

2011/2012
ANNUAL BUDGET
ADOPTED June 7, 2011
RESOLUTIONS NO. 100603 & 100604

VALLEY OF THE MOON WATER DISTRICT

2011-2012

Annual Operating & Capital Improvement Program Budget

Adopted: June 7, 2011 Resolutions No. 100603 & 100604

BOARD OF DIRECTORS

***Alfonso Bandur, President
Mark Bramfitt, Vice President
Edward Kenny
Ronald Prushko
Russell Townsend***

<i>General Manager/Board Secretary</i>	<i>Krishna Kumar</i>
<i>Office Supervisor</i>	<i>Shari Walk</i>
<i>Operations & Maintenance Supervisor</i>	<i>Paul Gradolph</i>
<i>District Counsel</i>	<i>Bold, Polisner, Maddow, Nelson & Judson</i>
<i>District Auditor</i>	<i>Moss, Levy & Hartzheim</i>

TABLE OF CONTENTS

	Page
I. Introduction to the Valley of the Moon Water District	
History.....	1
Governing Board.....	2
District Mission Statement & Goals.....	3
Map of District Boundary.....	4
Overview of Russian River & Water Agency Transmission System Facilities...	5
II. Department Description	
Board of Directors.....	6
Administration.....	6
Operations & Maintenance.....	6
III. Operations and Maintenance Budget	
Description.....	7-8
Summary.....	9-10
Account Descriptions.....	11-12
IV. Capital Improvement Program Budget	
Description.....	13-15
Summary.....	16
5 year Revenue and Expense Summary.....	17
V. Statement of Investment Policy.....	18-21
VI. Enabling Documents.....	22-23

I

*Introduction to the
Valley of the Moon Water District*

History

Valley of the Moon Water District (District) was formed in 1960 through a special election under Water Code Section 30000 et seq. for the primary purpose of providing a dependable supply of potable water in the Valley of the Moon.

The service area covers approximately 7,545 acres and includes the unincorporated communities of Agua Caliente, Boyes Hot Springs, El Verano, Fetters Hot Springs, Glen Ellen, and the Temelec area of Sonoma County.

The District began operations on June 1, 1962 with the acquisition of the assets of Sonoma Water and Irrigation Company and the Mountain Avenue Water System. In 1963, the District acquired the facilities of the Glen Ellen Water Company and annexed its service area.

Today, water is purchased from the Sonoma County Water Agency and delivered through an aqueduct running from the Russian River. The District also uses wells within the service area to augment its water supply.

District customers authorized purchase and improvement of existing facilities and procurement of Russian River water through the Sonoma Aqueduct with \$1,250,000 of voter-approved 30-year General Obligation bonds, which were issued in 1962. All District assets, including land, water rights, water production, distribution and storage facilities, are by law held in trust by the District for the benefit of all property owners and customers within the District.

Governing Board

The Board of Directors of the Valley of the Moon Water District consists of five members who are elected officials. They each serve four-year terms, which are staggered with elections held during November of each even numbered year.

The Board of Directors sets the overall goals for the District and the policies to accomplish those goals. The Board appoints a General Manager who is charged with carrying out the policy direction of the Board. The Board also appoints a Counsel, Auditor, and Board Secretary. All persons appointed to these positions serve at the pleasure of the Board.

The Board performs its duties during regularly scheduled Board meetings held at 6:30 p.m. on the first Tuesday of each month. The Board may also schedule special meetings of the Board. The public is notified in advance of all regular and special meetings of the Board as well as any meetings of standing committees, as required by law.

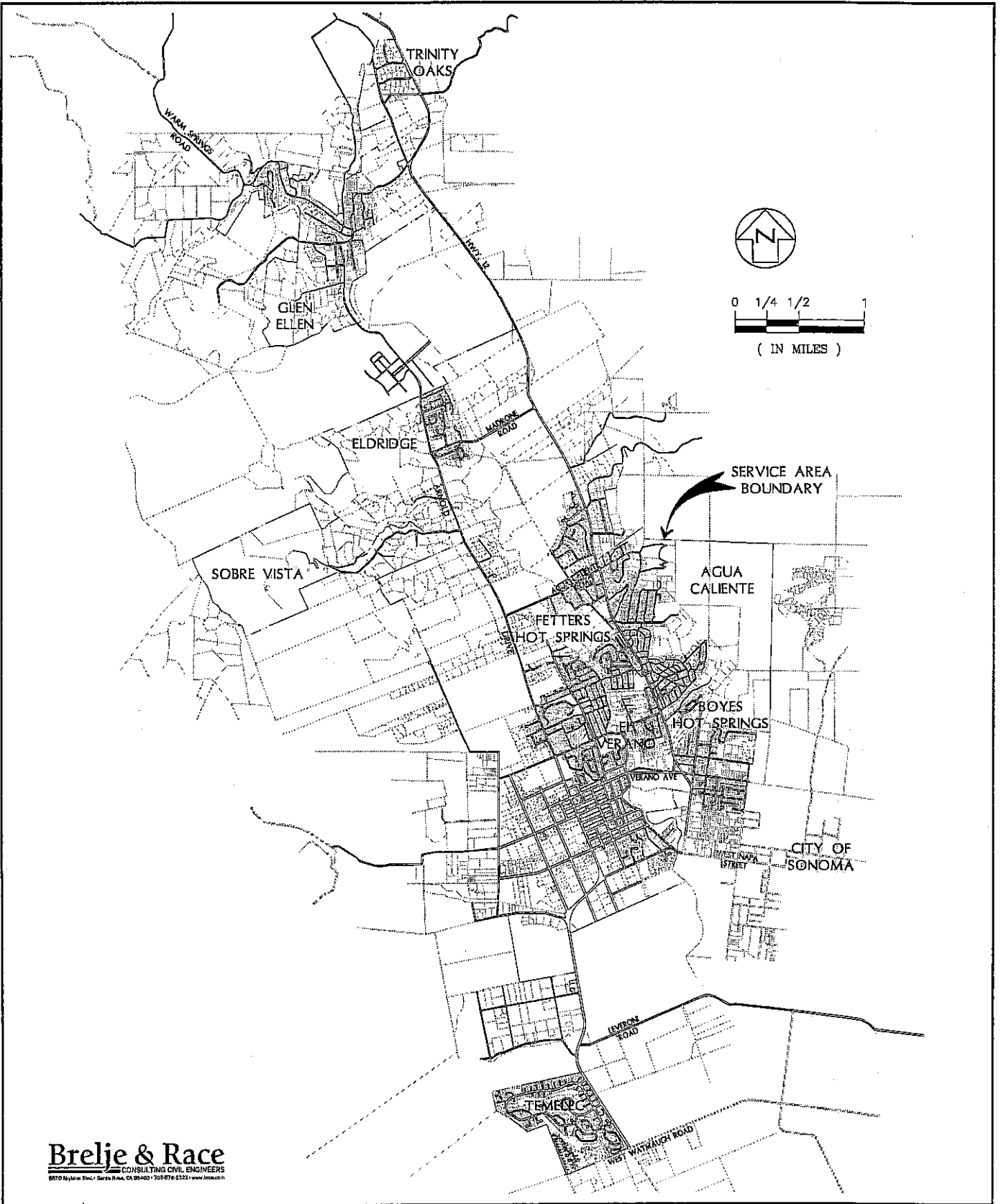
The Board may appoint standing or ad hoc committees to assist it in developing policy. It may also confer with consultants or other experienced specialists in water resource management in determining appropriate policies of the District.

District Mission Statement

It is the mission of the Valley of the Moon Water District to provide its customers with reliable, safe water at an equitable price and to ensure the fiscal and environmental vitality of the District for future generations.

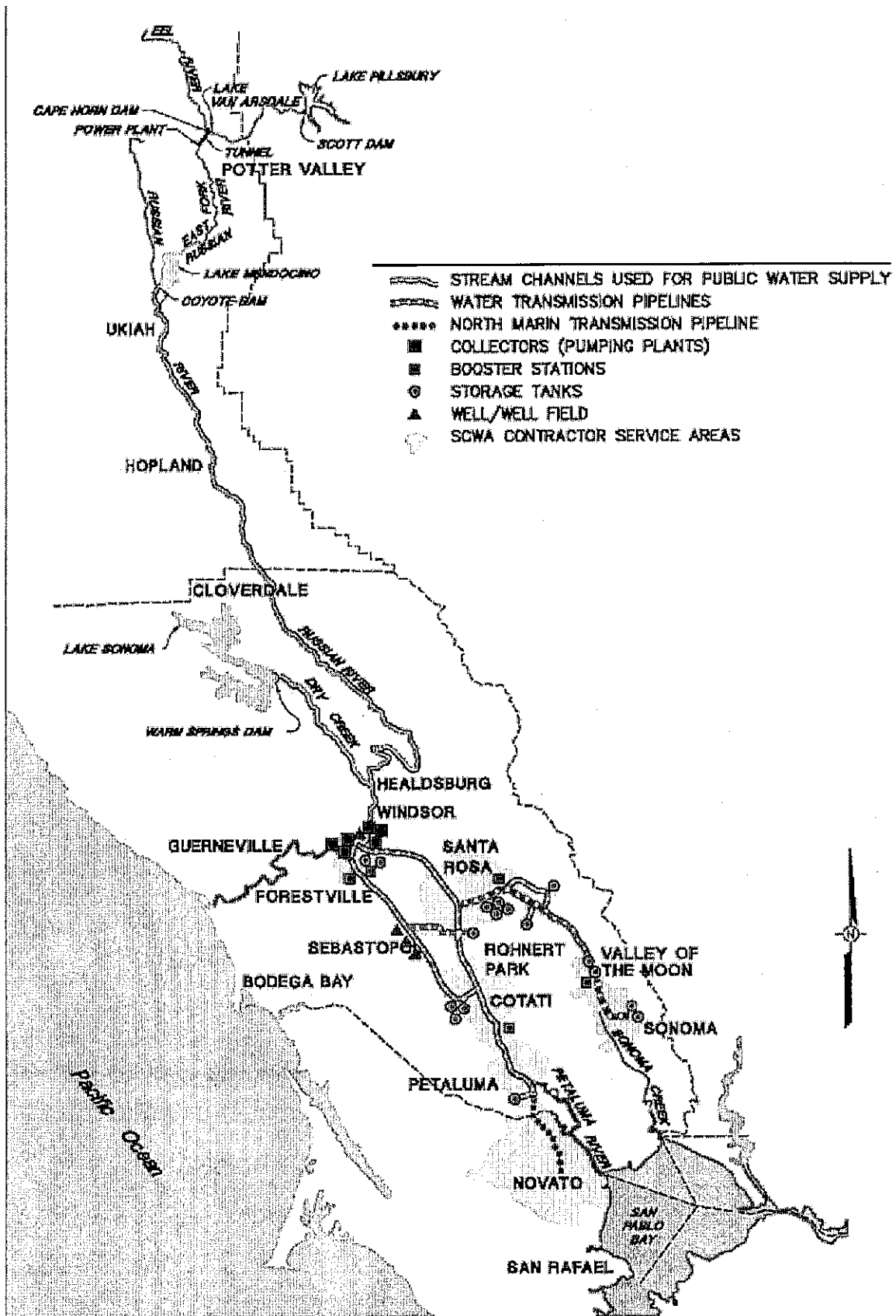
District Goals

- λ To ensure ethical behavior in the conduct of District business
- λ To conduct District business in an open manner, providing information, reasons for decisions and access to the decision-makers.



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SERVICE AREA MAP



Overview of Russian River and Sonoma County Water Agency Transmission System Facilities

II

Description of Departments

BOARD OF DIRECTORS

The Board of Directors oversees all District operations by hiring and setting goals for the General Manager. The five member Board adopts policies to guide the General Manager and District staff in providing efficient and effective services to present and future District customers.

ADMINISTRATION

The General Manager is responsible for organizing, supervising and directing activities of the District and carrying out policies set by the Board of Directors to ensure that efficient and effective services are provided through the approved policies and budget.

The administrative staff consists of an Office Supervisor and three full-time employees. Responsibilities of this group include customer services, accounting, office services, personnel and public information.

Customer Service:	Billing, payments, and responding to water service related inquiries.
Accounting:	Accounts receivable, accounts payable, payroll, general ledger, financial statements, collections, audits, annual/periodic reports, and budgets.
Office Services:	Correspondence, report preparation, purchase orders, and meeting/travel coordination.
Personnel:	Monitor employee agreements/compliance to agreements, recruitment and orientation of new hires, and employee evaluations.
Public Information:	Public notices, newsletters, website, news releases, and annual water quality report.

OPERATIONS & MAINTENANCE

The Operations and Maintenance Department consists of an Operations & Maintenance Supervisor, five Water Distribution Mechanics, one Water Distribution Specialist, and one Meter Reader.

The O&M Supervisor coordinates the operation and maintenance of a 24-hour water delivery system; plans, assigns and directs personnel involved; trains employees in operations, procedures and safety equipment; sets up and modifies operating and preventive maintenance schedules; prepares requisitions for stock and material for operations and maintenance of plant and pipeline; participates in annual inventory; responds to, investigates and resolves inquiries and complaints from public about water usage.

The primary responsibility of this department is to assure the uninterrupted delivery of water by locating and fixing leaks, flushing lines and repairing mains. The department also monitors water quality, inspects construction projects in progress, performs preventive maintenance and repairs of pressure reducing valves, water level control valves and storage reservoirs, and performs building and ground maintenance of District facilities.

III

***Operations and Maintenance Budget
2011-2012***

Operations and Maintenance Budget Description

The fiscal year 2011-2012 Operations and Maintenance (O&M) budget is essentially a pass through budget that does not include any increased levels of service. The O&M budget for FY 2011-12 at \$3,781,466, including a transfer of \$400,000 to the capital improvement program, shows an increase of \$121,598 or 3.3% over the current year's budget of \$3,659,868, primarily on account of increased funding of \$150,000 for CIP, offset by a decrease of \$28,402 in the operating budget. The operating revenues for FY 2011-12 are projected at \$3,781,810, an increase of \$121,870 or 3.3% over the current budget of \$3,781,810, primarily to fund the increased transfer to the CIP. The budget, as presented, has a projected surplus of \$344.

Water Rate Increase

The final budget includes a 7% rate increase to both the service charges and the commodity charges to reflect a nominal cost of living increase, effective July 1, 2011.

The monthly basic service charge is increased by \$0.46 for a 5/8th inch meter, and for larger meters it is increased by an amount proportional to the increased flow allowance as compared to a 5/8" meter. The following table shows the impact of adopting this proposal on all meter sizes:

Size	Currently Monthly Fee	Proposed Monthly Fee
5/8"	\$6.56	\$7.02
3/4"	\$9.84	\$10.53
1"	\$16.40	\$17.55
1-1/2"	\$32.80	\$35.10
2"	\$52.48	\$56.16
3"	\$98.40	\$105.30
4"	\$164.00	\$175.50
6"	\$328.00	\$351.00

The existing and new commodity charges are indicated below. Each Billing Unit (BU) is 1,000 gallons and the indicated allocations in column 2 are for a two-month period.

Customer Category	Billing Units	Existing Rates per BU	Revised Rates per BU	\$ Increase	% Increase
Tier - 1	Up to 18	\$3.12	\$3.34	\$0.22	7%
Tier - 2	19 – 40	\$4.68	\$5.01	\$0.33	7%
Tier - 3	Over 40	\$4.00	\$7.49	\$0.49	7%
Flat Rate	N.A.	\$3.76	\$4.02	\$0.26	7%

With the proposed 7% rate increase, typical rate-payers can expect to see increases in their new bills, as shown below, based on a standard 5/8" water meter.

Water Use	Assumed Monthly Water Use (in gallons)	Monthly Charges		Amount of Monthly Increase
		Current	Proposed	
Low	5,000	\$22.16	\$23.72	\$1.56
Average	10,000	\$39.32	\$42.09	\$2.77
Moderately High	20,000	\$86.12	\$92.19	\$6.07
High	50,000	\$296.12	\$316.89	\$20.77
Flat Rate	10,000	\$44.16	\$47.22	\$3.06

**VALLEY OF THE MOON WATER DISTRICT
BUDGET REQUEST 2011-2012**

REVENUE		ACTUAL 09-10	BUDGET 10-11	TO DATE 4/11 10-11	ESTIMATE 10-11	PROPOSED BUDGET 11-12
52402	Interest Income	\$ 27,644	\$ 17,000	\$ 11,653	\$ 14,000	\$ 15,000
52500	Gain on Sale of Assets	-	-	-	-	-
60111	Operating Revenue	3,362,916	3,579,940	2,954,033	3,500,000	3,703,810
61100	Customer Penalties & Fees	41,585	43,000	35,702	43,000	43,000
61200	Misc. Income	79,295	20,000	8,179	20,000	20,000
TOTAL REVENUE		\$ 3,511,440	\$ 3,659,940	\$ 3,009,567	\$ 3,577,000	\$ 3,781,810

EXPENSES:

Salaries:						
	O & M - Operating	\$ 384,019	\$ 407,490	\$ 299,039	\$ 365,551	\$ 364,250
	O & M - Capital	87,446	100,000	74,617	95,000	100,000
	Stand-By Pay	22,429	23,450	19,799	23,450	23,450
	Administration	319,117	348,660	286,430	341,000	347,030
	Directors	6,900	8,000	4,500	6,000	7,000
TOTAL SALARIES		\$ 819,911	\$ 887,600	\$ 684,385	\$ 831,001	\$ 841,730
Benefits:						
	Operation/Mtnc.	\$ 150,575	\$ 167,800	\$ 122,495	\$ 150,500	\$ 159,490
	Administration	66,334	74,640	55,706	69,000	74,610
	Retirees	57,409	79,000	40,951	79,000	79,000
TOTAL BENEFITS		\$ 274,318	\$ 321,440	\$ 219,152	\$ 298,500	\$ 313,100
Mandatory Costs:						
	Workers Comp.:					
	Operations/Maintenance	\$ 21,071	\$ 24,270	\$ 17,768	\$ 24,000	\$ 25,250
	Administration	3,439	3,750	3,208	4,200	4,280
	FICA/Medicare:					
	Operations/Maintenance	35,436	40,460	28,902	36,000	37,180
	Administration	21,732	24,220	18,837	24,220	24,050
	District Portion/Retirement					
	Operations/Maintenance	43,436	50,740	37,996	47,000	59,390
	Administration	30,586	35,530	29,066	35,530	45,230
TOTAL MANDATORY COSTS		\$ 155,700	\$ 178,970	\$ 135,776	\$ 170,950	\$ 195,380
Travel & Training						
	Operation/Mtnc.	\$ 3,422	\$ 6,000	\$ 1,236	\$ 3,000	\$ 6,000
	Administration	4,052	6,000	1,703	4,000	6,000
	Directors	275	6,000	1,783	3,000	4,500
TOTAL TRAVEL & TRAINING		\$ 7,749	\$ 18,000	\$ 4,722	\$ 10,000	\$ 16,500
SUBTOTAL: SALARIES/BENEFITS MANDATORY COSTS & TRAVEL		\$ 1,257,678	\$ 1,406,010	\$ 1,044,036	\$ 1,310,451	\$ 1,366,710

**VALLEY OF THE MOON WATER DISTRICT
BUDGET REQUEST 2011-2012**

GENERAL:	ACTUAL 09-10	BUDGET 10-11	TO DATE 4/11 10-11	ESTIMATE 10-11	PROPOSED BUDGET 11-12
700 Purchased Water	\$ 1,324,644	\$ 1,473,560	\$ 1,231,853	\$ 1,492,000	\$ 1,532,950
742 Safety & Clothing Allowance	4,230	5,000	3,862	5,000	4,500
744 Vehicle Maintenance	7,695	7,500	7,481	8,000	7,500
746 Temporary Help	-	1,500	-	-	1,000
853 Elections	-	12,000	32	32	-
854 Employee Relations	1,568	2,500	1,617	1,800	2,500
857 Attorney Retainer	19,697	12,000	4,262	24,000	24,000
858 Engineering General Support	-	2,000	8,990	8,990	1,000
860 Misc. Expenses / Contributions	15,000	15,500	-	15,000	20,500
900 Advertising	799	1,000	-	500	1,000
901 Outside Services	22,304	21,600	16,238	21,000	21,000
902 Annual Audit	6,260	6,450	6,450	6,450	6,450
903 Bad Debts	4,976	7,200	5,742	7,200	7,200
904 Building Maintenance	5,146	2,000	3,834	9,000	8,000
905 Customer Adjustments	7,922	8,000	4,098	5,500	6,000
906 Dues and Subscriptions	9,829	11,000	9,832	10,500	11,000
907 Equipment Maintenance	5,613	5,000	5,970	7,000	7,200
908 Fees (County & State)	14,612	17,000	14,292	16,000	16,000
909 Fuel	17,958	21,000	16,704	21,000	21,000
910 Bank Charges	4,182	4,500	1,889	2,100	4,500
911 Liability Insurance	37,574	40,000	34,886	42,100	43,000
912 Postage	19,506	21,000	16,180	21,000	21,000
913 Public Information	4,608	5,500	1,659	5,000	5,000
914 Service Contracts	11,647	12,500	10,141	12,000	12,500
916 Office Supplies	6,154	6,000	5,240	6,000	6,000
917 Telephone / Internet	10,937	11,000	8,685	9,800	10,000
918 Tools, & Equipment	7,227	6,000	3,941	5,000	6,000
919 Trash Disposal	3,627	3,500	2,629	3,200	3,500
920 Utilities	107,608	100,000	87,014	101,000	105,000
921 Professional Services	9,455	30,000	26,952	32,000	10,000
922 Water Testing	50,517	32,000	16,787	22,500	21,000
923 Water Main Maintenance	3,831	6,000	12,918	15,000	6,000
924 Service Line Maintenance	5,576	6,000	6,069	7,000	6,000
926 Misc. System Expenses	9,253	7,500	4,935	6,000	7,500
928 Wells Maintenance	9,399	5,000	11,778	15,000	5,000
930 Pump Maintenance	811	2,500	287	1,000	2,500
931 Storage Tank Maintenance	3,707	5,000	4,255	5,000	5,000
932 Water Conservation Program	43,103	30,000	4,542	6,000	22,000
933 Abandoned Projects	2,880	-	-	-	-
934 Interest Expense	132,271	132,048	131,964	132,048	108,456
935 Equipment Replacement	7,019	6,000	1,987	3,000	6,000
TOTAL GENERAL EXPENSES	\$ 1,959,145	\$ 2,103,858	\$ 1,735,998	\$ 2,110,720	\$ 2,114,756
Transfer for CIP - Labor	(87,446)	(100,000)	(74,617)	(95,000)	(100,000)
TOTAL EXPENSES	\$ 3,129,377	\$ 3,409,868	\$ 2,705,417	\$ 3,326,171	\$ 3,381,466
REVENUE LESS EXPENSES	\$ 382,063	\$ 250,072	\$ 304,150	\$ 250,829	\$ 400,344
Allocation to Capital Improvement	\$ (382,063)	\$ (250,000)	\$ (200,000)	\$ (250,000)	\$ (400,000)
BUDGETED SURPLUS/DEFICIT	\$ -	\$ 72	\$ 104,150	\$ 829	\$ 344

ACCOUNT DESCRIPTIONS:

TEMPORARY HELP: Includes temporary outside personnel services.

VEHICLE MAINTENANCE: All repair and maintenance costs to District vehicles, including SMOG tests and certification, tire repair/replacement and lube and oil changes as necessary.

SAFETY & CLOTHING ALLOWANCE: Safety & clothing allowance to field staff as per MOU.

MISC. EXPENSES: Includes payment for the Sonoma Valley groundwater management planning process.

ADVERTISING: Public hearings, meetings, legal notices, bid notices.

OUTSIDE SERVICES: Alarm monitoring, answering service, billing service, janitorial, landscaping, tree trimming, pest control services and annual weed abatement at the District owned properties, and Underground Service Alert services.

ANNUAL AUDIT: Annual financial statement audit and periodic consultation with District auditor.

BAD DEBTS: All uncollectible closed customer accounts that are sent for collection. If collection is made, an entry is made to offset the amount.

BUILDING MAINTENANCE: Maintenance and repair to District owned facilities.

CUSTOMER ADJUSTMENTS: The District has a policy to adjust customers' accounts when leaks occur. An average usage is established by the prior history and any overage is charged at a reduced rate during one billing cycle for a 12 month period.

DUES/SUBSCRIPTIONS: The District belongs to several water related associations and organizations: Association of California Water Agencies (ACWA), American Water Works Association (AWWA), California Water Awareness Campaign, Water Education Foundation, Foundation for Cross Connection, and Bay Area Water Works Association. Membership in these organizations is very beneficial in that it keeps the District aware of changes in regulations, laws and current events in the water industry. Membership in ACWA enables the District to procure health benefits for employees and general liability, property and workers' compensation insurance through the ACWA Joint Powers Insurance Authority (JPIA). Subscriptions to newsletters, manuals, Water Code updates and other publications.

EQUIPMENT MAINTENANCE: All maintenance to equipment other than vehicles and buildings.

FEES (COUNTY & STATE): Any work done by the Department of Health Services is charged to the District at an hourly rate. Payment of these charges is mandatory. Also included under this account are the Hazardous Materials Program fees assessed by the Sonoma County Emergency Services, LAFCO annual fees, and annual sewer fees.

FUEL: Fuel for District vehicles including backhoes and various gasoline run pieces of equipment.

LIABILITY INSURANCE: Insurance for District owned facilities, including all buildings and structures, and also covers liability claims relating to District operations.

POSTAGE: Postage for District correspondence and customer billing.

PUBLIC INFORMATION: Materials, services and postage included for the annual water quality report & billing inserts.

SERVICE CONTRACTS: Maintenance for handheld meter reader devices, copier and printer equipment, and computer system software, additions, maintenance and updates.

OFFICE SUPPLIES: All supplies required for the operation of the District.

TELEPHONE/INTERNET: All telephone charges including cellular phones and internet.

TOOLS & EQUIPMENT: Small tools, new and replacement.

TRASH DISPOSAL: Weekly garbage pick-up and disposal.

UTILITIES: Gas & electricity for office, corporation building, pumps & booster stations.

PROFESSIONAL SERVICES: All non-engineering professional services.

WATER TESTING: Water is tested from various locations throughout the District on a weekly basis. There are additional tests required periodically throughout the year.

WATER MAIN MAINTENANCE: Materials used in the repair and maintenance of main lines.

SERVICE LINE MAINTENANCE: Materials used in the repair of service lines connecting mains to customer meters.

MISC. SYSTEM EXPENSES: Includes materials other than to repair water mains & service lines.

WELL MAINTENANCE: Materials used in the repair & maintenance of wells.

PUMP MAINTENANCE: Materials used in the repairs & maintenance of pumping equipment.

STORAGE TANK MAINTENANCE: Materials used in the repairs & maintenance of storage tanks.

WATER CONSERVATION PROGRAM: Water conserving devices, educational programs, & compliance of the Best Management Practices (BMP).

EQUIPMENT REPLACEMENT: Fixed assets items in the amount of \$5,000 and under.

IV

*Capital Improvement Program Budget
2011-2012*

Capital Improvement Program Budget Description

The District's five-year Capital Improvement Program (CIP) is updated annually. The updated CIP Program covers fiscal years 2011-12 through 2015-2016. The basis for the plan is contained in four references. These are: "The Master Water Plan" by Brelje & Race, April 2007; "The Strategic Water Supply Plan", by John Olaf Nelson Water Resources Management, January 1999, "The Master Plan for Groundwater Development and Management", by Luhdorff & Scalmanini, April 1999; and, "The Water Storage Plan", by Brelje & Race, May 1999.

The budget for the first year CIP (FY 2010-2011) in the amount of \$1,540,500 was authorized by the Board of Directors by Resolution No. 100603 and is considered relatively firm. The projected CIP needs for FYs 2011-2012 through 2014-2015 has been reviewed by the Board and are considered the best estimate at this time.

Significant projects in the CIP for FY 2011-2012 include:

- Upgrade existing meters to advanced metering infrastructure (AMI) at a first year cost of approximately \$365,000.
- The District expects to spend approximately \$30,000 on replacing polybutylene service lines.

The projections for subsequent fiscal years (2012-2013 through 2015-2016) are \$495,000, \$495,000, \$445,000 and \$366,000 respectively. Total projected CIP needs for the 5-year period, based on 2011 dollars is \$2,378,700.

A. SOURCES OF FUNDS FOR THE FIVE YEAR CAPITAL IMPROVEMENT PROGRAM

1. Available Fund Balance:

Total available reserves are reported to the Board monthly. The reserves are determined, as shown below, by deducting the Contingency for Emergencies and the Board Designated Reserves from the Enterprise Fund balance.

Estimated Water Enterprise Fund balance 6/30/11	\$ 1,897,628
Less: Board Designated Reserves: Contingency for Emergencies	(1,000,000)
Estimated funding available for remaining 5 year CIP	\$ 897,628 ¹

¹ Amount to be adjusted with year-end close out.

2. Annual Revenue from Water Use and Service Charges:

It is anticipated that the Board, through the annual budget process, will allocate funds each fiscal year to the Capital Improvement Program (CIP) from revenues derived from water usage and service charges. The proposed 5 year CIP assumes allocations of \$400,000 for the first year, \$425,000 for FY 2012-13, \$450,000 for FY 2013-14, \$475,000 for FY 2014-15 and \$500,000 for FY 2015-16.

3. Annual Revenue from Capacity Charges and Front Foot Charges:

The District requires customers applying for water service to pay a Capacity Charge and if applicable, a Front Foot Charge. These charges are also used for funding the CIP. The estimated revenue for 2011-2012 is \$50,000.

Due to the unpredictability of Capacity and Front Foot Charges as a revenue source, a conservative estimate has been included for each fiscal year based largely on past experience. Capacity charges can only be used for capital improvements that add additional capacity – new pipelines, storage facilities, and wells, etc.

4. Other Sources of Funds:

Other capital improvement funds may be obtained from outside sources, such as Federal, State or County grants, and or loans. These funds can be budgeted only after such sources are “firmed up”.

Additional sources of funds include developer funded projects. Often District water mains must be installed or upgraded as part of new development projects. These projects are not identified in the CIP as they are unknown at this time and are neutral in terms of income versus expense and result in contributed infrastructure. These projects are booked by the District, at the project cost, when completed and accepted, and are reflected in the annual financial statement as “Contributions in Aid to Construction” and thereby become part of the District’s depreciable fixed assets.

Charges are also assessed at the time of connection for meters and service lines, fire hydrants, reduced pressure devices and any other materials and features needed to be supplied by the District to accommodate the new connection. These charges compensate the District for actual cash outlays including associated labor and overheads. Income from these charges is not included in the budget but is booked at the time of receipt as “Contributions in Aid to Construction”.

B. RESERVES FOR UNANTICIPATED PROJECTS

The Capital Improvement Program budget includes a project titled Unanticipated Capital Expenditures and it is funded in the amount of \$25,000. If this amount is not sufficient, it will be necessary to allocate, with Board approval, additional funds from the District's Unallocated Reserves.

C. EXPENSE AND REVENUE SUMMARY

This summary is an annual comparison of estimated capital revenues and expenses. The capital revenue and expense summary includes the following debt service (principal) payments:

Westamerica Bank

The current outstanding balance is \$1,860,427 (original loan amount \$2,833,992). The annual debt service for this loan is estimated at \$213,638 per year, until FY 2021-2022. The principal portion for FY 2011-12 is \$133,017.

California Infrastructure Development Bank (I-Bank)

The current outstanding balance is \$745,541 (original loan amount \$810,000). The annual debt service for this loan is estimated at \$59,105 per year, until FY2027-2028. The principal portion for FY 2011-12 is \$33,770.

Sonoma Aqueduct Loan

The current outstanding balance is \$145,579 (original loan amount \$242,631). The annual principal payment for this no interest loan is estimated at \$48,526 per year, until FY 2013-2014.

***CAPITAL PROJECT SUMMARY
AND
REVENUE AND EXPENSE
SUMMARY
2011/12 to FY 2015/16***

FISCAL YEAR 2011-2012
VALLEY OF THE MOON WATER DISTRICT
Five year Capital Improvement Program

CIP Proj #	Project Title	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	Totals
95-16/9300	Meter Replacement Program	\$ 365,000	\$ 405,000	\$ 405,000	\$ 355,000	\$ 226,000	\$ 1,756,000
95-32/9100	Unanticipated Capital Expenditures	25,000	25,000	25,000	25,000	25,000	125,000
6000-A	Polybutylene Service Replacements (Leak Response)	10,000	10,000	10,000	10,000	10,000	50,000
6000-B/6003	Planned Polybutylene Service Replacements	30,000	20,000	20,000	20,000	20,000	110,000
6002	Service Replacement Other Than Polybutylene	10,000	10,000	10,000	10,000	10,000	50,000
2931	Carmel Avenue Water Main Replacement	17,700	-	-	-	-	17,700
03-06	Walnut Ave, Bay St., Oak St., Railroad Ave., Penny Ln. & Center St. Water Main Replacement	-	-	-	-	50,000	50,000
11-01	Property Acquisition for Tank Site	95,000	-	-	-	-	95,000
99-10	Equipment Replacement	25,000	25,000	25,000	25,000	25,000	125,000

TOTAL CONSTRUCTION

\$ 577,700 \$ 495,000 \$ 495,000 \$ 445,000 \$ 366,000 \$ 2,378,700

CAPITAL REVENUE AND EXPENSE SUMMARY

	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	TOTAL
Annual CIP Allocation	\$ 400,000	\$ 425,000	\$ 450,000	\$ 475,000	\$ 500,000	\$ 2,250,000
Front Foot Charges	10,000	13,000	16,000	19,000	22,000	80,000
Capacity Charges	40,000	45,000	50,000	55,000	60,000	250,000
Total Revenue	\$ 450,000	\$ 483,000	\$ 516,000	\$ 549,000	\$ 582,000	\$ 2,580,000
Beginning Fund Balance	\$ 897,628	\$ 554,615	\$ 314,922	\$ 101,352	\$ 12,165	\$ 897,628
Beginning Fund Balance + Total Revenues	\$ 1,347,628	\$ 1,037,615	\$ 830,922	\$ 650,352	\$ 594,165	\$ 4,460,682
Less:						
Capital Improvement Projects	\$ 577,700	\$ 495,000	\$ 495,000	\$ 445,000	\$ 366,000	\$ 2,378,700
Debt Service - SVB (principal payment)	133,017	144,326	150,099	156,103	162,347	745,892
Debt Service - I-Bank (principal payment)	33,770	34,841	35,945	37,084	38,260	179,900
Debt Service - Sonoma Aqueduct Loan	48,526	48,526	48,526	-	-	145,578
Total Expenditures	\$ 793,013	\$ 722,693	\$ 729,570	\$ 638,187	\$ 566,607	\$ 3,450,070
Ending Fund Balance	\$ 554,615	\$ 314,922	\$ 101,352	\$ 12,165	\$ 27,558	\$ 27,558

V

*Statement of
Investment Policy*

VALLEY OF THE MOON WATER DISTRICT
ANNUAL STATEMENT OF INVESTMENT POLICY

Fiscal Year 2011-12

PURPOSE

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment process and to organize and formalize investment-related activities. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The ultimate goal is to enhance the economic status of the Valley of the Moon Water District (District) while protecting its pooled cash.

The investment policies and practices of the District are based on state law and prudent money management. District moneys not required for immediate expenditure will be invested in compliance with governing provisions of law (Government Code Sections 53600 *et.al.*, SB 866 and SB564) and this policy. The District will maintain adequate cash availability and maximum yield on invested funds while insuring that the principal amount invested is protected from loss. The investment of bond proceeds are be restricted by the provisions of relevant bond documents.

Investments will be made in a range of instruments to insure diversification of the District's portfolio and liquidity of assets in an emergency situation. Deposit of funds with the State Treasurer's Local Agency Investment Fund (LAIF) in accordance with Section 16429.1 of the Government Code, or deposit of funds with the Sonoma County Pooled Investment Fund will satisfy this requirement. A policy of safety, liquidity, and yield will prevail at all times, with emphasis on safety.

OBJECTIVE

The District has a fiduciary responsibility to maximize the productive use of all the assets entrusted to its care and to invest and manage those public funds wisely and prudently. As such, the District shall strive to maintain the level of investment of all idle funds as near 100% as possible through projected cash flow determinations, investing in those investment vehicles deemed prudent and allowable under current legislation of the State of California and the regulations of the District.

It is the policy of the District to make investments based on the following specific objectives listed in order of priority:

1. Safety: The primary objective is to safeguard the principal of funds.

2. Liquidity: The secondary objective shall be to meet the liquidity needs of the District.
3. Yield: The third objective shall be to achieve a return on funds

DEFINITION AND PROVISION OF THE GOVERNMENT CODE

The District's Board of Directors will act as the investment authority of the District. Collateral established as security for District funds will be those securities specified by law as eligible for collateral for deposits of local public agencies. Investment of District moneys not required for immediate expenditure will be made in securities or other certificates of indebtedness as provided by law for the investment of public funds. Investments will be made in accordance with this policy.

CASH FLOW AND AVAILABILITY

The District shall maintain, in the LAIF, or the Sonoma County Treasurer's Pooled Investment Fund, or Certificate of Deposits, money available for immediate use.

PREFERRED INVESTMENT INSTRUMENTS

The District investment portfolio may include, but are not limited to, the following instruments:

- State Local Agency Investment Fund
- Sonoma County Pooled Investment Fund
- Certificates of Deposit purchased from banks or savings and loan institutions
- Passbook Savings Account
- Treasury Bills & Notes
- Additional instruments not specifically delineated in this policy require prior Board approval

AMOUNTS TO BE INVESTED

The District will maintain a cash flow analysis for projection of needed funds. All funds not required for immediate use will be invested.

GENERAL INVESTMENT & ACCOUNTING GUIDELINES

1. As far as possible, all money shall be deposited for safe-keeping in state or national banks or state or federal savings and loan association or may be invested as provided in Section 53635 of the government code.
2. Not more than 30 percent of the District funds shall be invested in any one single institution other than the following funds:

1. The State Local Agency Investment Fund.
2. The Sonoma County Pooled Investment Fund
3. All interest, including interest on the reserve for capital outlay, capital replacements, new connections, reserve for variation in water sales, and the general reserve, shall be credited to the appropriate funds.
4. Accounts shall be established and maintained in the District accounting records to record the surplus and inactive funds invested at all times in accordance with the State Controller's chart of accounts as authorized by Section 53891 of the Government Code.
5. Reserve fund account balances shall be maintained separately and shall reflect at all times the balance in each reserve fund in a manner consistent with generally accepted accounting practices.
6. Depositories having custody of the District funds shall be directed to forward copies of all correspondence concerning the District funds to the Valley of the Moon Water District, P.O. Box 280, El Verano, CA 95433.
7. Verification that moneys have been on deposit at all times and collateralized in amounts equal to or in excess of funds designated by the Board of Directors as reserve funds shall be made in the annual audit records.
8. The Board of Directors shall be delegated the authority and responsibility to invest or to reinvest funds of the Valley of the Moon Water District or to sell or exchange securities so purchased in accordance with Section 53607 of the Government Code.
9. The Board should, from time to time, determine which reserve funds are surplus and which are inactive.
10. No investments shall be made in financial futures or financial option contracts which are otherwise allowed pursuant to Section 53601.1 of the Government Code.

GUIDELINES BY TYPE OF INVESTMENT

Certificates of Deposit: Cash will be invested only in FDIC or FSLIC insured or fully collateralized certificates of deposit. Collateral for a given investment must be 110% of principle for government securities collateral and 150% of principal for first mortgage collateral. No more than \$100,000 of the District's portfolio shall be invested in any one institution. An institution must meet the following criteria to be considered by the District:

- The District will not invest in any institution less than four years old.
- The institution must maintain a net worth to asset ratio of at least 2.5%, and a positive earnings record.

- The bank or institution must be located in California.

State Local Agency Investment Fund: The investment with LAIF may not, by State regulations, exceed \$20 million.

Sonoma County Pooled Investment Fund: The investment with the County of Sonoma is subject to the County of Sonoma Investment Policy.

MATURITY OF INVESTMENT

With the exception of Treasury notes, the maturity of given investment will not exceed one year. Treasury notes may be purchased for a period not to exceed three years.

USE OF SECURITIES DEALERS AND BROKERS

All investments will be placed by or under the supervision of the Board of Directors, with appropriate financial advice, as necessary.

INVESTMENT REPORTS TO THE BOARD OF DIRECTORS

Each month, the General Manager shall furnish to the Board of Directors a detailed listing of investments, date of purchase, date of maturity, institution where investment was placed, and interest rate on investment, in accordance with Section 53646(b) of the Government Code.

VI

Enabling Documents

RESOLUTION NO. 110603

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY OF THE MOON WATER DISTRICT ADOPTING THE FISCAL YEAR 2011-12 OPERATIONS AND MAINTENANCE BUDGET AND THE ANNUAL STATEMENT OF INVESTMENT POLICY

WHEREAS, the Valley of the Moon Water District (District) is required to adopt a final operations and maintenance (O&M) budget and an annual statement of investment policy for the fiscal year 2011-12; and

WHEREAS, the Board of Directors of the District has conducted a public hearing and considered both a preliminary and a final operations and maintenance budget and an annual statement of investment policy for the fiscal year 2011-12.

NOW, THEREFORE, BE IT RESOLVED that the final operations and maintenance budget for fiscal year 2011-12 and the annual statement of investment policy, attached hereto and made a part hereof by reference, are hereby adopted.

THIS RESOLUTION PASSED AND ADOPTED THIS 7th DAY OF JUNE, 2011, by the following votes:

Director Bandur Aye

By *Alfonso M. Bandur*
President

Director Bramfitt Aye

By *Shari Walk*
Deputy Secretary

Director Kenny Aye

Director Prushko No

Director Townsend Aye

AYES 4 NOES 1 ABSENT 0 ABSTAIN 0

I HEREBY CERTIFY that the foregoing Resolution was duly adopted at a regular meeting of the board of Directors of Valley of the Moon Water District, held on the 7th day of June, 2011, of which meeting all Directors were duly notified and at which meeting a quorum was present at all times and acting.

By *Shari Walk*
Deputy Secretary

RESOLUTION NO. 110604

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY OF THE MOON WATER DISTRICT ADOPTING THE FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEARS 2011-12 THROUGH 2015-16 AND APPROVING FUNDS FOR FISCAL YEAR 2011-12 CAPITAL IMPROVEMENT PROGRAM BUDGET

WHEREAS, it is desirable for the Valley of the Moon Water District (District) to have a five-year capital improvement program (CIP) to provide policy and procedural guidance for planning and accomplishing improvements to the District's water system and capital equipments; and

WHEREAS, staff has prepared such a CIP for the fiscal years 2011-12 through 2015-16, and presented it to the Board of Directors, with recommendation to adopt the same.

NOW, THEREFORE, BE IT RESOLVED that the CIP for the fiscal years 2011-12 through 2015-16, attached hereto and made a part hereof by reference, is hereby adopted.

BE IT FURTHER RESOLVED THAT funding for fiscal year 2011-12 CIP budget is hereby approved.

THIS RESOLUTION PASSED AND ADOPTED THIS 7th DAY OF JUNE, 2011, by the following votes:

Director Bandur Aye

By Alfonso M. Bandur
President

Director Bramfitt Aye

Director Kenny Aye

By Shari Walk
Deputy Secretary

Director Prushko No

Director Townsend Aye

AYES 4 NOES 1 ABSENT 0 ABSTAIN 0

I HEREBY CERTIFY that the foregoing Resolution was duly adopted at a regular meeting of the board of Directors of Valley of the Moon Water District, held on the 7th day of June, 2011, of which meeting all Directors were duly notified and at which meeting a quorum was present at all times and acting.

By Shari Walk
Deputy Secretary

