,000	\$ 24,000	\$ 25,000	\$ 26,000	\$ 27,000	\$ 28,000	\$ 29,000
Conservation	\$ 63,995	\$ 66,000	\$ 68,000	\$ 70,000	\$ 72,000	\$ 74,000	\$ 76,000	\$ 78,000	\$ 80,000	\$ 82,000
WEL Garden	\$ 25,535	\$ 26,000	\$ 27,000	\$ 28,000	\$ 29,000	\$ 30,000	\$ 31,000	\$ 32,000	\$ 33,000	\$ 34,000
Administrative & General	\$ 1,351,706	\$ 1,642,000	\$ 1,691,000	\$ 1,742,000	\$ 1,794,000	\$ 1,848,000	\$ 1,903,000	\$ 1,960,000	\$ 2,019,000	\$ 2,080,000
Transfer to Non-Op Fund (rate part of DS)	\$ 690,000	\$ 1,452,000	\$ 1,432,000	\$ 1,436,000	\$ 1,417,000	\$ 2,086,000	\$ 2,094,000	\$ 2,082,000	\$ 2,077,000	\$ 2,084,000
Transfer to Capital Fund	\$ -	\$ 100,000	\$ 200,000	\$ 300,000	\$ 400,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Total Uses of Funds	\$ 6,109,581	\$ 7,416,300	\$ 7,703,600	\$ 8,014,900	\$ 8,307,200	\$ 9,294,500	\$ 9,526,800	\$ 9,748,200	\$ 9,983,600	\$ 10,238,000
End-of-Year Balance	\$ 3,029,144	\$ 2,173,844	\$ 1,537,244	\$ 1,482,344	\$ 1,873,144	\$ 2,162,644	\$ 2,485,844	\$ 2,862,644	\$ 3,287,044	\$ 3,749,044
Operating Reserve (20%)	\$ 1,084,000	\$ 1,173,000	\$ 1,214,000	\$ 1,256,000	\$ 1,298,000	\$ 1,342,000	\$ 1,387,000	\$ 1,433,000	\$ 1,481,000	\$ 1,531,000
Rate Stabilization Reserve	\$ 1,000,000	\$ 500,000	\$ -	\$ 200,000	\$ 500,000	\$ 750,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Uncommitted Fund Balance	\$ 945,144	\$ 500,844	\$ 323,244	\$ 26,344	\$ 75,144	\$ 70,644	\$ 98,844	\$ 429,644	\$ 806,044	\$ 1,218,044

**Exhibit II-4 -- Continued
San Juan Water District
Wholesale Financial Plan Summary**

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
NON-OPERATING FUND (DEBT SERVICE)										
<i>Beginning-of-Year Balance</i>	\$ 1,745,910	\$ 1,745,910	\$ 2,525,910	\$ 2,525,910	\$ 3,208,910	\$ 3,208,910	\$ 3,208,910	\$ 2,578,910	\$ 2,578,910	\$ 2,578,910
Sources of Funds										
Interest on Non-Oper. Fund Reserves	\$ 79,000	\$ 79,000	\$ 114,000	\$ 114,000	\$ 144,000	\$ 144,000	\$ 144,000	\$ 116,000	\$ 116,000	\$ 116,000
Debt Proceeds for DS Reserve	\$ -	\$ 780,000	\$ -	\$ 683,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003 COP (1993 Refunding)										
San Juan Water District - RSA	\$ 280,721	\$ 282,602	\$ 278,466	\$ 279,334	\$ 275,317	\$ 278,124	\$ 168,089	\$ -	\$ -	\$ -
Fair Oaks Water District	\$ 226,143	\$ 227,658	\$ 224,326	\$ 225,026	\$ 221,790	\$ 224,051	\$ 135,409	\$ -	\$ -	\$ -
Orangevale Water Company	\$ 100,232	\$ 100,903	\$ 99,426	\$ 99,736	\$ 98,302	\$ 99,304	\$ 60,016	\$ -	\$ -	\$ -
2003 COP (San Juan Project)										
San Juan Water District - RSA	\$ 281,155	\$ 284,856	\$ 280,625	\$ 281,894	\$ 277,722	\$ 281,817	\$ 283,145	\$ 280,754	\$ 280,985	\$ 281,699
City of Folsom	\$ 93,718	\$ 94,952	\$ 93,542	\$ 93,965	\$ 92,574	\$ 93,939	\$ 94,382	\$ 93,585	\$ 93,662	\$ 93,900
Wholesale Water Rates	\$ 690,392	\$ 699,480	\$ 689,090	\$ 692,207	\$ 681,961	\$ 692,018	\$ 695,279	\$ 689,407	\$ 689,975	\$ 691,728
FY 07-08 COPs - Whls. Wtr. Rates	\$ -	\$ 752,662	\$ 742,837	\$ 743,900	\$ 734,596	\$ 744,029	\$ 746,959	\$ 741,956	\$ 739,992	\$ 742,961
FY 11-12 COPs - Whls. Wtr. Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650,429	\$ 651,909	\$ 650,286	\$ 647,374	\$ 649,375
Total Sources of Funds	\$ 1,751,363	\$ 3,302,113	\$ 2,522,313	\$ 3,213,063	\$ 2,526,263	\$ 3,207,713	\$ 2,979,188	\$ 2,571,988	\$ 2,567,988	\$ 2,575,663
Uses of Funds										
Debt Service Payments										
2003 COP (1993 Refunding)	\$ 635,775	\$ 630,925	\$ 630,725	\$ 632,600	\$ 631,400	\$ 629,750	\$ 1,034,800	\$ -	\$ -	\$ -
2003 COP (San Juan Project)	\$ 1,115,588	\$ 1,114,188	\$ 1,113,588	\$ 1,118,463	\$ 1,115,863	\$ 1,117,963	\$ 1,117,388	\$ 1,113,988	\$ 1,114,988	\$ 1,117,663
FY 07-08 COPs	\$ -	\$ 777,000	\$ 778,000	\$ 779,000	\$ 779,000	\$ 779,000	\$ 778,000	\$ 777,000	\$ 775,000	\$ 778,000
FY 09-10 COPs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 681,000	\$ 679,000	\$ 681,000	\$ 678,000	\$ 680,000
Total Uses of Funds	\$ 1,751,363	\$ 2,522,113	\$ 2,522,313	\$ 2,530,063	\$ 2,526,263	\$ 3,207,713	\$ 3,609,188	\$ 2,571,988	\$ 2,567,988	\$ 2,575,663
End-of-Year Balance	\$ 1,745,910	\$ 2,525,910	\$ 2,525,910	\$ 3,208,910	\$ 3,208,910	\$ 3,208,910	\$ 2,578,910	\$ 2,578,910	\$ 2,578,910	\$ 2,578,910
2003 Debt Service Reserve	\$ 1,745,910	\$ 1,745,910	\$ 1,745,910	\$ 1,745,910	\$ 1,745,910	\$ 1,745,910	\$ 1,115,910	\$ 1,115,910	\$ 1,115,910	\$ 1,115,910
FY 07-08 Debt Service Reserve	\$ -	\$ 780,000	\$ 780,000	\$ 780,000	\$ 780,000	\$ 780,000	\$ 780,000	\$ 780,000	\$ 780,000	\$ 780,000
FY 09-10 Debt Service Reserve	\$ -	\$ -	\$ -	\$ 683,000	\$ 683,000	\$ 683,000	\$ 683,000	\$ 683,000	\$ 683,000	\$ 683,000
Est. DS Coverage (min. = 1.15)	2.32	1.95	2.16	2.24	2.39	2.29	2.00	2.70	2.75	2.72
WHOLESALE CAPITAL PROGRAM FUND										
<i>Beginning-of-Year Balance</i>	\$ 13,347,791	\$ 14,184,000	\$ 18,307,000	\$ 9,532,000	\$ 5,476,000	\$ 4,170,000	\$ 4,269,000	\$ 5,316,000	\$ 6,517,000	\$ 3,050,000
Sources of Funds										
Property Taxes (50% of 1% Incr.)	\$ 700,000	\$ 721,000	\$ 743,000	\$ 765,000	\$ 788,000	\$ 812,000	\$ 836,000	\$ 861,000	\$ 887,000	\$ 914,000
Interest Earnings on Cap. Funds	\$ 601,000	\$ 638,000	\$ 824,000	\$ 429,000	\$ 246,000	\$ 188,000	\$ 192,000	\$ 239,000	\$ 293,000	\$ 137,000
Transfer from Operations	\$ -	\$ 100,000	\$ 200,000	\$ 300,000	\$ 400,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Wholesale Connection Fees	\$ -	\$ 333,000	\$ 351,000	\$ 250,000	\$ 262,000	\$ 276,000	\$ 290,000	\$ 305,000	\$ 320,000	\$ 336,000
Grant Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt/Loan Proceeds	\$ -	\$ 10,070,000	\$ -	\$ -	\$ -	\$ 8,297,000	\$ -	\$ -	\$ -	\$ -
Total Sources of Funds	\$ 1,301,000	\$ 11,862,000	\$ 2,118,000	\$ 1,744,000	\$ 1,696,000	\$ 10,073,000	\$ 1,818,000	\$ 1,905,000	\$ 2,000,000	\$ 1,887,000
Uses of Funds										
Financed Projects	\$ 350,000	\$ 4,410,000	\$ 7,944,000	\$ -	\$ -	\$ 8,315,000	\$ -	\$ -	\$ -	\$ -
Pay-As-You-Go Projects	\$ 115,000	\$ 3,329,000	\$ 2,949,000	\$ 5,800,000	\$ 3,002,000	\$ 1,659,000	\$ 771,000	\$ 704,000	\$ 5,467,000	\$ 776,000
Total Uses of Funds	\$ 465,000	\$ 7,739,000	\$ 10,893,000	\$ 5,800,000	\$ 3,002,000	\$ 9,974,000	\$ 771,000	\$ 704,000	\$ 5,467,000	\$ 776,000
End-of-Year Balance	\$ 14,183,791	\$ 18,307,000	\$ 9,532,000	\$ 5,476,000	\$ 4,170,000	\$ 4,269,000	\$ 5,316,000	\$ 6,517,000	\$ 3,050,000	\$ 4,161,000
Remaining Grant/Debt/Loan Proceeds	\$ 2,280,401	\$ 7,940,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hinkle Reservoir Sinking Fund	\$ 2,145,000	\$ 2,292,000	\$ 2,445,000	\$ 2,605,000	\$ 2,772,000	\$ 2,947,000	\$ 3,130,000	\$ 3,321,000	\$ 3,520,000	\$ 3,728,000
Other Capital Improv. Funds	\$ 9,758,390	\$ 8,074,599	\$ 7,087,000	\$ 2,871,000	\$ 1,398,000	\$ 1,322,000	\$ 2,186,000	\$ 3,196,000	\$ (470,000)	\$ 433,000

**Exhibit II-5
San Juan Water District
Ten-Year Wholesale Capital Improvement Program**

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	Fin?
Raw Water Supply											
New Folsom Reservoir "Bypass" Intake		\$ 500,000	\$ 500,000								N
Bypass USBR Pumping Plant								\$ -			N
Parallel USBR Raw Water Pipe (SJWD share)		\$ 550,000	\$ 5,005,000								Y
Existing USBR Pumping Plant Improv.	\$ -										N
Hydraulic Improvements											
54-Inch Raw Water Pipeline			\$ 2,200,000								Y
Raw Water Piping Rehab.				\$ 2,255,000							N
Repair Floc-Sedimentation Basin Concrete		\$ 330,000									N
Replace Tube Settlers and Launderers	\$ -	\$ 1,155,000									N
Sedimentation Basin Drain Line Improv.		\$ 165,000									N
New Settled Water Channel						\$ 2,800,000					Y
Treated Water Piping to Hinkle Res.						\$ 2,215,000					Y
Pre-Treatment											
Influent Valves and Flow Controllers			\$ 250,000								N
Rapid Mix Process Improvements						\$ 800,000					N
Replace Flocculators, Modify Basins					\$ 2,470,000						N
Replace Sludge Collection System			\$ 1,200,000								N
Settled Water Channel Joint Rpr. & Chaulk.			\$ -				\$ 25,000				N
Process Water Piping				\$ 150,000							N
Filters											
Backwash System VFDs	\$ 20,000										N
Rate of Flow Controllers			\$ 125,000								N
Filter Basin Leak Repair Plan		\$ 50,000									N
Filter Basin Leak Repair				\$ 2,500,000							N
Filter Gallery Piping						\$ 1,500,000					Y
Chemical Feed Systems											
Chlorine Containment	\$ 350,000	\$ 3,650,000									Y
Alum and Lime Tanks Secondary Contain.			\$ 75,000								N
Polymer System Improvements				\$ 30,000							N
Chemical Feed Vault Improvements			\$ -	\$ 50,000			\$ 50,000				N
Solids Handling Facilities											
Polymer Feed System Additions	\$ 75,000										N
Backup Progressive Cavity Sludge Feed Pump	\$ 10,000										N
Front End Loader and Dump Truck		\$ 120,000									N
Hinkle Reservoir											
Relocate CTP Connection								\$ 3,200,000			N
Bifurcate Reservoir; Construct 2nd Inlet/Outlet											N
Transmission Pipelines											
Fair Oaks 40" Transmission Pipeline		\$ -									N
Wholesale Meter Replac./Upgrades		\$ 400,000									N
Miscellaneous CIP Items											
Hydraulic Model of Wholesale Service Area		\$ 200,000									N
Portable Flow Meter	\$ 10,000										N
SCADA, Instrumentation			\$ 25,000								N
Control Building Roof				\$ 25,000							N
Storage Building Roof and Wall Repairs			\$ 500,000								N
Entrance Drive Improvements		\$ 250,000									N
Unspecified Rehab./Upgrade Projects						\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	N
Capital Improvement Program Totals	\$ 465,000	\$ 7,370,000	\$ 9,880,000	\$ 5,010,000	\$ 2,470,000	\$ 7,815,000	\$ 575,000	\$ 500,000	\$ 3,700,000	\$ 500,000	
Escalation to Future Dollars	\$ 465,000	\$ 7,739,000	\$ 10,893,000	\$ 5,800,000	\$ 3,002,000	\$ 9,974,000	\$ 771,000	\$ 704,000	\$ 5,467,000	\$ 776,000	
Financed with COPs/Loans/Grants, Etc.	\$ 350,000	\$ 4,410,000	\$ 7,944,000	\$ -	\$ -	\$ 8,315,000	\$ -	\$ -	\$ -	\$ -	
Pay-as-You-Go Financing	\$ 115,000	\$ 3,329,000	\$ 2,949,000	\$ 5,800,000	\$ 3,002,000	\$ 1,659,000	\$ 771,000	\$ 704,000	\$ 5,467,000	\$ 776,000	

Property tax revenues available to the wholesale water system are used to help finance capital projects. In addition, it is recommended that the District begin making annual transfers of a portion of wholesale water rate revenues from the operating fund to the capital fund to further support a pay-as-you-go capital program. Ongoing capital projects are more efficiently financed on a pay-as-you-go basis, which avoids financing costs. Debt financing should be limited to large, concentrated capital expenditures that are not easily absorbed with capital reserves and available revenues. At this time, however, rates do not significantly contribute to capital improvement needs, due to the fact that the District has primarily relied upon property taxes and debt financing. Part of the financial strategy contained herein is to establish and gradually increase financial support of the capital program from water rate revenues. Over the next five years, transfers from the operating fund to the capital fund are proposed to increase gradually from \$100,000 in FY 07-08 to \$500,000 in FY 11-12 and remain at that level for the remainder of the planning period.

DEBT OBLIGATIONS AND ASSUMPTIONS

In FY 04-05 the District made final payments on its General Obligation bond debt. In addition, the 1993 COPs were refunded with a portion of proceeds from the 2003 COPs. The only significant outstanding long-term debt of the District is the 2003 COPs

- 2003 COPs - The 2003 COPs provided funds for both wholesale and retail capital improvements. As a result, debt service payments are split between the retail water system and San Juan family members based on how projects funded with the COPs benefited each entity. The COPs provided funds for the retail water system's Bacon/Sierra pump station improvements, as well as for the Ashland/Crown Point pump station improvements. The retail water system is bearing the debt obligations associated with the Bacon/Sierra pump station improvements and 50 percent of the Ashland/Crown Point pump station improvements (the other 50 percent is paid by the City of Folsom). A significant portion of the COP proceeds were used for improvements to the Peterson WTP. The debt service associated with this debt is included as a component of wholesale water rates.

Additional long-term debt will be required to effectuate the projects identified in the capital improvement program during the ten-year planning period. **Exhibit II-6** summarizes the assumptions used for each of two future COP issues. The last column in Exhibit II-5, above, indicates which projects are assumed to be financing with new long-term debt. The timing, size, and use of each COP issue were derived as a result of this financial planning process. Working with staff, debt assumptions and the timing of projects were adjusted in an effort to efficiently implement of overall capital program while attempting to reduce the total amount of debt necessary and reducing the magnitude of water rate increases. The actual timing, size, and use of proceeds from new COP issues will be determined at the time the COPs are issued.

Exhibit II-6
San Juan Water District
Assumptions for New Wholesale Long-Term Debt

FY 07-08 Revenue Bonds or Certificates of Participation

Par Amount	\$ 11,300,000	\$ 10,070,000	Net Proceeds
Year Obtained	FY 07-08	\$ 778,000	Annual DS Payment
Interest Rate	5.5%	4.0%	Issuance Costs
Term (yrs)	30	Funded	DS Reserve

FY 11-12 Revenue Bonds or Certificates of Participation

Par Amount	\$ 9,350,000	\$ 8,297,000	Net Proceeds
Year Obtained	FY 09-10	\$ 679,000	Annual DS Payment
Interest Rate	6.0%	4.0%	Issuance Costs
Term (yrs)	30	Funded	DS Reserve

Both existing and future debt service payments of the wholesale water system are shown as expenditures from the non-operating.

Conceivably, debt issues for both the wholesale and retail water systems could be combined into a single issue. It is recommended that the District revisit both retail and wholesale capital improvement plans at the time it is preparing to issue additional long-term debt.

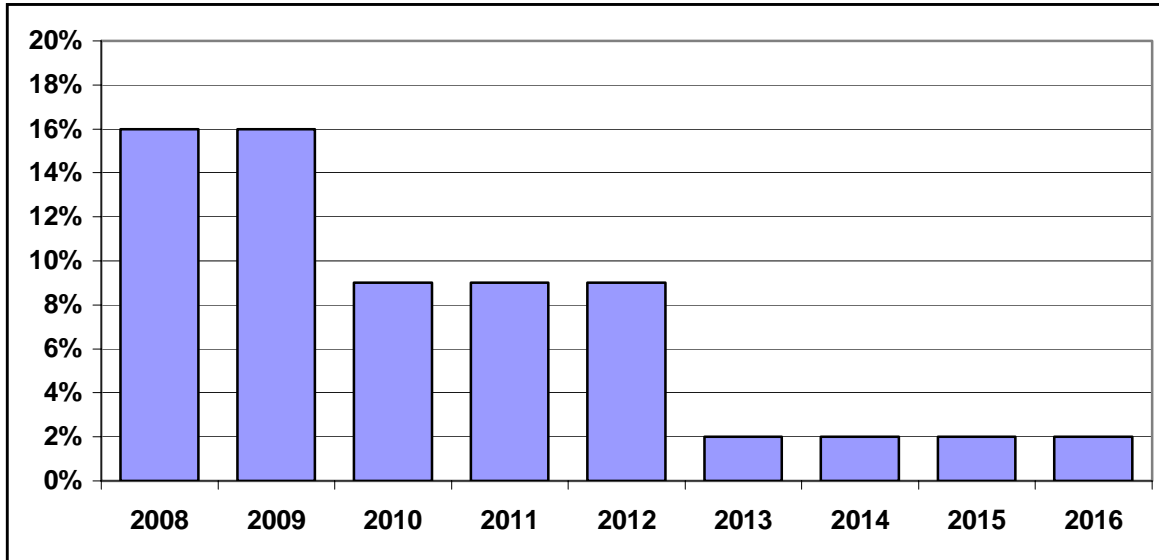
FINANCIAL PLAN RESULTS

The District's wholesale financial plan presented herein is intended to provide a financial strategy to meet operation and maintenance, capital improvement, and debt service needs and obligations with consideration for financial reserve policies and other revenue sources. In order to implement the capital improvement program while seeking to minimize required rate increases the District should plan to issue additional COPs as described in the previous pages. In doing so, the District can finance the largest (most costly) projects while at the same time shifting to a strategy of increasingly funding projects on a pay-as-you-go basis.

Annual water rate increases will be required to meet financial obligations. Historically, the District has increased wholesale water rates at the beginning of each calendar year. The financial plan presented assumes that that practice will continue.

Exhibit II-7 presents the projected *overall* increases in wholesale water rates estimated to be required during the ten-year financial planning period. Section III of this report presents rate calculations and a five-year rate plan. The District should consider adopting multi-year rates, but financial and rate needs should be revisited at least every five years, and also in conjunction with the issuance of new COPs.

Exhibit II-7
San Juan Water District
Estimated Overall Annual Wholesale Water Rate Increases



The proposed financial plan and strategy accomplish the following for the District's wholesale water system:

- Meets current and projected operating, maintenance and debt service obligations
- Maintain all funds and reserves at or above target minimum levels
- Provides for the implementation of the District's wholesale capital improvement plan as scheduled
- Shifts to an increasing pay-as-you-go capital improvement program
- Supports anticipated new debt issues to finance the largest capital improvement projects
- Smooths required rate increases over time (as much as possible).

III. WHOLESALE WATER RATES

The proposed wholesale water rates were calculated using the rate methodology developed by the District in 1998. The wholesale water rates include fixed annual service charges (including charges specifically related to certain debt obligations) plus a variable commodity rate that applies to each acre-foot (AF) of actual water deliveries. The process of calculating water rates includes three basic steps.

1. Annual water rate revenue requirements determination. The revenue requirement is the amount of revenue to be generated from water rates to cover operating, debt service, and capital program needs with consideration of other revenues and reserve levels. The financial planning model serves to determine the annual water rate revenue requirement.
2. Cost of service analysis and allocation of costs to each wholesale customer. The annual revenue requirement is allocated to each wholesale customer through cost of service analysis and a cost allocation process. Costs are allocated to each wholesale customer based on (1) expected annual water deliveries, (2) peak demand characteristics, and (3) number of retail customers served. In addition, costs that are specifically attributable to a single family member agency are directly assigned to those agencies.
3. Water rate design. The rate design process involves determining the fixed service charges and commodity rates that will generate the required revenues from each customer. The proposed wholesale water rates include a separate service charge for debt service related to the general benefit portion of debt service related to the 2003 COPs and planned future COPs. This is simply a mechanism for clearly identifying the impact of new debt service in the water rates.

The annual water rate revenue requirement for 2008 was determined to be about \$6.52 million. This includes the rate-portion of debt service related to the 2003 COPs and the planned FY 07-08 COP issue, but not the portion of the 2003 COPs that are assigned to individual family member agencies as direct-benefit debt service. As a basis for comparison, under the current wholesale water rates family member agencies would generate about \$5.68 million if the current water rates remained in effect during 2008. The overall increase in the water rates for 2008 is about 16 percent.

The cost of service analysis begins with the allocation of costs at the line-item level of detail in the District' wholesale operating budget. Other costs and revenues are also reflected in the analysis. **Exhibits III-1 and III-2** summarize some of the steps in the cost allocation process. The table at the top of Exhibit III-2 indicates the estimated annual water deliveries, peaking characteristics, and number of retail customers for each wholesale agency. This information is critical to the cost allocation process. The third table in Exhibit III-2 indicates how the total revenue requirement has been allocated to each family member agency.

**Exhibit III-1
San Juan Water District
Allocation of Wholesale Operations Revenue Requirements to Cost Components**

	Supply Cost (Variable)	Treatment Cost (Variable)	Treatment Costs (Fixed)	Trans. Cost (Fixed)	Customer Costs (Fixed)	Direct Assignment Costs					Shared Costs (Realloc.)	Total 2008
						San Juan RSA	CHWD	FOWD	OVWC	City of Folsom		
Operating Expenses												
Source of Supply	\$ 945,654	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 945,654
Water Forum	\$ 30,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,500
USBR Pumping/WAPA Energy	\$ 76,837	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,837
Energy Assessments/COTP	\$ 10,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,450
Pumping & Telemetry	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,546	\$ -	\$ -	\$ -	\$ 27,154	\$ -	\$ 161,700
Pumping Energy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 395,733	\$ -	\$ -	\$ -	\$ 79,867	\$ -	\$ 475,600
Water Treatment	\$ -	\$ 1,363,500	\$ 145,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,508,900
Chemicals, Energy, Materials	\$ -	\$ 644,500	\$ 82,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 726,500
Transmission & Distribution	\$ -	\$ -	\$ -	\$ 134,803	\$ -	\$ 604	\$ -	\$ 11,752	\$ 340	\$ -	\$ -	\$ 147,500
Cooperative Trans. Pipeline	\$ -	\$ -	\$ -	\$ 21,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,400
Conservation	\$ -	\$ -	\$ -	\$ -	\$ 66,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,900
WEL Garden	\$ -	\$ -	\$ -	\$ -	\$ 26,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,700
Administrative & General	\$ -	\$ -	\$ -	\$ -	\$ 52,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,610,400	\$ 1,662,700
Total Operating Expenses	\$ 1,063,441	\$ 2,008,000	\$ 227,400	\$ 156,203	\$ 145,900	\$ 530,883	\$ -	\$ 11,752	\$ 340	\$ 107,022	\$ 1,610,400	\$ 5,861,341
Transfer to Debt Service Fund	\$ -	\$ -	\$ 1,452,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,452,142
Transfer to Capital Fund	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Change in Operating Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (800,000)	\$ (800,000)
Miscellaneous Revenues	\$ (8,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (137,000)	\$ (145,000)
Reallocation of Shared Costs	\$ -	\$ 532,881	\$ 60,347	\$ 41,453	\$ 38,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (673,400)	\$ -
Revenue Requirement	\$ 1,055,441	\$ 2,540,881	\$ 1,889,889	\$ 197,656	\$ 184,619	\$ 530,883	\$ -	\$ 11,752	\$ 340	\$ 107,022	\$ -	\$ 6,518,483
% of Revenue Requirement	16.2%	39.0%	29.0%	3.0%	2.8%	8.1%	0.0%	0.2%	0.0%	1.6%	0.0%	

**Exhibit III-2
San Juan Water District
Wholesale Water Rate Cost Allocation Steps**

Wholesale Cost Allocation -- Units of Service (2008)

Wholesale Customers	Annual Water Use		Peak Month Water Use		No. of Customers (Accts.)
	Total (AF)	Avg. Rate (mgd)	Peak Factor (%)	Peak Rate (mgd)	
San Juan WD - RSA	15,845	14.15	215%	30.35	10,777
Citrus Heights WD	19,080	17.03	180%	30.74	19,900
Fair Oaks WD	11,454	10.23	201%	20.56	14,680
Orange Vale WC	3,707	3.31	217%	7.19	5,618
City of Folsom	1,748	1.56	179%	2.80	1,584
Total	51,833	46.27	198%	91.64	52,559

Wholesale Cost Allocation -- Units Costs of Service (2008)

	Total Cost	Supply (Variable)	Water Treatment (Variable) (Fixed)		Trans. (Fixed)	Customer (Fixed)	Direct Assign.
Units of Service		51,833 AF	51,833 AF	51,833 AF	91.64 mgd	52,559 Accts.	n/a
Source of Supply							
Total	\$ 1,063,441	\$ 1,063,441	\$ -	\$ -	\$ -	\$ -	\$ -
Unit Cost		\$ 20.52	\$ -	\$ -	\$ -	\$ -	n/a
Pumping and Telemetry							
Total	\$ 637,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 637,300
Unit Cost		\$ -	\$ -	\$ -	\$ -	\$ -	n/a
Water Treatment							
Total	\$ 2,235,400	\$ -	\$ 2,008,000	\$ 227,400	\$ -	\$ -	\$ -
Unit Cost		\$ -	\$ 38.74	\$ 4.39	\$ -	\$ -	n/a
Transmission							
Total	\$ 168,900	\$ -	\$ -	\$ -	\$ 156,203	\$ -	\$ 12,697
Unit Cost		\$ -	\$ -	\$ -	\$ 1,705	\$ -	n/a
Water Conservation							
Total	\$ 66,900	\$ -	\$ -	\$ -	\$ -	\$ 66,900	\$ -
Unit Cost		\$ -	\$ -	\$ -	\$ -	\$ 1.27	n/a
WEL Garden							
Total	\$ 26,700	\$ -	\$ -	\$ -	\$ -	\$ 26,700	\$ -
Unit Cost		\$ -	\$ -	\$ -	\$ -	\$ 0.51	n/a
Admin. & General							
Total	\$ 1,662,700	\$ -	\$ -	\$ -	\$ -	\$ 52,300	\$ -
Unit Cost		\$ -	\$ -	\$ -	\$ -	\$ 1.00	n/a
Debt Service (rate part)							
Total	\$ 1,452,142	\$ -	\$ -	\$ 1,452,142	\$ -	\$ -	\$ -
Unit Cost		\$ -	\$ -	\$ 28.02	\$ -	\$ -	n/a
Capital Replac. Contrib.							
Total	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ -
Unit Cost		\$ -	\$ -	\$ 2.89	\$ -	\$ -	n/a
Misc. Revenues/Rsrvs.							
Total	\$ (945,000)	\$ (8,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Unit Cost		\$ (0.15)	\$ -	\$ -	\$ -	\$ -	n/a
Realloc. of Indir. Costs							
Total	\$ -	\$ -	\$ 532,881	\$ 60,347	\$ 41,453	\$ 38,719	\$ -
Unit Cost		\$ -	\$ 10.28	\$ 1.16	\$ 452	\$ 0.74	n/a
Total Unit Costs of Service	\$ 6,518,483	\$ 20.36 per AF	\$ 49.02 per AF	\$ 36.46 per AF	\$ 2,157 per mgd	\$ 3.51 per Acct.	n/a
		\$ 1,055,441	\$ 2,540,881	\$ 1,889,889	\$ 197,656	\$ 184,619	\$ 649,997

Exhibit III-2 -- Continued
San Juan Water District
Wholesale Water Rate Cost Allocation Steps

Wholesale Cost Allocation -- Allocation to Wholesale Customers (2008)

Wholesale Customers	Supply (Variable)	Water Treatment (Variable)	(Fixed)	Trans. (Fixed)	Customer (Fixed)	Direct Assign.	Cost of Service (\$)	(%)
Unit Cost of Service -->	\$ 20.36 per AF	\$ 49.02 per AF	\$ 36.46 per AF	\$ 2,157 per mgd	\$ 3.51 per Acct.	n/a		
San Juan WD - RSA								
Units of Service	15,845	15,845	15,845	30.35	10,777			
Alloc. of Costs	\$ 322,634	\$ 776,713	\$ 577,714	\$ 65,469	\$ 37,855	\$ 530,883	\$ 2,311,269	35.5%
Citrus Heights WD								
Units of Service	19,080	19,080	19,080	30.74	19,900			
Alloc. of Costs	\$ 388,510	\$ 935,304	\$ 695,673	\$ 66,307	\$ 69,901	\$ -	\$ 2,155,694	33.1%
Fair Oaks WD								
Units of Service	11,454	11,454	11,454	20.56	14,680			
Alloc. of Costs	\$ 233,219	\$ 561,455	\$ 417,606	\$ 44,342	\$ 51,565	\$ 11,752	\$ 1,319,941	20.2%
Orange Vale WC								
Units of Service	3,707	3,707	3,707	7.19	5,618			
Alloc. of Costs	\$ 75,483	\$ 181,719	\$ 135,161	\$ 15,504	\$ 19,734	\$ 340	\$ 427,942	6.6%
City of Folsom								
Units of Service	1,748	1,748	1,748	2.80	1,584			
Alloc. of Costs	\$ 35,594	\$ 85,689	\$ 63,735	\$ 6,033	\$ 5,564	\$ 107,022	\$ 303,637	4.7%
Total Costs	\$ 1,055,441	\$ 2,540,881	\$ 1,889,889	\$ 197,656	\$ 184,619	\$ 649,997	\$ 6,518,483	100.0%

WHOLESALE WATER RATE SCHEDULES

Proposed wholesale water rates for 2008 are summarized in Exhibit I-1, at the beginning of this report. **Exhibit III-3** summarizes the estimated wholesale water rates for each family member agency for the next five years. Because of the dynamic nature of the District's capital improvement program and other factors (e.g., water sales outside the San Juan family), it is recommended that the District continue to annual review and adjust water rates. The estimates shown in Exhibit III-3 should be used as a point of reference, not as a prediction of the future.

Wholesale water rates are expressed as an *effective rate* near the bottom of Exhibit III-3. This is a convenient way to evaluate the overall cost of water for each member agency. It is determined by dividing the estimated total rate revenue requirement for allocated to each agency by the total estimated water deliveries to each agency.

Direct-benefit debt service obligations of certain family member agencies are also summarized at the bottom of Exhibit III-3. These payments obligations are in addition to the general water rates and rate components in the upper portion of the exhibit.

**Exhibit III-3
San Juan Water District
Current and Estimated Future Wholesale Water Rates**

	2007	2008	2009	2010	2011	2012
WHOLESALE WATER RATES	O&M Rate Increase -->		20%	11%	11%	1%
Commodity Rates (\$/AF)						
San Juan WD - RSA	\$ 100.08	\$ 102.85	\$ 123.73	\$ 137.34	\$ 152.58	\$ 154.72
Citrus Heights WD	\$ 63.26	\$ 69.38	\$ 83.47	\$ 92.65	\$ 102.93	\$ 104.37
Fair Oaks WD	\$ 63.26	\$ 69.38	\$ 83.47	\$ 92.65	\$ 102.93	\$ 104.37
Orange Vale WC	\$ 63.26	\$ 69.38	\$ 83.47	\$ 92.65	\$ 102.93	\$ 104.37
City of Folsom	\$ 90.42	\$ 130.61	\$ 157.12	\$ 174.40	\$ 193.76	\$ 196.47
Service Charge (\$)						
San Juan WD - RSA	\$ 335,000	\$ 237,742	\$ 286,004	\$ 317,465	\$ 352,703	\$ 357,641
Citrus Heights WD	\$ 357,000	\$ 297,343	\$ 357,704	\$ 397,051	\$ 441,124	\$ 447,300
Fair Oaks WD	\$ 272,000	\$ 204,388	\$ 245,879	\$ 272,925	\$ 303,220	\$ 307,465
Orange Vale WC	\$ 95,600	\$ 66,885	\$ 80,463	\$ 89,314	\$ 99,228	\$ 100,617
City of Folsom	\$ -	\$ 26,360	\$ 31,711	\$ 35,199	\$ 39,106	\$ 39,654
2003 COP Debt Service Charge (\$)						
San Juan WD - RSA	\$ 215,500	\$ 213,822	\$ 211,810	\$ 212,520	\$ 209,133	\$ 211,989
Citrus Heights WD	\$ 251,600	\$ 257,480	\$ 252,874	\$ 253,690	\$ 249,616	\$ 252,971
Fair Oaks WD	\$ 184,900	\$ 154,563	\$ 152,099	\$ 153,267	\$ 151,466	\$ 154,163
Orange Vale WC	\$ 56,800	\$ 50,025	\$ 49,197	\$ 49,544	\$ 48,932	\$ 49,774
City of Folsom	\$ -	\$ 23,589	\$ 23,110	\$ 23,186	\$ 22,814	\$ 23,122
2007 COP Debt Service Charge (\$)						
San Juan WD - RSA		\$ 230,079	\$ 228,330	\$ 228,391	\$ 225,275	\$ 227,922
Citrus Heights WD		\$ 277,057	\$ 272,597	\$ 272,635	\$ 268,882	\$ 271,984
Fair Oaks WD		\$ 166,315	\$ 163,963	\$ 164,713	\$ 163,156	\$ 165,750
Orange Vale WC		\$ 53,829	\$ 53,034	\$ 53,244	\$ 52,709	\$ 53,514
City of Folsom		\$ 25,383	\$ 24,913	\$ 24,917	\$ 24,575	\$ 24,859
2011 COP Debt Service Charge (\$)						
San Juan WD - RSA				\$ -	\$ -	\$ 208,614
Citrus Heights WD				\$ -	\$ -	\$ 248,943
Fair Oaks WD				\$ -	\$ -	\$ 151,709
Orange Vale WC				\$ -	\$ -	\$ 48,981
City of Folsom				\$ -	\$ -	\$ 22,753
Calendar Year Annual Totals						
San Juan WD - RSA	\$ 2,110,937	\$ 2,311,269	\$ 2,718,419	\$ 2,981,107	\$ 3,269,129	\$ 3,535,898
Citrus Heights WD	\$ 1,806,502	\$ 2,155,694	\$ 2,487,728	\$ 2,713,313	\$ 2,958,111	\$ 3,257,673
Fair Oaks WD	\$ 1,174,542	\$ 1,319,941	\$ 1,527,051	\$ 1,672,299	\$ 1,830,513	\$ 2,020,136
Orange Vale WC	\$ 384,819	\$ 427,942	\$ 494,862	\$ 541,665	\$ 592,629	\$ 653,575
City of Folsom	\$ 157,259	\$ 303,637	\$ 355,771	\$ 391,243	\$ 430,329	\$ 460,770
	\$ 5,634,060	\$ 6,518,483	\$ 7,583,832	\$ 8,299,628	\$ 9,080,710	\$ 9,928,051
Percent Change						
San Juan WD - RSA		9.5%	17.6%	9.7%	9.7%	8.2%
Citrus Heights WD		19.3%	15.4%	9.1%	9.0%	10.1%
Fair Oaks WD		12.4%	15.7%	9.5%	9.5%	10.4%
Orange Vale WC		11.2%	15.6%	9.5%	9.4%	10.3%
City of Folsom		93.1%	17.2%	10.0%	10.0%	7.1%
Effective Commodity Rate (\$/AF)						
San Juan WD - RSA	\$ 135.39	\$ 145.87	\$ 168.82	\$ 184.20	\$ 200.97	\$ 216.26
Citrus Heights WD	\$ 95.40	\$ 112.98	\$ 129.41	\$ 140.44	\$ 152.36	\$ 166.96
Fair Oaks WD	\$ 103.54	\$ 115.24	\$ 132.07	\$ 143.27	\$ 155.38	\$ 169.90
Orange Vale WC	\$ 104.74	\$ 115.44	\$ 132.32	\$ 143.56	\$ 155.71	\$ 170.25
City of Folsom	\$ 90.42	\$ 173.70	\$ 202.50	\$ 221.58	\$ 242.50	\$ 258.37
DIRECT DEBT SERVICE PAYMENTS						
San Juan WD - RSA (1993 Refunding)	\$ 280,721	\$ 282,602	\$ 278,466	\$ 279,334	\$ 275,317	\$ 278,124
San Juan WD - RSA (San Juan Project)	\$ 281,155	\$ 284,856	\$ 280,625	\$ 281,894	\$ 277,722	\$ 281,817
Fair Oaks WD (1993 Refunding)	\$ 226,143	\$ 227,658	\$ 224,326	\$ 225,026	\$ 221,790	\$ 224,051
Orange Vale WC (1993 Refunding)	\$ 100,232	\$ 100,903	\$ 99,426	\$ 99,736	\$ 98,302	\$ 99,304
City of Folsom (San Juan Project)	\$ 93,718	\$ 94,952	\$ 93,542	\$ 93,965	\$ 92,574	\$ 93,939

IV. WHOLESALE CAPITAL FACILITIES FEES

This section of the report describes the proposed wholesale capital facilities fees, including the legal requirements and methodologies for calculating capital facilities fees.

CAPITAL FACILITIES FEE AUTHORITY AND METHODOLOGY

While it does not currently have wholesale capital facilities fees, the District has broad authority to charge for capital facilities. The limitations of that authority are encompassed by the requirement that charges on new development bear a reasonable relationship to the needs created by, and the benefits accruing to that development. California courts have long used that reasonableness standard to evaluate the constitutionality of exactions on new development, including capital facilities fees.

Government Code Section 66013 contains specific requirements related to the imposition of water and wastewater capital facilities fees and capacity charges. In general, capital facilities fees must not exceed the estimated reasonable cost of providing service. There are various methods that can be used to calculate capital facilities fees. Each method has varying advantages and disadvantages, as well as applicability in a given situation.

After considering the District's situation and the applicability of various methods, we recommended to District staff that the system buy-in methodology for calculating capital facilities fees be utilized in developing a wholesale water capital facilities fee program for the District. The system buy-in method is based on the average investment in the capital facilities by current customers. Under this approach capital facilities fees are based on a "buy-in" concept that existing users, through service charges, taxes, and other charges have developed a valuable investment in water system facilities. The charge to new users is designed to recognize the current value of providing capacity necessary to serve additional users. The charge is calculated by establishing a fixed asset value and dividing this amount by the number of existing service units (equivalent 1" meters). Following this approach new customers buy-in to the water system by paying an amount that represents the average investment made by existing users. At that time, new customers are then on par with existing customers. Responsibility for new capital improvements are then shared equally by all customers.

One requirement of this methodology (as well as other methods) is that contributions made in the past by new customers (e.g., past taxes paid) must be considered in determining the fee by crediting such amounts against the total asset value used in the calculations. The system buy-in fee approach has several advantages applicable to the District, including:

- The buy-in methodology is a common and generally well accepted methodology for calculating capital facilities fees.

- The buy-in methodology includes only the cost of existing facilities and excludes the cost of future or planned facilities; it therefore does not require a formal capital improvement plan to support the fee calculation.
- The buy-in methodology does not necessarily depend on an assessment of existing capacity availability; it therefore does not require the more detailed capacity analysis required to justify fees based on other methodologies.
- Capital facilities fee based on the buy-in method are a reimbursement for past capital costs. Therefore, the use (as defined in the Government Code) of the fee is to reimburse the District. Once reimbursed, the District is able to spend fee revenue as it desires (normally on capital projects), and the requirement for detailed account of fee revenues is greatly simplified.

CAPITAL FACILITIES FEE CALCULATION

Proposed wholesale water capital facilities fees were calculated based on the District's fixed asset records and retail customer information provided by each family member agency. In addition, debt financing costs and property taxes used to pay debt service and finance capital improvements were also factored into the calculations. Historical fixed asset costs were escalated to current values using the Engineering News Record's 20-cities Construction Cost Index (20-cities CCI) and depreciated based on the age and service life of each asset, as reflected in the fixed asset records. Retail water system assets as well as short-lived assets were excluded for the analyses.

Exhibit IV-1 summarizes the wholesale water system valuation used in capital facilities fee calculations. The bottom third of the exhibit includes the following adjustments to the wholesale water system valuation:

- The value of assets financed by the 1974 Promissory Note and the 1979 Water Bonds were deducted from the water system valuation since these were financed with property tax revenues.
- A credit was included for the estimated value of past 1% increment property tax revenues used for help finance wholesale water system facilities.
- The water system valuation was reduced by the outstanding principal on the 2003 COPs related to general wholesale water system improvements.
- Past debt issuance and interest costs related to general wholesale water system improvements financed with the 2003 COPs were added to the water system valuation.
- Existing wholesale capital reserves were added to the water system valuation.

The adjusted wholesale water system valuation is then divided by the estimated number of 1" equivalent meters derived from customer account data provided by each family member agency. The resulting wholesale capital facilities fee is about \$520 for a standard 1" water meter.

Exhibit IV-1
San Juan Water District
Summary of Fixed Assets and Wholesale Capital Facilities Fee Calculation (1)

Asset Class	Total Original Cost	Wholesale System Allocation (2)		
		Original Cost	Book Value (3)	Depreciated Replacement Cost (4)
Water System Assets				
Miscellaneous Equipment	\$ 59,952	\$ 47,553	\$ 31,702	\$ 39,835
Mobile Equipment	\$ 317,288	\$ 191,197	\$ 27,090	\$ 28,937
Office Equipment/Furniture	\$ 1,478,592	\$ 230,314	\$ 33,558	\$ 39,507
Peterson WTP	\$ 209,806	\$ 209,806	\$ 16,250	\$ 19,778
Shop Equipment	\$ 170,522	\$ 32,797	\$ 7,127	\$ 8,845
Vehicles	\$ 566,434	\$ 300,808	\$ 95,126	\$ 104,290
Connections	\$ 3,674,514	\$ 2,832	\$ 429	\$ 1,230
Fuel Tanks	\$ 89,707	\$ 17,941	\$ 13,048	\$ 17,543
General Plant Other	\$ 631,304	\$ 327,614	\$ 148,640	\$ 222,957
General Plant Undistributed	\$ 756,473	\$ 442,571	\$ 1,906	\$ 2,706
Land Improvements	\$ 258,646	\$ 258,646	\$ 233,846	\$ 268,729
Master Meters	\$ 503,811	\$ 421,886	\$ 226,921	\$ 333,610
Office Building	\$ 657,500	\$ 657,500	\$ 288,437	\$ 515,545
Peterson WTP	\$ 27,338,968	\$ 27,337,988	\$ 17,860,199	\$ 22,492,953
Pump Stations	\$ 3,145,318	\$ 2,650,709	\$ 1,685,411	\$ 2,420,716
Reservoirs	\$ 5,896,701	\$ 4,307,417	\$ 1,266,017	\$ 3,097,067
RSA Mains	\$ 34,513,724	\$ -	\$ -	\$ -
Shop Building	\$ 728,667	\$ 728,667	\$ 335,556	\$ 503,389
Source of Supply	\$ 62,112	\$ 62,112	\$ -	\$ -
Telemetry	\$ 542,707	\$ 542,707	\$ 370,628	\$ 516,958
Wholesale Mains	\$ 4,627,365	\$ 4,627,365	\$ 2,600,947	\$ 3,691,955
Land	\$ 108,239	\$ -	\$ -	\$ -
Land Improvements	\$ 308,186	\$ 308,186	\$ 308,186	\$ 410,249
Organizational Expense	\$ 98,212	\$ 98,212	\$ 98,212	\$ 1,184,347
Other Land Rights	\$ 58,033	\$ -	\$ -	\$ -
	\$ 86,803,000	\$ 43,805,000	\$ 25,649,000	\$ 35,921,000
Adjustments for Financing, Taxes, and Reserves				
Less Facilities Financed with G.O. Debt				
Prom. Note and 1974 Bonds				\$ (1,615,000)
1979 Water Bonds				\$ (4,432,000)
Less Credit for 1% Incremental Taxes Paid				
				\$ (8,033,000)
Less Outstanding Principal on Long-Term Debt				
				\$ (10,998,000)
Plus Present Value of Financing Costs				
Issuance Costs of Wholesale Rate Portion of 2003 COPs				\$ 198,000
Past Interest Costs of Wholesale Rate Portion of 2003 COPs				\$ 2,097,000
Plus Existing Wholesale Capital Reserves				\$ 13,348,000
Total Wholesale Water System Valuation for Connection Fee Calculation				\$ 26,486,000
		Est. No. of 1" Equiv. Meters (1)		51,306
		Recommended Wholesale Connection Fee (1" meter)		\$ 520

Notes:

- (1) From District's fixed asset records for the year ended June 30, 2006.
- (2) Excludes retail water system assets.
- (3) Based on age and service life of each asset. Service life varies from 3 to 33 years.
- (4) Book value escalated to 2007 value using ENR 20-cities CCI value of 7,959 for July 2007.

Exhibit IV-2 presents the complete wholesale capital facilities fee schedule for various size water meters. Capital facilities fees should be assessed based on meter size, which reflects the potential demand each new service connections could place on the water system.

Exhibit IV-2
San Juan Water District
Proposed Wholesale Capital Facilities Fees

Capital Facilities Fees		
3/4" meter	\$	312
1" meter	\$	520
1 1/2" meter	\$	1,040
2" meter	\$	1,664
3" meter	\$	3,328
4" meter	\$	5,200
6" meter	\$	13,000
8" meter	\$	18,720
10" meter	\$	30,160
12" meter	\$	44,720

ADMINISTRATION AND UPDATES

While not reviewed in detail, we believe that the District already follows required steps for separately accounting for capital facilities fee revenues and expenditures. For reference, **Appendix A** includes statutory requirements for accounting for capital facilities fees.

It is recommended that the District annually adjust the capital facilities fees for the affects of inflation using the *Engineering News Record's* 20-Cities Construction Cost Index. The capital facilities fees presented in Exhibit IV-2 have been indexed to a 20-cities CCI value of 7,958 (July 2007).

It is further recommended that the District formally update the capital facilities fee calculation at least once every three to five years. Capital improvement plans, cost estimates, and financing terms all evolve over time and periodically updating the calculation will help ensure that new development is paying fair and proportionate share of water system costs.

APPENDIX A - GOVERNMENT CODE SECTIONS 66013, 66016, 66022, AND 66023

66013. (a) Notwithstanding any other provision of law, when a local agency imposes fees for water connections or sewer connections, or imposes capacity charges, those fees or charges shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed, unless a question regarding the amount of the fee or charge imposed in excess of the estimated reasonable cost of providing the services or materials is submitted to, and approved by, a popular vote of two-thirds of those electors voting on the issue.

(b) As used in this section:

(1) "Sewer connection" means the connection of a structure or project to a public sewer system.

(2) "Water connection" means the connection of a structure or project to a public water system, as defined in subdivision (f) of Section 116275 of the Health and Safety Code.

(3) "Capacity charge" means a charge for facilities in existence at the time a charge is imposed or charges for new facilities to be constructed in the future that are of benefit to the person or property being charged.

(4) "Local agency" means a local agency as defined in Section 66000.

(5) "Fee" means a fee for the physical facilities necessary to make a water connection or sewer connection, including, but not limited to, meters, meter boxes, and pipelines from the structure or project to a water distribution line or sewer main, and that does not exceed the estimated reasonable cost of labor and materials for installation of those facilities.

(c) A local agency receiving payment of a charge as specified in paragraph (3) of subdivision (b) shall deposit it in a separate capital facilities fund with other charges received, and account for the charges in a manner to avoid any commingling with other moneys of the local agency, except for investments, and shall expend those charges solely for the purposes for which the charges were collected.

Any interest income earned from the investment of moneys in the capital facilities fund shall be deposited in that fund.

(d) For a fund established pursuant to subdivision (c), a local agency shall make available to the public, within 180 days after the last day of each fiscal year, the following information for that fiscal year:

(1) A description of the charges deposited in the fund.

(2) The beginning and ending balance of the fund and the interest earned from investment of moneys in the fund.

(3) The amount of charges collected in that fiscal year.

(4) An identification of all of the following:

(A) Each public improvement on which charges were expended and the amount of the expenditure for each improvement, including the percentage of the total cost of the public improvement that was funded with those charges if more than one source of funding was used.

(B) Each public improvement on which charges were expended that was completed during that fiscal year.

(C) Each public improvement that is anticipated to be undertaken in the following fiscal year.

(5) A description of each interfund transfer or loan made from the capital facilities fund. The information provided, in the case of an interfund transfer, shall identify the public improvements on which the transferred moneys are, or

will be, expended. The information, in the case of an interfund loan, shall include the date on which the loan will be repaid, and the rate of interest that the fund will receive on the loan.

(e) The information required pursuant to subdivision (d) may be included in the local agency's annual financial report.

(f) The provisions of subdivisions (c) and (d) shall not apply to any of the following:

(1) Moneys received to construct public facilities pursuant to a contract between a local agency and a person or entity, including, but not limited to, a reimbursement agreement pursuant to Section 66003.

(2) Charges that are used to pay existing debt service or which are subject to a contract with a trustee for bondholders that requires a different accounting of the charges, or charges that are used to reimburse the local agency or to reimburse a person or entity who advanced funds under a reimbursement agreement or contract for facilities in existence at the time the charges are collected.

(3) Charges collected on or before December 31, 1998.

(g) Any judicial action or proceeding to attack, review, set aside, void, or annul the ordinance, resolution, or motion imposing a fee or capacity charge subject to this section shall be brought pursuant to Section 66022.

(h) Fees and charges subject to this section are not subject to the provisions of Chapter 5 (commencing with Section 66000), but are subject to the provisions of Sections 66016, 66022, and 66023.

(i) The provisions of subdivisions(c) and (d) shall only apply to capacity charges levied pursuant to this section.

66016. (a) Prior to levying a new fee or service charge, or prior to approving an increase in an existing fee or service charge, a local agency shall hold at least one open and public meeting, at which oral or written presentations can be made, as part of a regularly scheduled meeting. Notice of the time and place of the meeting, including a general explanation of the matter to be considered, and a statement that the data required by this section is available, shall be mailed at least 14 days prior to the meeting to any interested party who files a written request with the local agency for mailed notice of the meeting on new or increased fees or service charges. Any written request for mailed notices shall be valid for one year from the date on which it is filed unless a renewal request is filed. Renewal requests for mailed notices shall be filed on or before April 1 of each year. The legislative body may establish a reasonable annual charge for sending notices based on the estimated cost of providing the service. At least 10 days prior to the meeting, the local agency shall make available to the public data indicating the amount of cost, or estimated cost, required to provide the service for which the fee or service charge is levied and the revenue sources anticipated to provide the service, including General Fund revenues. Unless there has been voter approval, as prescribed by Section 66013 or 66014, no local agency shall levy a new fee or service charge or increase an existing fee or service charge to an amount which exceeds the estimated amount required to provide the service for which the fee or service charge is levied. If, however, the fees or service charges create revenues in excess of actual cost, those revenues shall be used to reduce the fee or service charge creating the excess.

(b) Any action by a local agency to levy a new fee or service charge or to approve an increase in an existing fee or service charge shall be taken only by ordinance or resolution. The legislative body of a local agency shall not delegate the authority to adopt a new fee or service charge, or to increase a fee or service charge.

(c) Any costs incurred by a local agency in conducting the meeting or meetings required pursuant to subdivision (a) may be recovered from fees charged for the services which were the subject of the meeting.

(d) This section shall apply only to fees and charges as described in Sections 51287, 56383, 57004, 65104, 65456, 65863.7, 65909.5, 66013, 66014, and 66451.2 of this code, Sections 17951, 19132.3, and 19852 of the Health and Safety Code, Section 41901 of the Public Resources Code, and Section 21671.5 of the Public Utilities Code.

(e) Any judicial action or proceeding to attack, review, set aside, void, or annul the ordinance, resolution, or motion levying a fee or service charge subject to this section shall be brought pursuant to Section 66022.

66022. (a) Any judicial action or proceeding to attack, review, set aside, void, or annul an ordinance, resolution, or motion adopting a new fee or service charge, or modifying or amending an existing fee or service charge, adopted by a local agency, as defined in Section 66000, shall be commenced within 120 days of the effective date of the ordinance, resolution, or motion.

If an ordinance, resolution, or motion provides for an automatic adjustment in a fee or service charge, and the automatic adjustment results in an increase in the amount of a fee or service charge, any action or proceeding to attack, review, set aside, void, or annul the increase shall be commenced within 120 days of the effective date of the increase.

(b) Any action by a local agency or interested person under this section shall be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure.

(c) This section shall apply only to fees, capacity charges, and service charges described in and subject to Sections 66013 and 66014.

66023. (a) Any person may request an audit in order to determine whether any fee or charge levied by a local agency exceeds the amount reasonably necessary to cover the cost of any product or service provided by the local agency. If a person makes that request, the legislative body of the local agency may retain an independent auditor to conduct an audit to determine whether the fee or charge is reasonable.

(b) Any costs incurred by a local agency in having an audit conducted by an independent auditor pursuant to subdivision (a) may be recovered from the person who requests the audit.

(c) Any audit conducted by an independent auditor to determine whether a fee or charge levied by a local agency exceeds the amount reasonably necessary to cover the cost of providing the product or service shall conform to generally accepted auditing standards.

(d) The procedures specified in this section shall be alternative and in addition to those specified in Section 54985.

(e) The Legislature finds and declares that oversight of local agency fees is a matter of statewide interest and concern. It is, therefore, the intent of the Legislature that this chapter shall supersede all conflicting local laws and shall apply in charter cities.

(f) This section shall not be construed as granting any additional authority to any local agency to levy any fee or charge which is not otherwise authorized by another provision of law, nor shall its provisions be construed as granting authority to any local agency to levy a new fee or charge when other provisions of law specifically prohibit the levy of a fee or charge.