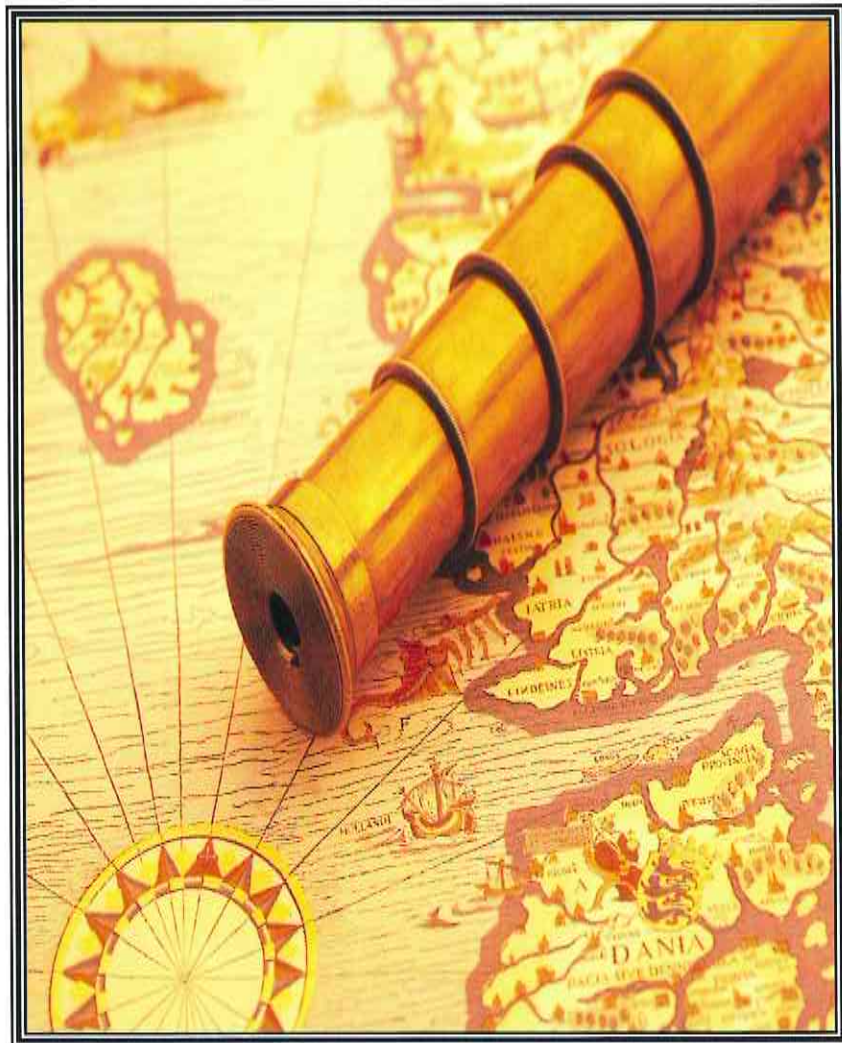


2010-2011 LONG-RANGE PLANNING



VALLECITOS WATER DISTRICT

RESERVE BUDGET FOR THE YEAR ENDING JUNE 30, 2011

| | 110 | Water | 120 | 210 Wastewater | 220 | |
|---------------------------------------------|----------------------|-----------|------------------|----------------------|------------------|----------------------|
| | Replacement | | Capacity | Replacement | Capacity | Total |
| Projected July 1, 2010 Balance | \$ 14,218,000 | \$ | (254,000) | \$ 10,972,000 | \$ (8,614,000) | \$ 16,322,000 |
| Revenues and Transfers In | | | | | | |
| Interfund Loan Transfers | - | | 2,709,500 | - | 10,594,400 | 13,303,900 |
| Operating Transfers | 2,346,000 | | - | 2,909,000 | - | 5,255,000 |
| Capital Facility Fees | - | | 549,000 | - | 1,348,000 | 1,897,000 |
| Property Tax | 891,000 | | - | 703,000 | - | 1,594,000 |
| RDA pass-through for 09/10 | 433,000 | | - | 433,000 | - | 866,000 |
| Investment Earnings | 139,000 | | (13,000) | 106,000 | (86,000) | 146,000 |
| Payment on Land Sale to City | 74,000 | | - | 74,000 | - | 148,000 |
| Available Balance | <u>18,101,000</u> | | <u>2,991,500</u> | <u>15,197,000</u> | <u>3,242,400</u> | <u>39,531,900</u> |
| Less 10/11 Appropriations and Transfers Out | | | | | | |
| Encina Wastewater Authority - Capit | - | | - | 1,450,500 | 55,300 | 1,505,800 |
| Filter Waste Back Wash Pump | - | | - | - | 48,000 | 48,000 |
| San Marcos Interceptor - Sewer | - | | - | 155,000 | 345,000 | 500,000 |
| Annual Sewer Replacement and I & I | - | | - | 250,000 | - | 250,000 |
| Questhavin Basin Facilities | - | | 116,700 | - | 116,600 | 233,300 |
| Meter Replacement | 150,000 | | - | - | - | 150,000 |
| Equipment | 38,100 | | - | 103,900 | - | 142,000 |
| City of San Marcos Joint Projects | 82,400 | | - | 52,600 | - | 135,000 |
| Water Sewer Master Plan | - | | 65,000 | - | 65,000 | 130,000 |
| 24" Recycled Water Distribution Ma | - | | - | - | 113,800 | 113,800 |
| Linda Vista Sewer East | - | | - | 45,000 | 55,000 | 100,000 |
| Rock Springs Sewer Replacement | - | | - | 100,000 | - | 100,000 |
| Encina Land Parallel Outfall | - | | - | - | 100,000 | 100,000 |
| Environmental Mitigation Property | - | | 10,000 | - | 90,000 | 100,000 |
| Meadowlark Tank #3 | 28,000 | | 52,000 | - | - | 80,000 |
| ERP Phase II | 39,500 | | - | 39,500 | - | 79,000 |
| Land Outfall Clearing & Access Roa | - | | - | 75,000 | - | 75,000 |
| Flow Monitoring Stations | - | | - | - | 61,400 | 61,400 |
| Larchwood Drive Sewer Line | - | | - | 60,000 | - | 60,000 |
| Miscellaneous Projects | 211,300 | | 65,500 | 97,400 | 115,600 | 489,800 |
| Interfund Loan Transfers | 4,420,700 | | - | 8,883,200 | - | 13,303,900 |
| Debt Service - Loan | - | | - | - | 465,700 | 465,700 |
| Debt Service - COPs | 404,900 | | 2,244,800 | 140,900 | 1,611,000 | 4,401,600 |
| Less Total Appropriations/Transfer: | <u>5,562,400</u> | | <u>2,991,500</u> | <u>11,453,000</u> | <u>3,242,400</u> | <u>23,249,300</u> |
| Projected June 30, 2011 Balance | 12,538,600 | | - | 3,744,000 | - | \$ 16,282,600 |
| Less Operating Reserves | (7,257,200) | | - | (2,813,700) | - | (10,070,900) |
| Less GASB45 post-retirement reserve | (1,395,400) | | - | (930,300) | - | (2,325,700) |
| Projected reserve/restricted funds | <u>\$ 3,886,000</u> | <u>\$</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,886,000</u> |
| Adopted replacement reserve floor | <u>\$ 3,886,000</u> | | | <u>\$ 2,833,400</u> | | |
| Adopted replacement reserve ceiling | <u>\$ 14,936,900</u> | | | <u>\$ 10,800,500</u> | | |

Debt service coverage 200%
 Debt service coverage without cap fees 167%
 Debt service coverage without cap fees or property tax 111%

See significant assumptions.

VALLECITOS WATER DISTRICT

RESERVE PROJECTION FOR THE YEAR ENDING JUNE 30, 2012

| | 110 | Water | 120 | 210 Wastewater | 220 | |
|---------------------------------------------|----------------------|------------------|----------|----------------------|------------------|---------------------|
| | Replacement | Capacity | Capacity | Replacement | Capacity | Total |
| Projected July 1, 2011 Balance | \$ 12,538,600 | \$ - | | \$ 3,744,000 | \$ - | \$ 16,282,600 |
| Revenues and Transfers In | | | | | | |
| Operating Transfers | 2,863,000 | - | | 3,477,000 | - | 6,340,000 |
| Interfund Loan Transfer | - | 1,354,100 | | - | 3,925,700 | 5,279,800 |
| Capital Facility Fees | - | 1,000,000 | | - | 1,832,000 | 2,832,000 |
| Property Tax | 891,000 | - | | 703,000 | - | 1,594,000 |
| RDA pass-through for 10/11 | 419,000 | - | | 419,000 | - | 838,000 |
| Investment Earnings | 168,000 | (30,000) | | 120,000 | (112,000) | 146,000 |
| Payment on Land Sale to City | 74,000 | - | | 74,000 | - | 148,000 |
| Available Balance | <u>16,953,600</u> | <u>2,324,100</u> | | <u>8,537,000</u> | <u>5,645,700</u> | <u>33,460,400</u> |
| Less 11/12 Appropriations and Transfers Out | | | | | | |
| San Marcos Interceptor - Sewer | - | - | | 1,178,000 | 2,622,000 | 3,800,000 |
| Linda Vista Sewer East | - | - | | 465,800 | 569,200 | 1,035,000 |
| Encina Wastewater Authority - Capit | - | - | | 591,700 | 22,500 | 614,200 |
| Rock Springs Sewer Replacement | - | - | | 510,000 | - | 510,000 |
| Environmental Mitigation Property | - | 10,000 | | - | 90,000 | 100,000 |
| Bioxide Injection Station | - | - | | - | 80,000 | 80,000 |
| Land Outfall Clearing & Access Roa | - | - | | 75,000 | - | 75,000 |
| Rotating Bio Contactors - Demolition | - | - | | - | 64,000 | 64,000 |
| Radio/Communication System Phase | 31,100 | - | | 31,000 | - | 62,100 |
| Flow Monitoring Stations | - | - | | - | 60,000 | 60,000 |
| Meter Replacement | 50,000 | - | | - | - | 50,000 |
| Meadowlark Tank #3 | 17,500 | 32,500 | | - | - | 50,000 |
| Vulnerability Assessment Improveme | - | 30,000 | | - | 20,000 | 50,000 |
| Particulate Filters to comply with CA | 20,000 | - | | 20,000 | - | 40,000 |
| Encina Land Parallel Outfall | - | - | | - | 40,000 | 40,000 |
| Pavement Maintenance for Facilities | 25,000 | - | | - | - | 25,000 |
| On-site Safety Training Facility | 10,000 | - | | 10,000 | - | 20,000 |
| Old Questhaven Sewer Replacement | - | - | | 10,800 | 3,200 | 14,000 |
| 8" Pump Control Valves at Deer Spri | 9,000 | - | | - | - | 9,000 |
| Miscellaneous Projects | 9,500 | 4,500 | | - | - | 14,000 |
| Interfund Loan Transfers | 3,879,400 | - | | 1,400,400 | - | 5,279,800 |
| Debt Service - Loan | - | - | | - | 462,100 | 462,100 |
| Debt Service - COPs | 405,400 | 2,247,100 | | 141,000 | 1,612,700 | 4,406,200 |
| Less Total Appropriations/Transfer: | <u>4,456,900</u> | <u>2,324,100</u> | | <u>4,433,700</u> | <u>5,645,700</u> | <u>16,860,400</u> |
| Projected June 30, 2012 Balance | 12,496,700 | - | | 4,103,300 | - | \$ 16,600,000 |
| Operating Reserves | (7,862,100) | - | | (2,916,700) | - | (10,778,800) |
| GASB45 post-retirement reserve | (1,780,000) | - | | (1,186,600) | - | (2,966,600) |
| Projected reserve/restricted funds | <u>\$ 2,854,600</u> | <u>\$ -</u> | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,854,600</u> |
| Adopted replacement reserve floor | <u>\$ 3,943,000</u> | | | <u>\$ 2,924,700</u> | | |
| Adopted replacement reserve ceiling | <u>\$ 15,580,600</u> | | | <u>\$ 11,162,200</u> | | |

Debt service coverage

241%

Debt service coverage without cap fees or property tax

133%

See significant assumptions.

VALLECITOS WATER DISTRICT

RESERVE PROJECTION FOR THE YEAR ENDING JUNE 30, 2013

| | 110 | Water | 120 | 210 Wastewater | 220 | |
|---------------------------------------------|---------------|-----------|----------|----------------|-----------|---------------|
| | Replacement | Capacity | Capacity | Replacement | Capacity | Total |
| Projected July 1, 2012 Balance | \$ 12,496,700 | \$ - | | \$ 4,103,300 | \$ - | \$ 16,600,000 |
| Revenues and Transfers In | | | | | | |
| Operating Transfers | 2,530,000 | - | | 3,774,000 | - | 6,304,000 |
| Interfund Loan Transfer | - | 1,472,900 | | | 4,017,000 | 5,489,900 |
| Capital Facility Fees | - | 1,030,000 | | - | 2,444,000 | 3,474,000 |
| Property Tax | 891,000 | - | | 703,000 | - | 1,594,000 |
| RDA pass-through for 11/12 | 419,000 | - | | 419,000 | - | 838,000 |
| Investment Earnings | 204,000 | (43,000) | | 135,000 | (146,000) | 150,000 |
| Payment on Land Sale to City | 74,000 | - | | 74,000 | - | 148,000 |
| Available Balance | 16,614,700 | 2,459,900 | | 9,208,300 | 6,315,000 | 34,597,900 |
| Less 12/13 Appropriations and Transfers Out | | | | | | |
| San Marcos interceptor sewer | - | - | | 1,674,000 | 3,726,000 | 5,400,000 |
| Rock Springs Sewer Replacement | - | - | | 500,000 | - | 500,000 |
| Encina Wastewater Authority - Capit | - | - | | 446,000 | 17,000 | 463,000 |
| Linda Vista Sewer East | - | - | | 164,300 | 200,700 | 365,000 |
| O&M Improvements to Central Builc | 174,900 | - | | 174,800 | - | 349,700 |
| Mountain Belle Pump Station | - | 150,000 | | - | - | 150,000 |
| Old Questhaven Sewer Replacement | - | - | | 92,400 | 27,600 | 120,000 |
| Environmental Mitigation Property | - | 10,000 | | - | 90,000 | 100,000 |
| Encina Land Parallel Outfall | - | - | | - | 83,200 | 83,200 |
| Vulnerability Assessment Improveme | - | 49,800 | | - | 33,200 | 83,000 |
| Land Outfall Clearing & Access Roa | - | - | | 74,100 | - | 74,100 |
| Rotating Bio Contactors - Demolition | - | - | | - | 64,000 | 64,000 |
| Radio/Communication System Phase | 30,000 | - | | 30,000 | - | 60,000 |
| Meter Replacement | 50,000 | - | | - | - | 50,000 |
| Meadowlark Tank Refurbishment | 12,000 | - | | - | - | 12,000 |
| 8" Pump Control Valves at Deer Spri | 9,000 | - | | - | - | 9,000 |
| Power Supply Replacement SCADA | 4,500 | - | | - | - | 4,500 |
| Wulff Pressure Reducing Station | (650,000) | - | | - | - | (650,000) |
| Interfund Loan Transfers | 4,174,700 | - | | 1,315,200 | - | 5,489,900 |
| Debt Service - Loan | - | - | | - | 458,500 | 458,500 |
| Debt Service - COPs | 405,900 | 2,250,100 | | 141,200 | 1,614,800 | 4,412,000 |
| Less Total Appropriations/Transfer: | 4,211,000 | 2,459,900 | | 4,612,000 | 6,315,000 | 17,597,900 |
| Projected June 30, 2013 Balance | 12,403,700 | - | | 4,596,300 | - | \$ 17,000,000 |
| Operating Reserves | (8,632,600) | - | | (3,151,000) | - | (11,783,600) |
| GASB45 post-retirement reserve | (2,168,000) | - | | (1,445,300) | - | (3,613,300) |
| Projected reserve/restricted funds | \$ 1,603,100 | \$ - | | \$ - | \$ - | \$ 1,603,100 |
| Adopted replacement reserve floor | \$ 4,016,800 | | | \$ 3,027,400 | | |
| Adopted replacement reserve ceiling | \$ 16,353,500 | | | \$ 11,860,400 | | |

Debt service coverage

254%

Debt service coverage without cap fees or property tax

133%

See significant assumptions.

VALLECITOS WATER DISTRICT

RESERVE PROJECTION FOR THE YEARS ENDING JUNE 30, 2014

| | 110 | Water | 120 | 210 | Wastewater | 220 | |
|---------------------------------------------|----------------------|-------|---------------------|----------------------|------------|----------------------|----------------------|
| | <u>Replacement</u> | | <u>Capacity</u> | <u>Replacement</u> | | <u>Capacity</u> | <u>Total</u> |
| Projected July 1, 2013 Balance | \$ 12,421,700 | | \$ - | \$ 4,596,300 | | \$ - | \$ 17,018,000 |
| Revenues and Transfers In | | | | | | | |
| Debt Proceeds | - | | 6,210,000 | - | | 36,450,000 | 42,660,000 |
| Interfund Loan Transfer | 515,300 | | - | 7,800,700 | | - | 8,316,000 |
| Operating Transfers | 2,812,000 | | - | 4,261,000 | | - | 7,073,000 |
| Capital Facility Fees | - | | 1,061,000 | - | | 2,517,000 | 3,578,000 |
| Property Tax | 891,000 | | - | 703,000 | | - | 1,594,000 |
| RDA pass-through for 12/13 | 427,000 | | - | 427,000 | | - | 854,000 |
| Investment Earnings | 236,000 | | (32,000) | 158,000 | | (29,000) | 333,000 |
| Payment on Land Sale to City | 74,000 | | - | 74,000 | | - | 148,000 |
| Available Balance | <u>17,377,000</u> | | <u>7,239,000</u> | <u>18,020,000</u> | | <u>38,938,000</u> | <u>81,574,000</u> |
| Less 13/14 Appropriations and Transfers Out | | | | | | | |
| Encina Land Outfall | - | | - | - | | 2,791,800 | 2,791,800 |
| San Marcos interceptor sewer | - | | - | 837,000 | | 1,863,000 | 2,700,000 |
| Meadowlark Tank #3 | 404,600 | | 751,400 | - | | - | 1,156,000 |
| Encina Wastewater Authority - Capit | - | | - | 293,800 | | 11,200 | 305,000 |
| Old Questhaven Sewer Replacement | - | | - | 539,000 | | 161,000 | 700,000 |
| Wulff Pressure Reducing Station | 340,000 | | - | - | | - | 340,000 |
| Meadowlark Tank Refurbishment | 162,000 | | - | - | | - | 162,000 |
| Mountain Belle Pump Station | - | | 150,000 | - | | - | 150,000 |
| Environmental Mitigation Property | - | | 10,000 | - | | 90,000 | 100,000 |
| Vulnerability Assessment Improveme | - | | 55,200 | - | | 36,800 | 92,000 |
| Meter Replacement | 50,000 | | - | - | | - | 50,000 |
| Interfund Loan Transfer | - | | 515,300 | - | | 7,800,700 | 8,316,000 |
| Debt Service - 2014 | - | | 150,100 | - | | 880,800 | 1,030,900 |
| Debt Service - Loan | - | | - | - | | 454,900 | 454,900 |
| Debt Service - COPs | 405,100 | | 2,245,900 | 140,900 | | 1,611,800 | 4,403,700 |
| Less Total Appropriations/Transfer: | <u>1,361,700</u> | | <u>3,877,900</u> | <u>1,810,700</u> | | <u>15,702,000</u> | <u>22,752,300</u> |
| Projected June 30, 2014 Balance | 16,015,300 | | 3,361,100 | 16,209,300 | | 23,236,000 | \$ 58,821,700 |
| Operating Reserves | (9,329,700) | | - | (3,359,800) | | - | (12,689,500) |
| GASB45 post-retirement reserve | (2,567,500) | | - | (1,711,700) | | - | (4,279,200) |
| Projected reserve/restricted funds | <u>\$ 4,118,100</u> | | <u>\$ 3,361,100</u> | <u>\$ 11,137,800</u> | | <u>\$ 23,236,000</u> | <u>\$ 41,853,000</u> |
| Adopted replacement reserve floor | <u>\$ 4,100,100</u> | | | <u>\$ 3,125,700</u> | | | |
| Adopted replacement reserve ceiling | <u>\$ 17,334,700</u> | | | <u>\$ 12,536,600</u> | | | |

Debt service coverage 228%
Debt service coverage without cap fees or property tax 126%

See significant assumptions.

VALLECITOS WATER DISTRICT

RESERVE PROJECTION FOR THE YEAR ENDING JUNE 30, 2015

| | 110 | Water | 120 | 210 | Wastewater | 220 | |
|---------------------------------------------|----------------------|-------|--------------------|----------------------|------------|-------------------|----------------------|
| | Replacement | | Capacity | Replacement | | Capacity | Total |
| Projected July 1, 2014 Balance | \$ 16,015,300 | | \$ 3,361,100 | \$ 16,209,300 | | \$ 23,236,000 | \$ 58,821,700 |
| Revenues and Transfers In | | | | | | | |
| Operating Transfers | 3,532,000 | | - | 5,052,000 | | - | 8,584,000 |
| Interfund Loan Transfers | 300,600 | | 3,578,300 | - | | - | 3,878,900 |
| Capital Facility Fees | - | | 1,093,000 | - | | 2,593,000 | 3,686,000 |
| Property Tax | 891,000 | | - | 703,000 | | - | 1,594,000 |
| RDA pass-through for 13/14 | 436,000 | | - | 436,000 | | - | 872,000 |
| Investment Earnings | 266,000 | | (46,000) | 200,000 | | 2,000 | 422,000 |
| Payment on Land Sale to City | 74,000 | | - | 74,000 | | - | 148,000 |
| Available Balance | <u>21,514,900</u> | | <u>7,986,400</u> | <u>22,674,300</u> | | <u>25,831,000</u> | <u>78,006,600</u> |
| Less 14/15 Appropriations and Transfers Out | | | | | | | |
| Encina Land Parallel Outfall | - | | - | - | | 21,035,000 | 21,035,000 |
| Mountain Bell Pump Station | - | | 3,450,000 | - | | - | 3,450,000 |
| Meadowlark Tank #3 | 929,700 | | 1,726,800 | - | | - | 2,656,500 |
| Vulnerability Assessment Improvement | - | | 130,700 | - | | 87,100 | 217,800 |
| Environmental Mitigation Property | - | | 10,000 | - | | 90,000 | 100,000 |
| Interfund Loan Transfers | - | | - | 3,878,900 | | - | 3,878,900 |
| Debt Service - 2014 | - | | 434,500 | - | | 2,550,500 | 2,985,000 |
| Debt Service - Loan | - | | - | - | | 451,300 | 451,300 |
| Debt Service - COPs | 406,500 | | 2,253,300 | 141,400 | | 1,617,100 | 4,418,300 |
| Less Total Appropriations/Transfer: | <u>1,336,200</u> | | <u>8,005,300</u> | <u>4,020,300</u> | | <u>25,831,000</u> | <u>39,192,800</u> |
| Projected June 30, 2015 Balance | 20,178,700 | | (18,900) | 18,654,000 | | - | \$ 38,813,800 |
| Operating Reserves | (10,056,100) | | - | (3,519,900) | | - | (13,576,000) |
| GASB45 post-retirement reserve | (2,967,100) | | - | (1,978,100) | | - | (4,945,200) |
| Projected reserve/restricted funds | <u>\$ 7,155,500</u> | | <u>\$ (18,900)</u> | <u>\$ 13,156,000</u> | | <u>\$ -</u> | <u>\$ 20,292,600</u> |
| Adopted replacement reserve floor | <u>\$ 4,196,700</u> | | | <u>\$ 3,210,200</u> | | | |
| Adopted replacement reserve ceiling | <u>\$ 18,662,900</u> | | | <u>\$ 13,156,000</u> | | | |

| | |
|---------------------------------------------------------------|-------------|
| <i>Debt service coverage</i> | <i>193%</i> |
| <i>Debt service coverage without cap fees</i> | <i>146%</i> |
| <i>Debt service coverage without cap fees or property tax</i> | <i>115%</i> |

See significant assumptions.

LONGE RANGE RESERVE PROJECTION

| | <u>2015/16</u> | <u>2016/17</u> | <u>2017/18</u> | <u>2018/19</u> | <u>2019/20</u> |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Projected Beginning Balance | \$ 38,814,000 | \$ 46,526,000 | \$ 54,706,000 | \$ 63,394,000 | \$ 72,547,000 |
| Revenues and Transfers In | | | | | |
| Operating Transfers | 8,927,000 | 9,195,000 | 9,471,000 | 9,755,000 | 10,048,000 |
| Capital Facility Fees | 3,797,000 | 3,911,000 | 4,028,000 | 4,149,000 | 4,273,000 |
| Property Tax | 1,594,000 | 1,594,000 | 1,594,000 | 1,594,000 | 1,594,000 |
| Investment Earnings | 356,000 | 420,000 | 488,000 | 560,000 | 637,000 |
| RDA Pass-through | 889,000 | 907,000 | 925,000 | 944,000 | 963,000 |
| Available Balance | <u>54,377,000</u> | <u>62,553,000</u> | <u>71,212,000</u> | <u>80,396,000</u> | <u>90,062,000</u> |
| Debt Service | <u>7,851,000</u> | <u>7,847,000</u> | <u>7,818,000</u> | <u>7,849,000</u> | <u>7,849,000</u> |
| Projected Ending Balance | \$ 46,526,000 | \$ 54,706,000 | \$ 63,394,000 | \$ 72,547,000 | \$ 82,213,000 |
| Operating & GASB45 Reserves | <u>\$(19,730,000)</u> | <u>\$(20,961,000)</u> | <u>\$(22,214,000)</u> | <u>\$(23,491,000)</u> | <u>\$(24,792,000)</u> |
| Projected reserve/restricted funds | <u>\$ 26,796,000</u> | <u>\$ 33,745,000</u> | <u>\$ 41,180,000</u> | <u>\$ 49,056,000</u> | <u>\$ 57,421,000</u> |
| Adopted replacement reserve floor | <u>\$ 7,966,000</u> | <u>\$ 8,626,000</u> | <u>\$ 9,255,000</u> | <u>\$ 9,500,000</u> | <u>\$ 10,083,000</u> |
| Adopted replacement reserve ceiling | <u>\$ 34,102,000</u> | <u>\$ 37,633,000</u> | <u>\$ 41,164,000</u> | <u>\$ 44,870,000</u> | <u>\$ 48,641,000</u> |

Significant Assumptions

Debt Service on the loan is assumed at the current rate of 1.59%. Debt in 2014 is assumed at the same as the 2005 all-in rate of 4.736%.

Operating transfers are the result of operating activity transferred from the disbursements fund during the year. Assumptions include rate increases in years, 11/12, 12/13, 13/14, and 14/15: to water commodity Tier 1 per unit of 24¢ (9.1%), 28¢ (9.7%), 32¢ (10.1%), and 36¢ (10.3%), respectively; to monthly ready-to-serve 5/8" meter of \$2.60 (12.3%), \$1.76 (7.4%), \$1.92 (7.5%), and \$2.26 (8.2%), respectively; and to monthly sewer for a single family resident of \$2.74 (8.5%), \$2.97 (8.5%), \$3.22 (8.5%), and \$3.50 (8.5%), respectively. Over the next five years, cost of wholesale water commodity will increase by 53% and wholesale fixed charges will increase 112%. Cuts to employee benefit costs of \$500,000 in 11/12, \$750,000 in 12/13, \$1.5 million in 13/14, and \$2.65 million in 14/15 drop the escalation in benefits cost from 94% to 43% over the next five years, and are needed to avert higher rate increase and maintain favorable debt service coverage ratios. Most other operating costs will increase by 4% from year-to-year.

Capital Facility Fees rates will increase 3% per year. The District will collect capacity charges for 108 water EDUs in 2010/11, 190 in 2011/12 and every year thereafter. The District will collect capacity charges for 118 sewer EDUs in 2010/11, 165 in 2011/12, and 223 in 2012/13 and every year thereafter.

Property tax revenue will remain constant each year thereafter with no take-aways by the State of California. If property tax is taken away by the State, the District will secure other sources of revenue in its place (e.g., standby charges).

Redevelopment Agency (RDA) tax increment received pursuant to a pass-through agreement with the City of San Marcos is assumed to decrease by 3.2% for 10/11, remain constant for the next year, and increase by 2% each subsequent years.

Investment earnings are assumed earned on the average balance at 0.892% (District's weighted average rate of return for March 2009).

Replacement Reserves temporarily fund water and wastewater capacity projects through Interfund Loan Transfers. Replacement Reserve limits are Board adopted and the calculations are presented in the budget.

The Long Range Reserve Projection includes simplifying assumptions of three percent (3%) inflationary increases in Capital Facility Fees and four percent (4%) for Operating Transfers. Actual ending balance will be lower because no new capital project requests are assumed. The presentation combines restricted funds and replacement reserves.

Vallecitos Water District
 Replacement Reserve Limits - Water System
 For the 2010/11 Budget year

| | |
|-------------------|---------|
| Current ENR Index | 8671.07 |
|-------------------|---------|

| Year Added | Original Cost | ENR Factor | 2010 Costs | Year of Replacement | | | | | | | | | | | |
|------------------------------------|--------------------------|------------|----------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------|---------|
| | | | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | | |
| 1957 | \$ 923,038 | 11.98 | \$ 11,054,872 | \$ 356,609 | \$ 356,609 | \$ 356,609 | \$ 356,609 | 356,609 | 356,609 | 356,609 | 356,609 | 356,609 | 356,609 | 356,609 | 356,609 |
| 1958 | 134,201 | 11.42 | 1,533,157 | 49,457 | 49,457 | 49,457 | 49,457 | 49,457 | 49,457 | 49,457 | 49,457 | 49,457 | 49,457 | 49,457 | 49,457 |
| 1963 | 2,067,687 | 9.62 | 19,899,066 | 641,905 | 641,905 | 641,905 | 641,905 | 641,905 | 641,905 | 641,905 | 641,905 | 641,905 | 641,905 | 641,905 | 641,905 |
| 1964 | 181,560 | 9.26 | 1,681,965 | 54,257 | 54,257 | 54,257 | 54,257 | 54,257 | 54,257 | 54,257 | 54,257 | 54,257 | 54,257 | 54,257 | 54,257 |
| 1965 | 256,377 | 8.93 | 2,289,457 | 73,853 | 73,853 | 73,853 | 73,853 | 73,853 | 73,853 | 73,853 | 73,853 | 73,853 | 73,853 | 73,853 | 73,853 |
| 1966 | 107,429 | 8.51 | 914,155 | 29,489 | 29,489 | 29,489 | 29,489 | 29,489 | 29,489 | 29,489 | 29,489 | 29,489 | 29,489 | 29,489 | 29,489 |
| 1967 | 122,039 | 8.07 | 985,297 | 31,784 | 31,784 | 31,784 | 31,784 | 31,784 | 31,784 | 31,784 | 31,784 | 31,784 | 31,784 | 31,784 | 31,784 |
| 1968 | 37,421 | 7.51 | 280,935 | 9,062 | 9,062 | 9,062 | 9,062 | 9,062 | 9,062 | 9,062 | 9,062 | 9,062 | 9,062 | 9,062 | 9,062 |
| 1969 | 39,742 | 6.83 | 271,557 | 8,760 | 8,760 | 8,760 | 8,760 | 8,760 | 8,760 | 8,760 | 8,760 | 8,760 | 8,760 | 8,760 | 8,760 |
| 1970 | 37,955 | 6.28 | 238,313 | 7,688 | 7,688 | 7,688 | 7,688 | 7,688 | 7,688 | 7,688 | 7,688 | 7,688 | 7,688 | 7,688 | 7,688 |
| 1971 | 90,080 | 5.48 | 494,048 | 15,937 | 15,937 | 15,937 | 15,937 | 15,937 | 15,937 | 15,937 | 15,937 | 15,937 | 15,937 | 15,937 | 15,937 |
| 1972 | 77,091 | 4.95 | 381,324 | - | 12,301 | 12,301 | 12,301 | 12,301 | 12,301 | 12,301 | 12,301 | 12,301 | 12,301 | 12,301 | 12,301 |
| 1973 | 169,427 | 4.58 | 775,258 | - | - | 25,008 | 25,008 | 25,008 | 25,008 | 25,008 | 25,008 | 25,008 | 25,008 | 25,008 | 25,008 |
| 1974 | 141,987 | 4.29 | 609,495 | - | - | - | 19,661 | 19,661 | 19,661 | 19,661 | 19,661 | 19,661 | 19,661 | 19,661 | 19,661 |
| 1975 | 230,530 | 3.92 | 903,681 | - | - | - | - | 29,151 | 29,151 | 29,151 | 29,151 | 29,151 | 29,151 | 29,151 | 29,151 |
| 1976 | 296,066 | 3.61 | 1,069,225 | - | - | - | - | - | 34,491 | 34,491 | 34,491 | 34,491 | 34,491 | 34,491 | 34,491 |
| 1977 | 303,133 | 3.37 | 1,020,376 | - | - | - | - | - | - | 32,915 | 32,915 | 32,915 | 32,915 | 32,915 | 32,915 |
| 1978 | 3,353,752 | 3.12 | 10,475,727 | - | - | - | - | - | - | - | 337,927 | 337,927 | 337,927 | 337,927 | 337,927 |
| 1979 | 933,794 | 2.89 | 2,696,301 | - | - | - | - | - | - | - | - | - | 86,977 | 86,977 | 86,977 |
| 1980 | 390,894 | 2.68 | 1,047,102 | - | - | - | - | - | - | - | - | - | - | 33,777 | 33,777 |
| 1981 | 397,944 | 2.45 | 976,125 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1982 | 1,933,811 | 2.27 | 4,383,846 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1983 | 3,393,243 | 2.13 | 7,236,362 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1984 | 5,435,002 | 2.09 | 11,366,928 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1985 | 675,452 | 2.07 | 1,396,160 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1986 | 611,788 | 2.02 | 1,235,124 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1987 | 799,052 | 1.97 | 1,572,546 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1988 | 8,585,267 | 1.92 | 16,473,435 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1989 | 1,572,104 | 1.88 | 2,953,808 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1990 | 2,124,484 | 1.85 | 3,892,973 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1991 | 1,777,396 | 1.79 | 3,187,575 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1992 | 8,263,508 | 1.74 | 14,373,813 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1993 | 3,727,544 | 1.66 | 6,204,299 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1994 | 2,198,280 | 1.60 | 3,524,675 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1995 | 4,438,365 | 1.58 | 7,034,431 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1996 | 1,872,216 | 1.54 | 2,888,633 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1997 | 3,075,659 | 1.49 | 4,577,627 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1998 | 4,236,142 | 1.46 | 6,204,710 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1999 | 1,216,379 | 1.43 | 1,740,767 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2000 | 33,016,987 | 1.39 | 46,020,351 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2001 | 1,599,452 | 1.37 | 2,186,499 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2002 | 2,243,174 | 1.33 | 2,975,026 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2003 | 8,148,602 | 1.30 | 10,554,279 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2004 | 4,803,706 | 1.22 | 5,854,380 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2005 | 4,945,039 | 1.16 | 5,758,648 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2006 | 6,296,020 | 1.12 | 7,043,379 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2007 | 9,123,102 | 1.09 | 9,930,587 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2008 | 7,200,501 | 1.04 | 7,513,363 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2009 | 32,403,360 | 1.01 | 32,785,508 | - | - | - | - | - | - | - | - | - | - | - | - |
| | <u>\$176,008,082</u> | | <u>\$290,467,166</u> | <u>1,278,801</u> | <u>1,291,102</u> | <u>1,316,110</u> | <u>1,335,771</u> | <u>1,364,922</u> | <u>1,399,413</u> | <u>1,432,328</u> | <u>1,770,255</u> | <u>1,857,233</u> | <u>1,891,010</u> | | |
| Three-Year Minimum Reserve Balance | <-----\$3,886,012-----> | | | | | | | | | | | | | | |
| Ten-Year Maximum Reserve Balance | <-----\$14,936,945-----> | | | | | | | | | | | | | | |

Vallecitos Water District
 Replacement Reserve Limits - Wastewater System
 For the 2010/11 Budget year

| | |
|-------------------|---------|
| Current ENR Index | 8671.07 |
|-------------------|---------|

| Year Added | Original Cost | ENR Factor | 2010 Costs | Year of Replacement | | | | | | | | | | |
|------------------------------------|----------------------|---------------|-----------------------|--------------------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------|
| | | | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | |
| 1964 | \$ 1,421,340 | 9.26 | \$ 13,167,242 | \$ 424,750 | \$ 424,750 | \$ 424,750 | \$ 424,750 | 424,750 | 424,750 | 424,750 | 424,750 | 424,750 | 424,750 | 424,750 |
| 1965 | 394,116 | 8.93 | 3,519,472 | 113,531 | 113,531 | 113,531 | 113,531 | 113,531 | 113,531 | 113,531 | 113,531 | 113,531 | 113,531 | 113,531 |
| 1966 | 110,183 | 8.51 | 937,590 | 30,245 | 30,245 | 30,245 | 30,245 | 30,245 | 30,245 | 30,245 | 30,245 | 30,245 | 30,245 | 30,245 |
| 1967 | 41,816 | 8.07 | 337,607 | 10,891 | 10,891 | 10,891 | 10,891 | 10,891 | 10,891 | 10,891 | 10,891 | 10,891 | 10,891 | 10,891 |
| 1968 | 24,352 | 7.51 | 182,821 | 5,897 | 5,897 | 5,897 | 5,897 | 5,897 | 5,897 | 5,897 | 5,897 | 5,897 | 5,897 | 5,897 |
| 1969 | 28,784 | 6.83 | 196,681 | 6,345 | 6,345 | 6,345 | 6,345 | 6,345 | 6,345 | 6,345 | 6,345 | 6,345 | 6,345 | 6,345 |
| 1970 | 1,617,466 | 6.28 | 10,155,801 | 327,606 | 327,606 | 327,606 | 327,606 | 327,606 | 327,606 | 327,606 | 327,606 | 327,606 | 327,606 | 327,606 |
| 1971 | 53,601 | 5.48 | 293,977 | 9,483 | 9,483 | 9,483 | 9,483 | 9,483 | 9,483 | 9,483 | 9,483 | 9,483 | 9,483 | 9,483 |
| 1972 | 78,755 | 4.95 | 389,555 | - | 12,566 | 12,566 | 12,566 | 12,566 | 12,566 | 12,566 | 12,566 | 12,566 | 12,566 | 12,566 |
| 1973 | 149,279 | 4.58 | 683,065 | - | - | 22,034 | 22,034 | 22,034 | 22,034 | 22,034 | 22,034 | 22,034 | 22,034 | 22,034 |
| 1974 | 409,501 | 4.29 | 1,757,828 | - | - | - | 56,704 | 56,704 | 56,704 | 56,704 | 56,704 | 56,704 | 56,704 | 56,704 |
| 1975 | 189,378 | 3.92 | 742,364 | - | - | - | - | 23,947 | 23,947 | 23,947 | 23,947 | 23,947 | 23,947 | 23,947 |
| 1976 | 151,559 | 3.61 | 547,346 | - | - | - | - | - | 17,656 | 17,656 | 17,656 | 17,656 | 17,656 | 17,656 |
| 1977 | 394,775 | 3.37 | 1,328,852 | - | - | - | - | - | - | 42,866 | 42,866 | 42,866 | 42,866 | 42,866 |
| 1978 | 930,683 | 3.12 | 2,907,067 | - | - | - | - | - | - | - | 93,776 | 93,776 | 93,776 | 93,776 |
| 1979 | 697,184 | 2.89 | 2,013,097 | - | - | - | - | - | - | - | - | 64,939 | 64,939 | 64,939 |
| 1980 | 139,384 | 2.68 | 373,373 | - | - | - | - | - | - | - | - | - | - | 12,044 |
| 1981 | 192,586 | 2.45 | 472,398 | - | - | - | - | - | - | - | - | - | - | - |
| 1982 | 4,772,279 | 2.27 | 10,818,501 | - | - | - | - | - | - | - | - | - | - | - |
| 1983 | - | 2.13 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1984 | - | 2.09 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1985 | 5,149,309 | 2.07 | 10,643,628 | - | - | - | - | - | - | - | - | - | - | - |
| 1986 | 19,355,791 | 2.02 | 39,076,931 | - | - | - | - | - | - | - | - | - | - | - |
| 1987 | 381,136 | 1.97 | 750,081 | - | - | - | - | - | - | - | - | - | - | - |
| 1988 | 1,232,431 | 1.92 | 2,364,792 | - | - | - | - | - | - | - | - | - | - | - |
| 1989 | 2,001,761 | 1.88 | 3,761,086 | - | - | - | - | - | - | - | - | - | - | - |
| 1990 | 3,031,169 | 1.83 | 5,554,412 | - | - | - | - | - | - | - | - | - | - | - |
| 1991 | 1,864,618 | 1.79 | 3,343,999 | - | - | - | - | - | - | - | - | - | - | - |
| 1992 | 3,162,421 | 1.74 | 5,500,817 | - | - | - | - | - | - | - | - | - | - | - |
| 1993 | 13,446,724 | 1.66 | 22,379,556 | - | - | - | - | - | - | - | - | - | - | - |
| 1994 | 2,113,222 | 1.60 | 3,388,294 | - | - | - | - | - | - | - | - | - | - | - |
| 1995 | 3,276,618 | 1.58 | 5,193,161 | - | - | - | - | - | - | - | - | - | - | - |
| 1996 | 1,199,768 | 1.54 | 1,851,116 | - | - | - | - | - | - | - | - | - | - | - |
| 1997 | 988,964 | 1.49 | 1,471,915 | - | - | - | - | - | - | - | - | - | - | - |
| 1998 | 4,670,391 | 1.46 | 6,840,758 | - | - | - | - | - | - | - | - | - | - | - |
| 1999 | 1,047,495 | 1.43 | 1,499,076 | - | - | - | - | - | - | - | - | - | - | - |
| 2000 | 3,954,391 | 1.39 | 5,511,783 | - | - | - | - | - | - | - | - | - | - | - |
| 2001 | 2,705,995 | 1.37 | 3,699,176 | - | - | - | - | - | - | - | - | - | - | - |
| 2002 | 109,018 | 1.33 | 144,586 | - | - | - | - | - | - | - | - | - | - | - |
| 2003 | 9,260,829 | 1.30 | 11,994,864 | - | - | - | - | - | - | - | - | - | - | - |
| 2004 | 3,031,642 | 1.22 | 3,694,728 | - | - | - | - | - | - | - | - | - | - | - |
| 2005 | 2,984,298 | 1.16 | 3,475,306 | - | - | - | - | - | - | - | - | - | - | - |
| 2006 | 7,245,244 | 1.12 | 8,105,279 | - | - | - | - | - | - | - | - | - | - | - |
| 2007 | (10,129,834) | 1.09 | (11,026,425) | - | - | - | - | - | - | - | - | - | - | - |
| 2008 | 9,022,922 | 1.04 | 9,414,969 | - | - | - | - | - | - | - | - | - | - | - |
| 2009 | 37,476,922 | 1.01 | 37,918,905 | - | - | - | - | - | - | - | - | - | - | - |
| | <u>\$140,380,266</u> | | <u>\$ 237,377,428</u> | <u>928,748</u> | <u>941,314</u> | <u>963,349</u> | <u>1,020,053</u> | <u>1,044,000</u> | <u>1,061,656</u> | <u>1,104,523</u> | <u>1,198,299</u> | <u>1,263,238</u> | <u>1,273,282</u> | |
| Three-Year Minimum Reserve Balance | | | | <-----\$2,833,411-----> | | | | | | | | | | |
| Ten-Year Maximum Reserve Balance | | | | <-----\$10,800,462-----> | | | | | | | | | | |